To be Argued by:
DANIEL M. PETROCELLI
(Time Requested: 30 Minutes)

CTQ-2016-00001

Court of Appeals
of the
State of New York

FLO & EDDIE, INC., a California Corporation,
individually and on behalf of all others similarly situated,

Plaintiff-Respondent,

– against –

SIRIUS XM RADIO INC., a Delaware Corporation,

Defendant-Appellant,

DOES, 1 THROUGH 10,

Defendants.

ON APPEAL FROM THE QUESTION CERTIFIED BY THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT IN DOCKET NO. 15-1164-CV

BRIEF FOR DEFENDANT-APPELLANT

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RULE 500.1(f) CORPORATE DISCLOSURE STATEMENT

Appellant Sirius XM Radio Inc. ("Sirius XM") is a corporation organized under the laws of the State of Delaware. Sirius XM is a wholly owned subsidiary of Sirius XM Holdings Inc., a publicly held corporation. Liberty Media Corporation possesses, directly or indirectly, an ownership interest of 10 percent or more in Sirius XM Holdings Inc.

In addition to Sirius XM, the following entities are subsidiaries of Sirius XM Holdings Inc., as reflected in its most recent annual report filed with the Securities and Exchange Commission: Satellite CD Radio LLC; Sirius XM Connected Vehicles Services Inc.; Sirius XM Connected Vehicle Services Holdings Inc.; SXM CVS Canada Inc.; XM Emall Inc.; XM 1500 Eckington LLC; XM Investment LLC; XM Radio LLC. *See* Sirius XM Holdings Inc. (Form 10-K Ex. 21.1) (Feb. 2, 2016).

The following additional entities are subsidiaries of Liberty Media Corporation, as reflected in its most recent annual report filed with the Securities and Exchange Commission: Atlanta Braves, Inc.; Atlanta National League Baseball Club, Inc.; Barefoot Acquisition, LLC; BDC Collateral, LLC; BDC/Fuqua Retail, LLC; BDC Holdco, LLC; BDC Hotel I, LLC; BDC Office I, LLC; BDC Parking I, LLC; BDC/PS Residential, LLC; BDC Residential I, LLC; BDC Retail I, LLC; Braves Baseball Holdco, LLC; Braves Construction Company,

LLC; Braves Development Company, LLC; Braves Entertainment Company, LLC; Braves Holdings, LLC; Braves Productions, Inc.; Braves Stadium Company, LLC; Braves Stadium Parking Company, LLC; BRED Co., LLC; Circle 75 Master Residential Association, Inc.; Georgia Ballpark Hotel Company, LLC; LBTW I, LLC; LCAP Investments, LLC; LDIG 2, LLC; LDIG Cars, Inc.; LDIG Financing LLC; Liberty Aero, LLC; Liberty AGI, LLC; Liberty Animal Planet, LLC; Liberty Asset Management, LLC; Liberty Associated Holdings LLC; Liberty Associated, Inc.; Liberty ATCL, Inc.; Liberty BC Capital, LLC; Liberty Centennial Holdings, Inc.; Liberty Challenger, LLC; Liberty Citation, Inc.; Liberty CM, Inc.; Liberty Crown, Inc.; Liberty CTL Marginco, LLC; Liberty Denver Arena LLC; Liberty Fun Assets, LLC; Liberty GI II, Inc.; Liberty GI, Inc.; Liberty GIC, Inc.; Liberty IATV Holdings, Inc.; Liberty IATV, Inc.; Liberty IB2, LLC; Liberty Israel Venture Fund, LLC; Liberty Java, Inc.; Liberty KV, LLC; Liberty LYV Marginco, LLC; Liberty MCNS Holdings, Inc.; Liberty MLP, Inc.; Liberty NC, LLC; Liberty NEA, Inc.; Liberty PL2, Inc.; Liberty PL3, LLC; Liberty Programming Company LLC; Liberty Property Holdings, Inc.; Liberty Radio, LLC; Liberty Radio, 2, LLC; Liberty Satellite Radio, Inc.; Liberty SGH, LLC; Liberty SIRI Marginco, LLC; Liberty Sling, Inc.; Liberty Sports Interactive, Inc.; Liberty Telematics 2, LLC; Liberty Telematics , LLC; Liberty TM, Inc.; Liberty Tower, Inc.; Liberty TWC Marginco, LLC; Liberty TWX Marginco, LLC; Liberty VIA Marginco, LLC;

Liberty Virtual Pets, LLC; Liberty WDIG, Inc.; LMC BET, LLC; LMC Brazil, LLC; LMC Denver Arena, Inc.; LMC Events, LLC; LMC IATV Events, LLC; LMC Israel Investment, LLC; LMC VIV LOC, Inc.; LSAT Astro LLC; LSR Foreign Holdings 2, LLC; LSR Foreign Holdings, LLC; LTWX I, LLC; LTWX V, Inc.; The Battery Atlanta Association, Inc. (fka Ballpark Village Association, Inc.) (fka Circle 75 Maintenance Association, Inc.); The Stadium Club, Inc.; TSAT Holding 2, Inc. *See* Liberty Media Corporation (10-K Ex. 21) (Feb. 26, 2016).

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PRELIMINARY STATEMENT

Plaintiff Flo & Eddie, Inc. is a corporation that claims to own recordings of songs by a musical group known as The Turtles. Defendant 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*, because the federal Copyright Act grants composers the right to receive compensation for public performances of their songs. But Sirius XM, like others who perform music for the public, has never paid royalties to the purported owners of *sound recordings* fixed prior to February 15, 1972 ("pre-1972 recordings"), because no law—federal or state—gives those owners the right to control or demand payment for public performances of their recordings. Recording owners receive compensation mainly from the sale of their records to the public. But since the dawn of the recording industry, pre-1972 recordings have been freely and widely performed without restriction.

Until now. The United States District Court's decision in this case is the first in history to hold that under New York common 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 the stroke of a pen, the court's ruling converted thousands of broadcasters, DJs, and other entities—everyone who plays in public any record fixed before February 15, 1972—into serial infringers, miring the broadcasting industry in chaos and uncertainty.

The district court's ruling fundamentally misunderstands the nature of common law copyright generally, and this State's common law in particular. New York common law has never recognized the right created by the district court. Indeed, since the Second Circuit in 1940 rejected a suit by a record company and orchestra leader to bar free broadcasts of their recordings over the radio, *see RCA Manufacturing Co. v. Whiteman*, 114 F.2d 86 (2d Cir. 1940), every relevant authority—including commentators, federal officials, and Congress itself—has recognized that sound recording owners have no right under the common law to control the performance of records they sell to the public. So too have the relevant stakeholders. For decades, radio broadcasters have played pre-1972 recordings every day without paying royalties to record companies. And for decades, record companies themselves begged Congress for a special new *federal* statutory right to control whether and how their recordings are performed after sale—precisely because they lacked any such right under state common law. There is no reasonable dispute, in short, that New York common law does not grant them a public performance right, and never has.

Plaintiff, of course, cites nothing recognizing such a right, but instead relies on a very different right that *has* been long recognized, *viz.*, the common law "anti-piracy" right to prevent record purchasers from *copying and distributing* records after their sale. *See Capitol Records, Inc. v. Naxos of Am., Inc.*, 4 N.Y.3d 540 (2005). That right to control post-sale copying of records, however, has nothing to do with the asserted right to control post-sale *performances* of records. Just the opposite. The same principles that this Court in *Naxos* held to justify the anti-piracy right strongly militate *against* granting recording owners the right to control whether and how their records are played after they are sold:

- The anti-piracy right exists to enforce the historical core of common law copyright, which protects the owner's right to prevent others from *copying* his work. By contrast, the "performance" right urged by plaintiff would not restrict copying, but would prevent a record purchaser from *using* the record for its only intended purpose, *i.e.*, to play music.

- The anti-piracy right is an exception to the traditional American common law rule that an author's sale of his work relinquishes his copyright—an exception justified on the ground that the *purpose* of a record sale is to allow the records to be played, not copied and resold. But precisely because the purpose of a record sale is to allow the record to be played, a public sale *does* divest the seller's interest in controlling its performance.

- Finally, the anti-piracy right recognizes that no relevant stakeholder has a legitimate interest in unauthorized post-sale duplication and distribution of sound recordings. By contrast, *many* stakeholders—including artists, broadcasters, and consumers—have strong legitimate interests in the unrestricted public performance of lawfully acquired recordings.

The third point, in particular, is reflected in the history of federal copyright protection for sound recording "performances." The federal Copyright Act

currently governs rights in *post*-1972 recordings—Congress left rights in pre-1972 recordings to state law. For nearly a century, Congress repeatedly rejected record companies' requests to grant them a federal right to control post-sale performances of their records, because doing so would harm composers (by reducing performances of their songs and thus their royalties), broadcasters (by increasing costs), and the public (by decreasing access to music).

Congress included a federal anti-piracy right for sound recordings in 1971 without adding a performance right, and when Congress revamped the federal Copyright Act in 1976, it retained the anti-piracy right but concluded that the question whether to recognize a performance right was too complex and required further study by the Register of Copyrights. The Register responded two years later with a nearly 1,000-page legal, economic, policy, and historical analysis, concluding that Congress should adopt a limited performance right, but Congress did not enact such a right until 1995, and even then restricted it to certain digital performances of *post*-1972 recordings. Moreover, Congress balanced that limited right with the interests of other stakeholders by exempting certain broadcasters (AM/FM radio) and establishing a compulsory licensing scheme and rate-setting process to ensure that record companies could not exert unilateral control over the public performance of lawfully obtained post-1972 recordings. By contrast, a common law right in pre-1972 recordings would necessarily be categorical, and

could not include any of the policy-based, interest-balancing limitations Congress carefully built into the statutory right for post-1972 recordings.

This Court has long recognized that where creating a new right would dramatically alter the common law and profoundly affect the interests of competing stakeholders, the creation of that right should be a matter of legislative judgment and discretion, not judicial will. *See, e.g.*, *Chamberlain v. Feldman*, 300 N.Y. 135, 139-40 (1949). That rule applies with full force here. The district court itself recognized that its "unprecedented" ruling would "upset . . . settled expectations," have "significant economic consequences" that could "upend the analog and digital industries," and create huge "administrative difficulties in the imposition and collection of royalties," which would ultimately increase consumer costs, shut down many broadcasters, and decrease access to pre-1972 recordings. A-1689, 1704-05. Only a legislature can balance the many competing interests and address the difficult regulatory issues and policy problems inherent in creating a right to control performances of pre-1972 recordings.

For these reasons, which are elaborated in this brief, the certified question should be answered in the negative.

CERTIFIED QUESTION ACCEPTED FOR REVIEW

Question: The United States Court of Appeals for the Second Circuit certified, A-1728, and this Court accepted, A-1740, the following certified

question: "Is there a right of public performance for creators of sound recordings under New York law and, if so, what is the nature and scope of that right?"

Short Answer: No New York court has ever recognized, and there is no basis for now recognizing, a common law right of a recording owner who sells the recording to the public to prevent others from "performing"—*i.e.*, playing—it.

STATEMENT OF JURISDICTION

This Court has jurisdiction under 22 N.Y.C.R.R. § 500.27.

STATEMENT OF THE CASE

As with all sound recordings since the inception of the music and broadcast industries, the pre-1972 recordings plaintiff claims to own have been freely played on the radio without any need for consent or demand for compensation from the recording owners (as opposed to authors/composers). A-1011-12 ¶¶ 46-49; A-1018 ¶ 69; A-84-85; A-99. In 2013, plaintiff filed lawsuits in California, New York, and Florida claiming, for the first time, that it has an absolute right to control all performances of its recordings by anybody, anywhere. In this action, plaintiff alleged (as relevant here) that Sirius XM violated New York common law by playing—*i.e.*, broadcasting on its satellite and internet radio services—pre-1972 recordings owned by plaintiff. A-23 ¶ 17.

This suit was brought under New York common law, rather than federal copyright law, because it involves sound recordings—*i.e.*, the fixation of a

particular performance of a song—fixed before February 15, 1972. Unlike musical *compositions* (*i.e.*, the notes and lyrics written by a song's composer), which are protected by the federal Copyright Act, 17 U.S.C. § 102(a)(2), sound *recordings* are governed by a hybrid copyright regime. Sound recordings fixed on or after February 15, 1972 are governed by the Copyright Act. *Id.* § 102(a)(7). Sound recordings fixed before that date—like the recordings at issue here—are currently governed by state law. *Id.* § 301(c); *see Naxos*, 4 N.Y.3d at 555-56.[1]

New York has, since at least the middle of the last century, recognized that the owner of a sound recording who sells the recording to the public has a common law copyright to prevent its unauthorized *duplication, i.e.*, a right against record piracy. *See Naxos*, 4 N.Y.3d at 554-55. The question here, however, is whether New York common law also affords the owner of a sound recording a right to prevent the *performance*—or playing—of the recording. Answering that question requires understanding the history of copyright protection for sound recordings, both under the common law and the federal Copyright Act.

A. Background Of Common Law Copyright

Common law copyright, as it emerged in England, was originally understood to give the author an "exclusive right to reproduce works," a right that English

[1] State common law protection for pre-1972 recordings extends through February 2067, at which point any state law rights will be preempted by the Copyright Act. 17 U.S.C. § 301(c); *Naxos*, 4 N.Y.3d at 560.

courts eventually "extended beyond first publication" of a work to give the author a right to control its copying "into perpetuity." *Naxos*, 4 N.Y.3d at 546-49.

The early American common law of copyright rejected the extension of the author's property interest beyond first publication. In the seminal case of *Wheaton v. Peters*, 33 U.S. 591 (1834), the official reporter of U.S. Supreme Court decisions sought common law copyright protection to prevent his successor from "copying and republishing" the content of his already published reporter volumes. *Naxos*, 4 N.Y.3d at 551. The Supreme Court rejected his claim, applying Pennsylvania common law and holding that while an author has a common law 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. According to the *Wheaton* majority, only a statute, and not the common law, could grant the author any property interest in his work after its publication. *Id.*

A dissenting opinion by Justice Thompson took a different view: that the common law does confer on the author property rights that may persist after publication, depending on "[t]he nature of the property, and the general purposes for which it is published and sold." *Id.* at 674 (Thompson, J., dissenting). Because the "usual and common" purpose for which a book is sold is solely "for the

instruction, information or entertainment to be derived from it, and not for republication of the work," the *Wheaton* dissent concluded that a book's sale generally does not relinquish the author's property interest in its republication after sale. *Id.* at 674-75 (the "purchaser of the book has a right to all the benefit resulting from the information or amusement he can derive from it . . . [b]ut this is a very different use . . . from the taking and publishing the very language and sentiment of the author").

The competing opinions in *Wheaton* reflect not only a formal disagreement over the substance of the common law, but also a practical dispute over how to balance the competing interests involved in recognizing a common law copyright. Unlike statutory copyright, which must be limited in duration, U.S. Const. Art. I § 8 cl. 8, and can be limited in scope based on a balancing of competing stakeholder interests, common law copyright is necessarily perpetual and absolute, *see Eldred v. Ashcroft*, 537 U.S. 186, 230 (2003); 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT ("Nimmer I") § 4.04 (rev. ed. 2016), subject only to traditional, quasi-constitutional exceptions such as fair use.[2] Courts

[2] The fair use defense "serve[s] as built-in First Amendment accommodation[]"—meaning that it applies to both state and federal copyrights. *Golan v. Holder*, 132 S. Ct. 873, 876 (2012). New York courts have long applied the fair use defense to common law copyright claims. *See, e.g.*, *EMI Records Ltd. v. Premise Media Corp. L.P.*, 2008 WL 5027245 (N.Y. Sup. Ct. Aug. 8, 2008) ("fair use exists at common law"); *Estate of Hemingway v. Random House, Inc.*,

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," on the one hand, and "the interest of the public in ultimately claiming free access to the materials essential to the development of society," on the other. Nimmer I, *supra*, § 4.04. The *Wheaton* majority struck this balance by holding that upon "publication," the common law copyright was terminated, "and the author was 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 and sale of a book, the public lacks any legitimate interest in the unauthorized copying and sale of the author's work.

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

The *Wheaton* majority rule that publication divests all common law rights became the law of New York for literary works, which, once published, were protected solely by the federal copyright statute. *Naxos*, 4 N.Y.3d at 552 (citing *Jewelers' Mercantile Agency v. Jewelers' Weekly Publ'g Co.*, 155 N.Y. 241, 247 (1898)). But as for sound recordings *not* covered by the federal Copyright Act—*i.e.*, pre-1972 recordings—this Court essentially adopted the *Wheaton* dissent's rule, holding that even after a recording is sold, the owner retains a common law

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279 N.Y.S.2d 51, 57 (Sup. Ct. 1967) (noting that federal and state law concerning fair use "are in accord").

right to prevent its unauthorized duplication and distribution. Understanding that post-sale anti-piracy right is crucial to understanding the very different post-sale "performance" right that plaintiff claims here.

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

a. "With the dawn of the 20th century, courts throughout the country were confronted with issues regarding the application of copyright statutes, which were created with sole reference to the written word, to new forms of communication" in general, and music recordings in particular. *Naxos*, 4 N.Y.3d at 552. The first major case was *White-Smith Music Publ'g Co. v Apollo Co.*, 209 U.S. 1 (1908), in which the Supreme Court held that perforated music rolls used in player pianos were not subject to the federal copyright statute because they could not be seen or read, *id.* at 17-18.

Congress enacted the Copyright Act of 1909 the next year, but it did not include any protection for sound recordings, apparently in the belief that under *White-Smith*, sound recordings could not be "published," and thus were not subject to federal copyright protection. *Naxos*, 4 N.Y.3d at 552. But the 1909 Act preserved states' ability to protect "unpublished" works under the common law. *Id.* at 553. Thus, "although sound recordings were not protected under federal law, there was nothing to prevent the states from guaranteeing copyright protection under common law." *Id.*

b. Pursuant to that authority, New York courts have recognized only one common law property interest in sound recordings that survives their sale: the right to prevent unauthorized duplication and distribution. This "anti-piracy" right 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.

The first major New York anti-piracy case was *Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp.*, 101 N.Y.S.2d 483 (N.Y. Sup. Ct. 1950). The "plaintiff's operatic performances had been broadcast on radio and records of the performances were sold to the public," and the "defendant copied those performances and created its own records for sale." *Naxos*, 4 N.Y.3d at 554. The plaintiff, invoking common law copyright, sought to "restrain the defendants from recording, advertising, selling or distributing" these recordings. *Metro. Opera*, 101 N.Y.S.2d at 789. The court recognized and enforced the plaintiff's claimed copyright, because the plaintiff had granted only "limited" rights to another record company to record the performance, *id.*, and thus "show[ed] 'clearly no intent to abandon but, on the contrary, an attempt to retain effective control over the . . . recording of its performances.'" *Naxos*, 4 N.Y.3d at 554 (quoting *Metro. Opera*, 101 N.Y.S.2d at 799).

While *Metropolitan Opera*'s anti-piracy ruling rested on the specific "limited" grant of rights involved in that case, the Second Circuit interpreted New York law more broadly five years later to include a general common law copyright against the post-sale duplication and distribution of sound recordings. *Capitol Records, Inc. v. Mercury Records Corp.*, 221 F.2d 657 (2d Cir. 1955). Echoing the *Wheaton* dissent's view that post-sale property interests depend on the property's intended purpose, the Second Circuit explained that because recordings are not intended to be copied and resold, the sale "does not constitute a dedication of the right to copy and sell the records." *Id.* at 663; *see Gieseking v. Urania Records, Inc.*, 17 Misc. 2d 1034, 1035 (N.Y. Sup. Ct. 1956) (record sale "does not . . . dedicate the right to copy or sell the record," because a "performer has a property right in his performance that it shall not be used for a purpose not intended").

This Court in *Naxos* ratified the foregoing line of cases as establishing "the appropriate governing principle." 4 N.Y.3d at 554. Under that principle, the sale of a sound recording does not authorize the purchaser or others to use it for the unintended purpose of copying it and reselling the copies. *Id.*

c. Despite the common law 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." *Id.* at 555. Numerous states, including New York, "adopt[ed] criminal statutes prohibiting such piracy," *id*., and

in 1971, Congress enacted a federal anti-piracy law as well. The federal law created "a limited copyright in sound recordings for the purpose of protecting against unauthorized duplication and piracy of sound recording[s]" fixed after February 15, 1972 (the Act's effective date). 1971 Sound Recording Act, Pub. L. No. 92-140, 85 Stat. 391 (1971) (A-248). Congress reaffirmed this anti-piracy right when it revamped the Copyright Act in 1976. 17 U.S.C. §§ 106, 114.

The 1976 Act included a sweeping preemption provision, *id.* § 301(a), intended to "preempt and abolish 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. 94-1476, 130, *reprinted in* 1976 U.S.C.C.A.N. 5659, 5746 (1976). But Congress expressly *excluded* pre-1972 recordings from the scope of this provision, concluding that those recordings would be governed by state law anti-piracy protections until 2047 (later extended to 2067). *Id.* § 301(c); *Naxos*, 4 N.Y.3d at 557-58. 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 carveout for such sound recordings, the Act's preemption provision "could be read as abrogating the anti-piracy laws now existing in 29 states relating to pre-February 15, 1972" recordings without any federal replacement. H.R. REP. 94-1476, 133, *reprinted in* 1976 U.S.C.C.A.N. 5659, 5749 (1976). Congress therefore decided

that "existing state common-law copyright protection for pre-1972 recordings would not be preempted by the new federal statute until February 15, 2047." *Naxos*, 4 N.Y.3d at 556; *see id.* at 558 (recognizing that federal preemption date for pre-1972 recordings was later extended until 2067).

2. *Copyright Protection For Performance Of Sound Recordings*

The question in this case is not whether New York common law restricts the unauthorized post-sale duplication and distribution of sound recordings. It does. The question is whether New York law should be revised and extended to *also* restrict unauthorized post-sale *performances* of sound recordings. These questions plainly are different: while a sound recording is not sold for the purpose of being copied and resold, it *is* meant to be performed. Record companies themselves have recognized for many decades the distinction between pirating a record and playing it: "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. As discussed above, anti-piracy rights were recognized early and often by courts, and then by state legislatures and Congress when piracy spread despite common-law restrictions. No comparable prohibition against post-sale performance has *ever* been recognized by any court, legislature, or Congress. To the contrary, radio stations, taverns, DJs, and many others have been playing records without payment to recording owners for nearly a century, and courts, commentators, Congress, and record executives themselves have repeatedly recognized the absence of any common-law protection against those performances. When Congress in 1995 finally did create such protection for post-1972 recordings, the protection was sharply limited and carefully balanced—a far cry from the absolute property right plaintiff seeks here.

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, which increased record sales, music royalties, and advertising revenue, popularized performing artists, and gave the public widespread access to music. 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 any record sales, music royalties, or advertising revenue. Consequently, there was widespread support for protection against unauthorized copying. 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 38 (Comm. Print 1965) (A185).

When Congress finally recognized a federal anti-piracy right in 1971, *see supra* at 14, 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 grant them (and other recording owners) a post-sale "performance" right. As the committee report accompanying the Act observed, it "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. 94-1476, 106, *reprinted in* 1976 U.S.C.C.A.N. 5659, 5721 (1976) (emphasis added). Congress instead "considered at length the arguments in favor of establishing a limited performance right, in the form of a compulsory license, for copyrighted sound recordings, but concluded that the problem requires further study," and directed the Register of Copyrights to submit a report on the matter in 1978. *Id.*

The resulting 1978 Report, which was nearly 1,000 pages in length and included detailed historical, economic, policy, and domestic and international legal

analyses, ultimately recommended that Congress enact a 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. That statute created, for the first time, a new and highly limited digital "performance" right for post-1972 recordings. Pub. L. No. 104-39 § 2(3), 109 Stat. 336 (1995). The DPRA includes key exemptions, including a carve-out for AM/FM radio, and a compulsory licensing scheme and rate-setting process designed to balance the interests of recording owners with the interests of composers and performing artists in having their songs widely heard, the interests of broadcasters and others in performing music with minimal restrictions, and the interests of the public in widespread access to music. 17 U.S.C. § 114; *see also infra* at 43-44.

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

The seminal judicial decision was Judge Learned Hand's opinion in *Whiteman*. In that case, a record company and orchestra director brought an

infringement claim in federal district court under New York common law against a radio network that 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 air. The court surveyed the common law across the United States and found only one case—*Waring v. WDAS Broad. 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.

The court rejected *Waring* and concluded that the radio performance of records did not infringe any protected property interest, because common law rights in a recording "consist[] *only* in the power to prevent others from *reproducing* the copyrighted work." 114 F.2d at 88 (emphasis added). By simply playing a recording, 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.* (emphases added). For this and other reasons, the court held that the radio network was not liable under New York common law for broadcasting the lawfully purchased records.

The Second Circuit's opinion in this case states that *Whiteman*'s conclusion about the existence of a common law performance right was uncertain, likely dicta, and not binding on this Court in any event, A-1734 at n.3, but that is beside the point. The significance of *Whiteman* here is not its actual holding or that it is binding, but the fact that it established a historical consensus that the common law does not grant recording owners the right to control performances of a record after it has been sold. Until now, every relevant authority and stakeholder since *Whiteman* has acknowledged that.

Academic commentators universally recognized the nationwide "consensus that state law does not provide a public performance right for sound recordings." Prof. Tyler Ochoa, *A Seismic Ruling on Pre-1972 Sound Recordings & State Copyright Law*, Technology & Marketing Blog (Oct. 1, 2014), http://blog.ericgoldman.org.[3] Radio stations "playe[ed] records without

[3] *See* Steven Seidenberg, *US Perspectives: Courts Recognise New Performers' Rights*, Intell. Prop. Watch (Nov. 24, 2014), http://www.ip-watch.org ("Seidenberg I") ("it has been settled since 1940 that there is no performance right in a sound recording"); Ralph Brown, Symposium, *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"); 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"); June Besek & Eva Subotnik, *Constitutional Obstacles? Reconsidering Copyright Protection for Pre-1972 Sound Recordings*, 37 COLUM. J.L. & ARTS 327, 338 (2014) ("states do not appear to recognize a right

compensating performers for the next seventy years" after *Whiteman*. Lauren Kilgore, *Guerrilla Radio: Has the Time Come for a Full Performance Right in Sound Recordings?*, 12 VAND. J. ENT. & TECH. L. 549, 559-60 (2010).

And record companies themselves pushed Congress to *create* a right to control post-sale performances precisely because, in their view, the common law itself provided no such protection. 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) (A144). Thirty years later, Capitol Records similarly bemoaned the lack of common-law protection against post-sale performances: "The record company receives nothing from the widespread performance-for-profit of its products . . . . There is no clearly established legal remedy available to stop this unauthorized use." *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) (A1634, 1640). As late as 1995, the Recording Industry

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of public performance in pre-1972 sound recordings"); Steven Seidenberg, *Pay to Play: State Copyright Law Now Gives Musicians Performance Rights*, A.B.A.J. (Apr. 1, 2015) (state law "did not provide performers or record labels with public performance rights . . . according to the seminal case of [*Whiteman*]"); Richard Posell, *'60s on 6' May Be in Sirius Trouble*, Daily Journal (Apr. 29, 2015) (district court's ruling "challenges the common understanding of state copyrights since at least 1940").

Association of America, the principal trade group representing recording owners, 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: Hearings Before the Subcomm. on Courts & Intell. Prop. of the H. Comm. on the Judiciary*, 104th Cong. 31 (1995) (A-313).

Government officials agreed with all these stakeholders. The Register of Copyrights observed in 1965 that a proposed bill "denying [record companies] rights of public performance . . . reflects—accurately, I think—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) (A-202). 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 a comprehensive 2011 report concerning federal protections for pre-1972 recordings, the Register of Copyrights again explained that "state law does not appear to recognize a performance right in sound

recordings." COPYRIGHT OFFICE, FEDERAL COPYRIGHT PROTECTION FOR PRE-1972 SOUND RECORDINGS: A REPORT OF THE REGISTER OF COPYRIGHTS 44-45 (2011).[4]

Moreover, before the district court decision in this case and the related California case, no court had "ever before recognized" a right of record companies to control the performance of records after their sale—a right that would subject "an enormous number of parties to unexpected liability." Gary Pulsinelli, *Happy Together? The Uneasy Coexistence of Federal and State Protection for Sound Recordings*, 82 TENN. L. REV. 167, 239 (2014).

C. Decisions Below

1. In response to plaintiff's complaint, Sirius XM sought summary judgment on the ground that New York common law does not grant recording owners the right to control post-sale performances of their records. The district court agreed that no New York court had ever recognized such a right, but also found that no New York court had explicitly *rejected* such a right, and interpreted the supposed "judicial silence" as *supporting* the existence of the performance right plaintiff claimed. A-1682-83. The court nevertheless recognized that its ruling was "unprecedented," would "upset . . . settled expectations," and would

[4] After this lawsuit was filed, the Copyright Office reiterated this conclusion, but added that: "[w]hile, as a factual matter, a state may not have affirmatively acknowledged a public performance right in pre-1972 recordings as of the Office's 2011 report, the language in the report should not be read to suggest that a state could not properly interpret its law to recognize such a right." Music Licensing Study: Second Request for Comments, 79 Fed. Reg. 42,834 n.3 (July 23, 2014).

have "significant economic consequences" that could "upend the analog and digital broadcasting industries," and create enormous "administrative difficulties in the imposition and collection of royalties," which would ultimately increase consumer costs, shut down many broadcasters, and decrease access to pre-1972 recordings. A-1689; A-1704-05. The district court subsequently granted Sirius XM's motion to certify its order for interlocutory appeal under 28 U.S.C. § 1292(b). A-1718.[5]

2. The Second Circuit accepted the district court's certified appeal, and the parties fully briefed and argued the question presented here to that court. On April 13, 2016, the Second Circuit concluded that it is "in doubt as to whether New York common law" grants owners of pre-1972 recordings a right to control or demand payment for post-sale performances of those recordings, and certified that question to this Court because it is "important, its answer is unclear, and its resolution

[5] As explained earlier, plaintiff filed similar complaints against Sirius XM in California and Florida district courts. In the California case, the district court held that California Civil Code Section 980(a) provides a performance right to pre-1972 recording owners, and granted partial summary judgment in plaintiff's favor. A-1608. The performance-right issue is currently on appeal before the Ninth Circuit in a parallel case. *Pandora Media, Inc. v. Flo & Eddie, Inc.*, Appeal No. 15-55287 (9th Cir.). In the Florida case, the district court held that Florida common law does *not* provide a performance right, and granted Sirius XM's motion for summary judgment. 2015 WL 3852692, at *5. The Eleventh Circuit, following the Second Circuit here, subsequently certified the state-law question to the Florida Supreme Court. 2016 WL 3546433 (11th Cir. June 29, 2016).

Several other copycat lawsuits are pending around the country, two of which are stayed pending the outcome of this appeal. *Sheridan v. Sirius XM Radio Inc.*, Case 1:15-cv-07056 (S.D.N.Y.), Dkt. 33; *Sheridan v. Sirius XM Radio Inc. & Pandora Media, Inc.*, Case No. 2:15-cv-07576 (D.N.J.), Dkt. Nos. 42, 43.

controls the [*Flo & Eddie* New York] appeal." A-1730; A-1734. This Court accepted the certified question on May 3, 2016. A-1740.

ARGUMENT

New York common law does not grant, and never has granted, record companies and other recording owners the right to control whether, when, where, and how a record is played after it has been lawfully obtained. No case has ever recognized such a right. Every relevant actor—including courts, commentators, federal copyright officials, Congress, *and record companies themselves*—has agreed that no such right exists. Indeed, this fact was so obvious to any interested party that, although the supposed "performance" right that plaintiff now invokes was violated around the clock for decades by every radio station in the nation, no recording owner ever even *thought* to assert such a right since the Second Circuit's decision in *Whiteman*.

Plaintiff does not and cannot disagree with any of this. Plaintiff instead contends that New York's longstanding common law right to control post-sale copying and distribution of records has always carried with it an unnoticed, *sub silentio* right to also control all post-sale performances of the records. That argument rests on a fundamental misunderstanding of common law copyright. Plaintiff assumes that because a recording owner can control the post-sale use of the record in *one* respect—its copying—it necessarily can control *all* uses in all

respects. That absolutist view is not true of any kind of property interest, and it is certainly not true of common law copyright. Indeed, the very principles that support the New York common law anti-piracy right to control post-sale copying and resale *preclude* recognizing a right to control post-sale performances.

Ultimately, plaintiff is not really asking this Court to recognize a heretofore unnoticed common law right in the "performance" of sound recordings. Plaintiff actually is asking the Court to create a new, entirely unprecedented right out of whole cloth. This kind of dramatic expansion of a property right—which would undo nearly a century of established practice and expectations in the music industry—is inconsistent with this Court's common law approach. Rather, as the congressional history concerning the sound recording "performance" right shows, recognizing such a right requires the kind of careful policy balancing and compromise in which only the Legislature is competent to engage. This Court should decline plaintiff's invitation to create a novel, absolute right of recording owners to prevent the performance of recordings they have sold, and leave the decision whether and to what extent to recognize such a right to the Legislature.

I. NEW YORK COMMON LAW HAS NEVER GRANTED RECORDING OWNERS A RIGHT TO CONTROL THE PERFORMANCE OF RECORDINGS AFTER THEY ARE SOLD

A. No New York Court Has Ever Recognized A Post-Sale "Performance" Right For Sound Recordings, And Every Relevant Authority And Stakeholder Has Recognized No Such Right Exists

Ever since the advent of the radio, sound recordings have been publicly performed in broadcasts every minute of every day. And yet no New York court has ever suggested that the owner of a sound recording has a right to prohibit the purchaser from playing it, whether in the home, at a party, in a bar, or on the radio. To the contrary, every relevant authority and stakeholder has affirmatively recognized that no such right exists. Ever since the Second Circuit concluded in *Whiteman* that the owner of a sound recording has no post-sale right to control its "performance," *see* 114 F.2d at 88; *supra* at 20, commentators have widely recognized that "it has been settled . . . that there is no performance right in a sound recording." Seidenberg I, *supra*; *see supra* at 21-22 & n.3. So too has the Register of Copyrights, who has twice explicitly observed that no such right appears to exist under state common law. *See supra* at 23-24 & n.4. And Congress likewise confirmed in 1976 that it had "been the law and the widely accepted fact for many years [that] 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); *see supra* at 23.

Perhaps most important, however, is *record companies' own repeated admissions* that no such state common law right exists, as they continuously insisted when seeking to convince Congress to fill that gap by creating such a right under federal law. *See supra* at 22-23. This was no mere advocacy position—record companies clearly believed that no common law "performance" right existed, because they never even attempted to enforce such a right after *Whiteman*. The U.S. Supreme Court long ago recognized that "so strong is the desire of every man to have the full enjoyment of all that is his, that, when a party comes into court and asserts that he has been for many years the owner of certain rights, of whose existence he has had full knowledge and yet has never attempted to enforce them, there is a strong persuasion that, if all the facts were known, it would be found his alleged rights either never existed, or had long since ceased." *Halstead v. Grinnan*, 152 U.S. 412, 416 (1894). That principle applies with particular force here, because if the "performance" right that plaintiff now seeks has actually existed all along, then radio stations throughout the country have been violating it continuously for decades. The fact that nobody even attempted to enforce this supposed right is conclusive evidence that nobody thought it existed.

In *Naxos*, this Court recognized an anti-piracy right against post-sale copying in part because prohibiting that conduct "was consistent with the long-standing practice of the federal Copyright Office and became the accepted view

within the music recording industry." 4 N.Y.3d at 554-55. Exactly the opposite is true here: the Register of Copyrights has *never* recognized or enforced the post-sale performance right plaintiff seeks—and indeed has twice denied its existence under common law—and the "accepted view within the music industry" for decades has been that record companies *cannot* control post-sale performances under common law. Courts, commentators, and Congress agree. The common law in New York does not grant, and has never granted, recording owners the right to control the performance of those recordings after they are sold.

B. The Common Law Anti-Piracy Right Does Not Support The Existence Of A "Performance" Right

1. Plaintiff's principal contention in favor of recognizing this unprecedented "performance" right has been that because New York common law recognizes a right to prevent the unauthorized reproduction of a recording, the recording owner's rights in that property *must* extend to every other conceivable use of the recording, including its performance by lawful purchasers, because a property right necessarily encompasses every conceivable property interest.

That argument is unfounded. Plaintiff relies for its absolutist view of property rights on precedents involving tangible property, but even in that context it is decidedly wrong to say that a property owner's rights extend to every conceivable *use* of the property, as every first-year law student learns. *See, e.g.*, *Victory v. Baker*, 67 N.Y. 366, 368 (1876) (property ownership "cannot be an

absolute right" because it is always limited by interests of other stakeholders); *Palmer v. De Witt*, 47 N.Y. 532, 542 (1872) (common-law rights in literary works limited); Joseph Singer, PROPERTY § 1.1.2 (4th ed. 2014) (rights of property owner are limited by "the legitimate interests of others"). A landowner, for example, does not have an inherent right to operate an exotic dance club, drill for precious minerals, or build a towering skyscraper on his property. *See Coates v. Mayor of New York*, 7 Cow. 585, 604-05 (N.Y. Sup. Ct. 1827) (right to build structure on land may be restricted to protect public welfare); *Casanova Entm't Grp., Inc. v. City of New Rochelle*, 375 F. Supp. 2d 321, 342 (S.D.N.Y. 2005). Indeed, "[t]ruly exclusive (absolute, unqualified) property rights would be a contradiction in terms." Richard Posner, ECONOMIC ANALYSIS OF LAW § 3.6 (8th ed. 2011).

Rights in tangible property in any event afford little guidance here because copyright is "no ordinary chattel"—the "property rights of a copyright holder have a character distinct from the possessory interest" of a real-property owner. *Dowling v. U.S.*, 473 U.S. 207, 216-17 (1985). Indeed, ownership of a copyright "has *never* accorded . . . complete control over all possible uses of [the] work," *id.* (emphasis added), and instead "comprises a series of carefully defined and carefully delimited interests to which the law affords correspondingly exact protections." *Id.*; *accord Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 431-33 (1984); *see* William Landes & Richard Posner, *Trademark Law:*

An Economic Perspective, 30 J.L. & ECON. 265, 268 (1987) (intellectual property is "limited in ways that physical property is not").

Plaintiff has argued that federal precedents describing the difference between tangible and intellectual property have no bearing on New York common law, but if anything, the principle that copyrights are necessarily more limited in scope applies *a fortiori* to the common law. Far from granting a copyright owner an absolute right to control every use of his work, common law copyright was generally understood in the United States to extend only to the "right of first publication," and expired completely after the work was sold to the public. *See supra* at 8. This significant restriction on common law copyright was necessary to balance "the interest of authors in the fruits of their labor" with the "interest of the public in ultimately claiming free access to the materials essential to the development of society." Nimmer I, *supra*, § 4.04; *see supra* at 9-10. Because a common law copyright, to the extent it was recognized, applied absolutely and in perpetuity, the common law right itself had to be limited in scope to protect the public's legitimate interest in access to creative works. The common law historically struck this balance by holding that upon "publication," "perpetual common law rights ceased, and the author was required to look to the federal [copyright] statute for the limited form of monopoly there available." *Id.*

To be sure, this Court in *Naxos* struck that balance in a manner that extended anti-piracy protection for sound recordings beyond the date of sale, *see supra* at 13, but that does not alter the more fundamental point that the owner of a common law copyright does not (and, consistent with the policy balancing described above, cannot) have absolute and perpetual control over his work under the common law. That fundamental principle extends not only to the *duration* of the common law copyright, but also to its scope. For example, this Court explained over a century ago, in the context of a dramatic work, that the "right publicly to represent a dramatic composition for profit, and the right to print and publish the same composition to the exclusion of others, are entirely distinct, and the one may exist without the other." *Palmer*, 47 N.Y. at 542. Indeed, at common law in England, the owner of a copyright in a play had *no* right to prevent that play's public performance; such a right was eventually created via statute. *Id*. at 542-44.

In other words, the common law has reached and protected core rights that are necessary to safeguard "the interest of authors in the fruits of their labor," Nimmer I, *supra*, § 4.04, but that do not simultaneously infringe the public's interest in access to creative works. But when it comes to other rights involving the competing interests between extending an author monopoly protection and assuring legitimate public access, courts have required the more limited and balanced protection reflected in the federal copyright statute.

2. Under the principles just described, plaintiff's reliance on this Court's recognition of an anti-piracy right for recording owners to support a so-called "performance" right lacks merit. While an anti-piracy right fits squarely within the historical scope of, and justification for, common law copyright, the very same principles require rejecting the so-called "performance" right that plaintiff asks this Court to adopt, for at least three reasons.

First, the common law anti-piracy right reflects the fundamental core that copyright has always protected—"[a]s the label 'copyright' suggests, it is the act of copying that is essential to, and constitutes the very essence of all copyright infringement." 2 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT ("Nimmer II") § 8.02[A] (rev. ed. 2016); *see also Naxos*, 4 N.Y.3d at 547 (core of English common law copyright "include[d] the ability of an author to decide whether a literary work would be published and disseminated to the public . . . and, if distributed, *how the work would be reproduced in the future*") (emphasis added). This Court's decision in *Naxos*, and the earlier New York decisions that *Naxos* reaffirmed, gave effect to this common law core by assuring a recording owner's "right to copy and sell the records." *Naxos*, 4 N.Y.3d at 554.

The "performance" right plaintiff invokes here, in contrast, has nothing to do with this core common law protection against "the act of copying." Whereas common law rights in a recording consist "in the power to prevent others from

reproducing the copyrighted work," a radio network that plays a recording "never invade[s] any such right," because it "never *copie[s]* [the] performances at all," but "merely use[s] those copies which [the owner and record company] made and distributed." *Whiteman*, 114 F.2d at 88 (emphasis added). In short, when someone plays a sound recording, he uses it exactly as it was intended to be used.

The "performance" right that plaintiff seeks here is fundamentally different from the legitimate and long-recognized performance right held by authors of musical or dramatic compositions. *See* Nimmer II, *supra*, § 8.14[A]; *id.* ("The disallowance of sound recordings . . . from performance rights should not be confused with the performance right that has always been accorded to musical works"). To whatever extent the common law recognized the right of an author to prevent the unauthorized public performance of his play, film, or musical composition, *see, e.g.*, *French v. Maguire*, 55 How. Pr. 471 (N.Y. Sup. Ct. 1878) (play); *Brandon Films, Inc. v. Arjay Enters., Inc.*, 230 N.Y.S.2d 56 (Sup. Ct. 1962) (film),[6] that right directly implements common law copyright's core anti-*copying*

[6] The district court relied on *French*, which it said recognized a New York common law performance right in plays. Even if that case recognized such a right, it is fundamentally different from the sound recording performance right plaintiff seeks, for the reason just explained. In any event, the right that *French* protected was not a "performance" right at all, but instead the common law "right of first publication." *French* involved performances of plays based on *unpublished manuscripts* obtained unlawfully by the defendant, 5 How. Pr. at 478-79; *see also Brandon Films*, 230 N.Y.S.2d at 57-58 (recognizing right to prevent performance of unpublished film); *Roberts v. Petrova*, 213 N.Y.S. 434, 434-35 (Sup. Ct. 1925)

principle, because "the performance right is not infringed unless the defendant's performance is copied from the plaintiff's work," Nimmer II, *supra*, § 8.02[A]. A record-purchaser, by contrast, does not copy the *record* when he plays it (as opposed to the song itself, which *is* subject to copyright protection)—he simply *uses* the record for its intended purpose. This distinction is reflected in New York's criminal law, which has since 1899 included a prohibition against the unauthorized performance of plays and operas, *see* N.Y. ARTS & CULT. AFF. LAW § 31.03 (Consol. 2016), but has never purported to prevent the performance of sound recordings.

Second, the principle underlying New York's anti-piracy right to control post-sale duplication and distribution of sound recordings does not justify, and indeed firmly undermines, any right to control post-sale performances of the recordings. The New York anti-piracy cases reflect the *Wheaton* dissent's view that an author's post-sale property interest in a work depends on the nature of the work and the purpose for which it was intended, and because a record is intended

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(recognizing right to prevent unauthorized performance of unpublished play); *Roy Export Co. v. Columbia Broad. Sys., Inc.*, 672 F.2d 1095, 1098, 1104 (2d Cir. 1982) (enjoining performance of unlawfully obtained and unpublished compilation of film clips), which under the common law meant the manuscript's owner retained absolute control of the manuscript's use until the manuscript was sold to the public. *See supra* at 8. The question here is whether a recording owner retains a right to control the performance of a recording *that it has already sold to the public and that has been lawfully obtained by the defendant*.

to be played, but not to be copied and resold, the recording owner retains a right after sale to prevent copying and sale of the pirated copies. As this Court observed in *Naxos*, "the appropriate governing principle" (4 N.Y.3d at 554) was expressed in *Mercury Records*' holding that a recording owner possesses a common law right against post-sale copying because the sale "does not constitute a dedication of the right to copy and sell the records." *Mercury Records*, 221 F.2d at 663.

But that conception of the post-sale property interest in preventing record copying, which is based entirely on the purpose of the property, compels the opposite result with respect to any claimed post-sale property interest in controlling record *playing*: because the purpose of a record is for the purchaser and others who lawfully obtain the recording to *play* it, the recording owner cannot claim a post-sale property interest in controlling when and how it is played. In other words, under the same *Naxos*/*Capitol Records*/*Wheaton*-dissent theory that justifies the post-sale anti-piracy right, the sale of a record to be performed *does* relinquish any property interest in its performance. After sale, other legitimate public interests in the performance of the recording—including the artist's interest in spreading his music and consumers' interest in enjoying the music—become paramount, and any further protection can only be afforded by statute. *See* Nimmer I, *supra*, § 4.04 (once recording owner "elect[s] to surrender the privacy of [the recording], preferring the more worldly rewards that come from

exploitation of his work, he ha[s] to accept the limitations on his monopoly imposed by the public interest").

Third, the post-sale anti-piracy right is based on a balance of interests that comes nowhere close to justifying a post-sale performance right. Just the opposite: whereas courts, state legislatures, and Congress have long recognized that there is *no* legitimate public interest in allowing non-owners to duplicate and resell copies of a sound recording, policymakers have long understood that numerous stakeholders—including artists, broadcasters, and music consumers—have strong interests in unrestricted performance of records after their sale, which is precisely why legislative efforts to grant record companies the right to control post-sale performances have been so profoundly controversial.

Record companies themselves recognized this distinction from the outset. Industry executives testified in 1936 that while "the duplication of a phonograph record and the selling of that record is an act of unfair competition . . . , 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.). The New York Legislature implicitly recognized the same distinction when it criminalized the unauthorized post-sale copying of sound

recordings, N.Y. PENAL LAW § 275 (Consol. 2016), without criminalizing unauthorized post-sale performances. Congress recognized the distinction repeatedly, adopting an anti-piracy rule without significant objection, while (i) time and again rejecting a "performance" right as "explosively controversial," SUPP. REGISTER'S REP. ON THE GENERAL REV. OF U.S. COPYRIGHT LAW 38 (Comm. Print 1965) (A-185), (ii) concluding in 1976 that an in-depth study was required before such a right could even be considered, *see supra* at 18, (iii) delaying enactment of such a right until 1995, *see supra* at 19, and (iv) even then limiting that right significantly, including by enacting a highly reticulated compulsory licensing scheme and expressly excluding AM/FM radio broadcasts, *see id.*; *infra* at 43-44.

As the regulatory history shows, the balance of interests that justifies the common law right to control the post-sale copying of records does nothing to justify a comparable right to control the performance of records after their sale. As discussed, the principles that justify the post-sale anti-piracy right affirmatively disfavor a post-sale performance right. It is thus no surprise that no New York court has ever recognized such a right. And doing so now would require a careful balancing of competing policy interests, which is an inherently legislative task.

II. ONLY THE LEGISLATURE CAN RECOGNIZE A NEW RIGHT TO CONTROL PUBLIC PERFORMANCES OF SOUND RECORDINGS

This Court has recognized that the common law, by its nature, evolves incrementally to avoid "encroachment on the legislative branch." *Norcon Power Partners, L.P. v. Niagara Mohawk Power Corp.*, 92 N.Y.2d, 458, 467-68 (1998). In particular, "the manner by which the State addresses complex societal . . . issues is a subject left to the discretion of the political branches of government." *Campaign for Fiscal Equity, Inc. v. New York*, 8 N.Y.3d 14, 28 (2006). That principle applies fully here. Granting recording owners the right to control how and when records are played would upend decades-old practices in the music industry and fundamentally alter complex economic and legal relationships involving many stakeholders, including parties not before the Court such as composers, performing artists, and consumers. The decision whether and how to recognize such a right "must be the doing of the Legislature." *Chamberlain*, 300 N.Y. at 139-40; *accord In re N.Y. State Inspection v. Cuomo*, 64 N.Y.2d 233, 240 (1984) (where "policy matters have demonstrably and textually been committed to a coordinate, political branch of government, any consideration of such matters by a [different] branch or body" would "constitute an *ultra vires* act.").

In *Jewelers'*, this Court deferred to the legislature's superior policymaking discretion in rejecting a proposed expansion of common law copyright. The plaintiff in that case published a reference book to subscribers under stipulation

that the book was furnished as a loan, not as a sale, and that it should not be transferred to others. The plaintiff argued that the publication accordingly should not count as a sale divesting the copyright owner of its common-law protection. 155 N.Y. at 246 (cited by *Naxos*, 4 N.Y.3d at 552).

This Court rejected plaintiff's novel claim, concluding that "the present state of the law is that if a book be put within reach of the general public, so that all may have access to it, no matter what limitations be put upon the use of it by the individual subscriber or lessee, it is published, and what is known as the common-law copyright, or right of first publication, is gone." *Id.* at 254. More to the present point, the Court emphasized that "[i]f the plaintiff's interests are of so important a character, and the public interest would be best subserved were the law such as plaintiff insists it to be, then is presented a proper subject for legislative action." *Id.* By contrast, if the Court itself adopted plaintiff's position, then it "will have obtained judicial legislation of far broader scope and much greater value to authors and others than that offered by the copyright statute." *Id.* at 248.

That analysis applies equally here. Plaintiff seeks to expand common law copyright to grant record companies and other recording owners unlimited rights to control the public performance of their recordings in perpetuity, even after they have been sold. That right would provide recording owners with far broader rights than the limited and balanced rights provided by federal copyright law. This Court

should again decline the invitation to take a "very long step" in the expansion of common law copyright. *Id.* at 254; *see also Chamberlain*, 300 N.Y. at 139-40 (rejecting proposed change in common law copyright concerning transfer of unpublished manuscripts because any "change of public policy must be the doing of the Legislature").

This is not to say that rights cannot evolve under the common law—of course they can. But by its very nature, the common law develops incrementally, "at a snail-like pace," to avoid usurping the legislative function. *Norcon*, 92 N.Y.2d at 468. This Court has made clear that a sudden, dramatic expansion of common law rights would "clash with [the] customary incremental common-law developmental process" and "encroach[] on the legislative branch." *Id.* at 467-68; *accord Caronia v. Phillip Morris USA, Inc.*, 22 N.Y.3d 439, 451 (2013) (declining to recognize new tort claim, despite "significant policy reasons" for doing so, given "potential systemic effects of creating a new, full-blown" claim); *Houston Realty Corp. v. Castro*, 404 N.Y.S.2d 796, 798 (Civ. Ct. 1978) ("Significant changes in common-law doctrine are generally the product of legislation."). And here, there is no plausible dispute that recognizing an unprecedented and *unlimited* sound recording "performance" right would fundamentally alter the existing music-industry landscape, unsettle long-settled expectations allowing the

unqualified and unencumbered broadcast of sound recordings, and limit the public's access to pre-1972 recordings.

That much is obvious from the federal experience with statutory regulation. As explained above, record companies lobbied Congress to enact a sound recording "performance" right for decades, but Congress repeatedly refused to do so because such a right was deemed "explosively controversial." Indeed, the Congress that revamped the entire Copyright Act in 1976 did not believe itself competent to evaluate the costs and benefits of recognizing such a right, and mandated that the Register of Copyrights study the question. *See supra* at 18. The Register responded two years later with a nearly-thousand-page analysis recommending a limited performance right for post-1972 recordings. *See supra* at 18-19. And even then, Congress did not recognize such a right until 1995.

When Congress finally *did* recognize a "performance" right in the DPRA, it looked nothing like the absolute right plaintiff asserts here. Rather, the final legislation reflected a compromise reached only after Congress heard from dozens of witnesses 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) (A-264-65); S. REP. NO. 104-128 (1995).

On the one hand, Congress sought 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 (1995); H.R. REP. NO. 104-274, at 13-14 (1995) (A-264-65). 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) (A-356) (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").

As a result, the DPRA includes an exemption for AM/FM radio, as well as a compulsory licensing scheme, which ensures that digital and satellite broadcasters like Sirius XM can obtain a statutory license to perform a post-1972 recording at a reasonable royalty rate to be set by the Copyright Royalty Board. 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 (A-272-73).

The fact that the record industry's six-decade-long effort to achieve a sound recording performance right resulted in such a limited and carefully reticulated statute should be conclusive evidence that recognizing an absolute and (barring federal preemption) perpetual common law right would be unwarranted, not to mention unprecedented. The right that plaintiff asserts includes no such limitations—it would apply to AM/FM radio, would not include any compulsory licensing scheme or rate-setting process, and would not have any fee-sharing provisions, since by nature of the common law, if the court recognizes such a right, it would allow plaintiff to simply prevent anyone from playing the sound recordings they purchase, forever (or at least until preempted by federal law).

It would also leave many questions unanswered. For example, how will a broadcaster identify the recording owner with whom a license must be negotiated? Who will resolve ownership disputes? What happens if the parties are unable to agree on a royalty rate? Even if they are, how will royalties be distributed? Must a recording owner share the royalties with the performing artists? As the district court conceded, these and other "administrative difficulties . . . would ultimately increase the costs consumers pay to hear broadcasts, and possibly make broadcasts of pre-1972 recordings altogether unavailable." A-1689.

Indeed, the district court's ruling in this case has already set off alarm bells. For example, the Copyright Office recently issued a report discussing this case,

noting the policy problems that would result from recognition of a common-law performance right, and advocating for federal regulation, which can offer "uniform protection . . . as well as appropriate exceptions and limitations for the benefit of users." U.S. Copyright Office, Copyright & the Music Marketplace 53-55, 85-87 (2015). Similarly, SoundExchange, the organization that administers royalties under the DPRA, has noted to the Copyright Office that the district court's ruling "will not lead to a sensible regime for licensing," "do[es] not provide the simplicity and efficiency that Congress contemplated when enacting the statutory licenses," and is "not the regime that Congress had in mind when it created the [DPRA] in 1995." *Music Licensing Study: Notice and Request for Public Comment, Comments of SoundExchange, Inc.* 12 (May 20, 2014) (A-607).

This sort of abrupt, widespread upheaval is completely inconsistent with the common law method, which is measured and incremental. *See supra* at 40-42. If New York law is to grant record companies a right to control how and when pre-1972 recordings are played after they are sold, policymakers must evaluate and balance the interests of all relevant stakeholders and adopt nuanced protections, as Congress did in the DPRA. That kind of policymaking is fundamentally a non-judicial, legislative function. The certified question should be answered in the negative—there is no "right of public performance for creators of sound recordings

under New York law," A-1728, and such a right could only be created (if at all) by the Legislature.

CONCLUSION

For the foregoing reasons, this Court should hold that New York law does not give owners of sound recordings a right to control or demand payment for the public performances of their recordings after they are sold.

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