

AS OUR HERITAGE CRUMBLES INTO DUST:
THE THREAT OF STATE LAW PROTECTION FOR
PRE-1972 SOUND RECORDINGS

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Abstract

This article examines the perplexing question of why U.S. copyright law allows states to grant virtually unlimited protection to sound recordings created prior to 1972. Although the Constitution grants the federal government commanding authority over the United States' copyright regime, it appears that states are still free to do as they please in at least one important field. In the 2005 decision of *Capitol Records, Inc. v. Naxos of America, Inc.*, the New York Court of Appeals breathed new life into the doctrine of common law copyright by holding that the rights-holder to a sound recording created any time before the effective date of the Sound Recording Amendment (February 15, 1972) may exercise exclusive rights over the work under common law copyright. Prior to that date, federal copyright law protected musical compositions, but not sound recordings. Because sound recordings were not then copyrightable subject matter under federal law, states were not barred from granting protection to such works, whether by common law or statute. At issue in *Naxos* were a number of sound recordings created in the 1930s in the United Kingdom—a jurisdiction which did provide statutory protection for sound recordings. Relying upon a few early cases, the Court of Appeals concluded that irrespective of the expiration of the U.K. copyrights, New York protects the sound recordings until federal law preempts the field in 2067.

This seemingly innocuous holding may have serious consequences in destroying an important piece of our cultural heritage. A handful of large

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record companies own the rights to the vast majority of early sound recordings, creating a veritable oligopoly with regard to the recorded sounds of the first half of the twentieth century. As a result, only the most commercially viable recordings are restored and remastered, while the vast majority of early works are left to literally crumble to dust. Had these sound recordings been afforded the same copyright term as other creative works of their age, they would have been released into the public domain a maximum of 56 years after publication. However, because common law protection persists, would-be restorers of these early works are barred from taking any action.

This article examines the legal bases for the *Naxos* decision and concludes that they are all flawed, both legally and from a policy standpoint. First, the legislative history of the current Copyright Act strongly suggests that the loophole for allowing state law protection of pre-1972 sound recordings was created by a simple misunderstanding. Furthermore, in reaching its holding, *Naxos* improperly relied upon a few early cases dealing with common law copyright. As a matter of policy, not only does *Naxos*' expansive view of common law copyright not advance the constitutional purpose of copyright, it threatens the overall copyright protection scheme and the general public's interest in preserving its cultural history. Because of this, Congress should act swiftly to preempt state law protection for pre-1972 sound recordings by granting them the uniform federal protection enjoyed by other types of intellectual property.

Introduction

Common law copyright has long been dismissed as having, at best, marginal significance in the scheme of U.S. copyright law. Ever since the Copyright Act of 1976 did away with many of the formalities of registration and notice, common law copyright has largely played a role only with respect to unpublished works. However, in *Capitol Records, Inc. v. Naxos of America, Inc.* ("*Naxos*"),² the New York Court of Appeals proved that common law copyright can still play a substantial role with respect to pre-1972 sound recordings. The court decided that New York common law continues to protect pre-1972 sound recordings until 2067, regardless of their publication status. While the decision is thus far limited to New York, other jurisdictions might be swayed to follow suit.

This article provides a critical account of the United States' treatment of pre-1972 sound recordings, and uses the subject litigation as an example of how Congress's missteps when enacting the 1972 Sound Recording Amendment³ and 1976 Copyright Act⁴ have led to an unfavorable result—

² 4 N.Y.3d 540, 565 (N.Y. 2005).

³ Sound Recording Amendment of 1971, Pub. L. No. 92-140, 85 Stat. 391 (Oct. 15, 1971) [hereinafter SRA].

one that may ultimately result in the loss of many worthy works. Part I of this article traces the history of protection for sound recordings in the United States and explains why pre-1972 sound recordings are treated uniquely. Part II details the history of the *Naxos* litigation. Finally, Part III argues that *Naxos* was wrongly decided for both legal and policy reasons, and exemplifies the need for uniform federal protection for all sound recordings, including those produced prior to 1972.

I. The History of State Law Protection for Sound Recordings

At the dawn of the Republic, the laws of the several states inherited much of the English legal tradition, including laws related to the protection of writings. During the period when the United States government operated under the Articles of Confederation, Congress passed a resolution recommending that the several states each adopt a copyright law.⁵ Every state but Delaware quickly adhered to Congress's suggestion.⁶ Then, in 1787, the United States adopted our Constitution, which gave Congress the power to "promote the Progress of Science and useful Arts by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."⁷ Accordingly, in 1790, Congress passed the first national copyright law, "An Act for the encouragement of learning," protecting "maps, charts, and books."⁸ With that, the earlier laws passed by the states were largely preempted except for those areas not covered by the statute.⁹ What remained is often referred to as common law copyright.¹⁰

⁴ 17 U.S.C. §§ 101-803 (1976).

⁵ On May 2, 1783, Congress passed a resolution authored by James Madison which read:

Resolved, that it be recommended to the several States to secure to the authors or publishers of any new books not hitherto printed... the copy right of such books for a certain time not less than fourteen years from the first publication... such copy or exclusive right of printing, publishing, and vending the same, to be secured to the original authors, or publishers, their executors, administrators, and assigns, by such laws and under such restrictions as to the several States may seem proper.

Karl Fenning, *The Origin of the Patent and Copyright Clause of the Constitution*, 17 GEO. L. J. 109, 114-15 (1929).

⁶ See Tom W. Bell, *Escape from Copyright: Market Success vs. Statutory Failure in the Protection of Expressive Works*, 69 U. CIN. L. REV. 741, 765-70 (2001).

⁷ U.S. CONST. art. I, § 8, cl. 8.

⁸ See Act of May 31, 1790, ch. 15, 1 Stat. 124.

⁹ The Copyright Act of 1790 contained no express preemption provision, but likely took precedence over state law under either or both the Supremacy Clause and the doctrine of implied conflicts preemption. U.S. CONST. art. VI, § 2; see generally, Tom

A. *The Age of Sound Recordings*

In the context of history, mankind has only very recently attained the ability to record audible sounds onto a medium for subsequent playback.¹¹ At the turn of the 20th Century, phonorecords were still a cutting-edge technology and, as is often the case, technology outpaced the advancement of the law. Courts dealing with creations such as the player piano were ill-equipped to grant protection due to the antiquated language of the 1790 Act, which was limited to “writings.”¹² The pivotal moment came when the Supreme Court rejected the notion that player piano rolls were “copies” for purposes of the copyright protection.¹³ Alarmed by this development, Congress quickly rewrote the copyright law to ensure that composers would have the exclusive right to make mechanical reproductions of their music.¹⁴

W. Bell, *Misunderestimating Dastar: How the Supreme Court Unwittingly Revolutionized Copyright Preemption*, 65 MD. L. REV. 206 (2006) (discussing the doctrines of preemption).

¹⁰ Common law copyright is more accurately referred to as state law protection, as states are free to provide protection for creative works in any area not subject to federal preemption. 1-2 MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 2.02 at 2-18 (2005) [hereinafter “NIMMER”]. Some states afford protection not via common law, but by statute. For instance, California’s Civil Code provides with respect to pre-1972 sound recordings:

The author of an original work of authorship consisting of a sound recording initially fixed prior to February 15, 1972, has an exclusive ownership therein until February 15, 2047, as against all persons except one who independently makes or duplicates another sound recording that does not directly or indirectly recapture the actual sounds fixed in such prior sound recording, but consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate the sounds contained in the prior sound recording.

Cal. Civ. Code § 980(a)(2) (West 2005). Note that the 2047 date represents the pre-Copyright Term Extension Act federal preemption date, and has yet to be amended to 2067 in the California statute. *See infra* note 53 and accompanying text.

¹¹ Thomas Edison is credited with inventing phonorecords in 1877, but such devices did not become commercially viable until the 1890s. *See* Jeffrey A. Abrahamson, *Tuning Up For A New Musical Age: Sound Recording Copyright Protection In A Digital Environment*, 25 AIPLA Q. J. 181, 188 (1977).

¹² The subject matter of copyright had been progressively expanded since the 1790 Act, but had not reached sound recordings. *See supra* note 7 Part I.

¹³ *See* *White-Smith Music Pub. Co. v. Apollo Co.*, 209 U.S. 1, 19 (1908).

¹⁴ *See* Copyright Act of 1909, Pub. L. No. 349, ch. 320, 35 Stat. 1075 (1909). The 1909 Act introduced the concept of the compulsory license, providing that “whenever the owner of a musical copyright has used or permitted or... knowingly acquiesced in the use of the copyrighted work, any other person may make similar use of the copyrighted work, upon payment to the copyright proprietor of a royalty of 2 cents on each such part manufactured, to be paid by the manufacturer thereof....” *Id.*

However, the Copyright Act of 1909 did not provide for any statutory rights to the sound recordings themselves. In fact, it was not until the 1970s that Congress acted to create federal protections for sound recordings.¹⁵

By 1969, record piracy was out of control, and even though Congress realized that the entire Copyright regime was due for an overhaul, the exigent circumstances warranted an immediate fix with respect to sound recordings. As the House Report on the Sound Recording Amendment (“SRA”) stated:

While it is difficult to establish the exact volume or dollar value of current piracy activity, it is estimated by reliable trade sources that the annual volume of such piracy is now in excess of \$100 million. It has been estimated that legitimate prerecorded tape sales have an annual value of approximately \$400 million.¹⁶

Congress also recognized that such piracy harms not only legitimate record manufacturers, but also musicians and performing artists, in the form of lost royalties, as well as the government, in the form of lost tax revenues.¹⁷

The House Report lamented that the then-current state of legal protection to sound recordings was inadequate, on both a federal and state level: “If the unauthorized producers pay the statutory mechanical royalty required by the Copyright Act for the use of copyrighted music there is no Federal remedy currently available to combat the unauthorized reproduction of the recording.”¹⁸ The Report further recognized that although eight states had enacted record piracy statutes, “in other jurisdictions the only remedy available to the legitimate producers is to seek relief in State courts on the theory of unfair competition.”¹⁹ Interestingly, while noting the existence of the state record piracy statutes, the Report was silent on non-statutory state

¹⁵ See SRA, *supra* note 3. The lapse of over 62 years between the 1909 Act and 1971 Sound Recording Amendment (“SRA”) before federal protection was offered to sound recordings is rather odd, given that record piracy had long been recognized as a serious problem. See, e.g., *Victor Talking Mach. Co. v. Armstrong*, 132 F. 711 (C.C.S.D.N.Y. 1904); *Fonotipia, Ltd. v. Bradley*, 171 F. 951 (C.C.E.D.N.Y. 1909); Mainstream Press, *Early American Record Piracy (1899-1922)*, available at <http://www.mainspringpress.com/pirates.html> (last accessed Dec. 3, 2005).

¹⁶ H.R. Rep. No. 92-487 (1971), reprinted in 1971 U.S.C.C.A.N. 1566, 1567 [hereinafter “SRA Report” with page numbers referencing U.S.C.C.A.N.].

¹⁷ *Id.*

¹⁸ *Id.* at 1567. Notwithstanding this view, some courts have expressly held that the 1909 Act prohibited the duplication of sound recordings produced by the underlying musical compositions’ copyright owners, even where compulsory license fees were paid. See *infra* Part III.B.2.

¹⁹ SRA Report, *supra* note 16, at 1567.

law protection of sound recordings.²⁰ Regardless, the House felt that the clear absence of federal protection, along with the limited recourse available under state law, was insufficient because even where plaintiffs prevailed, the remedies available were limited.²¹ The House also feared that the copyright clause of the Constitution preempted state protection of sound recordings.²² This fear was cast aside by the Supreme Court's decision in *Goldstein v. California*, which generally held that state laws granting copyright protection in areas outside the scope of federal protection were not *ipso facto* preempted by the Constitution.²³

One motivation for the passage of the SRA was the upcoming international convention on the topic of record piracy.²⁴ Specifically, Congress wanted to harmonize U.S. law with the global trend of stronger protection for sound recordings before this convention. The SRA was urgently needed, as the signing of the convention was due to take place less than a month after the passage of the bill.²⁵ Congress recognized that "[o]bviously, progress in domestic efforts to protect sound recordings will be helpful to the United States Delegation."²⁶ Indeed, the Geneva Phonograms Convention itself was a rapidly-enacted (by international standards), "special" convention resulting from the widespread recognition that international record piracy was becoming rampant and expensive.²⁷ Spurred by the international community, Congress finally acted to provide federal protection for sound recordings.

²⁰ The 1909 Act appeared to leave open the possibility of such protection. See Copyright Act of 1909, *supra* note 14, at § 2 (stating that the Act "shall [not] be construed to annul or limit the right of the author or proprietor of an *unpublished* work, at common law or in equity, to prevent the copying, publication, or use of such unpublished work without his consent, or to obtain damages therefore").

²¹ SRA Report, *supra* note 16, at 1567.

²² *Id.* at 1567-1568.

²³ *Goldstein v. California*, 412 U.S. 546, 560 (1973).

²⁴ The Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of their Phonograms, Oct. 28, 1971, 25 U.S.T. 309.

²⁵ See SRA Report, *supra* note 16, at 1568.

²⁶ *Id.*

²⁷ As explained in the WIPO Intellectual Property Handbook:

The total value of pirated sound recordings sold worldwide has been increasing steadily. This made it necessary, even in the early seventies, to establish a special convention without delay. The subject was raised in May 1970 in the Preparatory Committee for the revision of the two major copyright conventions, and the new Convention was signed in Geneva after less than 18 months.

WIPO Intellectual Property Handbook: Policy, Law and Use, WIPO Publication No.489 (E), Ch. 5, ¶ 5.527, available at: http://www.wipo.int/about-ip/en/iprm/pdf/ch5.pdf#brussels_phonograms (last accessed Dec 3, 2005).

B. *The Problem of Retroactivity*

Nonetheless, at this critical juncture, Congress chose to make the SRA only prospective in application.²⁸ The 1972 Sound Recordings Amendment is unambiguous in excluding federal protection from sound recordings produced prior to February 15, 1972.²⁹ In so deciding, Congress admitted leaving open “at least one ambiguity” by leaving such works at the mercy of state law protection.³⁰

This was a strange result, given the acknowledged purpose of protecting sound recordings from piracy. By definition, prospective application of the new law would mean that not all sound recordings in existence would benefit from this new federal protection. This was especially odd given Congress’s acknowledgment of the inadequacies of state law in protecting against piracy. Congress attempted to justify this treatment by hinting at possible criminal prosecution, even while acknowledging that the lack of retroactivity could thwart such action.³¹

Four years later, when the Copyright Act was completely amended,³² Congress maintained the prospective-only language of the SRA, even though it was quite possible to provide retroactive protection to pre-1972 sound recordings. Indeed, Congress had not previously been shy about retroactively creating and enlarging rights for authors and inventors. In the realm of copyright, there has been “an unbroken congressional practice of granting to authors of works with existing copyrights the benefit of term extensions so that all under copyright protection will be governed evenhandedly under the same regime.”³³ Ever since the passage of the 1790 Act, Congress has regularly applied duration extensions to both existing and

²⁸ “[The Amendment] should not be construed as affecting in any way any rights with respect to sound recordings fixed before the date of enactment. It thus does not deal with recorded performances already in existence.” SRA Report, *supra* note 16 at 1578.

²⁹ “This Act shall take effect four months after its enactment... and nothing in title 17, United States Code, as amended by section 1 of this Act, shall be applied retroactively or be construed as affecting in any way any rights with respect to sound recordings fixed before the effective date of this Act.” Pub. L. No. 92-140, 85 Stat. 391 at § 3.

³⁰ “Instead [the SRA] leaves to pending or future litigation the validity of state common law or statutes governing the unauthorized copying of existing recordings. The result of making this copyright authority prospective only is to create at least one ambiguity.” SRA Report, *supra* note 16, at 1578.

³¹ *Id.*

³² Pub. L. 94-553, 90 Stat. 2572 (1976).

³³ See *Eldred v. Ashcroft*, 537 U.S. 186, 200 (2003).

future copyrights.³⁴ Federal patent protection, which shares the same constitutional grounding, has enjoyed similar extensions without protest.³⁵

Some argue that retrospective term extensions differ materially from the retrospective inclusion of an entire category of works (such as sound recordings). By replacing potentially perpetual state law protection for sound recordings with limited-in-time federal protection, Congress would certainly be modifying the rights of the copyright holder. However, the drawback of the temporal limitation would be at least partially offset by the benefit of uniform and predictable protection, as is currently enjoyed by post-1972 sound recordings. In any event, such a move would not be without precedent: indeed, the 1790 Act itself replaced the various state copyright laws then in effect, as well as the (admittedly undeveloped) common law protection of Delaware, which did not pass copyright legislation.³⁶

Why did Congress then balk at this opportunity? One possible theory is that it was an accident.³⁷ The exclusion of pre-1972 sound recordings from federal statutory protection may have occurred as a result of the Department of Justice's mistaken understanding of the copyright revision bill being deliberated by the 94th Congress.³⁸ Professor Nimmer reveals that at the time, the Department of Justice feared that federal preemption of state record piracy statutes protecting pre-1972 sound recordings would have rendered such recordings unprotected and led to an "immediate resurgence of piracy."³⁹ This fear was based on the mistaken belief that the then-current version of the bill did not convey federal protection of pre-1972 recordings; it did.⁴⁰ As a result of this unfounded fear, before sending the bill over to the House of Representatives, the Senate committee amended the bill to provide that state protection for pre-1972 sound recordings would not be preempted.⁴¹ In light of this change, the House committee recognized that state law would continue to protect pre-1972 sound recordings and federal protection would thus be obviated.⁴² Accordingly, the House committee

³⁴ See 1831 Act §§ 1, 16; 1909 Act §§ 23-24; 1976 Act §§ 302-303; 17 U.S.C. §§ 302-304 (2000).

³⁵ See *Eldred*, 537 U.S. at 202 ("I never have entertained any doubt of the constitutional authority of congress" to enact a 14-year patent extension that "operates retrospectively.") (quoting *Blanchard v. Sprague*, 3 F.Cas. 648, 650 (C.C. Mass. 1839) (No. 1,518) (Story, J.); see also *McClurg v. Kingsland*, 42 U.S. 202, 206 (1843) (although laws governing a patent "may be retrospective in their operation, that is not a sound objection to their validity.").

³⁶ See Bell, *supra* note 6, at 765 n. 117.

³⁷ See 1-2 NIMMER § 2.10[B][1][a].

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

added another code section to *eliminate* federal protection for such works.⁴³ If this theory is true, the Department of Justice's mistaken belief that the 1976 Act would not protect pre-1972 sound recordings led to that very result! Because Congress failed to afford federal copyright protection to pre-1972 sound recordings, it opened the door to potential incongruity in state law protection of such works, which each state may or may not offer via record piracy statutes or common law.

Another possible explanation for not granting protection retroactively is tradition. Each time the Copyright Act has been amended to include new forms of copyrightable subject matter, Congress has taken care not to reach back in time to protect works already in existence.⁴⁴ For instance, the 1790 Act only protected maps, charts, and books. In 1802, Congress extended protection to any person "who shall invent and design, engrave, etch or work... any historical or other print or prints..." but only "from and after the first day of January next."⁴⁵ Similarly, revisions to include musical compositions in 1831,⁴⁶ dramatic works in 1856,⁴⁷ and photographs and negatives in 1865⁴⁸ applied only to those works created after the date of passage of the Act.

However, other subsequent expansions of the scope of federal copyright protection have been more ambiguous as to their retroactivity. For instance, an 1870 amendment which consolidated the copyright laws and expanded copyrightable works to include paintings, drawings, chromolithographs, statues, statuaries, and models or designs of fine art, made no mention of whether it protects these types of works created prior to enactment.⁴⁹ In addition, with respect to the 1909 Act, the only amendment other than the SRA was a 1912 amendment to expressly include motion pictures within the ambit of federal copyright protection.⁵⁰ This amendment also made no mention of retroactive applicability. These latter two instances may indicate a reversal, or at least weakening of the practice of providing prospective-only protection.

The problem of uniformity has long been recognized as central to the rationale behind Article I, Section 8. As James Madison stated in Federalist 43, "The States cannot separately make effectual provision for either [patents or copyrights], and most of them have anticipated the decision of this point, by laws passed at the instance of Congress."⁵¹ Indeed, Madison recognized

⁴³ *Id.*

⁴⁴ Act of May 31, 1790, Ch. 15, 1 Stat. 124.

⁴⁵ Act of Apr. 29, 1802, Ch. 36, 2 Stat. 171.

⁴⁶ Act of Feb. 3, 1831, Ch. 16, 4 Stat. 436.

⁴⁷ Act of Aug. 15, 1856, Ch. 169, 11 Stat. 138.

⁴⁸ Act of Mar. 3, 1865, Ch. 126, 13 Stat. 540.

⁴⁹ Act of July 8, 1870, Ch. 230, § 86, 16 Stat. 198.

⁵⁰ Act of Aug. 24, 1912, Ch. 356, 37 Stat. 488.

⁵¹ THE FEDERALIST NO. 43, at 270-271 (James Madison) (Clinton Rossiter ed., 1961).

that although a state may regulate and enforce copyrights within its borders, a potential infringer may simply conduct the infringing activities of copying and distribution outside of its borders in a state that has more lenient laws or weaker enforcement. A state could do little to adequately police its borders against the importation of such illegal goods.⁵²

Regardless, a loophole was left open such that any pre-1972 sound recording would enjoy some variety of state law protection until 2067, the post-CTEA date of federal pre-emption.⁵³ For better or worse, this is how the law currently stands for purposes of examining the subject litigation.

Perhaps the best policy reason for retroactive application, which still rings true today, is one articulated by Congress itself in passing the SRA: "Copyright protection is narrowly defined and limited in duration, whereas state remedies, whose validity is still in doubt, frequently create broad and unwarranted perpetual monopolies."⁵⁴

II. Procedural Background of the *Naxos* Litigation

The *Naxos* litigation arose from a dispute over several classical music recordings created in the 1930s in England.⁵⁵ The performing artists' contracts divested all of their rights in the works to a company now known as EMI Records, Inc. ("EMI"),⁵⁶ the parent company of New York-based Capitol Records, Inc. ("Capitol"). EMI's statutory copyrights in the recordings had all expired prior to 1990, as the law of the United Kingdom

⁵² See *Goldstein v. California*, 412 U.S. 546, 558 (1973) ("The interests of a State which grants copyright protection may... be adversely affected by other States that do not; individuals who wish to purchase a copy of a work protected in their own State will be able to buy unauthorized copies in other States where no protection exists."). The *Goldstein* court recognized that although this phenomenon significantly reduced the value of state law protection, such protection still had economic value, and likened it to other state monopolies, such as lotteries or food concessions at fairs. *Id.* In overruling the argument that a state statute purporting to grant perpetual copyright protection to sound recordings is unconstitutional, the Supreme Court noted that "any tendency to inhibit further progress in science or the arts is narrowly circumscribed" due to its limitation to that particular state. *Id.* at 560-61. Query whether the Court would have come to the same conclusion if a substantial minority of states adopted similar statutes.

⁵³ Copyright Term Extension Act, Pub. L. No. 105-298, § 102(b) & (d), 112 Stat. 2827-2828 (amending 17 U.S.C. §§ 302, 304).

⁵⁴ SRA Report, *supra* note 16, at 1368.

⁵⁵ The sound recordings in question were of live performances of violinist Yehudi Menuhin, cellist Pablo Casals, and pianist Edwin Fischer. *Capitol Records, Inc. v. Naxos of America, Inc.*, 262 F. Supp. 2d 204, 206-207 (S.D.N.Y. 2003). All performances and recordings took place between 1931 and 1939. *Id.*

⁵⁶ When the recordings took place, EMI was known as The Gramophone Company Limited. *Id.* at 207.

granted a 50-year copyright term to such works.⁵⁷ In 1996, an EMI subsidiary⁵⁸ ostensibly granted Capitol an exclusive license to exploit the recordings in the United States.⁵⁹ Capitol subsequently digitally remastered the recordings and placed them for sale in CD format in the United States.

Sometime shortly thereafter, Naxos, a Hong Kong-based record label specializing in restoring old classical recordings, borrowed mint copies of the same sound recordings from the Yale University Library.⁶⁰ Without authorization or license from Capitol, Naxos remastered these old shellac recordings⁶¹ and began selling them in 1999, often in direct competition with Capitol's CDs.⁶² On November 22, 2002, Capitol brought suit against Naxos of America, Inc., the Tennessee headquartered subsidiary of Naxos, in the Southern District of New York.⁶³ Capitol alleged unfair competition, misappropriation, unjust enrichment, and common law copyright infringement, and sought injunctive relief, actual damages, and punitive damages in excess of twenty million dollars.⁶⁴

⁵⁷ See U.K. Copyright Act of 1911, 1 & 2 Geo. 5, ch. 46, § 19.

⁵⁸ At the time of transfer, EMI Records, Inc. was known as EMI Music International Services Ltd. *Naxos*, 262 F.Supp 2d at 208.

⁵⁹ *Id.*

⁶⁰ See Norman Lebrecht, *Whose Music Is It Anyway?*, THE LEBRECHT WEEKLY AT LA SCENA MUSICALE ONLINE (April 13, 2005), available at <http://www.scena.org/columns/lebrecht/050413-NL-historical.html> (criticizing *Naxos*: "Pity the poor judges. Hardly a month passes without someone in a black gown having to lay down the law on matters so fluid they might be more fittingly served in a saloon bar").

⁶¹ See *Naxos Historical*, at <http://www.naxos.com/mainsite/default.asp?label=NaxosHistorical>. As described by Naxos on its website, the process of restoration involves a multi-step process, including cleaning the records with special materials, carefully centering them on a heavy-duty turntable, checking for correct rotational speed, and adjusting for variations in pitch and selecting a stylus width that reproduces the most sound with the least surface noise. Numerous transfers are often made of each disc to capture the finest plays, as sometimes one or other side of the groove may produce the better sound, depending on the particular vintage of the recording. *Id.* Further, the engineer applies his discretion in using equalizers to produce sound that is more loyal to what he believes to be closer to that of the original performance. *Id.* Finally, the engineer uses various digital noise reduction systems to remove many of the clicks, pops, and crackles present in many old recordings. *Id.*

⁶² See Brian Wise, *Budget CDs: The Salvation of the Classical Recording Industry?*, ANDANTE, 2001, available at: <http://www.andante.com/article/article.cfm?id=14167> (last accessed Dec. 3, 2005) ("Whereas the average new classical recording currently sells for around \$18 in the U.S., ...the suggested retail price[] for Naxos discs... [is] \$6.99....").

⁶³ *Naxos*, 262 F. Supp. 2d at 206.

⁶⁴ See Amended Complaint at 1, 4, *Capitol Records, Inc. v. Naxos of America, Inc.*, 262 F.Supp.2d 204 (S.D.N.Y. 2003) (No. 02 Civ. 7890).

District Judge Robert Sweet granted summary judgment to Naxos,⁶⁵ holding that when the U.K. copyrights in the recordings expired, EMI (and thus Capitol) had lost its intellectual property rights to the original recordings.⁶⁶ The district court characterized Capitol's cause of action as a "hybrid copyright, unfair competition" claim, and held that Capitol failed to prove a prima facie case for such cause of action.⁶⁷

Capitol appealed to the Second Circuit, which found that the case raised unsettled issues under New York state law.⁶⁸ Thus, the Second Circuit certified three questions to New York's highest court, asking (1) whether the expiration of the term of a copyright in the country of origin terminates a common law copyright in New York,⁶⁹ (2) whether a cause of action for common law copyright infringement includes some or all of the elements of unfair competition,⁷⁰ and (3) whether a claim of common law copyright infringement is defeated by a defendant's showing that the plaintiff's work has slight, if any, current market share and that the defendant's work, although using components of the plaintiff's work, is fairly to be regarded as a "new product."⁷¹

In a unanimous opinion authored by Judge Victoria Graffeo, the New York Court of Appeals answered "no" to all three questions, ruling against Naxos on all three certified questions.⁷² In reaching these decisions, the court found that 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.⁷³ While Naxos initially indicated that it planned to apply for certiorari to the Supreme Court,⁷⁴ no such action has been taken.

⁶⁵ Naxos originally moved to dismiss the case under Rule 12(b)(6) of the Federal Rules of Civil Procedure and Capitol cross-moved for summary judgment under Rule 56. *Naxos*, 262 F. Supp. 2d at 206. Finding the record sufficiently developed, the trial judge converted the motion to dismiss to a cross motion for summary judgment. *Id.* at 207.

⁶⁶ Any right not divested upon expiration of statutory copyright was subsequently waived or abandoned. *Id.* at 211.

⁶⁷ *Id.* at 210.

⁶⁸ *Capitol Records, Inc. v. Naxos of America, Inc.*, 372 F.3d 471, 474 (2nd Cir. 2004).

⁶⁹ *Capitol Records, Inc. v. Naxos of America, Inc.*, 830 N.E.2d 250, 264-65 (N.Y. 2005).

⁷⁰ *Id.* at 266.

⁷¹ *Id.* at 266-67.

⁷² *Id.* at 264-67.

⁷³ *Id.* at 267.

⁷⁴ See Press Release, Naxos of America, Inc., Naxos Responds to New York Court Ruling (Apr. 12, 2005), <http://www.classicstoday.com/Classics/ASPFiles/ViewNewsFeed.asp?Action=UserID=194> (last visited Dec. 3, 2005).

III. A Critique of *Naxos*

In construing state law protection for pre-1972 sound recordings in the broadest possible manner, the New York Court of Appeals erred from both a policy standpoint as well as a matter of law. In answering all three certified questions in the negative, the New York Court of Appeals embarked on a misguided journey through the history of common law copyright, leading to a result inconsistent with previous judicial determinations of the scope of state law protection to pre-1972 sound recordings. Furthermore, the result fails to advance the policy rationale behind granting such protection.

A. *Questionable Law*

1. Common Law Copyright and Related Doctrines With Respect to Published Sound Recordings

The New York Court of Appeals ultimately found that common law copyright still protected Capitol's septuagenarian records, regardless of the expiration of the rights in the United Kingdom.⁷⁵ But just what is "common law copyright" protection with regard to widely-published sound recordings? Previous cases, including those cited by the court's analysis, have only once reached the conclusion that published sound recordings receive common law copyright protection.⁷⁶

Common law copyright was traditionally applied with respect to literary works such as books, manuscripts, etc.⁷⁷ Under the 1909 Act, such literary works were protected under federal statutory protection upon publication,

⁷⁵ *Naxos*, 830 N.E.2d at 267.

⁷⁶ *Capitol Records, Inc. v. Mercury Records Corp.*, 221 F.2d 657 (2d Cir. 1955). That case may be wrongly decided: *see infra* at Part I.A.2. But see *Rosette v. Rainbo Record Mfg. Corp.*, 546 F.2d 461 (2d Cir. 1976) (involving common law copyright protection of unpublished sound recordings); *Radio Corp. of America v. Premier Albums, Inc.*, 19 A.D.2d 62, 63 (N.Y. App. Div. 1963) (implicitly adopting an unfair competition analysis with respect to sound recordings); *Roy Export Co. v. Columbia Broadcasting Sys.*, 672 F.2d 1095, 1105-1106 (2d Cir. 1982) (dealing with common law copyrights in unpublished film clips), cert denied 459 U.S. 826 (1982); *G. Ricordi & Co. v. Haendler*, 194 F.2d 914, 916 (2d Cir. 1952) (unfair competition claim with respect to a book); *Capitol Records Inc. v. Wings Digital Corp.*, 218 F. Supp. 2d 280, 286 (E.D.N.Y. 2002) (involving federal copyright infringement and state unfair competition, misappropriation, and unfair trade practices laws with respect to sound recordings); *Metropolitan Opera*, 101 N.Y.S.2d 483, 489 (N.Y. Sup. Ct. 1950) (involving common law unfair competition with respect to sound recordings).

⁷⁷ *See Chamberlain v. Feldman*, 89 N.E.2d 863 (N.Y. 1949) (enjoining publication of Mark Twain manuscript under "common law copyright" on behalf of his estate's trustees in the absence of any indication of fraud or bad faith); *Estate of Hemingway v. Random House, Inc.*, 244 N.E.2d 250 (N.Y. 1968) (discussing the same).

which signified the dividing line between state and federal law protection.⁷⁸ Thus, common law copyright with respect to such works was limited to the author's right of first publication.⁷⁹ Once the author released the product into the world, either by public performance or display, selling it on the market at whatever price it might bear, or otherwise distributing the work, the common law copyright was lost.⁸⁰ However, if the work was properly registered and noticed in accordance with the 1909 Act, the author would then receive federal statutory rights in the work.⁸¹

Sound recordings, of course, did not receive statutory protection under the 1909 Act.⁸² Once published, federal law provided no comfort to the artists or their assignees. What happens, then, once a pre-1972 sound recording is published? In *Naxos*, the New York Court of Appeals answered that the result is continuing state law protection, essentially holding that the protection for pre-1972 sound recordings would be as expansive as federal copyright, without the same temporal limitations.⁸³ The court further decided that a successful claim for common law copyright infringement need not include any elements of unfair competition, i.e. bad faith, fraud, or deception of the public.⁸⁴

This is a novel expansion of common law copyright in New York. Up until the *Naxos* decision, New York courts had traditionally addressed infringement of common law-protected sound recordings under the aegis of unfair competition and/or misappropriation.⁸⁵ Under the *Naxos* court's holding, at least with respect to published pre-1972 sound recordings, a plaintiff can prevail in a suit for common law copyright infringement simply by showing that he was the creator or successor in interest and that the defendant had made unauthorized use of the sound recording at issue. Unfair competition and misappropriation become almost unnecessary for the rights-holders of such recordings, as the added burden of proving bad

⁷⁸ *Estate of Hemingway*, 244 N.E.2d at 254 & n.1. ("Common law copyright is the term applied to an author's proprietary interest in his literary or artistic creations before they have been made generally available to the public. It enables the author to exercise control over the first publication of his work or to prevent publication entirely—hence, its other name, the 'right of first publication'... it is extinguished immediately upon publication of the work by the author. He must then rely, for his protection, upon Federal statutory copyright.")

⁷⁹ *Estate of Hemingway*, 244 N.E.2d at 254 n.1.

⁸⁰ *Id.*

⁸¹ *Id.*

⁸² *Mercury Records*, 221 F.2d at 661.

⁸³ *Naxos*, 830 N.E.2d at 256-66; see also *Mercury Records*, 221 F.2d at 667 (Learned Hand, J., dissenting) ("States are not free to follow their own notions as to when an author's right shall be unlimited both in user and in duration.")

⁸⁴ *Naxos*, 830 N.E.2d at 266 & n.10.

⁸⁵ Complaint, *supra* note 64.

faith or other deceitful conduct with respect to published sound recordings make them far less attractive as causes of action.⁸⁶

Rather than go this route, the court just as easily could have required the inclusion of the elements of misappropriation or unfair competition as part of a cause of action for common law copyright infringement of pre-1972 sound recordings. This may be a better compromise between protecting rights-holders against those competitors who would “compete unfairly” by making copies of the records and selling them in competition, or by passing them off as originals. Such a result would better balance the interests of protecting the rights-owner of the intellectual property with copyright’s goal of spurring innovation and competition.⁸⁷

One might argue that such a construction of common law copyright would put the rights-holder of a sound recording at a disadvantage vis-à-vis rights-holders of other copyrightable works. However, this is merely indicative of the fundamental nature of a sound recording; a repository of sounds, which involves editing, tuning, design, and perhaps remastering, is fundamentally attached to some external source, whether it be a composer, Mother Nature, etc. So long as creative works are not misappropriated by a competitor, there is little harm in allowing similar works go to market. Indeed, the 1976 Act recognizes, at a minimum, that sound recordings should not be afforded the same protections as some of the more venerable subjects of copyright protection. For instance, owners of copyrights in sound recordings do not have an exclusive right to public performances.⁸⁸ It would not be so unnatural, then, to place a slight additional limitation on pre-1972 sound recordings by requiring that their rights-holders show some element of unfair use in order to recover. “[A] man’s property is limited to the chattels which embody his invention,” and “others may imitate these at their pleasure” and even resell them as their own.⁸⁹

With respect to the subject litigation, Capitol’s claims would have failed under an unfair competition analysis. Naxos at no time attempted to pass its CDs off as Capitol’s.⁹⁰ Thus, Capitol’s claims could only survive if the Court

⁸⁶ Of course, the plaintiff could plead these causes of action, which may have different statutes of limitations, in order to obtain additional damages. See *Roy Export Co.*, 672 F.2d at 1105-06.

⁸⁷ See e.g. *Capitol Records, Inc. v. Naxos of America, Inc.*, 262 F. Supp. 2d 204, 215 (stating that Naxos’ republication of previously copyrighted material in enhanced quality recordings have “revived the relevant market... to Capitol’s benefit.”).

⁸⁸ 17 U.S.C. § 106 (2000).

⁸⁹ *Capitol Records, Inc. v. Naxos of America, Inc.*, 262 F. Supp. 2d at 213 (quoting *Mastro Plastics Corp. v. Emenee Indus., Inc.*, 228 N.Y.S.2d 514, 516 (N.Y. App. Div. 1962)).

⁹⁰ See e.g. *Schechter Poultry Corp. v. United States*, 295 U.S. 495, 531 (“‘Unfair competition,’ as known to the common law, is a limited concept. Primarily, and *strictly*, it relates to the palming off of one’s goods as those of a rival trader....”)

of Appeals had fundamentally erred by finding that common law copyright can exist without the bad faith and deceptive elements of unfair competition.

2. Common Law Copyright in Sound Recordings Cannot Be Divested

In reaching its final decision, the New York Court of Appeals held that publication does not divest a sound recording of protection under New York common law.⁹¹ In support of this finding, the court reviewed the case law dating back over a half century.⁹² The court specifically relied on another case prosecuted by the plaintiff over fifty years ago, *Capitol Records, Inc. v. Mercury Records Corp.* In *Mercury*, the Second Circuit held that the public sale of records does not constitute a divestive publication that deprived the owner of the exclusive rights to distribute such records.⁹³

In reaching its decision, the court in *Mercury Records* examined an even earlier decision, *Metropolitan Opera Association, Inc. v. Wagner-Nichols Recorder Corp.*,⁹⁴ which enjoined the copying of live performances as unfair competition by holding that prior public performance does not deprive the rights-holder of common law rights.⁹⁵ Over a vigorous dissent by Judge Learned Hand, the *Mercury Records* court held that if such live copying was prohibited, it would be a “capricious” distinction to allow the subsequent copying of records of live performances, which would be the result if publication constituted divestment of common law protection. This holding overruled *R.C.A. Manufacturing Co. v. Whiteman*,⁹⁶ which held that subsequent copying of published records would not be enjoined by common law.⁹⁷

The *Mercury Records* decision is questionable on several grounds. First, the operas at issue in *Metropolitan Opera* were protected under federal copyright as musical works independent of their status as sound recordings. Thus, the sale of records would not constitute a forfeiture of the copyright to

(emphasis added); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 27 n.1 (“Passing off... occurs when a producer misrepresents his own goods or services as someone else’s.”). Similarly, Naxos’ activities would not constitute reverse passing off, as it did not make copies of Capitol’s CDs and market them as its own; it remastered the original recordings into its own, distinctive product. *Naxos*, 262 F. Supp. 2d at 208.

⁹¹ The court alludes in a footnote that “Capitol has a protected property interest in the performances embodied on the shellac records.” *Naxos*, 830 N.E.2d at 267 n. 11.

⁹² See e.g. *Capitol Records, Inc. v. Mercury Records Corp.*, 221 F. 2d 657 (2d Cir. 1955).

⁹³ *Id.*

⁹⁴ 279 A.D. 632 (N.Y. App. Div. 1951).

⁹⁵ *Metropolitan Opera Ass’n v. Wagner-Nichols Recorder Corp.*, 101 N.Y.S.2d 483, 494, 500 (N.Y. Sup. Ct. 1950).

⁹⁶ 114 F.2d 86 (2d Cir. 1940).

⁹⁷ Incidentally, *RCA* was authored by Learned Hand 15 years earlier. 114 F.2d at 89. See also 1-4 NIMMER, *supra* note 9, at § 4.06 [B].

the musical works.⁹⁸ Specifically, operas themselves are creative and original works of authorship that enjoyed federal copyright protection under the 1909 Act, and it was unnecessary to find infringement of the sound recordings. The unauthorized copying of the broadcasts of the Opera would constitute copyright infringement of the underlying works. In such a case, there is no “capricious” distinction to be had.

Further, *Metropolitan Opera* featured co-plaintiffs: the Opera (performer) and Columbia Records (holder of exclusive right to record performances).⁹⁹ A contract between the co-plaintiffs granted Columbia the exclusive right to record the Opera’s performances. The court held that plaintiff Columbia Records could recover because “the right of [the co-plaintiffs] to protect their interest in the [contract] against interference by the intentional acts of [Wagner-Nichols, defendant] is not limited by the analogies of common law property rights.”¹⁰⁰ In other words, Metropolitan Opera and Columbia had a right to recover for tortious interference with their contractual arrangement. Because of this, it can be argued that *Metropolitan Opera* recognized perfectly the “capricious” distinction between copying of the live performances and the records of such live performances. Viewed in this light, the *Metropolitan Opera* court may have been content with such a distinction, preferring instead that contract law protect the interests of the litigants in similar situations.¹⁰¹

B. Unquestionably Bad Policy

While the legal merits are doubtful, the New York Court of Appeals’ decision in *Naxos* is strikingly misguided from a policy standpoint. Although allowing states to protect sound recordings where federal protection is absent makes sense as a general matter, the facts in this case do not justify protection. Specifically, the traditional policy rationales behind copyright do not support *Naxos*’ expansive view of state law protection. Furthermore, allowing states to “discover” state law protection in these kinds of cases frustrates Congress’s delicate balance between composer’s rights and those of the public.

1. Naxos Creates an Uneconomical Choice

Under the holding of *Naxos*, major record labels now enjoy a veritably unlimited monopoly over any economically valuable pre-1972 sound recording. Early sound recordings were expensive and difficult to create,

⁹⁸ This situation differs from that of *Naxos*, which involves the sound recordings of performances of public domain musical works.

⁹⁹ *Metropolitan Opera Ass’n*, 101 N.Y.S.2d at 485.

¹⁰⁰ *Id.* at 484.

¹⁰¹ See *Capitol Records, Inc. v. Greatest Records, Inc.*, 252 N.Y.S.2d 553, 555 (N.Y. Sup. Ct. 1964) (holding that a hybrid of unfair competition, common law copyright, and intentional interference with contract protects the sound recordings).

and hence the predecessors of today's major record labels owned the rights to virtually all of them.¹⁰² Even as to sound recordings with a vague copyright lineage, the possibility of state law protection dissuades would-be restorers or republishers from investing in restoration, as doing so may expose them to legal liability in light of the *Naxos* decision. This problem is even more serious given the fact that so many of these early recordings are stored on deteriorating media.¹⁰³ Barring another extension, pre-1972 sound recordings will only enter the public domain in the year 2067. By then, a great number of these recordings may have deteriorated to the point of being lost in history forever. Thus, the scope of state copyright protection envisioned by the New York Court of Appeals may result in a tragic loss of a great portion of early twentieth-century musical culture.¹⁰⁴

Copyright law is often viewed as a necessary evil to prevent market failure.¹⁰⁵ Examining the circumstances with respect to pre-1972 sound recordings, however, the converse is more likely to be true: common law copyright is an evil that exacerbates a market failure for the already difficult-to-access early works. The typical economic incentive justification for copyright protection simply does not work here. It is difficult to articulate a good faith argument that the amount paid to the artists in the 1930s was influenced by the record company's consideration that it would enjoy near-perpetual common law copyright protection in the U.S.¹⁰⁶ At the time the recordings were created, it was unclear if, and when, common law protection for sound recordings would end in the United States (and to what extent it afforded protection at all). Expecting rights to last until 2067 would have been overly ambitious even for the record labels who owned them.

Further, the economic rationale for preventing record piracy does not apply to the facts of *Naxos*. Unlike record pirates who typically use quick and dirty methods of copying to produce inferior recordings, *Naxos'* CDs

¹⁰² Shellac, the raw material needed to make early records, was hard to come by, and thus the major record companies made the vast majority of commercial recordings. See DONALD CLARKE, *THE RISE AND FALL OF POPULAR MUSIC* ch. 11 (St. Martin's Press 1995).

¹⁰³ Shellac is an organic material and is subject to both chemical and mechanical damage. See "Care of Sound Recordings", National Library of New Zealand, at: <http://www.natlib.govt.nz/en/services/2sound.html> (last accessed Dec 3, 2005). "Lacquer discs, another form of early recording, are unstable and have a relatively short life." *Id.*

¹⁰⁴ With respect to works that are protected under the Copyright Act, a bill has been introduced to prevent further losses to our cultural heritage by way of deterioration. See Public Domain Enhancement Act, H.R. 2408, 109th Cong. (2005).

¹⁰⁵ See 1-1 NIMMER, *supra* note 10, at § 1.03.

¹⁰⁶ See *Eldred v. Ashcroft*, 537 U.S. 186, 207-08 n.15 (2003) (deferring to Congressional hearings, which seemed to indicate that the pleas of Bob Dylan, Don Henley, and Carlos Santana were persuasive with respect to the proposition that extending copyright to ensure that their heirs gave them further incentive to create).

were superior to the original shellacs by virtue of the methodical and high-tech restoration process.¹⁰⁷ Compare this situation with the facts of *Metropolitan Opera*, where the court was motivated by concern with the “fostering and encouragement of fine performances of grand opera, and their preservation and dissemination to wide audiences,”¹⁰⁸ and with protecting against the “invasion of the moral standards of the market place.”¹⁰⁹ Here, in contrast with the duplicates in *Metropolitan Opera*, the Naxos restorations would not discourage, but rather encourage “the preservation and dissemination” of “fine performances.”

The original shellacs are themselves unmarketable today. As a result, they have no direct economic value unless someone expends time, skill, and capital to restore them into a contemporarily marketable format. Naxos should not be punished simply because it was not among the small handful of record companies that have survived since the early twentieth century with all the spoils of the early records. But for the strange circumstances which led to the non-retroactive application of the SRA and 1976 Act with respect to sound recordings,¹¹⁰ this would not be an issue.

Thus the public interest in ensuring that artists have ample incentive for performance is not implicated. Naxos did not produce a cheap knock-off of Capitol's recordings that would undercut and discourage Capitol's investment.¹¹¹ Rather, Naxos went into competition with Capitol on a level playing field, remastering the original shellacs and creating its own CDs, which in fact compared favorably to Capitol's restorations in terms of sound

¹⁰⁷ See *supra* note 60.

¹⁰⁸ *Metro. Opera Ass'n, Inc. v. Wagner-Nichols Recorder Corp.*, 101 N.Y.S.2d 483, 497 (N.Y. Sup. Ct. 1950).

¹⁰⁹ *Id.* at 500.

¹¹⁰ See *supra* Part I.B.

¹¹¹ This makes *Naxos* unique from other record piracy cases. See *Metropolitan Opera*, 101 N.Y.S.2d at 487 (stating that “[t]he quality of [the defendants’] recordings is inferior to that of Columbia Records and is so low that Metropolitan Opera would not have approved the sale and release of such records to the general public.”); *Capitol Records*, 252 N.Y.S.2d at 555 (describing a loss of “public good will” “because of the fact that the product turned out by defendants is inferior to that produced by [plaintiff].”). See also *Metropolitan Opera*, 101 N.Y.S.2d at 492 (holding that the law of “unfair competition does not rest solely on the ground of direct competitive injury, but on the broader principle that property rights of commercial value are to be and will be protected from any form of unfair invasion or infringement and from any form of commercial immorality, and a court of equity will penetrate and restrain every guise resorted to by the wrongdoer.”); *Bond Buyer v. Dealers Digest Publ'g Co.*, 267 N.Y.S.2d 944, 945-46 (N.Y. App. Div. 1966); See *National Exhibition Co. v. Fass*, 143 N.Y.S.2d 767 (Sup. Ct. 1955); *Mutual Broadcasting Sys., Inc. v. Muzak Corp.*, 30 N.Y.S.2d 419 (N.Y. Sup. Ct. 1941).

quality.¹¹² This is precisely the type of competition that copyright was designed to promote, as opposed to the unfettered monopoly that the New York Court of Appeals granted.¹¹³

In fact, on a broader level, it is even possible that Naxos' restorations *revived* the relevant market in historic classical performances to Capitol's benefit. Thus, the Naxos restorations help ensure that quality historic performances are commercially available for the present generation and well-preserved for the next. A February 3, 2002, article in the *Chicago Tribune* went so far as to conclude, "The great salvation for classical recording continues to lie with the smaller independent labels... such as... Naxos... continue to put out records that justify themselves artistically."¹¹⁴ Not surprisingly, the RIAA was not enthusiastic about this competition and promptly filed an *amicus* brief in support of Capitol.¹¹⁵

2. Naxos Conflicts With Congressional Intent

It seems plausible that Congress, in passing the 1909 Act, had been content with protecting sound recordings by way of the compulsory licensing regime.¹¹⁶ This left no provision for the copyright protection for such recordings, at least with respect to "similar uses" which did not involve direct copying. Congress purposefully delayed enacting the 1909 Act until after the Supreme Court's decision in *White-Smith Music Publishing Co. v. Apollo Co.*,¹¹⁷ which expressly held that player piano music rolls were not "copies" within the scope of copyright protection.¹¹⁸ Thus, with full knowledge of how courts would treat sound recordings, Congress promulgated the 1909 Act devoid of distinct copyright protections for sound recordings, choosing instead to entitle the rights-holder of the underlying

¹¹² Ironically, common law copyright would do little to prevent a bootlegger from creating and selling crude knock-off copies of the original shellacs in CD format, as such a person would likely be judgment-proof. It would also likely be uneconomical for Capitol to pursue claims against such parties in diverse jurisdictions, having to test the common law of each state in which a defendant resides.

¹¹³ See e.g. Viva R. Moffat, *Mutant Copyrights and Backdoor Patents: The Problem of Overlapping Intellectual Property Protection*, 19 BERKELEY TECH. L.J. 1473, 1488 (2004) (copyright law is intended "to strike a balance that encourages or promotes competition notwithstanding the grant of exclusive rights.").

¹¹⁴ John von Rhein, *Classical record sales: The first nine months of 1999: 11.1 million*, THE CHI. TRIB., Feb. 3, 2002, at 1.

¹¹⁵ See Br. for Amicus Curiae Recording Industry Association of America in Supp. of Plaintiff-Appellant Capitol Records, Inc., 2005 WL 776196 (2005).

¹¹⁶ A compulsory licensing scheme requires copyright holders to grant a license to any individual willing to pay the statutory licensing fee. See generally, 2 NIMMER, *supra* note 9, at § 8.04.

¹¹⁷ H.R. REP. NO. 59-7083, at 3-4 (2d Sess. 1907).

¹¹⁸ *White-Smith Music Publishing Co. v. Apollo Co.*, 209 U.S. 1, 18 (1908).

musical composition a statutory two cents per copy for “similar use” by others.¹¹⁹

Commentators have even suggested that under the 1909 Act, a third party could go as far as to duplicate original works so long as they paid the compulsory license fee.¹²⁰ However, this expansive interpretation was rejected by several courts,¹²¹ beginning with the Ninth Circuit in *Duchess Music Corp. v. Stern*.¹²² In *Duchess*, a divided panel held that “exact duplication” of a copyrighted musical work did not constitute “similar use” for purposes of the compulsory license provision of the 1909 Act.¹²³ This led

¹¹⁹ See 1909 Act, *supra* note 13. The House Report on the 1909 Act stated that “[i]t is not the intention of the committee to extend the right of copyright to the mechanical reproductions themselves, but only to give the composer or copyright proprietor the control, in accordance with the provisions of the bill, of the manufacture and use of such devices.” H.R. Rep. No. 2222, 60th Cong., 2d Sess., 9 (1909). In *Goldstein v. California*, 412 U.S. 546 (1973), the Supreme Court rejected the argument that this language signaled Congress’s desire to preclude states from granting copyright protection for sound recordings. Instead, the Court interpreted this language as merely indicative of Congress’s intent to limit the rights of the composer with respect to subsequent renditions and recordings of her work. *Id.* at 566.

¹²⁰ See Melville B. Nimmer, *Photocopying and Record Piracy: Of Dred Scott and Alice in Wonderland*, 22 UCLA L. REV. 1052, 1060 (1975) (suggesting that under the 1909 act, a third party could duplicate original works by paying the compulsory licensing fee under the 1909 Act).

¹²¹ See *supra* note 112 at p. 1491-92..

¹²² In *Duchess*, a group of record pirates, after paying the compulsory license fee, had copied and sold identical reproductions of tape recordings created by the copyright owners of the underlying musical works. *Duchess Music Corp. v. Stern*, 458 F.2d 1305 (9th Cir. 1972).

¹²³ *Id.* at 1310; *id.* at n.5. Accord *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc.*, 497 F.2d 288 (10th Cir. 1974) (finding that the 1909 Act permitted defendants to “‘use’ the copyrighted composition in a manner ‘similar’ to that made by the licensed recording company” but did not permit them to “use the composer’s copyrighted work by duplicating and copying the record of a licensed recording company.”); *Jondora Music Publishing Co. v. Melody Recordings, Inc.*, 506 F.2d 392, 395 (3d Cir. 1974) (finding that “duplicators or pirates do not ‘use’ the composer’s work in a ‘similar’ fashion - indeed, they do not utilize the composer’s work at all. It is a recording which is used. Rather than permit the use of a recording of the composition, the statute only authorizes the use of the copyrighted work, that is, the written score”); see also *Fame Publishing Co. v. Alabama Custom Tape, Inc.*, 507 F.2d 667, 669 (5th Cir. 1975); but see *Duchess*, 458 F.2d at 1311-13 (Byrne, J., dissenting) (finding more persuasive Professor Nimmer’s view that direct copying was allowed so long as the compulsory license fee was paid, in light of the legislative history of the 1909 Act); *Marks*, 497 F.2d at 291-92 (Lewis, C.J., dissenting) (agreeing with the soon-to-be-reversed district court’s decision in *Jondora*); *Jondora*, 506 F.2d at 400 (Gibbons, J., dissenting); *Fame*, 507 F.2d at 672 (Godbold, J., dissenting). Not surprisingly, Professor Nimmer is sharply critical of

to the rather odd result that copyright owners of musical compositions had a de facto right *under federal law* to exclude others from copying recordings of performances of such compositions, even after Congress expressed its belief that no such right existed and passed an amendment in reliance thereon.¹²⁴

An undercurrent consisting of the inherent “wrongness” of allowing record piracy and the 1909 Act’s seemingly counterintuitive allowance of such behavior implicitly drove the majority opinions of *Duchess* and other courts to construe the Act as prohibiting such.¹²⁵ Each of these decisions found guidance in an early case construing the 1909 Act’s supposed prohibition of copying, *Aeolian Co. v. Royal Music Roll Co.*¹²⁶ In *Aeolian*, the district court disallowed direct copying of a perforated piano roll notwithstanding the 1909 Act’s compulsory licensing provision on the theory that a defendant “cannot avail himself of the skill and labor of the original manufacturer of the perforated roll or record by copying or duplicating the same, but must resort to the copyrighted composition or sheet music, and not pirate the work of a competitor who has made an original perforated roll.”¹²⁷ Thus, a major policy rationale behind the *Duchess* doctrine was preventing a copier from profiting from the fruits of the original recorder’s “skill and labor.”¹²⁸

With respect to the *Naxos* litigation, Capitol could not rely upon the *Duchess* doctrine to recover against Naxos. Indeed, Capitol did not own the copyright to the underlying musical works of the subject recordings, as they had long passed into the public domain.¹²⁹ However, the arguments against

the so-called *Duchess* doctrine, which rejected his views on the 1909 Act’s treatment of sound recordings. See generally, 2-8 NIMMER § 8.04[E][1] (2005).

¹²⁴ Namely, the Sound Recording Amendment. See SRA Report, *supra* note 15. But see *Marks*, 497 F.2d at 289 (“we are of course not bound by Congress’s interpretation of a prior existing law”) (citing *Golsen v. Comm’r of Internal Revenue*, 445 F.2d 990 (10th Cir. 1971), *cert. denied*, 404 U.S. 940 (1971)). Also, Professor Nimmer hypothesizes that the *Duchess* doctrine bizarrely might also allow a copyright owner of a musical composition to sue for copyright infringement of unauthorized reproductions of a third-party’s authorized reproductions. See 2-8 NIMMER § 8.04[E][1]; *Aeolian Co. v. Royal Music Roll Co.*, 196 F. 926, 927 (W.D.N.Y. 1912).

¹²⁵ See 2-8 NIMMER § 8.04[E][1] (“Like the *Duchess* in *Alice in Wonderland*, the *Duchess* majority searched assiduously, and found their ‘moral,’ based upon the most questionable legal reasoning. As the dissenting judge observed in *Jondora*..., subsequent courts have followed ‘like the children of Hamelin in their erroneous piping.’”)

¹²⁶ *Aeolian*, 196 F. at 926.

¹²⁷ *Id.* at 927.

¹²⁸ See e.g. *Duchess*, 458 F.2d at 1310; *Marks*, 497 F.2d at 289-290 (citing *Aeolian*, 196 F. 92 at 928). See *Jondora*, 506 F.2d at 394, n.4 and accompanying text (acknowledging that *Aeolian* has been criticized for allowing a plaintiff-licensee-manufacturer who did not own the musical copyright to sue for an injunction as a “party aggrieved”).

¹²⁹ *Capitol Records, Inc. v. Naxos of America, Inc.*, 830 N.E.2d 250, 253 (App. Div. 2005).

the *Duchess* doctrine apply *a fortiori* against the New York Court of Appeals' allowance of seemingly unlimited state law protection for pre-1972 sound recordings.

Unlike the defendants in the *Duchess* line of cases, Naxos did not simply make copies of Capitol's 1930s era shellac recordings and sell them.¹³⁰ Nor was Naxos a fly-by-night business operating clandestinely in a basement—the traditional image of the record pirate.¹³¹ In contrast, Naxos is an established record label specializing in the restoration of obscure classical works. The district court found that in remastering the original recordings, Naxos employed “a value-added process which takes the raw material or the original recording and uses skill, technology, and taste in order to make it into a new and unique product.”¹³² Thus, unlike a tape pirate that parasitically relies upon the skill and labor of the original recorder, Naxos expended a considerable amount of resources in creating an entirely new product. While Naxos can still be said to have “used” the original recording in creating its CDs, such use was not the identical copying enjoined by the *Duchess* line of cases, and looks more like the “similar use” Congress intended to allow under the 1909 Act.

State common law lacks a compulsory licensing scheme like that of the 1909 Act. However, this actually suggests that state law protection of pre-1972 sound recordings is directly contrary to Congress's vision of the 1909 Act's protection for such works. The compulsory licensing provision of the Act, which at least allowed unauthorized similar (but non-identical) uses, existed to balance the rights of the composer with the interest of preventing a monopoly.¹³³ If states are allowed to grant sound recordings exclusive rights irrespective of the anti-monopolistic compulsory licensing provision, the congressionally mandated balance is frustrated.

By way of hypothesis, suppose that at the time of trial, Capitol still owned the copyright in the underlying musical compositions of the subject recordings. In such a circumstance, Capitol could not likely enjoin Naxos' selling of remastered recordings, as Naxos' use would likely qualify as a “similar use” allowed by the 1909 Act.¹³⁴ Why should Capitol enjoy *more* rights to the sound recordings because they were of public domain music, rather than of music which it held a copyright? Allowing states this ability

¹³⁰ In any event, it is unlikely that such copies would have any market value, as most people do not own devices capable of playing shellac recordings.

¹³¹ Or a high-tech college student downloading gigabytes of music and movies in his dorm room, to take the more modern image.

¹³² *Capitol Records, Inc. v. Naxos of America, Inc.*, 262 F. Supp. 2d 204, 214 (S.D.N.Y. 2003).

¹³³ See *e.g.* *Goldstein v. California*, 412 U.S. 546, 569 (1973); *Duchess Music Corp. v. Stern*, 458 F.2d 1305, 1309 (9th Cir. 1972); *Jondora Music Publishing Co. v. Melody Recordings, Inc.*, 506 F.2d 392, 393 (3d Cir. 1974).

¹³⁴ Granted, of course, that Naxos would have also paid the statutory licensing fee.

to eliminate competition in the field of restoration of ancient recordings appears to directly interdict Congress's intent.

Conclusion

In sum, *Naxos* is a bizarre case which highlights the shortcomings of allowing unrestricted state law protection of pre-1972 sound recordings. In step with the broader trend of expanding copyright in the U.S., the New York Court of Appeals bent over backwards to construe the law in a manner that maximizes the term of protection and minimizes competition. Further, given the facts of this particular case, enjoining Naxos' commendable work in restoring obscure yet remarkable early recordings is quite lamentable. Rather than promoting the useful arts, *Naxos* threatens to destroy an important piece of our common heritage that is embodied in such early records. Congress should take heed of these developments and act to ensure consistent federal protection of pre-1972 sound recordings.