

# Comment

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## Casting Common Law and the Music Industry Adrift: Pre-1972 Recordings Enter Federal Safe Harbors

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*If the next format is a form of downloading from the Internet, with distribution and manufacturing savings passed on to the American consumer, then, of course, we will embrace that format. But how can we embrace a new format and sell our music for a fair price when somebody with a few lines of code, no investment cost, no creative input, and no marketing expenses simply gives it away? How does this square with the level playing field of the capitalist system?*

Lars Ulrich<sup>1</sup>

## INTRODUCTION

The music industry is a shadow of its former self. The concept of “record” sales seems archaic in a world where music listeners purchase music via the click of a mouse rather than the chime of a cash register. The notion of oneself as a music purist might be a bygone concept, where a simple application can make a digitalized MP3 music file sound like an old vinyl record.<sup>2</sup> The growth of the Internet caused panic and confusion for record companies that were caught off-guard by the development of technology that allowed users to convert CDs to digital MP3 music files.<sup>3</sup> Previously, piracy of CDs was easily discoverable—physical, tangible CD copies changed hands. But what happened when the activity could not be easily

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<sup>1</sup> *Music on the Internet: Is There an Upside to Downloading?: Hearing Before the S. Comm. on the Judiciary*, 106th Cong. 10 (2000) (statement of Lars Ulrich, Member and Co-Founder, Metallica Musical Group, NY), available at [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=106\\_senate\\_hearings&docid=f:74728.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=106_senate_hearings&docid=f:74728.pdf). The quote is from the Metallica drummer’s July 11, 2000, testimony concerning the band’s legal issues with Napster and downloading music on the Internet.

<sup>2</sup> See Casey Chan, *VinylLove for iPad Creates That Warm Vinyl Record Sound for Your MP3s*, GIZMODO (Apr. 16, 2011, 9:00 PM), <http://gizmodo.com/5792791/vinyllove-for-ipad-re-creates-that-warm-vinyl-record-sound-for-your-mp3s>.

<sup>3</sup> STEVE KNOPPER, *APPETITE FOR SELF-DESTRUCTION* 118 (2009). Knopper tells the story of how the MP3 began as a research project by a team of German engineers seeking to find “a way to send tiny music files over phone lines” in the late 1970s. *Id.* at 116. By 1991, the German team had refined the MP3 technology, and nobody in the music industry knew “MP3 existed, let alone that it contained no copy protection.” *Id.* at 118.

monitored—when a song could be reduced to computer data and produce a quality indistinguishable from a CD to an average listener?

Internet entrepreneurs, software programmers, and wily consumers did not take long to realize the potential of music in the digital MP3 format. Not only could MP3s be burned onto blank CDs, but—better still—because of the manageable file size, MP3s could be traded via email and the Internet.<sup>4</sup> A plethora of files were freely exchanged between users, spurred on by music sharing sites such as the original Napster.<sup>5</sup> The copyright implications eventually landed with the record industry. Essentially, a copyrighted sound recording purchased by one legitimate user on CD could be “ripped” by that user and saved as a digital MP3 file on his or her home computer.<sup>6</sup> Massive infringement of reproduction and distribution rights occurred when that digital copy was itself copied and shared between further users ad infinitum by either CD burning or electronic transfer.<sup>7</sup> Enforcement on a case-by-case basis against those millions of users who obtained infringing copies was simply impossible. Billions of dollars of potential profit for record companies were on the brink of evaporating if the free exchange of music became commonplace.

While record companies struggled for a solution, technology giants, most notably Apple, refined and resolved a technologically efficient and legal method for selling music digitally.<sup>8</sup> In fact, Apple’s sales bloomed and then flourished; by February 2010, iTunes had sold ten billion songs since its 2003 inception.<sup>9</sup> The iPod galvanized itself

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<sup>4</sup> *See id.*

<sup>5</sup> For discussion of Napster’s influence and ultimate legal demise, see *infra* Part I.A.

<sup>6</sup> “Ripping” is the term given the file compression process whereby a song on a CD is converted into an MP3 file.

<sup>7</sup> The owner of the copyright in the sound recording, usually a record company by assignment, has the exclusive right “to reproduce the copyrighted work in copies or phonorecords” and “to distribute copies . . . by sale or other transfer of ownership.” 17 U.S.C. § 106(1), (3) (2006). Anyone who violates those exclusive rights infringes. *Id.* § 501(a).

<sup>8</sup> *See* KNOPPER, *supra* note 3, at 166–82. Knopper describes how Steve Jobs and Apple worked their way through the industry, convincing it label-by-label that iTunes and the iPod was the best way to control and maintain profitability in the distribution of digital music. Sony was perhaps the staunchest opponent of digital music, having its own history of success with the seminal portable music player, the Walkman. However, “with the other major labels plunging into iTunes, Sony had no choice. The company gritted its teeth and signed on.” *Id.* at 175.

<sup>9</sup> *See, e.g.*, Charles Arthur, *Apple Hits 10 Billion Songs Sold—But What’s Happening to Music Sales Growth?*, THE GUARDIAN TECHNOLOGY BLOG (Feb. 25, 2010, 11:34 EST),

in the public consciousness, fusing technology and fashion to become the most sought after accessory of the last decade.<sup>10</sup> Perhaps hindsight is advantageous, but the record industry's reluctance to embrace the digital revolution may have cost it dearly. Instead of immediately finding a means to exploit the MP3 for their own gain, record companies found themselves placed over Apple's proverbial barrel and were forced to embrace iTunes's practical monopoly.<sup>11</sup> Of course, the bigger threat was posed by the free exchange of music.

The record industry had already commenced high-profile litigation against service providers in an effort to curtail file-sharing. Notable early victories came against file-sharing services such as Napster, Limewire, and Grokster, but Internet entrepreneurs, learning from their forerunners' mistakes, continually develop new models that provide free online music while obscuring the point at which copyright infringement takes place. The biggest obstacle preventing record companies from obtaining sweeping injunctive relief is the Digital Millennium Copyright Act (DMCA).<sup>12</sup> Specifically, the DMCA contains safe harbor protections for Online Service Providers (OSPs).<sup>13</sup> Recognizing the difficulties of policing the Internet, the safe harbors were largely designed to limit the liability of OSPs for content placed online by users. They require OSPs to adhere to certain statutory requirements, such as swift compliance with takedown requests and removal of user accounts belonging to repeat offenders.

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<http://www.guardian.co.uk/technology/blog/2010/feb/25/apple-ten-billion-songs-itunes-analysis>.

<sup>10</sup> See generally Haroon Malick, *iPod Wins T3's "Best Gadget of All Time" Award*, GIZMODO (Oct. 13, 2007, 6:00 PM), <http://gizmodo.com/310578/ipod-wins-t3s-best-gadget-of-all-time-award>.

<sup>11</sup> See KNOPPER, *supra* note 3, at 178–79. In 2003, labels would make sixty-seven cents (to be shared with artists) from each ninety-nine cent song—a significant drop from ten to twelve dollars for each eighteen dollar CD—but that was the deal imposed by Apple's successful sales model. *Id.* at 178.

<sup>12</sup> Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified as enacted and amended in scattered sections of 17 U.S.C.). The DMCA was an addition to the Copyright Act enacted by Congress to address copyright issues on the Internet—something not contemplated at the time of the Act's last major overhaul in 1976. See discussion *infra* Part I.A. The U.S. Copyright Act is codified at 17 U.S.C. §§ 101–1332.

<sup>13</sup> Throughout this Comment, the abbreviation "OSP" will broadly refer to online music businesses that offer storage, streaming, or file sharing of digitalized music files such as MP3s. The acronym is somewhat interchangeable with "ISP" (Internet Service Provider), but that term more appropriately refers to services such as Comcast—that is, providers of bandwidth or access. Hence, unless ISP is used in quoted material, for clarity and simplicity I will only use OSP.

If OSPs comply, then they may be eligible for the protection.<sup>14</sup> Recognizing that the safe harbors gave OSPs a powerful new defense against infringement actions, record companies were forced to change legal tactics.

A recent trend saw record companies bringing lawsuits designed to stop OSPs' use of music recorded prior to 1972. The method was one of a few ways to circumvent DMCA safe harbors and strengthen the likelihood of obtaining injunctions to shutdown OSPs perceived as copyright infringers. Sound recordings were not added to the U.S. Copyright Act (Copyright Act) until the Sound Recording Amendment of 1971.<sup>15</sup> After the amendment was incorporated into § 301(c) of the Copyright Act, sound recordings "fixed" prior to the February 15, 1972, statutory limitation were considered to be governed by the common law of copyright.<sup>16</sup> In other words, the Copyright Act does not cover pre-1972 recordings, and thus OSPs cannot claim safe harbor protection for usage of these recordings. Sound recordings fixed after February 15, 1972, however, are within the purview of the federal Copyright Act and thus the DMCA, meaning such recordings' use is subject to statutory safe harbors.

Therefore, the record industry's litigation strategy was to sue under the common law of copyrights and unfair competition in state courts, rather than under the federal Copyright Act, which, post-DMCA, seemingly favored OSPs. Record companies assumed, with seeming justification from § 301(c) of the Copyright Act, that their back catalogues pre-dating the Act were beyond the reach of DMCA safe harbors. As courts expounded on the safe harbor statutes, record companies' resort to common-law-based state statutes seemed a sound, tried-and-tested strategy. However, a recent decision in the U.S. District Court for the Southern District of New York, *Capitol Records, Inc. v. MP3tunes, LLC*, may take the wind out of the record

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<sup>14</sup> For a thorough discussion of DMCA safe harbors, see *infra* Part I.A.

<sup>15</sup> Act of Oct. 15, 1971, Pub. L. No. 92-140, 85 Stat. 391. At that time, the Copyright Act was in its 1909-enacted form.

<sup>16</sup> See 17 U.S.C. § 301(c) (2006). The common law of copyright is generally embodied in state statutes; in some copyright-hub states such as New York, it is embodied more comprehensively than others. See *generally infra* Part II.B. The Copyright Act's definition of "fixed" is "in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration." 17 U.S.C. § 101.

companies' sails.<sup>17</sup> *MP3tunes* held that copyright common law and the Copyright Act/DMCA can operate in tandem, and crucially, that DMCA's safe harbors are thus applicable to OSPs that make pre-1972 recordings available to their users.<sup>18</sup> The decision runs contrary to previous understanding and could feasibly make copyright enforcement significantly more difficult for record companies.

This Comment describes the impact of *MP3tunes* and assesses the likelihood of the decision becoming widely implemented. It also argues that Congress should intervene, as it has done for other contentious copyright issues, and amend the outdated Copyright Act to govern pre-1972 recordings in the same manner as all sound recordings fixed after 1972. Part I outlines the relevant background law, including the key safe-harbor provisions of the DMCA, and also examines cases which shaped present litigation surrounding OSPs' indirect liability as contributory infringers. That discussion includes how the concept of time-shifting,<sup>19</sup> which first arose in litigation over VCRs, translated into a defense employed by OSPs against record companies, albeit less successfully. Part II examines the background of pre-1972 recordings and the common law of copyright within which they previously resided, followed by analysis of the *MP3tunes* case. Part III critiques the *MP3tunes* court's reasoning and assesses other policy considerations that will dictate whether the Copyright Act should govern pre-1972 recordings.

## I

### BACKGROUND LAW

The goal of this section is to provide sufficient background for the reader to make a determination of whether claims should be permitted under copyright common law amid a regime dominated by the federal Copyright Act. First, the section discusses the statutory protections Congress afforded to providers of online services through the DMCA. Second, it discusses how the furor over Sony's Betamax recorder fueled the contributory infringement doctrine. Third, it briefly

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<sup>17</sup> Capitol Records, Inc. v. MP3tunes, LLC (*MP3tunes*), 821 F. Supp. 2d 627 (S.D.N.Y. 2011).

<sup>18</sup> *Id.* at 641–42.

<sup>19</sup> See generally Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984) (discussing time-shifting whereby the user of a Sony-produced videotape recorder videotaped a program to view at a different time than the network broadcasted it).

discusses the *Napster*<sup>20</sup> case and its progeny. Fourth, this section ties the doctrine-shaping litigation of yesteryear to current developments.

#### A. A Brief Demystification of DMCA Safe Harbors

The DMCA comprises enactments in and amendments to Title 17 of the United States Code and incorporates two international treaties: the World Intellectual Property Organization Copyright Treaty and the Performance and Phonograms Treaty.<sup>21</sup> With technology progressing exponentially, Congress reacted to shortcomings of the Copyright Act, which understandably could not address twenty-first century copyright issues associated with multimedia in the Internet age. In the DMCA, Congress designed legislative measures aimed at balancing the needs of modern consumers and suppliers with those of substantial copyright owners, such as record companies and movie studios. It was a substantial and necessary addition to the Copyright Act to address the meteoric expansion of the Internet. The DMCA clarified protections available to copyright owners whose work would become available in electronic form, while also limiting liability of OSPs via safe-harbor provisions to encourage entrepreneurship and technological innovation.<sup>22</sup>

The safe-harbor provisions in the DMCA had significant implications for both the record industry and online music service providers.<sup>23</sup> The safe harbors were designed to limit the liability for a compliant OSP defendant faced with claims of contributory or vicarious liability by copyright-owner plaintiffs.<sup>24</sup> Put another way, the safe harbors provide a map for OSPs to defend themselves against *indirect* liability for the *direct* infringement of user-uploaded copyrighted material. Under § 512 in the Copyright Act, an OSP “will not be liable for infringement for 1) transitory digital network

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<sup>20</sup> A&M Records, Inc. v. Napster, Inc. (*Napster*), 239 F.3d 1004 (9th Cir. 2001).

<sup>21</sup> Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998) (the preamble states the purpose is in part to “implement the World Intellectual Property Organization Copyright Treaty and Performances and Phonograms Treaty”).

<sup>22</sup> See generally 17 U.S.C. § 512 (2006).

<sup>23</sup> See *id.* § 512(a)–(d). The “safe harbors” referred to and elaborated upon in this section are affirmative defenses statutorily provided in the DMCA for OSPs to limit their liability upon discovery of infringing content on their servers. They are particularly relevant in the context of user-uploaded content, and legislators recognized the monumental task facing OSPs in policing the thousands of files uploaded each day.

<sup>24</sup> Perfect 10, Inc. v. CCBill LLC, 488 F.3d 1102, 1109 (9th Cir. 2007).

communications; 2) system caching; 3) information residing on systems at the direction of users; and 4) information location tools.”<sup>25</sup>

Most cases discussed in this Comment involve information that users place online.<sup>26</sup> The specific safe harbors for OSPs providing a hosting service are located at § 512(c) of the Copyright Act.<sup>27</sup> The threshold inquiry under § 512(c) is whether the OSP had actual knowledge of infringement by its subscribers, or if it subsequently became aware or should have become aware of circumstances making infringement apparent.<sup>28</sup> Courts have described the latter as the “‘red flag’ test.”<sup>29</sup> In the absence of knowledge, the OSP may only be found liable after receiving notice via the “notice and takedown” provisions of § 512(c).<sup>30</sup> Prompt action to remove the alleged infringing material will restore the OSP’s immunity.<sup>31</sup> If notice given by the aggrieved copyright owner is deficient under standards set forth in § 512(c)(3), then the OSP will not be deemed to have obtained knowledge.<sup>32</sup> Additionally, if the OSP did have “the right and ability to control” the activity of its users, a lack of financial

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<sup>25</sup> 1 ALEXANDER LINDEY & MICHAEL LANDAU, *LINDEY ON ENTERTAINMENT, PUBLISHING AND THE ARTS* § 1:50.50 (3d ed. 2006) (footnotes omitted).

<sup>26</sup> The archetypal example of this is YouTube. Users are encouraged to share original material, but many upload copyrighted clips of movies, TV shows, and songs. Compliance with the DMCA is therefore crucial for YouTube to continuously take advantage of safe harbors.

<sup>27</sup> 17 U.S.C. § 512(c) states that an OSP shall not be liable for its users’ content if it:

(A)(i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing; (ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or (iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material; (B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and (C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.

17 U.S.C. § 512(c).

<sup>28</sup> *Id.* § 512(c)(A).

<sup>29</sup> *See, e.g., Perfect 10*, 488 F.3d at 1113–14.

<sup>30</sup> LINDEY & LANDAU, *supra* note 25.

<sup>31</sup> *Id.* (quoting 17 U.S.C. § 512(c)) (“Once on notice, if the ISP ‘responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity’ it will not be liable.”).

<sup>32</sup> *See Perfect 10*, 488 F.3d at 1114 (discussing the effect of 17 U.S.C. § 512(c)(3)(B)(i)–(ii): “Notice that fails to substantially comply with § 512(c)(3) . . . cannot be deemed to impart . . . awareness.”). 17 U.S.C. § 512(c)(3) details the very specific notice requirements, which are too long to reproduce here, but suffice it to say a potential plaintiff should study the rules with great care.



benefit “directly attributable to the infringing activity” prevents liability if swift action is taken to remove infringing material after a takedown request.<sup>33</sup>

Moreover, § 512(i) sets forth the eligibility requirements that OSPs must meet before invoking the safe harbors.<sup>34</sup> Essentially, eligibility is a “question of satisfactory adoption and implementation of account termination policies” for users who repeatedly infringe copyrights.<sup>35</sup> Professor Amanda Cooley cautions that certain terms remain ill-defined, meaning the area of law remains open to judicial interpretation.<sup>36</sup> Courts have endeavored to maintain Congress’s “intent to preserve strong incentives for service providers to cooperate with rights owners.”<sup>37</sup> Yet, § 512’s privacy provision prevents courts from conditioning eligibility for safe harbor protection on an OSP’s continuous monitoring of its users or special efforts to weed out infringers.<sup>38</sup>

Claiming DMCA safe-harbor entitlement has naturally become the affirmative defense of choice for OSPs facing entertainment industry lawsuits, not only in the music context, but also for streaming video services. Courts first ascertain whether the OSP is eligible for DMCA safe harbors, and then they use evidence to establish whether there

<sup>33</sup> 17 U.S.C. § 512(c)(B).

<sup>34</sup> 17 U.S.C. § 512(i)(1) reads in part:

The limitations on liability . . . shall apply . . . only if the service provider—(A) has adopted and reasonably implemented, and informs subscribers and account holders of the service provider’s system or network of, a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider’s system or network who are repeat infringers; and (B) accommodates and does not interfere with standard technical measures.

17 U.S.C. § 512(i)(1).

<sup>35</sup> Amanda Harmon Cooley, *A Contractual Deterrence Strategy for User-Generated Copyright Infringement and Subsequent Service Provider Litigation*, 64 SMU L. REV. 691, 699 (2011); see also *Perfect 10*, 488 F.3d at 1109 (“We hold that a service provider ‘implements’ a policy if it has a working notification system, a procedure for dealing with DMCA-compliant notifications, and if it does not actively prevent copyright owners from collecting information needed to issue such notifications.”).

<sup>36</sup> Cooley, *supra* note 35, at 699–700 (“Because only a handful of courts have examined the meaning of this subsection’s requirements, those decisions . . . are particularly valuable for this developing area of law.”).

<sup>37</sup> Annemarie Bridy, *Graduated Response and the Turn to Private Ordering in Online Copyright Enforcement*, 89 OR. L. REV. 81, 91 (2010).

<sup>38</sup> *Id.* at 91–92 (discussing the interaction between § 512(i) and (m)). Professor Bridy summarizes: “[W]hile § 512(i) was designed to promote cooperation between rights owners and ISPs in online copyright enforcement, it cannot be read in light of § 512(m) to impose on qualifying ISPs any affirmative duty to monitor or investigate.” *Id.*

has been sufficient compliance with the DMCA for safe-harbor protections to apply.<sup>39</sup> From the broader perspective of the entertainment industry, each OSP model presents a threat because each model is likely to allow users to upload or access files, which infringe copyrights to a greater-or-lesser degree.

A handful of high profile cases and prolific scholarship have begun to untangle the nuances of the DMCA.<sup>40</sup> Since its implementation, the most painful headache for copyright owners of sound recordings has been a steady stream of Internet platforms that provide *free* access to music. Copyright owners have enjoyed a good degree of success against OSPs by operating peer-to-peer file-sharing sites,<sup>41</sup> but they have experienced a more difficult time formulating successful strategies against OSPs offering more complex models.<sup>42</sup>

As a result, record companies' recent use of pre-1972 recordings as a pretext for taking DMCA safe harbors out of the equation is no surprise. State laws, stemming from the common law, do not provide a tailor-made limitation of liability for OSPs, and the analysis focuses squarely on traditional copyright doctrines of direct or contributory infringement.<sup>43</sup> Needless to say, liability is much more likely for OSPs without the benefit of safe-harbor protections. Of course, legal tension between the entertainment industry and technological pioneers is nothing new, and prior disputes continue to influence today's arguments.<sup>44</sup> Before this Comment returns to present developments, the following sections highlight case law around which

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<sup>39</sup> Compare *A&M Records, Inc. v. Napster, Inc.* (*Napster*), 239 F.3d 1004, 1025 (9th Cir. 2001) (finding that plaintiffs raised serious enough questions and demonstrated that the balance tipped in their favor to preclude defendant from obtaining safe-harbor protection), with *Viacom Int'l Inc. v. YouTube, Inc.*, 718 F. Supp. 2d 514, 526 (S.D.N.Y. 2010) (allowing safe-harbor protection for OSP after it complied with takedown provisions, despite the possibility that contributory infringement could be found under common law).

<sup>40</sup> See, e.g., *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005); *Perfect 10*, 488 F.3d 1109; Glynn S. Lunney, Jr., *The Death of Copyright: Digital Technology, Private Copying, and the Digital Millennium Copyright Act*, 87 VA. L. REV. 813 (2001).

<sup>41</sup> See, e.g., *Grokster*, 545 U.S. 913; *Napster*, 239 F.3d 1004; *Arista Records LLC v. Usenet.com, Inc.*, 633 F. Supp. 2d 124 (S.D.N.Y. 2009); *In re Aimster Copyright Litig.*, 252 F. Supp. 2d 634 (N.D. Ill. 2002).

<sup>42</sup> See, e.g., *UMG Recordings, Inc. v. Veoh Networks Inc.*, 665 F. Supp. 2d 1099, 1099 (C.D. Cal. 2009) (holding that despite the possibility of hosting infringing content, OSP's good faith efforts to limit or avoid hosting that content, and implementation of repeat infringer policy qualified OSP for DMCA safe harbor treatment).

<sup>43</sup> For a discussion of the state common law, see *infra* Part II.B.

<sup>44</sup> See discussion *infra* Part I.B–C.

modern parties shape their legal theories, particularly in the realm of alleged contributory infringement by OSPs. The Comment starts by looking back to 1984 and the legal implications surrounding the advent of the videotape recorder.

*B. The Entertainment Industry Combats “Time-Shifting” of  
Copyrighted Works*

Acknowledgment and understanding of the famous United States Supreme Court case, *Sony Corp. of America v. Universal City Studios, Inc.*,<sup>45</sup> is vitally important to assess recent and current litigation. Concepts emanating from *Sony-Betamax* laid the foundation for strategies employed by parties, particularly defendants, in cases involving OSPs and the entertainment industry. In 1975, the introduction of Sony’s Betamax videotape recorder sent shockwaves through the entertainment industry.<sup>46</sup> The implications for profits derived from copyrighted works were immense; film studios, for example, imagined a world where nobody paid to watch or own a movie.

The concept of “time-shifting” was introduced to television viewers, whereby they no longer needed to watch programs or movies at the exact times the network aired them.<sup>47</sup> Instead, programs could be recorded and watched at the viewer’s leisure, and more significantly, kept in the consumer’s personal collection indefinitely—free of charge.<sup>48</sup> Worse still, the entertainment industry

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<sup>45</sup> *Sony Corp. of Am. v. Universal City Studios, Inc. (Sony-Betamax)*, 464 U.S. 417 (1984).

<sup>46</sup> For an interesting and succinct discussion of how VHS eventually won the format battle with Betamax, see David Owen, *The Betamax vs VHS Format War*, MEDIACOLLEGE.COM (May 1, 2005), <http://www.mediacollege.com/video/format/compare/betamax-vhs.html>. JVC introduced VHS in 1976, a year after Betamax, and while many industry experts considered Betamax technically superior, VHS prevailed and became the industry standard. *Id.* The single reason is not entirely clear, but Davis posits that the main factors were the longer recording time of VHS cassettes, the superior video rental library available on VHS, and perhaps the fact that Sony refused to make pornography available on Betamax. *Id.*

<sup>47</sup> *Sony-Betamax*, 464 U.S. at 423.

<sup>48</sup> See David J. DeSimone, Note, *Copyright Law: Sony Corp. of America v. Universal City Studios, Inc.: The Supreme Court Applies the Doctrines of Fair Use and Contributory Infringement to Home Videotaping*, 53 UMKC L. REV. 126, 140 (1984) (discussing arguments raised by Universal: “(1) their revenues will decrease because the amount of time-shifting cannot be measured; (2) their ‘live television and movie audiences will decrease’; (3) their rerun audiences will be smaller; (4) ‘theater or film rental exhibition will suffer.’” (footnotes omitted)).

feared, the recorded shows and movies would be sold in a new and uncontrollable black market. Those were not possibilities the entertainment industry was willing to entertain, and Universal Studios (Universal) and Walt Disney Productions (Disney) sued.<sup>49</sup> The case reached the United States Supreme Court in 1984.<sup>50</sup>

Universal and Disney opted not to sue consumers who violated copyright but instead sought to cut the hardware off at the source by enjoining the manufacturing and marketing of Betamax players by Sony.<sup>51</sup> After an initial ruling for Sony in the district court, the Ninth Circuit reversed and held Sony liable for contributory infringement.<sup>52</sup> After granting certiorari, the Supreme Court reversed and found in favor of Sony.<sup>53</sup> The Court found an “unprecedented attempt to impose copyright liability,” affirming the district court’s findings that the primary use of VTRs (early VCRs) was to time-shift programs for personal viewing at a later time.<sup>54</sup> Noting that the complex task of defining the scope of copyright is constitutionally reserved to Congress,<sup>55</sup> the Court emphasized the relationship between development of technology and the law of copyright.<sup>56</sup> The Court pointed out that while the Copyright Act grants the holder five different types of exclusive rights,<sup>57</sup> “[a]ll reproductions of the

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<sup>49</sup> *Sony-Betamax*, 464 U.S. at 421.

<sup>50</sup> *Id.* at 417.

<sup>51</sup> *Id.* at 420.

<sup>52</sup> *Id.*

<sup>53</sup> *Id.* at 421.

<sup>54</sup> *Id.*

<sup>55</sup> The Copyright and Patent Clause, as cited by the *Sony-Betamax* Court, reads: “The Congress shall have 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.” *Id.* at 428 (citing U.S. CONST. art. I, § 8, cl. 8).

<sup>56</sup> *Id.* at 429–31 (“Because this task involves a difficult balance between the interests of authors . . . in the control and exploitation of their writings . . . on the one hand, and society’s competing interest in the free flow of ideas . . . on the other hand, our patent and copyright statutes have been amended repeatedly . . . the law of copyright has developed in response to significant changes in technology.” (footnote omitted)).

<sup>57</sup> 17 U.S.C. § 106 (1982) provides:

[T]he owner of copyright under this title has the exclusive rights to do and to authorize any of the following: (1) to reproduce the copyrighted work in copies or phonorecords; (2) to prepare derivative works based upon the copyrighted work; (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending; (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works,

work . . . are not within the exclusive domain of the copyright owner; some are in the public domain.”<sup>58</sup>

*Sony-Betamax*'s legacy is its creation of an exception to the doctrine of contributory copyright infringement.<sup>59</sup> The doctrine was somewhat in its infancy at the time—unsurprising considering that Betamax was the fledgling consumer technology for copying audiovisual works in any large-scale way. The Court found Sony's situation could be distinguished from typical “copyright [contributory infringement] cases involving an ongoing relationship between the direct infringer and the contributory infringer at the time the infringing conduct occurred.”<sup>60</sup> Sony's only contact with the user was the point of sale, at which point any involvement ended.<sup>61</sup> In other words, Sony did not have an ongoing relationship with buyers of its Betamax machines at any time before or after the sale. Furthermore, the Court explained, contributory infringers would have control over “use of copyrighted works by others and [would have] authorized the use without permission from the copyright owner.”<sup>62</sup> Accordingly, Sony was not liable as a contributory infringer because (1) its employees had no involvement with infringing activity, (2) its employees had no direct contact with customers who recorded televised programs, and (3) its customers were not influenced to infringe by advertising.<sup>63</sup>

The *Sony-Betamax* rule is that “the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.”<sup>64</sup> Clearly consumers could use the

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including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly.

17 U.S.C. § 106 (1982). The current version of § 106 adds a sixth right: “(6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.” 17 U.S.C. § 106 (2006).

<sup>58</sup> *Sony-Betamax*, 464 U.S. at 433.

<sup>59</sup> See, e.g., Joshua S. Wattles, *Modernizing Sony-Betamax for the Digital Age: The Ninth Circuit Enables P2P*, 34 SW. U. L. REV. 233, 235 (2004). For an introduction to the contemporary version of the contributory infringement doctrine through discussion of the *Napster* case, see *infra* Part II.B.

<sup>60</sup> *Sony-Betamax*, 464 U.S. at 437.

<sup>61</sup> *Id.* at 438.

<sup>62</sup> *Id.* at 437.

<sup>63</sup> *Id.* at 437–38.

<sup>64</sup> *Id.* at 442.

Betamax machine for direct infringement, but the fact that it was capable of substantial noninfringing uses was dispositive.<sup>65</sup> The Court evinced policy reasons for its decision, stating that uses not obviously affecting demand for a copyrighted work or its value “need not be prohibited in order to protect the author’s incentive to create. The prohibition of such noncommercial uses would merely inhibit access to ideas without any countervailing benefit.”<sup>66</sup> Embracing the progress of technology and the benefits to consumers, it appears the Court predicted that legitimate uses would far outweigh illegitimate ones; hence, copyright holders would still be incentivized and reap rewards from their efforts.

The *Sony-Betamax* decision settled the debate surrounding time-shifting technology used for recording television broadcasts. A decade and a half later, entrepreneurs working within the uncharted realm of digital music turned to *Sony-Betamax* to protect their new and controversial music-sharing business models. Things did not go exactly as they expected.

*C. Free Music: A Boon for Consumers, and/or a Bust for Artists and Labels?*

As the Internet’s possibilities unfolded, infringement across every type of media became possible. High quality digital formats now exist for books, magazines, movies, television, and of course, music. The ripples from *Sony-Betamax* have continued to eddy between technological innovators and copyright holders. The Betamax minnow seems minor to copyright holders in comparison to the Internet leviathan that rose to the surface during the 1990s and beyond.

Perhaps the most infamous OSP case to date was the Ninth Circuit’s *A&M Records, Inc. v. Napster, Inc.*<sup>67</sup> Napster, in its original guise, provided an Internet service that was the epitome of what the record industry feared the Internet would do to recorded music—make it available free of charge. Users of the site were able to simply share and swap music with their peers. College student Shawn Fanning created Napster, as legend has it, in his dorm room.<sup>68</sup> His main idea was for users to access a central server where they would

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<sup>65</sup> *See id.* at 456.

<sup>66</sup> *Id.* at 450–51.

<sup>67</sup> *A&M Records, Inc. v. Napster, Inc. (Napster)*, 239 F.3d 1004 (9th Cir. 2001).

<sup>68</sup> KNOPPER, *supra* note 3, at 123.

view log-on names and a list of MP3s contained on their and other users' hard drives.<sup>69</sup> Fanning and his eventual partners probably reasoned that Napster itself would not infringe copyrights. Users would do the actual sharing or exchange of files through each other's hard drives; all the website contained was textual information on user names and MP3 titles.<sup>70</sup> Ideas to charge subscription or per-song fees were explored but rejected; the prevailing Napster model was set up to "generate a huge user base by allowing fans to trade copyrighted music."<sup>71</sup>

Record companies, naturally, took serious exception to Napster and began submitting cease-and-desist demands. Napster rejected the demands wholesale, resulting in one of the most public legal disputes in recorded music-copyright history. Steve Knopper describes how Napster's legal theory relied on precedent from *Sony-Betamax*, rationalizing that if "Sony could manufacture VCRs for people to record copyrighted TV shows for their own use . . . the same logic would apply here."<sup>72</sup> Napster reasoned that it was not actually infringing copyrights, characterizing itself as "merely functional, a middleman, like the VCR."<sup>73</sup> Napster was steadily gaining a huge user base and, as a result of its refusal to comply with the cease and desists, a collection of record companies filed suit.<sup>74</sup>

The case was brought in the U.S. District Court for the Northern District of California.<sup>75</sup> The district court rejected Napster's arguments that users utilized the service primarily for the purpose of "space-shifting" their music in a manner analogous to how users of VCRs "time-shifted" in *Sony-Betamax*.<sup>76</sup> The distinction was that whereas Sony's only contact with the consumer was at the point of sale, Napster "maintain[ed] and supervise[ed] an integrated system

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<sup>69</sup> "A search box, set up like Google or AltaVista, would make it easier than ever to find a piece of music by artist or title." *Id.*

<sup>70</sup> *Id.*

<sup>71</sup> *Id.* at 129.

<sup>72</sup> *Id.* at 136.

<sup>73</sup> *Id.*

<sup>74</sup> *See id.* at 131; *see also* A&M Records, Inc. v. Napster, Inc. (*Napster I*), 114 F. Supp. 2d 896 (N.D. Cal. 2000).

<sup>75</sup> *Napster I*, 114 F. Supp. 2d 896.

<sup>76</sup> *Id.* at 916–17. Space-shifting is accomplished simply when a media file, such as an MP3, is stored on one device, then accessed through another. *See id.* at 904. Recall from *Sony-Betamax* that time-shifting is the recording of a live broadcast for viewing at a later time or date. *Sony Corp. of Am. v. Universal City Studios, Inc. (Sony-Betamax)*, 464 U.S. 417, 421 (1984).

that users *must* access to upload or download files.”<sup>77</sup> Having established a reasonable probability of third-party infringement by Napster’s users, the court turned to the allegation that Napster was a contributory infringer. A contributory infringer “induces, causes or materially contributes” to another’s infringement by having reason to know of the other party’s direct infringement; actual knowledge is not required.<sup>78</sup> The court found damning evidence that Napster’s executives knew its users were directly infringing copyright. A memo, written by Sean Parker, cautioned against recording users’ real names and IP addresses because users were “exchanging *pirated* music” and Napster was “not just making *pirated* music available but also pushing demand.”<sup>79</sup> Having also rejected Napster’s First Amendment argument, the court issued a preliminary injunction, which essentially shut down the website.<sup>80</sup>

The Ninth Circuit affirmed in part, reversed in part, and remanded in 2001.<sup>81</sup> It held that a preliminary injunction was required, but that the district court’s injunction had been overbroad.<sup>82</sup> The ruling emphasized the limits on Napster’s ability to police user content because of its system’s limitations and instructed that the limits should be taken into account on remand.<sup>83</sup> The court turned to the Copyright Act to determine infringement, finding the plaintiffs had sufficiently demonstrated ownership of the materials in question and the rights of reproduction and distribution had been infringed under § 106.<sup>84</sup> The court found that the district judge had not abused her discretion because Napster had a “deleterious effect on the present

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<sup>77</sup> *Napster I*, 114 F. Supp. 2d at 916–17 (emphasis added).

<sup>78</sup> *Id.* at 918.

<sup>79</sup> *Id.*

<sup>80</sup> *Id.* at 922–23, 927. The court preliminarily enjoined Napster “from engaging in, or facilitating others in copying, downloading, uploading, transmitting, or distributing plaintiffs’ copyrighted musical compositions and sound recordings, protected by either federal or state law, without express permission of the rights owner.” *Id.* at 927.

<sup>81</sup> See *A&M Records, Inc. v. Napster, Inc. (Napster)*, 239 F.3d 1004 (9th Cir. 2001).

<sup>82</sup> *Id.* at 1027 (“Specifically, we reiterate that contributory liability may potentially be imposed only to the extent that Napster: (1) receives reasonable knowledge of specific infringing files with copyrighted musical compositions and sound recordings; (2) knows or should know that such files are available on the Napster system; and (3) fails to act to prevent viral distribution of the works. The mere existence of the Napster system, absent actual notice and Napster’s demonstrated failure to remove the offending material, is insufficient to impose contributory liability.” (citation omitted)).

<sup>83</sup> *Id.*

<sup>84</sup> *Id.* at 1013–14; see also 17 U.S.C. § 106(1), (3) (2006) (detailing the exclusive rights of a copyright owner to reproduce and distribute his work).



and future digital download market.”<sup>85</sup> The Ninth Circuit also affirmed the district court’s findings for the plaintiffs.<sup>86</sup> It rejected Napster’s arguments that sampling, space-shifting, and other uses were fair uses and agreed that Napster was liable as a contributory infringer.<sup>87</sup> Napster tried to maintain it was protected under the DMCA’s safe harbors, but the court disagreed.<sup>88</sup>

Technology entrepreneurs were evidently not terribly perturbed by Napster’s emphatic defeat. Peer-to-peer file sharing software was being launched at a startling rate, and the market leaders became hugely successful.<sup>89</sup> Kazaa, LimeWire, Grokster, and Morpheus were just a few of the many that came and went.<sup>90</sup> Those second-generation peer-to-peer services were built around software called “Gnutella,” which was developed around the time Napster was embroiled in legal trouble.<sup>91</sup> At the new software’s culmination in

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<sup>85</sup> *Napster*, 239 F.3d at 1017.

<sup>86</sup> *Id.*

<sup>87</sup> *Id.* at 1019–20.

<sup>88</sup> *Id.* at 1025. Interestingly, the court refused to find the DMCA “inapplicable per se” despite Napster’s potential liability as a contributory and vicarious infringer, but it reserved the issue for further review at trial on remand. *Id.*

<sup>89</sup> KNOPPER, *supra* note 3, at 190. Kazaa had become particularly successful, and by 2002 it had twenty-two million users in the United States and sixty million worldwide. *Id.*

<sup>90</sup> As an interesting side note, Kazaa, and other services such as LimeWire, while hugely popular, had already garnered negative press for reasons unrelated to music. Music industry insiders drew the government’s attention to the fact that peer-to-peer services were being used to trade not just music files but also child pornography. *See id.* at 194. The United States Senate Committee on the Judiciary investigated and found that while significant distribution of child pornography was occurring, it was no more prevalent over peer-to-peer networks than the Internet as a whole. *Id.* Congress took no further action. *Id.* Regardless, Kazaa and its contemporaries would soon be dealt their day in court.

<sup>91</sup> “Gnutella” software was the brainchild of Justin Frankel—a friend of Shawn Fanning—who had also developed Winamp, a well-known piece of software for playing MP3s that preceded even Napster. *Id.* at 148. Unlike Napster, which allowed registered users access to a centralized server, Gnutella utilized a system of user nodes, which meant each user’s own computer essentially operated as his or her “own server.” *Id.* LimeWire, then Kazaa, Morpheus, and Grokster incorporated the Gnutella approach, or variations thereof, into their own downloadable software packages, which allowed users to connect to one another directly. *See id.* at 149, 190–91; *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 921 (2005). Reasoning that by removing centralized servers they could not be liable for contributory infringement, the OSPs believed that the differences between them and Napster would be decisive and save them from their predecessor’s fate. *See* KNOPPER, *supra* note 3, at 193–95; *see also Grokster*, 545 U.S. at 934 (discussing the Ninth Circuit’s erroneous reading of *Sony-Betamax* that Grokster and its co-defendants could not be held liable, “since there was no showing that their software, being without any central server, afforded them knowledge of specific unlawful uses”). That did not seem to change the record industry’s view that peer-to-peer networks were

2005, the United States Supreme Court delivered a telling victory to the entertainment industry over OSPs Grokster, Morpheus, and Kazaa in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, announcing a standard that imposed liability on those who distribute devices with the object of inducing copyright infringement.<sup>92</sup>

*D. User-Uploaded Content and the Appropriateness of Safe Harbors*

The peer-to-peer services already highlighted were found to be inducers of infringement because they provided software designed to allow users to transfer infringing files to one another. The exclusive rights of reproduction and distribution under § 106 of the Copyright Act were violated.<sup>93</sup> As announced in *Grokster*, peer-to-peer OSPs' indirect liability could be clearly predicated upon inducement to infringe through the provision of software that was arguably (and successfully argued) designed with infringing uses in mind.<sup>94</sup> While not actually hosting content on the servers, the makers of peer-to-peer software nonetheless knowingly facilitated and encouraged direct infringement by users, and thus, were found indirectly, contributorially, or vicariously liable.

The DMCA, in large part, contemplates systems where OSPs provide storage and streaming platforms and often host user-uploaded content.<sup>95</sup> While that content may infringe, a central idea is to limit liability of OSPs in situations where subscribers share original content.<sup>96</sup> Indirect liability was easy to find for peer-to-peer networks that evidently had an overriding purpose of users sharing infringing content, but it is harder to prove when the underlying purpose is streaming original content.

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massive facilitators of copyright infringement, which made ensuing courtroom clashes inevitable.

<sup>92</sup> *Grokster*, 545 U.S. 913. The district and appeals courts agreed with the defendants' argument that they simply provided a peer-to-peer, file-sharing service, thus having no control over what users did with it. *See id.* at 927. The Court vacated and remanded, unanimously holding "that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties." *Id.* at 919. Knopper explains, "[o]n the one hand, the [C]ourt preserved *Universal City Studios v. Betamax*, reaffirming viewers' rights to tape programs for personal use. On the other, the justices added the concept of 'inducement to infringe,' punishing companies that encourage copyright violation." KNOPPER, *supra* note 3, at 195.

<sup>93</sup> 17 U.S.C. § 106(1), (3) (2006).

<sup>94</sup> *See Grokster*, 545 U.S. at 936–37.

<sup>95</sup> *See generally* 17 U.S.C. § 512(c).

<sup>96</sup> *See id.*

Still, the distinction between peer-to-peer networks and newer sites offering users the opportunity to upload and/or stream content may seem somewhat attenuated. For example, several searches on YouTube for popular shows or artists will yield hundreds of unlicensed uses of film and music.<sup>97</sup> Most often they are users' favorite scenes from a TV show, movie, or original user-created footage cut to a favorite song. However, an argument can be made that sites like YouTube, which promote original content, encourage traditional intellectual property ideals around the sharing of creations to spawn further creation. But peer-to-peer services simply did not market themselves as a way to share original ideas; rather, they were marketed as a way to share free music and videos.

DMCA safe harbors provide much-needed clarity for both copyright owners and OSPs hosting user-uploaded content. There is some complexity in securing takedown. Some refer to it as a "notification dance"<sup>98</sup> because of the highly specific, multi-step performance a copyright owner and OSP must go through to remove infringing material.<sup>99</sup> Yet the safe harbors enunciate one of very few bright-line tests in the highly complex and contested field of copyright law. It may not be a perfect system, but it goes some way to keeping both parties in the "notification dance" honest. Copyright owners have a means to demand takedown of their infringed material as granted by the DMCA. When an OSP fails to comply with express statutory instructions, owners have a green light to seek court assistance, injunctive relief, and damages.<sup>100</sup> OSPs, on the other hand, also have a clear system of compliance of which they must be cognizant to avoid liability.

Despite the benefits of clarity within the DMCA, a problem remains that in the absence of a clearly delineated system of royalty payment, the takedown provisions are not satisfactory for some copyright owners. Certain OSPs walk a very fine line between infringement and compliance. The music industry has recognized this and, judging by its litigiousness, it is a fair assumption that industry heavyweights still wish to be in sole control of the distribution of their wares.

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<sup>97</sup> As an example, try typing the search term "friends" at YouTube.com.

<sup>98</sup> Professor Eric Priest introduced me to this term, which provides a well-suited metaphor for the back-and-forth between copyright owners and OSPs.

<sup>99</sup> See 17 U.S.C. § 512(c)(3); *supra* Part I.A.

<sup>100</sup> See 17 U.S.C. § 512(j).

The scene remains set for continued courtroom dalliances between emerging OSPs and record companies. *Napster* and *Grokster* flattened the misconception that *Sony-Betamax* could be applied to peer-to-peer networks via a space-shifting argument. But the DMCA, through safe harbors, has thrown an undeniable lifeline to OSP entrepreneurs willing to take the plunge into the statute's murky waters. The obvious solution for record companies dissatisfied with the DMCA was to steer clear of the safe harbors altogether by suing under copyright common law. The Copyright Act seemed to have such a wondrous outlet—the pre-1972 recordings clause—that was, until *MP3tunes* and Universal Music Group (UMG) squared off in a New York courtroom.

## II

### PRESENT CHANGE IN COPYRIGHT LAW

This section begins with an explanation of the Copyright Act provision that was generally accepted to exempt pre-1972 recordings from the reach of federal copyright law, placing them within the purview of state laws. Next, it looks back at state cases, which incorporate copyright common-law doctrine, concerning pre-1972 recordings where safe harbor defenses were conspicuous in their absence. Finally, the section examines the *MP3tunes* decision. Of note are that court's and amicus briefs' plain language interpretations, which appear contrary to the seemingly unambiguous pre-1972-recordings provision.

#### *A. The Conventional Wisdom about Pre-1972 Recordings*

A recent major issue of contention between record companies and OSPs is whether infringement suits concerning pre-1972 recordings are subject to state or federal law. Support for the proposition that pre-1972 recordings are exempt from DMCA safe harbors can be construed from the language of the Copyright Act. The Act provides in § 301(c):

With respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this title until February 15, 2067 . . . no sound recording fixed before February 15, 1972, shall be subject to copyright under this title before, on, or after February 15, 2067.<sup>101</sup>

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<sup>101</sup> *Id.* § 301(c).

Hence, courts have read § 301(c) to provide that pre-1972 recordings are subject only to state copyright laws, derived from the common law of copyright, and are not preempted by provisions of the federal Copyright Act (that is safe harbors).<sup>102</sup>

Record companies have been eager to act upon that perceived loophole. There is substantial consumer demand for pre-1972 recordings, and after that music is reissued on CD it naturally becomes part of the MP3 market.<sup>103</sup> However, rather than simply attempting to enforce exclusive rights in digitalized old recordings, lawsuits have effectively been a subterfuge by record industry plaintiffs to create a cause of action that sidesteps DMCA safe harbor defenses. The Act's § 512 sets forth realistic standards for OSPs to qualify for safe harbor protection,<sup>104</sup> and record companies know such standards are attainable. For example, one would assume that taking mitigating action when aware of infringing activity would be relatively easy for OSPs.<sup>105</sup> Courts have shown little patience for failure to take such action and even less for OSPs manifesting encouragement of infringement.<sup>106</sup> On the other hand, courts are more than willing to grant safe harbor protection when OSPs manifest substantial compliance with § 512—acting swiftly and affirmatively when applying takedown requests and terminating repeat infringers' accounts particularly impresses courts.<sup>107</sup> Clearly, a conventional

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<sup>102</sup> See, e.g., *Arista Records LLC v. Lime Group LLC*, 784 F. Supp. 2d 398, 436 (S.D.N.Y. 2011) (discussed *infra* Part II.B).

<sup>103</sup> Many record labels, particularly larger companies such as Sony BMG and UMG, which have merged with or acquired other labels over the years, have enormous back catalogs of music to exploit for potentially substantial profits. The target market is broad, including middle-aged consumers who bought vinyl in their youth and younger listeners eager to discover music that influenced their favorite contemporary artists. The old recordings, often marketed as *classics*, are repackaged and reissued as CDs, albums, or compilations. The reissued albums frequently tout a superior, remastered sound quality and contain bonus tracks (usually studio outtakes) to motivate consumers to replace albums they already own.

<sup>104</sup> See 17 U.S.C. § 512.

<sup>105</sup> See *id.* § 512(c)(1)(A)(iii) (requiring OSPs to act “expeditiously to remove, or disable access to, the [infringing] material” upon becoming aware of such material’s existence).

<sup>106</sup> See, e.g., *Arista Records LLC v. Usenet.com, Inc.*, 633 F. Supp. 2d 124, 142 (S.D.N.Y. 2009) (finding defendants who were aware of likely infringement, or “encouraged or fostered such infringement . . . ineligible for the DMCA’s safe harbor provisions”).

<sup>107</sup> See, e.g., *Viacom Int’l Inc. v. YouTube, Inc.*, 718 F. Supp. 2d 514, 526 (S.D.N.Y. 2010) (finding it “uncontroverted that when YouTube was given the [takedown] notices, it removed the [infringing] material,” thus qualifying for safe harbor protection).

reading of § 301(c) says that pre-1972 recordings are not controlled by the Copyright Act. Therefore, the record industry's most logical move *was* to police its older back catalog by suing for infringement of such recordings under state and common law, thus preventing OSPs from asserting safe harbor defenses.

*B. Common-Law Copyright in Sound Recordings and Grooveshark Attack*

In 2005, the Court of Appeals of New York held that pre-1972 recordings are protected by New York's common law, provided the infringement occurred in New York.<sup>108</sup> At issue in *Capitol Records, Inc. v. Naxos of America* was Naxos's copying and remastering of a selection of 1930s classical recordings belonging to Capitol Records.<sup>109</sup> The recordings were already in the public domain in the United Kingdom where they had been recorded.<sup>110</sup> In 1996, Capitol acquired exclusive rights to exploit the recordings in the United States.<sup>111</sup> In 1999, Naxos created a reissue of the recordings in the United Kingdom using the original shellac recordings and then marketed the remastered CDs in the United States.<sup>112</sup> Naxos prevailed in the district court, but the Second Circuit certified questions to the Court of Appeals of New York, which found that even if Naxos had created a new product, Capitol could still prevail on an infringement claim under copyright common law.<sup>113</sup> The court noted that fraud or bad faith is not required as an element under New York copyright law, defining the two elements for infringement simply as "(1) the existence of a valid copyright; and (2) unauthorized reproduction of the work protected by the copyright."<sup>114</sup>

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<sup>108</sup> *Capitol Records, Inc. v. Naxos of Am., Inc.*, 830 N.E.2d 250 (N.Y. 2005). The court engages in an extensive retrospective of common-law copyright history, explaining that sound recordings were initially not protectable as published works in the United States. *See id.* at 256–63. It summarizes a mid-twentieth century case, which was foundational in developing modern common-law copyright protection, and characterized "the public sale of a sound recording as a 'limited publication' that did not divest a composer or artist of common-law copyright protection." *Id.* at 259 (citing *Metro. Opera Ass'n v. Wagner-Nichols Recorder Corp.*, 101 N.Y.S.2d 483 (Sup. Ct. N.Y. County 1950)).

<sup>109</sup> *Id.* at 252. Naxos is a record label specializing in budget reissues of classical music. *See* NAXOS, <http://www.naxos.com/> (last visited Oct. 28, 2012).

<sup>110</sup> *Naxos*, 830 N.E.2d at 253.

<sup>111</sup> *Id.*

<sup>112</sup> *Id.* Shellac is a resin that was used to create gramophone records.

<sup>113</sup> *See id.* at 253–54, 267.

<sup>114</sup> *Id.* at 266. Additionally, to establish the secondary liability of content providers, there is a requirement of inducement to infringe by the provider. *See* *Arista Records LLC*

The U.S. District Court for the Southern District of New York has been at the center of recent developments. Only months before the court delivered a game-changing opinion, it allowed the music industry to prevail when asserting a state law copyright theory regarding pre-1972 recordings in *Arista Records LLC v. Lime Group LLC* in May 2011. The court in that case handed defendant LimeWire a comprehensive defeat.<sup>115</sup> LimeWire was sued by a large group of major record companies including Atlantic, Motown, Sony, Virgin, and Warner Brothers; essentially, the entire might of the industry.<sup>116</sup> The court followed the precedent laid out in *Naxos* strictly and applied the same elements.<sup>117</sup> LimeWire's argument that New York common law only prohibits direct infringement was rejected.<sup>118</sup> The court instead relied on the Supreme Court's *Grokster* opinion, which found that "infringement claims based on secondary liability, including claims for inducement of infringement, derive from the common law."<sup>119</sup> Most noteworthy was the court's flat assertion that "[f]ederal copyright law does not cover sound recordings made prior to 1972. Rather, these recordings are protected by state common law on copyright infringement."<sup>120</sup>

A perfect example of intent to use pre-1972 recordings as pretext to sue under state law saw UMG file against Escape Media Group, the parent corporation of Grooveshark, in a New York state court.<sup>121</sup> Grooveshark is a rapidly rising consumer-favorite OSP that offers an Internet radio service whereby users may listen to one-another's collections or original user-produced, uploaded works.<sup>122</sup> It has

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v. Lime Group LLC, 784 F. Supp. 2d 398, 436 (S.D.N.Y. 2011). In *Arista Records*, the district court, examining a state law claim of copyright infringement, determined that secondary liability for infringement (i.e., infringement by a service provider, rather than direct infringement by consumers) was actionable under New York common law. *Id.* A secondary liability claim arises from a showing of inducement to infringe, the elements of which are "direct infringement, purposeful conduct, and intent." *Id.* Unfair competition is distinguished by the inclusion of fraud or bad faith elements, in addition to requiring "competition in the marketplace or similar actions designed for commercial benefit." *Naxos*, 830 N.E.2d at 266.

<sup>115</sup> See *Arista Records*, 784 F. Supp. 2d at 398.

<sup>116</sup> See *id.*

<sup>117</sup> *Id.* at 436.

<sup>118</sup> See *id.*

<sup>119</sup> *Id.*

<sup>120</sup> *Id.*

<sup>121</sup> See Complaint at 7, UMG Recordings, Inc. v. Escape Media Group, Inc., No. 10100152 (N.Y. Sup. Ct. Jan. 6, 2010) [hereinafter Complaint 2010].

<sup>122</sup> GROOVESHARK, <http://www.grooveshark.com/press> (last visited Oct. 24, 2012).

progressed rapidly from start-up to success, with millions of subscribers today.<sup>123</sup> UMG's "legal jihad" against Escape Media Group soon gathered momentum with other record industry giants, such as Sony Music Entertainment and Warner Music Group, joining UMG's action.<sup>124</sup>

Common-law protection of copyright includes the right "of original ownership, the right to make limited publication of the subject matter, the right to prevent others from making unauthorized use of the subject matter, the right of first publication of the manuscript, and the right to secure a statutory copyright."<sup>125</sup> Those rights may be perpetual, unless the author makes a general publication or dedicates the work to the public.<sup>126</sup> UMG's original complaint is indicative of the common-law theory and it is one of multiple suits brought to exploit the pre-1972 recordings loophole. Perhaps that helps to explain why the U.S. District Court for the Southern District of New York would decide in *Capitol Records, Inc. v. MP3tunes* that copyright law uniformity was needed with all sound recordings governed by federal law. In asserting infringements of common law copyrights in its pre-1972 recordings, UMG's original complaint alleged unauthorized "reproduction and distribution" by Grooveshark.<sup>127</sup> Alleging Grooveshark's "willful, wanton, and reckless tortious conduct," UMG requested compensatory and punitive damages, in addition to injunctive relief.<sup>128</sup> At the time, the legal theory had merit.<sup>129</sup>

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<sup>123</sup> *Id.*

<sup>124</sup> See Alexandra Osorio, *Grooveshark Now Getting Sued by Sony, Warner Music Group* . . . , DIGITAL MUSIC NEWS (Dec. 15, 2011), <http://www.digitalmusicnews.com/permalink/2011/111215grooveshark>; Paul Resnikoff, *Lawyers: Grooveshark May Just Have Defeated UMG* . . . , DIGITAL MUSIC NEWS (Aug. 25, 2011), <http://www.digitalmusicnews.com/stories/082511umg>.

<sup>125</sup> Catherine Palo, *Copyright Infringement Litigation*, in 77 AM. JUR. TRIALS 480 (C. Joseph Miles ed., 2000) (footnotes omitted).

<sup>126</sup> *Id.*

<sup>127</sup> Complaint 2010, *supra* note 121, at 7.

<sup>128</sup> *Id.* at 7–8.

<sup>129</sup> Although the *MP3tunes* holding forced abandonment of the common law strategy, UMG was evidently not perturbed, and it seeks up to \$17,000,000,000 in statutory damages in a more recent complaint filed November 2011, in the Southern District of New York. See Complaint at 7–8, *UMG Recordings, Inc. v. Escape Media Group Inc.*, No. 11 Civ. 8407 (S.D.N.Y. Nov. 18, 2011), (explaining that Escape Media employees themselves had uploaded 113,777 files that infringed UMG copyrights—that figure multiplied by the maximum statutory penalty of \$150,000 for each violation comes to possible statutory damages of over \$17,000,000,000); see also Paul Resnikoff, *Grooveshark is Now Facing \$17 Billion in Damages* . . . , DIGITAL MUSIC NEWS (Nov. 23, 2011), <http://www.digital>



However, in August 2011, the U.S. District Court for the Southern District of New York completely reversed course from its *Arista Records LLC v. Lime Group LLC* decision. In a potentially huge piece of precedent, the court made DMCA safe harbor defenses available for use of pre-1972 recordings in *Capitol Records, Inc. v. MP3tunes, LLC*.<sup>130</sup>

### C. MP3tunes's Critical Expansion of Safe Harbors

The startling increase in the scope of DMCA safe harbors was initially inconspicuously indicated in a footnote. In *MP3tunes*, the plaintiff record company won its infringement claim; the New York district court granted in part and denied in part summary judgment motions from both parties.<sup>131</sup> However, in footnote one of the opinion, the court provided this tantalizing tidbit: "This Court agrees with Defendants that the plain meaning of the statutory language makes the DMCA safe harbors applicable to both state and federal copyright claims. Thus, the DMCA applies to sound recordings fixed prior to February 15, 1972."<sup>132</sup>

The court's position is consolidated in the main body of Judge William H. Pauley III's superseding opinion delivered in October 2011.<sup>133</sup> The factual background is a familiar tale. A substantial amount of copyright-infringing material found its way onto MP3tunes, a popular online music-locker service.<sup>134</sup> Users paid for different subscription levels, receiving a corresponding amount of storage and could then freely access and download their files.<sup>135</sup> Amid this seemingly innocuous service, MP3tunes managed to create two major problems for itself. First, there was partner site

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musicnews.com/permalink/2011/111123grooveshark (discussing UMG's strategy of suing Escape Media's executives and the possibility of \$17,000,000,000 in statutory damages).

<sup>130</sup> *Capitol Records, Inc. v. MP3tunes, LLC (MP3tunes)*, 821 F. Supp. 2d 627, 642 (S.D.N.Y. 2011).

<sup>131</sup> See *Capitol Records, Inc. v. MP3tunes, LLC*, No. 07 Civ. 9931 (WHP), slip op. at 29 (S.D.N.Y. Aug. 22, 2011), *superseded by* 821 F. Supp. 2d 627 (S.D.N.Y. 2011).

<sup>132</sup> *Id.* at 12 n.1.

<sup>133</sup> See *MP3tunes*, 821 F. Supp. 2d at 642.

<sup>134</sup> The court describes how MP3tunes was a second attempt at success by Internet entrepreneur Michael Robertson after a lawsuit closed down his previous company, MP3.com. *Id.* at 633. MP3.com had offered access to music online if users could demonstrate they already owned the CD. *Id.* Robertson paid millions in damages to plaintiff record companies, sold the service, and started MP3tunes in 2005. *Id.*

<sup>135</sup> *Id.*

Sideload.com, a search engine that provided a plug-in<sup>136</sup> for MP3tunes users to locate free MP3 files from around the Internet and “sideload” them to personal online “lockers.”<sup>137</sup> Second, a feature called LockerSync allowed retrieval of album artwork while songs were being uploaded to or played from a “locker.”<sup>138</sup>

EMI Music Group North America (EMI) discovered that Sideload and LockerSync were linking to 350 files and websites that infringed its copyrights.<sup>139</sup> After EMI issued takedown notices, MP3tunes removed cited Internet links from Sideload and LockerSync, but did not delete infringing files obtained from those sites that remained in user accounts.<sup>140</sup> EMI sued and predictably prevailed on both its summary judgment claim for contributory infringement regarding the files remaining in user accounts, and its claim of direct infringement by site-owner Robertson for sideloaded material.<sup>141</sup> Far more unexpected was the court’s holding that a DMCA safe harbor defense is available for pre-1972 recordings.<sup>142</sup>

The court rejected EMI’s argument that § 301(c) of the Copyright Act effectively trumps the DMCA.<sup>143</sup> EMI cited precedent from *Capital Records, Inc. v. Naxos of America*, where the Second Circuit held that “federal copyright protections do not preempt or limit common law rights in pre-1972 works,” reaffirming the United States Supreme Court’s *Goldstein v. California* holding.<sup>144</sup> Judge Pauley III instead found *MP3tunes* to be a case of first impression because *Goldstein* and *Naxos* were about older federal copyright protections and did not address the limits of the DMCA.<sup>145</sup> Accordingly, “reading section 301 in context and looking to the architecture of the Copyright Act as a whole,” Judge Pauley III concluded, “there is no conflict

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<sup>136</sup> A “plug-in” is a piece of supplemental software written to provide a specific additional function within the original software.

<sup>137</sup> *Id.* at 634. The court notes that MP3tunes executives had personal accounts and used the Sideload feature themselves. *Id.* at 635.

<sup>138</sup> *Id.*

<sup>139</sup> *Id.*

<sup>140</sup> *Id.* At issue in the suit were EMI’s claims that “3,189 sound recordings, 562 musical compositions, and 328 images of album cover art” were infringed. *Id.*

<sup>141</sup> *Id.* at 649.

<sup>142</sup> *Id.* at 642.

<sup>143</sup> Recall § 301(c) provides that, with regard to pre-1972 recordings, “any rights or remedies under the common law or statutes of any State shall not be annulled or limited by [provisions of the Copyright Act] until February 15, 2067.” 17 U.S.C. § 310(c) (2006).

<sup>144</sup> *MP3tunes*, 821 F. Supp. 2d at 640 (citing *Goldstein v. California*, 412 U.S. 516, 522 (1973) and *Capitol Records, Inc. v. Naxos of Am., Inc.*, 372 F.3d 471, 477 (2d Cir. 2004)).

<sup>145</sup> *Id.*

between § 301 and the DMCA's safe harbors for infringement of pre-1972 recordings."<sup>146</sup> Read in context, the court reasoned, it is true that § 301(c) "is an anti-preemption provision ensuring that the grant of federal copyright protection did not interfere with common law or state rights established prior to 1972."<sup>147</sup> However, considering the statute as a whole, the court decided, "section 301(c) does not prohibit all subsequent regulation of pre-1972 recordings."<sup>148</sup>

The court proceeded to reject EMI's further argument that § 501(a) is an exhaustive definition of copyright infringement.<sup>149</sup> Instead, the court decided that referenced §§ 106 through 122 simply provided a list of infringements, but not an all-inclusive one.<sup>150</sup> Because common law terms must be given their common law meaning, the court stated: "It is beyond dispute that the common law meaning of the term 'copyright infringement' encompasses violations of both federal and state protections."<sup>151</sup> Because EMI's interpretation would lead to an absurd result in the court's opinion, it unleashed the scathing stricture that "EMI's interpretation of 301(c) would eviscerate the purpose of the DMCA."<sup>152</sup>

The court offered several legal and policy reasons for its position. First, it voiced concerns about legal uncertainty, particularly because some recordings' year-of-origin cannot be pinpointed exactly.<sup>153</sup> Second, it expressed fears about potential liability for innocent OSPs for the actions of third parties if EMI's position were followed.<sup>154</sup> Third, it reasoned that the DMCA was enacted as a clarification of copyright law amid the massive expansion of Internet technology.<sup>155</sup> Thus, the current position of the U.S. District Court for the Southern

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<sup>146</sup> *Id.*

<sup>147</sup> *Id.* at 641.

<sup>148</sup> *Id.*

<sup>149</sup> *Id.* 17 U.S.C. § 501(a) provides:

Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 or of the author as provided in section 106A(a), or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright or right of the author, as the case may be.

17 U.S.C. § 501(a) (2006).

<sup>150</sup> *MP3tunes*, 821 F. Supp. 2d at 641.

<sup>151</sup> *Id.*

<sup>152</sup> *Id.*

<sup>153</sup> *Id.* at 642.

<sup>154</sup> *Id.*

<sup>155</sup> *Id.*

District of New York is this: “The plain meaning of the DMCA’s safe harbors, read in light of their purpose, covers both state and federal copyright claims. Thus, the DMCA applies to sound recordings fixed prior to February 15, 1972.”<sup>156</sup>

### 1. *The Google Amicus Factor*

The *MP3tunes* court possibly took serious notice of an amicus brief filed by Google on behalf of the defendants.<sup>157</sup> Google’s presence as an amicus curiae was hardly surprising given its consistently expanding portfolio of online multimedia and entertainment services.<sup>158</sup> Google argued that the safe-harbor provisions should additionally protect OSPs under the common law to maintain the degree of certainty pledged by the DMCA.<sup>159</sup> Google further posited that Congress sought to promote user-uploaded content on the Internet to further a “global conversation.”<sup>160</sup> It acknowledged that some content may inadvertently infringe some pre-1972 copyrights but maintains that there are greater policy interests at stake in promoting the development of the Internet.<sup>161</sup> Indeed, it continued, if OSPs were suppressed by lawsuits spanning dozens of states and

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<sup>156</sup> *Id.* The defendant, MP3tunes, ultimately suffered a crushing defeat with the court finding the OSP liable as a contributory infringer. *Id.* at 649. The court held that MP3tunes did not qualify for DMCA safe harbor protections with regard to its user-locker service because the OSP had actual knowledge that the lockers frequently contained infringing music files obtained from unauthorized sites. *Id.*

<sup>157</sup> Brief of Amicus Curiae Google Inc. in Support of Defendants, *MP3tunes*, 821 F. Supp. 2d 627 (No. 07 Civ. 9931 (WHP)(FM)) [hereinafter Brief of Google Inc.].

<sup>158</sup> In addition to YouTube, which it acquired in 2006, Google initiated Google Music in November 2011, an online music locker service that integrates Android Market, its online music store aimed to compete with iTunes. ANDROID MARKET, [https://market.android.com/music?feature=music\\_general](https://market.android.com/music?feature=music_general) (last visited Oct. 25, 2012); GOOGLE MUSIC, [https://music.google.com/music/listen#start\\_pl](https://music.google.com/music/listen#start_pl) (last visited Oct. 25, 2012); see also *Google Buys YouTube for \$1.65 Billion*, NBCNEWS.COM (Oct. 10, 2006 10:47:04 AM ET), [http://www.msnbc.msn.com/id/15196982/ns/business-us\\_business/t/google-buys-youtube-billion/](http://www.msnbc.msn.com/id/15196982/ns/business-us_business/t/google-buys-youtube-billion/) (detailing Google’s acquisition of YouTube); Glenn Peoples, *Google Music Launch Unveils a Solid Competitor to Apple, Amazon, Spotify*, BILLBOARD.BIZ (Nov. 16, 2011), <http://www.billboard.biz/bbbiz/industry/digital-and-mobile/google-music-launch-unveils-a-solid-competitor-1005538162.story> (predicting Google Music would rival existing services). That was followed by its March 2012 launch of online multimedia marketplace Google Play aimed at the smartphone and tablet markets. GOOGLE PLAY, <https://play.google.com/store> (last visited Oct. 25, 2012); see also Chenda Ngak, *Google Play Launches as Online Entertainment Hub*, CBS NEWS (Mar. 6, 2012, 5:41 PM), [http://www.cbsnews.com/8301-501465\\_162-57391853-501465/google-play-launches-as-online-entertainment-hub](http://www.cbsnews.com/8301-501465_162-57391853-501465/google-play-launches-as-online-entertainment-hub) (describing the features of Google Play).

<sup>159</sup> Brief of Google Inc., *supra* note 157, at 3 n.4.

<sup>160</sup> *Id.* at 4.

<sup>161</sup> *Id.*

thousands of works, Congress's purpose would be defeated, and simple but vital everyday services such as email would be seriously inhibited.<sup>162</sup>

Google's central argument posited that the safe-harbor provisions, which apply to OSPs' "infringement of copyright," are "not by [their] terms limited to federal copyright law."<sup>163</sup> In other words, because the safe-harbor provisions are not limited expressly to federal law, they encompass the entire realm of copyright, including common law, the Copyright Act, and the DMCA. The *MP3tunes* court's reasoning was harmonious with that plain language approach to statutory interpretation. Google was essentially saying that if the safe harbors in § 512 apply solely to material protected under the Copyright Act, Congress would have used language referencing that Act. For example, §§ 512(a), (b), and (c) state OSPs that meet certain conditions "shall not be liable . . . for *infringement of copyright*."<sup>164</sup> Yet there are no qualifying statutory references to the Act that follow.<sup>165</sup> Therefore, a plain language reading *could* be that the safe harbors cover all copyright, federal, and common law.

The greatest obstacle to Google's argument was § 301(c) of the Copyright Act. However, Google argued that the two sections can be readily reconciled and operate in harmony.<sup>166</sup> Google pointed out that the "rights and remedies" available under state law are not annulled by the operation of § 512's safe harbors.<sup>167</sup> All the safe-harbor provisions influence are those who may be a defendant and what remedies are appropriate for each defendant.<sup>168</sup> The plaintiffs remain free to pursue their rights and remedies against infringers as before and are only limited by the protections the safe harbors afford to innocent service providers.<sup>169</sup> As an alternative argument, Google posited that that the DMCA's safe harbors would abrogate § 301(c) if a court determined the two could not coexist due to § 512 being enacted after § 301.<sup>170</sup>

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<sup>162</sup> *Id.*

<sup>163</sup> *Id.* at 2 (discussing 17 U.S.C. § 512(c) (2006)).

<sup>164</sup> 17 U.S.C. § 512(c) (emphasis added).

<sup>165</sup> *See id.*

<sup>166</sup> *See* Brief of Google Inc., *supra* note 157, at 8.

<sup>167</sup> *Id.*

<sup>168</sup> *Id.*

<sup>169</sup> *Id.*

<sup>170</sup> *Id.*

Google's voice will undoubtedly continue to be heard in high-profile copyright infringement trials. Google is a powerful ally for OSPs with lesser resources, but the record industry remains a formidable opponent. The coming months and years will show whether the landmark *MP3tunes* holding will become accepted law. The next section discusses why *MP3tunes* should become accepted law, but for reasons different from those implored by Google or concluded by the U.S. District Court for the Southern District of New York.

### III

#### IMPRESSIONS AND IMPLICATIONS OF *MP3TUNES*

The Southern District of New York is the only court, as of the time of this Comment, to hold that pre-1972 recordings are subject to DMCA protections. The implications are immense if the court's position becomes widely accepted. Considering that New York, alongside California, has long been a central hub for copyright litigation, not only will this case provide powerfully persuasive precedent for other similar cases in New York; it will likely influence other jurisdictions tackling similar questions. If DMCA safe-harbor protections can be applied to common-law copyright claims of indirect infringement of pre-1972 recordings by OSPs, a valuable weapon in record companies' legal arsenal is removed. As discussed above, the common law of copyright carries a low burden of proof for an accuser. While defenses exist, such as fair use, they are not nearly as expansive or as likely to succeed for OSPs as the defense offered by DMCA safe harbors. The terms of the safe harbors are laid out such that defendants can easily understand compliance, which is unlike the ever-fluctuating common law doctrine. Hence, the *MP3tunes* holding has substantial implications. While hopefully it will be consolidated by the legislature, there is good reason to suspect the holding will be overturned.

##### *A. Viability of the Court's Reasoning and Policy Concerns*

There are significant flaws in the *MP3tunes* court's plain language interpretation used to reach its conclusion. True, the phrase "infringement of copyright" as expressed in § 512(c) is not qualified by reference to any section of the Copyright Act.<sup>171</sup> Nor is the phrase

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<sup>171</sup> 17 U.S.C. § 512(c) (2006).

defined in § 101.<sup>172</sup> However, § 501 of the Copyright Act is titled “Infringement of Copyright,” which creates a strong presumption that Congress intended § 501 alone to define infringement of copyright for the entire Act.<sup>173</sup> The section states that an infringer of copyright is “[a]nyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 or of the author as provided in section 106A(a), or who imports copies or phonorecords into the United States in violation of section 602.”<sup>174</sup> Thus, it is reasonable to say that the phrase “infringement of copyright,” as used throughout the Copyright Act, applies *only* to §§ 106 through 122, 106A(a), and 602. No statutory language in § 512 indicates that federal provisions—such as safe harbors—are applicable to issues governed by common law copyright.

On the other hand, the most persuasive aspect of the *MP3tunes* opinion is that safe harbors can apply to pre-1972 recordings *only if* they do not annul or limit the application of common law and state statutes to pre-1972 recordings per § 301(c) of the Copyright Act. This interpretation can be reconciled with the language of § 301(c). The court sees no reason why theories cannot be concurrently drawn from federal and state law, provided state law trumps federal with respect to “rights and remedies.”<sup>175</sup> The court could have adopted Google’s position and clarified that with regard to pre-1972 recordings, the common law will govern *rights and remedies* while § 512 will provide *defenses* compatible with a possible plain language reading.

The problem is that both the court and Google gloss over the statement in § 301(c) that “no sound recording fixed before February 15, 1972, shall be subject to copyright under this title before, on, or after February 15, 2067.”<sup>176</sup> If being subject to copyright means being subject to rights and remedies available under the federal Copyright Act, then the common law is impermissibly preempted according to

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<sup>172</sup> See *id.* § 101.

<sup>173</sup> See *id.* § 501.

<sup>174</sup> *Id.* § 501(a). While § 106A(a) deals with the rights of visual artists (authors of paintings, drawing, prints, sculptures, and photographs), § 602 is about importation of phonorecords (material objects in which sounds are fixed, i.e., CDs). *Id.* §§ 106A(a), 602.

<sup>175</sup> *Id.* § 301(c); *Capitol Records, Inc. v. MP3tunes, LLC (MP3tunes)*, 821 F. Supp. 2d 627, 641 (S.D.N.Y. 2011) (“Read in context, section 301(c) is an anti-preemption provision ensuring that the grant of federal copyright protection did not interfere with common law or state rights established prior to 1972.”).

<sup>176</sup> *Id.*

the terms of § 301(c). The court and Google interpreted the Act more liberally, but the statute on its face is unambiguous: if the Act does not reference specific sections, being subject to the Act means being subject to the *entire* Act. Under that reading, OSPs' use of pre-1972 recordings cannot have safe harbor protections; the perceived loophole does not exist.

Interestingly omitted from the *MP3tunes* court's and Google's analyses is that one provision in § 512 does tie the Copyright Act and state and common law together. Seventeen U.S.C. § 512(l) states that an OSP's failure to qualify for safe harbors "shall not bear adversely upon the consideration of a defense by the service provider that the service provider's conduct is not infringing *under this title or any other defense*."<sup>177</sup> Thus, if a defendant may call on defenses from the common law once excluded from safe harbors, conversely, should the defendant be able to call on safe harbors when common law defenses have failed? The answer is probably no, considering the court's penchant for plain language interpretation, but the argument is a plausible one. The court was likely satisfied with the seemingly straightforward reasoning it asserted to support its holding and thus did not address this argument which was not asserted.

While plain language meaning is the primary tool for statutory interpretation, a court would be remiss not to also look at legislative history.<sup>178</sup> The DMCA's legislative history actually does provide support for the proposition that pre-1972 recordings should be subject to the Copyright Act. Moreover, the Act's history strengthens the assertion that § 512's safe-harbor provisions encompass both common law and federal law. Senator Orrin Hatch reported that:

Section 512 is not intended to imply that a service provider is or is not liable as an infringer either for conduct that qualifies for a limitation of liability or for conduct that fails to so qualify. Rather, the limitations of liability apply if the provider is found to be liable under *existing principles of law*.<sup>179</sup>

Existing principles of law at the time Senator Hatch spoke were the pre-DMCA Copyright Act, state copyright statutes, and common law.

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<sup>177</sup> *Id.* § 512(l) (emphasis added).

<sup>178</sup> See *Exxon Mobil Corp. v. Allapattah Servs., Inc.*, 545 U.S. 546, 568 (2005) ("[T]he authoritative statement is the statutory text, not the legislative history or any other extrinsic material. Extrinsic materials have a role in statutory interpretation only to the extent they shed a reliable light on the enacting Legislature's understanding of otherwise ambiguous terms.").

<sup>179</sup> S. REP. NO. 105-190, at 19 (1998) (emphasis added).



Hence, one could reasonably postulate that Congress intended § 512 and the safe harbors therein to apply to federal and state copyright laws. Use of legislative history could have galvanized the *MP3tunes* court's position, but instead it stubbornly relied on a questionable plain language interpretation.

There is plenty to like in the *MP3tunes* court's holding as sound policy, but its misguided focus on statutory interpretation is open to attack. Seventeen U.S.C. § 301(c) is explicit that the Copyright Act does not preempt the common law with regard to pre-1972 recordings. The court was perhaps a little quick to navigate around that provision. By circumventing § 301(c), the court opens itself to accusations of judicial activism. The DMCA went a long way in addressing the expansion of online technology, but its sweep was probably not broad enough to thoroughly align the Copyright Act with the demands of an Internet world. To try and overturn *MP3tunes*, record companies will have a strong separation-of-powers argument. They can assert that the court acted contrary to the express intent of Congress, and the power to make statutory amendments is strictly reserved to the legislative branch.<sup>180</sup>

The *MP3tunes* court arguably reached a good, forward-thinking conclusion, but the reasoning it applied may not stand up to further judicial scrutiny. Congressional action is required to consolidate pre-1972 recordings' place in the Copyright Act, and the following sections proffer arguments why that should happen and reasons to believe it will.

#### *B. The U.S. Copyright Office Discusses Incorporation of Pre-1972 Recordings*

The likelihood of legislative reform was strengthened when the United States Copyright Office (USCO) recently concluded that pre-1972 recordings should be within the purview of the Copyright Act. The report, mandated by Congress's Omnibus Appropriations Act of 2009, "recommends federal copyright protection should apply to sound recordings fixed before February 15, 1972."<sup>181</sup> The USCO notes that the reason for excluding pre-1972 recording was never

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<sup>180</sup> See generally *Marbury v. Madison*, 5 U.S. (1 Cranch) 137 (1803).

<sup>181</sup> U.S. COPYRIGHT OFFICE, FEDERAL COPYRIGHT PROTECTION FOR PRE-1972 SOUND RECORDINGS: A REPORT OF THE REGISTER OF COPYRIGHTS, at ix (2011), available at <http://www.copyright.gov/docs/sound/pre-72-report.pdf>.

actually made clear.<sup>182</sup> The USCO report questions the viability of a system whereby a musical *composition*, subject to the Copyright Act, enters the public domain seventy-five years after publication, but under § 301(c), a *recording* of the same work remains out of the public domain until 2067.<sup>183</sup> Addressing the objections of record companies, the USCO proposes that if Congress federalizes pre-1972 recordings, then the copyright in those recordings should vest in whoever owned the copyright under state law immediately before federalization.<sup>184</sup>

Policy justifications found by the USCO include improving “the certainty and consistency of copyright law” and encouraging “preservation and access activities.”<sup>185</sup> In terms of preservation and access, the USCO acknowledges that digitalization is the inevitable modern means to preserve sound recordings. It recognizes owners’ concerns about infringement, particularly due to private collectors’ copying and transferring of their work.<sup>186</sup> However, the USCO reasons that provisions in the Copyright Act reflect the public interest in libraries and certain archives having the ability to “preserve cultural and historical works for posterity.”<sup>187</sup> The public has a strong interest in access to rare and old recordings, which may have never been widely available or only available in an obsolete format. One of the USCO’s major concerns is that while libraries are making preservation efforts, the access to recordings over the Internet cannot become widespread because libraries fear they may be subject to the laws of any of the fifty states.<sup>188</sup> In sum, findings of uncertainty and inconsistency in state copyright laws concerning preservation and

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<sup>182</sup> *Id.* at viii.

<sup>183</sup> *See id.* at 5–6. A musical “composition” is the chord progression, melodies, and structure embodying the piece that is copyrighted as soon as fixed in a tangible medium; that usually means being written down as sheet music. The USCO provides the example of a musical composition both written and recorded in 1922. *Id.* Under the current rules, the composition falls within the usual purview of the Copyright Act, giving it seventy-five years of protection before it would have entered the public domain in 1997. *Id.* Conversely, the sound recording of the piece made in 1922 would, under § 301(c), remain out of the public domain and protected under state copyright laws until 2067. *Id.*

<sup>184</sup> *Id.* at ix.

<sup>185</sup> *Id.*

<sup>186</sup> *See id.* at 59.

<sup>187</sup> *Id.* at 65. The USCO specifically cites § 108 of the Copyright Act, which allows for preservation of unpublished works and damaged or deteriorating ones, concluding that the section should be updated to better reflect the needs of digital preservation. *Id.* at 65–66; *see* 17 U.S.C. § 108 (2006).

<sup>188</sup> *See* U.S. COPYRIGHT OFFICE, *supra* note 181, at 79.

access are forwarded as the USCO's public-interest justification for federalizing the rights associated with pre-1972 recordings.

The USCO report discusses § 512 safe harbors and it includes a portion casting doubt on the *MP3tunes* court's reasoning. The USCO finds no reason for pre-1972 recordings to be outside of safe harbor protections, although it acknowledges that some courts' interpretation of § 512 may have been unfavorable to copyright holders.<sup>189</sup> It also notes that, at the time the DMCA was enacted, Congress may not have envisaged the extent to which user-uploaded content would saturate the Internet, the resulting abundant infringement, and extreme amount of takedown notices issued.<sup>190</sup> The report suggests: "Congress might want to take another look at section 512 to determine whether it requires updating or other refinements to reflect current conditions."<sup>191</sup> Regarding *MP3tunes*, the USCO finds the court's reasoning "highly questionable," particularly its conclusion that Congress intended § 512(c) to regulate pre-1972 recordings.<sup>192</sup> That conclusion, it reasoned, broke a fundamental rule of statutory interpretation that "one section of a statute cannot be interpreted in a manner that implicitly repeals another section."<sup>193</sup> Offering a small olive branch, the USCO did agree with the *MP3tunes* court that "section 301(c) does not prohibit all subsequent regulation of pre-1972 recordings."<sup>194</sup> After all, the USCO and the *MP3tunes* court are pulling for the same result: federalization of pre-1972 recordings.

### C. Argument for Legislative Action

The exclusion of pre-1972 recordings from rights, remedies, and defenses under the Copyright Act is outdated. The Act should be amended accordingly to include them and unify federal copyright law concerning sound recordings. The effect and growth of the Internet cannot be reversed. More and more copyrighted music, film, and other multimedia will continue to be added into the flow of information. The Internet will continue to expand exponentially. The governance of copyrights through one system of law will clarify

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<sup>189</sup> See *id.* at 130.

<sup>190</sup> *Id.*

<sup>191</sup> *Id.*

<sup>192</sup> *Id.* at 130–32.

<sup>193</sup> *Id.* at 132.

<sup>194</sup> *Id.* at 131 (quoting *Capitol Records, Inc. v. MP3tunes, LLC (MP3tunes)*, 821 F. Supp. 2d 627, 629 (S.D.N.Y. 2011)).

rights to parties on both sides of disputes, and to courts presiding over disputes. Congress showed wise foresight in its implementation of DMCA safe-harbor protections, but that was fourteen years ago. Congress should revisit and revise the Copyright Act once again and at a minimum bring pre-1972 recordings in line with other sound recordings. That will help to continue the Act's evolution alongside developing technology. Modern copyright law governs not only a national, but a global enterprise and it is appropriate to federalize remaining loose ends, namely, pre-1972 recordings.

In this age of electronic information exchange, the interests of both the legal community and copyright owners can only be effectively served by a cohesive system of federal copyright law. The *MP3tunes* decision may have stretched reasonable interpretation of the Copyright Act and has its detractors in the USCO, but the collective goal aligns. There is no predicting whether the *MP3tunes* holding will survive due to questionable reasoning, so the best ultimate outcome would be congressional amendment of the Copyright Act in accordance with the findings of the USCO. However, the lobbying power of the record industry is strong, and it is unrealistic to expect it to simply concede on the issue of pre-1972 recordings.

Congress has constitutional justification to act under the Copyright and Patent Clause.<sup>195</sup> While the record industry would surely challenge such action, the United States Supreme Court consistently defers to the legislature when Congress's enumerated patent and copyright powers are implicated.<sup>196</sup> Moreover, § 301(c) of the Copyright Act, providing that federal law is preempted by the common law, is from a bygone era that did not contemplate the Internet's cultural domination, and does not effectively serve the needs of an Internet-oriented society that maintains functionality through interstate commerce. The section also disregards important policy concerns. The USCO's public policy justifications of preservation and access are legitimate. Libraries should be encouraged to archive rare recordings and make them available without fear of unpredictable repercussions. Regulation is still required to preserve owners' rights, but access to cultural and

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<sup>195</sup> See U.S. CONST. art. I, § 8, cl. 8.

<sup>196</sup> See, e.g., *Golan v. Holder*, 132 S. Ct. 873, 878, 887 (2012) (refusing to second-guess Congress's authority to make political decisions under the Copyright and Patent Clause); *Eldred v. Ashcroft*, 537 U.S. 186, 208 (2003) (holding that provided an enactment is rational, the Court may not second-guess congressional measures concerning copyright protection "however debatable or arguably unwise they may be").

historical artifacts is a valuable public interest. However, this all leads back to the argument for one uniform system of federal law overseeing copyright, particularly in the context of the Internet.

Admittedly, record companies have legitimate concerns about the difficulty in policing copied material on the Internet, but cases such as *MP3tunes* have shown that DMCA safe harbors do not provide an impenetrable shield for OSPs. Even if *MP3tunes*'s position does not hold, the use of pre-1972 recordings as a justification for suing will inevitably end. Congress, having tasked the USCO with investigating this issue, will likely amend the Copyright Act in accord with the Office's findings. Meanwhile, OSPs might become more zealous in their compliance with safe-harbor requirements. Record companies need to get to the negotiating table with OSPs to create solid structures for royalty payments satisfactory to both sides. That should have been done at a much earlier stage. However, it is still not too late to embrace the Internet and stay out of the courtroom. Perhaps the best result for everyone concerned would be contractual solutions to create a satisfactory payment system and create a more harmonious relationship between record companies and OSPs.

There have already been radical ideas for music distribution stemming from artists themselves. In an ideal world, any agreements reached would also be satisfactory to artists. However, evidence suggests that certain artists believe free music can help rather than hinder their ultimate profitability. Prince, for example, gave away an album free with a British newspaper.<sup>197</sup> His reasoning was that he would accumulate fans' goodwill and earn much higher percentage royalties from touring and merchandise.<sup>198</sup> Radiohead, with a similar rationale, devised a model whereby fans named their price for downloading its album.<sup>199</sup> Those examples suggest there could be ways to embrace digitalization of music and bargain-hungry consumers, while still earning a substantial profit. With a degree of cooperation and licensing between OSPs and record companies, instant and free Internet access to music is arguably a highly effective, big-picture marketing tool. Conversely, negative consequences could

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<sup>197</sup> See Jumana Farouky, *Why Prince's Free CD Ploy Worked*, TIME (July 18, 2007), <http://www.time.com/time/arts/article/0,8599,1644427,00.html>.

<sup>198</sup> See *id.*

<sup>199</sup> See Andre Paine & Jonathan Cohen, *Radiohead Lets Fans Name Price For New Album*, BILLBOARD.BIZ (Oct. 1, 2007), [http://www.billboard.biz/bbbiz/content\\_display/industry/news/e3idfeca89126ab60e01b7b942b521eca05](http://www.billboard.biz/bbbiz/content_display/industry/news/e3idfeca89126ab60e01b7b942b521eca05).

arise if free music became the norm. Bands frequently experience volatile relationships. Once a group splits, touring is no longer a possibility, and the members' livelihoods depend on exploiting their back catalog. Ultimately, if the entertainment industry devotes more energy to exploiting new technologies than to litigation, everyone will benefit in the future.

#### CONCLUSION

Exclusion of pre-1972 recordings from safe-harbor coverage is counterintuitive and creates confusion as to which law should be applied. The only way to eliminate the pervasive uncertainty surrounding the Internet is to bring all copyright law surrounding sound recordings under the federal Copyright Act. Congress will face intense lobbying from concerned copyright holders in the music industry, but the Internet is an instrument of interstate commerce. As such, the copying, using, and transferring of *any* digitalized music recording should be governed uniformly by the federal act, and not the laws of fifty separate states. The DMCA began to address the issues associated with the Internet, and safe harbors are a fair means of protection. But technology has probably never progressed at such a rapid rate at any point in history nor outgrown a law so quickly. Therefore, the Copyright Act must develop alongside technology to maintain clarity.

No matter what the solution ends up being, three things remain certain. First, those with programming skills and entrepreneurial spirit will continue seeking ways to sidestep copyright law and they will continue prioritizing potentially substantial short-term rewards over fear of legal consequences. Second, record companies will remain litigious, strive to maximize returns, and fight wholesale change. Third, consumers will keep loving free music.