

Second Circuit to Weigh In on Copyright Owner-Digital Broadcaster Dispute Over Pre-1972 Sound Recording Performance Rights

April 20, 2015

On April 15, 2015, the Second Circuit granted digital broadcaster Sirius XM Radio, Inc.'s (Sirius XM) petition for interlocutory appeal of U.S. District Judge Colleen McMahon's November 2014 ruling that New York state law provides copyright owners of pre-1972 sound recordings an exclusive right of public performance.

The Second Circuit's consideration of this significant and ongoing issue of copyright law will be the first from any U.S. Court of Appeals. The ruling is expected to have far-reaching impact not only on pending litigations, but also on the possible negotiation and/or legislation of licensing and royalty rates for pre-1972 sound recordings transmitted over satellite and other digital mediums.

The District Court Case

In 2013, Flo & Eddie, Inc. (Flo & Eddie), founded by members of the 1960's musical group *The Turtles*, initiated a series of class action lawsuits in California, New York, and Florida against satellite radio provider Sirius XM.

Each lawsuit alleged that in failing to license or otherwise pay royalties for the right to perform (digitally broadcast) pre-1972 sound recordings, Sirius XM infringed Flo & Eddie's exclusive public performance right in violation of relevant state copyright and misappropriation laws.^[1] Sirius XM denied that the respective state statutes provided for, or otherwise permitted the inference of, a public performance right in pre-1972 sound recordings.

On November 14, 2014, Judge McMahon (sitting in the Southern District of New York) denied Sirius XM's motion for summary judgment and ruled that Flo & Eddie, as the owners of a variety of pre-1972 sound recordings, had the right to exclusively perform those works.

The Petition for Interlocutory Appeal

On December 12, 2014, Judge McMahon denied Sirius XM's motion for reconsideration of the summary judgment ruling. However, on February 10, 2015, the court *granted* Sirius XM's unopposed motion to certify an interlocutory (immediate or mid-case) appeal pursuant to 28 U.S.C. § 1292 (b).

Judge McMahon granted the motion after finding that the summary judgment order involved a controlling question of law—namely, whether "holders of common law copyrights in pre-1972 sound recordings," such as Flo & Eddie, have an exclusive right of public performance under New York law. The court declined to find that Sirius XM's additional basis for interlocutory appeal—that applying the New York statute violated the U.S. Commerce Clause—constituted a controlling question of law.[\[2\]](#)

With respect to the summary judgment order, the court explained, reversal of that ruling would mean that "significant portions of [the] lawsuit—including the public performance copyright infringement and unfair competition claims—will have to be dismissed."

On the other hand, affirmation of the summary judgment order would require the parties to "turn their attention to the thorny but ultimately soluble issue of how to license and compensate public performances of [pre-1972] recordings"—an act which the court believed "will never proceed until there is a definitive ruling on this question of first impression."

Judge McMahon stayed the action pending a decision by the Second Circuit.

The Second Circuit Appeal

On February 20, 2015, Sirius XM petitioned the Second Circuit for permission to take an interlocutory appeal on the following two issues:[\[3\]](#)

1. Under New York law, do the holders of common law copyrights in pre-1972 sound recordings have, as part of the bundle of rights attendant to their copyright, the right of exclusive public performance?
2. Does the Dormant Commerce Clause prohibit the State of New York from enforcing a property right that it recognizes at common law?

On April 15, 2015, Circuit Judges John M. Walker, Jr., Guido Calbresi, and Reena Raggi granted the petition.

The first issue (right of public performance) goes directly to the question addressed by Judge McMahon on summary judgment, and answered in Flo & Eddie's favor. On appeal, Flo & Eddie likely will reassert the arguments made on summary judgment in this and prior/pending cases in California and Florida, most notably, the state legislature's opportunity and failure to exclude a public performance right from the relevant statute. In contrast, Sirius XM's arguments likely will focus on the lack of case law on this issue and the fact that, historically, satellite and digital broadcasters—similar to terrestrial (analog) radio, restaurants and bars—have been able to broadcast pre-1972 sound recordings as a matter of course.

The second issue (Commerce Clause) concerns Judge McMahon's conclusion that there was no substantial ground for difference of opinion on whether New York's statute is a "regulation" subject to Commerce Clause scrutiny (she concluded that it was not). On appeal, as previewed in its petition to the Second Circuit, Sirius XM will argue that the FCC requires it to broadcast uniformly, yet the "practical effect of applying a New York performance right ... would ... require [it] to comply with New York law nationwide, which would *per se* violate the Commerce Clause."

What Happens Next

While presently there is no timetable for the Second Circuit argument and ruling, the possibility of clarity and precedent (at least for district courts under the Second Circuit's authority) on these important issues will be closely watched by industry experts on both sides of the dispute. Interestingly, the appellate court's grant of Sirius XM's petition comes just days after bi-partisan introduction of the "Fair Pay Fair Play Act," which aims to implement a "performance royalty" to compensate recording artists for each radio broadcast of their sound recordings, and establish a federal right of public performance for pre-1972 sound recordings.

We will continue to closely monitor and keep our clients updated on these important judicial developments.

[\[1\]](#) Federal copyright law (17 U.S.C. § 101 *et seq.*) presently does not apply to pre-1972 sound recordings. In particular, the U.S. Copyright Act carves out certain areas of copyright law for state regulation, including rights related to sound recordings fixed before February 15, 1972. (17 U.S.C. § 301(c).) Unless amended beforehand, this carve-out will expire on February 15, 2067.

[\[2\]](#) Although certifying only a portion of an order for interlocutory appeal, the court recognized that "the Second Circuit's review is not necessarily limited to the certified issue" and that the appellate court "has the discretion to consider any aspect of the order from which the appeal is taken," including the Commerce Clause issue. (Quotes omitted)

[\[3\]](#) Flo & Eddie did not oppose the request for interlocutory appeal.

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