[Edited. You can read the full opinion here.]

Flo & Eddie, Inc. v. Sirius XM Radio, Inc.

821 F.3d 265 (2d Cir. 2016)

CALABRESI, *CIRCUIT JUDGE*:

This case presents a significant and unresolved issue of New York copyright law: 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? Because this question is important, its answer is unclear, and its resolution controls the present appeal, we reserve decision and certify this question to the New York Court of Appeals.

BACKGROUND

Plaintiff-Appellee Flo & Eddie, Inc. ("Appellee") is a California corporation that asserts that it owns the recordings of "The Turtles," a well-known rock band with a string of hits in the 1960s, most notably "Happy Together." Appellee, which is controlled by two of the band's founding members, acquired the rights to The Turtles' recordings in 1971 and continues to market the recordings in a variety of ways, including by licensing the rights to make and sell records and by licensing the use of the recordings in other media.

Defendant-Appellant Sirius XM Radio, Inc. ("Appellant") is a Delaware corporation that is the largest radio and internet-radio broadcaster in the United States, with a subscriber base of more than 25 million individuals. Appellant broadcasts music directly to its own subscribers as well as through third parties. These broadcasts include sound recordings created before February 15, 1972. *See* 17 U.S.C. § 301(c). Among them are recordings allegedly belonging to Appellee. Appellant has not compensated Appellee for the use of these pre-1972 recordings, nor has Appellee granted Appellant a license to use them.

On September 3, 2013, Appellee brought suit against Appellant in the Southern District of New York on behalf of itself and a class of owners of pre-1972 recordings, asserting claims for common-law copyright infringement and unfair competition under New York law. In particular, Appellee alleged that Appellant infringed Appellee's copyright in The Turtles' recordings by broadcasting and making internal reproductions of the recordings (e.g., library, buffer and cache copes) to facilitate its broadcasts. Appellee simultaneously filed parallel class actions against

Appellant in California on August 1, 2013, and in Florida on September 3, 2013, alleging state copyright claims based on California and Florida law, respectively.

On May 30, 2014, Appellant moved for summary judgment on two grounds. First, Appellant contended that there is no public-performance right in pre-1972 recordings under New York copyright law, and that its internal reproductions of these recordings were permissible fair use. Second, Appellant argued that a state-law public performance right, if recognized, would be barred by the dormant Commerce Clause. On November 14, 2014, the District Court (McMahon, *J.*) denied this motion. On the first issue, the Court concluded that New York *does* afford a common-law right of public performance to copyright holders, and that Appellant's internal reproductions were correspondingly not fair use. On the second issue, the Court found that the recognition of a performance right did not implicate the dormant Commerce Clause because such a right was not a "regulation" of commerce under *Sherlock v. Alling*, 93 U.S. (3 Otto) 99 (1876).

Soon after, Appellant, with new counsel, filed a motion for reconsideration of the November 14, 2014 order and, in the alternative, requested that the District Court certify its summary-judgment order for interlocutory appeal. The District Court denied Appellant's motion for reconsideration, but certified its summary-judgment and reconsideration orders for interlocutory appeal.

Appellant then petitioned us to permit the interlocutory appeal, which we did.

DISCUSSION

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A.

In 1971, Congress amended the Copyright Act to grant limited copyright protection to sound recordings fixed on or after February 15, 1972, while expressly preserving state-law property rights in sound recordings fixed before that date. *See* 17 U.S.C. § 301(c). Later, Congress created an exclusive performance right in post-1972 sound recordings performed by digital audio transmission. *See* 17 U.S.C. § 106(6). Performances of post-1972 sound recordings transmitted by other means, such as AM/FM radio, still do not enjoy federal copyright protection. Because Appellee's recordings were fixed before February 15, 1972, they are protected, if at all, by state copyright law. While New York provides no statutory protection to owners of pre-1972 sound recordings, New York common law does provide certain rights to copyright holders in these recordings. *See Capitol Records, Inc. v. Naxos of Am., Inc.*, 4 N.Y.3d 540, 563 (2005) (Naxos II). As a result, the issue before us is whether New York common law affords copyright holders the right to control the performance of sound recordings as part of their copyright ownership.

The New York Court of Appeals has not ruled on whether such a right exists. Appellee contends that New York common law affords it a right of public performance, which Appellant violated when it broadcast Appellee's recordings without a license. Appellant, conversely, argues that no such right exists. Siding with Appellee, the District Court concluded that "general principles of common law copyright dictate that public performance rights in pre-1972 sound recordings do exist." *Flo & Eddie*, 62 F. Supp. 3d at 344.

With no clear guidance from the New York Court of Appeals, we are in doubt as to whether New York common law affords Appellee a right to prohibit Appellant from broadcasting the sound recordings in question. In such circumstances, we may certify the unresolved, determinative question to New York's highest court. . . .

Certification is clearly appropriate in the case before us. First, the Court of Appeals has not addressed whether copyright holders in sound recordings have a public-performance right in their works, nor is there sufficient other guidance that allows us to predict how the Court would resolve this issue. Second, Appellee's claims of infringement patently rise and fall with the question's resolution. And third, whether to recognize such a right of public performance is essentially a "public policy choice[]" appropriately resolved by a New York court. There are clear costs to recognizing a right of public performance in sound recordings; as the District Court recognized, Appellee's suit "threatens to upset those settled expectations" of radio broadcasters that have "adapted to an environment in which they do not pay for broadcasting pre-1972 sound recordings." Still, New York's interest in compensating copyright holders may perhaps outweigh the cost of making such a change. Whatever the merits of such a determination might be as a value judgment, however, it *is* a value judgment, which is for New York to make. And that fact counsels certification.

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C.

Appellant also argues that any law that would grant a public performance right to copyright holders would violate the dormant Commerce Clause. If this were so, then—despite our usual preference not to reach difficult constitutional issues [citation], —the existence of such a right, *vel non*, would not be determinative of the case at hand until we decide the Commerce Clause question. For if we held that the dormant Commerce Clause banned all such rights, Appellee would lose regardless of New York law. Under such circumstances, certification might not be appropriate in New York. [Citation.]

But, in fact, the question of whether such a right would violate the dormant Commerce Clause is not something we can adjudicate without knowing what, if any, limitations New York places on such rights, if they do exist. It is not the case that all rights of this sort violate the

dormant Commerce Clause; some might, some might not [Citations.] As a result, knowing what rights—if any—are provided under New York common law is determinative, and certification remains appropriate.

CONCLUSION

Accordingly, we reserve decision and CERTIFY the following question 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? We do so, as always, with the clear understanding that, while we can ask New York's highest court to address this issue, that Court retains "the ultimate decision on whether to accept certification." *Capitol Records, Inc. v. Naxos of Am., Inc.*, 372 F.3d 471, 484 (2d Cir. 2004)(Naxos I). Moreover, should the Court of Appeals accept certification, we invite it to "reformulate or expand" this question as appropriate. *Adelson*, 774 F.3d at 811. And we "welcome its guidance on any other pertinent questions that it wishes to address." Id.

Accordingly, the Clerk of the Court is ORDERED to transmit to the New York Court of Appeals a Certificate together with this opinion and its identification of the question being certified as well as a complete set of the briefs, appendix, and record filed by the parties in this Court. This panel will retain jurisdiction to decide the case after a response from the New York Court of Appeals, upon receipt of that Court's opinion, or without such opinion should that Court decline certification.