


Fall 2016

Flo & Eddie, Inc. V. Sirius XM Radio, Inc.: Will Terrestrial Radio and Pre-1972 Sound Recordings Remain “Happy Together”?, 50 J. Marshall L. Rev. 191 (2016)

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*FLO & EDDIE, INC. V. SIRIUS XM RADIO,
INC.: WILL TERRESTRIAL RADIO AND
PRE-1972 SOUND RECORDINGS REMAIN
“HAPPY TOGETHER”?*

KYLE PRILLAMAN*

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I. INTRODUCTION

The famous American author Mark Twain once stated that “[o]nly one thing is impossible for God: to find any sense in any copyright law on the planet.”¹ Although Mark Twain is well known

* J.D. Candidate, The John Marshall Law School, Chicago, 2017; B.A., University of Illinois, Urbana-Champaign, 2010. This comment was generally inspired by my passion for playing and recording music. I would to thank my wife, Eleni Prillaman, for her unending support and for contributing her extensive knowledge of the radio industry. I would also like to thank my family for their support, and specifically my father, attorney Roger Prillaman, for bringing this issue to my attention.

1. Directory of Mark Twain's Maxims, Quotations, and Various Opinions, www.twainquotes.com/Copyright.html (last accessed Nov. 26, 2015) (providing a collection of amusing quotes from Mark Twain regarding his frustration with copyright law and legal system in general: “They always talk handsomely about the literature of the land... And in the midst of their enthusiasm they turn

for penning satirical quotes, perhaps his cynical view on copyright law holds some truth. After all, the history of American copyright law is fraught with complexity and confusion, as the courts and Congress have struggled to keep pace with the onslaught of technological advancements affecting copyright law.² In recent times, this struggle is most apparent in a series of lawsuits brought against Sirius XM Radio concerning public performance rights for authors of pre-1972 sound recordings.³ At the forefront of these lawsuits are plaintiffs Flo & Eddie, a pair of musicians who fronted The Turtles, a popular American rock band in the 1960s. Although Flo & Eddie may no longer be releasing hit singles, they are poised to make a deep and lasting impression on the music industry.⁴

The Turtles achieved the height of their commercial success in 1967 with the number one hit single “Happy Together.”⁵ Although the group disbanded in 1970, the group’s two lead vocalists, Howard Kaylan and Mark Volman, continued to perform The Turtles’ music with a new group called “Flo & Eddie.”⁶ Kaylan and Volman also formed the corporate entity Flo & Eddie, Inc., which purchased all of The Turtles master sound recordings in 1971.⁷ Over the next forty years, Flo & Eddie, Inc. licensed the rights to The Turtles’ sound recordings for various commercial uses, but never expressly licensed the rights to publicly perform the sound recordings to any terrestrial or digital radio stations.⁸

around and do what they can to discourage it.” - Speech in Congress, 1906; “Whenever a copyright law is to be made or altered, then the idiots assemble.” *Mark Twain’s Notebook*, 1902-1903; “Lawyers are like other people--fools on the average; but it is easier for an ass to succeed in that trade than any other.” quoted in *Sam Clemens of Hannibal*, Dixon Wecter).

2. See *Capitol Records, Inc. v. Naxos of Am., Inc.*, 4 N.Y.3d 540, 555 (2005) (discussing Congress’s motivations for passing the Sound Recording Amendment Act in 1971).

3. *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, No. CV 13-5693 PSG (RZx), 2014 U.S. Dist. LEXIS 139053 (C.D. Cal. Sept. 22, 2014); *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 62 F. Supp.3d 325 (S.D.N.Y. 2014); *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, Case No. 13-23182-CIV, 2015 U.S. Dist. LEXIS 80535 (S.D. Fla. June 22, 2015).

4. *Id.*

5. See John Bush, *The Turtles Biography*, ALL MUSIC, www.allmusic.com/artist/the-turtles-mn0000564239/biography, (last visited Oct. 18, 2015) (providing a comprehensive biography of The Turtles, including the following interesting facts: The group was initially called “The Tyrtles”, which was an homage to “The Byrds”; the groups first hit single was a cover of the Bob Dylan song “It Ain’t Me Babe”; the group had three more top ten hit singles in besides “Happy Together”; although the group disbanded in 1970, the two lead vocalists Howard Kaylan and Mark Volman would go on to play with Frank Zappa’s Mother of Invention and later would form the group Flo & Eddie).

6. *Id.*

7. See *Flo & Eddie*, 2014 U.S. Dist. LEXIS 139053, at *1-2 (reviewing the historical background for how Flo & Eddie, Inc. came to own The Turtles’ master recordings).

8. *Id.*

In 2014, Flo & Eddie brought a class action suit against Sirius XM Radio, Inc. in the Central District of California, alleging that Sirius XM had infringed upon Flo & Eddie's exclusive right to publicly perform The Turtles' pre-1972 sound recordings.⁹ However, federal copyright law does not provide sound recording copyright owners the exclusive right of public performance.¹⁰ Rather, due to a loophole in federal copyright law that allows state law to govern sound recordings made prior to February 15, 1972, Flo & Eddie were able to bring its claim under California copyright law.¹¹ After Flo & Eddie were granted summary judgment by the California District Court, they filed similar lawsuits against Sirius XM in New York and Florida District Courts.¹² The court in New York also granted summary judgment for Flo & Eddie while the Florida District Court granted summary judgment for Sirius XM.¹³

Although Sirius XM is classified as a digital radio broadcaster, the courts' rulings in California and New York have been interpreted as exposing terrestrial (AM/FM) radio stations to the same liability as Sirius XM.¹⁴ With potential damages in the hundreds of millions of dollars, the terrestrial radio industry has

9. See Kevin Goldberg, *New Hope for Old Performance Right Holders*, COMMLAWBLOG, (Sept. 26, 2014) www.commlawblog.com/2014/09/articles/broadcast/new-hope-for-old-performance-right-holders/ (providing an extensive overview of the various lawsuits brought by Flo & Eddie, Inc. against digital broadcasters, including Sirius XM, and explaining that the basis for Flo & Eddie's claim is a loophole in federal copyright law which excludes pre-1972 sound recordings from federal protection); Flo & Eddie sued on behalf of a class, consisting of owners of sound "[r]ecordings fixed prior to February 15, 1972 . . . which have been performed, distributed, reproduced, or otherwise exploited by Sirius XM . . . without a license or authorization to do so from August 21, 2009 to August 21, 2016." *Class Notice*, PRE 1972 SOUND RECORDINGS (June 16, 2016), www.pre1972soundrecordings.com/docs/notice.pdf. Furthermore, the performance, distribution, or reproduction must have taken place in one of the states in which Flo & Eddie filed suit, which was California, New York, or Florida. See *id.* (providing notice for class members who own sound recordings that were performed, distributed, or reproduced in California).

10. Goldberg, *supra* note 9.

11. *Id.*

12. *Id.*

13. *Id.*

14. See Kevin Goldberg, *Broadcasters Now in the Sights of Pre-1972 Performance Right Holders*, COMMLAWBLOG, (Aug. 23, 2015), www.commlawblog.com/2015/08/articles/broadcast/broadcasters-now-in-the-sights-of-pre-1972-performance-right-holders/ (providing that some sound recording copyright owners have already brought action against terrestrial radio stations in California based on the holding of *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*; for example, "ABS Entertainment (which claims to hold exclusive rights to recordings by, among others, Al Green, Otis Clay and Willie Mitchell) has filed separate class action lawsuits in the United States District Court for the Central District of California against three of the biggest radio broadcasters in the country – CBS, iHeartMedia and Cumulus Media – seeking damages in excess of \$5 million from each. Most ominously for broadcasters, the complaints are based on the defendants' delivery of music content not only through the Internet and mobile devices, but also *over the radio.*").

become concerned with the possibility of future litigation.¹⁵ To make matters worse for the terrestrial radio industry, the “Fair Play, Fair Pay Act” is currently pending in Congress, which if passed would prospectively require terrestrial radio stations to pay performance fees to all sound recording copyright owners.¹⁶

Section II of this comment will provide a historical review of copyright protection for sound recordings, providing context for Congress’s exclusion of pre-1972 sound recordings from federal copyright protection. Section II will also explain the current state of copyright protection for sound recordings and the differences between digital and terrestrial radio. Section III of this comment will analyze the three separate lawsuits brought by Flo & Eddie against Sirius XM, revealing how pre-1972 sound recording copyright owners may have standing to bring similar lawsuits against terrestrial radio stations. Section III will also examine the Fair Play Fair Pay Act of 2015, which if passed would require both terrestrial and digital radio stations to pay performance fees for broadcasting pre and post-1972 sound recordings. Finally, Section IV will propose that Congress should provide pre-1972 sound recordings with the same scope of protection as post-1972 sound recordings. Section IV will conclude that terrestrial radio stations should not be required to pay sound recording performance fees for broadcasting pre-1972 sound recordings.

II. BACKGROUND

Part A of this Section provides a brief historical background of copyright protection for musical works, focusing on the development of copyright protection for sound recordings. Part B explains the current state of copyright protection for sound recordings, including the exclusion of pre-1972 sound recordings from federal copyright protection. Finally, Part C explores the pertinent differences between digital radio stations, such as Sirius XM, and terrestrial radio stations.

15. See Ben Sisario, *SiriusXM Settles Royalty Dispute Over Old Recordings*, N.Y. TIMES, (June 26, 2015), www.nytimes.com/2015/06/27/business/sirius-xm-settles-royalty-dispute-over-old-recordings.html?_r=0 (reporting that Sirius XM recently settled a similar class action law suit regarding performance fees for pre-1972 sound recordings in California state court for \$210 million).

16. See Ed Christman, *'Fair Play, Fair Pay Act' Introduced, Seeks Cash from Radio Stations*, BILLBOARD, (Apr. 13, 2015, 4:44 PM), www.billboard.com/articles/business/6531693/fair-play-fair-pay-act-performance-royalty-radio (providing an overview of the proposed “Fair Play, Fair Pay” Act and explaining the possible implications it proposes for the terrestrial radio industry).

A. *The Development of Copyright Protection for Sound Recordings*

Similar to many legal philosophies in the United States, copyright law ultimately owes its existence to English common law.¹⁷ Before the Revolutionary War, the American Colonies generally applied English copyright law protecting the rights of authors and publishers.¹⁸ As the colonies transitioned into independent states, there was intense pressure from the Continental Congress and individual authors for state legislatures to create statutory copyright laws modeled after English law.¹⁹ By 1786, twelve of the thirteen states had created statutory copyright laws providing literary authors at least fourteen years of protection from the date of first publication.²⁰ This system of state administered copyright protection persisted until the adoption of the United States Constitution.²¹

The Drafters of the Constitution quickly came to the conclusion that a unified system of federal copyright protection was preferable

17. See *Capitol Records*, 4 N.Y.3d at 546-540 (discussing the origins of copyright law as a background for the Court's analysis of present day state common law copyright protection of pre-1972 sound recordings; the Courts historical review starts with the invention of the printing press in England in the 15th century, noting that it was not the authors or publishers of printed material who sought copyright protection, but rather the Crown, which planned to use copyright law as a way to censor printed publications; the Court continues to describe how England developed a more legitimate form of copyright protection with the Statute of Anne in 1709, which "broadened the concept of copyrights to include the ability of an author to decide whether a literary work would be published and disseminated to the public (referred to as the "right of first publication") and, if distributed, how the work would be reproduced in the future. The Statute of Anne vested an author or publisher of a literary work with statutory copyright protection for specified time periods--new works received 14 years of copyright protection (with the possibility of a 14-year renewal) and previously published works were entitled to 21 years of protection."; the Court further discusses how several American states used the Statute of Anne as a model when drafting statutory copyright law prior to the adoption of the United States Constitution).

18. *Id.*

19. See Thomas B. Nachbar, *Constructing Copyright's Mythology*, 6 GREEN BAG 2d 37, 38 (2002) (discussing how the 18th Century American author named Noah Webster led a lobbying effort to convince the state legislatures to pass statutory copyright laws; Noah's primary motivation for the lobbying effort was to secure copyright protection for his three volume text titled "the Grammatical Institute"; although Noah claimed that his lobbying effort was the driving force behind the majority of the states passing statutory copyright laws, it is well known that Noah was not the only party interested in such an outcome, and the role played by the Continental Congress was certainly a contributing factor).

20. *Id.*

21. *Capitol Records*, 4 N.Y.3d at 550. (explaining that while the states passed statutory copyright laws prior to the adoption of the United State's Constitution, many states also had a common law system of copyright protection in place to protect the work of authors).

to a system of copyright protection administered by the individual states.²² As a result, the Founders included the “Copyright and Patent Clause” in the Constitution, giving Congress the power “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”²³ Shortly after the adoption of the Constitution, Congress passed the Copyright Act of 1790, awarding authors of maps, charts, and books the exclusive right to reproduction and distribution of their works.²⁴ Although the Copyright Act of 1790 was limited in the types of works it protected, the scope of federal copyright protection gradually expanded through the legislative process and the courts.²⁵ However, up until the early 20th century, both Congress and the courts declined to address whether federal copyright protection could be extended beyond communications of the “written word.”²⁶

In *White-Smith Music Pub. Co. v. Apollo Co.*, 209 U.S. 1 (1908), the United States Supreme Court addressed whether federal copyright law covered perforated music rolls used in player pianos.²⁷ “Although acknowledging that the Copyright Act of 1790 had been amended as far back as 1831 to include “musical composition[s],” the Court believed that only written works that could be “see[n] and read” met the requirement for filing with the Library of Congress--a prerequisite to securing federal copyright protection.”²⁸ The Court concluded that music rolls, and by

22. *Id.*

23. U.S. CONST. art. I, § 8, cl 8.

24. Melanie Jolson, Comment, *Business and Technology: Congress Killed the Radio Star: Revisiting the Terrestrial Radio Sound Recording Exemption in 2015*, 2015 COLUM. BUS. L. REV. 764, 770-771 (2015); Gary Pulsinelli, *Happy Together? The Uneasy Coexistence of Federal and State Protection for Sound Recordings*, 82 TENN. L. REV. 167, 172 (2014).

25. Pulsinelli, *supra* note 24, at 172.

26. See Brian G. Shaffer, Comment, *Sirius XM Radio, Inc., Defendant: The Case for a Unified Federal Copyright System for Sound Recordings*, 35 PACE L. REV. 1016, 1018 (2015) (providing that all federal copyright statutes up until the early 1900s were “created with sole reference to the written word”, and therefore the courts found federal copyright statutes inapplicable to musical works other than sheet music).

27. See *White-Smith Music Pub. Co. v. Apollo Co.*, 209 U.S. 1 (1908) (discussing how a work must be “seen and read” in order to be covered by federal copyright protection, the Court provided the following explanation as to why perforated player pianos rolls were not protected: “The fact is clearly established in the testimony in this case that even those skilled in the making of these rolls are unable to read them as musical compositions, as those in staff notation are read by the performer. It is true that there is some testimony to the effect that great skill and patience might enable the operator to read his record as he could a piece of music written in staff notation. But the weight of the testimony is emphatically the other way, and they are not intended to be read as an ordinary piece of sheet music, which to those skilled in the art conveys, by reading, in playing or singing, definite impressions of the melody.”); see also *Capitol Records*, 4 N.Y.3d, at 552.

28. *Capitol Records*, 4 N.Y.3d at 552 (quoting *Apollo*, 209 U.S. at 17).

extension sound recordings, were not covered by federal copyright law.²⁹

In 1909 Congress passed a substantial revision of the Copyright Act of 1790.³⁰ Based on the Supreme Court's decision in *White-Smith*, Congress decided that sound recordings could not be "published," which at the time was a requirement for federal copyright protection. Thus, sound recordings were excluded from federal copyright protection under the 1909 Copyright Act.³¹ However, Congress specifically stated that the Act, "shall [not] be construed to annul or limit the right of the author or proprietor of an unpublished work, at common law or in equity, to prevent the copying, publication, or use of such unpublished work without his consent, and to obtain damages therefor."³² Thus, the individual states were given the power to protect sound recordings through statutory and common law.³³ Following the Copyright Act of 1909, the supreme courts of Pennsylvania and New York held that sound recordings were covered by state common law copyright protection.³⁴ This system of exclusive state protection for sound recordings would persist until Congress was forced to reconsider the issue in 1971.³⁵

Since the passing of the Copyright Act of 1909, technological advancements and the development of copyright law in foreign countries caused Congress to become concerned with the states' ability to effectively administer copyright protection for sound recordings.³⁶ Specifically, Congress was concerned with technological advancements that allowed individuals to easily engage in the unauthorized copying and selling of sound recordings, also known as "music piracy."³⁷ In the early 1970s, Congress began considering a comprehensive revision of federal copyright law, but decided that music piracy needed to be addressed immediately.³⁸ Thus, in 1971 Congress passed the Sound Recording Amendment Act ("the 1971 Act"), providing federal statutory copyright protection for sound recordings.³⁹

29. *Id.*

30. See Shaffer, *supra* note 26, at 1018 (discussing how the Supreme Court's decision in *White-Smith Music Pub. Co. v. Apollo Co.* affected the Copyright Act of 1909).

31. *Id.* at 1019.

32. *Id.* at 1019 (quoting 17 U.S.C. § 2 (repealed 1978)).

33. Shaffer, *supra* note 26, at 1019.

34. See *id.* at 1019-1020 (discussing the Supreme Court of Pennsylvania's holding in *Waring v. WDAS Broad. Station*, 194 A. 631 (Pa. 1937) and the Supreme Court of New York's holding in *Metro. Opera Ass'n v. Wagner-Nichols Recorder Corp.*, 101 N.Y.S.2d 483 (Sup. Ct. 1950)).

35. *Id.* at 1020.

36. Pulsinelli, *supra* note 24, at 172.

37. See *Capitol Records*, 4 N.Y.3d at 555 (discussing Congress's motivations for passing the Sound Recording Amendment Act in 1971).

38. *Id.*

39. *Id.*; Sound Recording Amendment Act, Pub. L. No. 92-140, § 3, 85 Stat.

Although the 1971 Act generally brought sound recordings under the umbrella of federal copyright protection, the Act did not give authors of sound recordings a complete “bundle” of exclusive rights to their works.⁴⁰ Rather, the Act only conferred exclusive rights for reproduction, adaptation and distribution of sound recordings, with the exclusive right for public performance notably absent.⁴¹ Congress chose to exclude the exclusive right for public performance due to intense lobbying efforts from both the recording industry and the radio industry.⁴² The recording industry wanted Congress to protect sound recordings from music piracy.⁴³ However, the radio industry did not want to pay royalties for “publicly performing” music over the airwaves, arguing that the radio provided free promotion for the recording industry.⁴⁴ Therefore, 1971 Act was a compromise between the wishes of the recording and radio industries.⁴⁵

When drafting the 1971 Act, Congress decided that federal copyright protection for sound recordings would be prospective, covering sound recordings made after February 15, 1972.⁴⁶ In effect, this provision gave the states the exclusive authority to provide copyright protection for pre-1972 sound recordings.⁴⁷ However, there was a debate between the House and the Senate as to how long pre-1972 sound recordings should be exclusively protected by the states.⁴⁸ While the Senate was satisfied with allowing the states to indefinitely protect pre-1972 sound recordings, the House wanted to set a date at which federal copyright law would pre-empt the states exclusive protection of pre-1972 sound recordings.⁴⁹ Eventually the House prevailed, with the 1971 Act providing that federal copyright law would pre-empt any and all state copyright law protecting pre-1972 sound recordings on February 15, 2047.⁵⁰ Although the 1971 Act was a major revision of federal copyright law

391, 392 (1971).

40. See Steve Gordon & Anjana Puri, *The Current State of Pre-1972 Sound Recordings: Recent Federal Court Decisions in California and New York Against Sirius XM Have Broader Implications Than Just Whether Satellite and Internet Radio Stations Must Pay for Pre-1972 Sound Recordings*, 4 N.Y.U. J. OF INTELL. PROP. & ENT. LAW 336, 342 (2015) (discussing the types of exclusive rights given to authors of sound recordings by the 1971 Sound Recording Amendment Act and how the lobbying efforts of the recording and radio industry influenced Congress to exclude the exclusive right of public performance for the owners of sound recording copyrights).

41. *Id.*

42. *Id.*

43. *Id.*

44. *Id.*

45. *Id.*

46. *Capitol Records*, 4 N.Y.3d at 555-556.

47. *Id.*

48. *Id.*

49. *Id.*

50. *Id.* at 556.

and its application to sound recordings, Congress would revisit the topic just five years later with the Copyright Act of 1976.⁵¹

B. Current Copyright Protection for Sound Recordings

The Copyright Act of 1976 (“the 1976 Act”) was the result of Congress’s growing concern that federal copyright law had become unmanageable.⁵² The 1976 Act created a “unitary system of copyright” and proved to be the most significant revision of federal copyright law since the original 1790 Copyright Act.⁵³ Although the 1976 Act simply reaffirmed much of the 1971 Act, the 1976 Act further clarified and solidified the scope of federal copyright protection for sound recordings.⁵⁴

Under the 1976 Act, a recorded song is protected by one copyright for the musical composition and another copyright for the sound recording.⁵⁵ The United States Copyright Office provides the following definition of a musical composition:

A Musical Composition consists of music, including any accompanying words, and is normally registered as a work of performing arts. The author of a musical composition is generally the composer and the lyricist, if any. A musical composition may be in the form of a notated copy (for example, sheet music) or in the form of a phonorecord (for example, cassette tape, LP, or CD).⁵⁶

Additionally, the United States Copyright Office provides that, “[a] Sound Recording results from the fixation of a series of musical, spoken, or other sounds. The author of a sound recording is the performer(s) whose performance is fixed, or the record producer who processes the sounds and fixes them in the final recording, or both.”⁵⁷ In short, a composition copyright protects the music and lyrics, which can be displayed on sheet music, while a sound recording copyright protects a specific performance of a musical

51. See generally *id.*; Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 254 (1976) (codified as amended in scattered sections of 17 U.S.C.).

52. Jay Mason All, *Again, From the Top! The Continuing Pursuit of a General Public Performance Right in Sound Recordings*, 22 ALB. L.J. SCI. & TECH. 1, 12-13 (2012).

53. Eva E. Subotnik & June M. Besek, *Constitutional Obstacles? Reconsidering Copyright Protection for Pre-1972 Sound Recordings*, 37 COLUM. J.L. & ARTS 327, 330 (2014); Payton McCurry Bradford, *Comment, (Don't) Give It Up or Turnit a Loose: State Law Copyright Protection of Pre-1972 Sound Recordings in Blank-Slate Jurisdictions Like Georgia*, 49 GA. L. REV. 819, 827 (2015).

54. Bradford *supra* note 53, at 829.

55. See 17 U.S.C. § 102(a) (2012) (providing that federal copyright protection is provided for “musical works, including any accompanying words” and “sound recordings”).

56. *Copyright Registration of Musical Compositions and Sound Recordings*, UNITED STATES COPYRIGHT OFFICE, www.copyright.gov/register/pa-sr.html (last visited Sept. 9, 2015).

57. *Id.*

work that has been “fixed” in the form of a recording.⁵⁸ The distinction between a musical composition copyright and a sound recording copyright is important because each copyright provides its owner(s) with a different set of exclusive rights.⁵⁹

Under the 1976 Act, the owners of composition copyrights are given exclusive rights to reproduce the work, prepare derivative works, distribute copies, perform the work publicly, and display the work publicly.⁶⁰ These exclusive rights are the copyright owner’s “bundle of rights.”⁶¹ As for sound recordings, Congress chose to reaffirm the 1971 Act, granting the same “bundle of rights” as compositions, with the exception of the exclusive right to perform the work publicly.⁶²

Under the 1976 Act, Congress defined two ways in which a copyrighted work can be publicly performed.⁶³ The first is “to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered.”⁶⁴ The second is “to transmit or otherwise communicate a performance . . . of the work to . . . the public, by means of any device or process.”⁶⁵ Thus, a

58. See generally *Flo & Eddie*, 62 F. Supp.3d at 335-36 (discussing the difference between composition and sound recording copyrights).

59. *Id.*; 17 U.S.C. § 106 (2012).

60. 17 U.S.C. § 106 (2012). It is important to note that the term “musical” works in § 106 refers to compositions and clause (6) was added by The Digital Performance Right in the Sound Recordings Act of 1995; The entire section reads as follows: “Subject to sections 107 through 122 [17 USCS §§ 107 through 122], the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
- (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.”).

Id.

61. *Id.*

62. *Id.*

63. Jolson, *supra* note 24, at 777.

64. 17 U.S.C. § 101 (2012).

65. *Id.*

musical composition and/or sound recording is publicly performed when a song is played by a band in front of a crowd, such as at a music venue, or when a recorded song is played over the radio or a jukebox.⁶⁶

In order to comply with the 1976 Act, a license must be acquired from the musical composition copyright owner before a copyrighted song is publicly performed.⁶⁷ Without a license, the party publicly performing the song will be infringing upon the composition copyright owner's exclusive right of public performance and may be held liable for damages.⁶⁸ Conversely, a party generally does not need to acquire a license from a sound recording copyright owner before publicly performing a copyrighted recording of a song because the 1976 Act does not grant sound recording copyright owners the exclusive right of public performance.⁶⁹ However, there are two exceptions to this general rule.⁷⁰

Similar to the 1971 Act, the 1976 Act excludes pre-1972 sound recordings from federal protection.⁷¹ The 1976 Act expressly provides that the states may individually govern pre-1972 sound recordings until federal law preempts it in 2067.⁷² Therefore, the states may decide to grant pre-1972 sound recording copyright owners the exclusive right of public performance, even though this would not align with the 1976 Act.⁷³

In 1995, Congress passed the Digital Performance Rights in Sound Recordings Act (DPRA), granting the owners of sound

66. See Jolson, *supra* note 24, at 777 (providing examples for the definitions of public performance set forth in 17 U.S.C. § 101).

67. See Pulsinelli, *supra* note 24, at 178 (discussing when a license is needed in order to publicly perform a copyrighted work).

68. *Id.*

69. See 17 U.S.C. § 106 (providing that sound recording copyright owners do not have the exclusive right to publicly perform their works).

70. 17 U.S.C. § 301(c) (2012); see also *Capital Records*, 4 N.Y.3d at 557 (explaining when a license must be acquired from a sound recording copyright owner).

71. See 17 U.S.C. § 301(c) (providing that, "With respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this title until February 15, 2067. The preemptive provisions of subsection (a) shall apply to any such rights and remedies pertaining to any cause of action arising from undertakings commenced on and after February 15, 2067. Notwithstanding the provisions of section 303 [17 USC § 303], no sound recording fixed before February 15, 1972, shall be subject to copyright under this title before, on, or after February 15, 2067.").

72. See 17 U.S.C. § 301(c) (Congress decided to extend the date set by the 1971 Act for federal preemption from 2047 to 2067).

73. See *Capital Records*, 4 N.Y.3d at 557 (discussing how the states may define what constitutes "publication" for pre-1972 sound recordings, even if it does not align with federal copyright law; if the states are able to define what constitutes publication contrary to federal law, the states may also provide the exclusive right of public performance for the owners of sound recording copyrights, even if this is inconsistent with federal law).

recording copyrights the exclusive right of public performance via “on demand” digital broadcasts.⁷⁴ Just three years after the DPRA, Congress passed the Digital Millennium Copyright Act (DMCA), which extended sound recording copyright owners the exclusive right to broadcast their sound recordings via “non-interactive non-subscription services,” such as Internet and satellite radio stations.⁷⁵ As a result, digital music broadcasters must pay “performance fees” for the public performance of sound recordings.⁷⁶ It should be noted that the DPRA and DMCA only apply to public performances via digital broadcasters, and in no way affect the broadcast of sound recordings via terrestrial radio.⁷⁷ Furthermore, both the DPRA and the DMCA only apply to post-1972 sound recordings, as the 1976 Act specifically excludes pre-1972 sound recordings from federal copyright protection.⁷⁸

C. *The Difference Between Digital and Terrestrial Radio Stations*

In the 1920s, terrestrial radio (AM/FM radio) was just beginning to gain traction as a new medium of mass communication.⁷⁹ Originally, most terrestrial radio stations were commercial free, funded by the manufactures of radio receivers or the department stores that sold radio receivers.⁸⁰ However, in 1923, many terrestrial radio stations started selling commercial airtime to businesses, ushering in the age of commercial radio.⁸¹ With the advent of the television in the 1950s, radio became less lucrative as an advertising platform.⁸² However, the radio industry has remained viable, presently accounting for seven percent of advertising revenue in the United States.⁸³ Although the radio industry as a whole has remained economically stable, many smaller stations are currently struggling to make a profit.⁸⁴

74. All, *supra* note 52, at 14; Digital Performance Right in Sound Recordings Act of 1995, Pub. L. No. 104-39, 109 Stat. 336 (1995), *amended by* Digital Millennium Copyright Act of 1998, Pub. L. No. 105-304, 112 Stat. 2860, 2905 (1998) (codified at 17 U.S.C. § 114).

75. All, *supra* note 52, at 14; Digital Millennium Copyright Act of 1998, Pub. L. No. 105-304, 112 Stat. 2860, 2905 (1998) (codified at 17 U.S.C. § 114).

76. *Id.*

77. *Id.*

78. 17 U.S.C. § 301(c).

79. See MICHAEL C. KEITH, *THE RADIO STATION*, 5 (Anglina Ward et al. eds., 7th ed. 2007) (discussing the origins of terrestrial radio).

80. *Id.*

81. See *id.* (providing that the first ever paid announcement on terrestrial radio occurred in 1923 when WEAJ in New York aired a ten minutes advertisement for a Queens based real estate company).

82. *Id.* at 9-17.

83. *Id.*

84. *Id.* at 17.

Terrestrial radio stations are required to pay performance royalty fees to musical composition copyright owners for all songs played or “publicly performed” over the airwaves.⁸⁵ However, rather than negotiating a license and royalty rate with each individual copyright owner, radio stations acquire a blanket license from one or more of the three performing rights societies (PROs): American Society of Composers, Authors and Publishers (ASCAP), Broadcast Music, Inc. (BMI), and the Society of European State Authors and Composers (SESAC).⁸⁶ Terrestrial radio stations generally pay a percentage of their annual gross profits to one or more of the PROs for a blanket license.⁸⁷ The PROs then distribute the proceeds to musical composition copyright owners.⁸⁸ As previously mentioned, terrestrial radio stations do not pay royalties to sound recording copyright owners.⁸⁹

In the 1990s, a competitor to terrestrial radio emerged, broadcasting a digital signal via satellites directly to consumers across the country.⁹⁰ In 2001, satellite radio station Sirius XM started broadcasting nationwide.⁹¹ Satellite radio stations offer a superior listening experience due to the absence of commercials and a high fidelity digital broadcast signal.⁹² However, unlike terrestrial radio, satellite radio stations require that listeners pay a monthly subscription fee.⁹³ In addition to satellite radio stations such as Sirius XM, many digital radio stations broadcast via the Internet and cable TV providers.⁹⁴

Similar to terrestrial radio stations, digital radio stations must pay performance royalty fees to musical composition copyright owners through ASCAP, BMI, and SESAC.⁹⁵ However, due to the requirements set forth by the DPRA and the DMCA, digital radio stations must also pay royalties to sound recording copyright owners.⁹⁶ These royalties are collected and dispersed by an

85. *See Woods v. Bourne Co.*, 60 F.3d 978, 984 (2d Cir. 1995) (discussing how copyright owners collect payment for public performance of their works through the different performing rights organizations: ASCAP, BMI and SESAC).

86. *Id.* at 983-984; *see generally* *Broad. Music, Inc. v. Columbia Broad. Sys., Inc.*, 441 U.S. 1 (1979) (discussing blanket licenses issued by PROs and holding that such blanket licenses do not constitute illegal price fixing under the Sherman Act).

87. *Woods*, 60 F.3d at 984.

88. *Id.*

89. 17 U.S.C. § 106.

90. *See Keith*, *supra* note 79, at 31 (discussing the emergence of satellite radio and its impact on terrestrial radio).

91. *Id.*

92. *Id.*

93. *Id.*

94. *Id.* at 32.

95. *Music Royalties*, ROYALTY EXCHANGE, www.royaltyexchange.com/learn/music-royalties/ (last visited Oct. 11, 2015).

96. *See id.* (discussing how modern federal copyright law requires digital broadcasters to pay performance fees for the public performance of musical

organization called Sound Exchange, which operates independently of ASCAP, BMI, and SESAC.⁹⁷

III. ANALYSIS

Parts A, B, and C of this section analyze the lawsuits brought by Flo & Eddie against Sirius XM in California, New York, and Florida federal district courts. Part D explores the possible consequences of these cases for terrestrial radio stations, focusing on whether terrestrial stations could be exposed to the same liability as Sirius XM. Finally, part E analyzes the pending “Fair Pay, Fair Play Act”, which if passed would require terrestrial and digital radio stations to pay performance fees for pre and post-1972 sound recordings.

A. *Flo & Eddie Strike Gold in the Golden State*

Flo & Eddie brought its first lawsuit against Sirius XM in the Los Angeles Superior Court on August 1, 2013.⁹⁸ In its complaint, Flo & Eddie alleged violations of California Civil Code § 980(a)(2), California's Unfair Competition Law, conversion, and misappropriation.⁹⁹ Shortly after the complaint was filed, Sirius XM filed a notice of removal based on diversity jurisdiction and the case was removed to the U.S. District Court for the Central District of California.¹⁰⁰ Flo & Eddie subsequently moved for summary judgment, arguing that Sirius XM was liable for, “publicly performing Flo & Eddie's recordings by broadcasting and streaming the content to end consumers and to secondary delivery and broadcast partners.”¹⁰¹ Sirius XM did not dispute that it had publicly performed Flo & Eddie's pre-1972 sound recordings without first obtaining authorization.¹⁰² Therefore, the court's only task was to decide whether Flo & Eddie should be granted judgment as a matter of law.¹⁰³

compositions as well as sound recordings).

97. *Id.*

98. Noah Drake, *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.: Public Performance Rights for Pre-1972 Sound Recordings*, 6 CALIF. L. REV. 61, 65 (2015).

99. *Flo & Eddie*, 2014 U.S. Dist. LEXIS 139053, at *1-2.

100. *Id.*

101. Drake, *supra* note 98; *see also Flo & Eddie*, 2014 U.S. Dist. LEXIS 139053, at *4 (seeking summary judgment for all causes of action against Sirius XM, including a claim that Sirius XM had unlawfully copied Flo & Eddie's recordings in the course of broadcasting the recordings; however, as this paper is concerned exclusively with the issue of public performance, this claim will not be discussed).

102. *Flo & Eddie*, 2014 U.S. Dist. LEXIS 139053, at *6-7.

103. *Id.*

Whether Flo & Eddie were entitled to judgment as a matter of law rested squarely upon the court's interpretation of California Civil Code § 980(a) (2).¹⁰⁴ The statute, in relevant part, states that, "[t]he 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."¹⁰⁵ The statute only provides one exception to the author's exclusive ownership, permitting the "independent fixation of other sounds" to recreate the original sound recording.¹⁰⁶ This is colloquially referred to as making a "cover" of a recorded song.¹⁰⁷ Flo & Eddie argued that the "exclusive ownership" provision in the statute included the exclusive right of public performance.¹⁰⁸ Conversely, Sirius XM argued that the statute was ambiguous and did not convey the exclusive right of public performance.¹⁰⁹ After considering the statutory language and applicable case law, the court held that the statute unambiguously granted the owners of pre-1972 sound

104. *See id.* at *8-9 (discussing that 17 U.S.C. § 301 excludes pre-1972 sound recordings from federal protection and therefore Flo & Eddie's "rights to [its] recordings depend solely on whatever rights are afforded to sound recording owners under California law.").

105. *See* Cal. Civ. Code § 980 (providing the rights of authors of original works which are not governed by federal copyright law; the pertinent part of the statute reads as follows: "(1) The author of any original work of authorship that is not fixed in any tangible medium of expression has an exclusive ownership in the representation or expression thereof as against all persons except one who originally and independently creates the same or similar work. A work shall be considered not fixed when it is not embodied in a tangible medium of expression or when its embodiment in a tangible medium of expression is not sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration, either directly or with the aid of a machine or device. (2) The author of an original work of authorship consisting of a sound recording initially fixed prior to February 15, 1972, has an exclusive ownership therein until February 15, 2047, as against all persons except one who independently makes or duplicates another sound recording that does not directly or indirectly recapture the actual sounds fixed in such prior sound recording, but consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate the sounds contained in the prior sound recording.").

106. *Id.*

107. *See Flo & Eddie*, 2014 U.S. Dist. LEXIS 139053, at *13 (providing that, ". . . the Court's textual reading of § 980(a)(2), giving the words 'their usual and ordinary meaning and construing them in context[,] is that the legislature intended ownership of a sound recording in California to include all rights that can attach to intellectual property, save the singular, expressly-stated exception for making "covers" of a recording.").

108. *Id.*

109. *See id.* at *15-16 (discussing Sirius XM's claim that the statute was ambiguous, which relied on the legislative history of the statute; the court eventually held that the language of the statute was clear and unambiguous on its face and therefore the court need not consider such legislative history; however, the court note that the legislative history actually supported the inclusion of the exclusive right of public performance).

recordings the exclusive right of public performance.¹¹⁰ Based on this interpretation of the statute, the court granted summary judgment in favor of Flo & Eddie.¹¹¹

B. *Flo & Eddie Hit it Big in New York*

On August 16, 2013, Flo & Eddie filed a complaint against Sirius XM in the United States District Court for the Southern District of New York.¹¹² Similar to its complaint filed in California, Flo & Eddie alleged that Sirius XM was liable for the unauthorized public performance of its pre-1972 sound recordings under New York state law.¹¹³ However, unlike California, New York does not have any statutory law that enumerates the rights of sound recording copyright owners.¹¹⁴ Therefore, Flo & Eddie had to make its argument based on New York state common law.¹¹⁵ Sirius XM subsequently filed for summary judgment, arguing that there was a lack of New York case law which covered public performance rights for sound recordings.¹¹⁶ The court disagreed, holding that Flo & Eddie held a valid “common law copyright,” which includes “public performance rights in pre-1972 sound recordings.”¹¹⁷ The court explained that, “New York has always protected public performance rights in works other than sound recordings that enjoy

110. *Id.* at *22-23. Sirius argued that there was a lack of case law supporting the statutory interpretation that § 980(a)(2) includes the right of public performance, but the court disagreed, citing *Capitol Records, LLC v. BlueBeat, Inc.*, 765 F. Supp. 2d 1198 (C.D. Cal. 2010) and *Bagdasarian Prods. v. Capitol Records*, No. B217960, 2010 Cal. App. Unpub. LEXIS 6590 (Cal. Ct. App. Aug. 18, 2010). *Id.*

111. *Id.* On November 14, 2016, on the eve of trial for damages in this case, Sirius settled with Flo & Eddie for a reported sum of \$99 million. Stephen Carlisle, *Gentlemen, Hedge Your Bets! Inside the Flo and Eddie-SiriusXM Settlement*, NOVA SE. UNIV. (Dec. 1, 2016), <https://copyright.nova.edu/flo-eddie-siriusxm-settlement/>. Coincidentally, the attorney representing Sirius XM, Daniel Petrocelli, also represented President-elect Donald Trump in the Trump University lawsuit, which was scheduled for trial immediately preceding the Flo & Eddie v. Sirius XM trial. Ashley Cullins, *Flo & Eddie Settle With Sirius XM on Eve of California Trial*, HOLLYWOOD REPORTER (Nov. 14, 2016, 6:59 PM), www.hollywoodreporter.com/thr-esq/flo-eddie-settle-siriusxm-eve-california-trial-947313.

112. *See Flo & Eddie*, 62 F. Supp.3d at 335 (providing that Flo & Eddie filed its initial complaint on August 16, 2013, but also filed an amended complaint on November 13, 2013 in response to a motion to dismiss filed by Sirius XM).

113. *Id.*

114. Kevin Goldberg, *Flo & Eddie Take Their Siriusly Winning Ways to the East Coast*, COMMLAWBLOG, (Nov. 23, 2014), www.commlawblog.com/2014/11/articles/broadcast/flo-and-eddie-take-their-siriusly-winning-ways-to-the-east-coast/

115. *Id.*

116. *Flo & Eddie*, 62 F. Supp.3d at 339.

117. *Id.* at 344.

the protection of common law copyright,” and there was no reason that sound recordings should be treated differently.¹¹⁸

After denying Sirius XM’s motion for summary judgment, the court issued an ominous warning to both digital and terrestrial radio stations:

Sirius is correct that this holding is unprecedented (aside from the companion California case, which reached the same result), and will have significant economic consequences. Radio broadcasters — terrestrial and satellite — have adapted to an environment in which they do not pay royalties for broadcasting pre-1972 sound recordings. Flo & Eddie’s suit threatens to upset those settled expectations. Other broadcasters, including those who publicly perform media other than sound recordings, will undoubtedly be sued in follow-on actions, exposing them to significant liability. And if different states adopt varying regulatory schemes for pre-1972 sound recordings, or if holders of common law copyrights insist on licensing performance rights on a state-by-state basis (admittedly, an unlikely result, since such behavior could well cause broadcaster to lose interest in playing their recordings) it could upend the analog and digital broadcasting industries.¹¹⁹

The court further stated that it was unconcerned with the potential policy issues created by its ruling.¹²⁰ According to the court, these broader policy issues should be left to “Congress, the New York Legislature, and perhaps the New York Court of Appeals.”¹²¹ However, on April 15, 2015 the Second Circuit granted Sirius XM’s petition for interlocutory appeal and subsequently certified the following questions to the New York Court of Appeals: “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?”¹²²

118. *See id.* (predicting that New York common law includes the exclusive right of public performance based on the following cases: *Palmer v. De Witt*, 47 N.Y. 532 (1872); *Roberts v. Petrova*, 213 N.Y.S. 434 (Sup. Ct. 1925); *French v. Maguire*, 55 How. Pr. 471 (N.Y. Sup. Ct. 1878); *Brandon Films v. Arjay Enters.*, 230 N.Y.S.2d 56 (Sup. Ct. 1962); *Roy Exp. Co. Establishment of Vaduz v. CBS*, 672 F.2d 1095 (2d Cir. 1982)).

119. *Id.* at 352.

120. *Id.* at 352-353.

121. *Id.*

122. *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 821 F.3d 265, 272 (2d Cir. 2016). Shortly before publication of this comment, the New York Court of Appeals held that New York common law does not include the exclusive right of public performance for pre-1972 sound recording copyright owners. *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, No. 172, 2016 NY Slip Op 08480 (N.Y. Dec. 20, 2016). While the Second Circuit has not yet implemented this ruling, it represents a massive victory for Sirius XM and casts serious doubt on the viability of similar common law copyright claims against digital and terrestrial broadcasters in other states. *Id.* However, this ruling does not affect statutory claims, such as Flo & Eddie’s case in California. *Id.* At the time of publication, the full impact of the New York Court of Appeal’s opinion is unknown, and for this reason, the comment will proceed largely unaltered. Tyler Ochoa, *A Seismic*

C. Florida Hits the Brakes on Flo & Eddie's Winning Streak

After prevailing in California and New York, Flo & Eddie brought the same allegations against Sirius XM in the United States District Court for the Southern District of Florida.¹²³ Similar to the case in New York, Sirius XM moved for summary judgment, arguing that there was no statutory or common law in Florida that granted sound recording copyright owners the exclusive right of public performance.¹²⁴ The court agreed with Sirius XM's arguments, stating that, "[t]here is no specific Florida legislation covering sound recording property rights, nor is there a bevy of case law interpreting common law copyright related to the arts."¹²⁵ Undeterred, Flo & Eddie offered an alternative argument that Florida's general definition of property is broad and therefore includes public performance rights for sound recording copyright owners.¹²⁶ However, the court declined to follow Flo & Eddie's argument, finding that it would require the creation of a brand new property right in Florida, which is job reserved for the state legislature.¹²⁷ As a result, the court granted Sirius XM's motion for summary judgment.¹²⁸

In granting Sirius XM's motion for summary judgment, the federal court acknowledged its deference to the Florida state legislature and state courts.¹²⁹ In short, the federal court found it was inappropriate to create a new cause of action where the state

Ruling Revisited: No Common-Law Public Performance Rights in Pre-1972 Sound Recordings in New York—Flo & Eddie v. Sirius, TECHNOLOGY & MARKETING LAW BLOG (Jan. 10, 2017), <https://blog.ericgoldman.org/archives/2017/01/a-seismic-ruling-revisited-no-common-law-public-performance-rights-in-pre-1972-sound-recordings-in-new-york-flo-eddie-v-sirius.htm>. Furthermore, since the court's opinion will only control claims based on New York common law, the proposal section of this comment remains valid. *Id.*

123. *Flo & Eddie*, 2015 U.S. Dist. LEXIS 80535, at *10-11.

124. *See id.* at *12 (discussing the difference between the laws covering sound recording copyrights in California, New York, and Florida; the court recognized that Florida law is completely silent on the matter, unlike California and New York).

125. *Id.*

126. *Id.*

127. *See id.* (Judge Gayles declined to follow Flo & Eddie's argument because, ". . . by endorsing the notion of such an exclusive right, he would be creating an unqualified property right that didn't exist previously and that even owners of post-1972 recordings don't have. Under that new right, Flo & Eddie would control every aspect of [its] pre-1972 sound recordings, a broader entitlement than owners of post-1972 recordings have.")

128. *Id.* at *17.

129. Kevin Goldberg, *Flo & Eddie Hit a Florida Sinkhole*, COMMLAWBLOG, (July 8, 2015), www.commlawblog.com/2015/07/articles/intellectual-property/fl-o-eddie-hit-a-florida-sinkhole/

legislature and state courts were silent on the matter.¹³⁰ The court also acknowledged three practical issues that would have to be addressed if the court ruled in favor of Flo & Eddie: “(1) who would set and administers royalty rates at the state level; (2) who would determine the owner of a sound recording when the recording artist dies or the record company goes out of business; and (3) what, if any, exceptions exist to the public performance right?”¹³¹ Although not expressly stated in the opinion, these issues also exist in other states, including California and New York.¹³² As a result, the Florida District Court’s decision may have a chilling on further litigation in other states.¹³³ However, the final disposition of this case is far from certain, as Flo & Eddie have appealed to the Eleventh Circuit, which subsequently issued the following certified question to the Florida Supreme Court: “Whether Florida recognizes common law copyright in sound recordings and, if so, whether that copyright includes the exclusive right of reproduction and/or the exclusive right of public performance?”¹³⁴

D. The Consequences of the Flo & Eddie Cases for Terrestrial Radio

Although Sirius XM was the only defendant in the Flo & Eddie cases, the Courts in these cases did not expressly limit their decisions to digital radio stations.¹³⁵ In fact, the California and New York federal courts effectively granted the owners of pre-1972 sound recording copyrights an unlimited exclusive right of public performance.¹³⁶ As a result, the owners of pre-1972 sound recordings have standing to sue any party that publicly performs their works in California and New York without first obtaining a license.¹³⁷ Therefore, the courts’ rulings may extend liability to a massive group of potential defendants, including terrestrial radio stations, television broadcasters, and music venues.”¹³⁸

The California and New York federal district courts have created a precarious situation for terrestrial radio stations

130. *Id.*

131. *Id.* (quoting *Flo & Eddie*, 2015 U.S. Dist. LEXIS 80535, at *14).

132. *Id.*

133. *Id.*

134. Bill Donahue, *Radio Stations, Law Profs Jump Into Florida Pre-'72 Fight*, LAW360, (Oct. 14, 2015, 8:27 PM ET), www.law360.com/articles/714027/radio-stations-law-profs-jump-into-florida-pre-72-fight; *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 827 F.3d 1016, 1025 (11th Cir. 2016). At the time of this comment’s publication, the Florida Supreme Court had not issued an opinion answering the Eleventh Circuit’s certified question. *Id.*

135. Jolson, *supra* note 24, at 795.

136. *Id.*

137. *Id.*

138. Drake, *supra* note 98, at 67.

broadcasting in those states.¹³⁹ In order to comply with the courts' rulings, terrestrial radio stations must obtain licenses before broadcasting any pre-1972 sound recordings.¹⁴⁰ However, due to the lack of a statutory licensing scheme in either state, terrestrial radio stations would have to engage in the burdensome task of negotiating individual licenses for every pre-1972 sound recording that the station broadcasts.¹⁴¹ While the California District Court was silent on this implication, the New York District Court acknowledged that the ruling could "upend the [terrestrial] broadcasting industry."¹⁴² However, the New York District Court declared that it was unconcerned with the implications of its ruling and the issue would have to be resolved through the legislative process or the New York Court of Appeals.¹⁴³

Following Flo & Eddie's appeal in Florida, The National Association of Broadcasters and a group of copyright law professors filed amicus briefs advocating that the Eleventh Circuit should affirm the district court's ruling in favor of Sirius XM.¹⁴⁴ Amongst the group of legal scholars is University of California law professor Eugene Volokh, who stated that "[i]mposing an obligation [on broadcasters] to pay such royalties now, retroactively, on a state-by-state basis, would be incredibly disruptive to the broadcast industry"¹⁴⁵ Volokh also pointed out that the record companies and other parties now seeking to enforce a performance fee for sound recordings have historically "spent huge sums of money to lobby for airplay," rather than attempting to extract money from the radio industry.¹⁴⁶

In late 2015, ABS Entertainment, Inc. filed a class action complaint in the District Court for the Central District of California against the three largest terrestrial radio broadcasters: CBS Radio, iHeartMedia, and Cumulus.¹⁴⁷ The complaint alleges that the terrestrial radio broadcasters are liable for publicly performing pre-1972 sound recordings owned by ABS Entertainment and other class members without authorization, which is the same allegation

139. *Id.*

140. *Id.*

141. *Id.*

142. *Flo & Eddie*, 62 F. Supp.3d at 352.

143. *Id.*

144. Donahue, *supra* note 134.

145. *Id.*

146. *Id.*

147. See Eriq Gardner, *Radio Giants Facing Bicoastal Legal Demands to Stop Playing Pre-1972 Songs*, THE HOLLYWOOD REPORTER, (Aug. 27, 2015 3:27 PM PT), www.hollywoodreporter.com/thr-esq/radio-giants-facing-bicoastal-legal-818230 (providing that the Flo & Eddie cases have led to lawsuits being filed against other digital radio broadcasters such as Pandora; further providing that a group of record companies had recently settled a lawsuit against Sirius XM for \$210 million, based on the same allegations raised by Flo & Eddie against Sirius XM).

raised by Flo & Eddie against Sirius XM.¹⁴⁸ Although this lawsuit is still in its preliminary stages, the consequences for the terrestrial radio industry will be far reaching.¹⁴⁹

With appeals to the Flo & Eddie cases currently pending in the Second and Eleventh Circuits, the issue regarding public performance rights for pre-1972 sound recordings is far from resolved.¹⁵⁰ While it is unlikely, if the two circuits come to different decisions based on federal law, the issue would become ripe for consideration by the United States Supreme Court.¹⁵¹ However, there is a bill currently pending in Congress, which if passed would supersede a Supreme Court ruling on the issue of public performance rights for pre-1972 sound recording copyrights.¹⁵²

E. The Fair Pay, Fair Play Act of 2015

Introduced in April 2015, the Fair Pay, Fair Play Act ("FPFPA") is a comprehensive piece of legislation that would change federal copyright law in three ways:

First, it would create a terrestrial public performance right for recording artists and owners of master sound recordings; second, it would eliminate the Copyright Act's exemption against federal copyright protection for sound recordings fixed prior to February 15, 1972; third, it would establish a process designed to allow for the setting of consistent fair market royalty rates paid in consideration of the public performance of all sound recordings.¹⁵³

148. *Id.*

149. *Id.*

150. *Id.*

151. Eriq Gardner, *CBS Radio Has Novel Argument to Legal Demand to Stop Playing Pre-1972 Songs*, THE HOLLYWOOD REPORTER, (Oct. 21, 2015 10:42 AM PT), www.hollywoodreporter.com/thr-esq/cbs-radio-has-novel-argument-833596. (discussing how CBS has recently filed a motion to strike the complaint, based on a novel argument that CBS radio does not play pre-1972 recordings; in more detail, CBS claims that it ". . . does not play vinyl sound recordings . . ." In fact, every song CBS has played in the last four years has been a post-1972 digital sound recording that has been re-issued or re-mastered. For example, 'Tired of Being Alone' is found on UMG's 2006 *The Best of Al Green* compilation. That CD contains the re-mastered version of the song created and registered for copyright in 2000. The 'Let's Stay Together' recording CBS played is the 2003 re-mastered sound recording as re-issued in 2009 by Fat Possum Records."; the court has yet to hear this argument, but its decision should be interesting given its novelty).

152. Fair Play Fair Pay Act of 2015, H.R. 1733, 114th Cong. (1st Sess. 2015). At the time of publication, the FPFPA was still making its way through Congress. *Id.*

153. See Jeffrey S. Becker, William W. Shields & Stephen Hutton, *The Fair Play, Fair Pay Act of 2015: What's At Stake and For Whom?*, ABA, www.americanbar.org/publications/entertainment-sports-lawyer/2015/firstedition/Becker_Shields_Hutton.html (last accessed Oct. 25, 2015) (discussing the amendments proposed by the FPFPA).

In short, the FPFPA would grant sound recording copyright owners the same bundle of rights currently held by musical composition copyright owners.¹⁵⁴

If Congress passes the FPFPA, pre-1972 sound recordings would be exclusively governed by federal copyright protection.¹⁵⁵ The FPFPA would accomplish this by amending the Copyright Act of 1976, which grants the states the authority to govern pre-1972 sound recordings.¹⁵⁶ As a result, parties such as Flo & Eddie would no longer have standing under state law to sue digital or terrestrial broadcasters for publicly performing its pre-1972 sound recordings without authorization.¹⁵⁷ Rather, both digital and terrestrial radio stations would be required to pay performance fees, regardless of whether the station played sound recordings made before or after 1972.¹⁵⁸

Proponents of the FPFPA claim that the bill will make right a “great injustice” by fairly compensating artists for their work.¹⁵⁹ However, those that oppose the bill claim that the FPFPA will disproportionately benefit the record labels that own sound recording copyrights rather than the artists who create the sound recordings.¹⁶⁰ Furthermore, those that oppose the bill claim that “there is a direct correlation” between airplay and album sales, amounting to \$2.4 billion in free promotion for the recording industry and artists each year.¹⁶¹

154. *See id.* (comparing the bundle of rights held by composition copyright owners under 17 U.S.C. § 106 to the rights of sound recording copyright owners).

155. *Id.*

156. *Id.*

157. *Id.*

158. *Id.*

159. *See* Ed Christman, *'Fair Play, Fair Pay Act' Introduced, Seeks Cash from Radio Stations*, BILLBOARD, (Apr. 13, 2015 4:44 PM EDT), www.billboard.com/articles/business/6531693/fair-play-fair-pay-act-performance-royalty-radio#sthash.1YNkZC3S.dpuf (providing various arguments in favor of the FPFPA, such as the following: “Because the U.S. doesn’t pay artists when their songs are played on the radio, they also do not receive compensation when their songs are played in other countries. The only other countries other than the U.S. which do not pay a master recordings royalty on terrestrial radio broadcasts are North Korea, Iran and China.”; “. . . stations that make less than \$1 million in revenue will only have to pay \$500 a year in performance royalties, while college radio stations will only have to pay \$100.”).

160. Victor Nava, *The 'Fair Play Fair Pay Act' Is A Corporate Music Label Cash Grab*, THE DAILY CALLER, (Sept. 10, 2015), <http://dailycaller.com/2015/09/10/the-fair-play-fair-pay-act-is-a-corporate-music-label-cash-grab/>.

161. *See id.* (providing various arguments and statistics in opposition to the FPFPA such as the following: “Only 4 percent of Pandora’s revenues go to music publishers (the entities responsible for ensuring the songwriters and composers receive their royalties) and 50 percent goes to the record labels.”; “Contrary to what you might think, given the digital age we live in, most people still discover new music over terrestrial airwaves. Eighty-five percent of music listeners identify radio as the place they first hear new music.”).

IV. PROPOSAL

This Section proposes that Congress should exempt terrestrial radio stations from paying performance fees for broadcasting pre-1972 sound recordings. However, Congress should continue to require digital radio stations to pay performance fees for both pre and post-1972 sound recordings. Accordingly, Congress should amend the Copyright Act of 1976 by repealing 17 U.S.C. § 301(c), which allows the states to govern pre-1972 sound recordings.¹⁶² By repealing § 301(c), Congress would bring pre-1972 sound recordings under the exclusive protection of federal copyright law, which requires digital radio stations to pay sound recording performance fees, but completely exempts terrestrial radio stations from paying sound recording performance fees.¹⁶³

If terrestrial radio stations are forced to pay performance fees, many stations primarily broadcasting pre-1972 sound recordings will be confronted with the choice of changing formats or shutting down.¹⁶⁴ Furthermore, due to the uncertainty of state copyright law, as seen in California, New York, and Florida, both terrestrial and digital radio stations will be required to pay performance fees in some states, but not others.¹⁶⁵ Unless Congress intervenes, the states will produce a confusing and unmanageable system of copyright protection for pre-1972 sound recordings.¹⁶⁶ Finally,

162. See 17 U.S.C. § 301(c) (stating that, “With respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this title until February 15, 2067”).

163. See 17 U.S.C. § 106(6) (“The owner of copyright under this title has the exclusive rights...in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.”); see also All, *supra* note 52, at 12-13 (providing that the Digital Performance Rights in Sound Recordings Act (DPRA) and Digital Millennium Copyright Act (DMCA) require digital radio stations to pay performance fees for broadcasting post-1972 sound recordings).

164. Mark R. Fratrick, *How Will the Radio Industry Be Affected by Pre-1972 Music Performers’ Fees* (July 27, 2015) www.biakelsey.com/pdf/ImpactOfPre72MusicRoyalties.pdf (“... any increase in programming costs resulting from an imposition of a pre-1972 music performers’ royalty fee may yield several possible responses from local stations. Stations may: 1) attempt to pass costs on to advertisers; 2) seek to screen out pre-1972 recorded music; or 3) shift the programming on the station to a different format. All these alternatives have significant costs associated with them.”).

165. See Pulsinelli, *supra* note 24, at 201-204 (providing that unlike like federal copyright law, state copyright law protecting pre-1972 sound recordings does not have a compulsory licensing scheme to set performance fee royalty rates; therefore, both digital and terrestrial radio stations will be forced to engage in the burdensome task of negotiating licenses individually with each pre-1972 sound recording copyright owner; furthermore, if a radio station wished to avoid paying performance fees by ceasing its broadcast to those states requiring performance fees, it would be nearly impossible to do so, since the broadcast signals cannot be cut off at states lines).

166. *Id.*

Congress should not exempt digital radio stations from paying sound recording performance fees because digital radio is a “substitute” for album sales, while terrestrial radio increases album sales.¹⁶⁷

A. *Say Goodbye to Oldies Radio Stations*

If the Flo & Eddie decisions are extended to terrestrial radio, the first targets would undoubtedly be “oldies” stations, which primarily broadcast music from the 1950s through the 1970s.¹⁶⁸ Oldies radio stations generally focus on classic genres such as “doo-wop, early rock and roll, novelty songs, bubblegum pop, folk rock, psychedelic rock, baroque pop, surf rock, soul music, funk, classic rock, hard rock, blues, and country.”¹⁶⁹ There are approximately 1,850 terrestrial oldies radio stations in the United States that could potentially be affected by the Flo & Eddie decisions.¹⁷⁰

After Flo & Eddie were granted summary judgment in the Southern District of New York, the New York State Broadcasters Association commissioned Mark R. Fratrick, Ph.D., to conduct a study on the potential impact of pre-1972 sound recording performance fees on terrestrial radio stations in New York.¹⁷¹ The study analyzes three ways in which oldies stations may accommodate the requirement of paying performance fees. Fratrick explains that “Stations may: 1) attempt to pass costs on to advertisers; 2) seek to screen out pre-1972 recorded music; or 3) shift the programming on the station to a different format.”¹⁷² For the reasons discussed below, Fratrick concludes that all three methods ultimately impose significant costs that would force stations to either shut down or change formats in order to avoid broadcasting pre-1972 sound recordings.¹⁷³ Although Fratrick’s study focuses on terrestrial radio stations in New York, its conclusions may be logically extended to other states.¹⁷⁴

167. Matthew S. DelNero, *MUSIC: Long Overdue?: An Exploration of the Status and Merit of a General Public Performance Right in Sound Recordings*, 6 VAND. J. ENT. L. & PRAC. 181, 196, (2004).

168. See Amy Gold, *A History and Definition of Oldies Music*, www.allbutforgottenoldies.net/articles/history-and-definition-of-oldies-music.html (last accessed November 14, 2015) (discussing the history of oldies radio in the United States).

169. *Id.*

170. Fratrick, *supra* note 164.

171. *Id.*

172. *Id.*

173. *Id.*

174. *Id.*

1. *Passing on Sound Recording Performance Fees to Advertisers*

As previously noted, advertising is the sole source of revenue for terrestrial radio stations, unlike digital radio stations, which generally charge a monthly subscription fee.¹⁷⁵ Fratirk explains that local terrestrial radio stations face a highly competitive advertising market due to an abundance of alternative platforms, such as other local radio stations, local television stations, and newspapers.¹⁷⁶ Furthermore, local radio stations tend to be less favored than alternative mediums.¹⁷⁷ As a result, it is unlikely that oldies stations would be able to raise the price of advertising to accommodate the cost of performance fees, as advertisers would simply shift to other more desirable mediums.¹⁷⁸ Accordingly, terrestrial oldies radio stations should not be required to pay pre-1972 sound recording performance fees since it would negatively affect their sole source of revenue.¹⁷⁹ However, digital radio stations should be required to pay performance fees for pre and post-1972 sound recordings, as the cost can be spread across its subscribers through a marginal increase in monthly subscription fees.¹⁸⁰

2. *Screening Out Pre-1972 Sound Recordings and Shifting Formats*

The issue with terrestrial stations “screening out” or removing pre-1972 sound recordings lies with the resources needed to accomplish this task.¹⁸¹ Fratirk explains that smaller radio stations would not be able to afford the additional personnel or other resources needed to sort through the station’s music library and remove pre-1972 recordings.¹⁸² The task of sorting out pre-1972 recordings would be especially burdensome for smaller radio stations that do not store music libraries on computers.¹⁸³ The situation may also present issues for larger and more sophisticated stations because many of these stations use nationally distributed programming services, which may be unwilling to selectively screen-out pre-1972 recordings.¹⁸⁴ Therefore, the only practical solution for terrestrial oldies radio stations would be to change

175. Keith, *supra* note 79, at 31.

176. Fratirk, *supra* note 164.

177. *Id.*

178. *Id.*

179. *Id.*

180. See Keith, *supra* note 79, at 31 (providing that terrestrial radio stations’ only source of revenue is the sale of advertising, while Sirius XM charges subscribers a monthly fee).

181. Fratirk, *supra* note 164.

182. *Id.*

183. *Id.*

184. *Id.*

formats in order to completely avoid playing pre-1972 recordings.¹⁸⁵ Congress should intervene and prevent an entire radio format from disappearing as the result of state mandated pre-1972 sound recording performance fees.

B. State Copyright Law Creates a Confusing and Unmanageable System of Protection

As previously noted, the drafters of the Constitution decided that a federal system of copyright protection would be preferable to a system of copyright protection administered by the individual states.¹⁸⁶ This was an extremely prudent decision by the drafters and yet another example of the foresight they possessed in drafting a Constitution that would stand the test of time.¹⁸⁷ It is therefore irrational and unprecedented for Congress to have expressly excluded pre-1972 sound recordings from federal copyright protection.¹⁸⁸ This exemption does not fit with the model of a cohesive federal system of copyright protection.¹⁸⁹ Furthermore, this exception will lead to a confusing and unmanageable system of copyright protection for pre-1972 sound recordings.¹⁹⁰

One of the most problematic aspects of allowing the states to govern pre-1972 sound recordings arises from the mechanics of how sound recordings are broadcast by terrestrial and digital stations.¹⁹¹ If the *Flo & Eddie* decisions in California and New York apply to terrestrial radio, the stations that broadcast to listeners in these states would be required to pay performance fees for pre-1972 sound recordings.¹⁹² At first glance this may seem to only require radio stations located in California and New York to pay performance fees.¹⁹³ However, upon closer examination, the courts' holdings actually require all radio stations that have a broadcast range extending into these states to pay performance fees.¹⁹⁴ This poses a conundrum for radio stations in adjacent states whose broadcast signal extends into California and New York.¹⁹⁵ It is physically impossible for these radio stations to stop their broadcast signal from crossing state lines and equally impossible for the stations to

185. *Id.*

186. *See Capitol Records*, 4 N.Y.3d at 550 (explaining why the drafters of the Constitution chose to bring copyright law into the federal domain).

187. *Id.*

188. *Id.*

189. *Id.*

190. Jolson, *supra* note 24, at 201-204.

191. *Id.*

192. *Flo & Eddie*, 2014 U.S. Dist. LEXIS 139053; *Flo & Eddie, Inc.*, 62 F. Supp. 3d at 325.

193. *Id.*

194. *Id.*

195. Jolson, *supra* note 24, at 201-204.

determine exactly where each listener is located.¹⁹⁶ This situation is absolutely untenable, absent further clarification from state legislatures or the courts.¹⁹⁷

Even those terrestrial radio stations located in California and New York may find it nearly impossible to comply with the Flo & Eddie decisions.¹⁹⁸ As previously discussed, terrestrial radio stations pay performance fees for musical composition copyrights to PROs based on federally mandated compulsory licensing.¹⁹⁹ However, there is no system in place at the state level that provides a compulsory licensing scheme for pre-1972 sound recordings.²⁰⁰ As a result, if forced to pay sound recording performance fees, each terrestrial radio station in California and New York would need to individually negotiate licenses with the copyright owner of every single pre-1972 sound recording that the station broadcasts.²⁰¹ It is clear that a system of state copyright protection for pre-1972 sound recordings is confusing and unmanageable, necessitating Congress to bring pre-1972 sound recordings exclusively under federal protection.

C. Terrestrial Radio Increases Album Sales While Digital Radio Decreases Album Sales

The primary reason that terrestrial radio stations have historically been exempt from paying sound recording performance fees is due to the “free promotion” that the radio provides for artists and record companies.²⁰² The rationale is that artists and record companies do not directly pay radio stations to broadcast their music, but depend on radio airplay in order to support album sales.²⁰³ Therefore, although terrestrial radio does not pay performance fees for sound recordings, it is still providing compensation in the form of free promotion to the artists and record companies who own the “publicly performed” sound recordings.²⁰⁴ It is a “win-win” situation, in which the artists and record companies receive the massive promotional benefit of the terrestrial radio industry while the terrestrial radio industry uses the sound recordings to generate profits through advertising.²⁰⁵

196. *Id.*

197. *Id.*

198. *Id.*

199. *See Woods*, 60 F.3d at 984 (discussing how copyright owners collect payment for public performance of their works through the different performing rights organizations: ASCAP, BMI and SESAC).

200. Drake, *supra* note 98, at 67.

201. *Id.*

202. DelNero, *supra* note 167.

203. *Id.*

204. *Id.*

205. *Id.*

Proponents of pre-1972 sound recording performance fees argue that older recordings do not receive the same promotional benefit as newer recordings, which are likely to sell more albums.²⁰⁶ However, this argument can be countered by the fact that some record labels still realize a significant amount of income from the sale of their “back catalogues,” which in some cases consist of mainly pre-1972 recordings.²⁰⁷ Therefore, it appears that some artists and record companies are attempting to “double dip” on profits by receiving free promotion from radio as well as sound recording performance fees.²⁰⁸ Accordingly, Congress should seek to prevent artists and record labels from requiring terrestrial radio stations from paying any sound recording performance fees, including those imposed by the recent Flo & Eddie decisions.

While terrestrial radio has a positive effect on record sales, digital radio seems to have the inverse effect.²⁰⁹ According to the Recording Industry Association of America, physical album sales have declined by 80 percent over the last decade, while digital radio revenue has skyrocketed, now making up “32 percent of the annual revenue of record labels.”²¹⁰ Digital radio is now considered a “substitute” for physical albums, especially on-demand digital radio such as Pandora Radio or Spotify.²¹¹ Therefore, it is not unreasonable for Congress to require digital radio stations to pay performance fees for both pre and post-1972 sound recordings.

V. CONCLUSION

The United States Congress should exempt terrestrial radio stations from paying performance fees for broadcasting pre-1972 sound recordings, but should require digital radio stations to pay performance fees for both pre and post-1972 sound recordings. If Congress does not act soon, the Flo & Eddie decisions may put “oldies” terrestrial radio stations out of business. Additionally, Congress must act to prevent the states from creating a confusing and unmanageable system of copyright protection for pre-1972 sound recordings, which deviates from the intended purpose of federal copyright law. Finally, Congress should continue to require

206. *Id.*

207. *See Back catalogues spin a new generation of profits for record labels*, (Sept. 19, 2009 7:07 EDT) www.theguardian.com/business/2009/sep/20/beatles-emi-back-catalogue-reissues (providing that the sale of “back catalogues” have recently been on the rise for record companies such as EMI).

208. *Id.*

209. Ben Sisaria, *Adele's Album Will Be Big, But Will It Be Streaming?*, N.Y. TIMES (Nov. 5, 2015), www.nytimes.com/2015/11/06/business/media/adele-25-streaming-new-album.html?_r=1.

210. *Id.*

211. DelNero, *supra* note 167; Sisaria, *supra* note 209.

digital radio stations to pay performance fees due to its negative impact on record sales.

