Flo & Eddie, Inc. v. Sirius XM Radio, Inc.: Public Performance Rights for Pre-1972 Sound Recordings

Noah Drake

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INTRODUCTION

The Federal Copyright Act of 1976 affords rights in original musical works by way of sound recordings and compositions, providing the rightsholder with a separate bundle of rights in both the sound recording and the musical composition. While musical compositions have enjoyed expansive federal protection since 1897, sound recordings have not enjoyed such favorable treatment. Even when Congress finally extended copyright protection to sound recordings, it offered only reproduction and distribution rights, and limited those rights to sound recordings made on or after February 15, 1972. No owner of a sound recording made prior to that date has a public performance right under federal law. Radio broadcasters have historically used
this gap in copyright law to broadcast pre-1972 sound recordings without having to pay the owners of those recordings. Artists and record labels welcomed this arrangement, treating the broadcasts as free promotion with its own benefits.

This universally accepted norm was challenged when former Turtles members Mark Volman and Howard Kaylan (incorporated as “Flo & Eddie”) brought suit in California against satellite radio provider, Sirius XM Radio, Inc. (“Sirius XM”). Flo & Eddie owns the sound recordings of many of its musical works, all which were recorded before February 15, 1972. Sirius XM is a radio provider, transmitting multiple stations across the United States digitally through satellite radio and internet streaming. Through its stations, Sirius XM broadcasted multiple Flo & Eddie recordings. Flo & Eddie actively licensed the right to reproduce and distribute copies of its sound recordings to select distributors, but it never licensed any of its works to Sirius XM or other radio providers that publicly performed its sound recordings. Though federal law does not protect Flo & Eddie’s pre-1972 recordings, Volman and Kaylan successfully argued that the recordings were protected by a patchwork of state law civil statutes, common law, and criminal law.

This Comment examines the outcome of Flo & Eddie’s case, and argues that, while the court properly applied statutory interpretation and prior case law, it improperly overlooked important policy implications. In Part I, the Comment provides a historical overview of copyright protection for pre-1972 sound recordings. The Comment then discusses in Parts II and III the district court’s ruling, where it decided that state law confers a public performance right to owners of pre-1972 sound recordings. Finally, in Part IV, the Comment proposes that Congress take action to uphold its vision of creating uniformity in copyright law by imposing a federal standard for pre-1972 recordings, and preempting state laws, many of which are poorly construed and contain sparse legislative history.

8. Id.
9. Id.
10. Id. at *2.
I. OVERVIEW OF PRE-1972 COPYRIGHT PROTECTION FOR SOUND RECORDINGS

A. Federal Copyright Protection

Congress brought sound recordings into the scope of federal copyright protection on February 15, 1972 (the “Sound Recording Act”). The law applied to prospective recordings and left only state law protection for pre-1972 recordings. The Copyright Act of 1976, which overhauled much of federal copyright law, did not change that scheme. Under the Copyright Act of 1976, states could protect pre-1972 sound recordings under their own laws until February 16, 2067, after which the recordings would enter the public domain.

Historically, Congress resisted extending federal copyright protection to sound recordings. But by the 1960s, Congress agreed that it could not deter unauthorized duplication or piracy without adopting a federal scheme for sound recordings. Nevertheless, performance rights in sound recordings remained controversial. Broadcasters fought for the right to play songs on the radio. They argued that radio airplay came with the significant benefit of promoting the artist and the song, and any legal system restricting such airplay saddled broadcasters with an undue economic burden. Unable to resolve the controversy over performance rights, Congress granted only reproduction rights for sound recordings, delivering a win to broadcasters who could continue to play sound recordings without paying the rightsholder.

The Copyright Act of 1976 subsequently adopted reproduction rights for sound recordings, but left out, once again, any public performance rights for those same recordings. In response, states extended reproduction rights to pre-1972 sound recordings via unfair competition or state copyright laws. Congress knew about these gaps in copyright protection both at the state and

12. See id.
14. 17 U.S.C. § 301(c). States may provide otherwise.
15. See U.S. COPYRIGHT OFFICE, supra note 13, at 7–9 (summarizing the history of federal copyright law and sound recordings prior to 1972).
17. See id. at 56–58.
18. Id. at 57.
20. See 17 U.S.C. 114(b); see also U.S. COPYRIGHT OFFICE, supra note 13, at 13.
21. For a summary of state law reproduction rights in pre-1972 sound recordings, see U.S. COPYRIGHT OFFICE, supra note 13, at 20–49.
federal level, but chose not to act, and legislative history does not shed light on Congress’s inertia, despite its goal of creating a unitary copyright system.22

Later on, with the onset of online digital music providers, Congress granted limited public performance rights for post-1972 recordings through section 106(6) of the Copyright Act.23 The rights were limited in that they applied only to “digital audio transmissions,” not FM radio broadcasters. The move was largely motivated by the record industry’s fear that individuals would pirate digital broadcasts on to hard drives on home computers, and supplant the market for sound recordings.24 Today, non-interactive25 digital music providers, such as Sirius XM, must still obtain a license before broadcasting recordings made after 1972; FM radio broadcasters do not.26

B. State Law Protection in California

Section 980(a)(2) of the California Civil Code provides civil protection for the “exclusive ownership” of pre-1972 sound recordings, with the exception of sound-a-like recordings:

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, as against all persons except one who independently makes or duplicates another sound recording that does not directly or indirectly recapture the actual sounds fixed in such prior sound recording, but consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate the sounds contained in the prior sound recording.27

In 1984, the U.S. Court of Appeals for the Ninth Circuit recognized that section 980(a)(2) extended state law protection for copyright to the duplication and distribution of pre-1972 sound recordings.28 Though legislative history is sparse, it is clear that the California legislature amended section 980 to protect works not specifically protected under federal law.29 Though the California law

22. Id. at 17.
23. 17 U.S.C. § 106(6) (granting rightsholders the exclusive right to publicly perform the work “by means of a digital audio transmission”).
25. Non-interactive services provide users with an experience similar to a radio broadcast. For example, users cannot choose a specific track to hear, but instead are provided a pre-programmed selection of music which remains unknown to the user. See 17 U.S.C. § 114(j)(7); Licensing 101, SOUND EXCHANGE, http://www.soundexchange.com/service-provider/licensing-101 (last visited July 26, 2015).
26. Myers, supra note 24, at 440.
28. See Lone Ranger Television, Inc. v. Program Radio Corp., 740 F.2d 718, 725 (9th Cir. 1984).
exempts sound-a-like recordings, it nowhere enumerates the exclusive rights of the author.

II.  

Flo & Eddie, Inc. v. Sirius XM Radio, Inc.

Flo & Eddie filed a complaint against Sirius XM in Los Angeles Superior Court on August 1, 2013, alleging violations of California state law. Days later, the court removed the case to the U.S. District Court for the Central District of California.

On September 22, 2014, the court granted Flo & Eddie’s motion for summary judgment, finding that Sirius XM had violated the group’s exclusive right to publicly perform its recordings. The court rested its holding on section 980 of the California Civil Code, which, it held, granted owners exclusive rights to publicly perform pre-1972 sound recordings.

In coming to its conclusion, the court first looked to the text of the statute. It found that section 980 unambiguously granted exclusive ownership, including public performance rights, in pre-1972 sound recordings to the rightsholder. Because the court found the text of the statute unambiguous, it relied on the plain and ordinary meaning of the text rather than legislative history. Noting that section 980 already excluded sound-a-like recordings from copyright protection, the court concluded that the legislature had enumerated all exemptions, and it refused to imply or presume additional ones. Because section 980 did not include an express exemption for public performance rights, the court reasoned that the legislature meant to confer the entire bundle of rights to the rightsholder.

The court also looked to case law, including two court rulings that implicitly suggested a public performance right in pre-1972 sound recordings. In Capitol Records, LLC v. BlueBeat, the U.S. District Court for the Central District of California found that a website had violated a record company’s exclusive rights when it allowed users to download and stream the company’s pre-1972 recordings without authorization. The Flo & Eddie court determined that Bluebeat implied a public performance right under section 980 because it

31. See generally id.
33. Id.
34. Id. at *4–5.
35. Id. at *5.
36. Id. at *5–6.
37. Id.
38. Id. at *6–8.
held that the defendant website was liable for streaming—the equivalent of publicly performing unauthorized recordings.\textsuperscript{40} The Flo & Eddie court also cited Bagdasarian Productions LLC v. Capitol Records, Inc., an unpublished 2010 California appellate court opinion that implied, in dicta, that section 980(a)(2)’s grant of “exclusive rights” included public performance rights.\textsuperscript{41}

III.
CASE ANALYSIS

A. The Court Interpreted Relevant Statutes and Preceding Case Law Correctly.

The Flo & Eddie court’s reading of section 980(a)(2) is incomplete. The court found the California law unambiguous and refused to look to legislative history. But, even though the state legislature exempted sound-a-like recordings without providing a similar exemption for public performance rights, the law is far from unambiguous. Section 980(a)(2) confers exclusive ownership in sound recordings, but nowhere explains what “exclusive ownership” entails. This is especially troublesome since the state legislature amended section 980 in response to a change in federal copyright law that did enumerate exclusive rights. The court should have looked to legislative history to decipher section 980’s meaning.\textsuperscript{42}

B. The Court Overlooked the Vast Implications of Its Holding.

The most significant and unaddressed implication of the holding in Flo & Eddie is that owners of pre-1972 recordings now have an exclusive right to all public performances. Where federal copyright law only grants a limited public performance right by means of digital audio transmission for post-1972 recordings, California law under Flo & Eddie now confers an unlimited public performance right to pre-1972 recordings. Though the Flo & Eddie court may have wished to harmonize protections for pre-1972 and post-1972 recordings, it instead did the opposite, protecting pre-1972 sound recordings even more than post-1972 recordings.

To illustrate, under the Copyright Act of 1976, FM radio broadcasters do not need a license to play sound recordings made after 1972, but digital music

\textsuperscript{40} Flo & Eddie, 2014 WL 4725382, at *7.
\textsuperscript{42} The court’s citation to Bagdasarian also violated Rule 8.115(a) of the California Rules of Court, which prohibits use of an opinion of California Court of Appeal “not certified for publication . . . by a court or a party in any other action.” See also Loftis v. Almager, 704 F.3d 645, 657 n.4 (9th Cir. 2012). Bagdasarian is an unpublished California Court of Appeal decision and unavailable for citation. Since Bluebeat is the only other case cited by the court, the reference to Bagdasarian had a material impact on the district court’s analysis and the outcome of the case.
providers do. This small exemption for digital audio transmission was a result of Congress’s careful balancing of interests. The Flo & Eddie holding on its face requires both FM broadcasters and digital music providers to acquire a license to play pre-1972 recordings, even though FM broadcasters need not obtain a license for post-1972 recordings. Not only would terrestrial radio broadcasters have to acquire a license, but so too would television and cable broadcasters, bars, music venues, and nightclubs. Moreover, there is no statutory licensing scheme for these recordings. Broadcasters must now negotiate a license to publicly perform a pre-1972 sound recording with individual rightsholders—a seemingly herculean task. The court never acknowledges this absurd result much less offers a solution to its high transaction costs.

The court also overlooked the holding’s potential dampening effect on the preservation of sound recordings. Providing owners of pre-1972 recordings public performance rights removes incentives to refurbish seemingly poor-quality sound recordings. By increasing the cost of using those recordings, many unmarketable, pre-1972 recordings will never be licensed. This is particularly troubling for much older recordings, which are rarely restored or preserved due to physical deterioration or antiquated formatting, for example. Granting public performance rights in pre-1972 sound recordings may have a chilling effect on the preservation of important historical sound recordings, unduly inhibiting copyright law’s goal of encouraging dissemination of sound recordings.

IV.

PROPOSAL: UNIFORM RIGHTS FOR PRE-1972 AND POST-1972 SOUND RECORDINGS

State law copyright protection for pre-1972 sound recordings undermines Congress’s long held goal of creating certainty, consistency, and uniformity in copyright law. State law is a patchwork legal system. New businesses that publicly perform sound recordings, whether broadcasters, satellite radio providers, or nightclubs, may now be dissuaded from entering the market given

43. See 17 U.S.C. § 114(d)(1) (2012); see also id. § 106(6) (stating that the owner of sound recordings has the exclusive right to publicly perform their sound recordings via digital audio transmission).

44. See supra Part I.A.


47. See U.S. COPYRIGHT OFFICE, supra note 13, at 90–105 (discussing the economic impact of federal protection for pre-1972 sound recordings).

the uncertainty in the law. Knowing they might be liable for copyright infringement in various states, businesses may consider publicly performing pre-1972 sound recordings as too much of a risk.\textsuperscript{49} The risk of liability not only discourages innovation on the technology front, such as Sirius XM’s contribution to satellite technology, but also prevents preservation and dissemination of the vast body of work recorded before 1972.\textsuperscript{50}

Congress should repeal the provision in the Copyright Act of 1976 that allows states to develop their own laws for pre-1972 sound recordings. If it does, state law will no longer apply to sound recordings, and companies will no longer be faced with the daunting task of anticipating liability under complicated and divergent state laws. Companies, such as Sirius XM, already pay royalties for post-1972 sound recordings in compliance with a federal compulsory licensing scheme.\textsuperscript{51} Had there been a standard royalty rate for pre-1972 recordings from the onset, as there is for post-1972 recordings, these companies likely would have conformed.

Indeed, the majority of interested parties would welcome federalizing pre-1972 sound recordings on a prospective basis. The uniformity, consistency, and predictability of federal copyright law would allow companies going forward to adjust certain costs, expenses, and subscription prices for users to accommodate the new pre-1972 royalties. By contrast, it would be unjust to allow rightsholders to bring suit in each state claiming hundreds of millions of dollars in past damages for a right that was universally accepted as non-existent. If Congress steps forward now, it might be able to prevent further injury to companies, such as Sirius XM, that benefit the public through innovation and distribution.

Federalizing pre-1972 sound recordings will also solve the problem created by \textit{Flo & Eddie}—the expansion of public performance rights for sound recordings beyond the scope of the Copyright Act. Whatever Congress intended, it could not have meant to grant pre-1972 recordings more protection than post-1972 recordings. Bringing pre-1972 recordings under federal copyright protection will honor Congress’s intent to limit public performance of sound recordings via digital audio transmission under section 106(6) of the Copyright Act.

\textbf{CONCLUSION}

In sum, state law protection of public performance rights in pre-1972 sound recordings, as advanced in \textit{Flo & Eddie}, leads to a result that Congress never intended and cuts against various policy goals behind federal copyright law. \textit{Flo & Eddie} is not only bad news for digital music providers, such as

\textsuperscript{49} One reason, for example, is that not all states recognize fair use as a defense to state law copyright infringement. See U.S. COPYRIGHT OFFICE, supra note 13, at 92 n.349.

\textsuperscript{50} See supra Part III.B.

\textsuperscript{51} See 17 U.S.C. § 114(d)(2); Myers, supra note 24, at 438.
Sirius XM, but also for local businesses, libraries, and entities focused on archiving important, yet unmarketable, works of authorship. The fear of liability and its chilling effect on the innovation and dissemination of pre-1972 sound recordings is a result the *Flo & Eddie* court failed to address. Punishing companies and rightsholders for deficiencies in the law is unjust, and the only appropriate remedy is for Congress to acknowledge the consequences and adopt a standardized system for sound recordings on a prospective basis.