MOSES & SINGER LLP

WHY THE INTERNET DISTRIBUTION OF PRE-1972 SOUND RECORDINGS IS DIFFERENT FROM EVERYTHING ELSE IN COPYRIGHT LAW

- or -

DOES THE DMCA APPLY TO PRE-1972 SOUND RECORDINGS?

COPYRIGHT IN SOUND RECORDINGS

- Different from copyright in music
- Music copyrightable beginning in 1831
- Phonograph invented 1877
- Sound recordings copyrightable beginning in 1972

COPYRIGHT PROTECTION OF SOUND RECORDINGS DEPENDS ON DATE OF RECORDING

- Federal Copyright Law (17 U.S.C. 101 et seq.) does not cover sound recordings made prior to 1972
- BUT "common law" copyright under state law protects pre-1972 sound recordings

Rights Under Copyright of Sound Recordings

For post-1972 sound recordings, exclusive right

- to copy and distribute copies,
- to make derivative works (using the actual sounds) and
- to perform publicly by "digital audio transmission" (highly limited by 17 U.S.C 114)

WHAT IS COMMON LAW COPYRIGHT, ANYWAY?

- Common law copyright is often referred to as “the right of first publication”
- Common law copyright a theory in the shadow of statute, based on natural law
- Confined to unpublished works
- Perpetual - originally
- Common law copyright expands to cover dramatic and musical works during the 19th century

Frederick Chusid & Co., v. Marshall Leeman & Co., 326 F. Supp. 1043, 1064 (S.D.N.Y.. 1971) (collecting cases and finding “If Chusid published any of these materials, common law copyright was lost”); s*ee also*, *RoyExp. Co. v. Columbia Broad. Sys., Inc.*, 672 F.2d 1095 (2d Cir. 1982).

Elements Of Common Law Copyright Infringement

(1) the existence of a valid common law copyright; and

(2) unauthorized reproduction of the work protected by copyright

Bad faith or fraud is not an element of an infringement action in modern New York law.

Secondary liability for common-law copyright infringement is available under New York common law.

Arista, 784 F.Supp at 436; *Naxos*, 797 N.Y.S.2d at 368

Remedies

- Common law, so no "statutory damages"
  - Section 504(c): $750-30,000 or $150,000 (willful).
- Actual Damages
  - Nash v. Alaska Arilines, 94 F. Supp. 428, 431 (S.D.N.Y. 1950)
- Punitive Damages
  - *Chusid & Co., v. Marshall Leeman & Co.*, 326 F. Supp. 1043, 1064-65 (S.D.N.Y. 1971) (collecting cases where punitive damages were or were not awarded; and awarding $1,000 in punitive damages where the conduct was "morally culpable"); *Roy Exp. Co. v. Colubia Broad. Sys., Inc*., 672 F.2d 1095, 1106-07 (2d Cir. 1982) ($300,000 punitive damages on common law copyright claim; $110,000 on the unfair competition claim)
- Nominal Damages
  - *Nash v. Alaska Arilines*, 94 F. Supp. 428, 430-31 (S.D.N.Y. 1950)
- Attorney's Fees
  - *Nash v. Alaska Arilines*, 94 F. Supp. 428, 430-31 (S.D.N.Y. 1950)
- Injunction
  - *Chusid & Co., v. Marshall Leeman & Co.*, 326 F. Supp. 1043, 1064 (S.D.N.Y.. 1971); *Firma Melodiya v. ZYX Music GmbH*, 882 F. Supp. 1306, 1316 (S.D.N.Y. 1995) (collecting cases). *See also*, *Captiol Records, Inc. v. Mercury Records Corp.*, 221 F.2d 657 (1955) (affirming injunction).

FEDERAL PREEMPTION OF COMMON LAW COPYRIGHT

- The Copyright Act preempts copyright-like state laws. 17 U.S.C. 301(a)
- BUT exception for pre-1972 sound recordings: state (common law copyright and other) protections not preempted until 2067 – then preempted. 17 U.S.C. 301(c)

Arista Records LLC v. Lime Group LLC, 784 F. Supp. 2d 398, 436 (S.D.N.Y. 2011) (citing *Capitol Records, Inc. v. Naxos of Am., Inc.*, 4 N.Y.3d 540, 797 N.Y.S.2d 352 (2005)).

"PUBLICATION" UNDER COMMON LAW COPYRIGHT

- Common law copyright lost upon publication
- With respect to sound recordings, the plaintiff does not lose its exclusive rights by putting the records on public sale.

Capitol Records, Inc. v. Mercury Records Corp., 221 F.2d 657, 663 (1955); *Rosette v. Rainbo Record Mfg. Corp.*, 354 F. Supp. 1183, *aff'd,* 546 F.2d 461 (2d Cir. 1976).

Naxos explains "publication" of sound recordings in New York

- With regard to literary works, "it has long been the rule that common-law protection ends when a writing is distributed to the public because it is at that point that federal statutory copyright protection controls. In contrast, in the realm of sound recordings, it has been the law in this state for over 50 years that, in the absence of federal statutory protection, the public sale of a sound recording otherwise unprotected by statutory copyright does not constitute a publication sufficient to divest the owner of common-law copyright protection."

Naxos, 797 N.Y.S.2d at 366 (internal cit. om.).

Unfair Competition

- Common-law copyright claims are often paired with a claim for unfair competition, which has one additional: competition

- Elements of unfair competition claim based on copying:
  (1) unauthorized reproduction and distribution of the plaintiff's work; and
  (2) **competition in the marketplace or other commercial benefit to infringer**

Criminal Liability

New York Penal Law, Article 275, "Offenses Relating to Unauthorized Recordings"

- Statute expressly limited to pre-1972 sound recordings
- On a large scale, violation is a Class E felony. PL § 275.10 (more than one thousand unauthorized copies).
- Lesser degree of crime: knowing reproduction for profit
- No cases reported in McKinney's

Exemptions in Penal Law from Criminal Liability

- Broadcasters making copies for broadcast or archives
- Personal use not for profit
- No effect upon civil claims

Penal Law § 275.45

Criminal Punishment

- *Imprisonment*. Manufacturing > 1,000 copies – up to 4 years, otherwise up to 1 year
- *Fines*.
  - Corporations: Up to higher of $10,000 or double illicit profit
  - Individuals: Up to higher of $5,000 or double illicit profit
- *Restitution and Reparations*

COMMON LAW COPYRIGHT IN SOUND RECORDINGS AND THE INTERNET

- Distribution of copies of sound recordings via the Internet violates copyright – statutory and common law

SAFE HARBOR FOR DISTRIBUTION OVER THE INTERNET – THE DIGITAL MILLENNIUM COPYRIGHT ACT ("DMCA")

- Safe harbor for "service providers" when information resides on systems or networks at direction of users. 17 U.S.C. 512(c).
  - "service provider" means a provider of online services or network access (e.g., YouTube). 17 U.S.C. 512(k)(1)
  - Notice and takedown / designated agent
  - No financial benefit to service provider directly attributable to infringing conduct

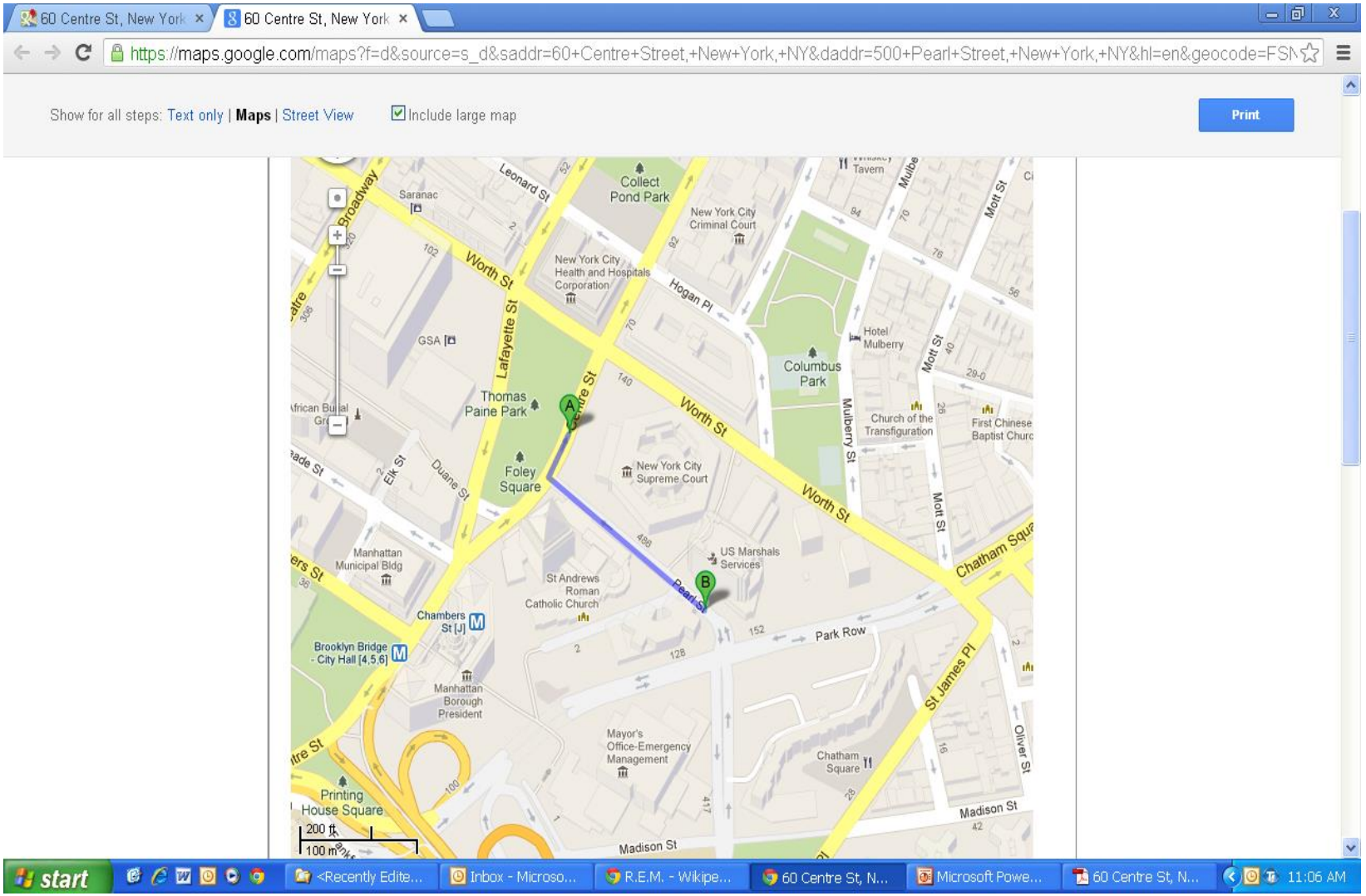
Does The DMCA Safe Harbor Apply To Pre-'72 Recordings?

Yes

- *Capitol Records, Inc. v. MP3Tunes, LLC*, 821 F. Supp. 2d 627, 640-42 (S.D.N.Y. 2011)

No

- *UMG Recordings, Inc. v. Escape Media Group, Inc.*, 2013 NY Slip Op 02702 (1st Dep't Apr. 23, 2013)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Capitol Records v. MP3tunes (SDNY)

- DMCA applies to pre-1972 recordings
  - Service provides "lockers" for users to store music files and to search/transfer songs
  - Defendant eligible for safe harbor protection because reasonably implemented a repeat infringer policy (section 512(i)).
  - "[r]eading section 301 in context and looking to the architecture of the Copyright Act as a whole," the Court concluded "that there is no conflict between section 301 and the DMCA's safe harbors for infringement of pre-1972 recordings."

Why Safe Harbor Applies to Non-Copyrighted Sound Recordings (*MP3tunes*)

- Text: DMCA does not draw any distinction between federal and state law.
- Meaning of "infringement": Under DMCA not limited by definition of "infringement" elsewhere in Act
- Policy: "Limiting the DMCA to recordings after 1972, while excluding recordings before 1972, would spawn legal uncertainty and subject otherwise innocent internet service providers to liability for the acts of third parties. After all, it is not always evident (let alone discernable) whether a song was recorded before or after 1972."

MP3tunes result

- Nevertheless, the Court granted plaintiff summary judgment on its claims for contributory infringement with respect to the songs listed on the takedown notices and which defendant failed to remove from users' lockers.

UMG Recordings v. Escape Media (1st Dept)

- DMCA does not apply to pre-1972 recordings
  - "Grooveshark" – users upload songs, and others can search for and stream
  - Motion to dismiss safe harbor defense under section 512(c) denied in trial court
  - First Department reversed

Why Safe Harbor Doesn't Apply to Non-Copyrighted Sound Recordings (*UMG*)

- Non-preemption: Requiring service of takedown notice would burden common law right preserved by section 301(c)
- Plain language of statute: "Congress explicitly, and very clearly, separated the universe of sound recordings into two categories, one for works 'fixed' after February 15, 1972, to which it granted federal copyright protection, and one for those fixed before that date, to which it did not."

Why Safe Harbor Doesn't Apply to Non-Copyrighted Sound Recordings (*UMG*) (cont.)

- Policy: Grooveshark argues that the purpose of the DMCA will be thwarted if it is deemed not to apply to the pre-1972 recordings.
- Policy: Court disagrees with Grooveshark, identifying two relevant policies in Copyright Act: (1) promote the existence of intellectual property on the Internet, (2) insulate pre-1972 sound recordings from federal regulation. Held: reasonable to reconcile the two policies by excluding pre-1972 sound recordings from DMCA

CDA PROTECTION FOR INTERNET SERVICE PROVIDERS AGAINST COMMON LAW COPYRIGHT?

- The Communications Decency Act of 1996 (CDA) protects Internet service providers who transmit potentially objectionable content that originates with others. 47 U.S.C. § § 230(c).
- Subsection (c)(1): "No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider."
- However, CDA protections are not absolute.

CARVE-OUTS FROM CDA SERVICE PROVIDER IMMUNITY

- The intellectual property exception to CDA immunity, 47 U.S.C. § 230(e)(2), provides: "Nothing in this section shall be construed to limit or expand any law pertaining to intellectual property."
- Other carve outs:
  - Criminal law relating to obscenity or sexual exploitation of children
  - "State law"

INTELLECTUAL PROPERTY RIGHTS CARVE OUT FROM CDA

- Carve out applies at least to federal intellectual property claims; case law concerning immunity from state law intellectual property rights is conflicting
- Possible state law rights include state law trademark or unfair competition generally, right of publicity
  - Immunity from state law claims. 9th Cir. (*Perfect 10 v. CC Bill, LLC)* 481 F.3d 751 (9th Cir. 2007), amended and superseded on denial of rehearing, 488 F.3d 1102 (9th Cir. 2007)
  - No immunity. 1st Cir (*Universal Communications Systems, Inc. v. Lycos, Inc.)* 478 F.3d 413 (1st Cir. 2007).

IN NEW YORK, CARVE OUT FROM SERVICE PROVIDER CDA IMMUNITY APPLIES TO BOTH FEDERAL AND STATE INTELLECTUAL PROPERTY CLAIMS

- *Atlantic Recording Corp. v. Project Playlist, Inc.*, 603 F. Supp. 2d 690 (S.D.N.Y. 2009) (Chin, J.)
  - Defendant provided interface for users to listen to plaintiff's songs on its website and listed links for downloading, but did not post the content 603 F. Supp. 2d at 699-701.
  - Plaintiffs' claims included common law copyright infringement under New York law for pre-1972 recordings.
  - Court held that defendant qualified for CDA immunity because it was not an "information content provider" **BUT**

Atlantic Recording Corp. v. Project Playlist, Inc. (cont.)

- Held, plaintiff's state law claims fell within the intellectual property carve-out of CDA section 230(e)(2) ("not limit" intellectual property rights)
- Separate "state law" carve-out in CDA did not limit intellectual property carve-out - Congress could have included the word "federal" in section (e)(2), as it did in other sections
- Thus, intellectual property carve-out preserves "any" intellectual property claim

SUMMARY OF PROTECTION (OR NOT) OF PRE-1972 SOUND RECORDINGS AGAINST INTERNET SERVICE PROVIDERS

- **PROTECTED –** SOUND RECORDINGS COPYRIGHTABLE SINCE 1972
- **NOT PROTECTED -** BUT COPYRIGHT NOT RETROACTIVE TO PRE-1972 RECORDINGS
- **PROTECTED –** BUT PROTECTED BY STATE COMMON LAW COPYRIGHT
- **NOT PROTECTED -** BUT STATE COMMON LAW COPYRIGHT PREEMPTED
- **PROTECTED –** BUT NOT STATE COMMON LAW PROTECTING PRE-1972 SOUND RECORDINGS
- **NOT PROTECTED -** BUT DMCA PROVIDES SAFE HARBOR FOR INTERNET SERVICE PROVIDERS FOR USER-POSTED CONTENT

SUMMARY OF PROTECTION (OR NOT) OF PRE-1972 SOUND RECORDINGS AGAINST INTERNET SERVICE PROVIDERS (cont.)

- **PROTECTED –** BUT DMCA SAFE HARBOR DOES NOT APPLY TO COMMON LAW COPYRIGHTS
- **NOT PROTECTED -** OR DOES IT?
- **NOT PROTECTED -** AND THE CDA IMMUNIZES INTERNET SERVICE PROVIDERS FROM CLAIMS BASED ON USER-POSTED CONTENT
- **PROTECTED –** BUT NO CDA IMMUNITY FROM INTELLECTUAL PROPERTY CLAIMS
- **NOT PROTECTED –** BUT STATE LAW INTELLECTUAL PROPERTY CLAIMS ARE OUTSIDE THE CDA INTELLECTUAL PROPERTY IMMUNITY CARVE-OUT
- **PROTECTED –** OR ARE THEY?

Questions?

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