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Introduction

Flo & Eddie—performers of the Turtles' hit record "Happy Together"—have recently been engaging in a successful spree of $100 million class action lawsuits against digital broadcaster Sirius XM. With cases in New York, California, and Florida federal courts, the basis for these suits is Sirius XM's underpayment of royalties and unlicensed public performances of pre-1972 sound recordings. The significance of the year 1972 is that sound recordings were first accorded federal copyright protection that year, but on an exclusively prospective basis. Sirius XM does not dispute the fact that it does not currently pay rights holders for these vintage recordings. In fact, it takes the position that while it may be required under federal law to pay royalties for the public performance of *post*-1972 sound recordings, it is not required to do so for *pre*-1972 sound recordings. The reason why requires an examination into a segment of the history of U.S. copyright law.

Part I of this Article provides the legal backdrop for Sirius' position on pre-1972 sound recordings, in particular why they are not covered under federal law. Part II details Flo & Eddie's successful lawsuits against Sirius in New York and California which each turn on state—not federal—law. Part III illustrates some of the troublesome downstream effects of these lawsuits, including various policy implications. Finally, Part IV proposes an amendment to the U.S. Copyright Act that would bring pre-1972 sound recordings under the ambit of federal protection.

I. Legal Foundations: Pre-1972 Sound Recordings, Generally

A. The Sound Recording Amendment of 1971

Congress passed the Sound Recording Amendment to the U.S. Copyright Act in late 1971, making sound recordings fixed on or after February 15, 1972 eligible for federal copyright

protection for the first time.[1] Like many of Congress' amendments to the U.S. Copyright Act, this was a legislative response to technological innovation that enabled a higher volume of music piracy than was previously practicable. Specifically, by 1971 there was a growing concern in Congress that the advent of the home use of audiocassette tapes and recorders meant the unauthorized reproduction and distribution of unlicensed recordings could take place on a commercial scale for the first time ever.[2] Indeed, Congress estimated in the statute's accompanying House Report that the annual volume of pirated music sales was "in excess of $100 million," as compared to $300 million annually from legitimate audiocassette tape sales.[3]

The Sound Recording Amendment was further motivated by the lack of uniformity among state law remedies for rights holders in sound recordings.[4] In the 1960s, some states passed criminal laws for the commercial reproduction and distribution of sound recordings,[5] and by now nearly all states have such criminal piracy laws protecting rights holders.[6] A number of states also have relevant civil statutes,[7] and others provide limited remedies under unfair competition law.[8]

B. Applicability of Federal Copyright Law to Pre-1972 Sound Recordings

Before long, the U.S. Supreme Court addressed the question of whether pre-1972 sound recordings were subject to state or federal law in the seminal case *Goldstein v. California*,[9] deciding that pre-1972 sound recordings are covered only by state law. The Court held that California's record piracy statute regarding pre-1972 sound recordings was not preempted by federal law under its decisions in *Sears, Roebuck & Co. v. Stiffel Co.*,[10] and *Compco Corp. v. Day-Brite Lighting*.[11] Pursuant to the Supremacy Clause,[12] the Court established that "[n]o comparable conflict between state law and federal law arises in the case of recordings of musical performances," therefore "no reason exists why the State should not be free to act" in regulating pre-1972 sound recordings."[13] In 1998, Congress codified the *Goldstein* decision in Sections 301(c) and (d) of the U.S. Copyright Act, by explicitly limiting federal preemption of state statutes and common law as they relate to pre-1972 sound recordings until 2067.[14]

II. Flo & Eddie's Lawsuits Against Sirius XM

Part II details two recent cases that address how federal district courts have applied state law to fill the gap in federal law described in Part I.

A. The California District Court Decision

In September 2014, Flo & Eddie earned their first victory against Sirius over the nonpayment of performance royalties (allegedly amounting to $100 million), when a federal district court in

California granted their summary judgment motion on the issue of the existence of performance rights for sound recordings under state law.[15] In reaching its decision, the court looked to the language of California's copyright statute, which makes explicit mention of the treatment of pre-1972 sound recordings, providing: "The author of an original work of authorship consisting of a sound recording initially fixed prior to February 15, 1972, has an *exclusive ownership* therein until February 15, 2047[.]"[16]

The court's analysis regarding public performance rights under the California Code turned on its interpretation of the scope of "exclusive ownership" rights.[17] Invoking a familiar statutory interpretation maxim, the court "presumed the Legislature included all the exceptions it intended to create."[18] In turn, the court construed the meaning of "exclusive ownership" to infer the state legislature's intention not to further limit ownership rights beyond the plain language of the statute, "otherwise it would have indicated that intent explicitly."[19] The decision confirms that Sirius XM and other digital broadcasters will have to license pre-1972 sound recordings broadcasted in California.

B. The New York District Court Decision

Just two months later, Flo & Eddie gained another victory in a separate $100 million class action suit, this time in New York's Southern District.[20] As an initial matter, the court established that Flo & Eddie owned common law copyrights in their sound recordings under New York law.[21] Thus, the court recognized, as did the California court, that the theory of liability turned on the question of whether the scope of common law rights included a public performance right requiring Sirius to license and pay royalties for pre-1972 sound recordings.[22] The court acknowledged this was a matter of first impression and looked to New York's historical treatment of performance rights in plays and films, each of which have long enjoyed public performance rights under the common law.[23] Thus, according to the court, "general principles of common law copyright dictate that public performance rights in pre–1972 sound recordings do exist."[24]

III. Downstream Effects & Policy Considerations

Part III examines the foreseeable, negative downstream effects of the cases discussed in Part II, and provides the policy basis for this Article's proposal to bring pre-1972 sound recordings under the ambit of federal copyright law.

A. The Litigation Bandwagon

One of the primary foreseeable consequences of these decisions is a litigation bandwagon effect. While Flo & Eddie recently lost summary judgment in a similar class action suit in Florida, there is ample evidence that litigation over performance royalties in pre-1972 sound

recordings will only increase. To date, in addition to the near-certain appeals of the three Turtles cases, the major recording labels in the U.S. have mounted similar attacks against Pandora, another digital broadcaster.[25] SoundExchange, a rights management organization, also filed suit against Sirius XM for $100 million dollars in unpaid royalties, recently winning $90 million in settlement.[26]

To say that litigation over performance royalties in pre-1972 sound recordings has become unruly would be an understatement. That these disputes are all being litigated simultaneously, under a veritable hodgepodge of state statutory and common law, lends further credence to the notion that the current legal environment surrounding performance rights in pre-1972 sound recordings is unstable. Litigation has become an inefficient tool for dispute resolution between digital broadcasters and owners of pre-1972 sound recordings. It is slow, burdensome, and costly not only for the broadcasters, but for Flo & Eddie as well. Therefore, significant resources are currently being expended in a manner that creates a zero-sum game between the parties.

B. Access and Preservation Concerns

The current legal environment described above also threatens valuable access and preservation policy principles as they relate to pre-1972 sound recordings. It was widely rumored that Sirius XM's threat to pull all pre-1972 sound recordings from their services to avoid further disputes precipitated—at least in part—the Second Circuit's decision to grant Sirius XM's appeal of the Southern District's denial of its summary judgment motion. Pandora has also made a similar declaration.[27] Indeed, if the solution adopted by the digital broadcasting industry is to pull pre-1972 content altogether, the negative consequences are two-fold: (1) the public will be deprived of access to culturally valuable content (imagine a world where the next generation has no access to Motown and the Beatles); and (2) rights holders in pre-1972 sound recordings will have effectively shut themselves out from the capture of future performance royalties. Indeed, the U.S. Copyright Office agrees that preservation and access concerns are a major driving force for the need for federal copyright reform in this respect.[28]

C. A Licensing Mess, Regardless

Even if digital broadcasters elect not to pull pre-1972 content from their broadcasts, the current gap in federal law would result in a licensing mess characterized by prohibitively high administrative costs. Under federal copyright regulations, the Copyright Royalty Board has designated SoundExchange as the rights management organization to collect and distribute performance royalties.[29] Under this system, royalties are calculated according to statutorily-set rates, and payment and distribution is administered via a single entity.[30] However, because pre-1972 sound recordings currently fall outside of this federal regulatory scheme, digital broadcasters will be required to negotiate separate licenses with each individual rights

holder per recording.[31] License negotiation will likely also involve the analysis of each of the fifty states' individual statutes and common law doctrines regarding performance rights for sound recordings. Therefore, from the broadcasters' perspective, pulling content altogether remains an economically more attractive alternative to such a licensing scheme.

IV. Proposal: Congress Must Federalize Pre-1972 Sound Recordings

Part IV demonstrates that the policy concerns described in Part III would be significantly alleviated by amending the U.S. Copyright Act to bring pre-1972 sound recordings under federal protection.

One potentially positive downstream effect of the problems described above is that the they have highlighted the need for federal reform in the eyes of Congress. Indeed, in May 2014, Congress introduced the Respecting Senior Performers as Essential Cultural Treasures Act (RESPECT) Act,[32] which would largely require digital broadcasters to treat pre-1972 sound recordings the same as post-1972 sound recordings.

This Article argues that federal legislation via the RESPECT Act, or a similar legislative bill, is necessary in order to eliminate the troublesome downstream effects described above. The reasons are three-fold: First, because guidance on pre-1972 sound recordings would be provided by a single clear and unambiguous source of law (the potential federal statute), the litigation bandwagon will come to a halt. Digital broadcasters will be clear on their duties to rights holders, and performance royalties will no longer require messy judicial analysis of state law. Second, because pre-1972 sound recordings would be part of the federal regulatory scheme, the licensing mess described above will be eliminated and therefore streamlined under the terms of the federal regulations. Third, the elimination of the licensing mess will alleviate access and preservation concerns because licensing will no longer be prohibitively costly to administer.

Conclusion

It is without a doubt that while owners of pre-1972 sound recording have asserted their rights in their works through proper judicial channels, the current state of the surrounding legal environment is fairly unstable. That pre-1972 rights holders have a judicially recognized basis for engaging in massive litigation may be beside the point. What is troubling about the lack of stability under the current system is the series of negative, downstream effects that are foreseeable due to this type of litigation strategy. Therefore, in order to eliminate these effects, and in order to benefit both digital broadcasters and pre-1972 rights holders in the long run, legislation—not litigation—is the proper avenue to resolve disputes of this nature.

[1] Pub. L. No. 92-140, § 3 (1971), 85 U.S. Stat. 391, 392 (1971).

[2] H.R. REP. NO. 92-487, at 2 (1971).

[3] *Id.*

[4] *Id.*

[5] In 1967, New York became the first state to make the commercial reproduction and distribution of sound recordings a criminal offense, followed by California in 1968. *See* U.S. Copyright Office, Federal Copyright Protection for Pre-1972 Sound Recordings: A Report of the Register of Copyrights 20 n.80 (2011), http://www.copyright.gov/docs/sound/pre-72-report.pdf (citations omitted).

[6] *See* Melville B. Nimmer and David Nimmer, 2-8C Nimmer on Copyright § 8C.03, n.9.1 (Matthew Bender, rev. ed.) (citing U.S. Copyright Office, Federal Copyright Protection for Pre-1972 Sound Recordings: A Report of the Register of Copyrights 22 n.82 (2011), http://www.copyright.gov/docs/sound/pre-72-report.pdf) (noting that Indiana and Vermont are the only states without such statutes).

[7] *See, e.g.*, Cal. Civ. Code § 980(a)(2) (2011) (state protection over sound recordings until 2047); Colo. Rev. Stat. § 18-4-601(1.5) (2011) ("[N]o common law copyright shall exist for a period longer than fifty-six years after an original copyright accrues to an owner.").

[8] U.S. Copyright Office, Federal Copyright Protection for Pre-1972 Sound Recordings: A Report of the Register of Copyrights 11 (2011) (citations omitted); *see, e.g.*, A&M Records, Inc. v. M.V.C. Distributing Corp., 574 F.2d 312 (6th Cir. 1978); Victor Talking Mach. Co. v. Armstrong, 132 F. 711 (S.D.N.Y. 1904); Capitol Records v. Erickson, 2 Cal. App. 3d 526 (1969); Capitol Records v. Spies, 264 N.E.2d 874 (1970); Columbia Broadcasting System Inc. v. Melody Recordings, Inc., 341 A.2d 348 (1975); Liberty/UA, Inc. v. Eastern Tape Corp., 180 S.E.2d 414 (1971).

[9] 412 U.S. 546 (1973).

[10] 376 U.S. 225 (1964).

[11] 376 U.S. 234 (1964).

[12] "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound

thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding." U.S. Const. art. VI, cl. 2.

[13] Goldstein v. California, 412 U.S. 546, 570 (1973).

[14] 17 U.S.C. § 301.

[15] Flo & Eddie Inc. v. Sirius XM Radio Inc., No. CV 13-5693 PSG RZX, 2014 WL 4725382, at *2 (C.D. Cal. Sept. 22, 2014) *reconsideration denied*, No. CV 13-5693 PSG (RZX), 2015 WL 9690320 (C.D. Cal. Feb. 19, 2015) [*hereinafter Flo & Eddie (CA)*].

[16] Cal. Civ. Code § 980(a)(2).

[17] *Flo & Eddie (CA)*, 2014 WL 4725382, at *5.

[18] *Id. at *5* (citing Reynolds v. Reynolds*,* 54 Cal.2d 669, 681 (1960)).

[19] *Id.*

[20] Flo & Eddie, Inc. v. Sirius XM Radio, Inc., 62 F. Supp. 3d 325 (S.D.N.Y. 2014) *reconsideration denied*, No. 13 CIV. 5784 CM, 2014 WL 7178134 (S.D.N.Y. Dec. 12, 2014) *stay granted, motion to certify appeal granted sub nom.* Flo & Eddie, Inc v. Sirius XM Radio Inc., No. 13 CIV. 5784 CM, 2015 WL 585641 (S.D.N.Y. Feb. 10, 2015) and *stay granted, motion to certify appeal granted sub nom.* Flo & Eddie, Inc v. Sirius XM Radio Inc., No. 13 CIV. 5784 CM, 2015 WL 585641 (S.D.N.Y. Feb. 10, 2015) and *leave to appeal granted*, No. 15-497, 2015 WL 3478159 (2d Cir. May 27, 2015).

[21] *Id.* at 336.

[22] *Id.*

[23] *Id.* (citations omitted).

[24] *Id.* at 334.

[25] Ben Sisario, *SiriusXM Settles Royalty Dispute Over Old Recordings*, N.Y. Times (June 26, 2015), http://www.nytimes.com/2015/06/27/business/sirius-xm-settles-royalty-dispute-over-old-recordings.html?_r=0.

[26] Ben Sisario, *Pandora and Big Labels Settle Suit for $90 Milion*, N.Y. Times (Oct. 22, 2015), http://www.nytimes.com/2015/10/23/business/media/pandora-and-big-labels-settle-suit-for-dollar90-million.html.

[27] *See* Leigh F. Gil, Heather R. Lieberman, Gregory S. Stein, *Time to Face the Music: Current State and Federal Copyright Issues with Pre-1972 Sound Recordings*, Leavens, Strand & Glover, LLC (July/Aug. 2014), http://lsglegal.com/index.php/articles/42-uncategorised/280-time-to-face-the-music-current-state-and-federal-copyright-law-issues-with-pre-1972-sound-recordings (citation omitted).

[28] U.S. Copyright Office, Federal Copyright Protection for Pre-1972 Sound Recordings: A Report of the Register of Copyrights 91–100 (2011), http://www.copyright.gov/docs/sound/pre-72-report.pdf.

[29] *See* 37 C.F.R. § 380.4.

[30] *Id.*

[31] *See supra* note 27; *see also* Steve Gordon & Anjana Puri, *The Current State of Pre-1972 Sound Recordings: Recent Federal Court Decisions in California and New York Against Sirius XM Have Broader Implications Than Just Whether Satellite and Internet Radio Stations Must Pay for Pre-1972 Sound Recordings*, 4 NYU J. Intell. Prop. & Ent. L. 336, 354 (2015).

[32] RESPECT Act, H.R. 4772, 113th Cong. (2014).