1 2 3 4 5 6 7 8	KING, HOLMES, PATERNO & SORIAN HOWARD E. KING, ESQ., STATE BAR NO. 7 HKING@KHPSLAW.COM JOHN G. SNOW, ESQ., STATE BAR NO. 280' JSNOW@KHPSLAW.COM 1900 AVENUE OF THE STARS, 25 <sup>TH</sup> FLOOR LOS ANGELES, CALIFORNIA 90067-4506 TELEPHONE: (310) 282-8989 FACSIMILE: (310) 282-8903  Attorneys for Defendants CLARE MAGUIRE, JAKE NYGARD, ANTONIUS WIRIADJAJA, and DONGLEE HAN	7012
9	UNITED STATES	DISTRICT COURT
10	CENTRAL DISTRIC	CT OF CALIFORNIA
11	WESTERN	DIVISION
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13 14	TAYLOR WHITLEY, and WTF.INDUSTRIES, LLC,	CASE NO. 22-CV-01837-ODW-JEM
15	Plaintiffs,	DEFENDANTS' MEMORANDUM OF POINTS AND AUTHORITIES
16	v.	IN SUPPORT OF THEIR MOTION TO DISMISS PLAINTIFFS'
17	CLARE MAGUIRE, JAKE NYGARD,	COMPLAINT
18	ANTONIUS WIRIADJAJA, DONGLEE HAN, and DOES 1-10, inclusive,	Notice of Motion and Motion and Proposed Order filed concurrently
19	Defendants.	Date: May 16, 2022 Time: 1:30 p.m.
20		Time: 1:30 p.m. Crtrm.: 5D
21		The Honorable Otis D. Wright II
22		The Hohorable Otis D. Wright H
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### MEMORANDUM OF POINTS AND AUTHORITIES

### I. INTRODUCTION

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Plaintiffs Taylor Whitley and WTF.Industries, LLC's (collectively, "Whitley") slapdash Complaint is riddled with pleading defects that are easy to point out and require it to be dismissed in its entirety. Most noticeably, Whitley attempts to bring his lead claim for copyright infringement without a valid copyright registration, despite the Supreme Court's mandate that "[b]efore pursuing an infringement claim in court . . . a copyright claimant generally must comply with § 411(a)'s requirement that 'registration of the copyright claim has been made." Fourth Estate Pub. Benefit Corp. v. Wall-Street.com, LLC, 139 S. Ct. 881, 887 (2019). This alone requires dismissal of the claim. For the reasons explained herein, the ten other claims Whitley tacks on to his shotgun Complaint are just as poorly pled and the entire action should be dismissed.

This action arises from a failed collaboration between the parties to sell digital art, which has spawned two dueling lawsuits. As background, Defendants in this action filed suit against Whitley in this Court in the matter entitled *Jacob L. Nygard*, *et al. v. Taylor Whitley*, Case No. 22-cv-00425-ODW-JEMx (the "Nygard Action"). In the *Nygard* Action, Defendants allege they entered into a joint venture with Whitley to promote and sell a digital art collection of non-fungible tokens ("NFTs") known as "Caked Apes," which Whitley subsequently attempted to usurp ownership and control of solely for himself after he saw the project's commercial success. When Whitley's efforts failed, Whitley filed multiple false "takedown notices" under the Digital Millennium Copyright Act ("DMCA") to have the collection removed from online marketplaces, falsely claiming the project was derived entirely from his intellectual property and that he never granted Defendants a license to use that intellectual property. Those online marketplaces relied on Whitley's false notices to remove the collection from their websites, causing the immediate outrage of the project's collectors and customers, preventing the

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continuing sale of the works, and harming the future value of the works. Defendants filed the *Nygard* Action to remedy Whitley's wrongful acts, to restore the collection, and to prove Whitley's claims in his takedown notices were false.

The present action by Whitley (the "Whitley Action") is merely a continuation of his bad faith conduct toward Defendants and a misuse of the court system. For example, after Whitley's false takedown notices, Defendants filed DMCA "counter notices" with the relevant online marketplaces to have the collection restored, which then required Whitley to file suit against Defendants for copyright infringement within 14 days if he wanted to keep the collection offline. See 17 U.S.C. § 512(g)(2)(C). That is exactly what Whitley did with this hasty, legally deficient suit, which he raced to the courthouse to file despite having no copyright registration for his allegedly infringed works and notwithstanding that registration is a wellestablished requirement to bring such a claim.

Moreover, even if Whitley had registered his supposed copyrights before filing suit, his copyright claim still fails because he admits (1) that he gave Defendants "authorization" (i.e., a license) to "use the Subject Design in the Caked Apes NFT project" (Compl. ¶ 48; see also id. ¶ 53), and (2) that he himself promoted the sale of Caked Apes (id. ¶ 35), giving rise to a further implied license to use the work. Importantly, to state a claim for copyright infringement when an alleged copyright holder such as Whitley has granted a license, "the copying must exceed the scope of the defendant's license." MDY Indus., LLC v. Blizzard Ent., Inc., 629 F.3d 928, 940 (9th Cir. 2010) (emphasis added). Here, Whitley does not (and cannot) allege that any copying exceeded the scope of the license he admits he granted Defendants. His copyright claim must be dismissed for this additional reason and the others stated herein.

In short, the Whitley Action is defective on its face and was filed for the sole purpose of retaliating against Defendants after they resisted his efforts to usurp the Caked Apes project for himself. It should be dismissed.

#### II. SUMMARY OF RELEVANT ALLEGATIONS

While Defendants disagree with Whitley's revisionist version of the facts, the following allegations from Whitley's Complaint are relevant to deciding the present motion:

In 2021, Defendants and Whitley collaborated to promote and sell a digital art project entitled "Caked Apes." (Compl. ¶ 33.) Whitley alleges he created the project with Defendant Nygard. (Id.) One of the ideas behind the project was to "use traits from other NFT projects"—i.e., prior existing works. (Id.) The parties created a website to promote the project and listed the works for sale online. (Id. ¶ 35.) They agreed on percentages they would each receive for their contributions to the project. (Id. ¶ 36.)

A small percentage of the 8,888 total works in the project—including three specifically identified by Whitley—incorporated traits from one of Whitley's prior projects "in the background of the image." (Id. ¶ 48.) Whitley calls the traits from his prior project the "Subject Design" and admits that he granted Defendants "authorization for the use of the Subject Design in the Caked Apes NFT project." (Id.)

The Caked Apes project sold out in its initial run, "generating an estimated \$1.9 million in primary sale revenue and \$225,000 in royalties from secondary sales." (*Id.* ¶ 38.) Defendants sent Whitley 10% of the revenue received (*id.* ¶ 37), but Whitley alleges he did not receive additional revenue that he contends was due to "WTF.Industries, LLC"—a LLC Whitley claims he solely owns (*id.* ¶ 39).¹ After

KING, HOLMES, PATERNO & SORIANO, LLP <sup>&</sup>lt;sup>1</sup> Defendants deny that any money from the Caked Apes project was due to WTF.Industries, LLC, or that Whitley is the sole beneficial owner WTF.Industries, LLC. Rather, the parties used the name "WTF.Industries" to refer to all of them collectively before the LLC with the same name was formed. Indeed, Whitley previously referred to all Defendants as "founders" and "partners" of WTF.Industries. Additionally, after Whitley received word the LLC had been formally registered, he wrote to all Defendants and stated "we are in," indicating—as Whitley had previously communicated to Defendants—that the LLC was formed for their joint ownership. After the success of Caked Apes, however, Whitley refused admit Defendants as members to the LLC and

1	supposedly learning this, Whitley decided to sue Defendants for copyright
2	infringement of his "Subject Design." Whitley alleges he has applied to register the
3	Subject Design with the United States Copyright Office, but he does not allege he
4	actually has a valid registration and he identifies only an "application case number"
5	in his Complaint. ( <i>Id.</i> ¶ 47.)
6	III. LEGAL STANDARD
7	Under Federal Rule of Civil Procedure 12(b)(6), a complaint must be
8	dismissed when it fails "to state a claim upon which relief can be granted."
9	Dismissal can be based on either a lack of a cognizable legal theory or the absence
10	of sufficient facts alleged under a cognizable legal theory. Balistreri v. Pacifica
11	Police Dep't, 901 F.2d 696, 699 (9th Cir. 1990).
12	To survive a motion to dismiss, the complaint "must contain sufficient factual
13	matter, accepted as true, to 'state a claim to relief that is plausible on its
14	face." Ashcroft v. Iqbal, 556 U.S. 662, 663 (2009) (quoting Bell Atl. Corp. v.
15	Twombly, 550 U.S. 544, 570 (2007)). A formulaic recitation of the elements of a
16	cause of action will not suffice. Twombly, 550 U.S. at 555.
17	IV. ARGUMENT
18	A. Whitley's First Claim For Copyright Infringement Claim Should Be Dismissed
19	De Dismissed
20	Whitley's first claim for copyright infringement should be dismissed for at
21	least three independent reasons.
22	1. Whitley Does Not Have A Valid Copyright Registration
23	Whitley alleges that he has only applied to register the "Subject Design" with
24	the United States Copyright Office. (Compl. ¶ 47.) Whitley fails to allege that he has
25	an actual, valid copyright registration and, therefore, his claim must be dismissed.
26	It is well-established that a cause of action for infringement cannot be
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20	began to claim for the first time that he was its sole owner and Defendants were merely his

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employees.

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enforced until the party alleging infringement actually registers the copyright in 1 accordance with the requirements of the Copyright Act. See 17 U.S.C. § 411(a) ("no 2 3 civil action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made 4 5 in accordance with this title"); Fourth Estate Pub., 139 S. Ct. at 887 ("Before pursuing an infringement claim in court . . . a copyright claimant generally must 6 comply with § 411(a)'s requirement that 'registration of the copyright claim has 7 8 been made."); Unicolors, Inc. v. Urban Outfitters, Inc., 853 F.3d 980, 988 (9th Cir. 9 2017) ("registration [is] an element of an infringement claim").

In 2019, the Supreme Court held an "application alone" does not suffice. *See Fourth Estate*, 139 S. Ct. at 892 ("we conclude that 'registration . . . has been made' within the meaning of 17 U.S.C. § 411(a) not when an application for registration is filed, but when the Register has registered a copyright after examining a properly filed application"). Yet an application is all Whitley alleges he has. For this reason, his copyright claim fails to state a claim upon which relief may be granted and should be dismissed. *See Imagize LLC v. Ateknea Sols. Hungary KFT*, 2019 WL 3068345, at \*3 (N.D. Cal. July 12, 2019) (dismissing copyright infringement claim under Rule 12(b)(6) because plaintiff did not allege ownership of a valid copyright registration); *SST Records, Inc. v. Mould*, 2013 WL 12131167, at \*3 (C.D. Cal. July 10, 2013) (dismissing counterclaims for copyright infringement because counterclaimant "failed to adequately allege registration of its copyrights").

2. Whitley Affirmatively Pleads He Granted Defendants "Authorization" To Use The Subject Design And Fails To Allege Any "Copying" Exceeded The Scope Authorized

Whitley's copyright infringement claim also fails because he affirmatively alleges he gave Defendants "authorization"—*i.e.*, a license—to "use the Subject Design in the Caked Apes NFT project." (Compl. ¶ 48; *see also id.* ¶ 53.) Under federal copyright law, "a license is an *authorization* by the copyright owner to enable another party to engage in behavior that would otherwise be the exclusive

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right of the copyright owner, but without transferring title in those rights." 1 F.B.T. Prods., LLC v. Aftermath Recs., 621 F.3d 958, 965 (9th Cir. 2010) (emphasis 2 3 added). Few formalities are required to effectuate a nonexclusive license. Indeed, a nonexclusive license may be granted orally or by conduct, and exists "where the 4 5 totality of the parties' conduct indicates an intent to grant such permission." Interscope Recs. v. Time Warner, Inc., 2010 WL 11505708, at \*3 (C.D. Cal. June 6 28, 2010) (quoting Nimmer on Copyright § 10.03[A][7] (rev. ed. 2009)) (cleaned 7 8 up). Here, because Whitley affirmatively pleads he granted Defendants 9 "authorization" to use the Subject Design, he cannot now argue he did not intend to grant any such permission. See Am. Title Ins. v. Lacelaw Corp., 861 F.2d 224, 226 10 11 (9th Cir. 1988) ("A statement in a complaint . . . is a judicial admission."). Moreover, Whitley also alleges that he promoted the sale of the Caked Apes 12 13 project, including by "put[ting] up a website . . . and social media accounts" (id. ¶ 35), giving rise to a further implied license to use the work. See Field v. Google Inc., 14 412 F. Supp. 2d 1106, 1116 (D. Nev. 2006) ("An implied license can be found 15 where the copyright holder engages in conduct from which the other party may 16 properly infer that the owner consents to his use. Consent to use the copyrighted 17 18 work need not be manifested verbally and may be inferred based on silence where 19 the copyright holder knows of the use and encourages it."). It is well-settled that "[a] license is a defense to a claim of copyright 20 21 infringement." Id. at 1115 (citing Effects Assocs. v. Cohen, 908 F.2d 555, 558-59 (9th Cir. 1990)); see also Quest Software, Inc. v. DirectTV Operations, LLC, 2011 22 23 WL 4500922, at \*4 (C.D. Cal. Sept. 26, 2011) ("Generally, a copyright owner who grants a nonexclusive license to use his copyrighted material waives his right to sue 24 25 the licensee for copyright infringement and can sue only for breach of contract." (quotation marks omitted)). To state a claim for copyright infringement when an **26** alleged copyright holder such as Whitley has granted a license, "(1) the copying 27 must exceed the scope of the defendant's license and (2) the copyright owner's

complaint must be grounded in an exclusive right of copyright (e.g., unlawful reproduction or distribution)." *MDY Indus., LLC*, 629 F.3d at 940.

Here, Whitley does not (and cannot) allege that any copying exceeded the scope of the license he granted Defendants or that Defendants violated any of Whitley's alleged exclusive rights of copyright. Rather, he merely alleges that he did not receive certain additional revenue to which he believes he was entitled. (Compl. ¶ 53.) Alleged underpayment pursuant to a written or oral agreement, however, does not state a claim for copyright infringement. See Lickerish, Inc. v. Alpha Media Grp., 2014 WL 12589641, \*3 (C.D. Cal. Jan. 2, 2014) (granting motion to dismiss copyright infringement claim based on alleged failure to pay a license fee because such claims "sound in contract rather than federal copyright law"); Very Music Inc. v. Kid Glove Prods., Inc., 2016 WL 6674991, \*4 (C.D. Cal. April 28, 2016) (allegations that Defendants collected more royalties "than they were entitled to under the parties' informal agreement . . . [i]f proven, . . . would tend to establish a cause of action for breach of contract, not a claim for copyright infringement"); see also Spinelli v. NFL, 96 F. Supp. 3d 81, 125 (S.D.N.Y. 2015) ("where a licensee's use of a copyrighted work is authorized by a license, any claim for unpaid royalties for that use cannot form the basis of an infringement claim"). Whitley's copyright infringement claim should be dismissed for this additional reason.

### 3. Whitley Cannot Sue Nygard As An Alleged Co-Creator

Finally, while Defendants disagree that Whitley had any role in actually designing or creating the "Caked Apes" works, Whitley nevertheless alleges that he designed and created them together which Defendant Nygard. (Compl. ¶ 33 (alleging "Caked Apes were designed and created by Whitley and Nygard as a collection of 8,888 NFTs").) Taking this allegation as true at this stage, it precludes Whitley from suing Nygard for copyright infringement because it establishes—at least based on Whitley's theory of the case—that he and Mr. Nygard are coowners of the copyrights in Caked Apes and "[a] co-owner of a copyright cannot be liable to

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another co-owner for infringement of the copyright." *Oddo v. Ries*, 743 F.2d 630, 633-634 (9th Cir. 1984); *see also* 17 U.S.C. § 201 ("Copyright in a work . . . vests initially in the author or authors of the work. The authors of a joint work are coowners of copyright in the work."). Moreover, this precludes Whitley from suing the other Defendants (who are affiliated with Nygard) for copyright infringement because Nygard's authorization of any use immunizes the other Defendants "from liability to the other co-holder for copyright infringement." *McKay v. Columbia Broadcasting Sys.*, 324 F.2d 762, 763 (2d Cir. 1963) (citing *Piantadosi v. Loew's Inc.*, 137 F.2d 534, 537 (9th Cir. 1943)).

In short, Whitley's copyright infringement claim should be dismissed for any one of the above three reasons.

### B. Whitley's Vicarious Infringement Claim Should Be Dismissed

Because Whitley fails to state a claim for direct copyright infringement against any Defendant, his second claim for vicarious and/or contributory infringement must also be dismissed. *See A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1013 n.2 (9th Cir. 2001) ("Secondary liability for copyright infringement does not exist in the absence of direct infringement . . . .").

# C. Whitley's Third and Fourth Claims for Negligent Misrepresentation Should Be Dismissed

Whitley's third claim for negligent misrepresentation against Defendant Han alleges that Han represented to Whitley that certain revenue percentages from a digital art project known as "Pixel Tots" "would be sent to him," which Whitley alleges "Han did not have reasonable ground to believe [to be] true." (Compl. ¶ 63.) Similarly, Whitley's fourth claim for negligent misrepresentation against Defendants Maguire, Nygard and Wiriadjaja alleges that these Defendants supposedly represented that certain revenue percentages from the Caked Apes project "would be sent" to Whitley and WTF.Industries, LLC, which Whitley also alleges these Defendants "did not have reasonable grounds to believe [to be] true."

 $(Id. \ \P \ 69.)$ 

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Defendants deny all of these allegations but, in any event, they fail on their face because they are all based on alleged promises to perform in the *future*, which as a matter of law cannot support a claim for negligent misrepresentation, which is what Whitley alleges. See Stockton Mortg., Inc. v. Tope, 233 Cal. App. 4th 437, 458 (2014) ("Although a false promise to perform in the future can support an intentional misrepresentation claim, it does not support a claim for negligent misrepresentation."). For example, in Prime Healthcare Services, Inc. v. Humana Ins. Co., 230 F. Supp. 3d 1194 (C.D. Cal. 2017), the court dismissed a negligent misrepresentation claim based on an alleged misrepresentation that "Plaintiffs would be reimbursed for the services provided" at a certain percentage because the alleged misrepresentation was a promise of future performance, which could not serve as the basis of such a claim. *Id.* at \*1207 (emphasis in original). Here, Whitley's allegations that Defendants supposedly misrepresented to him that certain percentages "would be sent to him" are similarly insufficient to state a negligent misrepresentation claim.

In short, Whitley's third and fourth claims fail to state a claim as a matter of law and should be dismissed.<sup>2</sup>

#### Whitley's Fifth Claim For Breach Of Implied Contract Should Be D. Dismissed

Whitley's fifth cause of action is a vaguely stated claim for breach of an "implied contract" that fails state what the terms of the supposed contract actually were or what the course of conduct was from which that agreement may be implied.

<sup>2</sup> Whitley also fails to plead both claims with the requisite particularity because he fails to state the

heightened pleading requirements and found the plaintiff's claim to be defective for the additional reason that it did not allege "with particularity when and where Defendants allegedly made the representations"—something Whitley's claim also fails to allege. 230 F. Supp. 3d at 1028.

date and place any of the alleged negligent misrepresentations were made. Indeed, in *Prime* Healthcare, the court held that negligent misrepresentation claims are subject to Rule 9(b)'s

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It should be dismissed.

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In the claim, Whitley alleges that by virtue of some unspecified "public social media posts," "third parties" would have understood the "parties were engaged in business together" for "the promotion of first the Art Discord and its artists and projects and later related to the Pixel Tots and Caked Apes NFT projects." (Compl. ¶ 75.) Therefore, according to Whitley, they had an implied contract. (*Id.*) However, these generic allegations fail to state a claim because they do not sufficiently allege what the supposed terms of this "business" arrangement were or how the parties' conduct gave rise to them. As this Court held when addressing similarly vague allegations in another case, "[t]his is not sufficient to state a claim for breach of implied contract." *Terpin v. AT&T Mobility, LLC*, 399 F. Supp. 3d 1035, 1049 (C.D. Cal. 2019) (Wright II, J.) (dismissing breach of implied contract claim because the plaintiff "fail[ed] to allege the parties' conduct that form the basis of the implied contract").

California law—which Whitley seeks to apply—requires a contract to be pleaded either verbatim or "according to its legal intendment and effect." *Scolinos v. Kolts*, 37 Cal. App. 4th 635, 640 (1995). "In order to plead a contract by its legal effect, [a] plaintiff must 'allege the substance of its relevant terms." *Heritage Pac. Fin., LLC v. Monroy*, 215 Cal. App. 4th 972, 993 (2013) (quotation marks omitted). Additionally, "[c]ontracts must be definite enough to enable the court to ascertain what is required of the respective parties in the performance thereof." *Richards v. Oliver*, 162 Cal. App. 2d 548, 561 (1958).

Here, Whitley pleads none of the relevant terms of the implied contract other than to conclusorily allege the parties were "engaged, collectively, in a venture to earn profit and share loss." (Compl. ¶ 75.) Courts have repeatedly held that such allegations are insufficient to state a claim for breach of implied contract or the existence of a joint venture. *See, e.g., Balboa Cap. Corp. v. Shaya Med. P.C. Inc.*, , 2021 WL 6104014, at \*3 (C.D. Cal. Aug. 13, 2021) (claimant failed to plead "the

existence of a joint venture" because the claim consisted "mostly [of] conclusory assertions of fact that restate the elements of a joint venture"); *Prostar Wireless Grp. v. Domino's Pizza, Inc.*, 2017 WL 67075, \*4-5 (N.D. Cal. Jan. 6, 2017) (dismissing breach of fiduciary duty and implied contract claims where allegations were "too general" to plead "agree[ment] to share in the actual profits and losses of the joint venture itself"); *Beautiful Slides, Inc. v. Allen*, 2017 WL 3782304, at \*5 (N.D. Cal. Aug. 31, 2017) (dismissing breach of implied contract claim where plaintiff failed to allege "a course of conduct from which any such agreement may be implied"); *Rubio v. U.S. Bank N.A.*, 2014 WL 1318631, at \*10 (N.D. Cal. Apr. 1, 2014) (dismissing a breach of implied contract claim because it was not clear how the plaintiff's allegations "constitute[] a contract, what its terms might be, or how Defendants could have breached it"); *Brod v. Siux Honey Ass'n Co-op*, 895 F. Supp. 2d 972, 982 n.7 (N.D. Cal. 2012) (breach of implied contract claim "plainly meritless" where complaint "did not describe the 'bargained-for exchange' at the core of the implied contract, nor [did] it illuminate any contractual terms").

The claim should be dismissed.

## E. Whitley's Sixth Claim For Breach Of Fiduciary Duty Should Be Dismissed

Whitley's sixth claim rehashes the same vague allegations of the "implied contract" claim—namely, that "third parties" would have understood from the parties' social media posts that they were engaged in some undefined "business together." (Compl. ¶ 80.) Ergo, according to Whitley, Defendants were engaged in some implied joint venture or partnership with him and thus owed him a fiduciary duty, which they supposedly breached by allegedly refusing him access to social media profiles, among other things. (*Id.* ¶ 82.)

This claim fails because—just like the implied contract claim—Whitley fails to sufficiently plead the existence and terms of the supposed implied joint venture or partnership on which the claim is based. *See Prostar Wireless Grp.*, *LLC*, 2017 WL

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67075 at \*4-5 (dismissing breach of fiduciary duty claim where plaintiff failed to sufficiently plead the existence of the joint venture on which it was based); *see also In re Hoag Urgent Care-Tustin, Inc.*, 2021 WL 1199440, at \*5 (C.D. Cal. Mar. 30, 2021) ("it cannot be the case that a joint venture is established whenever two entities intend to make a mutually beneficial business deal; such a rule would have 'no limiting principle,' creating putative joint ventures for a wide range of standard contractual agreements"). The claim should likewise be dismissed.<sup>3</sup>

### F. Whitley's Seventh Claim For Dissolution Of Implied Partnership Should Be Dismissed

Whitley's seventh claim for dissolution of an alleged implied partnership shares the same fate because, again, Whitley has not sufficiently alleged the existence or terms of the implied partnership or joint venture he seeks to dissolve. *See Leitner v. Sadhana Temple of New York, Inc.*, 2014 WL 12588643, at \*14 (C.D. Cal. Oct. 17, 2014) ("Because [plaintiff] has not alleged the existence of a joint venture, there is no entity or association to dissolve. The claim must therefore be dismissed.").

### G. Whitley's Eighth Claim For Unjust Enrichment Should Be Dismissed

Whitley's eighth claim for unjust enrichment should be dismissed because "unjust enrichment is not a valid cause of action" in California, *Melchior v. New Line Prods., Inc.*, 106 Cal. App. 4th 779, 785 (2003), which is where Whitley alleges "a substantial portion of the events" giving rise to his claim occurred. (Compl. ¶ 12.) Indeed, this Court has repeatedly dismissed "claims" for unjust

<sup>&</sup>lt;sup>3</sup> Defendants do not deny that they were in a joint venture with Whitley to promote and sell "Caked Apes," as the *Nygard* Action alleges claims based upon that joint venture and sets forth the specific, written terms of the parties' agreement, with "screen shots" of the parties' messages stating those terms. However, this admission does not aid Whitley's claim because, while vaguely stated, Whitley appears to have a completely different position as to the terms and scope of the parties' joint venture and he is required to plead those terms with enough detail to give Defendants fair notice of his claim, which he fails to do.

enrichment for this very reason. *See Castel S.A. v. Wilson*, 2020 WL 4003024, \*14 (C.D. Cal. July 15, 2020) (Wright II, J.) (dismissing claim for unjust enrichment "on the grounds that California law does not recognize such a claim for relief"); *Cabo Brands, Inc. v. MAS Beverages, Inc.*, 2012 WL 5520775, \*4 (C.D. Cal. Nov. 14, 2012) (Wright II, J.) (same). Accordingly, Whitley's unjust enrichment claim should be dismissed.

### H. Whitley's Ninth Claim For Conversion Should Be Dismissed

Whitley's ninth claim contends Defendants converted (1) revenue from "the Pixel Tots and Caked Apes NFT launches" that had been allegedly "agreed by Plaintiffs and Defendants" to go to Plaintiffs, and (2) the "Art Discord," i.e., an Internet server that hosted an online community to discuss digital art projects. (Compl. ¶¶ 97-98.) The claim fails on both fronts.

To state a claim for conversion, a plaintiff must allege "(1) the plaintiff's ownership or right to possession of personal property; (2) the defendant's disposition of the property in a manner that is inconsistent with the plaintiff's property rights; and (3) resulting damages." *Fremont Indem. Co. v. Fremont Gen. Corp.*, 148 Cal. App. 4th 97, 119 (2007). When the first element is based on an alleged "right to possession" instead of actual ownership, the plaintiff must allege a right "to immediate possession at the time of conversion." *United Energy Trading, LLC v. Pac. Gas & Elec. Co.*, 177 F. Supp. 3d 1183, 1194 (N.D. Cal. 2016). When the alleged property at issue is a sum of money, "a mere contractual right of payment, without more, will not suffice" to support a claim. *Id.* This is because a contractual right of payment generally "does not entitle the obligee to the immediate possession necessary to establish a cause of action for the tort of conversion." *In re Bailey*, 197 F.3d 997, 100 (9th Cir. 1999).

Here, <u>first</u>, Whitley fails to state a claim for conversion based on an alleged failure to pay him some supposed "agreed" portion of "Pixel Tots" and "Caked Apes" revenue because "a claim for conversion cannot be premised upon an alleged

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failure to make a payment as required by a contract," which is all Whitley has alleged. Waitt v. Internet Brands, Inc., 2010 WL 11549746, at \*1 (C.D. Cal. July 29, 2010). Additionally, the claim fails because Whitley fails to identify a specific sum of money that was allegedly converted—instead, basing the claim only on unquantified "revenue" from the projects. This is insufficient because "[m]oney cannot be the subject of a cause of action for conversion unless there is a specific, identifiable sum involved[.]" PCO, Inc. v. Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro, LLP, 150 Cal. App. 4th 384, 395 (2007); see also United Energy, 177 F. Supp. 3d at 1194 (dismissing conversion claim as inadequate where plaintiff alleged "approximately \$2.3 million" had been converted, which was "not a sufficiently 'definite sum"").

Second, Whitley fails to state a claim for conversion based on the "Art

Discord" because he affirmatively alleges he transferred ownership of the Art Discord to Defendant Wiriadjaja in August 2021. (Compl. ¶ 23.) It is axiomatic that Defendants cannot convert something they rightfully own and possess.<sup>4</sup> Additionally, as owner of the Discord, Wiriadjaja had the right to remove Whitley's access because "the owner of an Internet website has the right to establish the extent to (and the conditions under) which members of the public will be allowed access to information, services and/or applications which are available on the website." *United States v. Drew*, 259 F.R.D. 449, 461 (C.D. Cal. 2009).

(C.D. Cal. Jan. 29, 2019) ("The Court must disregard allegations that are legal conclusions, even when disguised as facts.").

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<sup>&</sup>lt;sup>4</sup> While Whitley makes the conclusory assertion that "owner' in the context of Discord the webplatform does not reflect legal ownership" (Compl. ¶ 24), he alleges no facts to support this self-serving "say-so." *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007) (a complaint must allege "enough facts to state a claim to relief that is plausible on its face"). For example, Whitley cites nothing from Discord Inc. (the company behind Discord) to support his convenient claim that in the world of Discord "ownership" does not mean actual ownership. He also fails to allege any

specific conversations with Defendant Wiriadjaja whereby Whitley conveyed his subjective, unconventional understanding of the term "ownership" to Wiriadjaja. As such, Whitley's assertion may appropriately be disregarded. *See Ilagan v. Wells Fargo Bank, N.A.*, 2019 WL 1063396, \*1

In short, Whitley's conversion claim fails on both fronts and should be dismissed.

### I. Whitley's Tenth Claim For Defamation Should Be Dismissed

Like his other claims, Whitley's defamation claim against Defendants

Maguire and Nygard is sloppily pled and legally deficient, falling far short of the

strong showing required to hold a person civilly liable for engaging in free speech, a

Constitutionally protected activity.

# 1. The Claim Fails To Give Defendants Fair Notice Of The Statements Charged Against Them

As an initial matter, Whitley's defamation claim improperly lumps

Defendants Maguire and Nygard together and fails to give either of them fair notice
of the specific statements charged against them. (See Compl. ¶ 105.) For example,
Paragraph 105 alleges: "In making a series of posts on social media, including, but
not limited to on Twitter and the Art Discord that 'someone I was asked to help
build community for abused me and tried to kill me[,]' and 'The caked apes
collection was DMCA'[d] by Taylor Whitley aka Taylor wtf because he chose to
abuse Cake and an entire community of holders of Caked Apes' and 'he hates all of
you' Maguire and Nygard expressed purportedly factual statements about Whitley
that implied that there was a factual basis to evaluate Whitley's mental health,
friendships, and work." (Id. (emphases added).)

This allegation problematically leaves Defendants Maguire and Nygard with more questions about the claim than answers, including: (1) Are they defending against just these three statements (it seems not given Whitley's use of the "but not limited to" language)? (2) If not, what other unspecified statements are charged against them? (3) Are these three statements charged against *both* Maguire and Nygard? and (4) If not, which statement is charged against which Defendant?

The mere fact the claim raises these questions is reason to dismiss it. *See Arikat v. JP Morgan Chase & Co.*, 430 F. Supp. 2d 1013, 1020 (N.D. Cal. 2006)

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(finding defamation allegations "insufficient" where "they are ascribed to defendants collectively rather than to individual defendants"); *Townsend v. Chase Bank USA N.A.*, 2009 WL 426393, \*3 (C.D. Cal. Feb. 15, 2009) ("The general rule is that the words constituting the alleged libel must be specifically identified, if not pleaded verbatim, in the complaint." (quoting *Gilbert v. Sykes*, 147 Cal. App. 4th 13, 34 (2007))); *Vogel v. Felice*, 127 Cal. App. 4th 1006, 1017 n.3 (2005) (a court "would be justified in disregarding any evidence or argument concerning statements not explicitly set forth in the complaint").<sup>5</sup>

### 2. The Three Statements Whitley Identifies Are Not Actionable

Next, not one of the three statements Whitley actually identifies in his claim (see Compl. ¶ 105) is actionable because they constitute protected statements of opinion and are too vague and uncertain to be capable of being proven true or false. Moreover, two of them do not even refer to Whitley.

First, to state a defamation claim, a plaintiff must "establish that the statement on which the defamation claim is based is 'of and concerning' the plaintiff." D.A.R.E. Am. v. Rolling Stone Mag., 101 F. Supp. 2d 1270, 1289 (C.D. Cal. 2000). "To satisfy this requirement, 'the plaintiff must effectively plead that the statement at issue either expressly mentions him or refers to him by reasonable implication." Id. at 1289–90 (quotation marks omitted). At its core, "[t]he 'of and concerning' or specific reference requirement limits the right of action for injurious falsehood, . . . denying it to those who merely complain of nonspecific statements that they believe cause them some hurt." Blatty v. New York Times Co., 42 Cal. 3d 1033, 1044 (1986). "In California, whether statements can reasonably be interpreted

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<sup>&</sup>lt;sup>5</sup> The claim's incorporation by reference of the 103 paragraphs set forth early in the Complaint does no better to give Defendants sufficient notice of the claim. *See Deerpoint Grp., Inc. v. Agrigenix, LLC*, 345 F. Supp. 3d 1207, 1234 n.15 (E.D. Cal. 2018) ("[I]ncorporating literally all 143 preceding paragraphs, without specific reference" to a particular fact "does not give Defendants (or the Court) fair notice of the factual bases of the [] claim"). The claim must identify the actual statements charged against Defendants.

as referring to plaintiffs is a question of law for the court." *SDV/ACCI, Inc. v. AT&T Corp.*, 522 F.3d 955, 959 (9th Cir. 2008).

Here, two of the three statements fail this requirement—specifically, the statements that "someone . . . abused me and tried to kill me" and "he hates all of you." Indeed, neither statement expressly mentions Whitley. Additionally, Whitley pleads no facts or context to show either statement "refers to him by reasonable implication." Rather, both statements plainly fall in the category of "nonspecific statements" that are not actionable under the defamation laws and should thus be dismissed from the claim. See Fitbit, Inc. v. Laguna 2, LLC, 2018 WL 306724, at \*8 (N.D. Cal. Jan. 5, 2018) ("It is hard to see how a party unidentified and unknown to the audience of the alleged defamation can claim it was defamed and injured.").

Second, even assuming each of the statements did refer to Whitley (again, two did not), they are still not actionable. Fundamentally, only false statements of fact can be defamatory. Gardner v. Martino, 563 F.3d 981, 986 (9th Cir. 2009). This is because pure opinions—"those that do not imply facts capable of being proved true or false"—are protected by the First Amendment. Partington v. Bugliosi, 56 F.3d 1147, 1153, n. 10 (9th Cir. 1995). Thus, the "threshold question" in any "defamation claim is whether a reasonable factfinder could conclude that the contested statement implies an assertion of objective fact." Gardner, 563 F.3d at 987 (citations omitted).

Additionally, to support a claim for defamation, the statement must be sufficiently specific and concrete such that it is capable of being proven true or false. Accordingly, "overly vague statements" and "generalized comments lacking any specificity as to the time or place of alleged conduct" will not support a claim. *ZL Tech., Inc. v. Does 1-7*, 13 Cal. App. 5th 603, 624 (2017) (cleaned up); *see also John Doe 2 v. Superior Court*, 1 Cal. App. 5th 1300, (2016) ("Without some reference to the type of undisclosed conduct . . . comments [can be] too vague and uncertain to be actionable as conveying a defamatory accusation.").

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For example, in *McGarry v. University of San Diego*, 154 Cal. App. 4th 97 (2007), an "amorphous assertion" that the plaintiff engaged in "immoral behavior" was not actionable when the statement "contained no hint of what conduct [the speaker] believed [the plaintiff] had engaged in that would be immoral" and was thus "incapable of being interpreted as implying a *provably false* assertion of *fact*." *Id.* at 116-117. Among other things, the court reasoned that because "[b]ehavior that might qualify as immoral to one person" could be "perfectly acceptable to another person," the assertion was "within the range of statements of opinion that are not actionable."

Ultimately, it is the *plaintiff's* burden to show the statement is actionable. To survive a motion to dismiss, "a plaintiff must establish both that the words about which they complain are reasonably capable of sustaining a defamatory meaning, and that they are not mere comment within the ambit of the First Amendment." *Troy Group, Inc. v. Tilson*, 364 F. Supp. 2d 1149, 1152 (C.D. Cal. 2005) (internal quotation marks omitted omitted). "Whether an allegedly defamatory statement is one of opinion or fact is a question of law" for the court that may be addressed in a Rule 12(b)(6) challenge. *Gardner*, 563 F.3d at 986; *see also ZT Tech.*, 13 Cal. App. 5th at 624 ("It is a question of law for the court whether a challenged statement is reasonably susceptible of a defamatory interpretation." (cleaned up)).

Here, the three statements Whitley targets are all the type of statements that courts have consistently held to be nonactionable opinions or statements that are too vague to be proven true or false. For example, the alleged statement that Whitley "chose to abuse Cake and an entire community of holders of Caked Apes" when he "DMCA'd" (*i.e.*, took down) the Caked Apes collection expresses an opinion that Whitley's decision to "DMCA" the collection—which Whitley does not deny doing—is a form of "abuse." Because the speaker fully discloses the basis for her opinion that Whitley's conduct is "abuse," the statement is not actionable as a matter of law. *See Price v. Stossel*, 620 F.3d 992, 1004 (9th Cir. 2010) ("a speaker who

outlines the factual basis for h[er] conclusion is protected by the First 1 2 Amendment"); Partington, 56 F.3d at 1156 (if "the author presents the factual basis 3 for h[er] statement, [it] can only be read as h[er] personal conclusion about the information presented, not as a statement of fact" (citation omitted)). 4 5 Moreover, the concept of "abuse"—like the concept of "immoral behavior" in McGarry—means different things to different people and comes in many forms, 6 7 including verbal abuse, emotional abuse, mental abuse, and physical abuse. Therefore, generalized accusations of "abuse"—including the other statement 8 9 Whitley challenges that "someone I was asked to help build community for abused 10 me"—are too vague to be capable of being proven true or false and thus may not form the basis of a defamation claim. See Art of Living Foundation v. Does 1-10, 11 2011 WL 2441898, at \*7 (N.D. Cal. June 15, 2011) (holding that online statements 12 13 that accused defendant of "abuse" and other misconduct were "too loose and hyperbolic" to state a defamation claim under California law (quoting Milkovich v. 14 Lorain Journal Co., 497 U.S. 1, 20 (1990)); Sakala v. Milunga, 2017 WL 2986364, 15 \*2 (D. Md. July 13, 2017) (dismissing defamation claims based on statements that 16 person was "mistreated" and "abused" because such statements "are not matters of 17 fact, but of opinion, which is not the province of defamation law"). Statements like 18 19 the one Whitley challenges that "he hates all of you" are similarly nonactionable. See Leidholdt v. L.F.P. Inc., 860 F.2d 890, 894 (9th Cir. 1988) (dismissing 20 21 defamation claim based on statements that the plaintiff "hates men" and "hates herself" because they were nonactionable statements of opinion); see also Ward v. 22 23 Zelikovsky, 643 A.2d 972, 980 (N.J. 1994) (accusation that plaintiffs "hated Jews" 24 nonactionable). Finally, the statement that "someone . . . tried to kill me" is also too vague and 25 **26** nonspecific to be actionable, including because Whitley fails to allege any 27 surrounding context, leaving unclear whether the speaker meant "kill me" in the

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literal sense or a figurative one. Indeed, as alleged, the statement is susceptible to

numerous meanings: on one end, it can be interpreted to suggest the unidentified "someone" actually tried "to kill" (*i.e.*, murder) the speaker. On the other end, it can be interpreted figuratively to suggest the unidentified person tried "to kill" the speaker's name, reputation, spirit, or career, which would plainly be a subject of opinion. For this reason, the statement is "overly vague," too "generalized," and lacks sufficient "specificity as to the time or place of alleged conduct" to support a defamation claim. *ZL Tech.*, 13 Cal. App. 5th at 624; *see also Nocsia v. De Rooy*, 72 F. Supp. 2d 1093, 1102 (N.D. Cal. 1999) (dismissing statement that plaintiff "killed Jan Kerouac" as nonactionable where context showed defendant "was not literally accusing [plaintiff] of murder"); *Greenbelt Coop. Publ'g Ass'n v. Bresler*, 398 U.S. 6, 13–14 (1970) (description of the plaintiff's negotiating position as "blackmail" could not reasonably be interpreted as having accused him of committing the crime of blackmail).

Furthermore, "loose, figurative, or hyperbolic language" like that in the statement alleged has consistently been found "to negate the impression that contested statement is an [actionable] assertion of fact." *Herring Networks, Inc. v. Maddow*, 8 F.4th 1148, 1160 (9th Cir. 2021) (cleaned up). Adding to this is the fact that the statement was allegedly made on an unmoderated Internet forum (Twitter), which "courts . . . have recognized . . . are places where readers expect to see strongly worded opinions rather than objective facts." *Summit Bank v. Rogers*, 206 Cal. App. 4th 669, 697 (2012); *see also Chaker v. Mateo*, 209 Cal. App. 4th 1138, 1142 (2012) ("In determining statements are nonactionable opinions, a number of recent cases have relied heavily on the fact that the statements were made in Internet forums."). When posted on such forums, including Twitter specifically, courts have frequently held that statements of apparent fact assume the character of opinion. *See, e.g., Clifford v. Trump*, 339 F. Supp. 3d 915, 926 (C.D. Cal. 2018) (treating as "rhetorical hyperbole" a tweet accusing the plaintiff of lying and calling her a "total con job"); *Chaker*, 209 Cal. App. 4th at 1142 (treating as opinion statements on

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internet message board that the plaintiff is a "deadbeat dad," "may be taking steroids," "is into illegal activities," and "picks up street walkers and homeless drug addicts").

Finally, because Defendants and Whitley are involved in a public legal battle with complaints on both sides, to the extent any of the alleged statements were actually about Whitley, "they are highly unlikely to be understood by their audience as statements of fact." Info. Control Corp. v. Genesis One Comp. Corp., 611 F.2d 781, 784 (9th Cir. 1980); see also Nicosia, 72 F. Supp. 2d at 1101 (explaining that defendant's statements made on her "personal web-site, and through Internet discussion groups, as part of a heated debate concerning a bitter legal dispute [in which the plaintiff has fully engaged" are more likely to be opinion than fact).

For all the above reasons, Whitley's defamation claim—which seeks to impose civil liability for vague statements of opinion expressed online with no surrounding context alleged—is insufficiently pled and should be dismissed.

### J. Whitley's Eleventh Claim For Unfair Competition Should Be

For good measure, Whitley adds a UCL claim to the end of his Complaint, alleging Defendants are liable under both the "unlawful" and "unfair" prongs. Whitley fails to allege a cognizable claim under either prong.

First, Whitley's claim under the unlawful prong is subject to dismissal because it is based entirely on his other defective claims. See Tobon v. Nationstar Mortg. LLC, 2017 WL 8114978, \*8 (C.D. Cal. Apr. 4, 2017) ("because all of Plaintiff's other claims fail, her claim under the unlawful prong fails"); *Ingels v.* Westwood One Broad. Services, Inc., 129 Cal. App. 4th 1050, 1060 (2005) ("If the [underlying] claim is dismissed, then there is no unlawful act upon which to base the derivative Unfair Competition claim" (internal quotes omitted)); see also Krantz v. BT Visual Images, 89 Cal. App. 4th 164, 178 (2001) (the viability of an "unlawful" UCL claim "stands or falls" with the underlying claims).

Second, to plead a claim under the "unfair" prong, a plaintiff must allege the conduct in question "threatens an incipient violation of an antitrust law or violates the policy of spirit of such law or otherwise significantly threatens or harms competition." Cel-Tech Comms., Inc. v. Los Angeles Cell. Tel. Co., 20 Cal. 4th 163, 187 (1999). Moreover, the plaintiff must allege with specificity how the conduct specifically threatens or harms competition. See Levitt v. Yelp! Inc., 756 F.3d 1123, 1136-37 (9th Cir. 2014) (affirming dismissal of a UCL unfair prong claim based on conclusory allegations of competitive harm); see also Snapkeys, Ltd. v. Google LLC, 442 F. Supp. 3d 1196, 1210 (N.D. Cal. 2020) (dismissing claim that was "devoid of any allegation about how [the] conduct harmed competition"); Thognoppakun v. Am. Exp. Bank, 2012 WL 639531, \*2 (C.D. Cal. Feb. 27, 2012) (Wright II, J.) ("A plaintiff alleging unfair business practices under these statutes must state with reasonable particularity the facts supporting the statutory elements of the violation." (quoting Khoury v. Maly's of Cal. Inc., 14 Cal. App. 4th 612, 619 (1993)).

Here, Whitley's claim does none of these things. Instead, it simply makes the

Here, Whitley's claim does none of these things. Instead, it simply makes the conclusory allegation that Defendants' conduct has "injure[d] Plaintiff's business and property." (Compl. ¶ 117.) However, "merely focus[ing] on harm to [one]self... is sufficient to state a claim under the 'unfair' prong." *Snapkeys*, 442 F. Supp. 3d at 1209-1210. For all of these reasons, Whitley's UCL claim should be dismissed.

### V. CONCLUSION

In the end, Whitley's Complaint is full of sound and fury, signifying nothing. Defendants respectfully request that this Court grant their Motion and dismiss Whitley's Complaint in its entirety.

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DATED: April 15, 2022 KING, HOLMES, PATERNO & SORIANO, LLP By: /s/ John G. Snow JOHN G. SNOW Attorneys for Defendants CLARE MAGUIRE, JAKE NYGARD, ANTONIUS WIRIADJAJA, and **DONGLEE HAN** 

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