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PERSPECTIVE

'60s on 6' may be in Sirius trouble

By Richard Posell, Esq.

SiriusXM Radio operates both satellite and Internet radio, broadcasting a treasure trove of stations for every musical taste. It features music from the 60s on its channel called "60s on 6" (it also has "50s on 5" for 50s music, "70s on 7" for 70s music, and so on). In September 2014, Judge Philip Gutierrez in the Central District of California held that a 1982 California state statute gives copyright holders in pre-1972 sound recordings the exclusive right to publically perform their recordings—i.e., music from the 60s and 50s and earlier. This ruling challenges the common understanding of state copyrights since at least 1940, so it bears scrutiny.

Under the 1909 Copyright Act, there was no federal copyright in sound recordings (the fixation of sounds, usually a performance, in a recording medium). At that time, there simply were no sound recordings. This left ownership rights in such recordings to the common law of each state. But by the 1930s, the sale and performance of phonograph records was a big business. One of the biggest artists recording at that time was Paul Whiteman, who recorded for RCA. His performances were broadcast over radio channels across the United States using phonograph records purchased, then played over the air by radio stations. No royalties were paid to RCA or Whiteman for these public performances.

In July 1940, a case called *RCA Mfg Co Inc. v Whiteman* came before the 2nd U.S. Circuit Court of Appeals in front of Justice Learned Hand. The plaintiff, Whiteman, then RCA, both of whom claimed they owned Whiteman phonorecords, attacked the concept of royalty-free public performances of sound recordings, claiming a common law property right in such performances. The answer, according to Hand, was that once the recordings embodying that performance were sold, "it would be very difficult to see how [plaintiff] could impose valid restrictions upon their resale … We think that the 'common law property' in these performances ended with the sale of the records."

Arguably, the ancient rule that invalidates restrictions on the sale of chattel once sold should not apply to chattel embodying a performance, since it was only the chattel itself (the phonograph record), not the performance, that was sold. Copyright law has long distinguished the work itself from the physical medium (the first sale doctrine only protects the actual physical item sold). If this argument was made, it was not addressed in the opinion, and the *Whiteman* rule has been the assumed rule ever since.

In 1972, the new federal Copyright Act took cognizance of phonorecords and granted a federal copyright in all sound recordings fixed after Feb. 15, 1972. Sound recordings that predate that date are expressly left to the states for protection. In 1995, Congress added a public performance right in sound recordings for digital transmission (e.g., Internet, and satellite radio), but exempted broadcasts licensed by the Federal Communications Commission, and provided for a compulsory license (to be set by the Copyright Royalty Board) for subscription services, such as Sirius. But none of this affected state copyright law.

Flo & Eddie Inc. is the owner of many sound recordings, including the one at issue before Gutierrez: the iconic 1960s hit "Happy Together" by the band the Turtles. In 2013, Flo & Eddie challenged the conventional wisdom about pre-1972 public performance rights. The obvious target was the library of pre-1972 sound recordings, which formed the mainstay of oldies radio. Sirius programs such as "60s on 6" and "50s on 5," and such FM war horses like KRTH 101.1 in Los Angeles, freely broadcast older sound recordings, presumably from a phonorecord they had purchased. Indirectly, Flo & Eddie, and other sound recording copyright owners, seek to create leverage to increase what they consider to be meager compulsory license royalties under the Copyright Board.

The matter ended up in front of Gutierrez, who ruled favorably on Flo & Eddie's motion for summary judgment, despite the fact that at least since 1940, there has never been a general public performance right for sound recordings, even at the Federal level.

Gutierrez's reasoning was simple — perhaps too simple: The California statute on sound recordings gives "exclusive ownership" to authors of pre-1972 sound recordings. In plain English, public performance rights are included in the concept of "exclusive ownership." The only exception in the statute is for independently created imitations that do not actually recapture the sounds in the sound recordings (e.g., covers). This language tracks almost exactly the same exception in the federal statute. Since the California Legislature only created one exception, normal statutory construction says there must be no others. As for the argument that this construction would alter existing common law, the court pointed out that there were no California cases on this issue. Gutierrez made no reference to *Whiteman* or its progeny, which purport to be based on common law rules.

While Gutierrez's opinion relied in part on the limited exception contained in the statutory language, it can also be argued that the independent imitation provision is not really an exception at all, but a limitation on the scope of the statute. Indeed, the federal statute states that the exclusive right of copyright owners in sound recordings "does not extend to" such independently created imitations, and although the California Legislature uses the word "except," it appears that Congress (which the California Legislature expressly followed) meant to clarify for the first time what was meant by the ownership of sound fixed in a medium — i.e., only *that* sound was owned and not someone's independently created imitation of it.

The case is on appeal to the 9th U.S. Circuit Court of Appeals, and since it involves an important question of state law, it is very possible that the appellate panel will certify the matter to the state Supreme Court for a decision. On the one hand, there is the historic practice based on *Whiteman*, and on the other, a fresh look based solely on statutory construction. It may be time to decide whether Justice Hand decided correctly, or whether Gutierrez's unadorned statutory construction trumps the old rule.

Copyright pundits say this decision is extremely important to the sound recording community, because it will seriously impact the value of pre-1972 catalogues and the platforms on which they are exploited. Leaving this all-or-nothing decision to the courts, with no consideration of the cost to catalogues, distributors or the public, seems short-sighted. The publishers and the broadcasters would be well-served by a mediation process that takes into account the network of financial issues and which could create a protocol that would reduce the risk for both sides.

Associated Press

American jazz bandleader Paul Whiteman smiles as he conducts in Nov. 1935 at an unknown location.

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