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2 **UNITED STATES DISTRICT COURT**  
3 **EASTERN DISTRICT OF CALIFORNIA**  
4

5 **YELLOWCAKE, INC.,**

6 **Plaintiff**

7 **v.**

8 **HYPHY MUSIC, INC.,**

9 **Defendant**

**CASE NO. 1:20-CV-0988 AWI BAM**

**ORDER ON COUNTER-DEFENDANTS'  
MOTION TO DISMISS**

(Doc. No. 23)

10 \_\_\_\_\_  
11 **HYPHY MUSIC, INC.,**

12 **Count-Plaintiff**

13 **v.**

14 **YELLOWCAKE, INC., COLONIZE**  
15 **MEDIA, INC., JOSE DAVID**  
16 **HERNANDEZ, and JESUS CHAVEZ, SR.**

17 **Counter-Defendants**

18  
19 This is a copyright dispute involving seven musical albums by the artist Los Originales De  
20 San Juan. Counter-Plaintiff Hyphy Music, Inc. (“Hyphy”) brings claims against Counter-  
21 Defendants Yellowcake, Inc. (“Yellowcake”), Colonize Media, Inc. (“Colonize”), Jose Hernandez  
22 (“Hernandez”) (collectively “YCH”) and Jesus Chavez, Sr. (“Chavez”) for two copyright  
23 violations under the Copyright Act (17 U.S.C. § 100 et seq.) involving four of the albums and  
24 associated cover art of three of the albums, and state law claims for intentional interference with  
25 prospective economic advantage, intentional interference with contractual relations, unfair  
26 competition, conversion, and breach of contract. Currently before the Court is YCH’s Rule  
27 12(b)(6) motion to dismiss six of the seven counterclaims alleged against them. For the reasons  
28 that follow, Defendants’ motion will generally be granted.

**RULE 12(b)(6) FRAMEWORK**

1  
2 Under Federal Rule of Civil Procedure 12(b)(6), a claim may be dismissed because of the  
3 plaintiff's "failure to state a claim upon which relief can be granted." Fed. R. Civ. P. 12(b)(6).  
4 Counterclaims are subject to Rule 12(b)(6) challenges. See Seismic Reservoir 2020, Inc. v.  
5 Paulsson, 785 F.3d 330, 335 (9th Cir. 2015). A dismissal under Rule 12(b)(6) may be based on  
6 the lack of a cognizable legal theory or on the absence of sufficient facts alleged under a  
7 cognizable legal theory. Mollett v. Netflix, Inc., 795 F.3d 1062, 1065 (9th Cir. 2015). In  
8 reviewing a complaint under Rule 12(b)(6), all well-pleaded allegations of material fact are taken  
9 as true and construed in the light most favorable to the non-moving party. Kwan v. SanMedica,  
10 Int'l, 854 F.3d 1088, 1096 (9th Cir. 2017). However, complaints that offer no more than "labels  
11 and conclusions" or "a formulaic recitation of the elements of a cause of action will not do."  
12 Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009); Johnson v. Federal Home Loan Mortg. Corp., 793  
13 F.3d 1005, 1008 (9th Cir. 2015). The Court is "not required to accept as true allegations that  
14 contradict exhibits attached to the Complaint or matters properly subject to judicial notice, or  
15 allegations that are merely conclusory, unwarranted deductions of fact, or unreasonable  
16 inferences." Seven Arts Filmed Entm't, Ltd. v. Content Media Corp. PLC, 733 F.3d 1251, 1254  
17 (9th Cir. 2013). To avoid a Rule 12(b)(6) dismissal, "a complaint must contain sufficient factual  
18 matter, accepted as true, to state a claim to relief that is plausible on its face." Iqbal, 556 U.S. at  
19 678; Mollett, 795 F.3d at 1065. "A claim has facial plausibility when the plaintiff pleads factual  
20 content that allows the court to draw the reasonable inference that the defendant is liable for the  
21 misconduct alleged." Iqbal, 556 U.S. at 678; Somers v. Apple, Inc., 729 F.3d 953, 959 (9th Cir.  
22 2013). "Plausibility" means "more than a sheer possibility," but less than a probability, and facts  
23 that are "merely consistent" with liability fall short of "plausibility." Iqbal, 556 U.S. at 678;  
24 Somers, 729 F.3d at 960. The Ninth Circuit has distilled the following principles for Rule  
25 12(b)(6) motions: (1) to be entitled to the presumption of truth, allegations in a complaint or  
26 counterclaim may not simply recite the elements of a cause of action, but must contain sufficient  
27 allegations of underlying facts to give fair notice and to enable the opposing party to defend itself  
28 effectively; (2) the factual allegations that are taken as true must plausibly suggest entitlement to

1 relief, such that it is not unfair to require the opposing party to be subjected to the expense of  
2 discovery and continued litigation. Levitt v. Yelp! Inc., 765 F.3d 1123, 1135 (9th Cir. 2014). If a  
3 motion to dismiss is granted, “[the] district court should grant leave to amend even if no request to  
4 amend the pleading was made . . . .” Ebner v. Fresh, Inc., 838 F.3d 958, 962 (9th Cir. 2016).  
5 However, leave to amend need not be granted if amendment would be futile or the plaintiff has  
6 failed to cure deficiencies despite repeated opportunities. Garmon v. County of L.A., 828 F.3d  
7 837, 842 (9th Cir. 2016).

8  
9 **BACKGROUND**

10 Hyphy is a record label that is in the business of producing, manufacturing, distributing,  
11 exploiting, selling, and licensing sound and audiovisual recordings and associated artwork.  
12 Chavez is the founder and principal of the musical group Los Originales De San Juan, a popular  
13 Mexican musical group.

14 In February 2013, Hyphy entered into an oral exclusive recording agreement with Chavez  
15 whereby Hyphy commissioned Chavez, for a period of five (5) years, to exclusively provide  
16 services as a recording artist in the making of sound and audio-visual recordings embodied in  
17 albums. Pursuant to the agreement, Hyphy agreed to: (1) select the musical compositions to be  
18 recorded on the albums; (2) produce the musical performances on the albums; (3) direct the  
19 recording and filming of musical and audiovisual performances to be embodied on the albums;  
20 and (4) pay Chavez a fixed amount per album. Chavez agreed to follow Hyphy’s artistic direction,  
21 perform the recordings, and grant Hyphy the non-exclusive right to utilize Chavez’s likeness and  
22 his group’s name. Chavez also agreed that Hyphy would be the owner of all title, right, and  
23 interest in and to the tangible masters of the albums and all property rights in the musical  
24 performances embodied in the tangible masters (including the copyrights and any extensions and  
25 renewals of the copyrights) from the inception of the creation of each album. Hyphy performed  
26 the above services and contributed sufficient originality to the albums such that Hyphy at a  
27 minimum is a co-author, co-owner, or joint owner of the copyrights in the albums for purposes of  
28 the Copyright Act. Hyphy also produced, created, and designed the album cover art for the

1 albums. Apparently, Hyphy and Chavez created four albums (Corridos de Poca M, Desde La  
2 Cantina de Mi Barrio, El Campesino, and Nuestra Historia). See FAC Ex. B. Hyphy also  
3 registered copyrights in the content of the four albums and in the cover art of three albums  
4 (Corridos de Poca M, Desde la Cantina de Mi Barrio, and El Campesino). Hyphy alleges that it is  
5 the exclusive copyright owner of the four albums and the albums' cover art. See id.

6 In April 2019, Hernandez had a meeting with Chavez wherein Hernandez expressed his  
7 interest in exploiting the four Los Originales' albums. Chavez advised Hernandez that he had  
8 entered into a contract with Hyphy and that Hyphy was the owner of the four albums. Hernandez  
9 intentionally misled Chavez and wrongfully told Chavez that Hyphy had no rights in the four  
10 albums and that Chavez was free to sell to Hernandez's companies, Colonize and Yellowcake.  
11 Hernandez offered Chavez a significant sum of money purportedly to purchase the rights to the  
12 four albums and also promised to indemnify Chavez if Hyphy sought legal redress from Chavez.  
13 Hernandez engaged in this conduct individually and on behalf of Colonize and Yellowcake to  
14 disrupt the contractual relations between Hyphy and Chavez. Chavez purportedly entered into an  
15 agreement with Yellowcake. In exchange for money, Chavez wrongfully transferred his  
16 ownership rights in the four albums and cover art to Yellowcake, even though Chavez had no such  
17 rights to grant.

18 In May or June 2019, Hyphy discovered that Yellowcake and Colonize created or caused  
19 the creation of copies of the four Los Originales albums and cover art and was distributing, selling  
20 and exploiting these works through online platforms such as iTunes, Amazon Music, and  
21 YouTube. The only difference between the cover art created by Hyphy and the cover art being  
22 utilized by Yellowcake and Colonize was that Yellowcake and Colonize removed the Hyphy logos  
23 and replaced them with Yellowcake and Colonize's respective logos. This was done without  
24 Hyphy's authorization. Yellowcake sent correspondences to Hyphy in which Yellowcake was  
25 claiming ownership of the masters and sound recordings of the seven albums. However,  
26 Yellowcake and Colonize have no direct license from Hyphy to use or exploit the seven albums  
27 and cover art.

1 Yellowcake and Colonize sent fraudulent takedown notices to YouTube that falsely  
2 claimed that Hyphy had no right to post or upload the three albums and cover art. Prior to the  
3 takedown notices, Hyphy had received significant revenue from YouTube, and the YouTube  
4 uploads provided an important and lucrative marketing channel for the four albums and cover art.  
5 Now, YCH's uploads of the albums and cover art have generated substantial views and revenue on  
6 their YouTube channels. YCH's exploitation of the four albums is unlawful and a blatant  
7 violation of California law and federal copyright law.

8 On June 4, 2020, Yellowcake filed a copyright infringement claim against Hyphy. Hyphy  
9 procured registered copyrights for the four albums on the following dates: March 17, 2017 (El  
10 Campesino), May 9, 2018 (Desde La Cantina de Mi Barrio), April 13, 2020 (Corridos De Poca  
11 M), and August 2, 2020 (Nuestra Historia). See Defendants' Request for Judicial Notice ("RJN")  
12 (Doc. No. 29) Exs. 1, 2, 3, 4.<sup>1</sup> On August 19, 2020, Hyphy filed its counterclaim, and on August  
13 28, 2020, filed the active First Amended Counterclaim ("FAC").

14  
15 **COUNTER-DEFENDANTS' MOTION TO DISMISS**

16 **I. First Cause of Action – Copyright Infringement of Sound Recordings**

17 *Counter-Defendants' Arguments*

18 Yellowcake explains that in March 2019, it entered into an asset purchase agreement with  
19 Chavez whereby Yellowcake purchased the entirety of Chavez's ownership in the rights, title, and  
20 interest in the sound recordings that comprise the albums of Los Originales De San Juan.

21 Yellowcake then complied in all respects with the provisions of the Copyright Act by registering  
22 copyrights for each of the sound recordings. Yellowcake was issued a Certificate of Registration  
23 for each copyrighted sound recording.

24 Yellowcake argues that Hyphy's first copyright claim fails because Hyphy cannot establish

25 \_\_\_\_\_  
26 <sup>1</sup> The RJN requests that the Court to take judicial notice of copies of registration information from the U.S. Copyright  
27 Office's Online Catalog regarding the seven albums. See Doc. No. 29. The Court takes judicial notice of these  
28 governmental records. See Fed. R. Evid. 201; Basile v. Twentieth Century Fox Film Corp., 678 F. App'x 576, 577  
(9th Cir. 2017); Sybersound Records, Inc. v. UAV Corp., 517 F.3d 1137, 1146 (9th Cir. 2008); Yellowcake, Inc. v. Morena Music, Inc., 2021 U.S. Dist. LEXIS 39127, \*8 n.1 (E.D. Cal. Mar. 1, 2021); Kaseberg v. Conaco, LLC, 360 F.Supp.3d 1026, 1029 n.2 (S.D. Cal. 2018); Obodai v. YouTube LLC, 840 F.Supp.2d 714, 715 n.1 (S.D. N.Y. 2011).

1 that it has valid ownership of a copyright in the albums. Hyphy purports to make its ownership  
2 claim by alleging an oral agreement with Chavez. However, ownership of copyrights cannot be  
3 transferred by oral agreement. At best, all that could arise from the oral agreement was a non-  
4 exclusive license to use the albums/sound recordings. In the absence of a writing between Hyphy  
5 and Chavez, Chavez had the ability to transfer his ownership of the sound recordings to  
6 Yellowcake. Because Hyphy cannot rely on the oral agreement to establish exclusive rights in the  
7 four albums, the first cause of action for infringement and the third cause of action for associated  
8 injunctive relief should be dismissed.

9 Counter-Plaintiff's Opposition

10 Hyphy argues that, pursuant to Paragraph 17, the FAC alleges that Hyphy is a co-author of  
11 the four albums with Chavez. As a co-author, Hyphy has an equal undivided interest in the whole  
12 of the works with Chavez. This is the case regardless of whether the FAC in the alternative pleads  
13 that Hyphy was granted an oral license from Chavez. Therefore, YCH's arguments that Hyphy  
14 does not possess a valid copyright in the sound recordings and masters, or that any claim thereto is  
15 made only by way of an oral argument with Chavez, is misplaced. As a co-author, Hyphy may  
16 sue YCH for copyright infringement because Chavez never had the ability to grant the exclusive  
17 rights that YCH believed it had obtained.

18 Legal Standard

19 "The Copyright Act affords copyright owners the 'exclusive rights' to display, perform,  
20 reproduce, or distribute copies of a copyrighted work, to authorize others to do those things, and to  
21 prepare derivative works based upon the copyrighted work." Maloney v. T3Media, Inc., 853 F.3d  
22 1004, 1010 (9th Cir. 2017); see 17 U.S.C. § 106. Only the "legal or beneficial owner of an  
23 exclusive right under a copyright" has standing to sue for infringement of that right. Righthaven  
24 LLC v. Hoehn, 716 F.3d 1166, 1169 (9th Cir. 2013). Further, while one can own a copyright and  
25 have property rights in a work without a registration, the owner needs to register the copyright  
26 before he can sue for infringement. See 17 U.S.C. §§ 408(a), 411(a); Gold Value Int'l Textile, Inc.  
27 v. Sanctuary Clothing, Ltd. Liab. Co., 925 F.3d 1140, 1144 (9th Cir. 2019); Alaska Stock, LLC v.  
28 Houghton Mifflin Harcourt Publ'g Co., 747 F.3d 673, 678 (9th Cir. 2014). A claim for copyright

1 infringement has two basic elements: (1) ownership of a valid copyright, and (2) copying of  
2 constituent elements of the work that are original. Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., 499  
3 U.S. 340, 351 (1991); Great Minds v. Office Depot, Inc., 945 F.3d 1106, 1110 (9th Cir. 2019);  
4 Seven Arts, 733 F.3d at 1254. “To plead ownership, [a plaintiff] must plausibly allege it owns a  
5 valid copyright registration for its works.” Malibu Textiles, Inc. v. Label Lane Int’l, Inc., 922  
6 F.3d 946, 951 (9th Cir. 2019).

7 Discussion

8 Hyphy’s opposition focuses on allegations in Paragraph 17 to contend that it is a co-author  
9 and therefore a joint owner of the three albums. This is a reasonable reading of Paragraph 17.  
10 However, the FAC also alleges an agreement between Hyphy and Chavez for the intellectual  
11 property rights in the four albums. Further, documents from the Copyright Office indicate that  
12 Hyphy named itself as the author of the albums as an “employer” in a work for hire arrangement.  
13 Finally, although not mentioned in the opposition, Copyright Office documents for the El  
14 Campesino album identify Hyphy as the copyright claimant through a written transfer agreement.  
15 See RJN Ex. 4. Therefore, the opposition, the Counterclaim, and the judicially noticed documents  
16 indicate four potential theories of ownership by Hyphy. The Court will examine each theory  
17 separately.

18 1. Oral Transfer from Chavez to Hyphy

19 “Copyright owners may transfer ‘[a]ny exclusive rights comprised in a copyright,  
20 including any subdivision of any of the rights specified in [17 U.S.C. § 106],’ . . . so long as the  
21 transfer is evidenced by a signed writing.” Corbello v. Devito, 777 F.3d 1058, 1062 (9th Cir.  
22 2015) (citing 17 U.S.C. §§ 201(d)(2) and 204(a)); see also Jules Jordan Video, Inv. v. 144942  
23 Canada, Inc., 617 F.3d 1146, 1156 (9th Cir. 2010). Specifically, the Copyright Act provides that a  
24 “transfer of copyright ownership, other than by operation of law, is not valid unless an instrument  
25 of conveyance, or a note or memorandum of transfer, is in writing and signed by the owner of the  
26 rights conveyed or such owner’s duly authorized agent.” 17 U.S.C. § 204(a). “[S]ection 204 of  
27 the Copyright Act invalidates a purported transfer of ownership unless it is in writing.” Effects  
28 Assocs. v. Cohen, 908 F.2d 555, 556 (9th Cir. 1990); see Radio TV Espanola S.A. v. New World



1 Entm't Ltd., 183 F.3d 922, 926-27 (9th Cir. 1999); Konigsberg Int'l, Inc. v. Rice, 16 F.3d 355,  
2 356-57 (9th Cir. 1994).

3 a. Ability to Raise Compliance with § 204(a)

4 The general rule in the Ninth Circuit is that a third party may not raise noncompliance with  
5 17 U.S.C. § 204(a)'s writing requirement as a defense to a copyright transfer. DRK Photo, 870  
6 F.3d at 986. Section 204(a) is “designed to resolve disputes between owners and transferees and  
7 to protect copyright holders from persons mistakenly or fraudulently claiming oral licenses or  
8 copyright ownership.” Jules Jordan Video, 617 F.3d at 1157; see Billy-Bob Teeth, Inc. v.  
9 Novelty, Inc., 329 F.3d 586, 592 (7th Cir. 2003). In the absence of a dispute between the  
10 copyright owner and transferee, “it would be unusual and unwarranted to permit a third-party  
11 infringer to invoke § 204(a) to avoid suit for copyright infringement.” Jules Jordan Video, 617  
12 F.3d at 1157 (quoting Billy-Bob Teeth, 329 F.3d at 592). “Although a third party may not raise  
13 noncompliance with [§ 204(a)]’s writing requirement as a defense to a copyright transfer where  
14 the parties to the transfer do not dispute its existence, a third party is not foreclosed from  
15 challenging a plaintiff’s ownership for purposes of standing.” DRK Photo v. McGraw-Hill Global  
16 Educ. Holdings, LLC, 870 F.3d 978, 986 (9th Cir. 2017) (citing Jules Jordan Video, 617 F.3d at  
17 1157 and Righthaven, 716 F.3d at 1169). The copyright plaintiff bears the burden of establishing  
18 a qualifying ownership interest in the copyright both as a substantive element of the infringement  
19 claim and also as a necessary predicate for standing to bring the claim. DRK Photo, 870 F.3d at  
20 986. The absence of standing to bring a copyright infringement claim is a jurisdictional failure.  
21 Righthaven, 716 F.3d at 1172-73.

22 Here, no party has raised YCH’s ability to raise § 204(a) with respect to the oral agreement  
23 between Chavez and Hyphy. Despite this failure, the Court finds that YCH’s invocation of  
24 § 204(a) is appropriate. First, as *DRK Photo* expressly makes clear, YCH may invoke § 204(a) as  
25 a challenge to standing. Second, the express allegations in the FAC identify the only agreement  
26 between Hyphy and Chavez as an oral one. Thus, the express allegations by Hyphy plainly and  
27 clearly demonstrate a failure to meet § 204(a)’s requirements. Third, the Court does not find that  
28 the general rule against third parties raising § 204(a) applies in this situation. This is not a case in



1 which there is no dispute between the copyright holder and the transferee. Chavez is a named  
2 counter-defendant. The single claim alleged against Chavez by Hyphy is for breach of oral  
3 agreement based on Chavez’s transfer of his rights in the four albums to Yellowcake. Further, the  
4 fact that Chavez entered into a written agreement with YCH for the interest in the four albums  
5 indicates that Chavez believed that he had not transferred his ownership interests to Hyphy. This  
6 is contrary to Hyphy’s alleged position that it held all exclusive rights by virtue of its oral  
7 agreement with Chavez. Thus, the counterclaim against Chavez and the nature of Chavez’s  
8 actions towards the four albums clearly demonstrate a dispute between Chavez and Hyphy.  
9 Ultimately, the Court is faced with competing claims from two entities who claim ownership in  
10 copyrights through a common transferee and counter-defendant who transferred the copyrights  
11 twice. Under these circumstances, the Court finds that it is appropriate for YCH to raise the issue  
12 of compliance with § 204(a).

13           **b.     Effect of § 204(a)**

14           The Counterclaim affirmatively states that Hyphy and Chavez entered into oral recording  
15 agreements that included the transfer to Hyphy of all intellectual property rights that Chavez had  
16 in the four albums. See FAC ¶ 16. There are no allegations in the FAC that Hyphy and Chavez  
17 entered into any kind of written agreement whatsoever.

18           The absence of a written agreement is a key argument made in YCH’s motion, yet  
19 Hyphy’s opposition does not address the argument in terms of answering the writing requirement.  
20 That is, Hyphy does not argue that it has a written agreement with Chavez or that a written  
21 agreement is somehow unnecessary to effect a transfer of Chavez’s copyright interests. Instead,  
22 the opposition regarding the first cause of action mentions the oral agreement with Chavez one  
23 time, and only then in an attempt to recharacterize the agreement or the agreement’s effect.  
24 Specifically, after stating the legal proposition that a co-author shares an equal undivided interest  
25 in a copyrighted work, Hyphy states: “This is the case regardless of whether Hyphy also pleads in  
26 the alternative that it was granted an oral license to such rights.” Doc. No. 27 at 4:20-21.

27           It is noteworthy that the FAC never uses the term “license” or expressly alleges any claim  
28 or theory “in the alternative.” Nevertheless, accepting that the FAC is alleging that a license

1 exists, that does not aid Hyphy. A non-exclusive license may be granted orally or implied from  
2 conduct. Effects Assocs., 908 F.2d at 558. The granting of a non-exclusive license waives the  
3 right of the copyright owner to sue the licensee for copyright infringement. Graham v. Jones, 144  
4 F.3d 229, 236 (2d Cir. 1998). Critically, a “mere ‘non-exclusive license’ does not constitute a  
5 ‘transfer of copyright ownership’ and therefore cannot confer standing to assert [a copyright]  
6 infringement claim.” DRK Photo, 870 F.3d at 983; see Sybersound Records, Inc. v. UAV Corp.,  
7 517 F.3d 1137, 1146 (9th Cir. 2008). Therefore, even if the Court accepts Hyphy’s  
8 characterization of its agreement with Chavez, the license that would be created is non-exclusive  
9 only, the license could only serve as a defense to a claim by Chavez, and it would not form an  
10 ownership interest sufficient to confer standing under the first cause of action. The first cause of  
11 action is in no way furthered by the contention that the oral agreement created a license in the  
12 albums as between Chavez and Hyphy. Yellowcake, Inc. v. Morena Music, Inc., 2021 U.S. Dist.  
13 LEXIS 39127, \*16 (E.D. Cal. Mar. 1, 2021).

14 The absence of a written transfer agreement defeats both Hyphy’s standing to pursue, and  
15 substantive claim of, copyright infringement based on an oral transfer of ownership between  
16 Chavez and Hyphy. See 17 U.S.C. § 204(a); DRK Photo, 870 F.3d at 986; Righthaven, 716 F.3d  
17 at 1172; Radio TV Espanola, 183 F.3d at 926-27; Konigsberg, 16 F.3d at 356-57; Effects Assocs.,  
18 908 F.2d at 556-57. To the extent a non-exclusive license may be involved or pled in the FAC,  
19 that non-exclusive license does not give Hyphy standing to pursue a copyright infringement claim.  
20 DRK Photo, 870 F.3d at 983; Morena Music, 2021 U.S. Dist. LEXIS 39127 at \*17. Therefore, the  
21 first cause of action does not allege a valid or plausible ownership interest in the copyrights of the  
22 three albums based on an oral contractual transfer between Hyphy and Chavez. Morena Music,  
23 2021 U.S. Dist. LEXIS 39127 at \*17.

## 24 2. Joint Owner/Co-Author

25 A “joint work” is “a work prepared by two or more authors with the intention that their  
26 contributions be merged into inseparable or interdependent parts of a unitary whole.” 17 U.S.C. §  
27 101; Aalmuhammed v. Lee, 202 F.3d 1227, 1231 (9th Cir. 2000); Ashton-Tate Corp. v. Ross, 916  
28 F.2d 516, 520 (9th Cir. 1990). “The authors of a joint work are co-owners of the copyright in that

1 work.” 17 U.S.C. § 201(a); Richlin v. MGM Pictures, Inc., 531 F.3d 962, 968 (9th Cir. 2008);  
2 Ashton-Tate, 916 F.2d at 521. Each author must make an “independently copyrightable  
3 contribution,” which is a contribution that “represents original expression that could stand on its  
4 own as the subject matter of copyright.” Ashton-Tate, 916 F.2d at 521 (quoting P. Goldstein,  
5 *Copyright: Principles, Law and Practice*, § 4.2.1 p.379 (1989)); see also Richlin, 531 F.3d at 968.  
6 That is, “to be an author, one must supply more than mere direction or ideas; one must ‘translate  
7 an idea into a fixed tangible expression entitled to copyright protection.” S.O.S., Inc. v. Payday,  
8 Inc., 886 F.2d 1081, 1087 (9th Cir. 1989); Ashton-Tate, 916 F.2d at 521. Therefore, in the Ninth  
9 Circuit, a “joint work” has four elements: (1) a copyrightable work, (2) two or more authors, (3)  
10 the authors intend for their contributions to be merged into inseparable or interdependent parts of a  
11 unitary whole, and (4) each author made an independently copyrightable contribution to the work.  
12 Aalmuhammed, 202 F.3d at 1231. In determining whether individuals are co-authors of a joint  
13 work, a contract that defines relationship as one of co-authors is dispositive. See Richlin, 531  
14 F.3d at 968; Aalmuhammed, 202 F.3d at 1234. In the absence of a contract, courts consider  
15 whether: (1) a purported author “superintends” the work by exercising control; (2) the putative  
16 co-authors make objective manifestations of a shared intent to be co-authors; and (3) the audience  
17 appeal of the work turns on both contributions and the share of each in its success cannot be  
18 appraised. Aalmuhammed, 202 F.3d at 1234; see also Richlin, 531 F.3d at 968. The first factor,  
19 control, will often be the most important consideration. Richlin, 531 F.3d at 968; Aalmuhammed,  
20 202 F.3d at 1234. Additionally, because each co-author of a “joint work” has an independent right  
21 to use or license the copyright, a co-author cannot be liable to another co-author for infringement  
22 of copyright, but co-authors must account to other co-authors for any profits earned from licensing  
23 or using the copyright. See Ashton-Tate, 916 F.2d at 522; Oddo v. Ries, 743 F.3d 630, 632-33  
24 (9th Cir. 1984). Further, unless all co-authors of a “joint work” join in granting an exclusive  
25 license, a single co-author (acting on its own behalf) can grant only a non-exclusive license in the  
26 copyright work because one co-author cannot limit the other co-authors’ independent right to  
27 exploit the copyright. Sybersound, 517 F.3d at 1146. However, a co-owner of a copyright is free  
28 to transfer his ownership interest to another, as long as the transfer is only of the exclusive

1 copyright interests that the transferring co-owner himself possesses. Tresona Multimedia, LLC v.  
2 Burbank High Sch. Vocal Music Ass'n, 953 F.3d 638, 645 n.2 (9th Cir. 2020).

3 Here, YCH does not argue that the relevant allegations in the FAC (Paragraphs 16 and 17)  
4 do not plausibly allege that the albums are joint works and that Chavez and Hyphy are co-authors.  
5 Additionally, recent Ninth Circuit authority indicates some of the requirements for a joint  
6 ownership as co-authors can at least be plausibly inferred from the Counterclaim. In *Abs*  
7 *Entertainment*, the Ninth Circuit addressed the copyright claims of remastering engineers in  
8 remastered sound recordings. See *Abs Entm't v. CBS Corp.*, 908 F.3d 405, 410-11 (9th Cir.  
9 2018). As relevant here, the Ninth Circuit made a distinction between remastering engineers and  
10 recording engineers/record producers:

11 Nothing in this opinion should be construed to question or limit the creative  
12 contributions of the recording engineers and/or record producers responsible for the  
13 recording session that led to the initial fixation of the sound recording. The initial  
14 producer/engineer's role is often to work in collaboration with the performing  
15 artists to make many of the creative decisions that define the overall sound of the  
16 recording as fixed, including such things as microphone choice, microphone  
17 placement, setting sound levels, equipment used, processing filters employed, tapes  
18 selected, session structure, and other similar decisions analogous to the creative  
19 choices of photographers that courts have consistently held to be original. See  
20 *United States Copyright Office and Sound Recordings as Works Made for Hire:*  
*Hearing Before the Subcomm. on Courts and Intellectual Property of the H. Comm.*  
*on the Judiciary*, 106th Cong. 2nd Sess. (2000) (statement of Marybeth Peters,  
21 Register of Copyrights) (“The copyrightable elements in a sound recording will  
usually, though not always, involve ‘authorship’ both on the part of the performers  
whose performance is captured and on the part of the record producer responsible  
for setting up the recording session, capturing and electronically processing the  
sounds, and compiling and editing them to make the final sound recording.”); cf.  
*Burrow-Giles*, 111 U.S. at 60 (holding that photographs are copyrightable to the  
extent of the photographer's decisions with respect to costume, accessories, pose of  
subjects, light and shade and evoking the desired expression).

22 Id. at 423. Given *Abs Entm't's* observations regarding the contributions of record producers, and  
23 the absence of any substantive arguments against the relevant allegations of the FAC, for purposes  
24 of this motion, dismissal based on the absence of an ownership interest is inappropriate.

25 However, accepting the allegation of co-authorship, and thus joint ownership, of the four  
26 albums would appear to defeat Hyphy’s claim of copyright infringement. Morena Music, 2021  
27 U.S. Dist. LEXIS 39127 at \*21. Hyphy’s theory means that it was a co-owner of the copyrights in  
28 the albums with Chavez. See id. There is no dispute that Chavez entered into a written transfer

1 agreement with YCH. See Complaint at Ex. A; FAC ¶¶ 22, 23. Because it is clear that Hyphy  
2 was not a party to that transfer, Chavez could not transfer exclusive rights to YCH. See  
3 Sybersound, 517 F.3d at 1146. However, Chavez could transfer his ownership interest in the  
4 albums to YCH. See Tresona Multimedia, 953 F.3d at 645 n.2. Therefore, the agreement between  
5 Chavez and YCH could have transferred Chavez’s interests in the album to YCH. The ultimate  
6 result would be that Hyphy is now a joint owner of the copyrights in the albums with YCH. One  
7 joint owner of a copyright cannot sue another joint owner of a copyright for copyright  
8 infringement. See Ashton-Tate, 916 F.2d at 522; Oddo, 743 F.3d at 632-33. Given the current  
9 state of the briefing before the Court, Hyphy’s theory of co-authorship/joint ownership defeats its  
10 claim of copyright infringement because the other joint owner is Yellowcake. See id.; Morena  
11 Music, 2021 U.S. Dist. LEXIS 39127 at \*22.

12 3. Work for Hire

13 A work made for hire is defined as either:

- 14 (1) a work prepared by an employee within the scope of his or her employment; or  
15 (2) a work specially ordered or commissioned for use as a contribution to a  
16 collective work, as part of a motion picture or other audio visual work, as a  
17 translation, as a supplementary work, as a compilation, as an instructional text, as a  
18 test, as answer material for a test, or as an atlas, if the parties expressly agree in a  
written instrument signed by them that the works shall be considered a work made  
for hire.

17 U.S.C. 101; Hendricks & Lewis PLLC v. Clinton, 766 F.3d 991, 998 n.5 (9th Cir. 2014); Jules  
19 Jordan Video, 617 F.3d at 1156. With respect to the first definition, the terms “employee” and  
20 “scope of employment” are construed according to common law agency principles. Community  
21 for Creative Non-Violence v. Reid, 490 U.S. 730, 740-41 (1989); U.S. Auto Parts Network, Inc. v.  
22 Parts Geek, Ltd. Liab. Co., 692 F.3d 1009, 1015 (9th Cir. 2012); JustMed, Inc. v. Bryce, 600 F.3d  
23 1118, 1125 (9th Cir. 2010). The central question for determining whether a person is an  
24 “employee” is “the hiring party’s right to control the manner and means by which the product is  
25 accomplished.” Reid, 490 U.S. at 751; JustMed, 600 F.3d at 1125. Factors that a court should  
26 consider for determining “employee” status include: the skill required for that occupation, the  
27 source of the instrumentalities and tools, the location of the work, the duration of the relationship  
28

1 between the parties, whether the hiring party has the right to assign additional projects to the hired  
2 party, the extent of the hired party's discretion over when and how long to work, the method of  
3 payment, the hired party's role in hiring and paying assistants, whether the work is part of the  
4 regular business of the hiring party, whether the hiring party is in business, the provision of  
5 employee benefits, and the tax treatment of the hired party. Reid, 490 U.S. at 751-52; JustMed,  
6 600 F.3d at 1125. An employee's "scope of employment" is determined by examining three  
7 factors: (1) the work is of the kind the employee is employed to perform; (2) the work occurs  
8 substantially within the authorized time and space limits; and (3) it is actuated, at least in part, by a  
9 purpose to serve the employer. U.S. Auto Parts, 692 F.3d at 1015. With respect to the second  
10 definition, "[w]orks 'specially ordered or commissioned' can only be made after the execution of  
11 an express agreement between the parties." Gladwell Gov't Servs., Inc. v. County of Marin, 265  
12 F. App'x 624, 626 (9th Cir. 2008); Schiller & Schmidt, Inc. v. Nordisco Corp., 969 F.2d 410, 413  
13 (7th Cir. 1992); Sisyphus Touring, Inc. v. TMZ Prods., 208 F.Supp.3d 1105, 1111-12 (C.D. Cal.  
14 2016). No specific wording need be used in order for a writing to constitute a "work for hire"  
15 agreement." Warren v. Fox Family Worldwide, Inc., 328 F.3d 1136, 1141 (9th Cir. 2003).  
16 However, if there is no written instrument at all, then the work cannot be a commissioned or  
17 specially ordered "work for hire." Jules Jordan Video, 617 F.3d at 1155. If a work is made for  
18 hire, "the employer or other person for whom the work was prepared is considered the author" and  
19 owns the copyright "unless the parties have expressly agreed otherwise in a written instrument  
20 signed by them." 17 U.S.C. § 201(b); see U.S. Auto Parts, 692 F.3d at 1015.

21 As indicated above, there are only two ways that a work can be deemed a "work for hire."  
22 17 U.S.C. § 101. The FAC's allegations are insufficient to demonstrate either method.

23 First, there are no allegations that a written agreement exists between Chavez and Hyphy  
24 that states that the albums are commissioned works that are to be considered works for hire. In  
25 fact, the FAC alleges that the agreement with Chavez was oral. See Counterclaim ¶ 16. As a  
26 result of this allegation, the albums categorically cannot be specially ordered or commissioned  
27 works for hire under § 101(2). Jules Jordan Video, 617 F.3d at 1155; Morena Music, 2021 U.S.  
28 Dist. LEXIS 39127 at \*24.

1  
2 Second, with respect to “employee” status, Paragraph 16 of the Counterclaim describes the  
3 relationship with Chavez. Some aspects of Paragraph 16 may be supportive of “employee” status  
4 under *Reid*, e.g. providing sound engineers and audio/visual directors, while others do not, e.g.  
5 Chavez was paid a fixed rate per album for the albums. Cf. FAC ¶ 16 with *Reid*, 490 U.S. at 751-  
6 53. However, neither Paragraph 16 nor the remainder of the FAC address all of the *Reid* factors.  
7 Further, unlike the express allegation that Hyphy did enough to be considered a co-author, or the  
8 express allegation that Chavez granted Hyphy all rights in the three albums, there are no express  
9 allegations that Chavez was an employee of Hyphy. Given who Chavez is (the founder and  
10 musical principal of Los Originales De San Juan), and the limited allegations made in the FAC,  
11 the Court finds it more plausible that Chavez is an independent contractor, particularly in the  
12 absence of an express allegation that Chavez was an employee of Hyphy. In the absence of an  
13 actual allegation that Chavez was an employee of Hyphy, supported by sufficient factual  
14 allegations that indicate employee status, there is not a sufficiently plausible indication that  
15 Chavez was an employee of Hyphy who was acting int the scope of his employment for Hyphy.  
16 See Morena Music, 2021 U.S. Dist. LEXIS 39127 at \*26.

17 4. Written Agreement

18 As indicated above, the copyright registration for the album/sound recording El Campesino  
19 identifies the “Copyright Claimant” as “Hyphy Music, Inc., Transfer: By written agreement.”  
20 RJN Ex. 4. Thus, a judicially noticed document suggests that a written agreement for a transfer of  
21 the interest in El Campesino exists. Such an agreement would fatally undercut the basis for  
22 YCH’s argument that no valid transfer or ownership interest exists. However, the Court finds it  
23 troubling that the written agreement was not alleged to exist in the original Counterclaim, the now  
24 operative FAC, or even the opposition to this motion to dismiss. Instead, each of these documents  
25 identify the existence of an oral agreement only. Considering the importance a written agreement  
26 would have to Hyphy’s claims and its defense of those claims, the failure of Hyphy to allege or  
27 describe in any fashion a written agreement, and the FAC’s clear factual allegation of only an oral  
28 agreement, the Court cannot conclude that a written transfer agreement exists.



1           5.     Conclusion

2           The Counterclaim does not plausibly allege a valid transfer between Chavez and Hyphy,  
3 nor does the Counterclaim plausibly allege that the four albums were works for hire. Accepting  
4 that there are sufficient plausible allegations that indicate co-authorship between Hyphy and  
5 Chavez, the allegations in the FAC and the Complaint indicate that Chavez transferred at least his  
6 ownership interests in the albums to YCH. As a co-owner, Hyphy cannot sue YCH for copyright  
7 infringement. Since no plausible infringement claim is stated, dismissal is appropriate. See  
8 Morena Music, 2021 U.S. Dist. LEXIS 39127 at \*26.

9  
10 **II.     Third Cause of Action – Injunctive Relief under the Copyright Act**

11           The Copyright Act provides that a court “may . . . grant temporary and final injunctions on  
12 such terms as it may deem reasonable to prevent or restrain infringement of a copyright.” 17  
13 U.S.C. § 501(a); Flexible Lifeline sys. v. Precision Lift, Inc., 654 F.3d 989, 994 (9th Cir. 2011).  
14 The plain language of § 501(a) presupposes either a plausibly pled or an adequately proven  
15 copyright infringement claim. This is consistent with the nature of an injunctive relief, which is  
16 not a standalone cause of action but a remedy that must be supported by a viable substantive cause  
17 of action. Morena Music, 2021 U.S. Dist. LEXIS 39127 at \*26-\*27; TYR Sport Inc. v. Warnaco  
18 Swimwear, Inc., 679 F.Supp.2d 1120, 1141 n.13 (C.D. Cal. 2009). Dismissal of the claim for  
19 injunctive relief as a distinct cause of action is appropriate, but Hyphy is free to request injunctive  
20 relief under § 501(a) in the prayer or as part of the allegations under an infringement cause of  
21 action. Morena Music, 2021 U.S. Dist. LEXIS 39127 at \*26-\*27.

22  
23 **III.    Fourth, Fifth & Sixth Causes of Action –Intentional Interference with Prospective**  
24 **Business Advantage, Intentional Interference with Contractual Relations, UCL, &**  
25 **Conversion**

26           Counter-Defendants’ Arguments

27           YCH argues that the state law claims fail because they are preempted by the Copyright Act  
28 and fail to satisfy the California statute of frauds requirement. With respect to preemption, the

1 state law claims are preempted by the Copyright Act because they are equivalent to the rights  
2 protected by the Copyright Act and the albums fall within the subject matter of the Copyright Act.  
3 Each cause of action depends on a valid transfer of a copyright interest from Chavez to Hyphy.

4 Counter-Plaintiff's Opposition

5 With respect to preemption, Hyphy argues that the Copyright Act does not preempt any of  
6 the state law claims. Each claim is at least partly based on YCH's wrongdoing affecting Hyphy's  
7 right to own and possess the tangible masters. Copyright law protects intangible sound recordings  
8 but does not protect the material object in which the work is embodied. The tangible embodiment  
9 of intangible rights, like the tangible masters here, are qualitatively different than what is protected  
10 by the Copyright Act. YCH cites no case in which the Copyright Act preempts a claim based on  
11 property rights in tangible embodiments like the masters. Therefore, there is no preemption.

12 With respect to the statute of frauds, full performance of the contract is an exception to the  
13 writing requirement. Hyphy argues that it has fully performed under the terms of the oral  
14 agreement. Therefore, the California statute of frauds requirement has been met. Additionally,  
15 YCH's reliance on 17 U.S.C. § 204(a)'s requirement for a writing is misplaced because that  
16 section only involves transfers of a copyright. That section can have no application to the masters,  
17 which are tangible property and not copyrights. Finally, Hyphy argues that each state law claim  
18 incorporates by reference allegations regarding its co-authorship of the albums. Thus, contrary to  
19 YCH's arguments, not one counterclaim relies solely on Hyphy being able to establish ownership  
20 of the copyrights at issue through a written contract.

21 Discussion

22 YCH's arguments against the state law counterclaims are primarily based on either  
23 Copyright Act preemption or state law statute of frauds.

24 1. California Statute of Frauds

25 YCH invokes Cal. Civ. Code § 1624(a)(1), which applies to agreements that by their terms  
26 are not to be performed within one year of making the agreement. See Cal. Civ. Code §  
27 1624(a)(1); Zakk v. Diesel, 33 Cal.App.5th 431, 449 (2019). However, even if a contract cannot  
28 be completely performed within one year of execution, if the contract has been fully performed by

1 one party, the remaining promise is taken out of the statute of frauds and may be enforced by the  
2 performing party. See Dutton v. Interstate Investment Corp., 19 Cal.2d 65, (1941); Dougherty v.  
3 California Kettleman Oil Royalties, 9 Cal.2d 58, 81 (1937); Zakk, 33 Cal.App.5th 449-54; Secrest  
4 v. Security Nat'l Morg. Loan Trust 2002-2, 167 Cal.App.4th 544, 556 (2008).

5 Here, the allegations in the Counterclaim generally describe the 2013 oral agreement with  
6 Chavez as being one for the completion of musical albums over a period of five years in exchange  
7 for a fixed monetary amount per album. See Counterclaim ¶¶ 16, 17. There are no allegations  
8 that indicate that Chavez has additional contractual promises to perform. While there are no  
9 allegations that address the statute of frauds expressly, that is hardly surprising as the statute of  
10 frauds is an affirmative defense. See Fed. R. Civ. P. 8(c)(1); Corbin v. Time Warner Entm't-  
11 Advance/Newhouse P'ship, 821 F.3d 1069, 1079-80 (9th Cir. 2016); Walton v. City of Red Bluff,  
12 2 Cal.App.4th 117, 131 (1991). Further, YCH does not address in its reply Hyphy's "full  
13 performance" argument. In the absence of any response from YCH, and because the applicability  
14 of the statute of frauds is not apparent from the face of the counterclaims, dismissal of any state  
15 law claim based on the potential application of the statute of frauds is inappropriate. See  
16 McCalden v. California Library Ass'n, 955 F.2d 1214, 1219 (9th Cir. 1990) (holding that a  
17 complaint may be dismissed on the basis of an affirmative defense if the defense clearly appears  
18 by the face of the complaint); Morena Music, 2021 U.S. Dist. LEXIS 39127 at \*30; Williams v.  
19 Alhambra Sch. Dist. No. 68, 234 F.Supp.3d 971, 985 (D. Ariz. 2017) (declining to dismiss a claim  
20 where the allegations did not clearly demonstrate the applicability of the statute of frauds).

## 21 2. Copyright Act Preemption

22 All state laws that are "equivalent to any of the exclusive rights within the general scope of  
23 copyright as specified by [§ 106] in works of authorship that are fixed in a tangible medium of  
24 expression and come within the subject matter of copyright as specified in [§ 102 and § 103] . . .  
25 are governed exclusively by [the Copyright Act]." 17 U.S.C. § 301(a); see also Maloney v. T3  
26 Media, Inc., 853 F.3d 1004, 1010 (9th Cir. 2017); Sybersound, 517 F.3d at 1150. A two part test  
27 is used to determine whether a state law claim is preempted by § 301(a). Maloney, 853 F.3d at  
28 1010; Sybersound, 517 F.3d at 1150. First, whether the subject matter of the state law claim falls

1 within the subject matter of copyright as described in 17 U.S.C. §§ 102 and 103. Maloney, 853  
2 F.3d at 1010; Sybersound, 517 F.3d at 1150. Second, assuming that it does, whether the rights  
3 asserted under the state law are equivalent to the rights contained in 17 U.S.C. § 106, which  
4 identifies the exclusive rights of copyright holders. Maloney, 853 F.3d at 1010; Sybersound, 517  
5 F.3d at 1150. Under the second prong, courts determine whether the state law claim contains an  
6 element not shared by a copyright claim; “an element which changes the nature of the action so  
7 that it is qualitatively different from the [copyright claim].” Summit Mach. Tool Manufacturing  
8 Corp. v. Victor CNC Sys., 7 F.3d 1434, 1439-40 (9th Cir. 1993) (quotation omitted); see Laws v.  
9 Sony Music Entm’t, Inc., 448 F.3d 1134, 1143 (9th Cir. 2006); Altera Corp. v. Clear Logic, Inc.,  
10 424 F.3d 1079, 1089 (9th 2005). In essence, courts should “engage in a fact-specific inquiry into  
11 the actual allegations underlying the claims at issue in the case, so as to determine whether the  
12 ‘gravamen’ of the state law claim asserted is the same as the rights protected by the Copyright  
13 Act.” Crafty Prods. v. Michaels Cos., 424 F.Supp.3d 983, 995 (S.D. Cal. 2019); Idema v.  
14 Dreamworks, Inc., 162 F.Supp.2d 1129, 1190 (C.D. Cal. 2001).

15 a. Intentional Interference with Prospective Economic Advantage (“IIPEA”)

16 The elements of an IIPEA claim are: (1) the existence, between the plaintiff and some  
17 third party, of an economic relationship that contains the probability of future economic benefit to  
18 the plaintiff; (2) the defendant's knowledge of the relationship; (3) intentionally wrongful acts  
19 designed to disrupt the relationship; (4) actual disruption of the relationship; and (5) economic  
20 harm proximately caused by the defendant's action. Roy Allan Slurry Seal, Inc. v. Am. Asphalt S.,  
21 Inc., 2 Cal. 5th 505, 512 (2017). The third element, a wrongful act, refers to an unlawful act that  
22 is proscribed by a constitutional, statutory, regulatory, common law, or other determinable  
23 standard such that it is independently wrongful of its interfering character. Edwards v. Arthur  
24 Anderson LLP, 44 Cal.4th 937, 944 (2008). IIPEA claims are more inclusive than intentional  
25 interference with contractual relations claims and do not require the existence of a valid contract.  
26 Korea Supply Co. v. Lockheed Martin Corp., 29 Cal.4th 1134, 1159 (2003).

27 The Counterclaim alleges that Hyphy was in an economic relationship with YouTube that  
28 would have resulted in economic benefit through uploading and commercially exploiting the

1 albums and cover art (advertisements would be placed in the videos which would generate  
2 revenue). See Counterclaim ¶ 56. Yellowcake and Colonize knew about Hyphy’s economic  
3 relationship with YouTube and intended to disrupt it. Yellowcake and Colonize sent fraudulent  
4 DMCA takedown notices<sup>2</sup> to YouTube, knowing that the notices would likely interfere with the  
5 economic relationship between Hyphy and YouTube. See id. at ¶ 57. The relationship was  
6 disrupted as YouTube agreed to clock Hyphy’s video postings and to cease paying advertising  
7 revenues to Hyphy for the videos embodying the albums and cover art. See id. at ¶ 58. This  
8 disruption caused economic loss and harm to Hyphy. See id.

9 First, the albums are sound recordings and thus, are entitled to copyright protection. See  
10 17 U.S.C. § 102(a)(7); Morena Music, 2021 U.S. Dist. LEXIS 39127 at \*33. Further, the albums’  
11 respective cover art appears to be the subject of registered copyrights as visual material. See FAC  
12 Ex. B (listing Copyright registrations numbers); cf. Morena Music, 2021 U.S. Dist. LEXIS 39127  
13 at \*33 (finding cover art for sound recording was the subject of a registered copyright).<sup>3</sup> The  
14 registration indicates that the cover art is “artwork and photograph for digital sound recordings.”  
15 The Copyright Office permits registration of cover art as an associated image of sound recordings.  
16 EMI Christian Music Grp., Inc. v. MP3tunes, LLC, 844 F.3d 79, 96-97 (2d Cir. 2016); Morena  
17 Music, 2021 U.S. Dist. LEXIS 39127 at \*33 (citing EMI Christian). Therefore, the cover art is  
18 also subject to copyright protection.

19 Second, the IIPEA claim is based on Yellowcake and Colonize utilizing § 512 of the  
20 DMCA/Copyright Act to enforce what they believe to be their exclusive rights in the albums and  
21 cover art. This led to YouTube prohibiting Hyphy from using YouTube’s platform in connection  
22 with videos involving the albums and cover art. In other words, Yellowcake and Colonize  
23

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24 <sup>2</sup> “DMCA” refers to the Digital Millennium Copyright Act, and the takedown procedures of the DMCA are found at  
25 17 U.S.C. § 512(c). See Vernor v. Autodesk, Inc., 621 F.3d 1102, 1105 & n.3 (9th Cir. 2010).

26 <sup>3</sup> The FAC lists the copyrights in the cover art for three albums that are at issue. See FAC Ex. B. However, the Court  
27 was unable to locate these registrations on the Copyright Office website. In the absence of any challenges by YCH,  
28 the Court will assume that Hyphy has simply made typographical errors while attempting to convey the cover art  
registration numbers. Nevertheless, Hyphy is expected to review the registration information provided and make  
appropriate corrections in any amended counterclaims. If Hyphy has no registrations in the cover art, then Hyphy  
must correct the FAC by dropping all allegations of registered cover art. Pursuing infringement claims based on non-  
existent registrations (as opposed to incorrectly entered existing registration numbers) is sanctionable.

1 interfered with Hyphy’s ability to exploit the albums by reproducing, distributing, displaying,  
2 and/or performing the albums through YouTube. Hyphy’s allegations call into question who has  
3 the ability to decide whether and how to display, copy, or make available the albums. This is  
4 conduct within the ambit of § 106. See 17 U.S.C. § 106; Morena Music, 2021 U.S. Dist. LEXIS  
5 39127 at \*34; McGowan, 2020 U.S. Dist. LEXIS 229408 at \*39-\*40; Hoff, 2019 U.S. Dist.  
6 LEXIS 140343 at \*17-\*18; Worth, 5 F.Supp.2d at 822-23.

7 Hyphy argues that its IIPEA claim is qualitatively different because it includes allegations  
8 that Yellowcake and Colonize interfered with Hyphy’s right to possess and exploit the tangible  
9 masters of the albums. The Court agrees with Hyphy that claims based on the tangible masters of  
10 the sound recordings, as opposed to the copyrighted albums, would be qualitatively different from  
11 a copyright infringement claim. However, the allegations under the IIPEA claim do not  
12 reasonably indicate that the tangible masters have any relevance.

13 It is unknown how the tangible masters could have been affected by the § 512 takedown  
14 notices and YouTube’s corresponding decision to not permit Hyphy to post *videos* on YouTube.  
15 To the Court’s understanding, the tangible masters are not videos, they are sound/audio  
16 recordings. If anything, the videos being posted on YouTube would appear to be some form of  
17 copy of the masters, not the tangible masters themselves. Without additional allegations, it is  
18 unreasonable to infer that the tangible masters form the basis of any IIPEA claim as alleged in the  
19 Counterclaim. See Seven Arts, 733 F.3d at 1254; Morena Music, 2021 U.S. Dist. LEXIS 39127 at  
20 \*35.

21 In sum, because Hyphy’s IIPEA claim as pled is preempted by the Copyright Act,  
22 dismissal is appropriate. See Morena Music, 2021 U.S. Dist. LEXIS 39127 at \*35; Crafty Prods.,  
23 424 F.Supp.3d at 995-96; Idema, 162 F.Supp.2d at 1193.

24 **b. Intentional Interference with Contractual Relations (“IICR”)**

25 The elements of a cause of action for IICR are: (1) a valid contract between the plaintiff  
26 and a third party; (2) the defendant’s knowledge of that contract; (3) the defendant’s intentional  
27 acts designed to induce a breach or disruption of the contractual relationship; (4) actual breach or  
28 disruption of the contractual relationship; and (5) resulting damage. Quelimane Co. v. Stewart

1 Title Guaranty Co., 19 Cal.4th 26, 55 (1998); Ghazarian v. Magellan Health, Inc., 53 Cal.App.5th  
2 171, 191 (2020). “To state a claim for disruption of a contractual relation, the plaintiff need not  
3 show the defendant induced an actual or inevitable breach of the contract. It is sufficient to show  
4 the defendant's conduct made the plaintiff's performance, and inferentially enjoyment, under the  
5 contract more burdensome or costly.” Ghazarian, 53 Cal.App.5th at 191 (quoting Golden West  
6 Baseball Co. v. City of Anaheim, 25 Cal.App.4th 11, 51 (1994)).

7 The Counterclaim alleges that Hernandez met with Chavez and expressed interest in  
8 exploiting the albums. See Counterclaim ¶ 62. Although Chavez advised Hernandez that Hyphy  
9 owned the albums, Hernandez intentionally misled Chavez by telling Chavez that Hyphy had no  
10 rights in the albums. See id. at ¶ 63. Hernandez offered to Chavez significant money for  
11 Chavez's rights in the albums and further induced Chavez to ignore his contractual obligations  
12 through an offer to indemnify Chavez in the event Hyphy brought suit. See id. As a result,  
13 Chavez entered into an agreement with Yellowcake for the transfer of his ownership and rights in  
14 the albums and cover art even though Chavez had no such rights to grant. See id. at ¶ 64. This  
15 interference with Hyphy's agreement with Chavez caused Hyphy harm. See id. at ¶ 65.

16 (1) Preemption

17 First, the albums and cover art are protected by the copyrights. See 17 U.S.C. § 102(a);  
18 EMI Christian Music, 844 F.3d at 96-97; Morena Music, 2021 U.S. Dist. LEXIS 39127 at \*37;  
19 FAC Ex. B.

20 Second, the allegations in essence complain that YCH induced Chavez to sell rights in the  
21 albums that he did not have, presumably because Chavez had already transferred all of his rights  
22 to Hyphy. See Counterclaim ¶¶ 16, 17, 62, 63, 64. In other words, the contract that was allegedly  
23 breached involved the ownership of the albums and cover art. These allegations do not identify or  
24 involve any of the rights listed in § 106. Section 106 of the Copyright Act grants exclusive rights  
25 to a copyright holder to reproduce, prepare derivative works, distribute, perform, and display the  
26 copyrighted work. See 17 U.S.C. § 106; Maloney, 853 F.3d at 1010; Morena Music, 2021 U.S.  
27 Dist. LEXIS 39127 at \*37. Because Hyphy's IICR claim is qualitatively different from a  
28 copyright infringement claim because none of the rights listed in § 106 are the subject of the IICR



1 claim. Dismissal of this claim on the basis of preemption is inappropriate. See Morena Music,  
2 2021 U.S. Dist. LEXIS 39127 at \*37.

3 (2) Pleading Deficiency<sup>4</sup>

4 “Section 204(a) not only bars copyright infringement actions but also breach of contract  
5 claims based on oral agreements.” Valente-Kritzer Video v. Pinckney, 881 F.2d 772, 774 (9th Cir.  
6 1989); Morena Music, 2021 U.S. Dist. LEXIS 39127 at \*39; Johnson v. Altamirano, 418  
7 F.Supp.3d 530, 556 (S.D. Cal. 2019). Here, Hyphy’s IICR claim is based on YCH inducing  
8 Chavez to transfer his copyright interests to YCH, even though those transfers were the subject of  
9 an oral agreement between Chavez and Hyphy. Therefore, in order for YCH’s conduct in  
10 inducing the transfer of copyrights from Chavez to YCH to be wrongful, a valid contract between  
11 Hyphy and Chavez for the transfer of those copyrights is an essential element of Hyphy’s IICR  
12 claim. See Morena Music, 2021 U.S. Dist. LEXIS 39127 at \*39; Johnson, 418 F.Supp.3d at 555-  
13 56; Quelimane, 19 Cal.4th at 55. However, as explained above, § 204(a) operates to invalidate the  
14 oral contract between Hyphy and Chavez to the extent that the oral contract included the transfer  
15 of copyright ownership in the albums.<sup>5</sup> See Valente-Kritzer Video, 881 F.2d at 774; Morena  
16 Music, 2021 U.S. Dist. LEXIS 39127 at \*39; Johnson, 418 F.Supp.3d at 556. That is, through  
17 operation of § 204(a), there is no valid contract between Chavez and Hyphy for the transfer of  
18 Chavez’s copyright interests in the albums. See Morena Music, 2021 U.S. Dist. LEXIS 39127 at  
19 \*39; Johnson, 418 F.Supp.3d at 555-56. Therefore, any IICR claim based on the purported  
20 transfer of Chavez’s ownership of the copyrights in the four albums fails because Hyphy cannot  
21 establish the first essential element of an IICR claim. See id.; Bed, Bath & Beyond of La Jolla,  
22 Inc. v. La Jolla Village Square Venture Partners, 52 Cal.App.4th 867, 879 (1997); A-Mark Coin  
23 Co. v. General Mills, Inc., 148 Cal.App.3d 312, 322 (1983). Dismissal of the IICR claim is

24 \_\_\_\_\_  
25 <sup>4</sup> YCH’s motion did not argue that the IICR cause of action was not plausibly pled. However, the pleading deficiency  
26 identified in this section necessarily follows from the Court’s analysis of the first cause of action. Because a failure to  
27 state a claim can be raised even at trial, see Fed. R. Civ. P. 12(h)(2), and because the deficiency is fatal to part of the  
28 IICR cause of action, the Court addresses the matter *sua sponte* at this time. See Omar v. Sea Land Service, Inc., 813  
F.2d 986, 991 (9th Cir. 1987).

<sup>5</sup> YCH did not move to dismiss the second cause of action for copyright infringement based on the three albums’  
cover art. Therefore, the analysis in this section and ultimate dismissal does not apply to issues surrounding the cover  
art.

1 appropriate to the extent that the claim is based on ownership interests or the transfer thereof in the  
2 four albums. See Valente-Kritzer Video, 881 F.2d at 774; Morena Music, 2021 U.S. Dist. LEXIS  
3 39127 at \*40; Johnson, 418 F.Supp.3d at 556; Bed, Bath & Beyond, 52 Cal.App.4th at 879; A-  
4 Mark Coin Co., 148 Cal.App.3d at 322.

5 c. UCL

6 The UCL broadly proscribes the use of any “unlawful, unfair or fraudulent business act or  
7 practice.” Cal. Bus. & Prof. Code. § 17200; Beaver v. Tarsadia Hotels, 816 F.3d 1170, 1177 (9th  
8 Cir. 2016). “The UCL operates as a three-pronged statute: ‘Each of these three adjectives  
9 [unlawful, unfair, or fraudulent] captures a ‘separate and distinct theory of liability.’” Beaver, 816  
10 F.3d at 1177 (citation omitted). The UCL’s “unlawful” prong “borrows violations of other laws . .  
11 . and makes those unlawful practices actionable under the UCL,” and “virtually any law or  
12 regulation — federal or state, statutory or common law — can serve as a predicate . . . .”  
13 Candelore v. Tinder, Inc., 19 Cal.App.5th 1138, 1155 (2018). When the underlying legal claim  
14 that supports a UCL cause fails, however, “so too will the [the] derivative UCL claim.” AMN  
15 Healthcare, Inc. v. Aya Healthcare Services, Inc., 28 Cal.App.5th 923, 950 (2018). “A business  
16 practice is ‘fraudulent’ under the UCL if members of the public are likely to be deceived.” Davis  
17 v. HSBC Bank, 691 F.3d 1152, 1169 (9th Cir. 2012); Puentes v. Wells Fargo Home Morg., Inc.,  
18 160 Cal.App.4th 638, 645 (2008). Unless a particular disadvantaged or vulnerable group is  
19 targeted, whether conduct is “fraudulent” is judged by the effect the conduct would have on a  
20 reasonable consumer. Puentes, 160 Cal.App.4th at 645. Finally, California law with respect to  
21 “unfair” conduct is currently “in flux.” Hodsdon v. Mars, Inc., 891 F.3d 857, 866 (9th Cir. 2018).  
22 Conduct is “unfair” either when it “threatens an incipient violation of an antitrust law, or violates  
23 the policy or spirit of one of those laws because its effects are comparable to or the same as a  
24 violation of the law, or otherwise significantly threatens or harms competition,” or when it  
25 ‘offends an established public policy or when the practice is immoral, unethical, oppressive,  
26 unscrupulous or substantially injurious to consumers.’ Id.

27 The Counterclaim alleges that Yellowcake and Colonize are reproducing and performing,  
28 or benefitting financially from, aiding, encouraging, enabling, inducing causing, materially

1 contributing to, or otherwise facilitating the reproduction and performance of Hyphy’s statutory  
2 and common law rights in the albums and cover art and have engaged in common law  
3 misappropriation. See Counterclaim ¶ 68. Hernandez also induced Chavez to breach his  
4 agreement with Hyphy in order to obtain rights which Chavez had no right to give. See id. The  
5 Counterclaim alleges that this conduct is unfair and constitutes unfair, unlawful, or deceptive  
6 practices under Cal. Bus. & Prof. Code § 17200. See id. at ¶ 68.

7 (1) Yellowcake and Colonize

8 First, as discussed above, the albums and cover art are protected by the copyright act. See  
9 17 U.S.C. § 102; Morena Music, 2021 U.S. Dist. LEXIS 39127 at \*41; EMI Christian Music, 844  
10 F.3d at 96-97.

11 Second, the conduct alleged in Paragraph 68 involves reproducing and performing the  
12 albums and cover art and engaging in common law misappropriation. Reproducing and  
13 performing are actions that are expressly listed as exclusive rights in § 106. See 17 U.S.C. § 106;  
14 Maloney, 853 F.3d at 1010.

15 Common law misappropriation is covered under the umbrella of unfair competition and is  
16 “normally invoked in an effort to protect something of value not otherwise covered by patent or  
17 copyright law, trade secret law, breach of confidential relationship, or some other form of unfair  
18 competition.” City Solutions, Inc. v. Clear Channel Communications, 365 F.3d 835, 842 (9th Cir.  
19 2004). The elements of a California common law misappropriation claim are: (1) the plaintiff  
20 made a substantial investment of time, effort and money into creating the thing misappropriated  
21 such that the court can characterize that “thing” as a kind of property right; (2) the defendant  
22 appropriated the “thing” at little or no cost, such that the court can characterize defendant’s actions  
23 as “reaping where it has not sown;” and (3) the defendant injured plaintiff by the misappropriation.  
24 Hollywood Screentest of Am., Inc. v. NBC Universal, Inc., 151 Cal. App. 4th 631, 650 (2007).  
25 The only “things” that are identified as “misappropriated” are the albums and cover art, see  
26 Counterclaim ¶ 68, both of which are protected by the Copyright Act. Further, the only alleged  
27 conduct that could readily be considered appropriation are the acts of reproducing, displaying, and  
28 performing, all of which are exclusive rights that belong to a copyright owner under § 106.

1 Hyphy’s opposition generally argues that the involvement of the tangible masters makes  
2 all of its claims qualitatively different from an infringement claim. The term “tangible masters” is  
3 not used under this cause of action, but the term does appear in Paragraph 16. Paragraph 67 of the  
4 UCL claim incorporates by reference all of the prior 66 paragraphs, including paragraphs that  
5 make up five other causes of action. See Counterclaim ¶ 67. This is an improper shotgun  
6 pleading technique that does not give proper notice to either YCH or the Court that the tangible  
7 masters are intended to play a role in the UCL claim.<sup>6</sup> See Weiland v. Palm Beach Cnty. Sheriff’s  
8 Office, 792 F.3d 1313, 1321-23 (11th Cir. 2015); Deerpoint Grp., Inc. v. Agrigenix, LLC, 345  
9 F.Supp.3d 1207, 1234 n.14 (E.D. Cal. 2018). Further, apart from the notice concerns, it is unclear  
10 how the tangible masters truly fit within the conduct alleged under the UCL and particularly  
11 Paragraph 68 given the other allegation involving the involvement of digital mediums such as  
12 YouTube. That is, it is unclear how tangible masters can play by utilized through YouTube.  
13 Therefore, Hyphy’s reliance on the tangible masters does not reasonably fit within the allegations  
14 actually made within the FAC and the claim as pled is implausible.

15 Because the Court finds that the acts of reproducing, performing, and “misappropriating”  
16 are actions covered by § 106, the UCL claims against Yellowcake and Colonize are preempted by  
17 the Copyright Act. See Kodadek v. MTV Networks, Inc., 152 F.3d 1209, 1213 (9th Cir. 1998);  
18 Media.net Adver. FZ-LLC v. NetSeer, Inc., 156 F.Supp.3d 1052, 1074-75 (N.D. Cal. 2016).

19 (2) Hernandez

20 The Counterclaim alleges that Hernandez induced Chavez to breach his agreement with  
21 Hyphy. No other conduct by Hernandez is expressly identified under the UCL claim. See  
22 Counterclaim ¶¶ 68-71.

23 (A) Preemption

24 Inducing a breach of contract by facilitating a transfer of copyrighted works does not  
25 encompass any exclusive right under § 106. See Morena Music, 2021 U.S. Dist. LEXIS 39127 at

26 \_\_\_\_\_  
27 <sup>6</sup> For any cause of action, not just the IIPEA claim, if prior paragraphs are intended to support that cause of action,  
28 then Hyphy should incorporate by reference only those specific paragraphs, e.g. “paragraphs 14 through 17, 27, 38  
and 42 are hereby incorporated by reference.” The wholesale incorporation by reference of all prior paragraphs, when  
not all prior paragraphs are relevant and intended to support a cause of action, is improper. Weiland, 792 F.3d at  
1321-23; Deerpoint Grp., 345 F.Supp.3d at 1234 n.14.

1 \*44. Therefore, the UCL claim against Hernandez is qualitatively different from a copyright  
2 infringement claim and not preempted by § 301. See id.

3 (B) Pleading Defect<sup>7</sup>

4 Inducing a breach of contract is part of an IICR claim, specifically it is one of two ways to  
5 satisfy the third element of that cause of action. As discussed above, through operation of  
6 § 204(a), there is no valid oral contract between Hyphy and Chavez for the transfer of a copyright  
7 in the albums. See Valente-Kritzer Video, 881 F.2d at 774; Johnson, 418 F.Supp.3d at 556.

8 Without a valid contract, no breach can be induced. See Morena Music, 2021 U.S. Dist. LEXIS  
9 39127 at \*44; Johnson, 418 F.Supp.3d at 556; Bed, Bath & Beyond, 52 Cal.App.4th at 879; A-  
10 Mark Coin Co., 148 Cal.App.3d at 322. In other words, Hernandez did not and could not induce  
11 Chavez to breach a valid oral agreement for the transfer of copyrights in the four albums. Without  
12 inducement, there is no wrongful conduct that could be considered “unfair,” “fraudulent,” or  
13 “unlawful.” Thus, because there is no plausible or viable claim, dismissal of any UCL claim that  
14 relates to the seven albums or transfer thereof is proper.<sup>8</sup> See Morena Music, 2021 U.S. Dist.  
15 LEXIS 39127 at \*44-\*45; AMN Healthcare, 28 Cal.App.5th at 950.

16 d. Conversion

17 Conversion is “an act of willful interference with a chattel, done without lawful  
18 justification, by which any person thereto is deprived of use and possession.” De Vries v.  
19 Brumback, 53 Cal.2d 643, 647 (1960). Stated differently, conversion is “the wrongful exercise of  
20 dominion over the property of another.” Lee v. Hanley, 61 Cal.4th 1225, 1240 (2015); Hester v.  
21 Public Storage, 49 Cal.App.5th 668, 680 (2020). The elements of conversion are: (1) the  
22 plaintiff’s ownership or right to possession of the property; (2) the defendant’s conversion by a  
23 wrongful act or disposition of property rights; and (3) damages. Lee, 61 Cal.4th at 1240; Hester,  
24 49 Cal.App.5th at 680. To establish conversion, a plaintiff must show an actual and substantial

25 \_\_\_\_\_  
26 <sup>7</sup> Like the IICR claim, YCH’s motion did not argue that the UCL cause of action was not plausibly pled. However,  
27 the pleading deficiency identified in this section necessarily follows from the Court’s analysis of the first cause of  
28 *sua sponte* at this time. See Omar, 813 F.2d at 991.

<sup>8</sup> Because YCH does not address any issues surrounding the cover art, the analysis of this subsection is limited to  
actions involving the three albums.

1 interference with his ownership or right to possess the property. Zaslow v. Kroenert, 29 Cal.2d  
2 541, 550-51 (1946). The measure of damages for a conversion claim is the full value of the  
3 property converted. General Security Servs. Corp. v. County of Fresno, 815 F.Supp.2d 1123,  
4 1143 (E.D. Cal. 2011); Intel Corp. v. Hamidi, 30 Cal.4th 1342, 1350 (2003); Irwin v. McDowell,  
5 91 Cal. 119, 122 (1891).

6 The Counterclaim in relevant part alleges that Hyphy owns the tangible master recordings  
7 for the three albums and that Yellowcake intentionally interfered with Hyphy's ownership in that  
8 property by exercising dominion over the masters, exploiting the masters, claiming ownership in  
9 the masters, and interfering with Hyphy's ability to commercially exploit the masters. See  
10 Counterclaim ¶¶ 73, 74.

11 The Ninth Circuit has recognized that claims for the conversion of tangible property  
12 involve actions different from those proscribed in the copyright laws and thus, are not preempted.  
13 Oddo, 743 F.2d at 635. "While conversion is generally immune from preemption because it  
14 involves tangible property, conversion actions seeking only damages for reproduction of the  
15 property – not return of tangible property – are preempted by the Copyright Act." Doody v.  
16 Penguin Group (USA), Inc., 673 F.Supp.2d 1144, 1164-65 (D. Haw. 2009); Marketing Info.  
17 Masters, Inc. v. Board of Trs. of Cal. St. Univ. Sys., 552 F.Supp.2d 1088, 1098 (S.D. Cal. 2008);  
18 Firoozye v. Earthlink Network, 153 F.Supp.2d 1115, 1130 (N.D. Cal. 2001).

19 Hyphy's invocation of the tangible masters, as opposed to the albums/sound recordings  
20 embodied within the masters which are subject to copyright protection, see 17 U.S.C. § 102(a)(7),  
21 is clearly an attempt to fit this claim within *Oddo*. However, the Court is not satisfied that Hyphy  
22 has alleged a viable claim, either in terms of *Oddo* or pleading the elements of conversion.

23 First, the FAC nowhere requests the return of the tangible masters. Instead, Hyphy alleged  
24 that it was harmed according to proof. This is indicative of a preempted copyright claim. Morena  
25 Music, 2021 U.S. Dist. LEXIS 39127 at \*46; Doody, 673 F.Supp.2d at 1164-65.

26 Second, the Court understands that Hyphy is alleging that Yellowcake "exploited" the  
27 masters by reproducing them and making them available on platforms such as YouTube. The  
28 Court takes this to mean copying and distributing or displaying them through YouTube.

1 Otherwise, it is unclear how tangible masters can be utilized through YouTube or other digital and  
2 on-line mediums since, to the Court’s knowledge, the tangible masters are not videos. Similarly,  
3 the Court understands that Hyphy was attempting to exploit the masters in the same way as  
4 Yellowcake, but Yellowcake interfered through takedown notices and threats of litigation.

5 Hyphy’s allegations regarding exploiting the tangible masters on digital platforms like  
6 YouTube seem like a copyright infringement claim. Section 106 grants “copyright owners the  
7 ‘exclusive rights’ to display, perform, reproduce, or distribute copies of a copyrighted work, to  
8 authorize others to do those things, and to prepare derivative works based upon the copyrighted  
9 work.” Maloney, 853 F.3d at 1010. The only difference between the conversion cause of action  
10 and copyright infringement appears to be that the tangible masters are the “works” at issue.

11 Hyphy appears to be treating the tangible masters the same as or interchangeably with the  
12 copyrighted albums. Without additional allegations that adequately distinguish between the  
13 tangible masters and the copyrighted albums, as well as clarification of how the tangible masters,  
14 as opposed to the copyrighted albums, were being “exploited” on digital platforms like YouTube,  
15 the Court cannot find that Hyphy has affectively pled around § 301 preemption with respect to  
16 “exploitation” of the masters. See Morena Music, 2021 U.S. Dist. LEXIS 39127 at \*46.

17 Third, and relatedly, it is unclear what exactly Hyphy means by the allegation of  
18 “exercising dominion.” While it is possible to read this as an allegation that Yellowcake  
19 physically possessed Hyphy’s masters, that is not what is expressly alleged, nor do the  
20 circumstances surrounding this case reasonably indicate that Yellowcake took physical possession  
21 of, or took any actions directly against, Hyphy’s tangible masters. Additional allegations are  
22 necessary to explain how exactly Yellowcake “exercised dominion” over the tangible masters.

23 Fourth, it is unclear how Yellowcake claimed ownership of the tangible masters (or how  
24 merely claiming ownership in general) constitutes such a substantial interference with the tangible  
25 masters that Yellowcake would be required to pay Hyphy the full value of the tangible masters.  
26 Additional allegations are necessary because the allegations in the Counterclaim do not reasonably  
27 suggest that Yellowcake somehow took the tangible masters or actually interfered with the  
28 tangible masters. Instead, it appears that Hyphy is attempting to rebrand an infringement claim



1 into a conversion claim by relying on the tangible masters instead of the copyrighted albums.

2 Finally, interfering with Hyphy's ability to commercially exploit the tangible masters does  
3 not appear to be an act of conversion. Such interference does not affect either actual ownership of  
4 the tangible masters or Hyphy's right to possess the tangible masters. The ability to commercially  
5 exploit the masters is perhaps a benefit of ownership, but it is not the same as ownership and also  
6 would not appear to justify the full value of the tangible masters as damages.

7 In sum, because the factual allegations do not plausibly indicate that Yellowcake converted  
8 the physical/tangible masters, and because the allegations do not sufficiently remove the  
9 conversion claim from § 301 preemption, dismissal of the conversion claim is appropriate.

10  
11 **IV. Conclusion**

12 YCH has moved to dismiss all claims, except for the second cause of action for copyright  
13 infringement involving the cover art and the eighth cause of action against Chavez.

14 With respect to the first cause of action, a valid ownership interest has not been pled. First,  
15 the agreement to transfer between Chavez and Hyphy that is pled in the FAC is an oral agreement  
16 and thus, invalid under § 204(a). This defect cannot be remedied, so the dismissal of any  
17 infringement claim based on a transfer of copyrights through the oral agreement will be without  
18 leave to amend. Second, the co-author/joint owner theory does not yield a plausible claim because  
19 the pleadings indicate that the joint owners of the copyright in the four albums would be Hyphy  
20 and Yellowcake, and joint owners may not sue each other for copyright infringement. Dismissal  
21 of this infringement claim will be with leave to amend. However, Hyphy must be able to explain  
22 why Yellowcake is not a joint owner of the copyrights in the albums. Third, the allegations  
23 categorically show that the albums were not works for hire as specially commissioned works. The  
24 allegations are also insufficient to show that the albums were a work for hire based on Chavez  
25 being an employee who was acting within the scope of his employment for Hyphy when the  
26 albums were created. Because it is not clear that amendment of this employee work for hire  
27 theory would be futile, dismissal will be with leave to amend. Finally, while no pleading or  
28 opposition identifies a written agreement, judicially noticed documents identify a written

1 agreement for the transfer of Chavez's interest in the El Campesino album to Hyphy. Because it is  
2 unclear that granting leave to add such a theory would be futile, Hyphy will be permitted to amend  
3 their first counterclaim to include a written agreement for the transfer of the El Campesino album.

4 With respect to the third cause of action, a preliminary injunction is not a cause of action, it  
5 is a remedy. Therefore, dismissal of the request as a standalone cause of action is appropriate.

6 With respect to the IIPEA cause of action, that claim as pled is preempted by the Copyright  
7 Act. However, because it is not entirely clear that amendment would be futile with respect to a  
8 claim based on the tangible masters, dismissal will be with leave to amend to add such a claim.

9 With respect to the IICR claim, YCH has not adequately shown that this cause of action is  
10 preempted by the Copyright Act. However, application of § 204(a) invalidates any oral contract  
11 for the transfer of Chavez's copyrights in the albums to Hyphy. Without a valid contract, there is  
12 no plausible IIRC claim. Therefore, dismissal of the IIRC claim to the extent that it is based on an  
13 oral contract for the transfer of copyrights in the albums between Chavez and Hyphy will be  
14 without leave to amend. However, because it is unclear whether a written contract exists for the  
15 transfer of El Campesino from Chavez to Hyphy, dismissal of the IIRC claim will be with leave to  
16 amend with respect to the El Campesino album and only to the extent that a written transfer  
17 agreement actually exists and is alleged in an amended counterclaim.

18 With respect to the UCL cause of action, the claims against Yellowcake and Colonize are  
19 preempted by the Copyright Act. With respect to Hernandez, while the Copyright Act does not  
20 preempt the UCL claim, no plausible UCL claim based on Hernandez inducing Chavez to transfer  
21 his interests in the copyrights of the albums can be stated because of application of § 204(a).

22 Therefore, dismissal of the UCL claim against Hernandez to the extent that it is based on inducing  
23 a breach of the oral contract for the transfer of copyrights in the three albums between Chavez and  
24 Hyphy will be without leave to amend. However, because it is unclear whether a written contract  
25 exists for the transfer of El Campesino from Chavez to Hyphy, dismissal of the UCL claim will be  
26 with leave to amend with respect to the El Campesino album and only to the extent that a written  
27 transfer agreement actually exists and is alleged in an amended counterclaim.

28 With respect to the conversion cause of action, no plausible claim is alleged. Additional

1 allegations are necessary to clarify what actions Yellowcake took with respect to the tangible  
2 masters that would rise to the level of conversion and justify the full value of the tangible masters  
3 as damages. Further, the allegations in the Complaint suggest that Hyphy is attempting to artfully  
4 plead a copyright infringement claim as a conversion claim, and thus avoiding preemption, by  
5 focusing on the tangible masters instead of the copyrighted albums. Thus, the claim appears to be  
6 preempted. However, because it is not clear that amendment would be futile, dismissal will be  
7 with leave to amend.

8  
9 **V. Validity of Hyhphy’s Copyright Registrations in the Four Albums**

10 The Copyright Act in relevant part provides that “no civil action for infringement of the  
11 copyright in any United States work shall be instituted until preregistration or registration of the  
12 copyright claim has been made in accordance with [the Copyright Act].” 17 U.S.C. § 411(a).  
13 While this section does not impose a precondition to copyright protection, it does expressly  
14 prohibit “copyright owners from bringing infringement actions without first properly registering  
15 their work.” Unicolors, Inc. v. H&M Hennes & Mauritz, L.P., 959 F.3d 1194, 1197 (9th Cir.  
16 2020); see also Alaska Stock, 747 F.3d at 678.

17 The Ninth Circuit has explained that, “once a defendant alleges that (1) a plaintiff’s  
18 certificate of registration contains inaccurate information; (2) ‘the inaccurate information was  
19 included on the application for copyright registration’; and (3) the inaccurate information was  
20 included on the application ‘with knowledge that it was inaccurate,’ a district court is then  
21 required to submit a request to the Register of Copyrights ‘to advise the court whether the  
22 inaccurate information, if known, would have caused [it] to refuse registration.’” Unicolors, 959  
23 F.3d at 1197 (quoting 17 U.S.C. § 411(b)(1)-(2)). Courts may “not consider in the first instance  
24 whether the Register of Copyrights would have refused registration due to the inclusion of known  
25 inaccuracies in a registration application.” Id. Additionally, “inadvertent mistakes on registration  
26 certificates do not invalidate a copyright and thus do not bar infringement actions, unless . . . the  
27 alleged infringer has relied to its detriment on the mistake, or the claimant intended to defraud the  
28 Copyright Office by making the misstatement.” Jules Jordan Video, 617 F.3d at 1156 (quoting

1 Lamps Plus, Inc. v. Seattle Lighting Fixture Co., 345 F.3d 1140, 1145 (9th Cir. 2003)); see also  
2 Gold Value, 925 F.3d at 1146. If it is determined that a registration contains inaccurate  
3 information, and that the inaccurate information was included in the registration application with  
4 knowledge that the information was incorrect, and that the inaccurate information would have  
5 caused the Copyright Office to refuse registration, then a district court may declare the registration  
6 invalid. See Gold Value, 925 F.3d at 1148; see also Unicolors, 959 F.3d at 1200.

7 Here, the work for hire theory and written agreement theory for Hyphy's ownership  
8 interest in the albums was brought to the Court's attention by YCH through judicially noticed  
9 documents from the U.S. Copyright Office's Public Catalog website, i.e. the registration  
10 information for the four albums. The registration information indicates that Hyphy is the author of  
11 three of the albums as an "employer for hire," see RJN Exs. 1, 2, 3, and for one album through a  
12 written transfer. See RJN Ex. 4. Neither Chavez nor Yellowcake are mentioned on the  
13 registration for the three work for hire albums, but Chavez is mentioned as an "author" on the  
14 "transfer agreement" album. See RJN Exs. 1, 2, 3, 4. YCH argues that absence of an allegation of  
15 a written agreement or reliance on a written agreement in the opposition makes the work for  
16 hire/"employer for hire" and "written transfer" status of Hyphy false. YCH argues that Hyphy had  
17 knowledge that these two copyright theories of ownership were false, and also knew of  
18 Yellowcake's registration in the Nuestra Historia album at the time that Hyphy filed for its  
19 registration in that album. YCH contends that because Hyphy knew of the falsity of its  
20 representations to the Copyright Office, and because the Copyright Office would not have granted  
21 registration with knowledge of the true information, Hyphy's registrations are invalid.

22 After review, the Court agrees that the judicially noticed registration information is  
23 inconsistent with the FAC. The FAC does not claim an ownership interest in any of the albums  
24 through either a work for hire or written transfer theory. Instead, the FAC attempts to claim  
25 ownership through either an oral transfer agreement with Chavez or as a co-author/joint owner.  
26 The FAC therefore indicates that the registrations contain incorrect information in terms of  
27 authorship and basis for copyright interest. Further, YCH is clearly alleging that Hyphy knew that  
28 it was submitting false information to the Copyright Office as part of the registration application.

1 Under *Unicolors*, these allegations and the judicially noticed documents are sufficient to put the  
2 validity of Hyphy's copyright registrations at issue.

3 At this point, however, noting that the validity of the registrations is as far as the Court will  
4 go. First, no inquiry has been sent to the Copyright Office regarding inaccurate information. As  
5 *Unicolors* expressly states, this Court cannot invalidate a copyright until it receives word from the  
6 Copyright Office regarding what effect the known inaccuracy would have had on the registration  
7 decision. See id. at 1197. Therefore, invalidating the registrations at this point is clearly  
8 improper. See id. Second, and more fundamentally, YCH's arguments have been made for the  
9 first time as part of a reply. Hyphy has not had an opportunity to explain what was actually  
10 submitted in its application to the Copyright Office, explain the inconsistency between the FAC  
11 and the registration information, address the issue of knowledge or inadvertence, or otherwise  
12 respond to YCH's allegations.<sup>9</sup>

13 Under these circumstances, the Court will order the parties to submit additional briefing.  
14 Hyphy will be permitted to respond to the challenges to the validity of its registrations. Of  
15 particular import, Hyphy should attempt to explain the apparent inaccuracies in the registration  
16 information and explain what information was presented as part of its registration application.  
17 The Court will then permit YCH to reply to Hyphy's supplemental response. If, after reviewing  
18 the supplemental information, the Court is satisfied that there is inaccurate information that is part  
19 of the registrations and that was included in the applications to the Copyright Office, the Court  
20 will send an inquiry as required by § 411/*Unicolors* to determine how the Copyright Office would  
21 have reacted. However, once the Court receives the response of the Copyright Office, and  
22 depending on the response, the Court will not invalidate the registration until the issue of Hyphy's  
23 knowledge/inadvertence has been decided.

24 The issue of the registrations' validity is not one that should delay proceedings further.  
25 Assuming that the Court sends an inquiry to the Copyright Office, that inquiry will not affect the  
26 second or eighth causes of action. Further, even if Hyphy files an amended counterclaim and  
27

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28 <sup>9</sup> Relatedly, while the submissions at this time suggest knowledge by Hyphy, the issue of knowledge has not been litigated or decided.

1 continues to pursue an infringement claim with respect to any of the albums, it seems unlikely that  
2 the issue of knowledge or inadvertence will be able to be decided before either a summary  
3 judgment motion or a trial. Therefore, the pre-trial and scheduling process will not be stayed  
4 pending either receipt of the supplemental briefing or a possible response from the Copyright  
5 Office.

6  
7 **ORDER**

8 Accordingly, IT IS HEREBY ORDERED that:

- 9 1. Counter-Defendants' Rule 12(b)(6) motion to dismiss is GRANTED in part as follows:
- 10 a. The first cause of action for copyright infringement based on an oral transfer  
11 agreement between Chavez and Hyphy is DISMISSED without leave to amend;
  - 12 b. The first cause of action for copyright infringement based on a work for hire  
13 through a special order or commission is DISMISSED without leave to amend;
  - 14 c. The first cause of action for copyright infringement based on a co-author/joint  
15 owner, work for hire through an employer-employee relationship, or written  
16 transfer agreement is DISMISSED with leave to amend;
  - 17 d. The third cause of action for preliminary injunction is DISMISSED without  
18 prejudice as this is a remedy and not a cause of action;<sup>10</sup>
  - 19 e. The fourth cause of action for intentional interference with prospective economic  
20 advantage is DISMISSED and leave to amend is granted only with respect to a  
21 claim based on the tangible masters;
  - 22 f. The fifth cause of action for intentional interference with contractual relations to  
23 the extent that it is based on an oral contract involving the transfer of copyrights in  
24 the three albums is DISMISSED without leave to amend, but leave to amend is  
25 GRANTED with respect to alleging a claim based on a written transfer from  
26 Chavez to Hyphy in the album El Campesino;

27  
28 <sup>10</sup> To be clear, Hyphy is free to request a preliminary injunction under the Copyright Act either in its Prayer for Relief or as part of the allegations under a copyright infringement cause of action.

- 1 g. The sixth cause of action for Cal. Bus. & Prof. Code § 17200 UCL against  
2 Yellowcake and Colonize is DISMISSED without leave to amend as preempted;
- 3 h. The sixth cause of action for Cal. Bus. & Prof. Code § 17200 UCL against  
4 Hernandez based on inducement to breach an oral agreement relating to copyright  
5 ownership in the albums is DISMISSED without leave to amend, but leave to  
6 amend is GRANTED with respect to alleging a claim based on a written transfer  
7 from Chavez to Hyphy in the album El Campesino; and
- 8 i. The seventh cause of action for conversion based on actions directed against the  
9 tangible masters is DISMISSED with leave to amend;
- 10 2. Within twenty-one (21) days of service of this order, Hyphy may file an amended  
11 counterclaim that is consistent with the analysis of this order;
- 12 3. If Hyphy fails to timely file an amended Counterclaim, leave to amend shall be  
13 automatically withdrawn without further notice, and Defendants shall file an answer to the  
14 Counterclaim within twenty-eight (28) days of service of this order;
- 15 4. Within fourteen (14) days of service of this order, Hyphy shall file supplemental briefing,  
16 as discussed above, that addresses and responds to the arguments made in the Counter-  
17 defendants' reply brief concerning the validity of Hyphy's copyright registrations in the  
18 four albums; and
- 19 5. Within seven (7) days of service of Hyphy's supplemental briefing, Counter-defendants  
20 shall file a response.

21 IT IS SO ORDERED.

22 Dated: July 20, 2021

23   
24 SENIOR DISTRICT JUDGE