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Pre-1972 Songs Ruling May Lead To Good Vibrations

Law360, New York (April 7, 2017, 1:54 PM EDT) -- The U.S. Supreme Court recently declined to hear Capitol Records LLC's appeal[1] from the recent, closely watched Second Circuit decision that held that Vimeo LLC, an online video service provider, could take advantage of the Copyright's Act's "safe harbor" provisions and protect itself from infringements of pre-1972 sound recordings on its site, even though pre-1972 sound recordings are not technically covered by the Copyright Act.

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In Capitol Records v. Vimeo,[2] Capitol sued Vimeo claiming that the website and its users were infringing on its rights to recordings by famous artists such as The Beatles and Nat King Cole. Under Section 512 of the Copyright Act (enacted in 1998 as part of the Digital Millennium Copyright Act), "service providers" such as Vimeo are given immunity from infringement so long as they meet the qualifications of the statute. This "safe harbor" provision puts the onus on copyright holders to police their work and to notify the service provider of infringements, which then are to remove the infringing content. Thus, so long as Capitol notified Vimeo of infringing recordings and Vimeo timely took them down, it could not be liable for infringement.

The loophole leading to Capitol's suit was that pre-1972 sound recordings technically fall outside the Copyright Act's protections. Congress for the first time included sound recordings within the scope of federal copyright protection in 1972, but did not make this protection retroactive. Copyright owners of pre-1972 sound recordings have therefore had to rely on state specific legislation to protect their recordings. In picking up on this technicality, Capitol claimed that Vimeo is liable for copyright infringement under state law for unauthorized use of its pre-1972 recordings, as the "safe harbor" protections of the Copyright Act do not apply.

The Second Circuit, in its highly anticipated decision, decided otherwise. Favoring Vimeo on all claims, the Second Circuit held that the legislative intent behind the adoption of Section 512 was to "strike a compromise" such that service providers will not be liable across the board so long as they take down infringing content. The court reasoned that, to find service providers not liable under federal law but liable under state law would result in a "strained interpretation" of copyright law, one that would "defeat the very purpose Congress sought to achieve in passing the statute [Section 512]." In so finding, the Second Circuit concluded that the "safe harbor" applies under federal and state law and thus can

protect service providers from liability for copyright infringement of pre- and post-1972 sound recordings.

There is no mistake that policy, at least in part, drove the Second Circuit's decision. The court stressed that a contrary ruling would result in the onus being placed on service providers, rather than the copyright holder, to ensure that each and every posting by its users did not contain a pre-1972 recording, which would ultimately compel service providers to either incur heavy costs of monitoring every posting or incur "potentially crushing liabilities under state copyright laws."

Capitol's appeal to the Supreme Court stressed that the Second Circuit was improperly motivated by policy and ignored the law. It argued that the decision "greatly exacerbates the problem by conferring federal defenses that annul or limit state-law rights and remedies, without providing the increased protections that Congress granted [under the Copyright Act] to owners of federally-protected recordings." Indeed, the decision effectively frustrates copyright holders' rights to sue service providers for infringement under state law or to leverage the situation to work out favorable deals or licenses. While the ruling protects service providers, it limits copyright holders' rights without providing any corresponding benefit under the Copyright Act.

The Supreme Court's decision to decline to hear the case is significant because it means the Second Circuit rule stands, at least in New York federal courts. To date, this is the only court of appeal decision on the issue and, given that the Second Circuit is so highly regarded and influential, other federal courts may also adopt this rule.

Moving Forward

Why the 1972 law granting federal protection of sound recordings was not retroactive remains unclear. What is clear, however, is that courts are grappling more and more with the need to balance copyright abuse in the digital age and the need to allow digital services to invest in the expansion and the growth of the Internet. Thus, just as Capitol argued in its writ for certiorari, it appears that courts are, indeed, leading with policy considerations and weighing competing interests to find a solution that appears most just in the circumstances.

While the Second Circuit's holding and the Supreme Court's refusal to disturb it may be a disappointment for record labels and other rights holders, the upside is that this result goes a step in the direction of providing uniformity in the copyright laws as they apply to sound recordings. The current requirement that copyright owners of pre-1972 sound recordings must resort to varying state laws for copyright protection is a recipe for inconsistent holdings, conflicting and confusing rulings, and ultimate forum shopping. Uniformity in the treatment of all sound recordings will avoid these obvious issues.

Indeed, if the Second Circuit is willing to carve out Section 512 of the Copyright Act and hold that it applies under both federal and state law so as to cover pre- and post-1972 recordings, then perhaps this same rationale will be extended to other aspects of federal copyright law that still treat pre- and post-1972 sound recordings differently.

One such example that has recently gained public attention is the digital performance right in sound recordings under the Copyright Act (enacted in 1995 as part of the Digital Performance Right in Sound Recordings Act) that requires digital broadcasters like Pandora and SiriusXM to pay a royalty to artists and labels for the "performance" of recordings.[3] Again, because the Copyright Act does not cover pre-1972 sound recordings, the "digital performance right" applies explicitly to post-1972 recordings only.

Copyright holders of pre-1972 recordings must again resort to state laws to recover royalties from online/digital radio providers for use of their recordings. This has been the basis of a series of lawsuits in California, New York, and Florida spearheaded by The Turtles, who sued SiriusXM under the respective state copyright laws to recover royalties for the performance of their pre-1972 recordings. The case reached settlement in California after a very favorable court ruling for The Turtles, but the issue of whether online radio providers like Pandora or SiriusXM must pay royalties for playing pre-1972 recordings (and, if so, how much) has not been fully resolved by all states.

Therefore, if there is a trend being set by the influential and highly respected Second Circuit, there is at least an argument to be made that the digital performance right, too, should apply on the federal and state level to cover all copyrighted sound recordings, not just those that postdate 1972. Such a progression of the law would create further uniformity and allow rights holders of old copyrighted recordings to take advantage of federal protections since they are now, at least in part, being subjected to federal limitations. Until then, we will continue to monitor the record industry's requests for stronger protections of music copyrights as they battle new technologies and services.

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[1] The suit was brought by Capitol and other big record labels, including Virgin Records and various divisions of EMI. For purposes of this article, Capitol shall refer to all plaintiffs in the action.

[2] Capitol's initial suit involved various issues, including issues pertaining to post-1972 recordings. This article focuses only on the issues relevant to the aspects of the Second Circuit's decision that led to Capitol's writ for certiorari.

[3] Under the Copyright Act, terrestrial radio has no obligation to pay an artist or record label for the "performance" of music i.e. the playing of recordings. Terrestrial radio does, however, pay a royalty to the songwriters of the "performed" songs. For example, despite the millions of radio plays of Britney Spears' mega hit "Baby One More Time" throughout the last 18 or so years, Spears has not earned anything from radio play. The song's writer, Max Martin, however, earned and continues to earn a fee each time the song is played on the radio. Spears is, however, entitled to a royalty when the song is played on digital/online stations like Pandora or SiriusXM.
