

Appeal No. 17-55844

**IN THE UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT**

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FLO & EDDIE, INC.,

*Plaintiff-Appellee,*

v.

SIRIUS XM RADIO INC.,

*Defendant-Appellant.*

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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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**APPELLANT'S OPENING BRIEF**

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**CORPORATE DISCLOSURE STATEMENT**

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

1. Sirius XM Radio Inc. is a wholly owned subsidiary of Sirius XM Holdings Inc., a publicly held corporation.

2. Liberty Media Corporation possesses an ownership interest of 10 percent or more in Sirius XM Holdings Inc.

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## INTRODUCTION

Plaintiff-Appellee Flo & Eddie, Inc. (“plaintiff”) is a corporation that claims to own recordings of songs by a musical group known as The Turtles. Defendant Sirius XM Radio Inc. (“Sirius XM”) is a satellite radio broadcaster that—like AM/FM radio broadcasters, club DJs, sports arenas, and others for many decades—has publicly performed (*i.e.*, played) tens of thousands of legally-acquired recordings, including recordings that plaintiff claims to own. Sirius XM, like others who perform music for the public, has always paid royalties to the owners of *musical compositions*, as required by federal copyright law. But Sirius XM, like others who perform music for the public, has historically not paid royalties to the purported owners of *sound recordings* fixed prior to February 15, 1972 (“pre-1972 recordings”), because no law—federal or state—gave those owners the right to control whether, when, or where their recordings are played after they have been lawfully purchased. Radio stations and other commercial operators accordingly have for decades played these records in public without restriction.

That is, until the district court’s decision below. That decision is the first ever to hold that under California law, record companies and other owners of pre-1972 recordings have an unfettered, unconditional right to control all public performances of those recordings after they are sold—*i.e.*, when and where they

are played, by whom, and for how much. In a single stroke, the court's ruling converted thousands of broadcasters, DJs, and other entities into serial copyright infringers, upending more than a century of accepted radio broadcasting practices and miring the industry in chaos and uncertainty.

Notably, the district court did *not* hold that California has historically recognized a performance right in sound recordings under state copyright law. No such common law right has ever existed, as courts have uniformly recognized in lawsuits nearly identical to this one. The most prominent of these are recent decisions by the New York Court of Appeals and the Florida Supreme Court rejecting common-law claims asserted by plaintiff against Sirius XM. Those cases and others recognize that while the common law had long recognized the right of sound recording owners to control post-sale *copying* of their records, the common law has never allowed recording owners to control the post-sale *performance* of their records. The same principle was universally recognized among commentators, federal regulators, Congress, and even record companies, who for decades sought creation of a *federal statutory* right to control post-sale performances of their records, precisely because no such state common-law right existed anywhere.

Rather than grounding a new performance right in California common law, the district court read one into a 1982 amendment to Civil Code Section 980(a)(2),

which provides that 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.” Cal. Civ. Code § 980(a)(2). The court’s interpretation of Section 980(a)(2) is demonstrably wrong. The 1982 amendment was expressly intended only to make “technical and minor policy” changes—specifically, changes that would conform state copyright law with the federal Copyright Act of 1976, while maintaining existing state-law rights and remedies. And the 1976 Copyright Act, like state common law, recognized only a right to control post-sale *copying* of sound recordings—not the very different right to control post-sale *performance* of recordings. The 1982 amendment, in other words, simply codified for pre-1972 recordings “exclusive ownership” over the common-law right to control post-sale copying, thereby conforming state copyright law with the same limited ownership right conferred by the 1976 Copyright Act. The modesty of the 1982 amendment was reflected in its universal support—the amendment passed both houses unanimously, with no serious debate.

Reading the 1982 amendment to create a new performance right ignores the amendment’s history and context. It also ignores the extraordinary consequences creating such a right would entail—consequences the Legislature and industry stakeholders could not possibly have ignored if the amendment actually encompassed the new right. A performance right mainly serves the interest of

record companies (and the very few others, like plaintiff, that hold rights in recordings), while contravening the legitimate interests of performers and composers of music (who benefit through royalties and otherwise from widespread exposure to their work through broadcast transmissions), the listening public (who benefit from low-cost broadcast of music), and broadcasters (who benefit from advertising and other revenue associated with record broadcasts). All of those strong countervailing interests are carefully balanced in the nuanced federal scheme enacted by Congress in 1995 to create a limited performance right for recordings created on or after February 15, 1972 “(post-1972 recordings)” (and in Congress’s recent creation of a limited prospective performance right in pre-1972 recordings). By contrast, the 1982 amendment to Section 980(a)(2) does not account for those interests *at all*, confirming that it was never intended to adopt the kind of restriction on post-sale performance that would implicate such important interests.

The district court’s reading of Section 980(a)(2) is not only wrong on its own terms, but it would bring the statute into direct conflict the U.S. Constitution’s Commerce Clause, which prohibits state laws that regulate commerce outside the state. Because Sirius XM is *required* by the FCC to broadcast on a nationwide basis *without* tailoring its satellite broadcasts by state, a California law restricting Sirius XM’s performance of lawfully-acquired recordings would effectively restrict

performance of those recordings in *every* state. Contrary to the district court’s ruling, Copyright Act Section 301(c) does not authorize state-law performance rights that interfere with nationwide commerce. Section 301(c) is an ordinary savings clause ensuring non-preemption of state law, not a law that expressly and unambiguously authorizes state laws interfering with interstate commerce, as required to shield state laws from Commerce Clause scrutiny.

For these reasons, and those described in detail below, the decision below should be reversed.

### **JURISDICTIONAL STATEMENT**

The district court had jurisdiction over this class action under 28 U.S.C. § 1332(d)(2)(A) because plaintiff is a citizen of California, Sirius XM is a citizen of New York and Delaware, and the amount in controversy exceeds \$5,000,000. ER222-24. The district court entered final judgment on May 16, 2017. ER8. Sirius XM noticed this appeal on June 14, 2017. ER87.

### **QUESTIONS PRESENTED**

1. Whether the district court erred in holding that a “technical” 1982 amendment to a California copyright statute—enacted unanimously and without debate—granted sound recording owners an absolute and unprecedented right to prevent lawful purchasers of those recordings from playing them.

2. Whether the district court erred in holding that application of a performance right under California law to Sirius XM is consistent with the U.S. Constitution's Commerce Clause, when state regulation of its broadcasts necessarily extends beyond California's borders because federal law requires Sirius XM to transmit nationally uniform broadcasts.

### **STATEMENT OF THE CASE**

A sound recording—a “record,” in colloquial terms—is the fixation of a particular performance of a song in a tangible medium. It is distinct from the musical composition itself—*i.e.*, the notes and lyrics. Since the inception of the record and broadcast industries in the early twentieth century, sound recordings—including the pre-1972 recordings plaintiff claims to own—have been sold to the public and freely played on the radio without restriction or objection. In 2013, plaintiff filed lawsuits in California, New York, and Florida, claiming for the first time the absolute right to control all public performances of its pre-1972 recordings by anyone, anywhere. In this action, plaintiff alleged (as relevant here) that Sirius XM infringed its rights under California law by playing plaintiff's records on air—*i.e.*, by broadcasting them on its satellite and internet radio services. Plaintiff alleged a violation of California Civil Code § 980(a)(2), and asserted related statutory and common law claims. ER236-39.

Plaintiff's suit was brought under California law, rather than federal copyright law, because it involves pre-1972 recordings. Whereas the federal Copyright Act has protected musical *compositions* since 1831, *see White-Smith Music Pub. Co. v. Apollo Co.*, 209 U.S. 1, 15 (1908), sound *recordings* have historically been governed by a hybrid copyright regime. Post-1972 recordings are governed exclusively by the Copyright Act, 17 U.S.C. § 102(a)(7), while pre-1972 recordings were, at the time plaintiff filed its lawsuits in 2013, governed (if at all) only by state law, 17 U.S.C. § 301(c) (1998) (amended 2018).<sup>1</sup>

California law has long recognized that a sound recording owner who sells the recording to the public has the legal right to prevent “record piracy,” *i.e.*, the unauthorized *duplication* of a lawfully purchased recording. This case involves a different question: whether a pre-1972 recording owner has the legal right to prevent even the *performance* of a lawfully purchased recording, pursuant to a California statute enacted in 1982 against the backdrop of decades of copyright law

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<sup>1</sup> Since the district court's 2014 decision holding that plaintiff possesses a state-law right to control performance of pre-1972 recordings, Congress enacted the Music Modernization Act (“MMA”), which partially federalized copyright for pre-1972 recordings, but (with one exception inapplicable here) did so only prospectively. *See* 17 U.S.C. § 1401 *et seq; infra* at 32. Because plaintiff's claim here is retrospective, *infra* at 28, it is unaffected by the MMA.

recognizing a right to control post-sale duplication while disclaiming any right to control post-sale performance.

### **A. Background Of Copyright Law**

Common law copyright was originally understood by English courts to give the author of a creative work the right to control its reproduction in “perpetuity,” even after the work was sold to the general public. *Capitol Records, Inc. v. Naxos of Am., Inc.*, 4 N.Y.3d 540, 547-48 (2005).

The early American common law of copyright rejected that view. In the “landmark” decision of *Wheaton v. Peters*, 33 U.S. 591 (1834), the Supreme Court “established the American view that publication *ipso facto* divested an author of common law copyright protection.” 1 Melville B. Nimmer & David Nimmer, NIMMER ON COPYRIGHT (“Nimmer”) § 4.02[a][3] (Rev. Ed. 2019). In *Wheaton*, the Court held that while an author has a property interest in an *unpublished* manuscript that can be invoked to prevent its unauthorized publication, the common law does *not* grant an author “a perpetual and exclusive property in the future publication of the work, after the author shall have published it to the world.” *Wheaton*, 33 U.S. at 657. Only by statute could an author maintain any property interest in his work after its publication. *Id.*

A dissenting opinion in *Wheaton* disagreed, though without endorsing the categorical English approach. The *Wheaton* dissent argued that common law post-

publication rights depended on “[t]he nature of the property, and the general purposes for which it is published and sold.” 33 U.S. at 674 (Thompson, J., dissenting). Because a written work is normally sold for the “instruction, information or entertainment to be derived from it, and not for republication of the work,” the dissent reasoned that the right to control republication should survive the sale. *Id.*

The disagreement in *Wheaton* reflected a practical dispute about how to balance the competing interests involved in recognizing a common law copyright. Unlike federal statutory copyright, which must be of limited duration, *see* U.S. Const. art. I, § 8, cl. 8, and can be limited in other ways by legislative mandate, a common law copyright—when recognized—is perpetual and absolute (subject to quasi-constitutional limitations such as fair use). *Eldred v. Ashcroft*, 537 U.S. 186, 230 (2003) (Stevens, J., dissenting); Nimmer § 4.04. Courts accordingly have recognized that any common law copyright must be narrow in scope to achieve a fair balance between “the interest of authors in the fruits of their labor” and “the interest of the public in ultimately claiming free access to the materials essential to the development of society.” Nimmer § 4.04. The *Wheaton* majority struck this balance by holding that all common law rights cease upon “publication,” after which the author is “required to look to the federal [copyright] statute for the limited form of monopoly there available.” *Id.* The dissent suggested a different

balance, reflecting the view that even after publication, the author at least retains a right against copying, because the public lacks any legitimate interest in the unauthorized post-sale duplication of the author's work. *Wheaton*, 33 U.S. at 674-75 (Thompson, J., dissenting).

**B. History Of Common Law And Statutory Protection For Sound Recordings**

California, which codified its common-law copyright regime in 1872, has generally adopted the *Wheaton* majority's rule that common-law copyright exists only in *unpublished* works. See *Stanley v. CBS, Inc.*, 35 Cal.2d 653, 660-61 (1950) ("Speaking generally, common-law rights are limited to unpublished works, and all common-law property rights therein are lost on a publication."); *Read v. Turner*, 239 Cal. App. 2d 504, 510 (1966) (California statutory "provisions adopt, in general, the common law copyright rule"). But for sound recordings, the California courts essentially adopted the *Wheaton* dissent's rule, holding that even after a record is sold, the owner retains a common law right to prevent its unauthorized duplication and distribution. That post-sale anti-piracy right differs critically from the post-sale "performance" right plaintiff asserts here.

1. *Anti-Piracy Protections Against Unauthorized Duplication Of Sound Recordings*

a. Federal and state copyright law originally developed in reference to written works. But by 1906, the recording industry began to "urge[] Congress to

grant federal copyright protection to sound recordings.” U.S. COPYRIGHT OFFICE, FEDERAL COPYRIGHT PROTECTION FOR PRE-1972 SOUND RECORDINGS: A REPORT OF THE REGISTER OF COPYRIGHTS 7-8 (2011) (the “2011 Report”).

The effort to obtain federal statutory protection suffered a setback in 1908, when the Supreme Court suggested that sound recordings are incapable of being “‘published’ (*i.e.*, read by a person)” for purposes of federal copyright law. *Naxos*, 4 N.Y.3d at 552 (quoting *White-Smith*, 209 U.S. at 12). Apparently accepting that premise, Congress did not include any protection for sound recordings when it enacted the Copyright Act of 1909. *Id.*

The 1909 Act, however, did preserve the ability of states to protect “unpublished” works. *Id.* at 553. There was accordingly “nothing to prevent the states from guaranteeing copyright protection” to sound recordings, whether by common law or statute. *Id.*

b. Pursuant to that reserved authority, California has recognized only one common law property interest in a sound recording that survives its sale: the right to prevent its unauthorized duplication and distribution. This “anti-piracy” right has been expressed as a species of unfair-competition law rather than copyright law, but it rests essentially on the *Wheaton* dissent’s theory that a common law property interest can survive the public sale of a work depending on its nature and purpose. Because a recording is not sold for the purpose of copying and re-selling

it, the sale does not relinquish the owner's right to prevent its duplication and distribution; accordingly, the unauthorized duplication and distribution of a sound recording constitutes unfair competition.

The first California precedent to expressly recognize this anti-piracy right was *Capitol Records, Inc. v. Erickson*, 2 Cal. App. 3d 526 (1969). The *Erickson* defendant "purchase[d] ... records and tapes of musical performances" that were "produced, recorded and sold by" the plaintiff, made "'master' recordings" from the purchased records and tapes, and then "use[d] the master recordings to produce tape cartridges which it s[old] to the general public." *Id.* at 528. The court held that defendant was liable for committing unfair competition, because allowing a competitor to copy and resell plaintiff's records and tapes "would discourage invention and free competition," and would ultimately discourage "those engaged in the recording industry ... to utilize their skills and efforts, and expend large amounts of money" to "produc[e] unique recordings." *Id.* at 538. The *Erickson* court was particularly persuaded by two New York decisions, *Capitol Records v. Mercury Records Corp.*, 221 F.2d 657 (1955), and *Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp.*, 101 N.Y.S.2d 483 (Sup. Ct. 1950), that recognized an anti-copying right, and by the California Legislature's enactment of Penal Code Section 653h, which had already "provided that 'record piracy' is a misdemeanor." *Erickson*, 2 Cal. App. 3d at 533, 537.

Another California court reached the same result in *A & M Records, Inc. v. Heilman*, 75 Cal. App. 3d 554 (1977), holding that plaintiff had a “personal property” interest in its recordings, and finding defendant liable for unfair competition where he “admitted ... that without authorization he duplicated performances owned by [plaintiff] ... to resell them for profit.” *Id.* at 564, 570.

c. Despite judicial recognition of this anti-piracy right, by the 1970s music piracy had become “widespread” because of “the technological ease of reproducing existing recordings for resale without securing authorization.” *Naxos*, 4 N.Y.3d at 555. In response, broad legislative support emerged for prohibiting the unauthorized reproduction of sound recordings. Many state legislatures, including California, enacted anti-piracy statutes. *See id.*; Cal. Pen. Code § 653h.<sup>2</sup>

Congress ultimately enacted a federal anti-piracy law in 1971—the first time federal law extended *any* form of copyright protection to sound recordings. 2011 Report at 10. The 1971 Act created “a limited copyright in sound recordings for the purpose of protecting against unauthorized duplication and piracy” for sound recordings fixed on or after February 15, 1972, the 1971 Act’s effective date. 1971 Sound Recording Act, Pub. L. No. 92-140, 85 Stat. 391.

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<sup>2</sup> Notably, Section 653h expressly does not apply to “any person engaged in radio or television broadcasting” who reproduces sound recordings “in connection with[] broadcast transmission.” *Id.* § 653h(g).

Congress reaffirmed the new anti-piracy right when it revamped the copyright laws in the Copyright Act of 1976. *See* 17 U.S.C. §§ 106, 114. The 1976 Act eliminated the distinction between published and unpublished works, and “preempt[ed] and abolish[ed] any rights under the common law or statutes of a State that are equivalent to copyright and that extend to works coming within the scope of the Federal copyright law.” H.R. Rep. No. 94-1476, 130 (1976). But Congress *excluded* pre-1972 recordings from the scope of that preemption provision, leaving those recordings to be governed by state law. 17 U.S.C. § 301(c) (1998) (amended 2018). Congress chose that course because it “recognize[d] that, under recent court decisions, pre-1972 recordings are protected by State statute or common law,” and without a specific carve-out for such recordings, the Act “could be read as abrogating the anti-piracy laws now existing in 29 states relating to” pre-1972 recordings without providing any federal replacement. H.R. Rep. No. 94-1476, 133. In the absence of federal protection (or preemption), “states provide protection for pre-1972 sound recordings through a patchwork of criminal laws, civil statutes and common law.” 2011 Report at 20.

2. *Copyright Protection For Performance Of Sound Recordings*

The question in this appeal is not whether California law restricts the unauthorized post-sale duplication and distribution of sound recordings. It does (subject to certain limitations, including fair use). The question is whether

California law *also* restricts unauthorized post-sale *performances* of sound recordings. These questions are quite different: while a sound recording is not sold for the purpose of being copied and resold, it is assuredly meant to be *performed*. And whereas the record pirates and recording owners in *Erickson* and *Heilman* were “compet[ing] with” each other for sales, *Erickson*, 2 Cal. App. 3d at 537; *Heilman*, 75 Cal. App. 3d at 564, radio broadcasters such as KROQ-FM and Sirius XM do not compete with recording owners when they play lawfully obtained records. Record companies themselves have for many decades recognized the distinction between pirating a record and simply playing it on air: “the duplication of a phonograph record and the selling of that record is an act of unfair competition,” but “it would be going a long way for any court to say ... that the playing of a record over the air, the mere use of a record in that manner, is an act of unfair competition.” *Revision of Copyright Laws: Hearings Before the H. Comm. on Patents*, 74th Cong. 639 (Comm. Print 1936) (representative of Brunswick Record Corp. and Columbia Phonograph Co.).

Given the obvious distinction between pirating a record and performing it, the history of judicial and legislative efforts to restrict post-sale performances bears little resemblance to the legal restriction of post-sale piracy. Whereas anti-piracy rights were first recognized by courts and then by state legislatures and Congress, no comparable prohibition against post-sale performance was recognized by any

court, legislature, or Congress. To the contrary, radio stations, taverns, DJs, and many other commercial actors played records without payment to recording owners for nearly a century. And courts, commentators, Congress, and record executives themselves repeatedly recognized the absence of any common-law protection against those performances. When Congress finally did create such protection for post-1972 recordings in 1995—and for pre-1972 recordings in 2018, *infra* at 31—the protection was sharply limited and carefully balanced.

a. From the time sound recordings were invented in the late 1800s until 1971, Congress declined to recognize any rights in sound recordings at all, expressly rejecting proposals by the recording industry to extend copyright protection to sound recordings in 1909, 1925, 1926, 1930, 1932, 1936, 1937, 1939, 1940, 1942, 1943, 1945, 1947, and 1951. See H.R. REP. NO. 60-2222, at 9 (1909); *Performance Rights in Sound Recordings: Subcomm. on Courts, Civ. Liberties, & the Admin. of Justice of the H. Comm. on the Judiciary*, 95th Cong. 29-37 (Comm. Print 1978) (“1978 Report”).

In the 1930s and 1940s, as the popularity of radio grew, the recording industry recognized the enormous promotional benefits of radio airplay. All stakeholders benefitted from the unrestricted public performance of sound recordings: “the record companies and artists had a symbiotic relationship with radio stations, and wanted them to play their records to encourage name

recognition and corresponding album sales.” *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 28 N.Y.3d 583, 605 (2016). By the 1950s, the recording industry ceased its efforts to exert unilateral control over the performance of sound recordings through federal copyright protection. *See* 1978 Report at 35-36.

The advent of new duplication technology in the 1950s and 1960s severely heightened the risk and consequences of record piracy, which adversely affected all stakeholders in the record industry, since piracy undermines quality control without generating new record sales, music royalties, or advertising revenue. Consequently, there was widespread support for protection against unauthorized copying. *See supra* at 12. By contrast, the record companies’ proposal to also control public performances after sale was “explosively controversial,” because it would grant a windfall to recording owners (mainly record companies) at the expense of (i) composers and performing artists, since restrictions on post-sale performances would decrease the exposure of their songs and the consequent publishing royalties and publicity they receive, (ii) broadcasters, who would face increased costs, and (iii) consumers, who would suffer reduced access to music. SUPP. REGISTER’S REP. ON THE GENERAL REV. OF U.S. COPYRIGHT LAW 51 (Comm. Print 1965).

When Congress finally recognized an anti-piracy right in 1971, it did *not* create a separate right to restrict the *playing* of sound recordings. In the Copyright

Act of 1976, Congress retained this anti-piracy right, but specifically rebuffed record companies' attempts to obtain a post-sale "performance" right. The 1976 Act "specifie[d] that the exclusive rights of the owner of copyright in a sound recording are limited to the rights to *reproduce the sound recording* in copies or phonorecords, to *prepare derivative works* based on the copyrighted sound recording, and to *distribute copies or phonorecords* of the sound recording to the public," while stating "explicitly that the owner's rights 'do not include any right of performance.'" H.R. Rep. No. 94-1476, 106 (emphasis added). Congress did "consider[] at length the arguments in favor of establishing a limited performance right, in the form of a compulsory license, for copyrighted sound recordings," but rather than establish even a limited right, Congress "concluded that the problem require[d] further study," and directed the Register of Copyrights to submit a report on the matter in 1978. *Id.*

The resulting 1978 Report, which was over 1,000 pages long, ultimately recommended that Congress enact a carefully limited right to control post-sale performances of sound recordings. *See generally* 1978 Report. Congress declined to do so until nearly 20 years later, when it enacted the Digital Performance Right in Sound Recordings Act ("DPRA") in 1995. The DPRA created a new digital "performance" right for post-1972 recordings, but strictly limited that right in

multiple respects. Pub. L. No. 104-39 § 2(3), 109 Stat. 336 (1995). For example, the DPRA includes:

- a carve-out for AM/FM radio;
- a compulsory licensing scheme;
- a rate-setting mechanism; and
- a mandate that recording owners transfer 50% of royalties to performers.

*See* 17 U.S.C. § 114. These regulatory devices balance the interests of recording owners with the royalty interests of composers and performing artists, the interests of broadcasters and others in performing music with minimal restrictions, and the interest of the public in widespread access to music. Congress very recently extended federal protection to pre-1972 recordings through the MMA, with essentially the same limitations that exist under the DPRA. *See infra* at 31.

b. Throughout the decades-long effort to persuade Congress to enact a federal right to control post-sale performance, there was one constant: the unanimous recognition by stakeholders, Congress, courts, and commentators that state common law did not already confer on recording owners any right to control whether and how recordings are *played* after sale.

The seminal judicial decision was *RCA Mfg. Co. v. Whiteman*, 114 F.2d 86 (2d Cir. 1940) (Hand, J.). In that case, a record company and orchestra director brought an infringement claim under New York common law against a radio

network that had broadcast their records. The district court enjoined the broadcasts, but the Second Circuit reversed. The court addressed the question whether the performer or record company possessed “any musical property at common-law in the records” that was infringed when the records were played on the air. *Id.* at 87. The court surveyed the common law across the United States and found only one case—*Waring v. WDAS Broadcasting Station, Inc.*, 327 Pa. 433 (1937)—that had ever recognized any right to control the post-sale performance of a sound recording, and then only because the records had been sold with a label explicitly prohibiting public performances. *Whiteman*, 114 F.2d at 89.

The *Whiteman* court rejected *Waring* and concluded that the radio performance of records did not infringe any protected property interest, because common law rights in a sound recording “consist[] *only* in the power to prevent others from *reproducing* the copyrighted work.” *Id.* at 88 (emphasis added). By playing the plaintiffs’ records over the air, the radio network “never invaded any such right”—indeed, it “never *copied* [Whiteman’s] performances at all,” but “merely *used* those copies which he and the [record company] made and distributed.” *Id.* (emphasis added). As one California court later explained, *Whiteman*’s rule is that after a radio station lawfully obtains records, it does “not infringe any common law copyright by broadcasting them over its radio system.” *Blanc v. Lantz*, 1949 WL 4766, at \*8 (Cal. Super. Ct. Sept. 30, 1949); *cf. Flo &*

*Eddie*, 28 N.Y.3d at 602 (*Whiteman* held that “common-law copyright of sound recordings ‘consists only in the power to prevent others from *reproducing* the copyrighted work’ [and] ... does not include control over other rights in the work, such as public performance”) (emphasis in original).

In *Whiteman*’s wake, a nationwide consensus promptly developed that recording owners have no common law right to control performances of their records after their public sale. *See Flo & Eddie*, 28 N.Y.3d at 598 (“Since the 1940s, the recording and broadcasting industries appear to have acted in conformity with th[e] premise [that no performance-right exists], as evidenced by the apparent absence of any attempt by sound recording copyright owners to assert control over the right of public performance.”); Tyler Ochoa, *A Seismic Ruling on Pre-1972 Sound Recordings & State Copyright Law*, TECH. & MKTG. BLOG (Oct. 1, 2014), <http://blog.ericgoldman.org> (“[S]ound recording copyright owners have not had any public performance rights in pre-February 15, 1972 sound recordings since the *Whiteman* decision in 1940.”).<sup>3</sup> Accordingly, for the next 70

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<sup>3</sup> *See also* Steven Seidenberg, *US Perspectives: Courts Recognise New Performers’ Rights*, INTELL. PROP. WATCH (Nov. 24, 2014), <http://www.ip-watch.org> (“it has been settled since 1940 that there is no performance right in a sound recording”) (quotation omitted); Ralph Brown, *The Semiconductor Chip Protection Act of 1984 and Its Lessons: Eligibility for Copyright Protection: A Search for Principled Standards*, 70 MINN. L. REV. 579, 585-86 (1986) (*Whiteman* “turned the tide against judges creating” a “common law performers’ right”);

years, radio stations everywhere freely played records without control or express approval by the record companies who sold them.

Those record companies openly recognized during this period that they had no common law right to control how and when radio stations and other broadcasters played records after their sale. As early as 1936, a record executive explained to Congress that “the law up to date has not granted” protection against radio stations’ “indiscriminate use of phonograph records.” *Revision of Copyright Laws: Hearings Before the H. Comm. on Patents*, 74th Cong. 622 (Comm. Print 1936). Thirty years later, Capitol Records similarly observed that record companies have “no clearly established legal remedy” allowing them to stop radio stations from playing lawfully purchased records, and thus record companies “receive[] nothing from the widespread performance-for-profit” of those records. *Copyright Law Revision: Hearings Before the Subcomm. on Patents, Trademarks & Copyrights of the Sen. Comm. on the Judiciary*, Part 2, 90th Cong. 496, 502 (1967). As late as 1995, the Recording Industry Association of America—the

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Douglas Baird, *Common Law Intellectual Property & the Legacy of Int’l News Serv. v. Assoc. Press*, 50 U. CHI. L. REV. 411, 419 n.35 (1983) (the common “law did not (and in fact still does not) give a performer the right to control radio broadcasts of his performances”); Lauren E. Kilgore, Note, *Guerrilla Radio: Has the Time Come for a Full Performance Right in Sound Recordings?*, 12 VAND. J. ENT. & TECH. L. 549, 559-60 (2010).

record companies’ principal trade group—advised Congress that “[u]nder existing law, record companies ... have no rights to authorize or be compensated for the broadcast or other public performance of their works.” *Digital Performance Right in Sound Recordings Act of 1995: Hearing on H.R. 1506 Before the Subcomm. on Courts & Intell. Prop. of the H. Comm. on the Judiciary*, 104th Cong. 31 (1995); see *Flo & Eddie*, 28 N.Y.3d at 604 (“[M]any of the statements reflect a broader understanding that there was *no such right*—including under state common law—to protect copyright holders of sound recordings.”) (emphasis in original).

Government officials agreed. The Register of Copyrights observed in 1965 that a proposed bill “denying [recording owners] rights of public performance ... reflect[ed] ... the present state of thinking on this subject in the United States.” *Copyright Law Revision: Hearings Before Subcomm. No. 3 of the H. Comm. on the Judiciary*, Part 3, 89th Cong. 1863 (Comm. Print 1965); see *Flo & Eddie*, 28 N.Y.3d at 604 (“several Registers of Copyrights have repeatedly indicated that no such public performance right exists, or at least that it was not generally recognized”). When Congress declined to create a performance right in the 1976 Copyright Act, the Congressional Record confirmed that the statute “merely states what has been the law and the widely accepted fact for many years—namely, there is no compensable property right in sound recordings and no ... performance royalty for broadcasters because they play records for profit.” 120 Cong. Rec.

30,405 (1974). And in its comprehensive 2011 report concerning potential federal protection for pre-1972 recordings, the Register of Copyrights again observed that “state law does not appear to recognize a performance right in sound recordings.” 2011 Report at 44.

3. *The 1982 Amendment To Section 980*

The district court in this case did not deny that the common law of California and elsewhere had never granted sound recording owners the right to control whether and how their records were played after sale. The court instead held that the California Legislature created such a right by statute sub silentio almost 40 years ago, in a 1982 amendment to Section 980(a)(2) of the California Civil Code.

The 1982 amendment provided that 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.” Cal. Civ. Code § 980(a)(2).

Its modest stated purpose was to make “technical and minor policy changes” to “conform California copyright law to ... the Federal Copyright Act of 1976.” Dept. of Fin., Enrolled Bill Rep. on AB 3483 (1981-1982 Reg. Sess.) (Aug. 17, 1982); Assemb. Comm. on Judiciary, AB 3483 (Katz), as introduced 3/12/82 at 1 (Cal. Comm. Print 1982); ER192. In particular, as discussed above, *supra* at 18,

the 1976 Copyright Act had maintained a limited anti-copying right for post-1972 recordings, but left it to states to decide whether and how to protect pre-1972 recordings. 17 U.S.C. §§ 102, 301(c) (1998) (amended 2018). The 1982 amendment filled that gap by “conform[ing] California copyright law to the Federal Copyright Act of 1976.” 3 Cal. Reg. L. Rep. 36, 112 (1983). As a contemporaneous report on passage of the amendment explained, the “exclusive ownership of sound recordings . . . . merely prohibits unauthorized duplication of such recordings themselves,” thereby ensuring that state law would “correspond with the Federal Copyright Act of 1976.” 4 Ent. L. Rep. 1, 3 (1983).

Based on that history and context, all agree that the 1982 amendment codified under state copyright law the anti-piracy rule that had previously been recognized under the label of unfair competition. *See supra* at 12. In the district court’s view, however, the “exclusive ownership” recognized by the statute *also* encompassed a *new* right to control post-sale public performances. *See infra* at 26. Although such a right would have instantly transformed every radio station in California into a serial copyright infringer, the amendment passed unanimously—66-0 in the Assembly and 38-0 in the Senate—with no significant debate, and with “no known opposition to the bill.” Governor’s Office, Enrolled Bill Rep. on AB 3483 (Aug. 13, 1982); ER195.

### C. This Lawsuit

1. Plaintiff filed the lawsuit on August 1, 2013, on behalf of a putative class of pre-1972 recording owners.<sup>4</sup> As relevant here, plaintiffs' claims were based on the premise that Sirius XM violated California law by publicly performing pre-1972 recordings on its satellite and internet radio channels. ER236.<sup>5</sup> Shortly after filing this action, plaintiff filed two parallel class-action lawsuits against Sirius XM in Florida and New York, also asserting a performance right under the laws of those states.

2. On June 9, 2014, plaintiff moved for summary judgment on liability, which the district court granted in part on September 22, 2014. ER71. The court held that the "plain meaning" of "exclusive ownership" under Section 980(a)(2) embraces "all rights that can attach to intellectual property," including the right of public performance. ER75-76. It recognized only one limitation on ownership, finding that "ownership of a [pre-1972] sound recording does not include the exclusive right to make 'covers' (*i.e.*, recording the song with new instruments),"

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<sup>4</sup> Plaintiff initially filed its lawsuit in Los Angeles County Superior Court, but Sirius XM removed the case to the district court pursuant to 28 U.S.C. § 1332 (d)(2)(A) and 28 U.S.C. § 1441(b). ER222.

<sup>5</sup> Plaintiff also claimed that Sirius XM violated California law by making internal reproductions of pre-1972 recordings to facilitate its public performances. ER236. The district court declined to rule on that claim below, ER82, and it is not at issue on this appeal.

because Section 980(a)(2) expressly references that exception. ER76. The district court reasoned that because the “covers” exception is the only limitation explicitly mentioned in Section 980(a)(2), there can be no other limitation on the rights subject to “exclusive ownership.” *Id.* The district court did not dispute the general point that “statutes are not presumed to alter the common law,” *Borg-Warner Protective Servs. Corp. v. Super. Ct.*, 75 Cal. App. 4th 1203, 1207-08 (1999), but believed this canon did not apply because no California precedents had explicitly held that “that the right of public performance does not attach to ownership of sound recordings in California” when Section 980(a)(2) was enacted. ER77.

In a footnote, the district court also rejected Sirius XM’s argument that it would violate the Commerce Clause to apply a performance-right against Sirius XM, which is required by the Federal Communications Commission (“FCC”) to broadcast uniformly nationwide. ER80. The district found that “[b]ecause Congress specifically authorized protection of pre-1972 sound recording rights by the states in 17 U.S.C. § 301(c), the California statute protecting those rights is not subject to the Commerce Clause.” ER80-81.

3. The district court subsequently denied Sirius XM’s motion to certify an interlocutory appeal on the performance-right question and its motion for reconsideration. ER60-66. The court then certified a class, ER35, and, after further summary judgment briefing on damages issues, set the case for trial.

4. On November 13, 2016, Sirius XM and plaintiff entered into a Stipulated Class Action Settlement (the “Class Settlement”). ER161. The Class Settlement provides class members with compensation for Sirius XM’s past performances of class members’ pre-1972 recordings and grants Sirius XM a prospective license to play class-owned pre-1972 recordings for a specified future term. The Class Settlement does not, however, resolve the issue of Sirius XM’s liability for its performances of pre-1972 recordings. Rather, the Class Settlement explicitly makes its terms dependent on the outcome of appellate resolution of that issue by this Court, as well as resolution of the related appeals in Florida and New York. ER142-44. Specifically, the (i) royalty rate under the proposed license, and (ii) amount of compensation to be paid by Sirius XM for past performances of pre-1972 recordings will depend on whether the Court holds that plaintiff had a right to prevent those past performances of its pre-1972 recordings in the first place. *Id.* Moreover, if the Court determines that application of a California performance right to Sirius XM would violate the Commerce Clause, then Sirius XM will have no obligation to pay any royalties under the prospective license. *Id.* Thus, the

amount of past and future compensation potentially varies by millions of dollars depending on the resolution of the pending appeal. ER11, 142-44.<sup>6</sup>

The district court granted final approval of the Class Settlement on May 8, 2017, ER9, and issued a final judgment on May 16, 2017. ER8. Sirius XM timely filed a notice of appeal on June 14, 2017, appealing the district court's September 22, 2014 summary judgment order and its February 19, 2015 reconsideration order. ER87.

#### **D. Recent Developments**

1. Since the parties executed the Class Settlement, the highest courts in New York and Florida unanimously rejected the existence of a common-law performance right.

On December 20, 2016, the New York Court of Appeals held that “New York common law does not recognize a right of public performance for creators of

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<sup>6</sup> When parties enter into a contingent settlement agreement that leaves them with “a considerable financial stake in the resolution of the question presented” on appeal, the parties’ controversy remains live and justiciable. *Nixon v. Fitzgerald*, 457 U.S. 731, 743-44 (1982); see *Gator.com Corp. v. L.L. Bean, Inc.*, 398 F.3d 1125, 1131 (9th Cir. 2005) (en banc). For this reason, the *Flo & Eddie* appeals in both Florida and New York were resolved by federal courts on the merits following execution of the Class Settlement, and following the decisions from the highest courts of those states answering certified questions about the scope of state common law. See *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 849 F.3d 14 (2d Cir. 2017); *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 709 F. App’x 661 (11th Cir. 2018).

pre-1972 sound recordings.” 28 N.Y.3d at 610. In a 35-page ruling, it held that New York common law “has never recognized a right of public performance” for pre-1972 recordings, and that “[b]ecause the consequences of doing so could be extensive and far-reaching,” with “many competing interests at stake,” the creation of such a right “should be left to the legislature.” *Id.* at 605-606.

On October 26, 2017, the Florida Supreme Court likewise held that “Florida law does not recognize any [performance] right.” *Flo & Eddie, Inc. v. Sirius XM Radio Inc.*, 229 So.3d 305, 307 (Fla. 2017). According to the Court, the performance right plaintiff sought was “unworkable” and “broader than any right ever previously recognized in any sound recording.” *Id.* at 316 (emphasis in original). The Court emphasized that such a right would “have an immediate impact on consumers beyond Florida’s borders and would affect numerous stakeholders who are not parties to this suit.” *Id.*

Courts in other states have similarly rejected a performance right in pre-1972 recordings. *See Sheridan v. iHeartMedia, Inc.*, 255 F. Supp. 3d 767, 771 (N.D. Ill. 2017) (rejecting a performance right under Illinois law); *Sheridan v. iHeartMedia*, 300 Ga. 771, 771-72 (2017) (holding that Georgia’s criminal anti-piracy statute does not prohibit broadcasters from performing pre-1972 recordings).

2. On October 11, 2018, the MMA was enacted, after years of hearings and negotiations to reach consensus among the music-industry stakeholders, reflecting

“a host of compromises and licensing arrangements worked out among music publishers, record labels, and digital music services.” Lydia Pallas Loren, *Copyright Jumps the Shark: The Music Modernization Act*, 99 B. U. L. REV. 2519, 2549 (2019). The MMA partially federalizes pre-1972 recording rights on a prospective basis and extends the DPRA’s limited digital performance right for post-1972 recordings to pre-1972 recordings. 17 U.S.C. § 1401. It also limits the length of protection for many pre-1972 recordings. Under prior law, all pre-1972 recordings would not enter the public domain until 2067. See Tyler Ochoa, *An Analysis of Title II of Public Law 115-264: The Classics Protection and Access Act*, TECH. & MKTG. LAW BLOG (Oct. 24, 2018), <http://blog.ericgoldman.org>. Under the MMA, pre-1972 recordings will begin entering the public domain as early as 2022. *Id.*; see also 17 U.S.C. § 1401(a)(2)(B).

The MMA does not preempt all state laws regarding pre-1972 recordings, however. It neither “affirm[s] [n]or negate[s] the preemption of rights and remedies pertaining to any cause of action arising from the nonsubscription broadcast transmission of sound recordings”—*e.g.*, terrestrial AM/FM radio broadcasts—“under the common law or statutes of any State.” 17 U.S.C. § 301(c).

It also neither “recognize[s] [n]or negate[s] the existence of public performance rights in sound recordings under the laws of any State.” *Id.* § 1401(e)(3).<sup>7</sup>

### **E. This Appeal**

Sirius XM filed an unopposed motion to stay this appeal on October 23, 2017, pending the outcome of a related appeal, *Flo & Eddie, Inc. v. Pandora Media, Inc.* (9th Cir. Appeal No. 15-55287). The issue at the heart of this appeal and the *Pandora* appeal was the same—*i.e.*, whether California law grants the owners of pre-1972 recordings an unlimited and absolute performance right. In the *Pandora* appeal, this Court recognized that the performance-right issue presents a question of “significant public importance” for which “there is no controlling precedent,” 851 F.3d 950, 954 (9th Cir. 2017), and thus certified the performance-right issue to the California Supreme Court on March 15, 2017. *Id.* at 951.

On May 22, 2019, following the completion of merits briefing but before oral argument, the California Supreme Court dismissed consideration of the performance-right issue because, in light of the MMA’s passage, resolution was “no longer ‘necessary to ... settle an important question of law.’” 2019 WL

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<sup>7</sup> The Class Settlement also makes clear that its license with class members “shall supersede any federal or state law that may be enacted during the Term which specifies a different royalty rate for the public performance of Pre-1972 Sound Recordings than that specified in Section IV.C.2.” ER145.

5797219, at \*1 (Cal. Sup. Ct. May 22, 2019). Following remand, this Court directed the parties in *Pandora* to address what impact, if any, the MMA's passage had on that appeal.

Following supplemental briefing, the Court issued a memorandum disposition in the *Pandora* appeal on October 17, 2019. 789 F. App'x 569 (9th Cir. 2019). The MMA "preempts any state law claim arising before the passage of the [MMA] from the digital audio transmission of ... pre-1972 [recordings] if the transmitting party meets certain conditions, including paying statutory royalties." *Id.* at 570-71. The Court concluded that the question of whether the MMA preempts Flo & Eddie's claims challenging Pandora's performance of pre-1972 recordings "depends on various unanswered factual questions," including whether Pandora made the requisite payment of statutory royalties, and remanded the case for further proceedings below. *Id.*

On January 8, 2020, this Court lifted the stay of this appeal, and ordered merits briefing. Dkt. 22. It is undisputed that no actual questions stand in the way of this Court deciding the performance right issue here.

### **SUMMARY OF ARGUMENT**

I. The district court erred in holding that California law gives owners of pre-1972 sound recordings the right to preclude purchasers of records from playing them.

A. Before 1982, California law recognized a sound recording owner’s right to prevent unauthorized *copying* of the sound recording, but the law never recognized a right to prevent purchasers of a recording from *playing* it. As this Court held in 1984 under California law—and other courts have confirmed more recently—the well-recognized anti-piracy right is distinct from the novel performance right that plaintiff seeks here. Since *Whiteman*, the law everywhere has drawn the same distinction—piracy is frequently forbidden, but radio stations have for decades played records on air without fear of liability, record executives have publicly proclaimed the lack of any performance right, and Congress and the Register of Copyrights have both explained why no state-law performance right existed. The highest courts of New York and Florida recently held, in suits nearly identical to this one brought by plaintiff, that no right to control post-sale performance existed under either of those states’ laws. The same was and is true of California.

B. The 1982 amendment to Section 980(a)(2)—which granted sound recording owners “exclusive ownership” in their recordings—codified California’s preexisting right against unauthorized duplication. The amendment made California law for pre-1972 recordings conform to federal law for post-1972 recordings, which included an anti-piracy right but did not include a performance right. That amendment was expressly intended to make only “technical” changes

to conform to federal law, and consistent with that narrow objective, its language tracks the federal post-1972 anti-piracy right nearly verbatim. The amendment was understood by contemporaneous commentators as prohibiting only the unauthorized duplication of sound recordings.

C. The district court erred in construing Section 980(a)(2) as creating the absolute, previously-unrecognized performance right plaintiff seeks here.

1. The court's ruling is based entirely on its view that by conferring "exclusive ownership" in sound recording rights, the 1982 amendment implicitly granted ownership not only in existing rights to prevent copying, but in *all* rights that might theoretically attach to sound recordings, including a performance right never previously recognized in California or elsewhere. It has long been established, however, that copyright ownership does not grant the owner unlimited rights to control and prevent all possible uses of the work. The question, then, is what rights did the 1982 amendments confer "ownership" over? The answer is, anti-piracy rights, which were already recognized under California unfair competition law, and were codified in the federal statute (for post-1972 recordings) that California law was being amended to follow.

The district court's view that "ownership" also implicitly included a new, never-before-recognized performance right is especially implausible given the "explosively controversial" nature of a performance right. An anti-piracy right

was already well-established and relatively uncontroversial. Recognizing a performance right, by contrast, would have represented a massive disruption of existing rights, undermining the established expectations of various stakeholders (e.g., broadcasters, performers, and the public) who benefit from public performance of sound recordings. California courts do not construe statutory amendments to make such drastic changes in existing regulatory schemes absent an express statement. And that is particularly so when, as here, the legislative history makes clear that the amendment was meant to be “technical” in nature and there was no mention by anyone—legislators or stakeholders—that a controversial performance right was intended.

2. The district court justified its interpretation in part based on the 1982 amendment’s exception for “covers.” According to the court, the one “cover” exception meant that the Legislature intended no other exceptions from broad ownership over all rights to control any possible post-sale uses of a recording. The amendment, however, explicitly exempts “covers” only from the prohibition against *unauthorized duplication*. In so doing, the amendment again precisely tracks the federal statute, which at the time established only an anti-piracy right for post-1982 sound recordings with a materially identical “cover” exception. The “cover” exception in the 1982 amendment thus confirms that this “technical” amendment was intended merely to conform California law to federal law.

3. The district court’s construction also violates the general rule that statutory amendments are not read to displace the common law absent a clear statement. The district court rejected application of this canon because it identified no pre-1982 California decision expressly rejecting a performance right under California law. But the fact that industry participants so universally understood that no performance right existed that *no one bothered to sue* is all the more reason to require a clear statutory expression before concluding that the Legislature intended to upend such a deeply settled understanding.

4. It is also implausible that the Legislature would have created the *absolute* performance right that the district court recognized. Congress debated creating a performance right for decades, and when it finally did so in 1995 for post-1972 recordings, the right was limited and nuanced—it did not apply to AM or FM broadcasters, it included a mandatory licensing provision, and it provided for royalties to composers and performers. These limitations reflected the difficulty in balancing the various legitimate stakeholder interests that a performance right implicates. Congress applied the same limitations to the pre-1972 performance right it prospectively created in 2018. It is unimaginable that the California Legislature would have ignored these competing interests and instead granted recording owners an absolute right to control all post-sale performances, through a “technical” amendment passed without opposition or even debate.

5. Finally, it is well-established that federal courts sitting in diversity should not innovate on questions of state law. If a controversial performance right exists, federal courts should leave it to the California courts to say so in the first instance.

II. Enforcing a performance right against Sirius XM would also violate the dormant Commerce Clause of the U.S. Constitution.

A. Both technology and federal law require Sirius XM's broadcasts to be uniform nationally. Imposing a California-specific performance right on Sirius XM would violate the Commerce Clause for two reasons. First, that Clause prohibits states from imposing state regulations in a manner that has the practical effect of regulating interstate commerce. Yet that is the necessary consequence of imposing a performance right on Sirius XM: because Sirius XM's broadcasts are uniform nationally, imposing a California performance right would necessarily regulate Sirius's broadcasts nationally, and in particular would create a legal prohibition on playing pre-1972 sound recordings that does not exist in any other state. Second, California's attempt to enforce a performance right would fail the balancing test announced under *Pike v. Bruce Church, Inc.*, 397 U.S. 137 (1970), which requires courts to balance the state's legitimate interest in local regulation with the burdens on interstate commerce. California has no legitimate interest in applying its law to the worldwide broadcast of pre-1972 sound recordings, and the

burden on interstate commerce of allowing state regulation of nationwide broadcasting far outweighs and local interest.

B. The district court did not disagree with this analysis, but held that federal Copyright Act’s Section 301(c), which saves from preemption state laws governing pre-1972 sound recordings, expressly authorizes local regulation of Sirius XM’s broadcast. But to overcome a dormant Commerce Clause violation, Congress must *expressly* authorize local regulation in an “unmistakably clear” manner. And it is well-established that “savings clauses” like Section 301(c) that merely save state laws from preemption do not satisfy that exacting standard.

### STANDARD OF REVIEW

This Court reviews a summary judgment order de novo. *Smith v. Clark Cty. Sch. Dist.*, 727 F.3d 950, 954 (9th Cir. 2013).

### ARGUMENT

#### I. THE DISTRICT COURT ERRED IN HOLDING THAT CALIFORNIA LAW GIVES OWNERS OF PRE-1972 RECORDINGS AN UNFETTERED RIGHT TO CONTROL ALL PERFORMANCES

Before the 1982 amendment to Section 980, California law (like federal law) had recognized sound recording owners’ right to prevent unauthorized piracy. But California law (like federal law) had never recognized a *performance* right in sound recordings—*i.e.*, the right to sell a record and then prevent others from playing it. And contrary to the district court’s ruling, the 1982 amendment did not

create such a right. That amendment instead merely confirmed that owners of pre-1972 recordings had the same state-law right against piracy that holders of post-1972 recordings had under federal law.

**A. Before Section 980(a)(2)'s Enactment In 1982, California Law Recognized Rights To Control Post-Sale Copying, Not Post-Sale Performance**

There is no meaningful dispute that before Section 980(a)(2) was enacted in 1982, California—like other states—did not confer on sound recording owners the right to prevent lawful purchasers of their recordings from playing them in public. The district court wrongly thought the context of pre-1982 common law was irrelevant, but in fact the backdrop against which Section 980(a)(2) was enacted is critical to understanding the narrow scope of the statute.

Since the seminal *Whiteman* decision in 1940, it had been established throughout the nation that state copyright “law did not (and in fact still does not) give a performer the right to control radio broadcasts of his performances.” Baird, *supra*, at 22; *see supra* at 19. That is, after all, why radio stations have for nearly a century played records on air without suffering daily lawsuits for copyright infringement. It is why record executives implored Congress to create such a right for decades, on the express understanding that state law offered no such protection. *See supra* at 16-19. And it is why both Congress and the Register of Copyrights, after studying the question, concluded that “state law does not appear to recognize

a performance right in sound recordings.” 2011 Report at 44-45; *see also* 120 Cong. Rec. 30,405 (1974) (“there is no compensable property right in sound recordings and no ... performance royalty for broadcasters because they play records for profit”).

The highest courts of two states have recently reaffirmed this elemental proposition in other lawsuits also brought by plaintiff. “Simply stated,” New York’s Court of Appeals held, “New York’s common-law copyright has never recognized a right of public performance for pre-1972 sound recordings.” *Flo & Eddie*, 28 N.Y.3d at 605. The Florida Supreme Court reached the same result, rejecting plaintiff’s contention that “Florida common law recognizes an exclusive right of public performance in pre-1972 sound recordings,” finding such a common-law right “unworkable” and better suited to legislative discretion. *Flo & Eddie*, 229 So.3d at 307, 316.

California common law was and is no different. No California case has ever recognized a performance right in sound recordings. And just as in other states, California radio stations have played records on air for many decades without prior complaint that the commercial, public performance of these records violated anyone else’s ownership rights. As the New York Court of Appeals explained, “it would be illogical to conclude that the right of public performance would have existed for decades without the courts recognizing such a right as a matter of state

common law, and in the absence of any artist or record company attempting to enforce that right in this state until now.” *Flo & Eddie*, 28 N.Y.3d at 605.

As with New York, California law did include protection against *piracy*—*i.e.*, unlawful *duplication* of a sound recording—although California treated this as a species of unfair-competition law rather than copyright law. *See Erickson*, 2 Cal. App. 3d at 537; *Heilman*, 75 Cal. App. 3d at 564; *see also supra* at 12. But courts have consistently recognized that the right to control post-sale *copying* differs fundamentally from the right to control post-sale *performance*: whereas a seller of sound recording does not expect it to be copied and resold, the law “permits a purchaser to use copies of sound recordings for their intended purpose, namely, to *play* them.” *Flo & Eddie*, 28 N.Y.3d at 603 (emphasis added). States like California and New York, in other words, have essentially adopted the dissenting view in *Wheaton*, distinguishing the unintended and hence impermissible post-sale copying of a work from the expected and hence permissible post-sale performance of the work. *See* 33 U.S. at 674-75 (Thompson, J., dissenting); *supra* at 8-9.

The same distinction is reflected in this Court’s decision in *Lone Ranger Television, Inc. v. Program Radio Corp.*, 740 F.2d 718, 725-26 (9th Cir. 1984). There, this Court held that under California law, the owner of sound recordings “lost” any “intangible property interest” in its recorded performances “by publishing them in radio broadcasts and sales for home use.” *Id.* at 725. But the

loss of that interest did “not mean,” the Court emphasized, that the defendant “could freely duplicate and distribute” the recording owner’s tapes, since post-sale duplication is prohibited as a matter of unfair competition law. *See id.* at 725-26. *Lone Ranger* thus recognized that under California common law before enactment of Section 980(a)(2)—just as under the law of New York, Florida, and elsewhere—sound recording owners could prevent post-sale copying of their recordings, but they had no right to prevent those recordings from being played.

**B. Section 980(a)(2) Codified The Preexisting Right Against Post-Sale Copying, To Make California Law Correspond To The 1976 Copyright Act**

Section 980(a)(2) codifies the preexisting common law right against post-sale copying of sound recordings by providing that 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 discussed in greater detail above, Section 980(a)(2) was enacted with the modest purpose of making “technical and minor policy changes”—most importantly, to “maintain rights and remedies” that existed under California law at the time, and to “conform California copyright law to the Federal Copyright Act of 1976.” *Supra* at 24; ER192-93. The statute’s “exclusive ownership” phrase thus directly tracks the 1976 Copyright Act, which at the time provided that “[t]he *exclusive right of the owner* of copyright in a sound recording ... is limited to the right to *duplicate* the

sound recording in the form of phonorecords, or of copies of motion pictures and other audiovisual works, that directly or indirectly recapture the actual sounds fixed in the recording.” Pub. L. 94-553 § 114, 90 Stat. 2560 (1976) (emphasis added). The 1982 amendment even included an exception for “covers” that tracks verbatim the “covers” exception to the anti-piracy right for post-1972 recordings reflected in federal law, confirming that the 1982 amendment was meant to mirror the federal prohibition against unauthorized duplication. *Compare id.*, with Cal. Civ. Code § 980(a)(2); *see also supra* at 26-27. As a contemporaneous report on the 1982 amendment explained, the “exclusive ownership of sound recordings” phrase in the statute “merely prohibits unauthorized duplication of such recordings themselves,” thereby ensuring that state law would “correspond with the Federal Copyright Act of 1976.” 4 Ent. L. Rep. 1, 3 (1983). The statute’s modest, uncontroversial objective is reflected in its overwhelming support: the amendment passed unanimously, with no significant debate and “no known opposition to the bill.” Governor’s Office, Enrolled Bill Rep. on AB 3483 (Aug. 13, 1982); ER195.

**C. By Establishing An Anti-Copying Right Consistent With Federal Law And Preexisting State Common Law, The California Legislature Did Not Also Create A Wholly Unprecedented Performance Right**

The district court wrongly concluded that by amending Section 980(a)(2) in 1982 to establish a right against post-sale copying consistent with state common law and the 1976 Copyright Act, the Legislature also created an unprecedented

right to control the post-sale performance of pre-1972 recordings. The court's ruling misunderstands the statutory phrase "exclusive ownership" and the critical distinction between anti-piracy rights and performance rights.

1. The central premise of the district court's analysis is that by granting "exclusive ownership" in a sound recording, the 1982 amendment granted recording owners "the right to use and possess the recording to the exclusion of others" for *all purposes*. ER75. Copyright ownership, however, does not necessarily (or even likely) mean the presumptive right to exclude others from all possible uses in all possible ways. To the contrary, "the copyright owner is subjected to defined limits and is not accorded 'complete control over all possible uses of his or her work.'" *Flo & Eddie*, 28 N.Y.3d at 594 (quoting *Dowling v. U.S.*, 473 U.S. 207, 217 (1985)). In granting "exclusive ownership" over sound recordings, then, the question necessarily becomes, "exclusive ownership" of *what?*

That question is easily answered. As shown above, the statute was expressly intended to establish ownership only over the right to control post-sale copying of pre-1972 recordings—the same ownership created by the 1976 Copyright Act for post-1972 recordings, and the same right already recognized as unfair competition under California law. The statute thus simply made California copyright law "correspond" with the 1976 Copyright Act and would "maintain rights and

remedies” that already existed in another guise. Nowhere does the history or context remotely suggest that in addition to these “technical and minor” clarifications of pre-existing rights, the Legislature also intended to grant ownership over a *previously non-existent* right, *i.e.*, the right to control whether and how records are played after they are lawfully purchased. Blurring a critical distinction, the district court essentially assumed that by conferring new statutory ownership over the existing right to control post-sale copies, the Legislature also created ownership over a new right to control post-sale performances. But this Court and others have long recognized that the right to control post-sale copying does *not* encompass the very different right to control post-sale performances. *See supra* at 14-24.<sup>8</sup>

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<sup>8</sup> The district court found that two cases appear to suggest a performance right “implicitly or in dicta,” ER79, but it later acknowledged that “neither case directly addresses the existence of a performance rights under” Section 980 (let alone the state of the law as of 1982). ER31. *Capitol Records, LLC v. BlueBeat, Inc.*, 765 F. Supp. 2d 1198 (C.D. Cal. 2010), involved a service that sold pirated downloads of recordings and also allowed users to stream recordings. The court summarily adopted plaintiffs’ argument that defendant’s “reproduction, distribution, and public performance” of pre-1972 recordings violated California law, without distinguishing between its bootlegging and streaming activities, and relied solely on *Heilman*, which did *not* recognize a performance right in sound recordings. *Id.* at 1206; *supra* at 13. In *Pandora*, this Court found that *Bluebeat* is “off-point” in determining whether Section 980 created a performance right. 851 F.3d at 956 & n.8. In *Bagdasarian Prods., LLC v. Capitol Records, Inc.*, 2010 WL 3245795 (Cal. Ct. App. Aug. 18, 2010), a contract interpretation case, the court merely noted in dicta that the plaintiff’s contract did not appear to grant rights to “publicly perform[] the records,” but included no analysis on this point. *Id.* at \*11.

The creation of such a new right would have been “explosively controversial,” just as it had been when proposed to Congress decades earlier. SUPP. REGISTER’S REP. ON THE GENERAL REV. OF U.S. COPYRIGHT LAW 51 (Comm. Print 1965); *see supra* at 17. In contrast to merely confirming the preexisting anti-piracy right, a law newly restricting post-sale performances would have “‘extensive and far-reaching’ consequences that would ‘upset settled expectations’ and impact the ‘many competing interests at stake.’” *Flo & Eddie*, 229 So.3d at 316 (quoting *Flo & Eddie*, 28 N.Y.3d at 605-06). These settled expectations and competing interests include those of composers and performers (who want the royalties and exposure that come with each on air performance), the public (who want to listen to the records), and broadcasters (who want the advertising and other revenues associated with playing records on air). *Supra* at 3-4. According to the district court’s interpretation of Section 980(a)(2), the Legislature overrode all these interests with no discussion whatsoever, instantly transforming every “oldies” radio station into a copyright infringer. *See supra* at 26-27.

California courts generally will not read a statutory amendment to have “substantially changed the law” where—as here—the legislative history shows that bill was expressly designed to make “technical and conforming changes” and where it had “no significant opposition.” *Jones v. Lodge at Torrey Pines P’ship*, 42 Cal.4th 1158, 1169-70 (2008). After all, it is “highly unlikely” that the

Legislature would make a “significant change” in a long-settled legal regime “without so much as a passing reference to what it was doing. *Id.* at 1171; *see Gooding v. United States*, 416 U.S. 430, 457-58 (1974) (“It would be unusual for such a significant change ... to have entirely escaped notice.”). “The Legislature does not, one might say, hide elephants in mouseholes.” *Jones*, 42 Cal.4th at 1171 (quotation omitted). Consistent with that principle, if the 1982 amendment really intended such a dramatic overhaul of sound recording rights in state copyright law, surely *someone* would have said *something* about it. The silence of legislators and stakeholders alike confirms that no such change was intended or contemplated.

2. The district court’s unprecedented reading of Section 980(a)(2) as impliedly creating a performance right also focused on the statute’s exception for “covers.” That exception excludes from the scope of “exclusive ownership” duplicates that do “not directly or indirectly recapture the actual sounds fixed in such prior recording, but consist[] 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). According to the district court, the existence of that one exception means that the Legislature must not have intended to exclude any other rights from the scope of “exclusive ownership,” including the performance right. ER78-79.

The court's analysis simply reiterates the court's misunderstanding of the distinction between the right to prevent post-sale copying and the right to prevent post-sale performance. By its terms, the "cover" exception is an exception to the right against unauthorized *duplication*. In this respect, the 1982 amendment again simply tracks federal copyright statute, which at the time provided sound recording owners only with anti-piracy protection, and included a "cover" exception materially identical to the one in Section 980(a)(2) on which the district court relied. *See* 17 U.S.C. § 114(b) (1982). The "cover" exception thus confirms the statute's limited, "technical and minor" objective of codifying anti-piracy protection for pre-1972 recordings to correspond with the 1976 Copyright Act's anti-piracy protection for post-1972 recordings.

3. The district court's construction also violates the "the well-established rule in California that statutes are not presumed to alter the common law unless expressly stated." *See Borg-Warner*, 75 Cal. App. 4th at 1207-08. Here, the common law included no sound recording performance right before 1982, so no such right should read into the 1982 amendment to Section 980(a)(2) absent "clear and unequivocal language" adopting such a right. *See id.* at 1208. Because no such clear and unequivocal statement exists, there is no basis for construing the statute as creating a performance right.

The district court declined to apply this established canon because no California case *expressly* rejected a performance right at common law. ER77 (“there is no pre-1982 (or post-1982) body of California common law denying sound recording owners the exclusive right to publicly perform their recordings”). But no specific case or explicit holding is needed to recognize that California common law had never previously recognized a performance right. As shown above, since *Whiteman*, common law copyright had been *universally* understood to reject a performance right in sound recordings. *Supra* at 21. California radio stations were playing records without objection or demands for compensation, and California record companies were imploring Congress to create a new performance right precisely because no such right existed at common law. *Supra* at 16-19. Shortly after Section 980(a)(2) was amended, this Court itself recognized in *Lone Ranger* that the sale of a record eliminated any property interest in its performance, but not its copying. *See supra* at 42-43. To be sure, this common law rule was so well-understood after *Whiteman* that very few record companies sought to challenge it in court, inviting the kind of express ruling the district court desired. But if anything, the Legislature would be *less* likely to silently displace such a long-standing and unchallenged common law understanding than it would a more contested rule. Had the Legislature wanted to alter the established understanding

that California law includes no performance right in sound recordings, it would have done so expressly. *See Borg-Warner*, 75 Cal. App. 4th at 1207-08.

4. It is also implausible that the Legislature would have adopted a performance right in such blunderbuss form, without any of the necessary carve-outs and protections reflected in the federal legislative enactments that actually *have* created a performance right. Congress in the 1995 DPRA created a performance right in post-1972 sound recordings, and just two years ago created a prospective performance right in pre-1972 recordings. *Supra* at 31. Congress did not, however, create an absolute performance right that would allow sound recording owners to preclude any public performance by any record purchaser for any reason.

The DPRA was enacted after dozens of witnesses testified about the competing policy considerations, after committees produced multiple reports detailing their findings, and after Congress revised the proposed legislation to address each issue. *See* H.R. REP. NO. 104-274 (1995); S. REP. NO. 104-128 (1995). On the one hand, Congress wanted to protect recording owners, who claimed that the advent of new digital technologies cut into their profits. *See* S. REP. NO. 104-128, at 15; H.R. REP. NO. 104-274, at 13-14. On the other hand, Congress sought to protect broadcasters and maintain their symbiotic relationship with the recording industry. *See* S. REP. NO. 104-128, at 15 (intent to avoid

“imposing new and unreasonable burdens on ... broadcasters, which often promote, and appear to pose no threat to, the distribution of sound recordings”); *id.* at 16 (intent to avoid making it “economically infeasible for some transmitters to continue certain current uses of sound recordings”); 141 CONG. REC. S945-02, at 948 (daily ed. Jan. 13, 1995) (DPRA’s sponsor rejecting unlimited performance right because the “long-established business practices within the music and broadcasting industries represent a highly complex system of interlocking relationships ... and should not be lightly upset”).

The DPRA applies only to digital broadcasters, and expressly exempts AM/FM radio broadcasters and others who publicly perform music. It establishes a complex compulsory licensing scheme, which ensures that digital and satellite broadcasters like Sirius XM and Pandora can obtain a statutory license to perform a post-1972 recording at a reasonable royalty rate. S. REP. NO. 104-128, at 15-16. The DPRA also includes a requirement that the recording owner share one-half of the compulsory license fees with performing artists, instead of pocketing the money for itself. H.R. REP. NO. 104-274, at 24; *see also supra* at 19.

The MMA is similarly the result of careful legislative balancing, and was passed after an “extensive review of music copyright” over a five-year period. H.R. REP. NO. 115-651, at 2 (2018); *supra* at 31. It extends the DPRA’s digital performance right to pre-1972 recordings, while also extending the compulsory

license and other limitations on that right. 17 U.S.C. § 1401. And it moves thousands of recordings into the public domain decades earlier than originally scheduled—thus exempting such works from the digital performance right. *Id.*

As the New York Court of Appeals observed, recognition of “new rights in this complex area of law involves a delicate balancing of numerous competing interests, requiring an intricate regulatory scheme that can be crafted only by a legislative body” and administered by a “central agency or clearinghouse—as the DPRA has established.” *Flo & Eddie*, 28 N.Y.3d at 606. The Court of Appeals made that point in rejecting a common law performance right, but the same principle applies in construing Section 980(a)(2). The essentially categorical anti-piracy rule codified by Section 980(a)(2) is an eminently plausible rule: it was already familiar and already categorical—little nuance or balancing was required. But a performance right could not plausibly be established without even considering the many important competing interests in broadly *encouraging*, rather than *restricting*, the post-sale performance of sound recordings. *See supra* at 3-4. Because an “unfettered” performance right that does not account for those strong countervailing interests would be demonstrably “unworkable,” *Flo & Eddie*, 229 So.3d at 316; *Flo & Eddie*, 28 N.Y.3d at 606, it is unreasonable to assume the Legislature intended to enact such a right, *see People v. Mendoza*, 23 Cal. 4th 896, 908 (2000) (“We must also avoid a construction that would produce absurd

consequences, which we presume the Legislature did not intend.”); *Los Angeles Unified Sch. Dist. v. Garcia*, 58 Cal.4th 175, 194 (2013) (“[A] court is obligated to avoid a construction that would lead to impractical or unworkable results.”).

5. Finally, it is inappropriate for a federal court sitting in diversity to innovate in construing a state statute: “Notions of federalism discourage courts with diversity jurisdiction from pioneering such changes in state law.” *Murphy v. Shiley, Inc.*, 940 F.2d 668 (9th Cir. 1991); see *Brown v. Link Belt Corp.*, 565 F.2d 1107, 1111 (9th Cir. 1977) (“a federal court ruling on state law” should “feel no duty to be in the vanguard in changing the state law”); *Flo & Eddie, Inc. v. Sirius XM Radio Inc.*, 2015 WL 3852692, at \*5 (S.D. Fla. June 22, 2015) (declining to recognize performance right because “[w]hile the Court regularly interprets Florida law to resolve claims in diversity jurisdiction, it is not the Court's place to expand Florida common law by creating new causes of action”) (quotation omitted); *Sheridan*, 255 F. Supp. 3d at 778 (“[G]iven the uncertainty and the myriad issues that recognizing [a performance right in pre-1972 recordings] would create, the task of balancing the competing interests is best left to the state’s legislature and courts.”). Before this case, no court had ever read Section 980(a)(2) to create a performance right in sound recordings. The district court’s ruling is plainly erroneous under ordinary principles of statutory construction. But even if the question were close, a federal court should not adopt a wholly unprecedented

construction of an almost-four-decade-old state statute that would inflict dramatic consequences across all participants in an exceedingly important state industry.

## **II. ENFORCING A PERFORMANCE RIGHT AGAINST INTERSTATE BROADCASTERS LIKE SIRIUS XM WOULD VIOLATE THE COMMERCE CLAUSE**

Even assuming that California law *did* give the owner of a pre-1972 recording a public performance right, applying such a right against Sirius XM would violate the Commerce Clause of the U.S. Constitution.

### **A. Applying A California Performance Right To Sirius XM's National Broadcasts Would Violate The Commerce Clause**

There are two distinct tests for whether application of a state law violates the dormant Commerce Clause: a *per se* test and a balancing test. Both tests show a violation here.

1. An otherwise valid state law will violate the Commerce Clause *per se* when the law, as applied, has the “practical effect” of “control[ing] conduct beyond the boundaries of the State.” *NCAA v. Miller*, 10 F.3d 633, 639 (9th Cir. 1993) (quotation omitted); *accord Healy v. Beer Inst., Inc.*, 491 U.S. 324, 332 (1989).

Courts have held that a state law has the practical effect of regulating interstate commerce when it is applied to an entity engaged in conduct that has no geographic boundaries or is nationally uniform. *See NCAA*, 10 F.3d at 639 (*per se* violation to apply Nevada statute imposing due process requirements to NCAA,

which adheres to nationally uniform rules, because statute would effectively require NCAA to comply with Nevada law nationwide); *Am. Booksellers Found. v. Dean*, 342 F.3d 96, 103-04 (2d Cir. 2003) (*per se* violation to apply Vermont statute to certain types of “boundary-less ... internet speech” because its practical effect was regulating conduct outside of Vermont); *see also Flood v. Kuhn*, 407 U.S. 258, 284-85 (1972) (violation of Commerce Clause to apply state’s antitrust statute to national baseball league following uniform rules).

Sirius XM’s broadcasts both lack geographic boundaries *and* must be nationally uniform. Sirius XM broadcasts to millions of people across the country through satellite radio and internet streaming—which are by nature “boundary-less”—and the car radios, mobile devices, and computers that subscribers use to access those broadcasts are routinely transported across state lines. ER200-01. Because Sirius XM’s satellite radio transmissions are one-way, it cannot control or track where they are received. ER201.

Moreover, the FCC requires national uniformity in Sirius XM’s broadcasts. FCC regulations require that satellite radio broadcasts be “restricted to the simultaneous retransmission of the complete programming” and “may not be used to distribute any information not also transmitted to all subscribers’ receivers.” 47 C.F.R. § 25.144(e)(4) (2015); *see id.* § 25.144(a)(3)(i); ER201. And Sirius XM’s FCC license “prohibits” it from using terrestrial repeaters, which facilitate satellite

broadcasts, to “distribute localized content that is distinct from that provided to subscribers nationwide via satellite.” 23 FCC Rcd. 12348 ¶ 155 (2008); ER201.

Applying a state-law performance right to Sirius XM’s broadcasts thus would necessarily regulate conduct outside California’s borders. If California imposed liability on Sirius XM’s performance of pre-1972 recordings, there would be no way to limit such liability to California—the rule would in practical effect punish broadcasts in every state, including states like New York and Florida, which expressly reject a performance right. The Commerce Clause forbids state regulation in these circumstances.

2. California’s regulation of Sirius XM’s performance of pre-1972 recordings would also violate the Commerce Clause under the balancing test. When a state law “regulates even-handedly to effectuate a legitimate local public interest, and its effects on interstate commerce are only incidental, it will be upheld unless the burden imposed on such commerce is clearly excessive in relation to the putative local benefits.” *Pike v. Bruce Church, Inc.*, 397 U.S. 137, 142 (1970).

*First*, there is no California-specific interest at stake. California asserts no unique interest in ensuring the “safety, health and well-being of local communities, and which, because of its local character and the practical difficulties involved, may never be adequately dealt with by Congress.” *Parker v. Brown*, 317 U.S. 341, 362-63 (1943). To the contrary, a California performance right would apply to

recording owners *worldwide*. And this right would restrict not only California broadcasters—it would restrict the conduct of every entity whose broadcasts of pre-1972 recordings are *received* by any user located in California. There is no interest specific to California that would be served by a performance right. *Cf. Pike*, 397 U.S. at 143 (recognizing Arizona’s interest in protecting reputation of local fruit growers).

*Second*, even if some local benefit would accrue to California, the burden on interstate commerce is not “incidental” and far outweighs any interest California might have. It would require all broadcasters whose performances of pre-1972 recordings are received in California to identify, locate, and attempt to negotiate with the owners of those recordings for a reasonable license agreement—without the benefit of a registration system or compulsory licensing scheme. *See Flo & Eddie*, 28 N.Y.3d at 606. The demands imposed on broadcasters—not just digital, but traditional AM/FM broadcasters as well—would have “extensive and far-reaching” consequences. *Id.* at 605-06. Many broadcasters would be forced to shut down or stop performing pre-1972 recordings, depriving listeners nationwide of access to music. *Flo & Eddie, Inc. v. Sirius XM Radio Inc.*, 62 F. Supp. 3d 325, 352 (S.D.N.Y. 2014); *cf. Pike*, 397 U.S. at 145 (requiring fruit company to build \$200,000 packaging plant in Arizona unreasonably burdened interstate commerce).

*Third*, courts applying the balancing test have held that entities adhering to nationally uniform rules, like Sirius XM, are unreasonably burdened by application of state laws regulating the same subject matter. *See Am. Libraries Ass’n v. Pataki*, 969 F. Supp. 160, 168 (S.D.N.Y. 1997) (“The unique nature of the Internet highlights the likelihood that a single actor might be subject to haphazard, uncoordinated, and even outright inconsistent regulation by states ....”); *ACLU v. Johnson*, 194 F.3d 1149, 1162 (10th Cir. 1999) (“The Internet, like ... rail and highway traffic ..., requires a cohesive national scheme of regulation so that users are reasonably able to determine their obligations.”) (quotation omitted). Sirius XM adheres to nationally uniform rules, and is prohibited by the FCC from tailoring its satellite broadcasts to any state. ER201. It is not possible to tailor broadcasts by state using Sirius XM’s current satellite technology. ER200-01. Designing and implementing new technology would require new satellites and millions of new receivers. The burden of requiring Sirius XM to change its national broadcasts to comply with California law far outweighs any benefit to California.

**B. The Federal Copyright Act Does Not Authorize California To Burden Interstate Commerce**

The district court did not dispute the foregoing analysis, but held that the preemption savings clause of Copyright Act Section 301(c) immunizes state laws

concerning pre-1972 recordings from Commerce Clause scrutiny. ER80-81. That conclusion is incorrect.

States cannot regulate interstate commerce unless Congress *expressly* authorizes them to do so in a way that is “unambiguous” and “unmistakably clear.” *Wyoming v. Oklahoma*, 502 U.S. 437, 458 (1992); *S.-Cent. Timber Dev., Inc. v. Wunnicke*, 467 U.S. 82, 91 (1984). At the time of judgment, Section 301(c) provided that with respect to pre-1972 recordings, “any rights or remedies under the common law or statutes of any State shall not be annulled or limited *by this title.*” 17 U.S.C. § 301(c) (1998) (amended 2018) (emphasis added). This savings clause ensures that state laws concerning pre-1972 recordings are not expressly preempted by the Copyright Act (*i.e.*, “this title”). *See Sporhase v. Nebraska*, 458 U.S. 941, 959-60 (1982) (statute providing “nothing in this Act shall be construed as affecting ... the laws of any State” was savings clause); *accord New Eng. Power Co. v. New Hampshire*, 455 U.S. 331, 341 (1982). But, as the Southern District of New York recognized in the parallel action brought there by plaintiff, Section 301(c) says nothing about the *Commerce Clause*, and certainly does not “‘unambiguous[ly],’ or ‘unmistakab[ly],’ permit state interference with interstate

commerce.” *Flo & Eddie*, 62 F. Supp. 3d at 351.<sup>9</sup> *See also* Gary Pulsinelli, *Happy Together - The Uneasy Coexistence of Federal and State Protection for Sound Recordings*, 82 TENN. L. REV. 167, 228-33 (2014) (concluding § 301(c) “lacks the requisite specificity” to constitute congressional authorization to burden interstate commerce).

Neither *White v. Massachusetts Council of Const. Emp’rs, Inc.*, 460 U.S. 204 (1983), nor *Southern Pacific Co. v. State of Arizona ex rel. Sullivan*, 325 U.S. 761 (1945), supports the district court’s analysis. *White* involved a mayoral order requiring that construction projects “be performed by a work force consisting of at least half ... residents of Boston.” *Id.* at 205-06. The order did not violate the Commerce Clause, the Supreme Court held, because such “parochial favoritism” was “affirmatively permit[ted]” by federal regulations providing that construction work *should* be given to local residents. *Id.* at 213 & n.11. By contrast, Section 301(c) does *not* affirmatively permit states to favor local interests in regulating pre-1972 recordings. In *Southern Pacific*, the Supreme Court *invalidated* a state law that imposed “local restraints in matters requiring uniformity of regulation.” *Id.* at

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<sup>9</sup> The New York court ultimately concluded that New York common law is not a “regulation” subject to Commerce Clause scrutiny. *Flo & Eddie*, 62 F. Supp. 3d at 352. The California statute here, by contrast, is indisputably subject to dormant Commerce Clause challenge.

771. Under the district court's interpretation, Section 980(a)(2) would do the same thing; it would be invalid for the same reason.

### CONCLUSION

The district court's judgment should be reversed.

Respectfully submitted,

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Dated: June 23, 2020

## STATEMENT OF RELATED CASES

As of June 23, 2020, Defendants-Appellees are not aware of any cases that should be deemed related under Ninth Circuit Rule 28-2.6.

Dated: June 23, 2020

By: /s/ Daniel M. Petrocelli  
Daniel M. Petrocelli

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## CERTIFICATE OF COMPLIANCE

1. 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 13,996 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(f).

2. 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: June 23, 2020

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**CERTIFICATE OF SERVICE**

I, Daniel M. Petrocelli, a member of the Bar of this Court, hereby certify that on June 23, 2020, I caused a true and correct copy of

**APPELLANT'S OPENING BRIEF**

to be electronically filed with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit.

Dated: June 23, 2020

/s/ Daniel M. Petrocelli  
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