To be Argued by:
JONATHAN D. HACKER
(Time Requested: 30 Minutes)

CTQ-2016-00001

Court of Appeals
of the
State of New York

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

Plaintiff-Respondent,

– against –

SIRIUS XM RADIO INC., a Delaware Corporation,

Defendant-Appellant,

DOES, 1 THROUGH 10,

Defendants.

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

REPLY BRIEF FOR DEFENDANT-APPELLANT

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RULE 500.1(f) CORPORATE DISCLOSURE STATEMENT

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

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

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

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

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

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PRELIMINARY STATEMENT

As Sirius XM's opening brief demonstrated, the district court's ruling shattered decades of legal, industry, and political consensus that state common law does not grant record companies and other owners of pre-1972 recordings the unfettered, unconditional right to control performances of records that they sold to the public. The central premise of Plaintiff's response brief is that no such consensus existed and that pre-1972 recording owners in fact *always* possessed such rights under New York common law.

That argument is at odds with precedent, to be sure, but it is also belied by simple reality. If such a right existed, recording owners would not have waited *a century* to assert it. They would not have repeatedly insisted to Congress that no such right exists under state law. And they certainly would not have stood idly by while their rights were trampled by AM/FM radio stations, club DJs, restaurants, and thousands of others, on a daily and even hourly basis.

Make no mistake: the district court's ruling was "unprecedented," as even the court itself recognized. A-1704. Before now, no court has *ever* held that pre-1972 recording owners have an unfettered right to control when and where their records are played or to demand royalties when they are. Courts instead have recognized only a right to prevent unauthorized *copying and distribution* of pre-

1972 recordings—*i.e.*, record piracy. Plaintiff's entire argument rests on a non sequitur based on that anti-piracy right.

According to Plaintiff, because record owners have a common law right to control post-sale *copying* of their records, they necessarily must also have a common law right to control post-sale *performances* of the records. That argument simply misunderstands the nature of the anti-piracy right. That right from its beginning has been based explicitly on the premise that record owners sell records *expecting them to be performed*, not reproduced and resold in direct competition with the record owner. That principle on its face explains why the right to control post-sale copying does not encompass the right to control post-sale performance, which does not "copy" the record in any respect, but instead merely uses it for the very purpose for which it was sold. For this reason, while courts in New York and elsewhere have long granted protection against piracy, no court anywhere has ever allowed record companies to prevent record-purchasers (including broadcasters) from performing lawfully obtained records. And New York law is clear that where, as here, creating a new right would dramatically expand existing law and adversely affect recording artists and other stakeholders, the decision whether to establish that right, and how to craft it, must be left to the policymaking branches.

Plaintiff also misunderstands the relevance of federal copyright law and the background of Congress's enactment of a limited performance right in post-1972

recordings. According to Plaintiff, Section 301(c) of the Copyright Act prohibits courts from even considering the Act and its background in determining the scope of rights in pre-1972 recordings. But Section 301(c) merely authorizes states to make (or not make) laws concerning pre-1972 recordings. Nothing in the provision bars courts from considering federal law to understand the scope of the common law copyrights against which the federal law was enacted. The simple point here is that the terms and history of federal copyright law confirm that no common law performance right existed before a very limited federal right was created in 1995, because *recording owners themselves* repeatedly complained that no such common law right existed, and for that reason implored Congress to create a *federal statutory* right. Congress eventually did so, but it created only a carefully circumscribed right, and only for post-1972 recordings. That federal enactment exemplifies the nuanced policy balancing among various stakeholders that is required in this area, which shows why creating controversial new rights is a quintessential *legislative* act, not a task for courts construing the common law.

A record company or other recording owner has no right under New York law to control where and when the lawful purchaser of a record plays the record. The certified question should be answered in the negative.

ARGUMENT

I. NEW YORK COMMON LAW DOES NOT AND HAS NEVER GRANTED RECORDING OWNERS A RIGHT TO CONTROL THE PERFORMANCE OF RECORDINGS AFTER THEY ARE SOLD

Plaintiff readily admits that no New York court has ever held that record companies and other sound recording owners have a right to control how and when their records are played after they are sold to the public. Pl. Br. 36. Indeed, the only court that has ever recognized such a "performance" right under New York law—the federal district court in this case—admitted that its holding was "unprecedented." A-1704. Plaintiff nevertheless argues that because New York common law recognizes a right to prevent the *unauthorized reproduction* of a recording—i.e., an anti-piracy right—the recording owner's rights in that property *must* extend to every other conceivable use of the recording, including its "performance" by lawful purchasers. Pl. Br. 28-48.

Plaintiff's argument fails at its premise, because the fact that New York law recognizes a right to control post-sale *copying* of sound recordings does not mean, or even suggest, that the law also recognizes a right to control post-sale *performances* of those recordings. That is why every relevant stakeholder has acknowledged for a century that there is no performance right in sound recordings, even while New York courts routinely recognized an anti-piracy right. Indeed, the

very principles that justified creating a common law anti-piracy right in the first place preclude its application to post-sale performance of sound recordings.

A. No New York Court Has Ever Recognized A Sound-Recording Performance Right, And Every Relevant Stakeholder Has Recognized That No Such Common Law Right Exists

1. Plaintiff's position that a performance right in sound recordings exists under New York common law begins at a decided disadvantage, because as Plaintiff itself admits, no New York court has ever recognized such a right. *See* Pl. Br. 36. But even more important, every relevant actor—courts, commentators, and recording owners—have repeatedly expressed their affirmative understanding that there is no such right. Sirius Br. 15-24, 28-30.

That has been the generally shared understanding at least since the Second Circuit's decision in *RCA Manufacturing Co. v. Whiteman*, 114 F.2d 86 (2d Cir. 1940), which held that a radio broadcast of records did not violate common law copyright because common law rights in a recording "consist[] only in the power to prevent others from reproducing the copyrighted work." *Id.* at 88. The court explained that the radio network "never invaded any such right" by merely playing the record, since it "never copied [Whiteman's] performances at all," but "merely used those copies which he and the [record company] made and distributed." *Id.* The court also went on to state separately that after the record was sold, the sound recording owner *also* lost protection against unauthorized copying, in which

circumstance "anyone may copy it who chances to hear it, and may use it as he pleases." *Id.* at 89.

Plaintiff argues that *Whiteman*'s rejection of a performance right was overruled by a later Second Circuit case, *Capitol Records, Inc. v. Mercury Records Corp.*, 221 F.2d 657 (2d Cir. 1955), but that is both wrong and irrelevant. It is wrong because *Mercury Records* did not consider a performance right *at all*—it rejected only Judge Hand's separate "statement" that the sale of a record extinguishes the right against copying. *Id.* at 663. *Mercury Records* thus recognized an anti-piracy right, *id.*, but nothing in its holding or analysis casts any doubt on *Whiteman*'s distinct holding that a recording owner's rights are limited to control over copying and do not encompass control over performance.

More important, the precise holdings of *Whiteman* and *Mercury Records* are not even directly relevant here—as both parties acknowledge, neither decision is binding on this Court. Sirius Br. 21; Pl. Br. 40. What does matter, though, is that after *Whiteman*, literally *every* commentator, government actor, and record industry stakeholder who considered the issue concluded that recording owners who sell records to the public have no right to control the performance of those records after their sale.

Plaintiff, for example, fails to cite even a single post-*Whiteman* case conferring on record companies a general right to control the performance of

records after their public sale.[1] And indeed, before the federal district court's decision in this case (and the related California action), no court had "ever before recognized" such a right—a right that would subject "an enormous number of parties to unexpected liability." Gary Pulsinelli, Happy Together? *The Uneasy Coexistence of Federal and State Protection for Sound Recordings*, 82 TENN. L. REV. 167, 239 (2014).

Nor does plaintiff dispute that academic commentators have for decades and apparently without exception understood there to be no such right after *Whiteman*. Sirius Br. 21-22. Plaintiff writes off as "irrelevant" this unbroken understanding, Pl. Br. 27 n.11, but it fails to cite a single academic article or opinion setting forth a different view. This unanimity among learned commentators on the question

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[1] The only case Plaintiff cites as recognizing a performance right is *Waring v. WDAS Broadcasting Station Inc.*, 327 Pa. 433 (1937), which *Whiteman* considered and rejected, *see* 114 F.2d at 89-90. *Waring* in any event differs significantly from this case because the recording owner there (i) specifically reserved post-sale performance rights through a label on the sound recording, and (ii) there was "an understanding between [plaintiff and the record company] that [the record company] would seek to prevent [unauthorized public broadcasting] so far as lay within its power." *Waring*, 327 Pa. at 447-48. *Waring* thus does not support Plaintiff's much more radical argument that performance rights always survive the sale of a record *even without* a label and explicit understanding concerning post-sale performance.

Plaintiff correctly states that this Court in *Naxos* cited *Waring*, but only for the general proposition that *Waring* recognized a property right in sound recordings. *See Capitol Records, Inc. v. Naxos of Am., Inc.*, 4 N.Y.3d 540, 553 (2005). *Naxos* did not consider the *Waring*'s specific holding concerning a sound-recording owner's limited right to prevent broadcast of a sound without a license, since that issue was not before this Court.

presented in this case is extraordinary, and by itself demonstrates beyond all doubt that no common law right to control post-sale performance of sound recordings had ever been thought to exist before this litigation.

There is more. The Congressional Record reflects that Congress's 1976 decision to exclude a sound-recording "performance" right from federal protection "merely states what has been the law and the widely accepted fact for many years—namely, that there is no compensable property right in sound recordings and no . . . performance royalty for broadcasters because they play records for profit." 120 CONG. REC. 30,405 (1974). The Register of Copyrights has also twice reaffirmed that no state has recognized such a right. Sirius Br. 23-24 & n.4. Plaintiff correctly notes that the second of these reports—issued after this lawsuit was filed—warns that while no state has yet recognized a right to control post-sale performance of sound recordings, a state *could* someday create such a right. Pl. Br. 26 n.9. But even if so, the fact that a state *could* recognize such a right does exactly nothing to establish that *this* State (or any other) ever has, which is the relevant question here.

Maybe most important, record company executives themselves repeatedly testified before Congress that they had no legal right to prevent lawful purchasers of their sound recordings from performing them. Sirius Br. 22-23. Plaintiff responds that these statements against interest by "record executives seeking a

federal performance right for sound recordings" say nothing about whether the right existed under the common law. Pl. Br. 27. Of course they do. Plaintiff willfully ignores the actual record, which makes clear that these record executives were seeking federal protection *because they understood that they did not have common law protection*. Sirius Br. 22-23, 29.

2. This uniform understanding among all stakeholders that record companies and other sound recording owners have no right to prevent lawful purchasers from playing records is fatal to Plaintiff's case, for at least three reasons.

a. *First*, this unanimous understanding explains why, before this case, no recording owner since *Whiteman* had ever attempted to invoke a common law "performance" right in the recording. After all, if such a right existed, it would have been violated every day for a century by every radio broadcaster and disc jockey, and even most restaurants, who routinely play (i.e., "perform") lawfully purchased recordings for the public. Sirius Br. 28-30. Yet no recording owner attempted to protect a "performance" right in court, precisely because they (and everyone else) understood that *there was no such right.* As the U.S. Supreme Court has recognized, "so strong is the desire of every man to have the full enjoyment of all that is his, when a party comes into court and asserts that he has been for many years the owner of certain rights, of whose existence he has had full

knowledge, and yet has never attempted to enforce them, there is a strong persuasion that, if all the facts were known, it would be found his alleged rights either never existed or had long since ceased." *Halstead v. Grinnan*, 152 U.S. 412, 416 (1894).

Plaintiff urges this Court to ignore the lack of any recording-owner enforcement attempt despite constant, decades-long alleged infringement because a "copyright holder's decision not to pursue an infringement action until it is necessary or economically sensible does not divest him of any rights," Pl. Br. 49-50, citing the Supreme Court's recent decision in *Petrella v. Metro-Goldwyn Mayer, Inc.*, 134 S. Ct. 1962 (2014). *Petrella* is inapposite—that case concerned whether a plaintiff that failed to assert a *known* copyright claim can be held to have lost his right to assert it through laches, and the Court held that he could not because Congress had displaced the equitable doctrine of laches through the Copyright Act's statute-of-limitations provision. *Id.* at 1972-79. Here, the question is not whether Plaintiff or any other sound recording owner has sat on a known right, *but whether such a right exists in the first place*, and the fact that no recording owner had attempted to invoke it for a century is good evidence that the newly-claimed right "never existed." *Halstead*, 152 U.S. at 416.

Moreover, and more to the point, Plaintiff's explanation for the lack of any attempt on the part of sound recording owners to protect their supposed common

law "performance" right is both implausible and contradicted by the historical record. Plaintiff speculates that recording owners had no incentive to invoke this right until the recent "dramatic shift from sales of physical and digital copies of records to digital streaming and broadcasting." Pl. Br. 50. But there is no question that even before this shift, sound recordings would have been significantly more valuable if they carried with them a perpetual right to control whether and how they are played after sale. Plaintiff's position—that record companies simply chose to leave money on the table for no reason—is about as likely as it sounds. Moreover, many decades before this market adjustment occurred, record companies were investing substantial resources in repeatedly and unsuccessfully lobbying Congress to recognize a performance right in sound recordings. Those efforts began in 1909, continued through the rejection of such a right in the 1976 Copyright Act, and finally culminated in the limited, balanced recognition of such right in post-1972 recordings in 1995. Sirius Br. 16-18. That longstanding record shows that record companies had ample incentive to assert a common law performance right in court, *if* they believed that such a right existed. They plainly did not.

b. *Second*, the fact that every relevant actor and stakeholder understood that there is no common law "performance" right in sound recordings means that Plaintiff is not merely asking this Court to recognize an existing right, but to *create*

an entirely new right inconsistent with the industry custom and practice since the advent of radio. Plaintiff's position would thus "clash with [the] customary incremental common-law developmental process." *Norcon Power Partners, L.P. v. Niagara Mohawk Power Corp.*, 92 N.Y.2d 458, 467-68 (1998). This Court recognized a common law anti-piracy copyright in part because the common law's protection against unauthorized reproduction of sound recordings "was consistent with the long-standing practice of the federal Copyright Office and became the accepted view within the music recording industry." *Naxos*, 4 N.Y.3d at 554-55 (citation omitted). Recognizing the "performance" right that Plaintiff presses would, in contrast, contradict accepted practice and industry understanding.

Plaintiff barely even acknowledges this fundamental point, responding in a footnote that Sirius XM's position "read[s] into supposed silences in cases" the non-existence of a "performance" right. Pl. Br. 40 n.13. Plaintiff mischaracterizes Sirius XM's argument, which is based not on silence but on repeated, *affirmative* conduct and representations by industry stakeholders, academic commentators, and government agencies, which together demonstrate an unmistakable and entirely unrebutted consensus that recording owners did not possess the right to control where and when lawful purchasers of their recordings could play them. Plaintiff is asking this Court to conjure such a right out of thin air, and thereby to upend the recording industry entirely. If New York law is to recognize such a right, it is for

the Legislature, not a common law court, to say so. *See* Sirius Br. 40-47; *infra* Part II.

c. *Third*, the long and consistent historical understanding that sound recording owners cannot control the performance of lawfully purchased recordings definitively refutes the essential premise of Plaintiff's argument. According to Plaintiff, because the common law recognizes a right to control *copying* of lawfully purchased recordings—*i.e.*, the anti-piracy right—the law also must recognize the right to control *performances* of lawfully purchased recordings. *See supra* at 4. But the historical record shows that courts, commentators, and industry stakeholders never considered a performance right as inherent in the anti-piracy right. After all, New York courts had expressly and repeatedly recognized common law anti-piracy protection since at least 1950, *see Metro. Opera Ass'n v. Wagner-Nichols Recorder Corp.*, 199 Misc. 786 (Sup. Ct. 1950); Sirius Br. 12-13, and the anti-piracy right was generally consistent with industry practice for decades, *Naxos*, 4 N.Y.3d at 554-55. Yet every relevant actor—*including the record companies themselves*—understood that while the common law protects recording owners against unauthorized reproduction, it *does not* allow a recording owner to prevent a lawful purchaser from playing the recording.

Plaintiff's position that a "performance" right must go hand in glove with an anti-piracy right is simply wrong as a practical matter. Moreover, as explained in

the next section, it is wrong as a legal matter as well: the distinction between anti-piracy rights and performance rights derives from fundamental common law principles ignored by Plaintiff but long recognized by New York courts.

B. The Doctrinal And Policy Justifications For The Anti-Piracy Right, And For Common Law Copyright Itself, Preclude Recognizing A Performance Right In Sound Recordings

Unable to plausibly explain the historical record just described, Plaintiff's principal argument is the same simple, doctrinal argument it has always pressed in this litigation, *viz.*, because New York law recognizes a common law right to prevent the unauthorized *reproduction* and sale of a record after its sale, the law also must necessarily recognize a right to prevent any other type of post-sale use of the record, including where and when it is played. But as Sirius XM has explained, that argument misunderstands the nature of and principles underlying common law copyright generally, and the anti-piracy right specifically. Sirius Br. 30-39. Plaintiff's responses to these arguments range from meritless to non-existent.

1. The doctrinal premise of Plaintiff's argument is the unexceptional observation in *Palmer v. De Witt*, 47 N.Y. 532 (1872), that a copyrighted work "is not distinguishable from any other personal property," *id.* at 538, which Plaintiff takes to mean that "copyright protections are as expansive as rights in other forms of tangible property," Pl. Br. 29. Of course, Plaintiff itself recognizes that even

personal property rights are far from absolute. *Id.*; *see* Sirius Br. 30-31. Moreover, *Palmer* does not say that common law copyrights are fully commensurate with personal property rights, but only "so far as applicable." *Palmer*, 47 N.Y. at 538. And copyright in fact "has *never* accorded … complete control over all possible uses of [the] work," but instead "comprises a series of carefully defined and carefully delimited interests to which the law affords correspondingly exact protections." *Dowling v. United States*, 473 U.S. 207, 216-17 (1985) (quotations and citations omitted).

That is true not only under federal law, but also under the common law. *Palmer*, for example, held that a copyright holder does *not* necessarily possess the right to prevent all uses of the art: the "right publicly to represent a dramatic composition for profit, and the right to print and publish the same composition to the exclusion of others, are entirely distinct, and the one may exist without the other," 47 N.Y. at 542; *see also* Sirius Br. 32-33.

To be sure, it is true that, insofar as a common law copyright is "applicable," *Palmer*, 47 N.Y. at 538, it "vest[s] rights in its author similar to the ownership rights in perpetuity associated with other forms of tangible property." Pl. Br. 30 (quoting *Naxos*, 4 N.Y.3d at 547). But Plaintiff draws the wrong lesson from that proposition. It is precisely *because* common law copyright (when it applies) vests a perpetual right in the owner that the *scope* of common law copyright—*i.e.*, when

it applies in the first place—is necessarily narrow. After all, a copyright differs from a personal property right because a copyright deprives the public access of socially useful art. Thus, as Sirius XM explained in its opening brief, Sirius Br. 9-10, 32-33, 37-39—and as Plaintiff does not even acknowledge, let alone address—courts articulating the scope of common law copyright have attempted to achieve a fair balance between "the interest of authors in the fruits of their labor," on the one hand, and "the interest of the public in ultimately claiming free access to the materials essential to the development of society," on the other. 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT ("Nimmer I") § 4.04 (rev. ed. 2016). Courts, in other words, have construed the scope of perpetual common law copyrights narrowly to protect an artist's core rights in his or her work, and have otherwise left to state legislatures or Congress to determine the proper balance between the artist's interest and the public's. *Id.*; Sirius Br. 33.

2. The fact that the common law protects against the unauthorized reproduction and sale of sound recordings does not remotely suggest that it also authorizes recording owners to prevent lawful purchasers from playing those recordings. Certainly, nothing in this Court's decision in *Naxos*, which considered only whether New York law recognized an anti-piracy right, *see* 4 N.Y.3d at 544-46, supports that result. To the contrary, the nature of common law copyright,

along with the principles on which *Naxos* rested, affirmatively preclude recognizing the "performance" right Plaintiff presses.

a. It is well-established that, "[a]s the label 'copyright' suggests, it is the act of copying that is essential to, and constitutes the very essence of all copyright infringement." 2 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT ("Nimmer II") § 8.02[A] (rev. ed. 2016). Plaintiff says that this is only true of *federal* copyright law, Pl. Br. 45, but Plaintiff is wrong—this Court has made clear that "the separate common law copyright" is the "*control of the right to reproduce*," *Pushman v. New York*, 287 N.Y. 302, 307 (1942) (emphasis added); *see Naxos*, 4 N.Y.3d at 547 (core of English common law copyright "include[d] the ability of an author to decide whether a literary work would be published and disseminated to the public . . . and, if distributed, *how the work would be reproduced in the future*" (emphasis added)).

The right recognized in *Naxos—i.e.*, the "right to copy and sell the records," *Naxos*, 4 N.Y.3d at 554 (quotations and citations omitted)—falls squarely within that core copyright protection. The "performance" right does not, because it does not involve any copying at all.[2] The "performance" right, as Plaintiff defines it, is

[2] Plaintiff argues that Sirius XM *does* make incidental copies of sound recordings "to operate its satellite broadcasting and Internet streaming services." Pl. Br. 43. But the record is undisputed that Sirius XM only makes internal "temporary copies in order to facilitate the public performance of . . . sound recordings." A-1720. And as Plaintiff acknowledges, the question whether such

the right to prevent a lawful purchaser from *playing* a record. Playing a record does reproduce the song's *composition*, which is why public broadcast of a sound recording implicates the artist's copyright in the work itself. But playing the record in no way reproduces the *sound recording*—it merely *uses* the sound recording for its intended purpose. For this reason, the claimed right to control the performance of sound recordings "should not be confused with the performance right that has always been accorded to musical works." Nimmer II, *supra*, § 8.14[A].

Plaintiff insists that the right to control performance of lawfully purchased recordings is one right in the "bundle" that makes up a common law copyright. Pl. Br. 30, 45 n.15. That assertion is based on a category error. Plaintiff relies on cases it reads as finding a "public performance" right in *plays and films*. Pl. Br. 31. But the right to control the performance of plays and films is not the same as the right to control the performance of a sound recording: the performance of a play or film copies the underlying work just like performance of a song does, whereas performance of a record copies nothing. *See* Nimmer II, *supra*, § 8.02[A].

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incidental, temporary copying is itself infringing turns on whether such copying is "fair use"—a question before the Second Circuit that the court declined to consider "until this Court has rendered a decision on the certified question." Pl. Br. 43 n.14. Thus, that question "is not before this Court." *Id.*

Plaintiff finds this distinction "incoherent," Pl. Br. 43, on the remarkable ground that performance of a film, play, or song, does *not* require copying because the written words or notes are not reproduced in permanent material form, *id.* at 47. Plaintiff simply misunderstands the "copying" rights protected by traditional copyright. Those rights protect against not only the reproduction of a permanent "material object," but also the *reenactment* of the author's words, music, or stage directions. *See* Nimmer II, *supra*, § 8.02[A] ("There may be copying in the generic sense that does not result in any such material object."). "Performing" a sound recording, in contrast, does not replicate, reconstruct, or reenact the recording itself in any way—the broadcaster "never copie[s] [the] performances at all," *Whiteman*, 114 F.2d at 88, but simply uses the recording for its intended purpose. For that reason, the common law protection against the copying of a play or song through its public performance has never been understood as also protecting against the non-copying performance of a recording. *See supra* at 5-9.

b. Recognizing a "performance" right in sound recordings is also inconsistent with the principles underlying this Court's recognition of an anti-piracy right in *Naxos*. That Court recognized that the "appropriate governing principle" justifying the recognition of an anti-piracy right was that sale of the recording "does not constitute a dedication of the right to copy and sell the records." *Naxos*, 4 N.Y.3d at 554 (quoting *Mercury Records*, 221 F.2d at 663). In

other words, record sale "does not . . . dedicate the right to copy or sell the record," because a "performer has a property right in his performance that it shall not be used for a purpose not intended." *Gieseking v. Urania Records, Inc.*, 17 Misc. 2d 1034, 1035 (N.Y. Sup. Ct. 1956); *see Wheaton v. Peters*, 33 U.S. 591, 674-75 (1834) (Thompson, J., dissenting); Sirius Br. 36-38.

Plaintiff cites *Naxos*'s holding that a common law *anti-piracy* right in sound recordings exists "without regard to the limitations of 'publication' under the federal act," Pl. Br. 39 (quoting *Naxos*, 4 N.Y. 3d at 557), and concludes from this that "sale has no impact on the scope of copyright protection for pre-1972 sound recordings," Pl. Br. 34. But Plaintiff's contention divorces *Naxos*'s holding from the "appropriate governing principle" that compelled that holding. *See Naxos*, 4 N.Y.3d at 560 ("The evolution of copyright law reveals that the term 'publication' is a term of art that has distinct meanings in different contexts."). Under *Naxos*, a record's sale does not divest the owner of the right to prevent unauthorized copying because copying and reselling is not a recording's intended use, and selling the recording thus does not vest in the buyer the right to copy and sell. That principle has no application to the "performance" right, because playing a record *is* the record's intended use. Sirius Br. 37-38. Thus, while sale does not constitute a divestment of a common law anti-piracy right, it *does* constitute divestment of any

"performance" right that might otherwise exist, as has been widely understood for decades. *See supra* at 5-9.

Plaintiff attributes to Sirius XM the argument that this Court should not recognize a right to control the post-sale performance of sound recordings simply because that right was not specifically addressed in *Naxos* and the cases on which it relies. Pl. Br. 36. But that is not Sirius XM's position. The problem for Plaintiff is not just that *Naxos* did not consider the right Plaintiff asserts—it is that the *reason Naxos* recognized a right to control post-sale copying (i.e., because records are not sold for that purpose) is affirmatively inconsistent with recognizing a right to control post-sale performance (i.e., because records are sold for exactly that purpose).[3]

[3] Plaintiff appears to argue that *Metropolitan Opera* supports a "performance" right because it noted that the opera company derived its income, in part, from the "broadcasting" of its performances over the radio. Pl. Br. 37 (quoting *Metro. Opera*, 199 Misc. at 796). But *Metropolitan Opera* does not consider a "performance" right; as *Naxos* recognized, the dispute in that case derived from the fact that the "plaintiff's operatic performances had been broadcast on radio and records of the performances were sold to the public," and the "defendant *copied those performances and created its own records for sale*." *Naxos*, 4 N.Y.3d at 554 (emphasis added). The *Metropolitan Opera* court's mention of "broadcasting" came in the context of describing the three ways in which the opera made money—(i) from live audience performance, (ii) from "the broadcasting of those productions over the radio," and (iii) "from the licensing to the record company of the exclusive privilege of making and selling records of its own performances." 199 Misc. at 796. The question at issue in *Metropolitan Opera* concerned only the third of those interests—both the opera and Columbia Records were plaintiffs, and sued the defendant because it "offer[ed] to the public

c. Finally, Plaintiff fails even to acknowledge that determining the scope of common law copyright requires balancing the interest of artists in their work with the public's interest in gaining access to socially useful art. *See supra* at 16. And as Sirius XM has demonstrated, a proper balancing overwhelmingly weighs against recognizing an unfettered, perpetual common law "performance" right in sound recordings, because numerous stakeholders—including artists, broadcasters, and music consumers—have strong interests in unrestricted performance of records after their sale. Sirius Br. 38-39. That much is clear from the federal experience, in which Congress recognized a relatively uncontroversial anti-piracy right, while at the same time refusing to acknowledge even a limited "performance" right for decades because it was "explosively controversial," SUPP. REGISTER'S REP. ON THE GENERAL REV. OF U.S. COPYRIGHT LAW 51 (Comm. Print 1965) (A-185), and only then after exhaustive study and interest balancing, Sirius Br. 15-24. Plaintiff does not dispute any of this, instead arguing that the federal experience is irrelevant to the scope of state common law. Pl. Br. 25-28. But the long and controversial history of the federal performance right, particularly compared to the anti-piracy right, demonstrates (among other things) that the balance of interests justifying an anti-piracy right does nothing to justify a "performance" right. Sirius Br. 38-39.

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recordings of Metropolitan Opera's broadcast performances" without paying either plaintiff. *Id.* (emphasis added).

Ignoring this well-recognized distinction and the extensive history confirming it, Plaintiff insists that the unauthorized reproduction and resale of sound recordings "inflict[s] the same harms as" the recording's public performance. Pl. Br. 48. That is obviously wrong—piracy places the pirate in direct and unfair competition with the sound recording owner, whereas a purchaser that plays a record is using the record as intended after compensating the owner. That is why the recording industry itself has recognized the existence of an anti-piracy right for decades, even while radio stations freely broadcasted lawfully purchased recordings, and recording executives not only did not seek to enforce a "performance" right, but acknowledged the fact that no such right existed. *See supra* at 5-9. And it is why record companies themselves explained to Congress that while "the duplication of a phonograph record and the selling of that record is an act of unfair competition," "the playing of a record over the air, the mere use of a record in that manner," is not. *Revision of Copyright Laws: Hearings Before the H. Comm. on Patents*, 74th Cong. 639 (Comm. Print 1936). One right simply does not follow from the other, and determining the proper scope of a "performance" right, if any, requires a careful balance of competing stakeholder interests. That is a task for the Legislature, not a common law court.

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

As Sirius XM has shown, to the extent any "performance" right is recognized under New York law, it should be by the Legislature, which is able to engage in the careful balancing of interests required to properly determine the contours of such a right. Sirius Br. 40-47. Again, Congress's extensive, labored history that for years rejected a "performance" right and finally accepted a limited one for post-1972 recordings, shows that striking the right balance in this area is an especially complex exercise, and entirely inconsistent with the blunt tool of a perpetual common law right. Sirius Br. 43-47. Particularly with respect to areas requiring complex interest balancing among multiple stakeholders, a sudden, dramatic expansion of common law rights would "clash with [the] customary incremental common-law developmental process" and "encroach[] on the legislative branch." *Norcon*, 92 N.Y.2d at 467-68; *see* Sirius Br. 40-43.

Plaintiff does not seriously dispute that established proposition,[4] but principally responds that New York law in fact already recognizes a "performance"

[4] Plaintiff does observe that one of the many cases emphasizing that courts are not well-suited for complex policymaking, *Campaign for Fiscal Equity, Inc. v. New York*, 8 N.Y.3d 14 (2006), does not concern common law copyright. Pl. Br. 52 n.18. That observation is irrelevant to the incontestable proposition for which Sirius XM cited the case: "[T]he manner by which the State addresses complex societal . . . issues is a subject left to the discretion of the political branches of government." Sirius Br. 40 (quoting *Campaign for Fiscal Equity*, 8 N.Y.3d at 28). It is likewise beside the point that *Jewelers' Mercantile Agency v. Jeweler's*

right in sound recordings, such that "legislative action would be required to divest copyright owners of this right, not to grant it." Pl. Br. 52. That contention is wrong for all the reasons already explained. *See supra* Part I. Plaintiff also gamely argues that recognizing a "performance" right in this case "will not disrupt the music industry," Pl. Br. 51, but as even the federal district court in this case agreed, such a decision would be "unprecedented," A-1407, and would by definition unsettle decades of industry practice and expectations. *See supra* at 5-14.

Plaintiff's (and its amicus's) policy arguments demonstrate the point. Plaintiff contends that recording owners "are creators of art and deserve to be compensated when their work generates value." Pl. Br. 48. But recording owners *are* compensated for their pre-1972 recordings, when people and entities purchase their records. Plaintiff's position is that record companies and the few other owners of pre-1972 recording are no longer compensated *enough* because of changed market conditions. Pl. Br. 49-51. Even if true, it does not follow that the proper level of compensation can be achieved only by granting them a perpetual

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Weekly Publishing Co., 155 N.Y. 241 (1898), involved books, which are treated differently from sound recordings for copyright purposes. *See* Pl. Br. 52 n.18. The relevant point is that claimed "interests . . . of so important a character" are "a proper subject for legislative action," 155 N.Y. at 254, a principle not disputed by Plaintiff and reaffirmed in this Court's other cases, *e.g.*, *Norcon*, 92 N.Y.2d at 467-68.

right to control when their recordings are played. After all, when Congress exhaustively studied this issue for post-1972 recordings, Congress rejected such a categorical rule, and instead determined that a proper balance of stakeholder interests supports only a limited performance right, including a mandatory licensing scheme and a complete exemptions for broadcast radio. Sirius Br. 18-19, 43-47. This Court has no means by which to craft a similarly limited and balanced rights structure for pre-1972 recordings. Determining the correct level of record-owner compensation required to create the proper record-company incentives, balanced against the interests of artists, broadcasters, and public consumers, is an inherently *legislative* task.

Plaintiff's amicus the Recording Industry Association of America ("RIAA") similarly argues at length that New York has an interest in supporting its vibrant recording industry, and that in RIAA's judgment, a perpetual common law performance right is the best way to do so. RIAA Br. 5-24. It is hardly surprising that a recording-industry trade group would elevate the interests of the recording industry over the interests of artists who want their music played, the interests of broadcasters who want to play the artists' music, and the public's interest in listening to that music. But as shown by the much larger and more diverse collection of amici supporting Sirius XM, the interests of the recording industry are

not the only relevant interests. Only the policymaking branches can properly balance those many competing interests.

Those competing interests include those of the "musicians and singers who perform songs." Pl. Br. 48. Plaintiff says they too "deserve to be compensated," *id.*, but this case is not about compensation for musicians and singers—it is about compensation for recording *owners*. More precisely, the case is about windfall compensation for *record companies*, who own most pre-1972 sound recordings and who already received compensation for the sale of their records. If anything, conferring on record companies the right to restrict performance of their pre-1972 records would *undermine* the interests of musicians and singers because it would allow record companies to limit public access to their music. While record companies *might* negotiate licenses to play their pre-1972 sound recordings, the companies would have no legal obligation and no practical incentive to share license revenues with musicians and singers. Congress recognized that concern when it crafted a performance right for post-1972 recordings, and addressed it by *requiring* record companies to share 50% of digital performance royalties with the performing artists. 17 U.S.C. § 114(g)(2)(B)-(D). The common law right now claimed by Plaintiff would not and could not accomplish such legislative balancing and line drawing.

Finally, Plaintiff cites Sirius XM's settlement with the four largest record companies as evidence that all broadcasters could easily negotiate individual licensing agreements with all pre-1972 recording owners to play their recordings. Pl. Br. 54. Plaintiff is obviously wrong. The ability of one broadcaster to settle active litigation with four large plaintiffs says nothing about the administrative difficulties that would arise if this Court suddenly announced that *all* pre-1972 recording owners possess the right to control *all* performances of their recordings by *all* lawful purchasers.[5] Even the federal district court here rejected Plaintiff's view, expressly finding that "administrative difficulties . . . would ultimately increase the costs consumers pay to hear broadcasts, and possibly make broadcasts of pre-1972 recordings altogether unavailable." A-1689. Avoiding that inevitable outcome is precisely why Congress adopted a reticulated, mandatory licensing scheme. Sirius Br. 43-47.

In any event, even if the market could eventually adjust through negotiations between every individual broadcaster and every individual recording owner, the

[5] Plaintiff suggests that it claims only a right to control *public* or *for-profit* performances (Pl. Br. 46), but the limitation makes no sense on Plaintiff's own "property rights" theory: if the creation of a record necessarily includes a categorical property right in performance of the record, the location or nature of the performance is irrelevant. Moreover, artificially limiting the property right to control over "public" or "for profit" performances would only create additional confusion over what performances qualify—what about a DJ being paid to spin records at a birthday party or legal aid fundraiser?—and would do nothing to solve the administrative difficulties inherent in licensing.

relevant question presented in this case concerns the proper background legal rules, which necessarily affect *how* the relevant stakeholders' interests would ultimately be balanced through such bargaining. The complexities involved in determining how to allocate legal rights under which parties bargain in this area requires the kind of policymaking reserved for the legislative branches, as the federal experience shows. Sirius Br. 40-47.

There is, in short, no "right of public performance for creators of sound recordings under New York law." A-1728. The certified question should thus be answered in the negative.

CONCLUSION

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

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Respectfully submitted,

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