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**Court Ruling Reaffirming State Copyright Protections Should Prompt  
Congress to Consider RESPECT Act**

by

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The lost world of state copyright protection just emerged from the shadows in *Flo & Eddie v. Sirius XM* (2014). On September 22, the U.S. District Court for the Central District of California issued an important victory for state copyright protections in pre-1972 sound recordings. *Flo & Eddie v. Sirius XM* is an important vindication of intellectual property (IP) rights. The decision reaffirms the exclusive rights of sound recording owners to royalties for public performances by digital music services.

The decision provides a clear legal answer to a narrow and often overlooked question regarding the scope of state copyright protection in pre-1972 sound recordings. But questions remain about the scope of copyright protection in pre-1972 sound recordings in other cases and in other states. *Flo & Eddie v. Sirius XM* should prompt a closer look at the [H.R. 4772](#), the RESPECT Act, a modest reform measure that could provide certainty regarding the transmission of older sound recordings by digital music services providers, such as Internet radio, cable, and satellite.

Flo & Eddie, a corporation owned by Howard Kaylan and Mark Volman – two of the founding members of the music group “The Turtles” – filed a lawsuit against Sirius XM, seeking damages for alleged copyright violations. For several years, Sirius XM, a nationwide satellite radio service and a subscription-based Internet digital radio service, has played pre-1972 recordings

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exclusively owned by Flo & Eddie. But Sirius XM has never obtained a license from Flo & Eddie. Sirius XM never paid Flo & Eddie royalties for playing pre-1972 songs by The Turtles. Flo & Eddie sued Sirius XM.

What makes *Flo & Eddie v. Sirius XM* unusual, from a legal standpoint, is that it is a copyright case based on state law, not federal law. The case involves a narrow and oft-overlooked facet of modern copyright law involving pre-1972 music recordings.

The federal Copyright Act of 1976 generally preempts state copyright law. But Section 301(c) of the 1976 Act expressly left sound recordings fixed prior to February 15, 1972, within state jurisdiction. “Accordingly,” ruled Judge Philip S. Gutierrez, “California statutory and common law presently governs the rights that attach to pre-1972 sound recordings because the Federal Copyright Act does not apply to those earlier recordings and explicitly allows states to continue to regulate them.”

A California statute specifically directed to pre-1972 recordings grants authors of original works in sound recordings “exclusive ownership” in those sound recordings. The District Court concluded that the plain meaning of “exclusive ownership” in a sound recording is “the right to use and possess the recording to the exclusion of all others.” It also ruled “exclusive ownership” includes the exclusive right of sound recording authors to publicly perform their recordings. The District Court stated that the California statute’s legislative history and two prior court decisions offered additional support for its legal conclusion regarding public performance rights in pre-1972 sound recordings.

The District Court also ruled in Flo & Eddie’s favor on three other state law claims. First, it concluded that Sirius XM’s unauthorized public performances of Flo & Eddie’s sound recordings in the course of business constituted an unlawful business act under California’s unfair competition statute. That statute “borrows” violations from other laws and makes them “independently actionable as unfair competitive practices.”

Second, the District Court concluded that Sirius XM’s unauthorized public performance of Flo & Eddie’s sound recordings were wrongful dispositions of Flo & Eddie’s property and thereby constituted “unlawful conversion” under California common law. The license fees that Sirius XM should have paid Flo & Eddie constituted damages for such unlawful conversion.

And third, the District Court concluded that Sirius XM was liable for commercial misappropriation. This is another type of unfair competition claim. Commercial misappropriation is historically rooted in the equitable principle that a person should not be able to reap what another has sown. Flo & Eddie invested time and effort to develop the pre-1972 sound recordings through their performing on the sound recordings. And Flo & Eddie invested money to acquire exclusive rights to those sound recordings from other Turtles’ band members and from their record company. Rather than pay royalties, Sirius XM appropriated those sound recording at little to no cost – buying a copy of each recording for satellite and Internet radio play. Thus was Sirius XM liable yet again.

The District Court's ruling in *Flo & Eddie v. Sirius XM* is an important vindication of intellectual property (IP) rights. It's a reasoned, sensible, and just decision. *Flo & Eddie v. Sirius XM* stands for the rights pre-1972 sound recording owners have to the proceeds of their creative efforts and investments. Certainly, Flo & Eddie deserve to have their property rights protected from commercial misappropriation by those who seek to reap profits from what Flo & Eddie have sown through effort and investment.

*Flo & Eddie v. Sirius XM* provides a clear legal answer to a narrow and overlooked question regarding the scope of copyright protection in pre-1972 sound recordings. The District Court's ruling thereby stands as persuasive authority for future cases. Indeed, Flo & Eddie are joined by other artists, recording companies, and SoundExchange, an independent digital performance rights organization, in other lawsuits in California and New York against Sirius XM as well as Internet music service provider Pandora regarding pre-1972 sound recording performances and royalties.

Through a series of *Perspectives from FSF Scholars* papers, which are listed below with links, Free State Foundation President Randolph J. May and I have explored several facets of IP's constitutional foundations. Our work to date has not focused on the specific issue of state copyright protection following the 1976 Act. Yet, *Flo & Eddie v. Sirius XM* reflects many of the underlying IP principles that we have examined in the course of our ongoing work. As a matter of [first principles](#), a person by nature possesses a right to the fruits of their own labors. In society, those fruits are a person's private property, protected by law. Copyright is a type of [private property right](#), rooted in an author's creative efforts. Therefore, it should be protected in a [rule of law regime](#). The U.S. Constitution's Article I, Section 8, IP Clause authorizes Congress to protect an author's exclusive right to the proceeds of his or her work. The 1976 Act provides the baseline protections for copyright holders, including exclusive rights to public performances and reproductions of sound recordings.

As explored in our *FSF Perspectives* paper, "[Literary Property: Copyright's Constitutional History and Its Meaning for Today](#)," state laws protecting copyright existed prior to the U.S. Constitution. And state copyright laws influenced the [Copyright Act of 1790](#). But while the scope of state law protections of copyrights following the 1976 Act may be narrow, underlying IP principles fully apply where state law still controls. In particular, the California statute's provision regarding pre-1972 sound recordings as well as the piggyback claims for unfair business practices and conversion are fully in accord with the property rights understanding of copyright that is directly traceable to a person's right to the fruits of their labor. State commercial misappropriation claims to prevent others from reaping what they have not sown by publicly performing pre-1972 sound recordings without obtaining licenses or paying royalties also reflect this basic understanding of a person's right to the fruits of their labors.

Although *Flo & Eddie v. Sirius XM* reached the right result, the case isn't over yet. It can still be appealed. Plus, questions still remain as to the scope of copyright protection in pre-1972 sound recordings in other cases and in other states. *Flo & Eddie v. Sirius XM* should prompt a closer look at the [H.R. 4772](#), the RESPECT Act, as a means for providing certainty in this area.

Introduced by Rep. Holding and co-sponsored by Rep. John Conyers, the [RESPECT Act](#) would clarify that digital music services providers – such as Internet radio, cable, or satellite – that wish to make public performances of pre-1972 sound recordings must pay royalties in the same manner as they currently do for post-1972 sound recordings. The RESPECT ACT does *not* preempt the field of state law protection in pre-1972 sound recordings. But under the terms of the bill, payment of royalties provides safe harbor for digital music services providers from state copyright infringement lawsuits.

A best-world scenario would simply involve contract negotiations between sound recording copyright holders and licensees for public performance rights and royalties arrangements. But the RESPECT Act offers assurance of protection for pre-1972 sound recording copyright holders. It would also provide certainty for digital music services, and avoid future state court litigation in multiple states. Congress should give this bill serious consideration.

Of course, the issue of royalty payments by Internet radio, cable, and satellite digital music services inevitably raises a related issue: existing law's unfair favoritism toward broadcast radio. In *Flo & Eddie v. Sirius XM*, the District Court observed that AM/FM radio stations have never provided or been requested to provide royalties to Flo & Eddie for their public performances of Flo & Eddie's sound recordings. But under existing copyright law, broadcast radio stations are exempt from any obligation to obtain licensing or pay royalties for public performances of sound recordings. This exemption unjustifiably infringes on the rights of copyright holders. This policy of favoritism towards legacy broadcast radio stations is particularly unfair to digital and satellite radio services. A genuine free market copyright policy should include an eventual transition, even if piecemeal, toward greater reliance on contract bargaining and less on government rate-setting. It should also provide for equal treatment for all technology platforms, rather than treating some, such as radio stations, more favorably than others.

State copyright law generally may be on the periphery of copyright policy. But *Flo & Eddie v. Sirius XM* provided a very sensible application of IP principles in this lost world of state copyright law. Indeed, the District Court demonstrated state copyright law's continued relevance, thanks to technological breakthroughs enabled by digital music services. Now Congress should build on that solid vindication of IP rights in pre-1972 sound recordings. It should consider ways to bring better clarity and certainty to copyright policy regarding transmission of old sound recordings by new digital technologies.

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### **Papers in FSF's Series of Intellectual Property Perspectives**

Randolph J. May and Seth L. Cooper, "[The Constitutional Foundations of Intellectual Property](#)," *Perspectives from FSF Scholars*, Vol. 8, No. 13 (2013).

Randolph J. May and Seth L. Cooper, "[Reasserting the Property Rights Source of IP](#)," *Perspectives from FSF Scholars*, Vol. 8, No. 17 (2013).

Randolph J. May and Seth L. Cooper, "[Literary Property: Copyright's Constitutional History and Its Meaning for Today](#)," *Perspectives from FSF Scholars*, Vol. 8, No. 19 (2013).

Randolph J. May and Seth L. Cooper, "[The Constitution's Approach to Copyright: Anti-Monopoly, Pro-Intellectual Property Rights](#)," *Perspectives from FSF Scholars*, Vol. 8, No. 20 (2013).

Randolph J. May and Seth L. Cooper, "[The 'Reason and Nature' of Intellectual Property: Copyright and Patent in \*The Federalist Papers\*](#)," *Perspectives from FSF Scholars*, Vol. 9, No. 4 (2014).

Randolph J. May and Seth L. Cooper, "[Constitutional Foundations of Copyright and Patent in the First Congress](#)," *Perspectives from FSF Scholars*, Vol. 9, No. 18 (2014).

Randolph J. May and Seth L. Cooper, "[Life, Liberty, and the Protection of Intellectual Property: Understanding IP in Light of Jeffersonian Principles](#)," *Perspectives from FSF Scholars*, Vol. 9, No. 25 (2014).

Randolph J. May and Seth L. Cooper, "[Intellectual Property Rights Under the Constitution's Rule of Law](#)," *Perspectives from FSF Scholars*, Vol. 9, No. 31 (2014).