No. 17-55844

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

FLO & EDDIE, INC.,

Plaintiff-Appellee,

SIRIUS XM RADIO INC.,

Defendant-Appellant.

On Appeal from the United States District Court for the Central District of California - Honorable Philip S. Gutierrez, District Judge
Case No.Cv-13-5693 PSG

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October 5, 2020

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CORPORATE DISCLOSURE

Pursuant to Federal Rule of Appellate Procedure 26.1, undersigned counsel states as follows:

Flo & Eddie, Inc., has no parent corporation, and no publicly traded corporation owns 10% or more of Flo & Eddie, Inc.'s stock.

Dated: October 5, 2020

/s/ Kalpana Srinivasan
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INTRODUCTION

The central question in this appeal is whether the District Court correctly held that Sirius XM violated Flo & Eddie, Inc.'s "exclusive ownership" rights in its sound recordings by publicly performing those recordings on its satellite radio service without Flo & Eddie's consent and without paying royalties. Section 980(a)(2) of the California Civil Code granted authors of pre-1972 sound recordings like Flo & Eddie the exclusive right to publicly perform those recordings when it conferred all rights of "exclusive ownership" to authors of those recordings. The statutory text is clear: "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 a person who creates a cover song. Cal. Civ. Code § 980(a)(2) (emphasis added). Other than the cover-song exception, the California Legislature excluded no other rights in the bundle of sticks, and thus its grant of "exclusive ownership" includes ownership of the right to publicly perform pre-1972 recordings.

Sirius XM breezes past the language of Section 980(a)(2), relying on selective snippets from the legislative record, its own spin on music history, and even recent blog posts to create ambiguity where none exists about the rights plainly conferred by statute—including the right to perform sound recordings. California courts construe unambiguous statutes like Section 980(a)(2) according to their plain

meaning. *See People v. Leiva*, 56 Cal. 4th 498, 506 (2013) ("If the [statutory] language is unambiguous, the plain meaning controls" because "the statutory language is generally the most reliable indicator of legislative intent." (internal quotation marks omitted)). And Sirius XM's strained nontextual arguments do not hold water. Section 980(a)(2) was enacted in response to the 1976 Copyright Act, which granted owners of *post*-1972 recordings certain exclusive rights but left the regulation of *pre*-1972 recordings to the states. The California Legislature responded with Section 980(a)(2), which was not merely a "technical" amendment, as Sirius XM insists. The legislative record confirms that the bill intended to "provide protection for works not protected under Federal law and grant exclusive ownership to authors of specified works created prior to" February 15, 1972. SER10. Unlike the 1976 Copyright Act, which expressly carved out public performance rights in post-1972 sound recordings, the California Legislature declined to include any such limitation, granting holders of pre-1972 recordings "exclusive ownership" against all others except only those who create cover songs.

Undeterred in its search for statutory ambiguity, Sirius XM points to the history of federal copyright law and decisions interpreting the laws of other states. But federal law and the laws of other states are not relevant to determining what rights are protected by the plain language of a *California* statute or *California* common law. In any event, the out-of-jurisdiction cases on which Sirius XM relies

all expressly distinguish California law because California, unlike many other states, has a statute that expressly grants authors "exclusive ownership" in pre-1972 sound recordings with no carve-out for public performance rights. *See infra* pp. 25-27.

Having made no headway with the statutory text or legislative history, Sirius XM challenges Section 980(a)(2) on Commerce Clause grounds, arguing that it cannot face legitimate state regulation because "Sirius XM's broadcasts both lack geographic boundaries *and* must be nationally uniform." Sirius XM's argument misses the mark: the Commerce Clause does not prevent states from regulating the conduct of national corporations within their own borders. Flo & Eddie's claims are limited to the unauthorized exploitation of their recordings *in California* without license or authorization, and thus easily pass muster. The Commerce Clause also does not apply when Congress has expressly authorized state regulation in an area of law. Because Congress expressly reserved copyrights related to pre-1972 sound recordings for state regulation, this ends the Commerce Clause inquiry.

Finally, Sirius XM and its supporting amici ask the Court to avoid an interpretation of Section 980(a)(2) that, in their self-interested view, would be bad policy. Sirius XM contends that affirming the District Court's decision and enforcing the plain language of the statute would lead to "chaos and uncertainty" about the use of sound recordings by radio stations, DJs, sports arenas, and terrestrial radio stations. Not so. There was no "chaos and uncertainty" when the California

Legislature passed Penal Code § 653h in 1968, criminalizing the unauthorized transfer of sound recordings "for commercial advantage . . . through public performance." Nor was there resulting "chaos" when Sirius XM licensed pre-1972 sound recordings from the Major Labels to play them following the District Court's decision in 2015. Since that ruling, Congress enacted the Music Modernization Act, 17 U.S.C. § 1401, *et seq.*, which requires royalties for the exploitation of pre-1972 recordings under the Copyright Act, including public performance, and no "chaos" has resulted from that protection, either. The position Sirius XM advances would create an outlier from the present practice and state of the law, which fairly compensates owners for public performance of their sound recordings nationwide. Affirming the District Court's decision would continue to bridge this gap by fairly compensating Flo & Eddie and the members of the class for the past commercial exploitation of their works as the California Legislature intended, bringing Sirius XM's practice in line with its treatment of works owned by the Major Labels and in line with the treatment Congress has mandated nationwide for the future.

JURISDICTIONAL STATEMENT

The district court had diversity jurisdiction over this class action under the Class Action Fairness Act. *See* 28 U.S.C. § 1332(d)(2)(A). This Court has jurisdiction over this appeal from the final judgment of the district court, *see* ER 8, under 28 U.S.C. § 1291.

QUESTIONS PRESENTED

1. Whether the district court correctly concluded that Section 980(a)(2)'s grant of "exclusive ownership" to authors of pre-1972 sound recordings includes an exclusive right to publicly perform those sound recordings.
2. Whether the district court correctly concluded that Section 980(2)'s grant of a public performance right does not violate the Commerce Clause of the United States Constitution.

STATEMENT OF THE CASE

A. Statutory Background

The Federal Copyright Act exclusively governs the intellectual property rights of many works, but expressly leaves certain aspects of copyright law open to state regulation. *See* 17 U.S.C. § 301. Relevant here, when Congress passed the Copyright Act in 1976, it expressly carved out pre-1972 sound recordings as reserved for state regulation: "With respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law of any state shall not be annulled or limited by this title until February 15, 2047." *Id.* § 301(c) (1976). That is, "no sound recording fixed before February 15, 1972" was subject to the federal Copyright Act. *Id.* § 301(c). Instead, copyrights related to pre-1972 sound recordings were the subject of state, not federal, regulation.

Regulating copyrights related to pre-1972 sound recordings remained the sole province of the states until Congress passed the Music Modernization Act ("the MMA") in 2018.[1] *See* 17 U.S.C. § 1401 (2018). Because the MMA postdates the final judgment in this lawsuit, it did not apply to the prior exploitations of Flo & Eddie's works at issue here. This lawsuit was filed when *state* law exclusively governed pre-1972 sound recordings, and thus California law informs the Court's analysis.

California's copyright statute contains a provision that directly addresses the ownership of pre-1972 sound recordings. *See* Cal. Civ. Code § 980(a)(2). Section 980(a)(2) provides:

> 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.

[1] Before the MMA's enactment in 2018, state law exclusively governed copyright for pre-1972 sound recordings. The MMA changed that. Since its enactment, pre-1972 sound recordings are prospectively protected by the same federal civil remedies applicable to post-1972 recordings. *See* 17 U.S.C. § 1401(a)(1). The MMA also preempts state law copyrights in pre-1972 sound recordings for "activities that are commenced on or after the date of enactment of the" MMA, *i.e.*, October 11, 2018. *Id.* § 301(c). The MMA does not apply to the period covered by the lawsuit.

Cal. Civ. Code § 980(a)(2) (emphasis added). The California Civil Code defines "ownership" as "the right of one or more persons to possess and use [a thing] to the exclusion of others." *Id.* § 654.

B. Factual Background

Sirius XM Radio, Inc., ("Sirius XM") operates a nationwide subscription-based satellite radio service, as well as subscription-based internet radio service. ER71. Sirius XM has over 25.8 million paying subscribers and claims to be "the largest radio broadcaster in the United States, measured by revenue." ER71. Sirius XM's subscribers pay monthly fees for broadcasts of commercial-free music on over 135 full-time satellite radio channels or over the Internet. ER71.

The band The Turtles was formed in 1965 by then-teenagers Howard Kaylan, Mark Volman, and four other members. SER13. The Turtles recorded many hit songs in the 1960s, including classics like "Happy Together," "Elenore," and "It Ain't Me Babe." ER71. All the sound recordings by The Turtles were recorded before February 15, 1972. ER74.

In 1971, Mr. Kaylan and Mr. Volman formed a California corporation called Flo & Eddie to hold the ownership rights of The Turtles' sound recordings. ER71. Today, Flo & Eddie is still controlled by Mr. Kaylan and Mr. Volman, and Flo & Eddie owns all rights to The Turtles' master sound recordings. ER71.

For decades, Flo & Eddie has exploited sound recordings by The Turtles by, for example, licensing the rights for use of The Turtles' recordings in movies, TV shoes, and commercials. ER71. Mr. Kaylan and Mr. Volman also continue to devote their time and effort to promoting The Turtles and their music, such as on the "Happy Together Tour." SER15. Although Flo & Eddie has entered into various licensing agreements to monetize The Turtles' sound recordings, Flo & Eddie had never licensed its sound recordings for public performance on a radio station, digital or otherwise, including Sirius XM, when this case was filed. ER71-72.

Without a license, Sirius XM performed pre-1972 sound recordings, including sound recordings by The Turtles, by broadcasting and streaming those recordings to its more than 25.8 million subscribers. SER15 (Statement of Uncontroverted Facts, Dist. Ct. Dkt. No. 70-1). Sirius XM admits that it publicly performed these sound recordings for profit and without a license. SER19 (Statement of Uncontroverted Facts, Dist. Ct. Dkt. No. 70-1). Sirius XM also admits that the "only factor that Sirius XM considered in deciding not to obtain licenses for pre-1972 recordings was its analysis of the law." SER19 (Statement of Uncontroverted Facts, Dist. Ct. Dkt. No. 70-1).

C. **This Lawsuit**

Based on Sirius XM's unlawful public performance of Flo & Eddie's sound recordings, on August 1, 2013, Flo & Eddie sued in Los Angeles Superior Court

alleging violations of California Civil Code § 980(a)(2), California's Unfair Competition Law (UCL), conversion, and misappropriation. ER72. Sirius XM filed a notice of removal, and this case was removed to federal district court. ER72.

On June 9, 2014, Flo & Eddie moved for summary judgment on liability on all causes of action. ER71. Relevant here, Flo & Eddie argued that Sirius XM was liable under California law for publicly performing Flo & Eddie's recordings by broadcasting and streaming the content to end consumers and to broadcast partners without authorization or compensation. ER73.

On September 22, 2014, the district court granted summary judgment to Flo & Eddie and concluded that "copyright ownership of a sound recording under § 980(a)(2) includes the exclusive right to publicly preform that recording." ER80. The district court reasoned that the plain meaning of "'exclusive ownership' in a sound recording is having the right to use and possess the recording to the exclusion of others." ER75. "There is nothing in that phrase to suggest that the legislature intended to exclude *any* right or use of the sound recording from the concept of 'exclusive ownership.'" ER75-76 (emphasis added).

The district court also rejected Sirius XM's argument that reading Section 980(a)(2) to include an exclusive public performance right impermissibly conflicted with California common law. ER76-77. The district court stressed that "there is no pre-1982 (or post-1982) body of California common law denying sound recording

owners the exclusive right to publicly perform their sound recordings." ER77. Indeed, Sirius XM could not point to "a single case" denying the right of public performance under California common law. ER77.

The district court likewise rejected Sirius XM's attempts to "insert ambiguity into the textual language" of Section 980(a)(2) by selectively quoting from legislative history. ER78. Upon careful review, the district court determined that the "legislative history of § 980(a)(2) and its comparison to the Federal Copyright Act actually bolster's the Court's plain textual reading of the statute that sound recording ownership is inclusive of all ownership rights that can attach to intellectual property, including the right of public performance." ER79. Thus, the district court granted summary judgment to Flo & Eddie. ER80, 85.

On February 19, 2015, the district court denied Sirius XM's motion to reconsider its September 22, 2014 order granting summary judgment to Flo & Eddie. ER65.

On November 13, 2016, Flo & Eddie and Sirius XM entered into a Stipulated Class Action Settlement. ER161. While the class settlement compensates class members for Sirius XM's past appropriation of pre-1972 sound recordings and provides for a going-forward license, the settlement also provides that class members are entitled to additional compensation if Flo & Eddie prevails as to Sirius XM's liability for publicly performing pre-1972 sound recordings. ER142-43.

On May 8, 2017, the district court granted final approval of the class settlement. ER9. On May 16, 2017, the district court entered a final judgment. ER8. Sirius XM filed a notice of appeal with this Court, appealing the district court's September 22, 2014 summary judgment order and its February 19, 2015 reconsideration order. ER87.

SUMMARY OF ARGUMENT

I. The district court correctly concluded that Section 980(a)(2)'s grant of "exclusive ownership" to authors of pre-1972 sound recordings includes an exclusive right of public performance.

A. California courts interpret unambiguous statutes according to their plain language, and the plain language of Section 980(a)(2) is clear. Section 980(a)(2) grants all rights in "exclusive ownership" to authors of pre-1972 sound recordings "as against all persons," except one who records a cover of that sound recording. That Section 980(a)(2) contains one express exception and no others confirms this plain meaning. When the Legislature codifies an exception in a statute, California courts do not infer exceptions beyond those that are specifically enumerated. Further, the plain language of the statute also comports with general principles of California property law. For example, the California Civil Code defines ownership in a thing, such as a sound recording, as "the right of one or more persons to possess and use it

to the exclusion of others." Indeed, the right to exclude others is the touchstone of property ownership.

B. Even though what matters is the law itself, not legislative intent, the legislative history supports this reading of the statute and provides no reason to ignore the statute's clear language.

1. Sirius XM misconstrues the legislative history by providing out-of-context snippets from the legislative record. For example, Sirius XM argues that Section 980(a)(2) was meant to "maintain" existing rights but neglects to provide the remainder of the sentence: to "maintain rights . . . until February 15, 2047 (the designated time for their preemption under 17 U.S.C. Section 301)." This statement is one of duration, not intent. A full review of the record shows that the California Legislature amended Section 980(a)(2) to "provide protection for works not protected under Federal law," such as pre-1972 sound recordings, and to "grant exclusive ownership to authors of specified works created prior to" February 15, 1972.

2. Sirius XM's reliance on federal law and the decisions of other states is similarly unavailing. First, they are not relevant to the interpretation of California law. Second, Sirius XM misstates the landscape of common law at the time Section 980(a)(2) was enacted. At that time, courts had recognized an exclusive right of public performance in sound recordings under the laws of at least two states, and the

Whiteman decision (on which Sirius XM heavily relies) was understood to have been overruled.

3. Contrary to Sirius XM's assertions, recognizing a public performance right in Section 980(a)(2) was not wholly unprecedented. Again, courts had already recognized a public performance right under the laws of other states when the California Legislature enacted Section 980(a)(2). And critically, even *California* courts had concluded that California common law protected a right of public performance.

C. Even if Section 980(a)(2) did not protect a public performance right in pre-1972 sound recordings—and it clearly does on the undisputed face of the statute—California common law does under the doctrines of misappropriation and conversion. Misappropriation is a form of unfair competition that protects a plaintiff who has invested substantial time and money in the development of its property (like Flo & Eddie) when a defendant appropriates the plaintiff's property at little or no cost for a profit (like Sirius XM). Conversion protects against a defendant's wrongful disposition of a plaintiff's property rights—here, protecting Flo & Eddie against Sirius XM's serial conversion of its sound recordings, which Sirius XM publicly performed for free to its more than 25 million subscribers.

II. The district court correctly concluded that Section 980(a)(2)'s grant of a public performance right does not violate the Commerce Clause.

A. Sirius XM's Commerce Clause argument is misguided because, when Congress plainly authorizes state regulation in a particular area, those state regulations are "invulnerable" to a constitutional attack under the Commerce Clause. This makes sense: Congress's commerce power is not "dormant" when it authorizes state action. Here, Congress expressly carved out pre-1972 sound recordings for state regulation until 2018. That is, Congress plainly authorized state regulation for pre-1972 sound recordings. That ends the Commerce Clause inquiry. Contrary to Sirius XM's assertions, this Court has recently held that a statute does not have to expressly acknowledge the Commerce Clause in order to plainly authorize state regulation.

B. Even if the Commerce Clause were relevant here, Section 980(a)(2) does not run afoul of it. The statute treats both in-state residents and out-of-state residents evenhandedly and does not discriminate between them. Thus, Section 980(a)(2) does not *per se* violate the Commerce Clause. Likewise, Section 980(a)(2) also passes muster under the test for statutes that indirectly affect commerce because Section 980(a)(2) does not "substantially burden" interstate commerce. States began recognizing a right of public performance in sound recordings in the 1930s, and today, all sound recording owners enjoy a federally protected right of public performance. Simply put, recognizing a right of public performance does not substantially burden interstate commerce. It merely requires Sirius XM to obtain

sound recording owners' consent before publicly performing pre-1972 sound recordings to its 25 million subscribers.

STANDARD OF REVIEW

"A grant of summary judgment is reviewed de novo." *United States v. Phattey*, 943 F.3d 1277, 1280 (9th Cir. 2019). This Court reviews the district court's denial of a motion for reconsideration for abuse of discretion. *Do Sung Uhm v. Humana, Inc.*, 620 F.3d 1134, 1140 (9th Cir. 2010). The Court may affirm the district court's decision on any ground supported by the record. *Serrano v. Francis*, 345 F.3d 1071, 1077 (9th Cir. 2003).

To succeed on a facial constitutional challenge under the dormant Commerce Clause, the challenger must show that there is "*no set of circumstances* under which" the statute would be valid. *Rosenblatt v. City of Santa Monica*, 940 F.3d 439, 444 (9th Cir. 2019), *cert. denied sub nom. Rosenblatt v. City of Santa Monica, California*, 206 L. Ed. 2d 937 (May 18, 2020) (emphasis added). That the statute "might operate unconstitutionally under some conceivable set of circumstances is insufficient to render it wholly invalid." *Id.*

ARGUMENT

A. The District Court Correctly Concluded that Section 980(a)(2)'s Grant of "Exclusive Ownership" to Authors of Pre-1972 Sound Recordings Includes an Exclusive Right of Public Performance.

1. The Plain Language of Section 980(a)(2) Grants Owners of Pre-1972 Sound Recordings an Exclusive Right of Public Performance.

The plain language of Section 980(a)(2) is dispositive:

> 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.

Cal. Civ. Code § 980(a)(2) (emphasis added). The statute unambiguously grants all rights of exclusive ownership to Flo & Eddie in the recordings by The Turtles, without carving out the right of public performance.

California courts "adhere to the guideline that if the language of the statute is not ambiguous, the plain meaning controls and resort to extrinsic sources to determine the Legislature's intent is unnecessary." *Bonnell v. Med. Bd.*, 31 Cal. 4th 1255, 1261 (2003) (cleaned up).[2] When the statutory language is unambiguous,

[2] A federal court sitting in diversity applies state substantive law under *Erie*, and that includes state principles of statutory interpretation. *See, e.g.*, *Gonzalez v.*

California courts "presume the Legislature meant what it said, and the plain meaning of the statute governs." *Id.*

There is nothing unclear about Section 980(a)(2)'s broad grant of "exclusive ownership" to the author of "the actual sounds fixed in" pre-1972 recordings "as against all persons," except a person who independently recreates the sounds. The owners of pre-1972 sound recordings have the absolute right to possess, use, and dispose of the actual sounds fixed in their pre-1972 recordings as they please, and to exclude all other persons from using them in any way. This includes the unauthorized duplication, distribution, *and* public performance. *See id.*

The language in Section 980(a)(2) tracks terms that have defined tangible and intangible property for well over a century. *See, e.g.*, Cal. Civ. Code § 654 (defining "property" and "ownership" as "[t]he ownership of a thing is the right of one or more persons to possess and use it to the exclusion of others … [t]he thing of which there may be ownership is called property"). Indeed, excluding others from the unauthorized use of property is the touchstone of ownership. *See* Cal. Civ. Code § 679 ("The ownership of property is *absolute* when a single person has the absolute

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CarMax Auto Superstores, LLC, 840 F.3d 644, 650 (9th Cir. 2016) (explaining that federal courts interpret state statutes according to state principles of statutory interpretation and relying only on California authorities).

dominion over it, and *may use it or dispose of it according to his pleasure*…" (emphasis added)); *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1011 (1984) ("The right to exclude others is 'one of the most essential sticks in the bundle of rights that are commonly characterized as property.'").

Sirius XM argues that Section 980(a)(2) is ambiguous as to what particular ownership rights are included within the bundle of sticks granted to authors of pre-1972 recordings. The California Legislature created *only one* exception to its grant of exclusive ownership: for a person "who independently makes or duplicates another sound recording that does not directly or indirectly recapture the actual sounds fixed in such prior sound recording," *i.e.*, creates a cover song duplicating the sounds fixed in the recording. Cal. Civ. Code § 980(a)(2). Under California's well-settled rules of statutory construction, when the California Legislature codifies a single exception to the scope of protection, "other exceptions are not to be implied or presumed." *In re Michael G.*, 44 Cal. 3d 283, 291 (1988), *superseded by statute on other grounds* ("Under the familiar rule of construction . . . where exceptions to a general rule are specified by statute, other exceptions are not to be implied or presumed."); Cal. Code Civ. Proc. § 1858 ("[A] Judge is simply to ascertain and declare what is in terms or in substance contained therein, not to insert what has been omitted."). As the California Supreme Court has explained: "with the only exception[] so explicitly specified, there is no room for the court to write in

additional exceptions," including the one that Sirius XM seeks here. *Reynolds v. Reynolds*, 54 Cal. 2d 669, 681 (1960).

The California Legislature's selection of the cover-song exception is especially telling. *MacIsaac v. Waste Mgmt. Collection & Recycling, Inc.*, 134 Cal. App. 4th 1076, 1083 (2005) (the "'plain meaning' rule does not prevent a court from determining whether the literal meaning of the statute comports with its purpose" (quotation marks omitted)). Section 980(a)(2) was enacted in response to the 1976 Copyright Act. As the district court noted, the cover-song exception in Section 980(a)(2) is lifted "nearly word-for-word" from a parallel exception in Section 114 of the 1976 Copyright Act for exclusive rights in post-1972 recordings, which also included an *express* exception for the right of public performance:

> (a) The exclusive rights of the owner of copyright in a sound recording are limited to the rights specified by clauses (1), (2), and (3) of section 106, and ***do not include any right of performance*** under section 106(4).
>
> (b) . . . The exclusive rights of the owner of copyright in a sound recording under clauses (1) and (2) of section 106 ***do not extend to the making or duplication of another sound recording that consists entirely of an independent fixation of other sounds***, even though such sounds imitate or simulate those in the copyrighted sound recording.

Pub. L. 94-553 § 114, 90 Stat. 2560 (1976) (emphasis added); ER78. As Sirius XM admits, the California Legislature had Section 114 in mind when drafting Section 980(a)(2). OB 43-44. But the California Legislature did not intend for Section 980(a)(2) to be a mere carbon copy of Section 114 applicable to pre-1972 recordings.

Contra OB 44. It could have easily included the express exception, contained in Section 114 of the 1976 Copyright Act, for public performance rights in pre-1972 recordings. It did not, and that omission must be presumed deliberate. *See, e.g.*, *Preven v. City of Los Angeles*, 32 Cal. App. 5th 925, 935 (2019) ("This draft amendment [] does highlight the obvious point that if the Legislature wanted to create a committee-like exception for special meetings, it knew how to say so clearly. That fact that the Legislature chose not to do so is evidence of its intent not to create the type of exception urged by the City."). As the district court reasoned, the comparison between Section 980(a)(2) and the Federal Copyright Act "bolsters the Court's plain textual reading of the statute that sound recording ownership is inclusive of all ownership rights that can attach to intellectual property, including the right of public performance, excepting only the limited right expressly stated in the law." ER79.

Simply put, the plain language of Section 980(a)(2) is dispositive, and the structure of the statute confirms this plain meaning by enumerating one narrow exception and omitting all others, including an omission of the public performance exception that was listed in the Federal Copyright Act.

2. The Legislative History Supports the District Court's Conclusion and Offers No Reason to Disregard the Plain Meaning of Section 980(a)(2).

Sirius argues that the Court should ignore the statutory text because the Legislature enacted the statute "with the modest purpose of 'making technical and policy changes.'" OB at 43. "Although legislative history often can help interpret an ambiguous statute, it cannot change the plain meaning of clear language." *In re Steele*, 32 Cal. 4th 682, 694 (2004). When, as here, "statutory language is clear and unambiguous, 'there is no need for construction and courts should not indulge in it.'" *Esberg v. Union Oil Co.*, 28 Cal. 4th 262, 268 (2002).

Nonetheless, Sirius XM's take on the "legislative history" of Section 980(a)(2) is wrong. Sirius XM contends the Legislature never intended to include a right of public performance within its grant of "exclusive ownership" because: (1) Section 980(a)(2) made only "technical and minor policy changes"; (2) *before* Section 980(a)(2), California law recognized rights to control post-sale copying, but not post-sale performance; and (3) public performance was a previously unenforced, "wholly unprecedented right." Sirius XM's argument ignores well-settled rules of statutory construction, misstates California law, and asks the Court to draw improper conclusions from the *lack* of legislative history and Sirius XM's own free-wheeling description of music-industry history.

a. Section 980(a)(2) Provided "Protection for Works Not Protected Under Federal Law" and Was Not a Merely "Technical" Amendment.

The legislative history only serves to underscore that the text of Section 980(a)(2) means what it says. Sirius XM predicates its entire argument that the 1982 amendment to Section 980(a)(2) was intended to implement minor "technical" changes on an egregiously out-of-context quote from a Department of Finance report. That report described the amendment, in part, as implementing "technical and minor policy changes" to existing copyright law. SER10. But it further stated the "bill would *also provide protection* for works not protected under Federal law and *grant exclusive ownership* to authors of specified works created prior to February 15, 1982 [sic]."[3] SER10 (emphasis added). The works "not protected under Federal law" at the time included pre-1972 sound recordings, including those owned by Flo & Eddie and appropriated by Sirius XM here. Nothing in the Department of Finance report supports the notion that the Legislature intended public performance rights to be carved out from the "exclusive ownership" rights granted under the statute. Regardless, a single finance report analyzing the "fiscal impact to the State General

[3] Although the report refers to works fixed before "February 15, 1982," the relevant date under federal law is February 15, 1972. *See* 17 U.S.C. § 1401.

or Special funds as a result of" Section 980(a)(2) is hardly conclusive or superseding evidence of the Legislature's intent. *Cf. Esberg*, 28 Cal. 4th at 268.

Sirius XM cites an Assembly Committee report to argue that the Legislature intended to "*maintain* rights and remedies in sound recordings fixed prior to February 15, 1972." ER192-93; OB 43. But Sirius XM's repeated quotations omit the rest of the sentence, which show that this is simply a description of the duration of the exclusive ownership rights granted: to "maintain rights . . . until February 15, 2047 (the designated time for their preemption under 17 USC Section 301)." ER193. Similarly omitted from Sirius XM's Opening Brief is the Legislative Counsel's and Senate Democratic Caucuses' explanation that the purpose of Section 980(a)(2) was to "provide state copyright protection for works of authorship not protectable under federal law, including . . . sound recordings fixed prior to February 15, 1972" and to "grant exclusive ownership to the authors of such works." ER192. In short, the legislative record is absolutely clear: the 1982 amendment to Section 980(a)(2) was no mere "technical" amendment, but rather intended to grant "exclusive ownership" to authors of pre-1972 recordings against all persons except those who create a cover song.

b. Sirius XM Misstates State Copyright Law at the Time of Section 980(a)(2)'s Enactment.

Nor do Sirius XM's historical assumptions about the common law protection of public performance rights hold up as silently adopted by the Legislature.

First, contrary to Sirius XM's assertions, California law did not distinguish between protection against piracy and protection against the unlawful public performance of sound recordings when Section 980(a)(2) was enacted.[4] As discussed below, California common law protected a right of public performance for owners of sound recordings under the doctrines of misappropriation and conversion.[5] *See infra* pp. 37-43. Sirius XM points to this Court's decision in *Lone*

[4] Rather, the cases Sirius XM cites indicate that California has regularly recognized a right of public performance at common law. *See Capitol Records v. BlueBeat, Inc.*, 765 F. Supp. 2d 1198, 1206 (C.D. Cal. 2010) (concluding that defendant BlueBeat was liable for misappropriation, unfair competition, and conversion because California law prohibits "duplicat[ing], sell[ing], ***or perform[ing]***" sound recordings "without authorization" (emphasis added)); *Bagdasrian Prods., LLC v. Capitol Records, Inc.*, 2010 WL 3245795, at *11 (Cal. Ct. App. Aug. 18, 2010) (concluding that the plaintiff conferred some of the rights in the relevant sound recordings to Capitol Records, including the rights to manufacture and distribute reproductions of the plaintiff's sound recordings, but reserved others, including the exclusive right of "publicly performing the records").

[5] Sirius XM cites *Stanley v. CBS, Inc.*, 35 Cal.2d 653, 660-61 (1950), and *Read v. Turner*, 239 Cal. App. 2d 504, 510 (1966), to argue that California narrowly construed copyrights at common law, following *Wheaton v. Peters*, 33 U.S. 591 (1834). But these cases did not deal with sound recordings, which are treated

Ranger Television v. Program Radio Corp., 740 F.2d 718 (9th Cir. 1984), but that case *supports* the existence of a public performance right under California common law.[6] In *Lone Ranger*, the defendant lawfully purchased tapes of Lone Ranger radio plays, re-edited them, and leased them to radio stations for broadcast. *Id.* at 720-22. The Court held the plaintiff was the owner of the "intangible property interest *in the performances* on tape" and that the defendant had unlawfully converted that property interest. *Id.* at 720-26. The Court affirmed the district court's grant of summary judgment for conversion. *Id.* Although the defendant in *Lone Ranger* unlawfully duplicated the tapes, the Court noted that "the protection of derivative rights extends beyond mere protection against unauthorized copying to include the right to 'make other versions of, ***perform*** or exhibit the work.'" *Id.* at 722 (emphasis added). Rather than distinguishing between piracy and public performance, *Lone Ranger* confirms

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differently under California law. SiriusXM itself acknowledges that California "essentially adopted the *Wheaton* ***dissent's*** rule" for sound recordings, "holding that even after a recording is sold, the owner retains a common law right to prevent its unauthorized duplication and distribution." OB 10. As made clear below, *see infra* pp. 37-43, that common law right included an exclusive right of public performance for sound recordings.

[6] *Lone Ranger* also predates the enactment of Section 980(a)(2) and thus is irrelevant to its interpretation.

that California law protected the exclusive right of public performance even before Section 980(a)(2).

Second, Sirius XM improperly relies on the decisions construing the laws of *other states* to infer the California Legislature's intent. To the extent those decisions post-date the Legislature's enactment of Section 980(a)(2), they are irrelevant both to interpreting the text of the statute and to the Legislature's intent. For example, in *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 28 N.Y.3d 583 (2016), the New York Court of Appeals held that New York's common law of copyright protected against copying and distribution, but not public performance. In so holding, the New York Court of Appeals expressly *distinguished* California law, observing that "in the California action, defendant's liability was established under a state statute providing a right of public performance in sound recordings (*see* Cal Civil Code § 980 [a] [2])." *Id.* at 609 n.7. The court further observed that "sound recording copyright holders may have other causes of action, such as unfair competition, which are not directly tied to copyright law. . . . Thus, even in the absence of a common-law right of public performance, plaintiff has other potential avenues of recovery." *Id.* at 609.[7]

[7] *Flo & Eddie v. Sirius XM Radio Inc.*, 229 So.3d 305 (Fla. 2017) likewise relied on Florida common law and expressly distinguished California law, including Section 980(a)(2). *See id.* at 311, 319 n.16; *see also Sheridan v. iHeartMedia, Inc.*,

As for cases decided before the Legislature enacted Section 980(a)(2), Sirius XM misstates the landscape of state protection of public performance rights. When the California Legislature adopted Section 980(a)(2), there was a split of out-of-state authority about whether the common law recognized an exclusive right of public performance. For example, in 1937, the Supreme Court of Pennsylvania held the common law protected an exclusive right of public performance and enjoined a radio station from unlicensed performance of the artist's recordings. *Waring v. WDAS Broad. Station*, 327 Pa. 443, 448 (1937). That remains the law of Pennsylvania to this day. Similarly, two years later, in *Waring v. Dunlea*, the district court held the common law of North Carolina protected an exclusive right of public performance and enjoined a radio station from unauthorized public performance of the artist's recordings. *See* 26 F. Supp. 338, 340 (E.D.N.C. 1939) ("They have an exclusive right in their property and thus have a right to prohibit is unauthorized performance."). Sirius XM relies heavily on *RCA Mfg. v. Whiteman*, 114 F.2d 86 (2d Cir. 1940), which in 1940 held that there was not an exclusive public performance right under New York law. But at the time relevant to the California Legislature's intent—when Section 980(a)(2) was enacted—*Whiteman* was generally understood to have been

255 F. Supp. 3d 767, 771 (N.D. Ill. 2017) (construing Illinois common law); *Sheridan v. iHeartMedia*, 300 Ga. 771, 771-72 (2017) (construing a Georgia statute).

overruled. *Metro. Opera Ass'n v. Wagner-Nichols Recorder Corp.*, 101 N.Y.S.2d 483 (Sup. Ct. 1950); *Capitol Records, Inc. v. Mercury Records Corp.*, 221 F.2d 657 (2d Cir. 1955).[8] Sirius XM's assertion that, in codifying Section 980(a)(2), the Legislature created a "wholly unprecedented" public performance right is therefore untrue.

In response to these common law decisions, three states (not including California) enacted identical statutes that "abrogated and expressly repealed" the resulting common law protection of public performance rights. *See, e.g.*, *Liberty/UA, Inc. v. Eastern Tape Corp.*, 11 N.C. App. 20, 25-26 (1971) (quoting and narrowly construing North Carolina statute G.S. § 66-28 "enacted shortly after" *Waring v. Dunlea*); *CBS v. Custom Recording Co.*, 258 S.C. 465, 470, 475-76 (1972) (similarly quoting and narrowly construing South Carolina statute, S.C. Code Ann. § 66-101 (1962)); *CBS, Inc. v. Garrod*, 622 F. Supp. 532, 534 (M.D. Fla. 1985) (holding CBS's pre-1972 records were not in public domain based on repealed Florida statute, § 543.03, enacted 1941, repealed 1977, Laws of Florida 77-440).

[8] The New York Court of Appeal has since held that *Whiteman*'s holding that New York common law does not recognize a performance right still holds. Rather, "*Mercury Records* [only] overruled *Whiteman's* holding" that the sale of the record was a publication which ended common law protection. *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 28 N.Y. 3d 583, 598 (2016).

Had the California Legislature considered this split in authority and intended to exclude public performance from statutory protection, it had a clear template for drafting a statute to abrogate the common law right of public performance, a statute that three states had already adopted. Yet the California Legislature chose not to do so. The common law protection of public performance rights at the time of Section 980(a)(2)'s enactment thus cuts against Sirius XM's argument, rather than in favor of it.

c. Section 980(a)(2)'s Grant of a Public Performance Right Is Neither Extreme Nor "Wholly Unprecedented."

(1) Several states, including California, already recognized a right of public performance at common law when the Legislature enacted Section 980(a)(2).

Relying on a freewheeling historical account of the music industry, Sirius XM argues that Section 980(a)(2)'s recognition of a public performance right would have been "wholly unprecedented" and "explosively controversial." OB 46-47. This argument is irrelevant because "[w]here, as here, the statutory language, purpose, and context all point to the same interpretation, policy arguments that the statute should have been written differently are more appropriately addressed to the Legislature." *Kim v. Reins Int'l California, Inc.*, 9 Cal. 5th 73, 90 n.6 (2020); *see also Los Angeles Cty. Metro. Transportation Auth. v. Alameda Produce Mkt., LLC,*

52 Cal. 4th 1100, 1112 (2011) (reasoning that policy arguments are "best directed to the Legislature, which can study the various policy and factual questions and decide what rules are best for society"). Here, the statutory language and purpose are clear, and thus Sirius XM's historical and policy arguments should be rejected out of hand.

Sirius XM's speculation and account of the history of performance rights is also wrong. As explained above, courts had already recognized a right of public performance in sound recordings under the laws of at least two states when the California Legislature enacted Section 980(a)(2), a fact which Sirius XM wholly ignores. *See Waring v. WDAS Broad. Station*, 327 Pa. 443, 448 (1937); *Waring v. Dunlea*, 26 F. Supp. 338 (E.D.N.C. 1939). And in California, courts had long recognized an "author's common law right of performance" in plays, musicals, operas, screenplays, and radio programs decades before the enactment of Section 980(a)(2). *See Loew's Inc. v. Superior Court of Los Angeles County,* 18 Cal. 2d 419, 427 (1941) (motion picture screenplay); *French v. Kreling*, 63 F. 621 (C.C. N.D. Cal. 1894) (comic opera); *Goldmark v. Kreling*, 35 F. 661 (C.C. N.D. Cal. 1888); *Goldmark v. Kreling*, 25 F. 349 (C.C. D. Cal. 1885) (operetta); former Cal. Bus. & Prof. Code § 14720 (1935) (criminalizing unauthorized public performance of "dramatic composition, or musical or dramatic-musical composition"); former Cal. Penal Code § 367a (1905) (same); *see also Stanley v. Columbia Broad. Sys., Inc*., 35 Cal. 2d 653, 664 (1950) (radio program); Cal. Penal Code § 653h (criminalizing

unauthorized transfer of recorded "sounds … for commercial advantage … through public performance").

In *Goldmark v. Kreling*, the first case in California to consider the matter, the plaintiffs, owners of the operetta "Nanon," obtained an injunction against the unauthorized public performance of their operetta by the defendants. *See* 25 F. at 350-52. The court held that the owners had the exclusive right to perform the operetta:

> As the matter now stands on the bill, unquestionably [complainants] are the lawful and exclusive owners of Nanon, and have *the exclusive right to produce it*. There is ... great force in the suggestion that the owner, as in this case, of a play or opera, or other property not protected by patent or a copyright, is entitled to select his licensee.... [T]hey have the most indubitable right to say who those parties shall be.

Id. at 351-52 (emphasis added). Following a trial on the merits, the court found that the plaintiffs owned the operetta and that it was not independently recreated by the defendants. The court thus entered judgment against the defendants and prohibited them from performing it:

> We are of opinion, therefore, that the defendants should be restrained from performing the operetta as a whole, and from performing the piano score, or the libretto containing the dialogue, stage business, situations, etc., or any part of the operetta as performed by defendants, and threatened to be performed by them . . . .

35 F. at 661-63.

Similarly, in *French v. Kreling*, the defendants staged an unauthorized performance of their comic opera *Falka*. *See* 63 F. 621. Relying on *Goldmark* and noting the well-established law protecting the author's exclusive right of performance, the court enjoined the unauthorized performance. *Id*. at 622-23.

Following the *Goldmark* and *French* decisions, the California Legislature then codified the author's exclusive right of public performance, enacting Section 367a of the former California Code Penal Code in 1905, which *criminalized* the unauthorized public performance of an unpublished "dramatic composition, or musical or dramatic-musical composition."[9]

By then, the author's common law right of public performance was well recognized throughout the United States, including by the U.S. Supreme Court in *Ferris v. Frohman*, 223 U.S. 424 (1912). There, the plaintiff owned the rights to a melodrama entitled "The Fatal Card" and sought to enjoin the producers from an unauthorized production of their play. *Id*. at 434-36. The Illinois Supreme Court held that the common law protected the "authors' rights of the public performance" and reinstated a trial court's injunction. *Frohman v. Ferris*, 238 Ill. 430, 435-448 (1909). The U.S. Supreme Court affirmed, holding that "[i]t is not open to dispute that the

[9] Former Penal Code § 367a was moved to and restated in former California Business & Professions Code § 14720 in 1935.

authors of 'The Fatal Card'" had a "common-law right of representation in this country." *Ferris*, 223 U.S. at 434-36.

By the time of the California Supreme Court's decision in *Loew's Inc. v. Superior Court of Los Angeles County*, 18 Cal. 2d 419 (1941), the right was so entrenched that the Court acknowledged the existence of an "author's common law right of performance" without debate. *Id.* at 427. At issue in *Loew's* was whether "the author's common law right of performance" could co-exist with the statutory right of public performance under the Copyright Act once the author had registered his screenplay with the Copyright Office. Despite having registered the work under the Copyright Act, the author nevertheless sued in state court, alleging that "the defendants appropriated the dramatic composition and in 1940 presented the same in a motion picture entitled 'The Mortal Storm.'" *Id.* at 420. The Court held that having elected to secure the exclusive right of public performance under the copyright statute, "[t]he right thus secured was a substitute for *the author's common law right of performance*." *Id.* at 427 (emphasis added).

A few years later in *Stanley v. Columbia Broad. Sys., Inc.*, 35 Cal. 2d 653, 664 (1950), the California Supreme Court protected the property right of an author of a radio program against its unauthorized public performance by the defendant who "produced and presented a radio program entitled 'Hollywood Preview' which substantially copied and embodied plaintiff's radio program." *Id.* at 656. Although

the Court did not explicitly describe the property right as "the author's common law right of performance," the Court held that "the common law prohibits any kind of unauthorized interference with, or use of" the author's work "on the ground of an exclusive property right." *Id*.

In sum, before Section 980(a)(2)'s enactment, California had recognized public performance rights for plays, musicals, operas, screen plays, and radio programs. The principles underlying the common law property right of public performance apply with equal force to sound recordings whose *only* value consists in being played, *i.e.*, performed. This conclusion was confirmed by the California Legislature in 1968 when it recognized the "commercial advantage" and "private financial gain" that could be realized from "public performance" of sound recordings was worthy of protection. Cal. Penal Code § 653h. As it had done with its enactment of the 1905 and 1935 statutes protecting authors of plays, musicals, and operas from unauthorized copying and public performance, the Legislature criminalized the unauthorized transfer of sound recordings "for commercial advantage or private financial gain through public performance." *Id.*

Thus, Sirius XM's argument that protection of a public performance right in Section 980(a)(2) would have been "wholly unprecedented" ignores California precedent. Section 980(a)(2)'s grant of "exclusive ownership" and all property rights

attendant to exclusive ownership, including the right of public performance, was wholly consistent with California precedent.

Sirius XM's argument that Section 980(a)(2) impermissibly altered the common law is likewise unavailing. The district court correctly concluded that Section 980(a)(2)'s inclusion of a public performance right followed the principle that statutes are not presumed to alter the common law absent clear legislative intent. That Sirius XM cannot point to a *single* California case disclaiming a right of public performance for sound recording owners disposes of the question. Sirius XM cannot point to even one conflict between Section 980(a)(2) and California common law as it stood in 1982. *See* ER80 ("Defendant has not directed the Court to a single case cutting against the right to public performance, even implicitly or in dicta."). Indeed, as explained above, California common law has long recognized a public performance right. *See supra* pp. 28-33; *see also infra* pp. 37-43. Section 980(a)(2) codified that common law right, rather than altering it. At minimum, the district court correctly concluded that the unopposed case law suggesting a right of public performance under California law, even if limited, supports "that the legislature intended ownership of a sound recording to include the exclusive right to any use of

a recording (other than the listed exception), including the right to publicly perform it." ER 80.[10]

It is also irrelevant that owners of pre-1972 records did not object to local radio stations playing their records over the airwaves decades ago, at a time when a symbiotic relationship existed between those record owners and radio stations. During that time, broadcast quality was degraded, reproduction was not required to broadcast sound recordings, record sales were encouraged, *and the owners were not damaged*. This long-forgotten era does not affect whether owners can enforce their rights today when they *are* being damaged by competition from webcasters, streaming, and internet radio services who have appropriated artists' sound recordings without compensation and supplanted their record sales by digitally streaming high-quality server copies for profit to millions of subscribers. As Justice Ginsburg wrote, "there is nothing untoward about [a copyright owner] waiting to see whether an infringer's exploitation undercuts the value of the copyrighted work, has

[10] In any event, the cases Sirius XM relies on for this point are inapposite. *Borg-Warner Protective Services Corp. v. Superior Court*, 75 Cal. App. 4th 1203 (1999), involved an "ambiguous" statute that was unclear in "conveying the Legislature's intent." *Id.* at 1207-08. The Court thus concluded it would use "common law *principles*" to guide its statutory interpretation. *Id.* (emphasis added). Likewise, in *Jones v. Lodge*, the "statutory language [was] not plain." 42 Cal. 4th 1158, 1163. Nothing about *Borg-Warner* or *Jones* is instructive here, where the statute is clear.

no effect on that work, or even complements it." *Petrella v. MGM*, 134 S. Ct. 1962, 1965-66 (2014).

(2) Federal law has also recognized a public performance right for decades without the parade of horribles SiriusXM suggests.

Federal law has also recognized a public performance right for decades without the sky-is-falling chaos Sirius XM predicts will inevitably result, further undercutting Sirius XM's argument. In 1995, not long after California adopted Section 980(a)(2), Congress passed the Digital Performance Right in Sound Recordings Act (DPRA), which granted owners of sound recordings a digital public performance right for all post-1972 sound recordings in the United States. Then, in 2018, Congress expanded that protection to pre-1972 sound recordings as well, and today, *all* sound recordings enjoy a federally protected right of public performance. *See* 17 U.S.C. § 1401 (2018). Sirius XM warns of the "extensive and far-reaching" consequences of recognizing a public performance right, while ignoring that jurisdictions began recognizing a public performance right decades ago in 1937. That protection has increased in scope ever since, leading to a federally recognized public performance right, all without the parade of horribles Sirius XM suggests might occur in the future.

Contrary to Sirius XM's assertions, the *only* impact federal law has on the interpretation of Section 980(a)(2) is to inform the legal landscape at the time of its enactment. Otherwise, federal law does not affect what rights were protected under California law at the time. Nor does Congress's "careful legislative balancing" in either the DPRA (passed in 1995) or the MMA (passed in 2018) have any impact on the correct interpretation of Section 980(a)(2), which California passed in 1982. The Federal Copyright Act bears on Section 980(a)(2)'s interpretation only to the extent that Congress expressly reserved for states the ability to protect pre-1972 sound recordings. *See* 17 U.S.C. § 301(c). The California Legislature chose to do just that by granting "exclusive ownership" to authors of pre-1972 sound recordings in Section 980(a)(2).

3. California Common Law Also Protects a Public Performance Right for Owners of Pre-1972 Sound Recordings.

As discussed above, Section 980(a)(2) protects an owner's exclusive right to control public performance of the owner's pre-1972 recordings. But even if Section 980(a)(2) did not contain an exclusive public performance right, the California common law doctrines of unfair competition based on misappropriation and conversion separately protect an owner's exclusive public performance right against conduct like Sirius XM's.

Just as it is commonly understood that the purchase of a DVD embodying an audiovisual work does not allow the purchaser to stream it for profit, the common law limits use of a record to the manner in which any ordinary member of the public might use "its contents gratuitously, for any legitimate purpose not unreasonably interfering with complainant's right to make merchandise of it." *Int'l News Serv. v. Associated Press*, 248 U.S. 215, 239-240 (1918); s*ee also Bluebeat*, 765 F. Supp. 2d at 1205-06 (holding that the defendant's appropriation of the plaintiff's sound recordings constituted unfair competition, misappropriation, and conversion under California law); *Heilman*, 75 Cal. App. 3d at 564 (concluding that the defendant's unlawful duplication of the plaintiff's sound recordings for profit "presents a classic example of the unfair business practice of misappropriation of the valuable efforts of another"); *Erickson*, 2 Cal. App. 3d at 531-38 (reasoning that plaintiffs "expend[] substantial effort, skill and money" creating sound recordings and concluding that attempts to "circumvent[] the necessity of expending skill and money" constitute unfair competition under California common law). This means any "competitor in business" that acquires a commercially sold record may not use it any differently than an ordinary member of the public. That is, the competitor may not appropriate the artistic performances embodied on the record for its own commercial advantage. This is true regardless how the competitor monetizes the appropriation of the artistic performance: through duplication, distribution, *or* public performance.

California common law has historically protected pre-1972 records under two legal theories; namely, unfair competition based on misappropriation, and conversion. Misappropriation is a form of unfair competition that has three elements in California: "(1) the plaintiff has invested substantial time and money in development of its ... 'property'; (2) the defendant has appropriated the [property] at little or no cost; and (3) the plaintiff has been injured by the defendant's conduct." *Balboa Ins. Co. v. Trans Global Equities*, 218 Cal. App. 3d 1327, 1342 (1990). "Conversion," meanwhile, "is the wrongful exercise of dominion over the property of another." *Lee v. Hanley*, 61 Cal. 4th 1225, 1240 (2015) (quoting *Welco Electronics, Inc. v. Mora*, 223 Cal. App. 4th 202, 208 (2014)). "The elements of a conversion claim are: (1) the plaintiff's ownership or right to possession of the property; (2) the defendant's conversion by a wrongful act or disposition of property rights; and (3) damages." *Id.*

Erickson was the first case in California to address common law protection of artistic performances embodied on pre-1972 sound recordings, and it did so under the theory of unfair competition based on misappropriation. 2 Cal. App. 3d at 531-38. The defendants in *Erickson*, collectively referred to as Phoenix, duplicated Capitol Records' sound recordings purchased on the open market and then sold them in competition with Capitol at a lower cost. Phoenix argued that it was not liable for copying in light of the United States Supreme Court decisions in *Sears, Roebuck &*

Co. v. Stiffel Co., 376 U.S. 225 (1964) ("*Sears*"), and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964) ("*Compo*"), which held that when an article is unprotected by federal patent or copyright law, state law may not prevent others from copying the article, whether under a theory of unfair competition or otherwise.

The appellate court distinguished *Sears* and *Compo* based on a distinction between having "merely copied" a work, which might fall under *Sears* and *Compo*, and the wholesale appropriation of another's expenditure of "labor, skill and money" invested to create a saleable product, the latter of which constitutes unfair competition. *Id.* at 531-32. The court observed that *Sears* and *Compo* made no mention of *International News*, where the Supreme Court held that the appropriation of the plaintiff's gathered news constituted unfair competition even though the news was in the public domain and anyone could copy it. *Id.* It then quoted the famous passage from the opinion that presents a guideline for the case at bar:

> The fault in the reasoning [of defendant International] lies in applying as a test the right of the complainant [Associated] as against the public, instead of considering the rights of complainant and defendant, competitors in business, as between themselves. The right of the purchaser of a single newspaper to spread knowledge of its contents gratuitously, for any legitimate purpose not unreasonably interfering with complainant's right to make merchandise of it, may be admitted; but to transmit that news for commercial use, in competition with complainant,—which is what defendant has done and seeks to justify,—is a very different matter. In doing this defendant, by its very act, admits that it is taking material that has been acquired by complainant as the result of organization and the expenditure of labor, skill, and money and which is salable by complainant for money, and that defendant, in

> appropriating it and selling it as its own, is endeavoring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant's members is appropriating to itself the harvest of those who have sown.

Id. at 532-33 (quoting *International News*, 248 U.S. at 239-40).[11]

After surveying other cases applying the principles of *International News* notwithstanding *Sears* and *Compo*, *Erickson* reached the same conclusion and found that Phoenix's conduct met all the elements of misappropriation. *Id.* at 537-38. Phoenix argued that once a member of the public buys a (pre-1972) record, it can do whatever it wants with it, including making a copy. *Id.* Relying on *International News*, the court held that there is a dispositive difference between what an ordinary member of the public can do with a record for private use and what "competitors in business" can do:

> Phoenix applies as a test the right of Capitol as against the public, instead of considering as a test the rights of Phoenix and Capitol, competitors in business, as between themselves. Phoenix has not merely copied or imitated discs or tapes produced by Capitol, rather, Phoenix has appropriated the product itself—performances embodied on the records.

Id. at 538.

[11] While *International News Service* was based on federal common law that ceased to exist as a result of *Erie v. Tomkins*, 304 U.S. 64 (1938), California courts routinely cite it in property and unfair competition cases. *See, e.g.*, *Lugosi v. Universal Pictures*, 25 Cal. 3d 813, 841-42 (1979); *Hollywood Screentest Of America, Inc.* v. *NBC Universal, Inc.*, 151 Cal. App. 4th 631, 650 (2007); *Balboa Ins. Co.*, 218 Cal. App. 3d at 1342 (2007); *McCord Co. v. Plotnick*, 108 Cal. App. 2d 392, 395 (1951).

Sirius XM here similarly appropriated the performances embodied on pre-1972 sound recordings by The Turtles and others. Sirius XM cannot interfere with Flo & Eddie's exclusive right to commercially exploit its recorded music—music that required substantial effort, skill, and money to create, and which, for the nominal cost of a CD, Sirius XM broadcast for profit to its 25 million subscribers and advertisers.

There can be no doubt that an ordinary member of the public is barred from doing what Sirius XM has done. Indeed, California Penal Code Section 653h *criminalizes* the unauthorized transfer of "any sounds that have been recorded on a phonograph record … with intent to … use [the sounds]… *for commercial advantage … through public performance.*" Cal. Penal Code § 653h. In *Bluebeat*, the owner of a website offered pre-1972 recordings for unauthorized digital streaming and download. Bluebeat was found liable for common law misappropriation (as well as statutory unfair competition and conversion, discussed below) for having "reproduced, sold, and *publicly performed"* through digital streaming the pre-1972 recordings. 765 F. Supp. 2d at 1205-06. Relying on California law, the district court held that unauthorized digital streaming was public performance which constituted a misappropriation of the plaintiffs' property. *Id.*; *Waring*, 327 Pa. at 449 (relying on the common law doctrine of unfair competition based on misappropriation to enjoin unauthorized public performance by a radio station).

California common law also protects against Sirius XM's unauthorized performance of pre-1972 sound recordings under the tort of conversion. In 1977, the *Heilman* court rejected Heilman's contention that he could not be held liable for "duplicat[ing] performances owned by [others] in order to resell them for profit" if there was no "palming off" because Heilman's conduct presented "a classic example of the unfair business practice of misappropriation of the valuable efforts of another." *Heilman*, 75 Cal. App. 3d at 564. In further ruling that the plaintiff was entitled to a constructive trust on the defendant's gross proceeds, the court held that "[t]hese recorded performances are [the plaintiff's] intangible personal property," the "misappropriation and sale of [which] is conversion," and "[w]hen one acquires proceeds from the sale of property belonging to another the imposition of a constructive trust on the proceeds is a proper remedy." *Id.* at 570.

Federal courts subsequently applied the doctrine of conversion to protect ownership of pre-1972 sound recordings under California law in the cases of *Lone Ranger, supra*, and *Bluebeat, supra*, the facts of which are discussed above. Of note, *Bluebeat* expressly held that the doctrine of conversion applied to online streaming activities. The same is true here given Sirius XM's admissions that it publicly performed countless pre-1972 sound recordings without authorization or compensation. ER72.

4. Certification to the California Supreme Court is Unnecessary.

Sirius XM argues this Court should certify the question of Section 980(a)(2)'s interpretation to the California Supreme Court. Certification is not compelled here. The plain language of Section 980(a)(2) is clear, and "[e]ven where state law is unclear, resort to the certification process is not obligatory." *Riordan v. State Farm Mut. Auto. Ins. Co.*, 589 F.3d 999, 1009 (9th Cir. 2009). Instead, the Court "carefully weigh[s]" the factors for and against certification. *Murray v. BEJ Minerals*, LLC, 924 F.3d 1070, 1072 (9th Cir. 2019), *certified question accepted*, No. OP 19-0304, 2019 WL 2383604 (Mont. June 4, 2019), *and certified question answered*, 464 P.3d 80. Further, as discussed above, since 2018 (after this lawsuit was filed), federal law now preempts state law regarding copyright protection for the digital transmission of pre-1972 sound recordings. Accordingly, the resolution of the public performance question no longer presents the kind of "important public policy ramifications" it may have absent Congress's intervention. *Id.*

B. The District Court Correctly Concluded that Section 980(a)(2)'s Grant of a Public Performance Right Does Not Violate the Commerce Clause.

1. The Commerce Clause Analysis Is Irrelevant Because Congress "Plainly Authorized" State Regulation of Copyrights for Pre-1972 Sound Recordings.

Sirius XM's Commerce Clause argument is wholly inapplicable here because Congress expressly authorized states to regulate copyrights for pre-1972 sound recordings in the Federal Copyright Act. "When Congress so chooses, state actions which it plainly authorizes are invulnerable to constitutional attack under the Commerce Clause." *Ne. Bancorp, Inc. v. Bd. of Governors of Fed. Reserve Sys.*, 472 U.S. 159, 174 (1985). That is because "the commerce power of Congress is not dormant when it authorizes state action." *Monarch Content Mgmt. LLC v. Arizona Dep't of Gaming*, 971 F.3d 1021, 1031 (9th Cir. 2020) (internal quotations omitted).

Congress "plainly authorize[d]" state regulation of pre-1972 sound recordings in the Copyright Act by carving out pre-1972 sound recordings exclusively for state regulation. *See* 17 U.S.C. § 301(c) ("With respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law of any state shall not be annulled or limited by this title until February 15, 2067."). As this Court has recognized, when Congress plainly preserves an area of regulation for the states, then states' exercise of that regulation does not infringe Congress's commerce clause power. For example, in *Monarch*, a sales agent for horse racetracks challenged an

Arizona statute requiring permits for simulcasting horse races. *See Monarch*, 971 F.3d at 1025. This Court concluded that it could "discern no infringement of Congress' commerce power" because, "although the [Interstate Horse Racing Act did] not expressly authorize states to regulate simulcasts originating from out-of-state racetracks," the IHA plainly preserved the states' "primary responsibility" for legislating gambling within their borders. *See, e.g.*, *Monarch*, 971 F.3d at 1031.

So too here: Congress plainly authorized states to regulate copyrights for pre-1972 sound recordings in the Copyright Act. Thus, state regulation of pre-1972 sound recordings (before Congress passed the MMA) does not offend Congress's Commerce Clause power. That ends the Commerce Clause inquiry altogether.

2. Section 980(a)(2) Does Not Violate the Commerce Clause Because It Regulates Evenhandedly to Effectuate a Legitimate Public Interest.

Even if Congress had not plainly authorized state regulation of pre-1972 sound recordings, Section 980(a)(2) does not violate the Commerce Clause because it regulates evenhandedly with only incidental effects on interstate commerce.

When reviewing challenges to local and state regulations under the Commerce Clause, this Court follows a two-tiered approach. First, a state or local regulation *per se* violates the Commerce Clause only when the "statute *directly* regulates or discriminates against interstate commerce, or when its effect is to favor in-state economic interests over out-of-state economic interests." *S.D. Myers, Inc. v. City &*

Cty. of San Francisco, 253 F.3d 461, 466 (9th Cir. 2001). Second, when a statute has only indirect effects on interstate commerce, the Court asks "whether the State's interest is legitimate and whether the burden on interstate commerce clearly exceeds the benefits." *Id.* Section 980(a)(2) does not violate the Commerce Clause under either test.

First, Section 980(a)(2)'s grant of a public performance right to owners of pre-1972 sound recordings does not violate the Commerce Clause *per se* because Section 980(a)(2) does not directly regulate or discriminate against out-of-state interests. As this Court has explained, a "statute is not 'invalid merely because it affects in some way the flow of commerce between the States.'" *Ass'n des Eleveurs de Canards et d'Oies du Quebec v. Harris*, 729 F.3d 937, 948-49 (9th Cir. 2013). Rather, a statute is invalid under the *per se* test only if it "directly regulates or discriminates against interstate commerce, or when its effect is to favor in-state economic interests over out-of-state interests." *S.D. Myers*, 253 F.3d at 466. "Direct regulation occurs when a state law directly affects transactions that take place across state lines or entirely outside of the state's borders." *Id.* (emphasis added). These statutes typically contain "language explicitly or implicitly targeting either out-of-state entities or entities engaged in interstate commerce." *Id.* Further, a statute is not "discriminatory" under the Commerce Clause "simply because it applies most often to out-of-staters." *Valley Bank of Nevada v. Plus Sys., Inc.*, 914 F.2d 1186, 1193 (9th Cir. 1990). Instead, a

statute "that applies evenhandedly certainly passes muster under the commerce clause." *Id.*

The text of Section 980(a)(2) forecloses any argument that it directly regulates or discriminates against out-of-state commerce. First, Section 980(a)(2) is a California statute that governs intellectual property ownership within the state of California. In *Monarch*, discussed above, this Court reasoned that Arizona's simulcasting statute "does not regulate extraterritorially; it merely sets the terms of doing business if [the defendant] chooses to provide simulcasts within the state." *Cf. Monarch*, 971 F.3d at 1031. Likewise, Section 980(a)(2) does not regulate Sirius XM's conduct extraterritorially; it merely sets the terms of doing business in the state of California. That is, if Sirius XM opts to publicly perform pre-1972 sound recordings in the state of California, then Sirius XM must compensate the owners of those sound recordings. California's regulation of this in-state activity does not run afoul of the Commerce Clause. To the extent that Section 980(a)(2) applies to nonresidents' conduct at all, it "applies evenhandedly" to California residents and non-residents alike. *Cf. Valley Bank*, 914 F.2d at 1193. Section 980(a)(2) grants "exclusive ownership" to the author of an original work "as against *all persons*," California residents or not. Cal. Civ. Code § 980(a)(2) (emphasis added). Nothing in the text of the Section 980(a)(2) explicitly or implicitly targets out-of-state entities

or those engaged in interstate commerce. *Cf. S.D. Myers*, 253 F.3d at 466. Rather, it treats "all persons" the same.

Sirius XM ignores this Court's test for a *per se* violation of the Commerce Clause altogether and instead relies on *NCAA v. Miller*, 10 F.3d 633, 639 (9th Cir. 1993), to argue that any law that has the "practical effect" of controlling conduct beyond its borders is unconstitutional. Sirius XM's reliance on *NCAA* is misplaced. In the context of its dormant Commerce Clause jurisprudence, this Court has already distinguished "sports cases involv[ing] challenges under . . . the commerce clause to professional sport league rules" as "unique" decisions that "have not been applied in other cases." *Valley Bank*, 914 F.2d at 1192 (distinguishing *NCAA*). This makes sense: "Professional sports leagues have a limited number of teams, with no more than a few and rarely more than two teams in any state. The challenged state legislation in each case would have had significant impact on the whole league fabric, not just on the state's one or two teams." *Id.* The "unique" considerations present in this narrow band of cases are not present here.

Sirius XM's argument that it "lack[s] geographic boundaries" and must have "nationally uniform" standards goes too far and advances an argument this Court has already expressly rejected: "essentially that no state can prohibit companies from contracting in certain ways when one of the companies is from another state." *Id.* "At the extreme, this argument would mean that a state could make no rules to which

commercial contracts with non-state-resident parties must conform." *Id.* That Sirius XM is a large, national organization does not exempt it from state regulation. Nor does the FCC's requirement of "national uniformity" prevent Sirius XM from paying royalties owed to owners of pre-1972 sound recordings in California.

Second, Section 980(a)(2) easily passes muster under the second prong of this Court's analysis because it does not impose a substantial burden on interstate commerce. "A critical requirement for proving a violation of the dormant Commerce Clause is that there must be a *substantial* burden on interstate commerce." *Int'l Franchise Ass'n, Inc. v. City of Seattle*, 803 F.3d 389, 399 (9th Cir. 2015). All Section 980(a)(2)'s grant of an exclusive public performance right requires is that Sirius XM (or any other alleged infringer) obtain consent before publicly performing a pre-1972 sound recording. As Sirius XM acknowledges, federal law has protected a right of public performance for post-1972 sound recordings since 1995, and no substantial burden on interstate commerce has resulted. States like Pennsylvania have recognized an exclusive right of public performance for decades. SiriusXM's argument again goes too far: it would prevent states from regulating legitimate activity that occurs within their borders. Not all exercise of state regulation is an impermissible regulation of commerce. Similarly, here, Section 980(a)(2) is not "invalid merely because" it may affect in some way "the flow of commerce between the States." *Ass'n des Eleveurs*, 729 F.3d at 948-49.

CONCLUSION

The plain text of a statute controls, and the statute at issue here is constitutional. For the foregoing reasons, the district court's grant of summary judgment should be affirmed.

Dated: October 5, 2020

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

This brief complies with the type-volume limitations of Circuit Rule 32-1 and Fed. R. App. P. 32(a)(7)(B)(i) because it contains 11,853 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(f).

This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type-style requirements of Fed. R. App. P. 32(a)(6) because it has been prepared using a proportionally spaced typeface using Microsoft Word 2010 in Times New Roman 14-point font.

Dated: October 5, 2020

/s/ Kalpana Srinivasan
Kalpana Srinivasan

CERTIFICATE OF SERVICE

I hereby certify that on the 5th day of October, 2020, I electronically filed the foregoing document using the Court's CM/ECF System, which will send notice of electronic filing to all counsel of record.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Dated: October 5, 2020

/s/ Kalpana Srinivasan
Kalpana Srinivasan