UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Thurgood Marshall U.S. Courthouse 40 Foley Square, New York, NY 10007 Telephone: 212-857-8500

MOTION INFORMATION STATEMENT

Docket Number(s): 15-1164 Caption [use short title] Flo & Eddie, Inc. v. Sirius XM Radio Inc.

Motion for: Permission to File Supplemental Letter Brief

Set forth below precise, complete statement of relief sought:

Motion of Appellant Sirius XM Radio Inc. for permission to file a supplemental letter brief in response to Appellee Flo & Eddie, Inc.'s January 17, 2017 letter brief and January 26, 2017 proposed supplemental letter brief

MOVING PARTY: Sirius XM Radio Inc.
☐ Plaintiff ☐ Defendant
☑ Appellant/Petitioner ☐ Appellee/Respondent

OPPOSING PARTY: Flo & Eddie, Inc.

MOVING ATTORNEY: Daniel M. Petrocelli

OPPOSING ATTORNEY: Michael Gervais

[name of attorney, with firm, address, phone number and e-mail]

O'Melveny & Myers LLP
Avenue of the Stars, Suite 800
Los Angeles, CA 90067

Susman Godfrey LLP
1301 Ave. of the Americas, 32nd Floor
New York, NY 10019

Court-Judge/Agency appealed from: United States District Court for the Southern District of New York

Please check appropriate boxes:

Has movant notified opposing counsel (required by Local Rule 27.1):
☑ Yes ☐ No (explain):

Opposing counsel's position on motion:
☑ Unopposed ☐ Opposed ☐ Don't Know

Does opposing counsel intend to file a response:
☐ Yes ☐ No ☑ Don't Know

FOR EMERGENCY MOTIONS, MOTIONS FOR STAYS AND INJUNCTIONS PENDING APPEAL:

Has request for relief been made below? ☐ Yes ☐ No

Has this relief been previously sought in this Court? ☐ Yes ☐ No

Requested return date and explanation of emergency:

Is oral argument on motion requested? ☐ Yes ☑ No (requests for oral argument will not necessarily be granted)

Has argument date of appeal been set? ☐ Yes ☑ No If yes, enter date:

Signature of Moving Attorney:
/s/ Daniel M. Petrocelli **Date:** January 31, 2017 Service by: ☑ CM/ECF ☐ Other [Attach proof of service]

15-1164

In The
United States Court of Appeals
For the Second Circuit

FLO & EDDIE, INC., A CALIFORNIA CORPORATION, INDIVIDUALLY AND ON BEHALF OF ALL OTHERS SIMILARLY SITUATED,

Plaintiff-Appellee,

v.

SIRIUS XM RADIO INC., A DELAWARE CORPORATION,

Defendant-Appellant,

DOES 1 THROUGH 10,

Defendants.

On Appeal from the United States District Court
for the Southern District of New York

Motion for Permission to File Supplemental Letter Brief

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Appellant Sirius XM Radio Inc. ("Sirius XM") respectfully requests permission to file the attached supplemental letter brief in response to Appellee Flo & Eddie, Inc.'s ("Flo & Eddie") January 17, 2017 letter brief and January 26, 2017 proposed supplemental letter brief. Sirius XM does not believe that supplemental briefing beyond the parties' January 17, 2017 letter briefs is necessary, and thus opposes Flo & Eddie's motion for permission to file its January 26, 2017 letter brief. *See* Doc. 219-1. In the event that the Court grants Flo & Eddie's motion, however, Sirius XM requests that the Court grant this motion and consider its supplemental letter brief as well. Flo & Eddie does not oppose this motion.

Dated: January 31, 2017

By: /s/ Daniel M. Petrocelli

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VIA ECF

Ms. Catherine O'Hagan Wolfe, Clerk of Court
United States Court of Appeals for the Second Circuit
40 Foley Square
New York, NY 10007

Re: *Flo & Eddie, Inc. v. Sirius XM Radio Inc.*, No. 15-1164

Dear Ms. Wolfe:

Sirius XM respectfully submits this supplemental letter brief in response to Flo & Eddie's January 17, 2017 letter brief and January 26, 2017 supplemental letter brief. The New York Court of Appeals squarely held that there is no performance right in pre-1972 recordings under New York law. Yet Flo & Eddie asserts that it somehow prevailed before that Court, and that this Court must therefore affirm the district court's grant of summary judgment on its unfair competition and reproduction claims. There is no basis for this contention. As this Court and the district court recognized, Flo & Eddie's unfair competition claim is predicated on the existence of a performance right—precisely the right the New York Court of Appeals rejected. Flo & Eddie's reproduction claims have not only been mooted by the parties' settlement—which requires dismissal of those claims and makes clear the parties have no financial stake in their resolution—but necessarily fail on the merits, because the creation of internal copies to facilitate lawful performances constitutes fair use. Because the performance claims fail on the merits, and

the reproduction claims are either moot or meritless, there is no need for the Court to address Sirius XM's Commerce Clause argument—although if the Court believes any of Flo & Eddie's claims survive the Court of Appeals' ruling, it should dismiss them on this alternative ground.

Flo & Eddie's Performance Claims Fail. Flo & Eddie does not dispute that its copyright-based performance claim fails based on the Court of Appeals' ruling, but insists that its unfair competition claim survives because (Flo & Eddie says) unfair competition law is "broad." Doc. 215 at 7. That may be true, but it is certainly not broad enough to save Flo & Eddie's claim. Flo & Eddie has no response to the well-established principle of New York law that a plaintiff must possess a cognizable property right or interest to establish an unfair competition claim. Doc. 216 at 7-8. And indeed, the Court of Appeals has held in the specific context of pre-1972 recordings that a plaintiff must establish ownership of "a valid copyright"—here, a performance right—as a precondition to an unfair competition claim. *Capitol Records, Inc. v. Naxos of America, Inc.*, 4 N.Y.3d 540, 563 (2005).[1]

That is why, contrary to Flo & Eddie's misdirection, the question this Court certified and the Court of Appeals answered was *not* limited to copyright-based performance claims, but broadly asked whether there is *any* "right of public performance for creators of sound recordings under New York law." Doc. 216 at 4-5, 7. It is why this Court, the district court, and (until now) Flo & Eddie all made clear that the copyright and unfair-competition performance claims rise and fall together. And it is why the Court of Appeals' statement that parties like Flo &

[1] Flo & Eddie cites *Lone Ranger TV, Inc. v. Program Radio Corp.*, 740 F.2d 718 (9th Cir. 1984), a Ninth Circuit case interpreting California law, for the proposition that "copyright infringement and unfair competition claims are not coextensive." Doc. 215 at 8. That is true—an unfair competition claim in this context requires copyright infringement *and* unfair competition. But that hardly helps Flo & Eddie, which cannot make the predicate showing of copyright ownership.

Eddie *might* have valid unfair competition claims in some circumstances—for example, where they can show unlawful reproduction, *id*. at 9-10—obviously does not mean that Flo & Eddie *does* have a valid unfair competition claim here, which would vitiate the Court of Appeals' lengthy opinion and overrule decades of precedent requiring a copyright as a precondition to an unfair competition claim.

Flo & Eddie's Reproduction Claims Fail And Are Moot. Flo & Eddie's assertion that its reproduction claims are not moot is demonstrably wrong. Flo & Eddie admits that, no matter how this Court resolves those claims, it is obliged to dismiss them with prejudice following remand to the district court. *See* Doc. 216, Att. A § III(B); Doc. 215 at 9-11; Doc. 219-2 at 2-3.

Nor does this Court's resolution of those claims impact Flo & Eddie's compensation under the settlement agreement. The agreement's contingent compensation provisions turn on two issues: the "Performance Right Issue" and the "Commerce Clause Issue." *See* Doc. 216, Att. A § II(J) ("The Parties agree that a bona fide justiciable dispute remains as to the Performance Right Issue and the Commerce Clause Issue"); *see also id.* §§ III, IV(B). Flo & Eddie argues that its reproduction claims affect resolution of the "Performance Right Issue," but that is wrong. Under the agreement, Sirius XM prevails on the "Performance Right Issue" in this and other appeals if "as a result of the appeal, Sirius XM is entitled to publicly perform Pre-1972 Sound Recordings owned by [Flo & Eddie] without having to obtain permission from and pay compensation to [Flo & Eddie]." *Id.* § I(A)(45). Flo & Eddie's reproduction claims are entirely irrelevant to that question—regardless of whether Sirius XM's incidental copies of its pre-1972 recordings constitutes fair use, a ruling in Sirius XM's favor on the performance claims means that Sirius is "entitled to publicly perform" those recordings.

Even if the reproduction claims were not moot, the Court of Appeals' ruling compels dismissal on the merits of those claims as well. As explained more fully in Sirius XM's appellate briefs, Doc. 39 at 45-48, Doc. 121 at 32-36, the principal fair use inquiry is "whether the secondary use usurps the market of the original work." *NXIVM Corp. v. Ross Inst.*, 364 F.3d 471, 482 (2d Cir. 2004). Here, Sirius XM's library copies—which can never be downloaded, streamed, or otherwise accessed by the public—have *no* effect on the market for Flo & Eddie's recordings, let alone a usurping effect, and constitute fair use as a matter of law.

Indeed, this Court has already concluded that "the certified question is determinative of [Flo & Eddie's] copying claims," which are "bound up with whether the ultimate use of the internal copies is permissible." Doc. 189 at 8 n.4; *accord* SPA55 (district court); *Flo & Eddie, Inc. v. Sirius XM Radio Inc.*, 2015 WL 3852692, at *6 (S.D. Fla. June 22, 2015) (Sirius XM's internal copies constitute fair use). Flo & Eddie offers no basis to alter that obvious conclusion.

The Commerce Clause Question Is Moot. As set forth in Sirius XM's previous letter, the Court of Appeals' ruling renders the Commerce Clause question moot, because that question would only matter if there were a performance right under New York law. If the Court were to conclude that any of Flo & Eddie's claims remain viable, then it must address that question, and should hold that it would violate the Commerce Clause to apply a New York performance right—whether labeled a copyright claim, unfair competition claim, performance claim, or reproduction-and-distribution-via-performance claim—to Sirius XM's nationally uniform radio broadcasts. *See* Doc. 39 at 48-60; Doc. 121 at 25-31. The Court of Appeals' ruling only confirms why application of such a right to Sirius XM would violate the Commerce Clause under the *per se* and *Pike* tests.

Applying a New York performance right to Sirius XM would have the "practical effect" of "control[ling] conduct beyond the boundaries of the State" and thus *per se* violate the Commerce Clause. *NCAA v. Miller*, 10 F.3d 633, 638 (9th Cir. 1993). As the Court of Appeals confirmed, Sirius XM provides "coast-to-coast satellite coverage" and is "require[d]" by the FCC to broadcast uniformly nationwide. Doc. 207 at 36. Application of a New York performance right to Sirius XM would therefore project New York law into every state. The Court of Appeals purposefully avoided the Constitutional and practical "difficulties" that could result if each state "were to separately determine the existence and scope of a common-law right of public performance" under any legal theory. *Id.*

Applying a New York performance right to Sirius XM would also violate the *Pike* balancing test. Flo & Eddie claims that the Court of Appeals "eliminat[ed] the supposed parade of horribles," *cf.* Doc. 215 at 11, but the opposite is true—that Court spent many pages detailing the widespread problems that would result from application of a common law performance right. *See* Doc. 207 at 30-37.[2] Any possible New York-specific interest in creation of such a right would be far outweighed by the substantial burden on interstate commerce.

[2] *See also, e.g.*, *id.* at 30-31 ("necessary to have a central agency or clearinghouse … to maintain a record of ownership rights in sound recordings"), 31 ("composer could lose royalties," "public will … be deprived of this music," and "artists will be deprived of" revenues from "record sales and from live concerts, festivals and merchandise"), 33 (need to "create a structure of rules to properly guide the application of that right"), 33-34 (need to clarify if right applies to all "different media or types of services," including performances at "museums or schools"), 36 (need to "provide a means of determining reasonable rates and royalty payments, including a dispute resolution system"), and 36-37 ("difficulties" from states potentially reaching "different results" while "shar[ing] radio airwaves").

Respectfully submitted,

/s/ Daniel M. Petrocelli

Daniel M. Petrocelli
O'MELVENY & MYERS LLP

cc: All Counsel

Nikki Kustok

From: cmecf@ca2.uscourts.gov
Sent: Tuesday, January 31, 2017 4:10 PM
To: Nikki Kustok
Subject: 15-1164 Flo & Eddie, Inc. v. Sirius XM Radio, Inc. "Motion FILED to file supplemental brief"

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Court of Appeals, 2nd Circuit

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Case Name: Flo & Eddie, Inc. v. Sirius XM Radio, Inc.
Case Number: 15-1164
Document(s): Document(s)

Docket Text:
MOTION, to file supplemental brief, on behalf of Appellant Sirius XM Radio, Inc., FILED. Service date 01/31/2017 by CM/ECF. [1959216] [15-1164]

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