

TR AMERICAN INN OF COURT- MAY 23, 2023 PROGRAM

NEGOTIATING A RECORD CONTRACT:

PROGRAM DESCRIPTION:

The evening will include Song Jeopardy, what needs to be in a recording contract from the artist and record company perspective, copyright issues, the impact of technology on recording contracts, and lawsuits over song plagiarism (with audio examples).

CLE: Two Professional Skills Credits

VERONICA EBHUOMA, Esq., Co-Chair  
THOMAS O'ROURKE, Esq.  
RUSSELL G. TISMAN, Esq.  
Hon. GARY CARLTON, Co-Chair

GUEST SPEAKERS

B WALLACE COLLINS, Esq.

PUPILAGE GROUP MEMBERS-  
ST. JOHN'S SCHOOL OF LAW:  
JACK D. PROCHNER

**WALLACE E. J. COLLINS III, ESQ.**

**WALLACE E.J. COLLINS III, Esq.** is an entertainment attorney who has handled both transactional and litigation matters for over 30 years. His extensive transactional work focuses primarily on negotiating music, film, television and internet business deals. Wallace handles many digital media matters including copyright and licensing issues related to new "apps", streaming and digital clearance matters. His litigation matters have encompassed representation of both plaintiffs and defendants in copyright and trademark infringement cases as well as general entertainment contract disputes. Wallace has also done extensive work on copyright terminations and reversions.

Wallace has authored numerous articles for legal and trade publications and is a regular contributor to *Billboard*, *Entertainment Law and Finance* and *The New York Law Journal*. He is a frequent speaker on panels, at lectures and at seminars throughout the country and internationally on current entertainment business issues as they relate the new technology and the internet.

Wallace has appeared on many national television and radio broadcasts. He was a teenage recording artist for Epic Records before attending Fordham Law School.

Wallace Collins, Esq.

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## **VERONICA EBHUOMA, ESQ.**

Veronica Ebhuoma is a Senior Associate with Milberg Coleman Bryson Phillips Grossman, PLLC in Garden City, New York. Veronica's current area of practice is Mass Torts litigation regarding defective medical devices.

Prior to joining Milberg, Veronica was an Associate with the Law Offices of Vernita Charles, in Brooklyn, New York for many years. Veronica practiced in the areas of Foreclosure Defense, Family/Matrimonial law, Probate/Estate Administration, and Landlord/Tenant law.

Veronica also has extensive government experience. She served as Associate Counsel to the New York State Assembly Codes Committee for several years. In this capacity, Veronica had the privilege of not only reviewing and drafting legislation, but also seeing many pieces of legislation that she helped to draft become law in New York State. The Assembly Codes Committee reviews all proposed legislation regarding the Penal law, CPLR, and other areas of law that would impose or change any fines, terms of imprisonment, forfeiture of rights, other types of penal sanctions, and the procedures related thereto.

Veronica has also served as a Community Liaison for New York State Assemblyman Edward P. Ra and former New York State Assemblyman Thomas Alfano. Assemblyman Edward P. Ra represents the 19th Assembly District which currently includes the areas of Carle Place, East Meadow, Floral Park, Franklin Square, Garden City, Garden City South, Mineola, New Hyde Park, Stewart Manor, West Hempstead, Westbury, East Williston and Williston Park. As Community Liaison, Veronica played an integral role in the management of constituent affairs.

Veronica graduated Magna Cum Laude from the State University of New York at Albany and earned a J.D. from Boston University School of Law. Veronica currently serves as a Board Member of the Theodore Roosevelt American Inn of Court and is a member the New York State Bar Association.

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Thomas A. O'Rourke is a founding partner of the firm Bodner & O'Rourke. Mr. O'Rourke's practice involves all areas of patent, trademark and copyright law. For over thirty years he has been registered to practice before the United States Patent & Trademark Office. Mr. O'Rourke has counseled clients regarding the procurement and enforcement of patents, trademarks, copyrights and trade secrets in a variety of technologies including mechanical, and computer technology. In addition, his practice involves domestic and international technology transfer, acquisition and licensing. He is a member of the bar of the States of New York and California. He has also been admitted to numerous Federal District Courts and Courts of Appeal across the country including, the Court of Appeals for the Federal Circuit.

Mr. O'Rourke has been a member of the Board of Directors of the New York Intellectual Property Law Association. Mr. O'Rourke is Co-Chairman of the Suffolk County Bar Association's Committee on Intellectual Property Law and has been a member of the Advisory Board of the Licensing Journal. He has lectured on Intellectual Property Law at numerous Continuing Legal Education programs, including programs presented by the American Bar Association, the Connecticut Intellectual Property Law Association and the Suffolk County Bar Association. He was also the Editor of the New York Intellectual Property Law Association Bulletin and the author of numerous articles on patents, trademarks and copyrights for the New York Intellectual Property Law

Association. Mr. O'Rourke has also authored monthly articles on intellectual property law licensing, which have appeared in the Licensing Journal. Mr. O'Rourke has also been named as a Super Lawyer.

Mr. O'Rourke has a B.S. degree in Chemistry from Fordham University and obtained his J.D. degree from St. John's University School of Law, where he was a member of the Law Review.



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**Russell G. Tisman, Esq.**

Russell G. Tisman specializes in complex corporate, commercial, defense, employment, labor, personal injury, and Surrogate's Court litigation. He has tried cases and argued appeals in federal and state courts and administrative agencies throughout the United States, and in arbitration and other alternate dispute resolution fora. Mr. Tisman also actively counsels management and human resource professionals on employment and labor matters. He represents public companies, privately held businesses, insurers, financial institutions, and individuals in all types of business-related disputes, in addition to representing individuals, insurance carriers, and businesses in personal injury litigation.

Mr. Tisman commenced practice in 1977 with a multinational, Wall Street law firm. From 1980 to 1987, he was Senior Litigation Counsel of ITT Corporation, a Fortune 20 company, where he was responsible for employment litigation system-wide and commercial, antitrust, and product liability defense litigation. In 1985, ITT awarded him an outstanding professional achievement award. Mr. Tisman was a founding member and head of the litigation and employment and labor practices of Groman, Ross & Tisman, P.C., which joined the Firm in 2006.

As an in-house attorney with ITT, Mr. Tisman learned that effective teaming with outside counsel insured that litigation was handled with the company's business objectives and relationships in mind. He continues to use those lessons teaming with corporate clients, and their in-house legal staffs, to achieve positive litigation results consistent with business considerations and objectives

He has published articles in various journals including the *Journal of the American Corporate Counsel Association*, and the *National Law Journal*, the *Suffolk Lawyer*, and treatise sections on litigation and employment topics, including chapter updates for BNA's Employment Discrimination Law treatise. He has lectured extensively on employment and litigation law and alternative dispute resolution before both local and national audiences.

Mr. Tisman actively serves as an arbitrator and mediator in commercial and employment disputes. He has been a court-appointed arbitrator and an arbitrator for the American Arbitration Association and NAM. Mr. Tisman has been recognized for his volunteer

efforts on behalf of Live On New York, formerly the New York Organ Donor Network. He serves of the Board of Harboring Hearts, and is a former benefit chair, a charity devoted to providing support services to heart and liver transplant patients and their families. He also is a member of the Board of the Theodore Roosevelt American Inn of Court.

He has been AV-Rated by Martindale Hubbell for more than 35 years. Mr. Tisman was honored by the Nassau County Bar Association for distinguished career, professional achievement, expertise, and leadership in the field of Labor and Employment. He repeatedly has been selected to the *New York Metro Super Lawyers* (Business Litigation), and has been selected by *Long Island Business News* as one of Long Island's leading employment and labor lawyers in its "*Who's Who in Law*" edition, and as a Legal Eagle by *Long Island Pulse Magazine*, among other honors.

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# GARY CARLTON

## PROFESSIONAL EXPERIENCE:

**DISTRICT COURT, NASSAU COUNTY –April 1, 2019 - Present**  
**Judge- Presently assigned to Civil 1 & L&T 2**

**GOLDBERG & CARLTON, PLLC. - 1984 – April 2019**

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Areas of specialization:

Representation of plaintiffs and defendants, as individuals, municipalities, corporations and insurance carriers in general negligence litigation, medical, dental, legal, and other professional errors and omissions cases; products liability, construction, auto, civil rights, insurance law and appeals.

**TORT COUNSEL FOR THE VILLAGE OF VALLEY STREAM - 2010-2019**

## COMMUNITY INVOLVEMENT:

**Civil Rights Litigation-**

Pro Bono Counsel - 2013

**North Woodmere Civic Association**

Former Co-President- Pro Bono Counsel

**North Woodmere Park Foundation**

Founding Member, Former Director of Volunteers, Pro Bono Counsel

**Central Synagogue/Beth Emeth**

Former Vice President, Trustee-Leadership Council, Pro Bono Counsel 1995 - 2018

**OWWR- SUNY OLD WESTBURY - Community Volunteer- 2011-2022**

Nassau County Bar- CLE Lecture- 2/5 Bridge the Gap

**THEODORE ROOSEVELT AMERICAN INN OF COURT-**

Officers & Directors- Co-Programming Chair- 22-23

## EDUCATION:

**Lawrence High School, Lawrence, NY – Diploma- 1972**

**The George Washington University, Washington, D.C. - B.A., (Phi Beta Kappa), 1976**

**Union University-Albany Law School, Albany, NY - J.D., 1979**

**Admitted to Practice in New York- 1980**

West's Annotated California Codes

Labor Code (Refs & Annos)

Division 3. Employment Relations (Refs & Annos)

Chapter 2. Employer and Employee

Article 3. Obligations of Employee (Refs & Annos)

West's Ann.Cal.Labor Code § 2855

§ 2855. Enforcement of contract to render personal service; time limit

Effective: January 1, 2007

Currentness

(a) Except as otherwise provided in subdivision (b), a contract to render personal service, other than a contract of apprenticeship as provided in Chapter 4 (commencing with [Section 3070](#)), may not be enforced against the employee beyond seven years from the commencement of service under it. Any contract, otherwise valid, to perform or render service of a special, unique, unusual, extraordinary, or intellectual character, which gives it peculiar value and the loss of which cannot be reasonably or adequately compensated in damages in an action at law, may nevertheless be enforced against the person contracting to render the service, for a term not to exceed seven years from the commencement of service under it. If the employee voluntarily continues to serve under it beyond that time, the contract may be referred to as affording a presumptive measure of the compensation.

(b) Notwithstanding subdivision (a):

(1) Any employee who is a party to a contract to render personal service in the production of phonorecords in which sounds are first fixed, as defined in [Section 101 of Title 17 of the United States Code](#), may not invoke the provisions of subdivision (a) without first giving written notice to the employer in accordance with [Section 1020 of the Code of Civil Procedure](#), specifying that the employee from and after a future date certain specified in the notice will no longer render service under the contract by reason of subdivision (a).

(2) Any party to a contract described in paragraph (1) shall have the right to recover damages for a breach of the contract occurring during its term in an action commenced during or after its term, but within the applicable period prescribed by law.

(3) If a party to a contract described in paragraph (1) is, or could contractually be, required to render personal service in the production of a specified quantity of the phonorecords and fails to render all of the required service prior to the date specified in the notice provided in paragraph (1), the party damaged by the failure shall have the right to recover damages for each phonorecord as to which that party has failed to render service in an action that, notwithstanding paragraph (2), shall be commenced within 45 days after the date specified in the notice.

**Credits**

(Stats.1937, c. 90, p. 259, § 2855. Amended by Stats.1987, c. 591, § 1; Stats.2006, c. 538 (S.B.1852), § 487.)

Notes of Decisions (5)

West's Ann. Cal. Labor Code § 2855, CA LABOR § 2855

Current with Ch. 1 of 2023-24 1st Ex.Sess, and urgency legislation through Ch. 2 of 2023 Reg.Sess. Some statute sections may be more current, see credits for details.

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Document: ABKCO Music, Inc. v. Harrisons Music, Ltd., 508 F. Supp. 798

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Go to Page Page # All terms 102 Search Document ( 4 of 1,789 Results list )

## ABKCO Music, Inc. v. Harrisons Music, Ltd., 508 F. Supp. 798

### Copy Citation

United States District Court for the Southern District of New York

February 19, 1981

No. 71 Civ. 602

#### Reporter

508 F. Supp. 798 \* | 1981 U.S. Dist. LEXIS 11051 \*\*

ABKCO MUSIC, INC., Plaintiff, v. HARRISONGS MUSIC, LTD., Harrisons Music, Inc., **George Harrison**, Apple Records, Ltd., Apple Records, Inc., Broadcast Music, Inc., and Hansen Publications, Inc., Defendants, v. ABKCO INDUSTRIES, INC. and Allen Klein, Additional Parties with Respect to the Counter-Claims

### Core Terms

Tunes, song, royalties, music, earnings, mechanical, records, album, business manager, settlement, negotiating, calculated, percent

### Case Summary

#### Procedural Posture

Defendant moved to amend its pleadings to assert a breach of fiduciary duty in an action alleging copyright infringement.

#### Overview

The original plaintiff sued defendant for copyright infringement. The court found against defendant on the issue of liability. Before the court decided damages, the original plaintiff sold its rights in the litigation, including the damages, to the current plaintiff. The current plaintiff was defendant's former business manager. After the substitution, defendant moved to amend its pleadings to assert a breach of fiduciary duty by the current plaintiff. The court held that the current plaintiff was not entitled to profit from its purchase of the original plaintiff's rights because it breached its fiduciary duty towards defendant. The court found that the current plaintiff, before it was substituted, made an offer to the original plaintiff to purchase the claim, which resulted in the original plaintiff's rejection of defendant's settlement offer.

#### Outcome

The current plaintiff breached a fiduciary duty to defendant, and was not entitled to receive damages.

**Counsel:** J. P. Quinn, Cashman, Sherman & Flynn ..., New York City, for ABKCO Music, Inc. and ABKCO Industries, Inc. and Allen Klein; Gideon Cashman ..., James A. Janowitz •• Donald S. Zakarin •• New York City, of counsel.

Santora, Shenkman & Kushe ""- New York City, for all defendants except Hansen Publications, Inc.; Joseph J. Santora, New York City, of counsel.

Barovick, Konecky, Braun, Schwartz & Kay, New York City, for Hansen Publications, Inc.; Richard Z. Lehy ..., David S. Rosenthal, New York City, of counsel.

Clearv. Gottlieb, Steen & Hamilton•• New York City, for Apple Records Limited and Apple Records, Inc.; Albert S. Pergam, New York City, of counsel.

**Opinion by:** OWEN.

## Opinion

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[\*799) OPINION

In this action by Bright Tunes Music Corporation for infringement of its copyright in the 1963 hit song "He's So Fine", I earlier concluded that defendant **George Harrison** had subconsciously plagiarized "He's So Fine" in arriving at the melody of his hit song, "My Sweet Lord", in 1971. Bright Tunes Music Corp. v. Harrisongs Music, Ltd., 420 F. SUP.R- 177 (S.D.N.Y.1976). I thereafter scheduled hearings to determine the damages flowing from that infringement and the parties responsible therefor, and extensive discovery (\*\*2) commenced. Prior to the date for hearings, however, Bright Tunes sold, for \$ 587,000.00, its copyright in "He's So Fine" and its rights in this litigation to ABKCO Music, Inc., of which Allen B. Klein, the "ABK" of ABKCO, is the moving spirit, owner, and principal officer. This immediately caused strong reaction from the **Harrison** interests 1.±! because ABKCO had been the exclusive business manager for **George Harrison** and his musical interests from November, 1970 to March 13, 1973, 12.±! the period in which the claim of infringement was first asserted.

Upon ABKCO being substituted as plaintiff herein, the **Harrison** interests amended their pleadings to assert, in one form or another, a breach of fiduciary duty by ABKCO, which, according to **Harrison**, (. 31 disqualifies ABKCO from recovering in this action.

Testimony has now been taken on both the issue of damages and the question of ABKCO's disqualification. While I am of the view that ABKCO's conduct from 1975 to 1978 limits its recovery herein, see infra, it is nonetheless appropriate to determine first what the recovery would have been had ABKCO not become the plaintiff in the way it did, and to set forth the court's findings accordingly, albeit in somewhat summary fashion.

The earnings of the song "My Sweet Lord" have come from four principal [\*800) sources: mechanical royalties, U.±! performance royalties, 14.±! the sale of sheet music and folios, and the profits of Apple Records, Inc., the **Harrison**-owned manufacturer of the principal recordings of "My Sweet Lord".

[\*4] Mechanical royalties attributable solely to "My Sweet Lord" total \$ 260,103. Plaintiff contends that it is also entitled to some portion of the mechanical royalties **Harrison** received for the relatively unsuccessful songs on the same discs with "My Sweet Lord" which, it argues, would not have been earned but for the unusual popularity of "My Sweet Lord". In assessing plaintiff's argument, two things must be kept in mind. First, on the single record, the song "My Sweet Lord", a hit, was teamed with "Isn't It a Pity", a non-hit; on the twelve-inch album, "All Things Must Pass", "My sweet Lord" was one of twenty-two **Harrison** songs, only one other of which achieved even modest popularity. Second, exactly the same mechanical royalty is payable to **Harrison** for each of his songs on any given record, whether memorable or not. common sense dictates that a hit song contributes more to the sale of a record than does a less popular song. In such circumstance, mechanical royalties paid to a composer for a less-than-memorable song on the record are, in fact, earned by the memorable song which has caused the public to purchase the record. While not susceptible to quite the precision one might (. 51 prefer, a reasonable determination of the total earnings allocable to "My sweet Lord" can be made here and is an appropriate item of damage for the court to award. [S. t. Lottie JoRlin Thomas Trust v. Crown Publishers, Inc., 456 F. SUP.R- 531 (S.D.N.Y.1977). aff'd 592 F.2d 651 (2d Cir. 1978).

(.:)\$ I turn first to the earnings of the single. By a ratio of sixteen to one disc jockeys played "My Sweet Lord" more frequently than the song on the single's flip side, "Isn't It a Pity". With respect to the album All Things Must Pass, containing twenty-two songs, disc jockeys played "My Sweet Lord" seventy percent of the time that they aired any song from the album. I therefore find that, conservatively, seventy percent of the total mechanical royalties earned by the

single were attributable to "My Sweet Lord". G.± In addition, I find, [\*801] again calculating conservatively, that fifty percent of the mechanical royalties earned by the album "All Things Must Pass" are attributable to "My Sweet Lord".

J L The album entitled "The Best of **George Harrison**" is another matter. The trial record provides me with no guidance as to the relative popularity of a number of the album's songs. Since this album was issued several years after the initial release of "My Sweet Lord", has a number of different songs, and is entitled "The Best", I conclude that these are all songs with substantial popularity. With respect to "The Best of **George Harrison**", therefore, I find that plaintiff has failed to establish that "My Sweet Lord" earned more than its own mechanical royalties.

The foregoing findings yield the following calculation of gross earnings by "My Sweet Lord" from mechanical royalties: from the single, \$ 54,526.00; from the album "All Things Must Pass", \$ 588,188.00; from "The Best of **George Harrison**", \$ 6,887.00; for a total of \$ 646,601.00. 17.!

J.L. Performance royalties, which came solely from BMI figures, total \$ 359,794.00, and sheet music earnings total \$ 67,675.00.

Apple Records, Inc., the **Harrison-owned** manufacturer of his records, has a "spread" S.± on the manufacturing of records, which constitutes earnings to **Harrison**. Applying the ratios comparing the air play given "My Sweet Lord" to the air play of the various other **Harrison** songs, i. e., the ratios used above to calculate mechanical royalties, see supra, I find that Apple's earnings from the "spread" that are attributable to "My Sweet Lord" are: from the single, \$ 130,629.00; from "All Things Must Pass", \$ 925,731.00; and from "The Best of **George Harrison**", \$ 21,598.00; 19.! for a total of \$ 1,077,958.00.

The (\*\*9) total gross earnings of "My Sweet Lord" as calculated above are \$ 2,152,028.00. From this total the **Harrison** interests contend there must be deducted a number of expense items, which I now treat seriatim. The Euro-Atlantic management fee, legal and professional fees, certain salaries, certain telephone expenses, United States public relations and promotions, and certain income taxes, are all disallowed. Basically, **Harrison** has not proven, even with minimum specificity, that those expenses are attributable to "My Sweet Lord". A certain twenty percent ABKCO commission already paid to ABKCO and the three and one-quarter percent commission paid to the Harry Fox Agency, totalling \$ 18,712.00, are both allowed, thereby reducing the total earnings figure set forth above to \$ 2,133,316.00.

Next, I must determine the portion of the above income which should be attributed to factors, other than the plagiarized music, affecting public interest in the song "My Sweet Lord". 10.! Several matters must be considered. **Harrison**, an artist with an international "name," supplied his own text. How much of the income is attributable to the text, to the selling power of his name? Although this is, J "IDL not an area susceptible to precise measurement, I conclude that three-fourths of "My Sweet Lord's" success is due to plagiarized tune and one-fourth [\*802) to other factors, such as the words and the popularity and stature of **George Harrison** in this particular field of music. 11. A I weigh the music heavily in this case because the music had already demonstrated its outstanding "catchiness" in 1963 when it carried the rather unexceptional, romantic text of "He's So Fine" to first place on the Billboard charts in the United States for five weeks.

Given all the foregoing, I conclude that \$ 1,599,987.00 (41) of "My Sweet Lord's" earnings are reasonably attributable to the music of "He's So Fine".

Now, however, I must turn to the troublesome question of whether ABKCO may be awarded the amount calculated above or whether its conduct vis-a-vis **Harrison**, its former employer, regarding this very litigation in any manner limits or destroys its right of recovery.

As has been stated earlier, in the years 1971-73, Allen B. Klein, through ABKCO, the present plaintiff, was the overall business manager of **George Harrison** and his musical interests. ABKCO took care of all the financial matters, including negotiating contracts and keeping the financial books and records. For these services ABKCO was paid twenty percent of the gross income from the **Harrison** ventures. As **Harrison's** business manager, Klein obviously was aware of both the artistic and financial success of "My Sweet Lord". It was during ABKCO's tenure as business manager that this suit was commenced by Bright Tunes. It was ABKCO that obtained an opinion from musicologist Harold Barlow as to the suit's lack of merit. 12.! ABKCO thereafter engaged experienced counsel in New York City to defend; all of these actions were taken before ABKCO's [\*+2) own services were terminated by **Harrison** in March 1973. I do not find that any of the steps taken by ABKCO, while acting as **Harrison's** business manager; to defend this action were in any way inappropriate or other than in good faith.

More troublesome, however, is Klein's covert intrusion into the settlement negotiation picture in late 1975 and early 1976, immediately preceding the trial on the merits. At this crucial time **Harrison** made a settlement proposal which, at the time, Bright Tunes' lawyer regarded as "a good one." Unknown to **Harrison**, Klein, at that point still involved in bitter post-firing litigation with **Harrison**, made a substantially higher offer to purchase Bright Tunes' claim on behalf of

ABKCO, thereby causing Bright Tunes to conclude that the [\*\*13] level at which it had been negotiating with **Harrison** was far too low. [13].t.] Bright Tunes reached this conclusion, in part, on the not-unjustified assumption expressed by one of its principals, that Klein, known to Bright Tunes as **Harrison's** former business manager, "may be in a better position to judge whether the (Infringement litigation) will be successful than we are. [14].t.]

Thereafter, **Harrison's** (**\*\*14**) unwillingness to discuss a larger settlement and Klein's failure to better ABKCO's offer Bright Tunes viewed that offer merely as an "opener" necessarily forced the case to trial on the merits. **Harrison**, after the trial, made no further serious efforts to deal with Bright Tunes' higher demands and the claim was finally bought by ABKCO in 1978 for a sum more than double Klein's own first offer.

**[\*803]** I conclude that ABKCO's intrusion into and interference with **Harrison's** 1975 and January 1976 settlement efforts were to the probable detriment [15].t.] of its former client. This is particularly so since Klein's proposals were regarded by Bright Tunes as being highly credible, i. e., based on Klein's intimate knowledge gleaned from his former relationship to **Harrison**. This impropriety was further compounded by the fact that in December, 1975, in the course of his discussions and in an effort to support his proposal, Klein covertly furnished Bright Tunes with certain of **Harrison's** financial schedules which he had acquired while **Harrison's** business manager. ABKCO now seeks to avoid the impact of this conduct by arguing that Bright Tunes, in any event, would have been entitled to this [\*\*15] information in the course of discovery. At the time this information was furnished by Klein, however, Bright Tunes had not yet prevailed on the liability issue and was therefore not entitled to this information. Consequently, its submission by Klein to Bright Tunes at that time was impermissible. These actions, in my judgment, constituted a breach of ABKCO's duty to **Harrison** which is not to be rewarded by this court. See flyrne v. Barrett, 268 N.Y. 199, 197 N.E. 217 ( .and Association Plans, Inc. v. Coli:uhoun, 151 U.S. ARR. D.C. 298, 466 F.2d 469 (D.C. Cir.1972).

While one cannot be certain on this record that **Harrison** would have been able to settle the plagiarism action prior to trial "but for" J[\*\*16] ABKCO's conduct, and while the contemporaneous letters of Seymour Barash, the major stockholder of Bright Tunes, reveal an attitude toward the case which might, in the final analysis, have gotten in the way of a settlement, it is nonetheless clear that good faith negotiations were going on and that the pending offer by **Harrison** was regarded by the attorney for Bright Tunes as a reasonable one. It is also evident that ABKCO's higher offer to purchase the claim for its own account, supported as it was by ABKCO's intimate knowledge of **Harrison's** financial affairs and records of the earnings of Harrison and Apple Records, was viewed by Bright Tunes as an insider's disclosure of the value of the case. Klein's conduct, in any event, changed Bright Tunes' attitude toward the **Harrison** proposal. This intrusion irreparably destroyed the ability of **Harrison** to further negotiate a settlement in a range that Bright Tunes' lawyer had already determined to be "good."

I therefore conclude that ABKCO is not entitled to profit from its eventual purchase of all of Bright Tunes' rights in "He's So Fine" essentially Bright Tunes' only asset. In Re McCro1:v Stores Corp., 12 F. SuQR....f6,Z...1.22.JS.D.N.Y.193Sl.J[\*\*17]. On the other hand, I also conclude that ABKCO is not required to forfeit the cost of its acquisition. Had it been shown that Bright Tunes and **Harrison** were realistically close to a specific figure in their settlement negotiations, I could have utilized such a figure for the resolution of the issue here; absent such proof, I deem the figure at which ABKCO did purchase Bright Tunes' rights in "He's So Fine" to be the appropriate one. I therefore direct that plaintiff ABKCO is to hold the fruits of its acquisition of April 13, 1978 in trust for the **Harrison** interests to be transferred to **Harrison** or an appropriate designee upon the payment of \$ 587,000.00 [16].t.] together with interest from the date of acquisition for which amount plaintiff shall have judgment. Further relief by plaintiff against the **Harrison** interests is denied. The claims against Broadcast Music, Inc., and Hansen Publications, Inc. are d'smised. The counterclaims asserted against ABKCO Industries, Inc., and Allen Klein are dismissed. The foregoing constitutes the court's findings of fact and conclusions of law.

J L **[\*804]** Settle order and Judgment effectuating the foregoing.

#### Footnotes

11".i] The "**Harrison** interests" include Harrisongs Music Ltd., Harrisongs Music, Inc., **George Harrison**, Apple Records, Ltd., and Apple Records, Inc.

12-.o] ABKCO was discharged in March of 1973, triggering bitter litigation which was eventually settled for \$ 4.2 million.

### 13.TI

A mechanical royalty is an amount per record payable by a manufacturer of a recording to the music publisher who licenses the use of the song on the record. When a record is made with a second song on the reverse side (a "single"), a separate mechanical royalty is payable for that second song as well.

### 14.TI

Performance royalties are monies payable to the publisher and writer generated by the public performance of the composition and generally associated with radio broadcasts. In this case, Broadcast Music, Inc. (BMI), a performing rights society, was charged with the responsibility of collecting money from users of "My Sweet Lord" and paying said royalties.

### is.TI

This can be done on the basis of the BMI monitoring of air play by disc jockeys of each of the **Harrison** songs that were included on the album "All Things Must Pass". The results of this monitoring are entitled to substantial weight, for they are the basis on which BMI pays performing royalties on its catalogue.

That monitoring, over the five-year period from December, 1970 to December, 1975 for the twenty-two **Harrison** songs on the album "All Things Must Pass", shows the following relative percentages of air play:

COMPOSITION	PERCENTAGE
I'D HAVE YOU ANYTIME	
MY SWEET LORD	70%
WAH-WAH	1%
ISN'T IT A PITY	4%
WHAT IS LIFE	20%
IF <u>NOT FOR YOUR</u>	
BEHIND THAT LOCKED DOOR	
LET IT DOWN	
RUN OF THE MILL	
BEWARE OF DARKNESS	1%
APPLE SCRUFFS	1%
BALLAD <u>OD</u> sIR <u>FRANKIE</u>	
AWAITING ON YOU	1%
ALL THINGS MUST PASS	1%
I DIG LOVE	1%
ART OF DYING	
<u>HEAR ME LORD</u>	
OUT OF THE BLUE	
IT'S JOHNNY'S BIRTHDAY	
PLUG <u>MEIN</u>	
I REMEMBER JEEP	
THANKS FOR THE PEPPERONI	
	100%

### 6

While the BMI monitoring provides good evidence of the disc jockeys' collective opinion as to popularity, and this may well accurately mirror the public's opinion, other factors may conceivably have influenced sales. Such factors may include, for example, the display of a new **Harrison** release at the record store. These other possible factors cause me to regard the BMI figures as "some evidence" of popularity, but not absolutely binding upon me.

### 11

Canadian royalties are included. The lacquer masters, art work, packaging and licenses were all prepared in the United States. Sheldon v. Metro-Goldwyn Pictures Corp., 106 F.2d 45 (2d Cir. 1939), aff'd 309 U.S. 390, 50 S. Ct. 681, 84 L. Ed. 825 (1940); Famous Music Corp. v. Seeco Records, Inc., 201 F. Supp. 560 (S.D.N.Y. 1961).

### 18.e

A spread is the difference between the price Capitol Records Inc. charged Apple to press a record and the price at which Apple sold the finished record to Capitol Records Distributing Corp.

### 19.VI

I decline to award statutory "in lieu" damages as to "The Best of **George Harrison**."



110.

Had I earlier found that **Harrison** deliberately plagiarized the music, I would award the entire earnings of "My Sweet Lord." See, Shapiro, Bernstein & Co., Inc. v. Jercy, Vogel Music Co., Inc., 115 F. Supp. 754 (S.D.N.Y. 1953), rev'd on other grounds, 223 F.2d 252 (2d Cir. 1955).

111.

In this case I conclude that the much-touted "hook," an introductory musical motive used by **Harrison** was a minimal factor.

112.

Mr. Barlow later testified at the trial. Although the court found his testimony in this case unpersuasive, this in no way detracts from the appropriateness of ABKCO's utilizing his services, for Mr. Barlow is a highly knowledgeable musicologist.

113.

Harrison's offer was \$ 148,000 to settle only the question of damages arising from alleged copyright infringement in the United States. Klein's offer was \$ 100,000 for a call on 100% of the Bright Tunes' stock thus a world-wide settlement exercisable for an additional \$ 160,000, in the event of a finding in favor of Bright Tunes at the liability trial. I note that Klein, in fact, bought Bright Tunes' rights in "He's So Fine" in 1978, after the finding of infringement, for \$ 587,000. See, *infra*.

114.

Letter of Tenenbaum, Receiver of Bright Tunes, to Barash, a major stockholder of Bright Tunes, December 3, 1975.

115.

I do not believe that under the circumstances **Harrison** must show that a settlement was in hand, but merely, as has been proven, that good faith negotiations were in progress and that given the position of each of the parties, one would conclude that an eventual settlement was a reasonable possibility.

116.

ABKCO paid \$ 422,500.00 to Bright Tunes and an additional \$ 165,000.00 to the composer's heir; the latter sum was paid partly in cash and partly to purchase a nine-year \$ 15,000.00 annuity for heir's benefit.

Agreement made and entered into as of this \_\_\_\_ day of \_\_\_\_\_, 2022 by and between \_\_\_\_\_ ("**Company**") and \_\_\_\_\_ ("**you**").

1. **EXCLUSIVE SERVICES**

Company hereby engages your exclusive services for the making of Recordings and Records and you hereby accept such engagement and agree to exclusively render such services to Company in the Territory during the Initial Period of this agreement and all applicable extensions and renewals (the "**Term**"). (You are sometimes called "**Artist**" herein; all references in this agreement to "**you**," "**Artist**," "**you and Artist**," "**you or Artist**," and their possessive forms and the like shall be understood to refer to you alone.)

2. **TERM**

(a) The Term shall commence on the date hereof and shall continue for an initial period (the "**Initial Period**") ending on the last day of the twelfth complete month following the date of Delivery of the last Master constituting the Recording Commitment for such Initial Period. You hereby irrevocably grant to Company \_\_\_\_ (\_\_\_\_) consecutive separate options to extend the Term for further periods (the "**Option Periods**"), each upon the same terms and conditions applicable to the Initial Period, except as otherwise specifically set forth herein. Each Option Period for which Company has exercised its option shall commence upon the expiration of the immediately preceding Contract Period and shall continue until the last day of the twelfth complete month following the date of Delivery of the last Master constituting the Recording Commitment for that Option Period. Each option shall be exercised, if at all, by notice to you at any time prior to the date the Term would otherwise expire. As used herein, the term "**Contract Period**" shall mean the Initial Period or any Option Period of the Term, as such may be suspended or extended as provided herein.

(b) Notwithstanding anything to the contrary contained in paragraph 2(a), if, as of the date when the then-current Contract Period would otherwise have expired, Company has not exercised its option to extend the Term for a further Contract Period, then: (i) you shall immediately send a notice to Company specifically referencing this paragraph 2(b) and stating that Company's option has not yet been exercised (an "**Option Warning Notice**"); (ii) Company shall be entitled to exercise its option at any time before receiving the Option Warning Notice or within five (5) Business Days thereafter; and (iii) the current Contract Period shall be deemed to have continued until Company exercises its option or until the end of such five (5) Business Day period (whichever shall occur first).

3. **RECORDING COMMITMENT AND DELIVERY**

(a) During each Contract Period you shall Deliver a sufficient number of Masters to constitute the required number of Albums specified in the following schedule (the "**Recording Commitment**"):

CONTRACT PERIOD	RECORDING COMMITMENT
Initial Period	One (1) Album (the " <b>First Album</b> ")
First Option Period	One (1) Album (the " <b>Second Album</b> ")
Second Option Period	One (1) Album (the " <b>Third Album</b> ")
Third Option Period	One (1) Album (the " <b>Fourth Album</b> ")
Fourth Option Period	One (1) Album (the " <b>Fifth Album</b> ")
Fifth Option Period	One (1) Album (the " <b>Sixth Album</b> ")
Sixth Option Period	One (1) Album (the " <b>Seventh Album</b> ")

(b) You shall Deliver each Album constituting the Recording Commitment to Company within \_\_\_\_\_ ( ) months following commencement of the applicable Contract Period. Each such Album of your Recording Commitment is sometimes referred to herein as a "**Committed Album**". The applicable date that each Committed Album is required to be Delivered is sometimes referred to herein as the "**Delivery Date**". You shall not commence recording any Album earlier than \_\_\_\_\_ ( ) months following Delivery of the immediately preceding Committed Album. You shall not Deliver any Album earlier than \_\_\_\_\_ ( ) months following Delivery of the immediately preceding Committed Album.

**4. RECORDING PROCEDURE**

(a) Prior to the commencement of recording sessions in each instance, you and Company shall mutually agree on each of the following before you proceed further: (i) selection of producer and the financial terms of your agreement(s) with such producer(s); (ii) selection of material, including the number of Compositions to be recorded; and (iii) the dates and locations of recording and mixing and the studios where recording and mixing are to take place. In addition, you shall obtain prior to commencement of each applicable recording session and deliver to Company within forty-eight (48) hours following each such recording session, executed Certificates of Employment for all producers, mixers and remixer in Company's then-standard form, and all necessary W-4 and other withholding tax forms for all personnel rendering services in connection with the recording session concerned. In addition, at least fourteen (14) days prior to the proposed date of the first recording session for the applicable Masters, you shall submit to Company in writing a proposed recording budget setting forth, in itemized detail, all anticipated Recording Costs. Upon receipt of Company's written approval of such recording budget (the "**Authorized Budget**"), you shall commence such sessions. Company's payment of Recording Costs for any recording sessions prior to Company's approval of the applicable budget shall not constitute Company's waiver of its right to approve such budget. All Recording Costs in excess of any Authorized Budget shall be your sole responsibility and you hereby agree to forthwith pay and discharge all such excess costs. If Company agrees to pay any such excess costs on your behalf, you shall, upon demand, reimburse Company for such excess costs or, in lieu of requesting reimbursement, Company may deduct such excess costs from all monies payable under this agreement or any other agreement. Nothing in this agreement shall obligate Company to continue or permit the continuation of any recording sessions, even if previously approved hereunder, if Company reasonably anticipates that the Recording Costs for the applicable Masters shall exceed the Authorized Budget or that Masters constituting the applicable Committed Album shall not be technically and/or commercially satisfactory. It is of the essence of this agreement that you obtain prior to each applicable recording session and deliver to Company within forty-eight (48) hours following each such recording session, a duly completed and executed Form 1-9 (or such similar or other forms as may be prescribed by the United States Immigration and Naturalization Service or other government agency regarding citizenship, permanent residency or so-called "documented worker" status) in respect of each individual (including Artist) engaged in connection with

the applicable recording session. You shall obtain and promptly deliver to Company true and complete copies of all evidentiary documents relating to the contents or subject matter of such forms. If you fail to comply with any of the foregoing requirements, Company may deduct any resulting penalty payments from all monies payable under this agreement or any other agreement. As and when reasonably required by Company, you shall allow Company's representatives to attend any and all recording sessions hereunder at Company's expense. [Those expenses shall not be recoupable under this agreement unless such representative is a Staff Producer producing Recordings hereunder.]

(b) Unless an authorized signatory of Company consents otherwise in writing, which consent Company may withhold in its unrestricted discretion, each Master Delivered as part of the Recording Commitment: (i) shall only contain newly-recorded studio performances of previously-unrecorded Compositions made specifically for the applicable Album (e.g., with respect to each Committed Album after the First Album, the Masters embodied thereon shall be recorded in their entirety after the date on which you Deliver the immediately preceding Committed Album to Company); (ii) shall embody performances featuring only all members of Artist; (iii) shall have been recorded by Artist in its entirety during the Term in a first-class recording studio; (iv) shall have a playing time of not less than three (3) minutes; (v) shall not embody solely an instrumental performance unless Artist is solely an instrumentalist; (vi) shall embody solely Artist's featured performances of a single Composition which is not a medley; and (vii) shall not contain any Composition designed to appeal to a specialized or limited audience (e.g., gospel, opera, Christmas or children's music).

(c) During the Term, you shall not record and/or Deliver a Multiple Record Set without Company's prior written approval, which approval may be withheld by Company's in its sole discretion.

## 5. **GRANT OF RIGHTS**

(a) All Recordings embodying the performances of Artist recorded during the Term or submitted hereunder from the inception of the recording thereof, and all reproductions derived therefrom, together with the performances embodied thereon, shall be the property of Company in perpetuity for the Territory free from any claims whatsoever by you, Artist or any other Person. Company shall have the exclusive right throughout the Territory to copyright those Recordings in Company's name as the author and owner of them and to secure any and all renewals and extensions of copyright throughout the Territory. Each of those Recordings shall be considered a "work made for hire" for Company; if for any reason any one (1) or more of those Recordings is determined not to be a "work made for hire," then you and Artist hereby irrevocably grant, transfer, convey and assign to Company the entirety of the rights, titles and interests throughout the Territory in and to all of those Recordings, including the copyright, any and all renewals and extensions of copyright, and the right to secure copyright registrations therefor. You and Artist hereby irrevocably and unconditionally waive any and all so-called droit moral and like rights that you and Artist have in the Recordings and in the performances embodied thereon and hereby agree not to make any claim against Company or any Person authorized by Company to exploit those Recordings based on such moral or like rights. Without limiting the foregoing, Company and all Persons authorized by Company shall have the exclusive and unlimited rights to own, control and exploit Artist's services as a recording artist during the Term and to all the results and proceeds of such services. You agree to execute and deliver to Company, and to cause each Person rendering services in connection with such Recordings to execute and deliver to Company: (i) all documents required to apply for and obtain, and on obtaining same (if applicable), to assign to Company, all copyrights and renewals and extensions thereof with respect to such Recordings, including written assignments to Company (in a form satisfactory to Company) of all sound recording copyright rights (including renewal and extension rights) such Person may have; and/or (ii) such other instruments as Company deems necessary to effectuate and/or record ownership of rights hereunder with the U.S. Copyright Office or elsewhere. You and Artist hereby irrevocably grant to Company a power of attorney, as your agent and attorney-in-fact, to execute such documents and instruments in your name, and the name of Artist and/or all other Persons rendering services in connection with such Recordings and to dispose of such documents and instruments, which power of attorney may only be exercised if you or Artist fail to execute and deliver to Company any

document which Company may reasonably submit to you or Artist for execution within seven (7) Business Days after such document is submitted to you or Artist. You acknowledge that Company's agency and power are coupled with an interest. As between Company and you and Artist, Company shall be the owner in perpetuity for the Territory of all Artwork.

(b) Company and each Person authorized by Company shall have the perpetual right, without cost or any other liability to you or any other Person, to use and to authorize other Persons to use the names (including any professional names heretofore or hereafter adopted), and any likenesses, whether or not current (including photographs, portraits, caricatures and stills from any Artwork or Videos made hereunder), autographs (including facsimile signatures) and biographical material of or relating to Artist, to any producer and to any other Person performing services in connection with Recordings hereunder, on and in the packaging of Records, and for purposes of advertising, promotion and trade and in connection with the marketing and exploitation of such Recordings and Records and general goodwill advertising, without payment of additional compensation to you, Artist or any other Person.

(c) Company shall have the exclusive right throughout the Territory during the Web Site Term, free from any claims whatsoever by you, Artist or any other Person: (i) to establish and maintain a site (the "**Company-Artist Site**," which term shall include the content of such site) on the Internet having the address (i.e., Uniform Resource Locator, or "**URL**") ("**Artist**.com" or any similar designation based on or containing Artist's professional name as you and Company shall mutually approve; provided that, you shall be obligated to approve at least one URL which is available and which contains Artist's professional name (the "**Artist URL**") and to utilize Artist's professional name in connection with such Artist URL; (ii) to couple the Artist URL with any such other appropriate suffixes (e.g., top-level domains such as .com, .net, .co.uk, etc.), which Company determines in its sole discretion are necessary or desirable and to register the Artist URL and any such suffixes in Company's name in any and all territories with the appropriate entities and to secure any and all renewals and extensions thereof on your behalf, it being understood that you and Artist hereby appoint Company as your attorney-in-fact for such purposes; (iii) to refer to the Company-Artist Site as the "official" site relating to Artist; and (iv) to include the Artist URL on Records embodying any Recording hereunder and in advertising and marketing materials therefor. Company shall be the sole and exclusive owner of the Company-Artist Site and the operation and content thereof shall be controlled by Company. Notwithstanding the foregoing, during the Web Site Term: (A) at your request, Company shall consult with you or Artist regarding the initial design of the Company-Artist Site and shall give due consideration to any reasonable request made by you or Artist relating to the content of the Company-Artist Site; (B) unless you or Artist shall consent thereto, Company shall not include on the Company-Artist Site: (I) any musical material that does not embody Artist's performances; or (II) any advertisements or endorsements for products or services other than Recordings embodying Artist's performances or Artist's services (provided that Company shall have the right to place on the Company-Artist Site advertisements for any seller of Records designated by Company and/or advertising in or in connection with Company's browser frames which reside outside of the Company-Artist Site and which are common to one or more of Company's main web pages). Provided that you and Artist comply with the material terms and conditions of this paragraph 5(c), nothing set forth in this paragraph shall be construed to restrict you from establishing or maintaining (or authorizing other Persons to establish or maintain) additional web sites relating solely to goods and services other than Artist's Recordings or recording services (including fan club sites and sites relating to Artist's merchandising and touring activities). You may elect to terminate Company's exclusive right and license in the Artist URL by notice to Company at any time after the date which is three (3) months after the release of the last Single in connection with the final Album Delivered by you during the Term. (The period commencing on the date of this agreement and ending thirty (30) days following the date on which you provide such notice to Company is referred to in this agreement as the "**Web Site Term**." ) After the expiration of the Web Site Term, Company shall have the non-exclusive right to continue to maintain one (1) site of Company's choice established or maintained by Company during the Web Site Term or to establish and maintain one (1) new site on the Internet, the URL of which may use Artist's professional name, in connection with Company's distribution of Records subject to this agreement. In this connection, Artist hereby grants to Company the exclusive right to an alternate URL embodying Artist's professional name (e.g., (Artist]cds.com) (the "**Alternate URL**"), which Alternate URL: (A) shall be chosen by Company in its sole

discretion after consultation with you to ensure that the Alternate URL does not conflict with any URL you are then using; and (B) shall be owned in perpetuity by Company and used exclusively by Company, at Company's election, at any time during or after the Web Site Term. Company shall have the right to establish links to and from Company's sites with all other sites relating to Artist that you or Artist control, in which you or Artist have an interest or to which you or Artist have granted a Person the right to operate or administer, including fan club sites and sites relating to Artist's merchandising and touring activities. You shall have the right to establish links to and from the Company-Artist Site with all "first class" sites relating to Artist that you control; provided that, in Company's reasonable, good faith opinion, such other sites or material embodied on such sites do not constitute an invasion of any Person's rights (including copyright infringement, libel or slander) and do not violate Company's standards of decency or any applicable rules, regulations, statutes or laws. You and Artist shall coordinate with Company with respect to the establishment of such links. Upon Company's reasonable request during the Web Site Term, you and/or Artist shall provide Company with information obtained about users of and/or visitors to any sites which you or Artist control, including e-mail lists obtained or derived from any such site; provided that, in no event shall you and/or Artist be required to provide any information you or Artist reasonably believes would violate any applicable rules, regulations, statutes or laws. At your reasonable request, Company shall provide you with information obtained about users of and/or visitors to the Company-Artist Site during the Web Site Term; provided that, in no event shall Company be required to provide any information which Company reasonably believes would violate any applicable rules, regulations, statutes or laws or the privacy policies, guidelines or practices of Company or any of its affiliates, subsidiaries or parents, including AOL Time Warner Inc. Company shall be responsible for and pay all costs in connection with the establishment, registration and maintenance of the Artist URL at its non-recoupable expense.

6. **CREATIVE AND MARKETING MATTERS**

(a) During the Term, with respect to Phono Records manufactured for sale in the United States, all photographs of Artist and biographical material concerning Artist which Company uses for the purposes herein stated shall be subject to your approval. Promptly following the execution of this agreement, you shall furnish Company with a reasonable number of photographs of Artist and biographical material concerning Artist. All photographs and biographical material concerning Artist furnished by you to Company shall be deemed approved by you. Any inadvertent failure by Company to obtain your approval pursuant to this paragraph 6(a) shall not constitute a breach of this agreement by Company. You shall cooperate with Company's efforts to promote throughout the Territory any Records released hereunder. Without limiting the foregoing, you shall cause Artist to be available, at Company's request: to appear for photography, poster and cover art and the like, under the direction of Company or its designees; to appear for interviews anywhere in the Territory with representatives of the communications media, including representatives of the domestic and international press and Company's publicity personnel; to appear for in-store promotional events; to make personal appearances anywhere in the Territory on radio and television and elsewhere and to record taped interviews, spot announcements, trailers and electrical transcriptions; and to perform for the purpose of recording for promotional purposes by means of film, videotape or other audiovisual media performances of Compositions embodied on Masters, provided Videos produced pursuant to paragraph 18 shall be subject to the terms of such paragraph. You shall also cause Artist to be available upon Company's reasonable request to appear for exclusive on-camera interviews, so-called online "chats," webcasts and other promotional activities, and you shall provide Company with a reasonable amount of additional exclusive promotional material therefor upon Company's request. Neither you nor Artist shall be entitled to any compensation for such services; provided that, Company shall reimburse you for the reasonable travel and living expenses incurred by Artist pursuant to a budget approved by Company in advance in connection with the rendition by Artist of services rendered at Company's direction pursuant to this paragraph 6(a).

(b) Provided you and Artist have fulfilled all of your and Artist's material obligations under this agreement, during the Term and solely in respect of Phono Records manufactured by Company for sale in the United States, Company shall not, without your approval: (i) license for coupling more than two (2)

Masters on any particular Record, which Record embodies Recordings that do not embody the performances of Artist. Notwithstanding the preceding sentence, the restriction provided in this paragraph 6(b)(i) shall not apply to Sampler Records, uses on transportation carriers, Consumer Compilations, Joint Label Compilations, or "Online Store Compilations"; (ii) release any Committed Album as a Mid-Price Record prior to nine (9) months or as a Budget Record prior to twelve (12) months following Company's initial United States release of that Album. If Company so releases any such Committed Album prior to the expiration of such nine (9) or twelve (12) month period, as applicable, without your approval, your sole remedy shall be that the royalty rate to which you are otherwise entitled for any units of such Committed Album sold prior to the expiration of such nine (9) or twelve (12) month period shall not be reduced pursuant to the provisions of paragraph 9(c)(i) relating to Mid-Price Records or Budget Records, as applicable; (iii) sell Records hereunder as Premium Records; [(iv) sell copies of any Committed Album hereunder as "cut-outs" or as overstock until twelve (12) months after the initial release of such Committed Album in the United States;] or [(iv)] [(v)] initially release a Committed Album hereunder other than on one of Company's then-current top line labels (e.g., currently "\_\_\_\_\_ " or the "\_\_\_\_\_ " label).

(c) Provided you and Artist have fulfilled all of your and Artist's material obligations under this agreement, Company agrees to commercially release each Committed Album in the United States within one hundred twenty (120) days following Delivery of the Album concerned (the "**U.S. Release Deadline Period**"). If Company shall have failed to so release any such Album in the United States, you shall have the right, within thirty (30) days following the expiration of the U.S. Release Deadline Period to send Company a notice of Company's failure specifically referencing this paragraph 6(c) and stating your desire that the Term be terminated if Company does not, within ninety (90) days after Company receives such notice from you ("**U.S. Release Cure Period**"), commercially release the Album concerned in the United States. If Company then fails to release the Album concerned in the United States during the U.S. Release Cure Period, [notwithstanding anything to the contrary contained herein,] Company shall have no liability whatsoever to you or Artist, and your only remedy shall be to terminate the Term by notice to Company within fifteen (15) days following the expiration of the U.S. Release Cure Period.

(d) The running of the U.S. Release Deadline Period and the U.S. Release Cure Period shall be suspended (and the expiration date of each of those periods shall be postponed) for the period of any suspension of the running of the Term under paragraph 13(c). For purposes of calculating the U.S. Release Deadline Period and U.S. Release Cure Period, the number of days during either such period which fall during the period from October 15 to and including the following January 15 shall not be counted. An Album shall be deemed released, for the purposes of paragraphs 6(c).

## 7. **ADVANCES AND RECORDING COSTS**

(a) Upon receipt of invoices therefor, Company shall pay directly all Recording Costs actually incurred in the production of Masters comprising each Committed Album, provided such costs have been incurred in accordance with the Authorized Budget. Such Recording Costs shall be deducted from, and shall not exceed, the applicable Advances for Committed Albums set forth below (the "**Recording Funds**").

(b) With respect to the First Album, the Recording Fund shall be \_\_\_\_\_ Dollars (\$\_\_\_\_\_). Such Recording Fund shall be payable as follows: (i) [ten percent (10%)] of such Recording Fund shall be paid to you, following the full execution of this agreement; and (ii) the balance, if any, of such Recording Fund shall be paid to you after deducting all Recording Costs and other Advances paid or incurred by Company in connection with the First Album, following Delivery of the First Album and receipt by Company of all union session reports and all invoices for all Recording Costs incurred in connection therewith.

(c) (i) With respect to each subsequent Committed Album, if any, a Recording Fund shall be payable in an amount equal to sixty-six and two-thirds percent (66-2/3%) [of the lesser] of [(A)] the amount of net royalties credited to your royalty account hereunder in respect of USNRC Net Sales of

the immediately preceding Committed Album [or (B) the average of the amount of net royalties credited to your royalty account hereunder in respect of USNRC Net Sales of the two (2) immediately preceding Committed Albums].

(ii) For the purposes of making the computations pursuant to this paragraph 7(c): (A) Company shall refer to accounting statements rendered to you through the end of the accounting period following the earlier of: (I) the date twelve (12) months following Company's initial release in the United States of [each of] the applicable Committed Album[s]; or (II) the earlier of: (aa) the date upon which the Album for which the Recording Fund is being computed is Delivered; or (bb) the date when such Album is required to be Delivered pursuant to paragraph 3(b); and (B) reserves shall be deemed to be the greater of: (I) twenty percent (20%) of the number of units of [each of] the applicable Committed Album[s] shipped during the applicable period; or (II) the number of units of [each of] the applicable Committed Album[s] shipped in the United States during the applicable period less the number of units of [each of] such Committed Album[s] sold in the United States during such period as reported by SoundScan or any other similar industry-accepted reporting system. Notwithstanding the foregoing, the Recording Fund for each Committed Album other than the First Album shall be no less than the applicable minimum amount and no more than the applicable maximum amount set forth below

<b>ALBUM</b>	<b>MINIMUM</b>	<b>MAXIMUM</b>
Second Album	\$	\$
Third Album	\$	\$
Fourth Album	\$	\$
Fifth Album	\$	\$
Sixth Album	\$	\$
Seventh Album	\$	\$

(d) The Recording Funds for each Committed Album other than the First Album shall be payable as follows: (i) [ten percent (10%)] of the applicable minimum Recording Fund for each Committed Album shall be paid to you, following your compliance with all of the terms of paragraph 4(a), including your receipt of Company's written approval of the Authorized Budget and Company's receipt of notice from you, and verification by Company that, recording of Masters to comprise the applicable Committed Album has commenced, and is scheduled to proceed, without interruption, to completion, provided that, such amount shall be reduced to the extent it would reduce the balance of the Recording Fund applicable to the Album below one hundred fifteen percent (115%) of the Recording Costs for the immediately preceding Committed Album; and (ii) the balance, if any, of the applicable Recording Fund shall be paid to you after deducting all Recording Costs and other Advances paid or incurred by Company in connection with the applicable Album, following Delivery of the applicable Album and receipt by Company of all union session reports and all invoices for all Recording Costs incurred in connection therewith.

(e) With respect to payments to be made [pursuant to paragraph 7(b)(ii) and paragraph 7(d)(ii)] [in connection with Delivery of a Committed Album], Company shall have the right to withhold a reasonable portion of such payments to provide for anticipated Recording Costs which Recording Costs have not yet been paid by Company. Provided that Company shall have received all invoices relating to all such costs, and all union session reports, Company shall not withhold such sums for a period of more than forty-five (45) days following Delivery.

(f) All monies paid to you or Artist or on behalf of you or Artist or to or on behalf of any Person representing you or Artist, other than royalties payable pursuant to paragraphs 9 and 12, shall constitute Advances, unless Company shall otherwise consent in writing. All Recording Funds paid by Company pursuant to this paragraph 7 and all Advances paid by Company pursuant to paragraph 18, as



applicable, shall specifically include the prepayment of session union scale, as provided in the applicable union codes, and you agree to complete any documentation required by the applicable union to effectuate the terms of this paragraph. Fifty percent (50%) of all expenses paid or incurred by Company in connection with the independent promotion (,marketing and/or publicity] of Masters by Persons other than regular employees of Company, [including independent retail marketing services,] shall constitute Advances. Any cost incurred by Company in connection with a trademark and/or service mark search to confirm Artist's right to use any professional name shall constitute an Advance. Company shall not be required to make any payments hereunder unless and until you have furnished Company with a fully-completed "Affiliation Exhibit" in Company's then-standard form and a fully-completed IRS Form W-9 or W8-BEN, as applicable. If you fail to timely comply with the preceding sentence, Company may deduct any resulting penalty payments from all monies payable under this agreement or any other agreement.

7A. **CALIFORNIA PROVISION**

(a) This paragraph 7A is intended to be construed and implemented in such a manner so as to comply with the provisions of California Code of Civil Procedure, Section 526, and California Civil Code, Section 3423 concerning the availability of injunctive relief to prevent the breach of a contract in writing for the rendition or furnishing of personal services. You acknowledge that this paragraph is included to avoid compromise of Company's rights by reason of a finding of applicability of California law, but does not constitute a concession by Company that California law is actually applicable.

(b) For the purposes of this agreement, the following definitions shall apply: (i) "Contract Year" - each of the first seven (7) separate, consecutive twelve (12) month periods during which the Term of this agreement is in effect; (ii) "Annual Threshold" - (A) Nine Thousand Dollars (\$9,000) for the first Contract Year; (B) Twelve Thousand Dollars (\$12,000) for the second Contract Year; and (C) Fifteen Thousand Dollars (\$15,000) for each of the third through seventh Contract Years. If the aggregate amount of the compensation paid to you under this agreement in any Contract Year is in excess of the Annual Threshold or any other payments specified in Section 3423 for such Contract Year, the excess shall be applied in reduction of the Annual Threshold and any other payments specified in Section 3423 for any subsequent Contract Year.

(c) If [any member of Artist has] [you have] not received compensation equal to the Annual Threshold for any Contract Year, Company shall have the right to pay [such member of Artist] [you] the amount of any shortfall before the expiration of the applicable Contract Year. At least sixty (60) days before the end of each Contract Year, you shall notify Company if [any member of Artist has] [you have] not received compensation equal to the Annual Threshold for such Contract Year and of the amount of any shortfall. Each payment made by Company pursuant to this paragraph 7A shall constitute an Advance and Company shall have the right to deduct each such payment from all monies payable under this agreement or any other agreement.

8. **PRODUCER SERVICES**

Without limiting Company's right of approval under paragraph 4(a), you shall be solely responsible for the engagement of each producer and for the payment of all monies becoming payable to each producer. [Subject to the terms of paragraph 4(a), at your request, Company shall accept a letter of direction from you in a form approved by Company pursuant to which Company, on your behalf, shall pay to producers approved by Company (other than you, Artist or any employee or principal of you or Artist) the advances and royalties payable by you to such producer. Notwithstanding anything to the contrary contained herein, Company's acceptance of letters of direction hereunder shall constitute an accommodation to you and/or Artist alone and no other Person shall be deemed to be a beneficiary thereof (nor shall Company otherwise have any obligation to you and Artist or any other Person as a result of Company's acceptance of any such letter of direction) and you and Artist shall indemnify Company with respect thereto in accordance with the provisions of this agreement.] If Company elects to pay any such producer (including any Staff Producer) directly, Company may deduct or recoup such payments from all monies payable under this agreement or any other agreement.

9. **ROYALTIES**

Company shall credit to your royalty account royalties as described below. Royalties shall be computed by applying the applicable royalty rate specified herein to the applicable Royalty Base Price in respect of Net Sales of the Record concerned:

(a) (i) The royalty rate (the "**Basic U.S. Rate**") on USNRC Net Sales of Records consisting entirely of Recordings made hereunder during the applicable Contract Periods specified below shall be as follows:

<b>TYPE OF RECORD</b>	<b>CONTRACT PERIOD</b>	<b>BASIC U.S. RATES</b>
EPs in Phono Record form	Any	-- %
Singles and Maxi-Singles in Phono Record form	Any	-- %
Any other Audio Record	Initial Period and First Option Period	-- %
	Second Option Period and Third Option Period	-- %
	Fourth Option Period and Fifth Option Period	-- %
	Sixth Option Period	-- %
	Value-Added Record	Any
Audiovisual Record	Any	-- %

(ii) The royalty rate (the "**Escalated U.S. Album Rate**") solely on USNRC Net Sales of each Committed Album in excess of the following number of units shall be the applicable rate set forth below rather than the otherwise applicable Basic U.S. Rate or any prior and otherwise applicable Escalated U.S. Album Rate:

<b>RECORDING COMMITMENT</b>	<b>USNRC NET SALES</b>	<b>ESCALATED U.S. ALBUM RATES</b>
First Album & Second Album	600,000 units	-- %
	1,200,000 units	%
Third Album & Fourth Album	600,000 units	-- %
	1,200,000 units	%
Fifth Album & Sixth Album	600,000 units	-- %
	1,200,000 units	%
Seventh Album	600,000 units	-- %
	1,200,000 units	%

(b) The royalty rate (the "**Foreign Rate**") for Net Sales of Records sold for distribution in the following territories outside the United States by Company or its Principal Licensees shall be computed at the applicable percentage of the royalty rate (without regard to any applicable Escalated U.S. Album Rate) that would otherwise apply to Net Sales in the United States of the Record concerned, as follows:

TERRITORIES	PERCENTAGE OF APPLICABLE U.S. RATE
Canada	[ 75%
United Kingdom	[ 66-2/3%
Japan, Australia, New Zealand & the EU other than the United Kingdom	[ 60%
Rest of the World	[ 50%

(c) (i) The royalty rate for Net Sales of the following categories of sales of Records by Company or its Principal Licensees shall be computed at the applicable percentage of the U.S. royalty rate (without regard to any applicable Escalated U.S. Album Rate) or Foreign Rate that would otherwise apply to such Net Sales:

CATEGORY	PERCENTAGE OF APPLICABLE U.S. ROYALTY RATE OR FOREIGN RATE
Government, (ELEKTRA - <b>PX</b> ) & Educational Institutions	50%
Premium Record	50%
Development Record [WARNER BROS./ATLANTIC - & PX]	75%
Mid-Price Record	66-2/3%
Compilation Record	75%
Budget Record	50%

(ii) The royalty rate on Net Sales of: (A) any Record sold by Company or a Principal Licensee through any direct mail or mail order distribution method other than a Club Operation; and (B) any Record sold in conjunction with a substantial television advertising campaign, during the royalty accounting period in which that campaign begins and the next such period, shall be fifty percent (50%) of the otherwise applicable royalty rate set forth in this agreement.

(iii) The royalty rate on Net Sales of any Multiple Record Set (other than a Value-Added Record) shall be the otherwise applicable royalty rate set forth in this agreement multiplied by a fraction, the numerator of which shall be the PPD for such Multiple Record Set and the denominator of which shall be: (A) the number of Records in the Multiple Record Set multiplied by (B) the PPD applicable to the majority (or plurality) of Company's or its Principal Licensee's top line single Albums in the same format.

(d) (i) The royalty rate on Net Sales of Phono Records which are derived from Recordings hereunder, which Phono Records are licensed by Company or a Principal Licensee for sale through any Club Operation, shall be fifty percent (50%) of Net Receipts. No royalties shall be payable with respect to Phono Records received by members of any Club Operation in an introductory offer in

connection with joining it or purchasing a required number of Phono Records including Phono Records distributed as "bonus" or "free" Phono Records, or Phono Records for which the Club Operation is not paid[, provided that your royalty account shall be credited with a royalty on at least fifty percent (50%) of all Records distributed through any Club Operation. Company shall make such computation on a cumulative basis, and your royalty account shall be adjusted accordingly, no less frequently than every six (6) semi-annual calendar periods].

(ii) The royalty rate for any Recordings hereunder licensed by Company or a Principal Licensee for use in the distribution of Records (other than for On-Demand Usages) shall be fifty percent (50%) of Net Receipts; provided that, such credit to your royalty account shall not exceed the royalty amount that would otherwise be credited to your account hereunder for such use if Company or a Principal Licensee had distributed the Records concerned. The royalty rate for any Recordings hereunder licensed by Company or a Principal Licensee for use in synchronization with motion pictures, television programs or any form of commercials shall be fifty percent (50%) of Net Receipts.

(iii) The royalty rate for any Recordings hereunder licensed by Company or a Principal Licensee for On-Demand Usages shall be a percentage of Net Receipts equal to the [DRAFTING NOTE- USE 120% TO 130% - one hundred twenty percent (120%)] of the Basic U.S. Rate for the Record concerned; provided that, such credit to your royalty account shall not exceed the royalty amount that would otherwise be credited to your account hereunder for such use if Company or a Principal Licensee had distributed the Records concerned.

(e) Notwithstanding anything to the contrary contained herein, for sales by Company or a Principal Licensee of: (i) Records in now widely distributed compact disc forms including Enhanced CD and CD Extra formats, the royalty rate shall be one hundred percent (100%) of the otherwise applicable royalty rate set forth in this agreement; and (ii) Phono Records in any form, format or technology not herein described, which is now known but not widely distributed or which hereafter becomes known, including Super Audio CD and DVD Audio ("**New Technology Formats**"), the royalty rate shall be seventy-five percent (75%) of the otherwise applicable royalty rate set forth in this agreement; provided that, if in any calendar year the revenues generated from the sale of Records in a particular New Technology Format exceed twenty percent (20%) of total United States recorded music revenues (as reported in a reputable published industry source such as IFPI's *The Recording Industry in Numbers*), then, with respect to sales of Records hereunder in any subsequent calendar years, such particular New Technology Format shall no longer constitute a New Technology Format and the royalty rate with respect to such particular New Technology Format shall be one hundred percent (100%) of the otherwise applicable royalty rate set forth in this agreement rather than seventy-five percent (75%).

(f) With respect to Electronic Transmissions, the royalty rate shall be one hundred percent (100%) of the otherwise applicable royalty rate set forth in this agreement.

(g) The royalty rate on any Record embodying Recordings hereunder coupled with other Recordings shall be computed by multiplying the otherwise applicable royalty rate by a fraction, the numerator of which is the number of Recordings hereunder embodied on such Record and the denominator of which is the total number of Recordings embodied on such Record; however, the royalty rate on a Video which is coupled with Recordings by other artists on Audiovisual Records shall in no event exceed the royalty rate that would apply if such royalty were computed by apportionment based on the actual playing time of each Recording embodied in the Audiovisual Record concerned.

(h) As to any Recording hereunder embodying the performances of Artist together with the performances of any other artist(s), the royalty rate otherwise payable hereunder with respect to sales of any Record derived from such Recording shall be computed by multiplying such royalty rate by a fraction, the numerator of which shall be one (1) and the denominator of which shall be the total number of artists whose performances are embodied on such Recording.

(i) Notwithstanding anything to the contrary expressed or implied in this agreement, this paragraph 9 shall not be deemed to apply to any payments received by Company pursuant to any statute or other legislation or collective bargaining agreement or industry agreement including payments for the public performance of Recordings or royalties payable for the sale of blank cassettes or for the sale of recording equipment. Notwithstanding the foregoing if: (A) legislation or a collective bargaining agreement or industry agreement applicable to Company requiring the payment of copyright royalties for the public performance of sound recordings or for sales of blank tape is or has been enacted in any country of the Territory; (B) such legislation or collective bargaining agreement apportions such royalties into a recording artist share and a record company share; (C) you do not receive or waive the right to receive (e.g., fail to make a timely application to receive) the applicable recording artist share of such royalties; and (D) Company actually receives in the United States a recording artist share of royalties attributable to you; then Company shall credit your royalty account hereunder with such recording artist share of royalties directly attributable to Recordings hereunder.

U) The royalties payable pursuant to this agreement include all royalties payable to you, Artist and any other Persons with respect to the Record concerned including, with respect to audiovisual materials embodied thereon, all music publishing royalties payable to you, Artist and any other Persons.

(k) If the performances embodied on any Recording hereunder enter the public domain in any country of the Territory so that such Recording may be reproduced and/or exploited in such country without license from and payment to Company, then, notwithstanding anything to the contrary contained herein, no monies shall be payable hereunder to you and/or Artist with respect to such Recording sold in such country on and after the date such Recording enters the public domain.

(l) If any Artwork is sold separately in connection with the sale of a Record, Company shall credit your royalty account hereunder with a percentage of Net Receipts derived from the sale of such Artwork which is equal to the Basic U.S. Rate applicable to the sale of such Record if such Record were sold in the United States. If any Artwork is sold or licensed separately in connection with the license for use in the distribution of a Record, Company shall credit your royalty account hereunder with a percentage of Net Receipts derived from the sale or licensing of such Artwork which is equal to the percentage of Net Receipts applicable under paragraph 9(d)(ii) or (iii) to the license for use in the distribution of such Record.

#### 10. **STATEMENTS AND PAYMENTS**

(a) Within ninety (90) days after June 30 and December 31 of each year during which applicable Records are sold, Company shall render a statement of accrued royalties earned under this agreement during the preceding calendar semi-annual period. Concurrently with the rendition of each statement, Company shall pay you all royalties shown to be due by such statement, after deducting all Advances made prior to the rendition of the statement. Notwithstanding the foregoing, Company shall not have the right to recoup from royalties payable hereunder with respect to a given calendar semi-annual period Advances expressly set forth in this agreement which are paid by Company hereunder to you or Artist or to third parties on your or Artist's behalf after the close of such calendar semi-annual period unless: (i) the date of a payment has been delayed due to your or Artist's acts or omissions or (ii) you or Artist have requested that a payment scheduled to be made prior to the close of such calendar semi-annual period be delayed until after the close of such calendar semi-annual period. No statements need be rendered by Company for any such calendar semi-annual period after the expiration of the Term for which there are no sales of Records derived from Recordings hereunder. All statements and payments shall be made to the order of \_\_\_\_\_ and shall be sent to \_\_\_\_\_ at the following address: \_\_\_\_\_

\_\_\_\_\_. Company shall be entitled to maintain a single account with respect to all Recordings subject to this agreement or any other agreement. Company may withhold a reasonable reserve against returns, exchanges, refunds, credits and the like, such reserve to be established by Company in its reasonable discretion, based on, among other factors, Artist's sales experience, which reserves shall not be in excess of twenty-five percent (25%) of royalties otherwise credited to Artist's account hereunder for

shipments of Records in any particular royalty period (unless Company anticipates in its reasonable, good faith judgment, returns, exchanges, refunds, credits and the like which justify the establishment of a larger reserve) and each such reserve shall be fully liquidated no later than with the rendition of statement rendered two (2) years following the statement with respect to which such reserve was originally maintained. You shall be deemed to have consented to all accountings rendered by Company hereunder and such accountings shall be binding upon you and not subject to any objection by you for any reason unless specific objection, in writing, stating the basis thereof, is given to Company within two (2) years after the date Company is deemed to have rendered the applicable statement, and after such written objection, unless suit is instituted within three (3) years after the date Company is deemed to have rendered the applicable statement. Company shall be deemed conclusively to have rendered each statement on the date prescribed in this paragraph 10(a) unless you notify Company otherwise with respect to any particular statement within sixty (60) days after the date that Company is required to render that statement pursuant to the first sentence of this paragraph 10(a).

(b) (i) You shall have the right at your sole cost and expense to appoint a certified public accountant who is not then currently engaged in an outstanding audit of Company to examine Books and Records as same pertain to sales of Records subject hereto; provided that, any such examination shall be for a reasonable duration, shall take place at Company's offices during normal business hours on reasonable prior notice and shall not occur more than once in any calendar year. You may examine Books and Records with respect to a particular statement only once. If Company agrees that there has been an undercrediting of royalties to you exceeding ten percent (10%) of the total royalties reported as credited by Company to your account hereunder for the period covered by such examination or if an undercrediting of royalties exceeding such amount is established by a court of competent jurisdiction, Company shall reimburse you in the amount of all reasonable fees paid by you to the auditors concerned in connection with such audit, up to a maximum amount of Twenty-Five Thousand Dollars (\$25,000) per audit. Company shall pay interest to you on the payable portion (i.e., the portion in excess of any then-unrecouped Advances) of any agreed upon or so-established undercrediting of royalties hereunder at the prime rate as quoted in the "Money Rate" section of The Wall Street Journal or any other similarly-reputable published source, calculated on the basis of a 365-day year.

(ii) Notwithstanding anything to the contrary contained in paragraph 10(b)(i), if Company notifies you that the certified public accountant designated by you to conduct an audit under paragraph 10(b)(i) is engaged in another outstanding audit of Company on behalf of another Person, you may nevertheless have your audit conducted by such accountant, and the running of the time within which such audit may be made shall be suspended until such accountant has completed such other audit, provided: (A) you shall notify Company of your election to that effect within fifteen (15) days after the date of Company's such notice to you; (B) your accountant shall proceed in a reasonably continuous and expeditious manner to complete such other audit and render the final report thereon to you and Company; and (C) your audit shall not be commenced by your accountant before the delivery to Company of the final report on such other audit, shall be commenced within thirty (30) days thereafter, and shall be conducted in a reasonably continuous manner. The provisions of this paragraph 10(b)(ii) shall not apply if Company elects to waive the provisions of paragraph 10(b)(i) that require that your accountant shall not be engaged in any other audit.

(c) Company shall compute your royalties in the same national currency in which Company's licensee pays Company for that sale, and Company shall credit those royalties to your account at the same rate of exchange at which the licensee pays Company (or credits Company in recoupment of an advance made to Company by such licensee, as reflected in a royalty accounting statement received by Company). For purposes of accounting to you, Company shall treat any sale outside of the United States as a sale made during the same royalty accounting period in which Company receives accounting and payment (or credit to Company in recoupment of an advance made to Company by such licensee, as reflected in a royalty accounting statement received by Company) for that sale from the applicable licensee. If Company cannot collect payment in the United States in U.S. Dollars, Company shall not be required to account to you for that sale, except that Company shall, at your request and at your expense, deduct from the monies so blocked, and deposit in a foreign depository, the equivalent in local currency of

the royalties which would be payable to you on the foreign sales concerned, to the extent such monies are available for that purpose, and only to the extent to which your royalty account is then in a fully-recouped position. All such deposits shall constitute royalty payments to you for accounting purposes. To the extent possible, Company shall allow you to select the foreign depository referred to in this paragraph 10(c).

11. **NOTICES**

Except as otherwise specifically set forth herein, all notices under this agreement shall be in writing and shall be given by courier or other personal delivery, by overnight delivery by an established overnight delivery service (e.g., Federal Express, Airborne Express, UPS, etc.), or by registered or certified mail (return receipt requested) at the appropriate address below, or at a substitute address designated in a notice (made in accordance with this paragraph 11) sent by the party concerned to the other party hereto.

TO YOU:	The address shown above
TO COMPANY:	The address shown above Attention: (ELEKTRA- 75 Rockefeller Plaza, New York, New York 10019, Attention: Vice President, Business Affairs and Attention: Senior Vice President and General Counsel) [WARNER BROS. - 3300 Warner Blvd. Burbank, California 91505, Attention: Senior Vice President, Business and Legal Affairs and also to 3300 Warner Blvd. Burbank, California 91505, Attention: Chief Financial Officer) (ATLANTIC - 1290 Avenue of the Americas, New York, NY 10104, Attention: Senior Vice President, Business and Legal Affairs)

[DRAFTING NOTE - STANDARD FOR WARNER BROS. -A copy of each notice to Company shall be sent simultaneously to the attention of Company's Chief Financial Officer.) Company shall undertake to send a copy of each notice to [Attorney/Manager], but Company's failure to send any such copy shall not constitute a breach of this agreement or impair the effectiveness of the notice concerned. Notices shall be deemed given when mailed or deposited into the custody of an overnight delivery service for overnight delivery, or, if personally delivered, when so delivered, except that a notice of change of address shall be effective only from the date of its receipt. Company may send royalty statements and payments to you by first class mail.

12. **LICENSES FOR MUSICAL COMPOSITIONS**

(a) For the purposes of this agreement, the following definitions shall apply: (i) **"Controlled Compositions"** - any Composition or material recorded pursuant to this agreement which, in whole or in part, is written or composed, and/or owned or controlled, directly or indirectly, by you and/or any individual member of Artist and/or any producer of a Master and/or anyone associated or affiliated with you, Artist or any such producer; (ii) **"Effective Date"** - the earlier of: (A) the date on which you Deliver the first Master which embodies the Controlled Composition concerned; or (B) the date on which you are required to Deliver such Master; (iii) **"U.S. 75% Rate"** - seventy-five percent (75%) of the United States minimum per Composition compulsory license rate applicable to the use of Compositions on phonorecords under the United States Copyright Law (without regard to playing time) in effect as of the Effective Date, or, if there is no statutory rate in the United States as of the Effective Date, seventy-five percent (75%) of the per Composition rate (without regard to playing time) generally utilized by major record companies in the United States as of the Effective Date; [and] (iv) **"Canadian 75% Rate"** - seventy-five percent (75%) of the Canadian statutory per Composition rate (without regard to playing time) in effect as of the Effective Date, or, if there is no statutory rate in Canada as of the Effective Date, seventy-five percent (75%) of the per Composition rate (without regard to playing time) generally utilized by major record companies in Canada

as of the Effective Date]; (v) "**U.S. 100% Rate**" - the United States minimum per Composition compulsory license rate applicable to the use of Compositions on phonorecords under the United States Copyright Law (without regard to playing time) in effect as of the Effective Date, or, if there is no statutory rate in the United States as of the Effective Date, the per Composition rate (without regard to playing time) generally utilized by major record companies in the United States as of the Effective Date; and (vi) "**Canadian 100% Rate**" - the Canadian statutory per Composition rate (without regard to playing time) in effect as of the Effective Date, or, if there is no statutory rate in Canada as of the Effective Date, the per Composition rate (without regard to playing time) generally utilized by major record companies in Canada as of the Effective Date].

(b) Controlled Compositions shall be and are hereby irrevocably licensed to Company and its licensees: (i) for the United States, at a royalty per Controlled Composition equal to the U.S. 75% Rate; and (ii) for Canada, at a royalty per Controlled Composition equal to the Canadian 75% Rate.

(c) Notwithstanding the foregoing, regardless of the total number of Compositions embodied on the Record concerned, the maximum aggregate mechanical royalty rate which Company shall be required to pay in respect of: (i) any Single hereunder shall not exceed two (2) times the U.S. 75% Rate or the Canadian 75% Rate, as the case may be; (ii) any Maxi-Single hereunder shall not exceed three (3) times the U.S. 75% Rate or the Canadian 75% Rate, as the case may be; (iii) any EP hereunder shall not exceed five (5) times the U.S. 75% Rate or the Canadian 75% Rate, as the case may be; (iv) any Album (and any Value-Added Record) hereunder shall not exceed ten (10) times the U.S. 75% Rate or the Canadian 75% Rate, as the case may be. [If the Album concerned embodies solely non-Controlled Compositions, or if the Album concerned embodies both Controlled Compositions and non-Controlled Compositions, the maximum aggregate mechanical royalty rate shall not exceed the U.S. 100% Rate or the Canadian 100% Rate times the number of Masters embodying such non-Controlled Compositions (but not more than ten (10)), plus the U.S. 75% Rate or Canadian 75% Rate times the number that is equal to ten (10) minus the lesser of ten (10) or the number of such non-Controlled Compositions]; and (v) any Multiple Record Set hereunder (other than any Value-Added Record) shall not exceed the otherwise applicable maximum aggregate mechanical royalty rate set forth in this paragraph 12(c) multiplied by a fraction, the numerator of which shall be the PPD for such Multiple Record Set and the denominator of which shall be the PPD applicable to the majority (or plurality) of Company's or its Principal Licensee's top line single Albums in the same format.

(d) If the aggregate mechanical royalty rate for any Record exceeds the applicable maximum aggregate mechanical royalty rate provided in paragraph 12(c), the aggregate mechanical royalty rate for Controlled Compositions contained thereon shall be reduced by the amount of that excess. Additionally, Company (and/or Company's Principal Licensee in Canada) shall have the right to deduct the amount of that excess from all monies payable under this agreement or any other agreement. Mechanical royalties shall be paid on 100% of Publishing Net Sales. No mechanical royalties shall be payable with respect to non-musical material, Compositions that are two (2) minutes or less in duration, Compositions embodied in "hidden" Recordings (i.e., Recordings which are not listed in the primary track listing on the liner notes for the Record concerned), or "intros," "interludes," "extraludes," or similar Compositions. Company may maintain reserves with respect to the payment of mechanical royalties. If Company (or its applicable Principal Licensee) makes an overpayment of mechanical royalties in respect of Compositions recorded under this agreement, you shall reimburse Company for same, failing which Company may recoup any such overpayment from all monies becoming payable under this agreement or any other agreement. Mechanical royalty payments on Records subsequently returned are considered overpayments. Notwithstanding anything to the contrary contained herein, mechanical royalties payable in respect of Controlled Compositions for Publishing Net Sales other than from USNRC Net Sales shall be seventy-five percent (75%) of the otherwise applicable U.S. 75% Rate or Canadian 75% Rate, as the case may be. Mechanical royalties for Controlled Compositions which are arranged versions of any Compositions in the public domain shall be paid in the same proportion as the appropriate performing rights society grants performing credits to the publisher of such Controlled Composition, provided you have furnished Company with a copy of the letter from such performing rights society setting forth the percentage of the otherwise applicable credit which the publisher shall receive. Any assignment of the ownership or



administration of copyright in any Controlled Composition shall be made subject to the provisions hereof and any inconsistencies between the terms of this agreement and mechanical licenses issued to and accepted by Company shall be determined by the terms of this agreement. If any Record contains Compositions which are not Controlled Compositions, you shall obtain for Company's benefit mechanical licenses covering such Compositions on the same terms and conditions applicable to Controlled Compositions pursuant to this paragraph 12.

(e) You hereby agree that all Compositions shall be available for licensing by Company and Company's licensees for reproduction and distribution in each country of the Territory outside of the United States and Canada through the author's society or other licensing and collecting body generally responsible for such activities in the country concerned. You shall cause the issuance of effective licenses, under copyright and otherwise, to reproduce each Composition on Records and distribute those Records outside the United States and Canada, on terms not less favorable to Company or Company's licensees than the terms prevailing on a general basis in the country concerned with respect to the use of Compositions on comparable Records.

(f) In respect of all Controlled Compositions, Company and its licensees are hereby granted the irrevocable perpetual right throughout the Territory, at no cost, to reprint the lyrics on and/or in connection with the jackets, sleeves and other packaging of Records derived from Recordings hereunder, and to transmit, broadcast, or otherwise reproduce such lyrics on, or cause the transmission, broadcast or other reproduction of lyrics by means of Records containing audiovisual material, and on websites, in connection with the exploitation and promotion of Recordings hereunder. Company shall provide appropriate copyright notices and writer and publisher credits with respect to such reprinted lyrics; provided that, Company's inadvertent failure to do so in any instance shall not constitute a breach of this agreement. You also grant to Company and Company's licensees an irrevocable license under copyright to reproduce each Controlled Composition in Videos and in advertisements for Recordings hereunder (including so-called EPKs) or Artist's recording services in any and all media (including television, radio and the Internet), to reproduce, distribute and perform those Videos and advertisements in any manner (including publicly and for profit, and including use of such Videos and advertisements in Records containing audiovisual material and in webcasts), to manufacture and distribute Audiovisual Records and other copies of those Videos, and to exploit such Videos and advertisements otherwise, by any method and in any form known now or in the future, in perpetuity and throughout the Territory, and to authorize others to do so. Company and Company's licensees shall not be required to make any payment in connection with those uses, and that license shall apply whether or not Company receives any payment in connection with any use of any Video or advertisement. If any exhibition of a Video and/or advertisement is also authorized under another license (such as a public performance license granted by ASCAP or BMI), that exhibition shall be deemed authorized by that license instead of this agreement. In all events, Company and Company's licensees shall have no liability by reason of any such exhibition. You also grant to Company and Company's licensees at no cost an irrevocable license under copyright to reproduce, distribute and perform each Controlled Composition or any portion thereof for promotional purposes on websites maintained by Company or its licensees or affiliates throughout the Territory.

(g) Notwithstanding anything in the foregoing provisions of this paragraph 12 to the contrary, if a particular Controlled Composition recorded hereunder is embodied more than once on a particular Record, Company shall pay mechanical royalties in connection therewith at the applicable rate for such Controlled Composition as if the Controlled Composition concerned were embodied thereon only once. For purposes of this paragraph 12, a Composition and all adaptations thereof (e.g., remixes, etc.), if any, shall be deemed to be one (1) Composition.

(h) If you or Artist and/or anyone associated or affiliated with you or Artist are party to an exclusive music publishing agreement for a territory which includes the United States and/or Canada (a "**Controlled Publishing Agreement**") with any music publishing company owned and controlled by Warner Music Group (a "**Controlled Publisher**"), Company shall pay mechanical royalties pursuant to this paragraph 12 with respect to Publishing Net Sales of Records hereunder at the U.S. 100% Rate (if the territory includes the United States) or Canadian 100% Rate (if the territory includes Canada), as

applicable, in lieu of the U.S. Rate and Canadian Rate, as applicable, but otherwise pursuant to all other terms of this paragraph 12, with respect to each Controlled Composition which is subject to the Controlled Publisher's exclusive administration rights under the Controlled Publishing Agreement, for so long as and to the extent that such Controlled Composition is subject to such exclusive administration rights in the United States and/or Canada, as applicable.

13. **EVENTS OF DEFAULT**

(a) If you do not timely fulfill any portion of the Recording Commitment hereunder or any of your other material obligations hereunder in accordance with all of the terms and conditions of this agreement, then, in addition to any other rights or remedies which Company may have, Company shall have the right, upon notice to you at any time prior to the expiration of the then-current Contract Period: (i) to terminate the Term, in which event Company shall be entitled to require you to repay to Company the unrecouped amount of any Advance previously paid to you and not specifically attributable under paragraph 7 to an Album which has actually been Delivered, except as otherwise specifically set forth in the next sentence, unless your default is due solely to the death or disability of Artist (and/or (ii) if the applicable Album is not Delivered within thirty (30) days following the Delivery Date, to reduce the Advance or Recording Fund (as applicable) for such Album by an amount equal to ten percent (10%) of such Advance or Recording Fund (as applicable) for each thirty (30) day period (or portion thereof) elapsing after the Delivery Date prior to Delivery of such Album). You shall not be required to repay any such Advance to the extent to which you furnish Company with documentation satisfactory to Company establishing that you have actually used the Advance to make payments to Persons not affiliated with you and in which you do not have an interest for Recording Costs incurred in connection with the Album concerned prior to Company's demand for repayment. Company may exercise any or all of its rights pursuant to this paragraph 13(a) by sending you the appropriate notice. No exercise by Company of its rights under this paragraph shall limit Company's right to recover damages by reason of your default or to exercise any of its other rights and remedies.

(b) If Company refuses without cause to allow you to fulfill the Recording Commitment for any Contract Period and if, not later than sixty (60) days following that refusal, you notify Company of your desire to fulfill such Recording Commitment, then Company shall permit you to fulfill such Recording Commitment by notice to you to such effect within sixty (60) days following Company's receipt of your notice. Should Company fail to give such notice, or if Company notifies you of its refusal to allow you to fulfill the applicable Recording Commitment, your sole remedy shall be that you shall have the option to terminate the Term by notice given to Company within thirty (30) days after the expiration of the latter sixty (60) day period. On receipt by Company of such notice, the Term shall terminate and all parties shall be deemed to have fulfilled all of their obligations hereunder except those obligations which survive the end of the Term (e.g., warranties, representations, indemnities, Re-recording Restrictions and Company's obligation to pay royalties), at which time Company shall pay to you, in full and complete settlement of Company's obligations to you (other than such royalty obligations) under this agreement, an Advance equal to the difference between: (i) the minimum Recording Fund with respect to such unrecorded Album, as set forth in paragraph 7 less any sums paid by Company in connection with such unrecorded Album; and (ii) the Recording Costs incurred in connection with the immediately preceding Committed Album; provided that, such Advance shall not exceed twenty percent (20%) of the minimum Recording Fund for the unrecorded Album less any sums paid by Company with respect to such unrecorded Album.

(c) Company reserves the right, at its election upon notice to you, to suspend the operation of this agreement for the duration of any "force majeure" event (including any of the following contingencies), if by reason of any such contingency, it is materially hampered in the performance of its obligations under this agreement or its normal business operations are delayed or become impossible or commercially impracticable: Act of God, fire, catastrophe, labor disagreement, acts of government, its agencies or officers, any order, regulation, ruling or action of any labor union or association of artists, musicians, composers or employees affecting Company or the industry in which it is engaged, delays in the delivery of materials and supplies or any other cause beyond Company's control. Any such

suspension due to a labor controversy which involves only Company shall be limited to a period of six (6) months.

(d) Each of the following shall constitute an event of default hereunder: (i) if Artist's voice or Artist's ability to perform should be permanently impaired or otherwise materially impaired for a period of ninety (90) days or longer or an aggregate period of ninety (90) days during any one (1) year period; (ii) if you or Artist commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or consents to the entry of an order for relief in any involuntary case under such law or consents to the appointment of or taking possession by a receiver, liquidator, assignee, trustee or sequestrator (or similar appointee) of you or Artist or any substantial part of your or Artist's property or you or Artist makes an assignment for the benefit of creditors or takes any act (whether corporate or otherwise) in furtherance of any of the foregoing; or (iii) a court having jurisdiction over the affairs or property of you or Artist enters a decree or order for relief in respect of you or Artist or any of your or Artist's property in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or appoints a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar appointee) of you or Artist or for any substantial part of your or Artist's property or orders the winding up or liquidation of your or Artist's affairs and such decree or order remains unstayed and in effect for a period of fifteen (15) consecutive days. Upon the occurrence of any of the events described in this paragraph 13(d) or in paragraph 19, in addition to any other rights or remedies which Company may have, Company shall have the right, upon notice to you, to suspend the running of the Term and/or Company's obligations to you hereunder (including all payment obligations other than payment of royalties) and/or to terminate the Term (whether or not during a period of suspension based on such event or based upon any other event), and thereby be relieved of all liability other than any obligations hereunder to pay royalties in respect of Masters Delivered prior to such termination.

14. **INJUNCTIVE RELIEF**

You expressly acknowledge that Artist's services hereunder are of a special, unique intellectual and extraordinary character which gives them peculiar value, and that in the event of a breach or threatened breach of any term, condition, representation, warranty, agreement or covenant hereof, Company shall be caused immediate irreparable injury, including loss of goodwill and harm to reputation, which cannot be adequately compensated in monetary damages. Accordingly, in the event of any such breach, actual or threatened, Company shall have, in addition to any other legal remedies, the right to injunctive or other equitable relief.

15. **WARRANTIES AND REPRESENTATIONS: INDEMNITIES**

(a) You warrant, represent and agree that:

(i) You and Artist have the right and legal capacity to enter into, execute and implement this agreement, and you and Artist are not subject to any prior obligations or agreements, whether as a party or otherwise, which would restrict or interfere in any way with the full and prompt performance of your obligations hereunder. You and Artist shall fulfill all of your obligations under this agreement in a timely manner;

(ii) No Person other than Company has any right to use, and during the Term no Person other than Company shall be authorized to use, any existing Recordings embodying Artist's performances for making, promoting or marketing Records;

(iii) Company shall not be required to make any payments of any nature for or in connection with the acquisition, exercise or exploitation of any of Company's rights hereunder, except as otherwise specifically set forth in this agreement;

(iv) The Materials or any use thereof shall not violate any law or infringe upon or violate the rights of any Person (including contractual rights, copyrights, rights of publicity and rights of

privacy); and each track-by-track list identifying the performers on and timings of (and titles, writers and publishers of each Composition embodied on) each Master hereunder and describing their performances which you furnish to Company is and shall be true, accurate and complete. "**Materials**" as used in this paragraph 15(a)(iv) means: Recordings hereunder (including any Samples embodied therein); all Compositions; each name used by Artist, individually or as a group, in connection with Recordings hereunder; all photographs and likenesses of Artist; and all other musical, dramatic, artistic and literary materials, ideas and other intellectual properties contained in or used in connection with any Recordings hereunder or their packaging, sale, distribution, advertising, publicizing or other exploitation. Company's acceptance and/or utilization of Recordings, Materials or track-by-track lists hereunder shall not constitute a waiver of your representations, warranties or agreements in respect thereof or a waiver of any of Company's rights or remedies;

(v) No changes in the personnel comprising Artist will be made without Company's prior written consent. Neither you nor Artist shall, during the Term, assign or otherwise permit Artist's professional name set forth on Page 1 (the "**Artist Name**"), or any other professional name(s) utilized by Artist, to be used by any other individual or group of individuals without Company's prior written consent, and any attempt to do so shall be null and void and shall convey no right or title. You hereby warrant and represent that: (A) Artist is and shall be the sole owner of the Artist Name and all other professional names used by Artist in connection with Recordings hereunder; (B) no Person other than Company has, or shall have, the right to use such names and Artist's likenesses or to permit such names and Artist's likenesses to be used in connection with Records or Recordings at any time during the Term; (C) you and Artist have the authority to and hereby grant Company the exclusive right to use such names in the Territory in accordance with all of the terms and conditions of this agreement; and (D) you will not permit Artist to use (and Artist shall not use) any professional name other than the Artist Name during the Term without Company's prior written consent, which may be withheld for any reason. If any Person challenges Artist's right to use a professional name (including the Artist Name) or if Company determines in its reasonable good faith discretion that any such professional name (including the Artist Name) is not available for use by Company hereunder in any portion of the Territory or that its availability in any portion of the Territory is in question, then you and Artist shall, at Company's request, promptly designate another professional name to be used by Artist, such other professional name to be subject to Company's prior written consent; upon Company's written consent of any such professional name, such name shall be deemed to be the Artist Name for purposes of this agreement. Notwithstanding anything to the contrary contained in this paragraph 15(a)(v), Company's failure to object to Artist's use of any professional name (including the Artist Name) or Company's approval of Artist's use of any such name, shall not constitute a waiver by Company of any of your or Artist's warranties and representations hereunder;

(vi) During the Term, Artist shall not perform for, and neither you nor Artist shall authorize or knowingly permit Artist's performances to be recorded and/or transmitted by, any Person for any purpose, without an express written agreement with such Person for Company's benefit that: (A) prohibits the use of such performance and/or Recording for: (I) making, promoting, or marketing Recordings or Records (provided that this paragraph 15(a)(vi)(A) shall not preclude Artist from performing for analog television broadcasts and no rights are granted with respect to such performances other than analog television broadcast rights); (II) digital broadcasts or other transmissions, distributions or other communications now or hereafter known, including webcasts; and (III) any form of transmission or broadcast of Recordings by any means which permits the consumer to access the Recording concerned (whether in isolation or with other Recordings) on demand or via repetitive broadcast enabling the consumer to choose the approximate time at which to access the Recording concerned, including television broadcast, cable transmission and/or transmission via the Internet; and (B) specifically provides that, if a Recording is made of Artist's performance, such Recording is made for the benefit, and is the exclusive property, of Company. You shall furnish Company with a fully-executed copy of each such agreement promptly following the execution thereof;

(vii) Artist shall not perform or render any services and neither you nor Artist shall authorize the use of Artist's name, likeness or other identification for the purpose of distributing, selling, advertising or exploiting Records for any Person other than Company during the Term in the Territory;

(viii) Artist shall not perform for the purpose of recording any Composition, or any adaptation of any Composition, recorded hereunder for any Person other than Company for use in the Territory on Records (including in radio or television commercials or otherwise for synchronization with visual images), before the later of: (A) five (5) years after the date of Delivery of all Recordings made in the course of the same Album (or other recording project) as the last Delivered Recording of the restricted Composition concerned or adaptation thereof; or (B) two (2) years after the expiration or other termination of the Term (the "**Re-recording Restriction**"). Further, Artist shall not at any time within ten (10) years after the expiration of the period referred to in the preceding sentence, re-record for inclusion on a particular Record more than four (4) Compositions recorded hereunder and embodied on a particular Record hereunder;

(ix) All Persons rendering services in connection with Masters or Videos shall fully comply with the provisions of the Immigration Reform Control Act of 1986; [and]

(x) All members of Artist are United States citizens and are at least eighteen (18) years of age;

(b) You shall and do hereby indemnify, save and hold Company and its parent, affiliates, divisions, successors, licensees and assigns and/or the officers, directors and employees of any of the foregoing (collectively, the "**Company Indemnitees**") harmless from any and all loss, damage and liability (including court costs and reasonable attorneys' fees) arising out of, connected with or as a result of: (i) any act or omission by you or Artist (or any of your respective agents) or (ii) any inconsistency with, failure of or breach or threatened breach by you of any warranty, representation, agreement, undertaking or covenant contained in this agreement including any claim, demand or action by any third party in connection with the foregoing, which has resulted in a judgment or which has been settled with your consent, it being agreed that such consent shall only be required for settlements in excess of Ten Thousand Dollars (\$10,000). In addition to any other rights or remedies Company may have by reason of any such inconsistency, failure, breach, threatened breach or claim, Company may obtain reimbursement from you, on demand, for any payment made by the Company Indemnitees at any time after the date hereof with respect to any loss, damage or liability (including anticipated and actual court costs and reasonable attorneys' fees) resulting therefrom. Such amounts may also be deducted from all monies becoming payable under this agreement or any other agreement to the extent to which they have not been reimbursed to Company by you. If the amount of any such claim or loss has not been determined, Company may withhold from monies otherwise payable under this agreement or any other agreement an amount consistent with such claim or loss pending such determination unless you post a bond in a form and from a bonding company acceptable to Company in an amount equal to Company's estimate of the amount of the claim, demand or action. If no action is filed within one (1) year following the date on which such claim was first received by Company and/or its licensees, Company shall release all sums withheld in connection with such claim, unless Company, in its reasonable business judgment, believes that such an action may be instituted notwithstanding the passage of such time. Notwithstanding the foregoing, if after such release by Company of sums withheld in connection with a particular claim such claim is reasserted, then Company's rights under this paragraph 15(b) shall apply in full force and effect. Company shall give you notice of any third-party claim, demand or action to which the foregoing indemnity applies and you shall have the right to participate in the defense of any such claim, demand or action through counsel of your own choice and at your expense, provided that, Company shall have the right at all times, in its sole discretion, to retain or resume control of the conduct thereof.

## 16. **APPROVALS**

Except as otherwise specifically set forth in this agreement, as to all matters designated herein to be determined by mutual agreement or selection, or as to which any approval or consent is required, such

agreement, selection, approval or consent shall not be unreasonably withheld. You agree that any approvals (including creative or marketing approvals) to be exercised by you and/or Artist hereunder shall apply only during the Term, except as otherwise expressly provided herein. After the Term, Company shall not be obligated to secure your consent to any matter as to which your consent is expressly required after the Term if all members of Artist have died or during any period in which you are not reasonably available to respond to Company's requests for consent.] Your agreement, selection, approval or consent, whenever required (including your written agreement, selection, approval or consent), shall be deemed to have been given unless you notify Company otherwise within five (5) Business Days following the date of Company's request to you. You shall not hinder or delay the scheduled release of any Record subject to this agreement. In the event of your disapproval or no consent, the reasons therefor shall be stated. Each of your then-current attorney and manager is hereby deemed an authorized agent to give approval on your behalf.

17. **COLLECTIVE BARGAINING AGREEMENTS**

You hereby warrant and represent that, during the Term, Artist shall become and remain a member in good standing of any labor unions with which Company may at any time have agreements lawfully requiring such union membership. All Recordings hereunder shall be produced in accordance with the rules and regulations of all unions having jurisdiction. Those provisions of any collective bargaining agreement between Company and any labor organization which are required, by the terms of such agreement, to be included in this agreement shall be deemed incorporated herein.

18. **VIDEOS**

With respect to any Video requested by Company: (a) the Master to be embodied in such Video, the concept for such Video, the creative aspects of the production of such Video (including preparation of the script and storyboard), and the dates and locations for the shooting of such Video shall be mutually selected by you and Company; provided that, in the event of a dispute with respect to any of the foregoing elements, Company's decision shall be final, and provided further that each Master released as a Single and/or promoted by Company to radio stations as a "Single," "radio single," or "emphasis track" shall be deemed approved by you for inclusion in a Video; (b) the director shall be mutually selected by you and Company and such director shall engage the other production personnel for such Video. You and Artist shall fully cooperate with the director and all other production personnel in the production of such Video. The production budget submitted by the director shall be mutually approved by you and Company; and (c) Company shall pay all Video Production Costs incurred in connection with such Video consistent with the production budget approved by Company. All Video Production Costs in excess of the approved budget that have been incurred due to your or Artist's acts or omissions shall be your sole responsibility and you hereby agree to forthwith pay and discharge all such excess costs. If Company agrees to pay any such excess costs on your behalf, you shall, upon demand, reimburse Company for such excess costs or, in lieu of requesting reimbursement, Company may deduct such excess costs from all monies payable under this agreement or any other agreement. If Artist fails to appear at locations and/or on dates which have been mutually approved by you and Company, without reasonable excuse as determined by Company, the costs of cancellation of the shoot shall be your responsibility, and if Company agrees to pay such cancellation costs on your behalf, such cancellation costs shall be fully deductible from all monies payable under this agreement or any other agreement. All Video Production Costs paid or incurred by Company shall constitute additional Advances, one hundred percent (100%) of which shall be recoupable from royalties derived from the commercial exploitation of Videos credited to your account pursuant to this agreement and fifty percent (50%) of which shall be recoupable from all other royalties credited to your account pursuant to this agreement. Notwithstanding the preceding sentence, you acknowledge and agree that any Video Production Costs in excess of Two Hundred Thousand Dollars (\$200,000) per Video shall be one hundred percent (100%) recoupable from all royalties credited to your account pursuant to this agreement. Notwithstanding anything to the contrary contained in this agreement, Company shall have the right to use, and to allow others to use, each Video and any portions thereof for advertising and promotional purposes, without payment of additional compensation to you, Artist or any other Person.

19. **BANKRUPTCY AND OTHER DEFAULT RELATED PROVISIONS**

(a) Without limiting any other rights Company may have, if you file a petition for relief under Title 11 of the United States Code (the "Bankruptcy Code") or an order for relief is entered in respect of any petition filed against you under the Bankruptcy Code and: (i) you or a trustee appointed in your bankruptcy case fails to assume both this agreement and the agreement between you and Artist within sixty (60) days after the entry of the order for relief; or (ii) the court having jurisdiction of the case under the Bankruptcy Code determines that either this agreement or the agreement between you and Artist may not be assumed pursuant to Section 365 of the Bankruptcy Code, then this agreement shall immediately terminate and no longer be of any force or effect (without limiting Company's rights in Recordings made under this agreement) notwithstanding application of a bankruptcy automatic stay under Section 362 of the Bankruptcy Code (application of which is hereby waived for this purpose), and, upon such termination, Artist shall render Artist's personal services directly to Company for the purposes of making Recordings and Records upon the terms and conditions set forth in paragraph 19(c).

(b) Without limiting any other rights Company may have, if: (i) you consent, acquiesce or take any action in support of a petition filed by or against you looking to reorganization, arrangement, readjustment, liquidation, dissolution, or similar relief under any other present or future federal or state statute, law or regulation, or there is appointed, with the consent of you, any receiver, liquidator, custodian, assignee, trustee, sequestrator or other similar official of you or of any substantial part of your property, or you make an assignment for the benefit of creditors, or you admit in writing your inability to generally pay your debts as they become due; or (ii) a decree or order is entered by a court having competent jurisdiction in respect of any petition filed or action taken against you looking to reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any other present or future federal or state statute, law or regulation, resulting in the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of you or of any substantial part of your property, or resulting in the winding-up or liquidation of your affairs, and the continuance of any such decree or order is unstayed and in effect for a period of thirty (30) consecutive days; or (iii) you shall lose or fail to secure the exclusive rights to Artist's recording services or otherwise fail to fulfill your material obligations under this agreement; then at any time after the occurrence of any such event, Company shall have the option, by notice sent to you and Artist, to terminate this agreement and to require that Artist render Artist's personal services directly to Company for the purpose of making Recordings and Records upon the terms and conditions set forth in paragraph 19(c).

(c) If this agreement terminates in accordance with paragraph 19(a) or Company exercises the option set forth in paragraph 19(b), Artist shall render Artist's recording services directly to Company for the unexpired balance of the Term (as if this agreement had not been terminated), including extensions thereof, upon all the same terms and conditions as are herein contained, except that in respect of Recordings recorded by Company subsequent to the termination of this agreement pursuant to paragraphs 19(a) or 19(b), the terms of Exhibit A attached hereto shall apply.

20. **GROUP PROVISIONS**

(a) (i) For the purposes of this agreement, the following definitions shall apply: (A) "**Leaving Member**" - (I) each individual member of Artist who refuses, neglects, fails or ceases for any reason (including dying or becoming disabled) to perform together with the other individuals comprising Artist in fulfillment of the obligations described in this agreement or who leaves the Group; (II) each individual member of Artist if Artist disbands or (III) each individual member of Artist with respect to whom Company exercises the option described in paragraph 20(a)(ii)(B)(I); (B) "**Leaving Member Event**" - the occurrence of any one (1) or more of the following events: (I) any one (1) or more individual members of Artist refusing, neglecting, failing or ceasing for any reason (including dying or becoming disabled) to perform together with the other individual members comprising Artist in fulfillment of the obligations under this agreement or leaving the Group; or (II) the disbanding of Artist; (C) "**Reunion Member**" - (I) each individual member of Artist who desires to recommence performing in a group of at least fifty percent

(50%) of the members of Artist for the purpose of making Records; or (II) each member of Artist desiring to perform under any group name of Artist used by Company hereunder; and (D) "**Reunion Event**" - at least fifty percent (50%) of the individual members of Artist desiring to recommence performing together for the purpose of making Records or one (1) or more of such members desiring to perform under any group name of Artist used by Company hereunder.

(ii) Notwithstanding paragraph 1, as used in this agreement, the term "**Artist**" refers jointly and severally to the individuals first mentioned herein as comprising Artist and to such other individuals who during the Term shall comprise Artist. You warrant, represent and agree that, throughout the Term, Artist shall perform together as a group (the "**Group**") for Company. Artist's obligations under this agreement are joint and several and all references herein to "**you**" or "**Artist**" and their possessive forms shall include all members of the Group collectively and each member of the Group individually, unless otherwise specified. If any Leaving Member Event occurs during the Term, then: (A) you and each member of Artist shall give Company prompt notice thereof (the "**Leaving Member Notice**") specifically referencing this paragraph 20(a); and (8) Company shall have, and each individual member of the Group hereby irrevocably grants to Company, the option, exercisable by notice ("**Company's Leaving Member Notice**") to you within three (3) months after Company's receipt of the Leaving Member Notice: (I) to deem any or all members of Artist as Leaving Members in accordance with this paragraph 20; (II) to obtain the individual and exclusive services of any or all Leaving Members; (III) to terminate the Term with respect to any or all Leaving Members; and/or (IV) to terminate the Term in its entirety without any obligation as to unrecorded or un-Delivered Masters. For the avoidance of doubt, each member of Artist who is not deemed to be a Leaving Member, as well as each Leaving Member with respect to whom Company does not terminate the Term, shall remain bound by this agreement. If Company deems any one (1) or more members of Artist as Leaving Members, then Company's Leaving Member Notice shall specify whether Company requires you to cause such Leaving Member(s) to record and Deliver Demos of at least four (4) completed, fully-mixed and previously-unreleased Masters (the "**Leaving Member Demos**"), to perform for a personal audition, or to record and Deliver Masters sufficient to comprise one (1) Album, all in accordance with paragraph 20(b); provided if Company's Leaving Member Notice does not so specify, then Company shall be deemed to have required you to cause such Leaving Member(s) to record and Deliver the Leaving Member Demos. Company shall have no liability or obligations to any Leaving Member unless Company elects to exercise its rights to the recording services of such Leaving Member in accordance with paragraph 20(b). If Company terminates the Term with respect to a particular Leaving Member, then you shall be solely responsible for and shall pay all monies required to be paid to such Leaving Member in connection with any Recordings theretofore or thereafter Delivered for which royalties are payable to such Leaving Member and you shall indemnify and hold harmless Company against any claims relating thereto pursuant to the terms of paragraph 15(b). No Leaving Member (whether or not his or her engagement is terminated by Company) shall, without Company's prior written consent: (I) perform for any Person other than Company for the purpose of recording any Composition as to which the applicable Re-recording Restriction has not yet expired; or (II) use the professional name of the Group in any commercial or artistic endeavor other than for Company. The person, if any, engaged to replace any Leaving Member shall be mutually agreed upon by Company and you. Each person added to Artist, as a replacement or otherwise, shall become bound by the terms and conditions of this agreement and shall execute this agreement and any other documents required by Company as a condition precedent to being so added. Neither Company nor you shall unreasonably withhold agreement with regard thereto; and, if agreement cannot be reached, Company may terminate this agreement by notice to you.

(b) If Company exercises its option for the individual and exclusive services of any or all Leaving Members pursuant to paragraph 20(a)(ii)(B)(II), you and the Leaving Member(s) referred to in Company Leaving Member Notice shall be deemed to have entered into a new and separate agreement (the "**Leaving Member Agreement**") with Company with respect to each such Leaving Member(s)' exclusive recording services upon all the terms and conditions of this agreement except that:

(i) If Company requires the applicable Leaving Member(s) to record the Leaving Member Demos, then you shall cause such Leaving Member(s) to record same in accordance with



budget approved by Company in writing and you shall Deliver the Leaving Member Demos. If Company requires that the applicable Leaving Member(s) perform for a personal audition, then you shall arrange for same at such place and time as Company may approve. Nothing in this paragraph 20 shall be deemed to require that Company request the Leaving Member Demos or a personal audition if pursuant to paragraph 20(a)(ii) Company elects to require such Leaving Member(s) to record and Deliver Masters sufficient to comprise one (1) Album;

(ii) By the later to occur of ninety (90) days after Company's receipt of the Leaving Member Notice or sixty (60) days after Company's receipt of the Leaving Member Demos or the date of the personal audition, as the case may be, Company shall have the option by notice to require you to cause the Leaving Member(s) concerned to record and Deliver Masters sufficient to comprise one (1) Album (the "**Leaving Member Recording Commitment**"). Without limiting the foregoing, if Company's Leaving Member Notice requires the applicable Leaving Member(s) to record and Deliver Masters sufficient to comprise one (1) Album, then Company's Leaving Member Notice shall be deemed to constitute the notice required by the preceding sentence. Company shall thereafter have the right to increase the Leaving Member Recording Commitment and the right to extend the term of the Leaving Member Agreement for option periods so that Company shall have the right under the Leaving Member Agreement to the same number of Albums (including optional Albums, i.e., Albums to be Delivered during optional Contract Periods) remaining un-Delivered under this agreement, provided that, notwithstanding anything to the contrary herein, Company shall have options for no fewer than \_\_\_\_\_ U Albums under the Leaving Member Agreement. (The first Album of the Leaving Member Recording Commitment pursuant to each Leaving Member Agreement is referred to in this paragraph 20 as the "**First Leaving Member Album**", the second such Album is referred to as the "**Second Leaving Member Album**" etc.);

(iii) The terms of the following paragraphs shall not be applicable:

(iv) The Recording Fund for the First Leaving Member Album shall be seventy-five percent (75%) of the minimum Recording Fund set forth in paragraph 7 for the immediately preceding Committed Album Delivered under this agreement ("**Preceding Group Album**"), provided if you have not yet Delivered the First Album hereunder, then the First Album shall be deemed the "**Preceding Group Album**" for purposes of paragraphs 20(b)(iv) and 20(b)(v) only. With respect to each subsequent Album of the Leaving Member Recording Commitment, the Recording Fund shall be calculated in accordance with the provisions of paragraphs 7(c); provided that, "**net royalties credited to your royalty account hereunder**" as used in paragraph 7(c), shall mean net royalties credited to such Leaving Member's royalty account with respect to units of the particular Album of the Leaving Member Recording Commitment; the minimum Recording Fund applicable with respect to each subsequent Album of the Leaving Member Recording Commitment shall be the minimum Recording Fund for the immediately preceding Album of the Leaving Member Recording Commitment plus five percent (5%); and the maximum Recording Fund applicable to each such Album shall be two (2) times the minimum Recording Fund for such Album;

(v) Company's royalty obligation in respect of Recordings constituting the First Leaving Member Album shall be seventy-five percent (75%) of the otherwise applicable rate set forth in paragraph 9 of this agreement for Recordings constituting the Preceding Group Album. The royalty rates with respect to all subsequent Albums of the Leaving Member Recording Commitment shall be seventy-five percent (75%) of the royalty rates applicable to the comparable Committed Album hereunder (e.g., for the Second Leaving Member Album, the Basic U.S. Rate shall be seventy-five percent (75%) of the Basic U.S. Rate applicable to the Committed Album immediately following the Preceding Group Album, provided if such comparable Album would be subsequent to the final Album of the Recording Commitment under this agreement, the royalty rates for each subsequent Album of the Leaving Member Recording Commitment shall be seventy-five percent (75%) of the royalty rates applicable to such final Album);

(vi) Company shall only be entitled to recoup the Leaving Member Portion of the unrecouped balance of your royalty account hereunder as of the date of Company's Leaving Member

Notice from royalties otherwise payable under the Leaving Member Agreement concerned and the unrecouped balance of the royalty account under the Leaving Member Agreement concerned from the Leaving Member Portion of the royalties otherwise payable hereunder in respect of Recordings made prior to the date of Company's Leaving Member Notice. As used in the preceding sentence, the term "**Leaving Member Portion**" shall be calculated by multiplying the unrecouped balance concerned by a fraction, the numerator of which shall be one (1) (or, if more than one (1) Leaving Member is performing together, such number of Leaving Members as are performing together) and the denominator of which shall be the total number of royalty-earning members constituting Artist as of the date of Company's exercise of its option with respect to such Leaving Member; provided that, if as of such date Artist has disbanded, the numerator and denominator shall both be deemed to be one (1);

(vii) Recordings by a Leaving Member shall not be applied in diminution of the Recording Commitment or Delivery obligations described in paragraph 3; and

(viii) If there shall be more than one (1) Leaving Member for whom Company has exercised its option as provided in this paragraph 20(b) and two (2) or more of such Leaving Members shall, with Company's consent, elect to perform together as a duo or group, then (except as otherwise specifically set forth in paragraph 20(b)(vi)), Company shall have the right to treat such Leaving Members collectively as if they were one (1) Leaving Member for the purpose of this paragraph 20(b), including royalty rates, advances and other monies payable in respect of their joint Recordings pursuant to this paragraph 20(b).

(c) Notwithstanding anything to the contrary contained in this paragraph 20, if any Reunion Event occurs within five (5) years after Company terminates the Term with respect to any or all member(s) of Artist based on Company's receipt of a notice claiming, or Company's good faith determination that, Artist has disbanded, then: (A) you and each of the Reunion Members shall give Company prompt notice that such Reunion Event has occurred (the "**Reunion Notice**"), specifically referencing this paragraph 20(c); and (B) Company shall have the option, exercisable by notice to you within thirty (30) days after Company's receipt of the Reunion Notice, to require you to produce and Deliver within thirty (30) days of Company's notice Demos comprised of at least four (4) completed, fully-mixed and previously-unreleased Masters featuring the performances of the Reunion Members, which Demos shall be recorded in accordance with a budget approved by Company in writing. Company shall thereafter have the right to reinstate this agreement with respect to the Reunion Members by notice to you on or before the later to occur of ninety (90) days after Company's receipt of the Reunion Notice or thirty (30) days after Delivery of the above-described Demos. If this agreement is so reinstated, Company hereby nevertheless acknowledges and agrees that its subsequent leaving member rights pursuant to paragraph 20(b) with respect to each Reunion Member whose services Company had previously terminated shall be subject to any agreement then-currently in force relating to such Reunion Member's solo recording services which was executed by such Reunion Member during the period in which his or her services hereunder had been terminated.

(d) Company shall have the right, in its sole discretion, to rely on notice from you or any member of Artist that a Leaving Member Event or Reunion Event has occurred. In addition, your or any such member's failure or refusal to send any Leaving Member Notice or Reunion Notice shall not be deemed to limit Company's rights pursuant to this paragraph 20 if Company determines in its good faith judgment that a Leaving Member Event or Reunion Event, as applicable, has occurred. Company shall have no liability to you, Artist or any member thereof (including any Leaving Member or any Reunion Member) by reason of Company's acts or omissions based upon Company's receipt of any notice that a Leaving Member Event or Reunion Event has occurred or Company's good-faith determination that a Leaving Member Event or Reunion Event has occurred.

(e) . . . If you or any individual member of Artist wishes to record performances of any one (1) or more of the individual members comprising Artist, which such individual(s) remains a member of Artist and continues to perform his or her obligations hereunder, you and Artist shall give Company prompt notice thereof. Company shall thereafter have the irrevocable option to permit such member(s) of Artist to

record such Recordings, and if exercised, such Recordings shall be acquired upon all of the terms and conditions set forth herein; provided that, if Company exercises such option, the financial terms set forth in paragraph 20(b) shall be applied with respect to such Recordings [DRAFTING NOTE - EXCLUDE INAPPLICABLE PARAGRAPHS, E.G., VIDEO COMMITMENTS, ETC.] and all references in that paragraph to a Leaving Member shall be deemed to be references to such individuals. If Company shall decline to permit you to make any such Recordings, then you and Artist hereby warrant, represent and agree that such Recordings shall not be made.

21. **ARTWORK**

[DRAFTING NOTE - PARAGRAPH 21(a) - ATLANTIC/ELEKTRA]

(a) If: (i) Company manufactures Album packaging (including any inserts or other special elements or materials) for which the production costs (including production or origination costs, but excluding costs of separations) exceed Fifteen Thousand Dollars (\$15,000); (ii) Company manufactures tape inlay cards for any Album hereunder consisting of more than five (5) panels, printed in four (4) colors on one (1) side with the other side printed in one (1) color; or (iii) Company manufactures compact disc liner notes booklets consisting of more than eight (8) pages, printed in four (4) colors on the outside cover of the booklet with the remaining pages printed in one (1) color, you shall, upon demand, reimburse Company for such excess production or manufacturing costs ("**Excess Packaging Costs**"), or, in lieu of requesting reimbursement, Company may deduct Excess Packaging Costs from all monies payable under this agreement or any other agreement.

[DRAFTING NOTE - PARAGRAPH 21(a)-WARNER BROS.]

(a) (i) For the purposes of this agreement, the following definitions shall apply: (A) "**Album Packaging**" - the packaging for an Album in all formats (including any inserts or other special elements or materials); (B) "**Production Costs**" - all costs of production of Album Packaging and the components thereof including production of Artwork; (C) "**Development Level Albums**" - Albums that are Development Records, Mid-Price Records or Budget Records; (D) "**Premium Level Albums**" - Albums the PPD of which is at least one hundred fifty percent (150%) of the then-prevailing PPD of the majority (or plurality) of Company's or its Principal Licensee(s)' Top Line Records in such format and configuration; (E) "**Standard Level Albums**" - Albums other than Development Level Albums and Premium Level Albums; and (F) "**Excess Packaging Costs**" - costs in excess of the amounts applicable to the respective Album category as follows:

	<b>Development Level Albums</b>	<b>Standard Level Albums</b>	<b>Premium Level Albums</b>
Production Costs of Album Packaging	\$10,500	\$15,000	\$30,000
Inlay Cards	Costs of a four (4) color digipak with no inlay card	Costs of inlay card with four (4) colors on one (1) side and one (1) color on one (1) side	Costs of inlay card with four (4) colors on each side
CD Booklets	Costs of a four (4) color digipak with no booklet	Costs of an eight (8) page booklet with four (4) color outside cover and all other pages one (1) color	Costs of sixteen (16) page booklet with all pages four (4) color

(ii) You or Artist shall prepare or cause the preparation of the Artwork for Album Packaging and shall deliver production-ready copies thereof to Company not later than currently with

Delivery of the Masters associated with such Artwork.

(iii) If Company incurs Excess Packaging Costs, then you shall, upon demand, reimburse Company for the Excess Packaging Costs, or, in lieu of requesting reimbursement, Company may deduct Excess Packaging Costs from all monies otherwise payable under this agreement or any other agreement.

(iv) At any time after initial release of an Album, Company shall have the right to modify Album Packaging if: (A) the costs of using the original packaging on a continuing basis increase on a per-unit basis as a result of changes in size of fabrication runs or otherwise; or (B) the Album moves into a different category and the manufacturing costs associated with the original packaging exceed the Excess Packaging Costs for the newly-applicable category of such album.

(b) All Artwork for Album Packaging: (i) shall contain all such materials, information, logos, stickers and other items (including a "parental guidance" or similar legend in a form and location specified by Company) as Company then-currently customarily includes on its packaging for other Albums, with the placement of any such materials, information, logos, inserts, stickers and other items to be determined by Company in its sole discretion; and (ii) shall not, in Company's reasonable, good faith opinion, constitute an invasion of any Person's rights (including copyright infringement, libel or slander) or violate Company's standards of decency or any applicable rules, regulations, statutes or laws.

## 22. **DEFINITIONS**

For the purposes of this agreement, the following definitions shall apply: (a) "**Advance**" - a prepayment of royalties. Company may recoup Advances from royalties to be paid or accrued to or on behalf of you or Artist pursuant to this agreement or any other agreement. Advances paid under paragraph 7 shall not be returnable to Company except as otherwise specifically set forth in this agreement or in other circumstances in which Company is entitled to their return by reason of your failure to fulfill your obligations. Mechanical royalties shall not be chargeable in recoupment of any Advances except those Advances which are expressly recoupable from all monies payable under this agreement or any other agreement; (b) "**Album**" - a Record having no less than forty (40) minutes of playing time and which embodies at least eleven (11) Masters each containing a different Composition sold in a single package; (c) "**any other agreement**" - any other agreement with Company relating to Artist's Recordings or relating to Artist as a recording artist or as a producer of Recordings of Artist's own performances; (d) "**Artwork**" - all material embodied in, or supplied by you or Artist for use in, the packaging of Records (including any inserts or other special elements or materials), or created, commissioned or acquired by Company or supplied by you or Artist, for use in publicity, promotion or marketing or as part of Videos, EPKs, or any other Records, including all drawings, photographs, logos, calligraphy, images, paintings or other visual or audiovisual material; (e) "**Audio Record**" - a Record which embodies, reproduces, transmits or communicates primarily audio-only (as opposed to audiovisual) material, including any Master; (f) "**Audiovisual Record**" - a Record which embodies, reproduces, transmits or communicates primarily audiovisual (as opposed to audio-only) material, including any Video; (g) "**Books and Records**" - that portion of Company's books and records which specifically reports: (1) sales and other distributions of Records embodying Recordings hereunder; (2) Net Receipts and (3) Recording Costs and Video Production Costs incurred in connection with Recordings hereunder and any other sums specifically charged against royalties hereunder. Upon your written request in connection with any audit hereunder, Books and Records shall also include Company's standard summary inventory report for Phono Records reflecting the following information on a title-by-title basis and on a format-by-format basis: units manufactured, units shipped, returned units (both returns to inventory and defective returns), current inventory and any adjustments thereto (e.g., "shrinkage"); (h) "**Budget Record**" - (1) in the United States, a Record in a particular format which is sold by Company or through Company's distributors at a PPD which is less than sixty-six and two-thirds percent (66-2/3%) of the then-prevailing PPD for the majority (or plurality) of Company's Top Line Records in such format and (2) outside the United States, a Record in a particular format which is sold by Company, Company's Principal Licensees or their distributors at a PPD which is less than fifty percent (50%) of the applicable Principal Licensee's then-prevailing PPD for

the majority (or plurality) of such Principal Licensee's Top Line Records in such format; (i) "**Business Day**" - any day other than a Saturday, a Sunday, a day on which banks in New York City or Los Angeles are authorized or obligated by law to close or a day on which Company's headquarters is officially closed; (j) "**Club Operation**" - a business which is primarily engaged in the direct marketing to consumers on a membership basis of audio and audiovisual products in Phono Record form; (k) "**Compilation Record**" - a Record embodying Recordings hereunder together with other Recordings [DRAFTING NOTE - VARIATION - , but excluding motion picture soundtrack Albums which are released by record companies other than companies owned or controlled by Warner Music Group]; (l) "**Composition**" - a musical composition or medley consisting of words and/or music, or any dramatic material and bridging passages, whether in the form of instrumental and/or vocal music, prose or otherwise, irrespective of length; (m) "**Consumer Compilation**" - a Compilation Record embodying Recordings that are individually selected and/or sequenced by the consumer (via systems such as musicmaker.com, digital on-demand kiosks, the now-defunct "Personics" system and similar systems); (n) "**Delivery**," "**Deliver**" and "**Delivered**" - the actual receipt by Company of a completed, fully-edited, mixed and equalized two-track stereo tape, in the format customarily used by Company for the manufacture of Records at the time of Delivery (currently 2.0 DDP file set masters in Yellowbook CD-ROM, 8mm Exabyte or DVD-R for audio-only Records) for each format (e.g., compact disc and cassette) of each Master comprising the applicable Committed Album, which tapes shall in all respects be in the proper form for the production of the parts necessary for the manufacture or creation of Records, together with: (1) the Producer's Package; (2) [DRAFTING NOTE - LABEL CALL WHETHER TO ADD - all Artwork and] all required consents, approvals, licenses and permissions in respect of each such Master and Artwork; and (3) using Company's then-standard form therefor, a complete and accurate summary regarding all Samples embodied in each Master, and all consents, licenses and documentation in connection with such Samples. Your Delivery obligation shall include all union session reports and the delivery of a track-by-track list identifying the performers on and timings of (and titles, writers and publishers of each Composition embodied on) each Master (including any "hidden" Recordings on any Record) and shall describe such performers' performances. Each Master shall be subject to Company's approval as technically and commercially satisfactory, and shall not be deemed Delivered unless and until such approval is given. Without limiting the preceding sentence, no Master shall be deemed Delivered if, in Company's reasonable, good faith opinion, such Master or material embodied in such Master would constitute an invasion of any Person's rights (including copyright infringement, libel or slander) or would violate Company's standards of decency or any applicable rules, regulations, statutes or laws. Upon the request of Company, you shall cause Artist to re-record any Composition until a technically and commercially satisfactory Master shall have been obtained. Only Masters Delivered in full compliance with the provisions of this agreement shall be applied in fulfillment of the Recording Commitment and no payments shall be required to be made to you in connection with any Masters which are not in full compliance. Each Master shall be delivered to Company at \_\_\_\_\_ or such other place as Company may notify you. In addition, you shall maintain or cause to be maintained in Company's name all Recordings of Artist's performances made during the Term, including session tapes, alternate mixes and outtakes (but excluding Masters Delivered hereunder and the Producer's Package) in good condition at a location selected or approved by Company and Company shall own such Recordings as provided in paragraph 5 whether or not such Recordings are Delivered. [Notwithstanding the preceding sentence, Company may elect to send you notice of the date upon which Company has determined that Delivery has occurred. If Company sends you such a notice, and if you do not notify Company within five (5) Business Days of the date of such notice of any alternate date upon which you believe Delivery has occurred, Delivery shall be deemed to have occurred, solely for purposes of calculating the duration of the then-current Contract Period, on the date set forth in Company's such notice. The preceding two sentences shall not be construed to derogate from any of your Delivery obligations.] Any payments made by Company following the physical delivery of Masters herein but prior to Delivery shall not constitute a waiver of your Delivery obligations hereunder or of Company's right to approve Masters as technically and commercially satisfactory; (o) "**Demo**" - a so-called demonstration Recording; (p) "**Development Record**" - a Record which is sold by Company or its distributors or by Company's Principal Licensees or their distributors at a PPD which is below the then-prevailing PPD for the majority (or plurality) of Company's or its applicable Principal Licensee's Top Line Records in such format, which PPD is consistently applied by Company or its applicable Principal Licensee to developing Records or in some like-denominated sales category and which Records are sold by Company or its

applicable Principal Licensee(s) as developing Records or in some like-denominated sales category; (q) **"Electronic Transmissions"** - Records sold by Company or through Company's distributors in the United States or by Company, Company's Principal Licensees or their distributors outside the United States other than as Phono Records including via telephone, satellite, cable, point-of-sale manufacturing, transmission over wire or through the air, downloading and any other methods now or hereafter known; (r) **"EP"** - a Record embodying thereon between five (5) Masters and ten (10) Masters; provided that, if more than one (1) of such Masters contains the same Composition, such Record shall be deemed to be a Maxi-Single for the purposes of this agreement; (s) **"EU"** - Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom; (t) **"Gross Receipts"** - all monies actually received by Company in the United States which are directly and identifiably attributable to the exploitation of particular Recordings or Artwork hereunder. For the purposes of determining Gross Receipts, any royalties credited to Company's account but charged in recoupment of a prior advance made to Company and retained by the payor by reason of that charge shall be deemed paid to Company and received by Company when Company receives the accounting reflecting the credit and charge concerned. Notwithstanding anything to the contrary contained in this agreement, Gross Receipts shall not include advances or so-called "flat-fee" amounts received with respect to any so-called "blanket licenses" between Company and a licensee under which the licensee is granted access to all or a significant portion of Company's catalog of Recordings nor any profits received by Company, any Principal Licensee or their affiliates as a joint venturer in a Club Operation; (u) **"Gross Royalty Base"** - the PPD applicable to the Record concerned less Program Discounts; (v) **"Internet"** - the wide area cooperative network of university, corporate, government, private computer networks, Internet Service Providers (ISPs), ISP-like services and any successor, parallel or spin-off network of the foregoing and any current or future proprietary, private, subscription online networks or services communicating through Transmission Control Protocol/Internet Protocol (TCP/IP); (w) **"Joint Label Compilation"** - a Compilation Record with respect to which two (2) or more labels are profit participants, e.g., the "Totally Hits" or "Now" series; (x) **"Master"** - a Recording embodying a performance by all the members of Artist of one (1) Composition which consists of sound only and is used or useful in the recording, production, manufacture and/or exploitation of Records; (y) **"Maxi-Single"** - a Record embodying thereon four (4) Masters; (z) **"Mid-Price Record"** - (1) in the United States, a Record in a particular format which is sold by Company or through Company's distributors at a PPD which is at least sixty-six and two-thirds percent (66-2/3%) but not more than eighty percent (80%) of the then-prevailing PPD for the majority (or plurality) of Company's Top Line Records in such format and (2) outside the United States, a Record in a particular format which is sold by Company, Company's Principal Licensees or their distributors at a PPD which is at least fifty percent (50%) but not more than seventy-five percent (75%) of the applicable Principal Licensee's then-prevailing PPD for the majority (or plurality) of Company's Principal Licensee's Top Line Records in such format; (aa) **"Multiple Record Set"** - a Record consisting of two (2) or more Records packaged and/or marketed as a single unit; (bb) **"Net Receipts"** - Gross Receipts after deduction by Company of all direct expenses, third-party payments, taxes and adjustments related thereto. With respect to Videos, Net Receipts shall be determined after also deducting a marketing and distribution fee equal to: (1) twenty percent (20%) of the applicable Gross Receipts in respect of any broadcast, telecast, cablecast or other similar exploitation (excluding the sale of Audiovisual Records) within the United States if an affiliate of Company arranges for such exploitation; and (2) thirty-five percent (35%) of the applicable Gross Receipts in respect of any broadcast, telecast, cablecast or other similar exploitation (excluding the sale of Audiovisual Records) outside the United States if an affiliate of Company arranges for such exploitation; (cc) **"Net Sales"** - one hundred percent (100%) of Records sold by Company or through Company's distributors in the United States or by Company, Company's Principal Licensees or their distributors, as applicable, to independent third parties (including consumers), for which Company's distributor, Company's Principal Licensee or its distributor, as applicable, has been paid or credited, less Records returned for credit at any time for any reason, including at Company's request, and less all credits, cancellations, exchanges or other adjustments. Net Sales shall not include: (1) Records given away or sold at below the applicable PPD for promotional purposes to disc jockeys, reviewers, radio and television stations and networks, motion picture companies, music publishers, Company's employees, you, Artist or others or for use on transportation facilities; (2) Records sold as scrap, salvage, overstock or "cut-outs;" (3) Records sold below cost; and (4) Sampler Records; (dd) **"On-Demand Usages"** - licensed usages of Records other than Phono Records

as part of a service containing a functionality which permits a consumer to access a particular Recording or Recordings on a so-called "on-demand" basis including Subscription; (ee) "**Online Store Compilation**" - a Compilation Record embodying Recordings that are individually selected and/or sequenced by an online retail store (such as amazon.com, listen.com, towerrecords.com, CDnow.com, pressp/ay.com and similar stores);] (ff) "**Person**" - any natural person, legal entity or other organized group of persons or entities. All pronouns, whether personal or impersonal, which refer to Persons include natural persons and other Persons; (gg) "**Phono Record**" - a Record distributed in a physical Record format (e.g., vinyl LPs, cassettes and compact discs); hh) "**PPD**" - the published price to dealers utilized by Company or its distributors, as applicable, in the United States and by Company, Company's Principal Licensee or its distributors in each country outside the United States. Company's principal distributors in the United States and Company's Principal Licensee in Canada both currently refer to the published price to dealers as the "Base Price." For Premium Records the PPD shall be deemed to be the amount actually received by Company; (ii) "**Premium Record**" - a Record produced for use in promoting the sale of merchandise other than Records, and which bears the name of the sponsor for whom the Record is produced; Uj) "**Principal Licensee**" - Company's licensee for the majority (or plurality) of Records sold on behalf of Company in the territory concerned including Company's affiliates and non-affiliated Persons; (kk) "**Producer's Package**" - for each Master comprising the applicable Committed Album, Company's then-standard "producer's package" currently composed of each of the following elements: (1) "flat master" mix reels (i.e., two-track master mixes on 1/2" analog tape, 30 i.p.s., no noise reduction), recorded and compiled at the mixing studio (i.e., prior to mastering); (2) analog and/or digital multitracks (masters and slaves) with accompanying tone reels; (3) computer-based recording storage formats (e.g., ProTools session and audio data files, Exabyte reels, magneto-optical discs, CD-Rs, hard discs, etc.); (4) sample and automation discs; and (5) all existing documentation (e.g., console strips, outboard settings, session notes, etc.). In addition, for one (1) of the Masters comprising the applicable Committed Album (such Master to be designated by Company), one (1) set of remixes (comprised of a radio mix, a TV mix, an instrumental mix and an a cappella mix with timecode, unless Company notifies you otherwise). At Company's request, a mix of the Record comprising the applicable Committed Album in the 5.1 surround sound mode;] (11) "**Program Discounts**" - discounts given by way of price breaks or so-called "free goods" to "one-stops," rack jobbers, distributors or dealers, whether or not affiliated with Company, which are not Standard Discounts; (mm) "**Proportionate Deductions**" - proportionate amounts of: (1) any sums deducted by a licensee from its payments to Company pursuant to any law, any government ruling, or any other restriction affecting the amount of the payments which a licensee can remit to Company; and (2) any taxes deducted by a licensee from its payments to Company; (nn) "**Publishing Net Sales**" - Net Sales less the "free goods" unit equivalent of 100% of Standard Discounts and 100% of Program Discounts included within such Net Sales; (oo) "**Record**" - any form of reproduction, distribution, transmission or communication of Recordings (whether or not in physical form) now or hereafter known (including reproductions of sound alone or together with visual images) which is manufactured, distributed, transmitted or communicated primarily for personal use, home use, institutional (e.g., library or school) use, jukebox use, or use in means of transportation, including any computer-assisted media (e.g., CD-ROM, DVD Audio, CD Extra, Enhanced CD) or use as a so-called "ring tone"; (pp) "**Recording**" - any recording of sound, whether or not coupled with a visual image, by any method and on any substance or material, whether now or hereafter known, which is used or useful in the recording, production and/or manufacture of Records or for any other exploitation of sound; (qq) "**Recording Costs**" - wages, fees, advances and payments of any nature to or in respect of all musicians, vocalists, conductors, arrangers, orchestrators, engineers, producers, copyists, etc.; payments to a trustee or fund based on wages to the extent required by any agreement between Company and any labor organization or trustee; union session scale payable to Artist; all studio, tape, editing, mixing, re-mixing, mastering and engineering costs; artist development costs including physical training, vocal conditioning, cosmetic enhancement and other similar costs, authoring costs; all costs of travel, per diems, rehearsal halls, non-studio facilities and equipment, dubdown, rental and transportation of instruments; all costs occasioned by the cancellation of any scheduled recording session; all amounts paid in connection with the production, conversion, authoring, mastering and delivery of audiovisual materials prepared for or embodied on Audio Records or Value-Added Records; all expenses of clearing and licensing any Samples embodied on Recordings hereunder; and all other costs and expenses incurred in the production, but not the manufacture, of Recordings and Records hereunder or otherwise

made in connection with Artist, which are then customarily recognized as recording costs in the recording industry. If Company furnishes any of its own facilities, materials, services or equipment for which Company has a standard rate, the amount of such standard rate (or if there is no standard rate, the market value for the services or thing furnished) shall be deemed Recording Costs. Payments to the American Federation of Musicians' Special Payments Fund and the Music Performance Trust Fund based upon Record sales (so-called "per-record royalties") shall not constitute a Recording Cost and shall not be recoupable from your royalties or reimbursable by you; (rr) "**Royalty Base Price**" - the Gross Royalty Base applicable to the Record concerned, less excise taxes, duties and other applicable taxes included within the Gross Royalty Base and less Proportionate Deductions, if any; (ss) "**Sample**" - any copyrightable work which is owned or controlled by any Person other than you, embodied on a Recording hereunder, but not Artist's newly-recorded performance hereunder of an entire Composition previously recorded by other recording artist(s) and theretofore released; (tt) "**Sampler Records**" - promotional Records on which Recordings hereunder and other Recordings are included, which such Records are given away or sold at a substantially lower PPD than the then-prevailing PPD for the majority (or plurality) of Company's Top Line Records in such format; (uu) "**Single**" - a Record embodying thereon three (3) or fewer Masters; (w) "**Staff Producer**" - a producer who is an employee of Company or any affiliate of Company; (ww) "**Standard Discounts**" - discounts reflected in the PPD - which for the purposes of Publishing Net Sales shall not exceed 15% for Albums sold in Phono Record form in the United States and 23.08% for Singles and Maxi-Singles sold in Phono Record form in the United States]; (xx) "**Subscription**" - transmission of Records other than Phono Records to consumers, either by Company or through its distributors, its Principal Licensees or their distributors or another Person, in return for a subscription or other fee paid by the consumer to obtain access to such Recordings for a limited period of time and/or a limited number of uses or any other method of exploitation commonly recognized as a subscription service; (yy) "**Territory**" - the universe; (zz) "**Top Line Record**" - a Record bearing the same PPD as the majority (or plurality) of the new Record releases in the same format and configuration by Company's best-selling artists; (aaa) "**USNRC Net Sales**" - Net Sales of Top Line Records consisting entirely of Recordings hereunder through normal retail channels in the United States; (bbb) "**Value-Added Record**" - a Multiple Record Set which is sold by Company or its distributors or Company's Principal Licensees or their distributors at a PPD which is no more than one hundred twenty percent (120%) of Company's or the applicable Principal Licensee's then-prevailing PPD for one (1) of the Records comprising such Multiple Record Set; (ccc) "**Video**" - a Recording embodying an audiovisual work primarily featuring the audio soundtrack of one (1) or more Masters hereunder; and (ddd) "**Video Production Costs**" - all amounts paid or incurred in connection with the production, conversion and delivery of Videos. Video Production Costs include flat-fee payments to the publishers of musical works, unreimbursed costs and expenses incurred in the duplication and delivery of copies of Videos to licensees, and all direct out-of-pocket costs (such as for rights, artists including Artist, producers and other personnel, travel, per-diems, facilities, materials, services and use of equipment). If Company furnishes any of its own facilities, materials, services or equipment for which Company has a standard rate, the amount of such standard rate (or if there is no standard rate, the market value for the services or thing furnished) shall be deemed Video Production Costs.

### 23. **MISCELLANEOUS**

(a) This agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes and cancels any and all previous and contemporaneous discussions, negotiations, covenants, agreements, commitments, representations, warranties and writings of any kind with respect thereto, all of which have been and are merged and integrated into, and are superseded by, this agreement. No modification, amendment, waiver, termination or discharge of this agreement shall be binding upon Company unless confirmed by a written instrument signed by an authorized officer of Company, or binding upon you unless confirmed by a written instrument signed by you or your representative. A waiver by either you or Company of any term or condition of this agreement in any instance shall not be deemed or construed as a waiver of such term or condition for the future or of any subsequent breach thereof. Except as otherwise specifically set forth in this agreement, all rights, options and remedies in this agreement shall be cumulative and none of them shall be in limitation of any other remedy, option or right available to Company or to you. Each and every provision of this agreement



shall be considered severable, and if for any reason any provision or provisions herein are determined to be indefinite, invalid, contrary to any applicable existing or future laws or otherwise unenforceable, that shall not impair the operation or effect of any other portion of this agreement, and this agreement shall be deemed modified, but only to the extent necessary to make the provision enforceable. The headings of the paragraphs hereof are for convenience only and shall not be deemed to in any way affect the scope, meaning or intent of this agreement or any portion thereof. The term "include," "including" or "e.g." wherever used in this agreement shall mean "include without limitation" or "including without limitation" unless expressly otherwise indicated. All accountings and payments required herein, all recoupments permitted herein, and all grants and all warranties made herein, shall survive and continue beyond the expiration or earlier termination of this agreement. You shall not be entitled to recover damages or to terminate the Term by reason of any breach by Company of its material obligations, nor shall Company otherwise be deemed in default or breach of this agreement by reason of any such breach, unless Company is given notice thereof and same is not cured within thirty (30) days after receipt of such notice. You shall not be deemed to be in default or breach of this agreement unless you are given notice thereof and same is not cured within thirty (30) days after such notice; provided that, the foregoing shall not be applicable to any breach, alleged breach or threatened breach of the exclusivity provisions of this agreement, to your or Artist's failure to timely Deliver any Masters required to be Delivered hereunder, to the provisions of paragraph 15(a)(viii) of this agreement, or to any breach, alleged breach or threatened breach for which a cure period is already provided in this agreement. If you claim that additional monies are payable to you hereunder, Company shall not be deemed in material breach of this agreement unless such claim is reduced to a final judgment by a court of competent jurisdiction. In entering into this agreement, and in providing services pursuant hereto, you and Artist have and shall have the status of independent contractors. Nothing herein contained shall contemplate or constitute you or Artist as Company's agents or employees, and nothing herein shall constitute a partnership, joint venture or fiduciary relationship between you and Company. The parties hereto acknowledge and agree that: (i) each party and its counsel reviewed and negotiated the terms and provisions of this agreement and have contributed to its revision; (ii) the rule of construction that any ambiguities are resolved against the drafting party shall not be employed in the interpretation of this agreement; and (iii) the terms and provisions of this agreement shall be construed fairly as to all parties, regardless of which party was generally responsible for the preparation of this agreement.

(b) You and Artist recognize and acknowledge that the sale of Records is speculative and agree that the judgment of Company (and its affiliates, licensees and distributors) in regard to any matter affecting the sale, marketing, promotion, distribution and exploitation of such Records shall be binding and conclusive upon you and Artist. Without limiting the preceding sentence, you and Artist recognize and acknowledge that Company has not made, and does not hereby make, any representation or warranty with respect to the quantity (if any) of sales of Records embodying Masters. You warrant, represent and agree that neither you nor Artist shall make any claim, nor shall any liability be imposed upon Company or Company's affiliates, licensees or distributors based upon any claim, that more sales could have been made or better business could have been done than was actually made or done by Company or Company's affiliates, licensees or distributors.

(c) Company shall have the right to secure insurance with respect to Artist for Company's own benefit. In this connection, you shall cause Artist to be available for physical examinations by a physician as and when reasonably requested to do so and to complete such questionnaires and other documents which Company or any insurance carrier may from time to time require in connection with securing and maintaining such insurance. Company shall keep such information confidential, except that Company may disclose such information to the applicable insurance carrier(s) or as required by law. Neither you, Artist nor Artist's estate shall have any right to claim the benefit of any such policy obtained by Company.

(d) Company may assign this agreement to: (i) any parent, subsidiary, sister corporation, joint venture partner or affiliate thereof, or other affiliate of Company; (ii) a Person acquiring all or substantially all of the Record-related assets of Company; or (iii) an entity merged into or consolidated with Company. The foregoing shall not prohibit or in any way restrict Company from assigning or

licensing any of its rights hereunder in the ordinary course of business. This agreement is personal to you and Artist, and neither you nor Artist shall have the right to assign this agreement or any of your or Artist's rights or obligations hereunder; provided that, you may assign your rights under this agreement to a corporation, all of whose capital stock is owned solely by you or Artist, provided: (A) you have delivered to Company an instrument signed by you and Artist and any other required Person satisfactory to Company in its sole discretion effecting the assignment and the assignee's assumption of your obligations, and Company has executed that instrument to evidence Company's approval of it; (B) no such assignment relieves you or Artist of your or Artist's obligations under this agreement; and (C) such assignee agrees that any further assignment is subject to the same conditions as set forth in this paragraph.

(e) **THIS AGREEMENT SHALL BE DEEMED TO HAVE BEEN MADE IN THE STATE OF [NEW YORK] [CALIFORNIA] AND ITS VALIDITY, CONSTRUCTION, PERFORMANCE AND BREACH SHALL BE GOVERNED BY THE LAWS OF THE STATE OF [NEW YORK] [CALIFORNIA] APPLICABLE TO AGREEMENTS MADE AND TO BE WHOLLY PERFORMED THEREIN.** You agree to submit yourself to the jurisdiction of the federal or state courts located in [New York City] [Los Angeles County] in any action which may arise out of this agreement and such courts shall have exclusive jurisdiction over all disputes between Company and you or Artist pertaining to this agreement and all matters related thereto. In this regard, any process in any action or proceeding commenced in the courts of the State of [New York] [California] arising out of any claim, dispute or disagreement under this agreement may, among other methods, be served upon you by delivering or mailing the same, via registered or certified mail, addressed to you at the address provided herein for notices to you; any such delivery or mail service shall be deemed to have the same force and effect as personal service within the State of [New York] [California]. Nothing contained in this paragraph shall preclude Company from joining you or Artist in an action brought by another Person against Company in any jurisdiction, although Company's failure to join you or Artist in any such action in one instance shall not constitute a waiver of any of Company's rights with respect thereto or with respect to any subsequent action brought by a third party against Company. Nothing contained herein shall constitute a waiver of any other remedies available to Company.

(f) This agreement shall not become effective until executed by all parties.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

**[NAME OF RECORD COMPANY]**

By: \_\_\_\_\_

[DRAFTING NOTE -ADD THIS SIGNATURE LINE IF FURNISHING DEAL]

[NAME OF PRODUCTIONS]

By:.....

[ARTIST]

By:.....

Social Security #: \_\_\_\_\_

**By** :-----

Social Security #: \_\_\_\_\_

**By** :-----

Social Security #: \_\_\_\_\_

**By**-----  
Social Security #: \_\_\_\_\_

p/k/a "Name of Artist"

## **COMPOSITE RIGHTS AGREEMENT**

The following shall constitute an agreement ("Agreement") dated the 20th day of November, 2022 between \_\_\_\_\_ (herein "Company") and the members of the recording and performing group professionally known as \_\_\_\_\_ consisting of \_\_\_\_\_ (herein individually and collectively "Artist") with respect to Artist exclusively rendering Artist's entertainment services ("Entertainment Services") for Company, during the term ("Term") of this Agreement.

1. **ENGAGEMENT:** Company hereby engages Artist to render such exclusive Entertainment Services and Artist hereby accepts such engagement and agrees to render such services exclusively in the Territory (as hereinafter defined), to Company during the Term of this Agreement

2. **TERM AND OPTIONS:** The exclusive term hereof shall commence as of the date hereof and shall continue for (a) a period of five (5) years from the date hereof; or (b) the entire duration of a Recording Contract or Distribution Agreement with respect to Artist's exclusive recording services (the "Recording Agreement") negotiated by Company or its designee, as same may be extended or renewed, whichever period shall be greater (the "Term").

3. **SERVICES:** Company is hereby engaged to provide various services within the furtherance of Artist's career in the music industry as set forth in this Agreement.

### **MANAGEMENT SERVICES**

4. **MANAGEMENT SERVICES:** Company agrees during the term of this Agreement to advise, counsel and assist Artist in connection with all matters relating to Artist's career in all branches of the entertainment industry. Company shall be required only to render reasonable services in furtherance of this Agreement as and when reasonably requested by Artist. Company shall not be required to travel or meet with Artist at any particular place or places, except in Company's discretion and following arrangements for cost and expenses of such travel, such arrangements to be mutually agreed upon by Artist and Company. Company's management services shall include without limitation the following

- a) decisions concerning Artist's professional activities and career in the entertainment, amusement, music, recording and literary fields;
- b) with respect to the adoption of the proper format for presentation of Artist's talents and in the determination of proper style, mood and setting in keeping with Artist's talents and best interest;
- c) with respect to general practices in the entertainment, amusement, music, recordings and literary fields, and with respect to compensation and terms of contracts related thereto;
- d) with respect to matters pertaining to publicity, promotion, public relations and advertising;

e) with respect to matters pertaining to such matters as Company may have knowledge concerning compensation and privileges extended for similar artistic values such as songwriting, merchandise, endorsements, etc.;

f) with respect to agreements, documents and contracts for Artist's services, talents, and/or artistic literary and musical materials, or otherwise; and

g) with respect to the selection, supervision and coordination of those persons, firms and corporations who may counsel, advise, procure employment, or otherwise render services to or on behalf of Artist, such as accountants, attorneys, business managers, publicists and talent agents.

h) Company may, on Artist's behalf, do the following:

i) approve and permit any and all publicity and advertising;

ii) approve and permit the use of Artist's name, photograph, likeness, voice, sound effect, caricature, literary, artistic and musical materials for purposes of advertising and publicity and in the promotion and advertising of any and all products and services;

iii) execute for Artist on Artist's behalf any and all agreements, documents, and contracts for Artist's services, talents and/or artistic, literary and musical materials, provided Artist are unavailable to do the same on Artist's behalf, Artist has been apprised of the material terms thereof and Artist has granted Company the authority to execute such agreements in each specific instance; however, Artist shall execute all major contracts in the areas of recording, publishing and merchandising; and

iv) collect and receive sums as well as endorse Artist's name to all checks payable to Artist for Artist's services and deposit these checks in Artist's bank accounts.

v) In consideration for the services rendered by Company hereunder, Company shall receive compensation ("Commission") of twenty percent (20%) of Artist's Gross Receipts (as hereinafter defined),

### **BOOKING SERVICES**

5. **BOOKING SERVICES:** Artist hereby agrees to retain Company and Company hereby accepts employment as Artist's exclusive booking agent with respect to the Artist's personal appearances as a musical and vocal performing group and such other services as the Company and the Artist may from time to time agree upon (the "Services").

a) **Duties of the Company.** Company agrees to use reasonable efforts in the performance of the following duties:

b) Assist the Artist in obtaining, obtain offers of, and negotiate, appearances and musical performing engagements for the Artist; advise, aid, counsel and guide the Artist with respect to the Artist's employment in connection with appearances and musical engagements; promote and publicize the Artist's name and talents; carry on business correspondence on the Artist's behalf relating to the Artist's personal appearances and

musical engagements; cooperate with duly constituted and authorized representatives of the Artist in the performance of such duties.

c) Company will arrange and confirm travel arrangements, hotel accommodations, manage scheduling of appearances and musical performing engagements, provide detailed travel itineraries, handle all contact with customers and provide assistance in the form of critique and evaluation with respect to the Artist's appearances and musical performing engagements.

d) Company will not accept any engagements for the Artist without the Artist's prior approval which shall not be unreasonably withheld.

e) Company shall fully comply with all applicable laws rules and regulations of governmental authorities and secure such licenses as may be required for the performance of services hereunder.

f) Company shall use its best efforts to insure that Artist or Artist's designee shall have the sole and exclusive control over the production, presentation and performance of all engagements hereunder, including , but not limited to, the details, means and methods of the performances, including the selection and programming of any music performed by Artist.

g) In consideration for the Booking Services rendered by Company hereunder, Artist shall pay compensation ("Commission") to Company as specified in paragraph 19 d) hereof.

### **RECORDING SERVICES**

**6. RECORDING REQUIREMENTS:** During each year of the Term hereof ("Contract Year"), as same may be extended, Artist agrees to record at Company's election, sufficient Masters to comprise a minimum of one (1) long-playing phonograph record album ("Album") per Contract Year, embodying Compositions not heretofore recorded by Artist, in a Company approved recording studio, at times to be mutually agreed upon. Each Album required to be delivered during a Contract Year shall be delivered to Company within three (3) months following Company's request. In the event that the number of Masters recorded hereunder during any Contract Year of this Agreement shall exceed the minimum number of Masters to be recorded, Company shall have the option to apply such excess to reduce the number of Masters required to be recorded during the succeeding Contract Years(s) hereunder. Company shall have the right and opportunity to have a representative attend each recording session and each recording recorded hereunder ("Master(s)") shall be subject to Company's approval as technically satisfactory for the manufacture and sale of Records. Notwithstanding the foregoing, Artist shall deliver Masters not inconsistent with the style and manner of the Masters previously recorded by Artist. All Masters shall be produced by producers approved by Company. Each Album shall be comprised of no less than ten (10) or more than seventeen (17) Masters. Upon Company's request, Artist shall re-record any Composition recorded hereunder until a recording, which in Company's sole judgment is technically satisfactory for the manufacture and sale of Records shall have been obtained. Should Artist fail to appear at any recording session of which Artist has been given written notice, for any reason, unless Artist gives forty-eight (48) hours notice to Company of an inability to appear as scheduled, Company shall have the right to recoup

any of its out-of-pocket expenses in respect of such session from Artist's Royalties if and when earned. It is contemplated that as of the execution of this Agreement, additional recording is necessary to complete the Masters for the Album recorded under the Initial Term. Company agrees to pay all Recording Costs necessary for the completion of the recording, mixing and mastering of the Masters for the Album. Prior to beginning the recording process for the completion of the Masters, the parties will mutually agree upon the budget for completion. Company, in its sole discretion, agrees to pay Artist a per diem, on a 7 day weekly basis, during the recording procedure. Company shall also cover reasonable costs associated with standard nightly hotel rates, but not including extra services, in the event that the recording studio is more than 100 miles outside of the Artist's primary residence.

#### **7. RECORD PRODUCTION AND EXPENSES:**

a) No recording sessions shall be commenced hereunder nor shall any commitments be made or Recording Costs incurred in connection therewith unless and until Artist shall submit a proposed budget for the Masters in writing and approved by Company. Company shall have final decision on all money to be spent on all recording costs ("Recording Costs"). Company shall pay the Recording Costs of the Masters recorded at recording sessions conducted pursuant to this Agreement in any amount not in excess of the recording budget.

b) All Recording Costs paid or payable by Company under this Agreement shall be an Expense as defined in this Agreement. Recording Costs incurred by Company in respect of Masters in excess of the recording budget theretofore approved by Company, shall be an Advance as defined in this Agreement. Artist shall not incur any Recording Costs, not previously approved by Company in the Recording Budget ("Unauthorized Expense"), without Company's written approval, and Artist failure to act accordingly shall be deemed a material breach of this Agreement and Artist shall be personally responsible for such expense to any third party. If Company chooses to pay for such Unauthorized Expense then the Unauthorized Expense shall be treated as an Advance.

c). Artist represents it will cooperate with publicity and promotional efforts of the Company to support sales of the record by appearing from time to time as requested by Company. If travel is required 100 miles outside of the artist's place of residence, then Company shall pay for the costs of transportation and such costs shall be considered Expenses under this Agreement, such costs shall be payable within three (3) days following presentment of such fuel and transportation costs provided however in the event that Artist is required to travel by airplane, Company shall prepay such travel and lodging for the entire length of such promotional effort.

**8. ARTWORK:** Company shall be the owner of the copyright in all artwork created for and incorporated into packaging of Artist's Records ("Artwork") released pursuant to this Agreement. All costs of preparation of such artwork or paid by Company for preparation and rights to Artwork shall be an Expense as set forth in this Agreement. Company agrees to consult with Artist in connection with the preparation of the Artwork. Artist shall have approval over the Artwork. However, in the event of a dispute, the decision of Company shall control.

**9. MASTER RIGHTS:** All songs recorded and/or submitted during the Term shall be together with the performances embodied therein, shall, from the inception of their

creation, be entirely the property of Company in perpetuity, throughout the Territory, free of any claim whatsoever by Artist or by any persons deriving any rights or interests from Artist. For the purposes hereof, all such Master recordings shall be works made for hire under the United States Copyright Law. In the event such works are deemed not to be works made for hire, then pursuant to this Agreement you hereby transfer Artist's rights to the copyrights in the Masters to Company. Artist agrees to execute any documents to fulfill the transfer of copyright to the Masters upon request by Company. Company shall have the right to secure registration of the sound recording copyright in and to the Masters in Company's name as the owner and author thereof and to secure any and all renewals of such copyright. Nevertheless, Artist shall, upon Company's request, execute and deliver to Company any assignments of copyright (including renewals and extensions thereof) in and to such Master recordings as Company may deem necessary. Company (and its Licensees) shall have the sole and exclusive right to use the Masters throughout the Territory or any part thereof in any manner it sees fit, including, without limitation, the sole and exclusive right in perpetuity and throughout the Territory:

a) To manufacture, advertise, sell, distribute, lease, license, or otherwise use or dispose of the Masters and Records embodying the songs, in any or all fields of use, including Digital Transmissions, by any method now or hereafter known, upon such terms and conditions as Company may elect or, in its sole discretion, refrain therefrom;

b) To use and publish the names (including all professional, group, and assumed or fictitious names), photographs and biographical material of Artist, in connection with the promotion, exploitation and sale of Records; and

c) To release derivatives of any one or more of the Masters on any medium or device now or hereafter known, under any name, trademark or label which Company and its Licensees may from time to time elect.

**10. VIDEO RIGHTS:** During the term hereof, Company shall have the exclusive worldwide right to manufacture and distribute audiovisual programs ("Videos") for commercial and/or promotional purposes including any commercial sale or other exploitation of so-called "long form" Videos or authorize others to do so. All recording and production costs directly or indirectly incurred in connection with the creation of Videos shall be considered Expenses.

**11. DISTRIBUTION:**

a) Distribution Agreement: Company shall use its best efforts to secure retail distribution for the Album released under the Initial Period by an independent distributor capable of national distribution no later than six (6) months after Delivery of the Masters by Artist. In the event Company enters into a distribution agreement with any Distributor of Records, and in any event this Agreement is in conflict with the Agreement between Company and Distributor for the distribution of Artist's Records, the Distribution Agreement terms shall control only as to those terms inconsistent and in conflict with the terms of this Agreement. However in no event shall the term of a Distribution Agreement affect Artist's Record Royalty Basic Rate.

b) Release Commitment: Company shall release in the United States, any Album recorded under this Agreement within nine (9) months after delivery ("Delivery") of the



respective Album via normal retail channels in the United States in configuration of a compact disc through a National Distributor.

c) Artist may purchase from Company Records for sale at its live performances at Company's best wholesale price based for sales on like quantities. Gross Receipts paid by Artist to Company for these units will be used in the calculation of determining shall be used by Company for reimbursement of Expenses; they will not, however, be royalty-bearing units under this Agreement. Artist shall be restricted from selling Records purchased from Company for direct person to person sale and shall not be offered for sale by Artist through Artist's website or any other distribution network.

**12. SIDE ARTIST:** Artist shall not be prohibited from performing as a so-called "side artist" for third parties. In connection with any such recording for anyone other than Company, the following conditions shall apply:

a) Artist's name and likeness shall not appear on the front cover of any such recording;

b) On any liner or inserts, Artist's name shall not appear in larger size type than any other side artist;

c) The members of the Artist may not create, form, or be apart of any other group with the same members without consent of the Company. More than one member is permitted to appear as a side artist on the same recording, but this activity must not interfere with this agreement or the Artist's obligations to the Company.

d) Artist shall not render a solo performance without the prior consent of Company, and Company shall receive a courtesy credit which states that Artist appears courtesy of Company.

**13. GROUP ARTIST & LEAVING MEMBER:**

a) The Artist's obligations under this Agreement are joint and several. All references to "Artist" include all members of the group collectively and each member individually, unless otherwise specified herein.

b) If any member of Artist ceases to perform as a member of the group ("Leaving Member"), Artist shall promptly give Company written notice of such occurrence (the "Leaving Member Notice"). If the group disbands, each member of the group shall be deemed a Leaving Member.

c) None of the individuals herein named as Artist ("Present Members") or any who may hereafter become substituted therefore ("Substitute Members") shall, during the Term of this Agreement record for anyone other than Company, individually or as part of any other group, except performing as a side artist pursuant to the terms set forth in this Agreement. Each of the Present Members and Substitute Members agree that, without limiting any of Company's other rights and/or remedies, if there is a Leaving Member during the term hereof.

d) Company shall have the right to terminate the Term of this Agreement with respect to the remaining members of Artist by notice given to Artist at any time before the expiration of ninety (90) days after Company's receipt of the Leaving member Notice. In

the event of such termination, all of the members of Artist shall be deemed Leaving Members as of the date of Company's notice to Artist and the terms of this paragraph shall then apply to any or all of such members.

e) If Company does not terminate the term of this Agreement with respect to the remaining members, the Royalties or other compensations otherwise payable pursuant to the terms of this Agreement with respect to such remaining members shall remain the same.

f) Artist grants to Company an irrevocable option to engage the exclusive services of a Leaving Member as a recording artist. Said option, with respect to such individual, may be exercised by Company by giving Artist notice at any time before the expiration of ninety (90) days after Company's receipt of the Leaving member Notice (or, if later, the date of the delivery to Company of the demo tape or the occurrence of the live audition, if applicable). In the event of Company's exercise of such option, Artist and such Leaving Member shall be deemed to have entered into an agreement with Company upon all the terms and conditions of this Agreement except that Company shall have the right to exercise the same number of options to extend the terms of this Agreement for the Leaving Member as such options are available to Company for Artist; and all Royalties and compensations payable hereunder to Leaving Member shall be equal to those Company is obligated to pay Artist.

g) A Leaving Member shall not, without Company's consent, use the professional name of the group in any commercial artistic endeavor; said professional name shall remain the property of the group who continue to perform their obligations hereunder and whose engagements are not terminated.

**14. MECHANICAL LICENSE:** All musical compositions or material recorded pursuant to this Agreement, which are written or composed, in whole or in part, or owned or controlled directly or indirectly by Artist or any producer of Masters subject thereto (herein "Controlled Compositions") appearing on the Masters and released on Records hereunder, shall be and are hereby perpetually licensed to Company for the Territory for Controlled Compositions appearing on Records released by Company. All Royalty payments for mechanical licenses for Records distributed and sold by Company shall be part of Artist's Royalty payment set forth herein. With respect to Records sold in the United States, the following shall apply: three-fourths ( $\frac{3}{4}$ ) of the minimum statutory mechanical copyright royalty rate (regardless of playing time) in effect on the date hereof (the "U.S. Per Selection Rate"); and with respect to Records sold in Canada, three-fourths ( $\frac{3}{4}$ ) of the sum generally regarded therein as the equivalent of the minimum statutory mechanical copyright royalty rate (regardless of playing time) on such date (the "Canadian Per Selection Rate"). Notwithstanding the foregoing, the maximum aggregate mechanical copyright royalty rate payable by Company regardless of playing time in respect of any seven-inch single containing the Controlled Composition shall not exceed the U.S. Per Selection Rate or the Canadian Per Selection Rate, as may be applicable, or in respect of any twelve-inch single containing the Controlled Composition shall not exceed two (2) times the U.S. Per Selection Rate or the Canadian Per Selection Rate, as may be applicable, or in respect of any so-called "double pack" twelve-inch single containing the Controlled Composition, shall not exceed three (3) times the U. S. Per Selection Rate or the Canadian Per Selection Rate, as may be applicable, or in respect of any EP containing the Controlled Composition shall not exceed three (3) times the U.S. Per Selection Rate or the Canadian Per Selection Rate,

as may be applicable, or in respect of any Album containing the Controlled Composition shall not exceed ten (10) times the U.S. Per Selection Rate or the Canadian Per Selection Rate, as may be applicable. If the actual aggregate mechanical copyright royalty rate which Company shall be required to pay in respect of the Controlled Composition shall exceed the U.S. Per Selection Rate or the Canadian Per Selection Rate and/or the applicable maximum aggregate mechanical copyright royalty rates forth in the preceding sentence for such record formats then, in addition to all of Company's other rights or remedies in such event, Company may deduct an amount equal to the additional payments required to be made by Company as a result thereof from any monies payable to Artist under this Agreement. Artist understands company shall not calculate or pay Artist a separate mechanical Royalty for sales of Records unless such payment is made and received by a third party licensor, distributor, record label, etc. However, notwithstanding the foregoing, Company shall be responsible for paying any mechanical royalties owed to third parties for a composition ("Composition"), including co-authors of co-written Controlled Compositions, and such mechanical royalty payment shall be considered an Expense. Artist agrees not to record any Controlled Composition or Composition recorded and delivered to Company hereunder for five (5) years subsequent to the date of release by Company the respective Album for which the recording was made regardless of whether it appears on the Album.

## **CONTROLLED COMPOSITION LICENSING AGREEMENT**

### **15. GRANT OF PUBLISHING RIGHTS:**

Artist hereby assigns to Company or its publishing designee One Hundred percent (100%) of Artist's right, title and interest in the copyright in and to the Controlled Compositions or, if copyrightable, any adaptation or arrangement of public domain material which is written in whole or in part, or owned or controlled, directly or indirectly, by Artist or by any person, firm or corporation associated or affiliated with Artist. The aforesaid assignment shall be worldwide and shall be for the term of copyright and any and all renewals, modifications, and extensions thereof. Artist shall execute a Songwriter's Agreement in the form annexed hereto as Exhibit "A" and made a part hereof.

## **MERCHANDISE**

**16. MERCHANDISE RIGHTS AND SERVICES :** Artist grants Company, throughout the World, the non-exclusive right during the Term hereof, to exploit and reproduce and authorize others to exploit and reproduce Artist's individual names (both professional and legal and whether presently or hereafter used by you) image, likeness and other identification and biographical material concerning you and any trade name, trademark or service mark used by the individual members of Artist (collectively, "Name and Likeness") in any manner and in any medium, now known or unknown ("Merchandising Rights"), including, without limitation, in connection with the manufacture, distribution or sale of reproductions of Artist's Name and Likeness on any and all products such as, but not limited to, t-shirts, posters, buttons and pins or in connection with any services ("Articles") in addition to Records and other exploitations of the Masters, or Company may, in its discretion, refrain from any of the foregoing. Any license or other agreement entered into by Company during the Term hereof for the exploitation of the Merchandising Rights shall be effective for the duration of that license or agreement, whether ending before or after the end of the Term hereof. Notwithstanding the

foregoing, other than any Artwork created paid for and owned by Company, Company shall be restricted to using only two previously approved photographs of Artist per each Album released hereunder, for incorporation into merchandise that is commercially exploited by Company. Nothing herein shall restrict Company from incorporating additional likenesses previously approved by Artist on merchandise or marketing materials that are not offered for sale. In respect to any Merchandise design created and sold during the Term containing the Artwork, Company shall have the non-exclusive right thereafter to continue to manufacture and sell Merchandise incorporating the Artwork.

### **LIVE PERFORMANCES**

**17. LIVE PERFORMANCE INCOME:** Company agrees that during the Term of this Agreement, Company shall provide tour deficit support ("Tour Deficit Support") to Artist for all live performances, including a tour. Company shall have the right to collect Gross Receipts paid to Artist for those live performances or appearances that Company provided such Tour Deficit Support. For purposes of this Agreement, Tour Deficit Support shall mean the payment of all Company approved travel, lodging and per diem expenses to be incurred by Artist to travel to and from the live performance less any payment received by Artist for such live performance or appearance. Notwithstanding the foregoing, with respect to Artist's personal appearances, there shall, for purposes of computing commissions hereunder, be deducted from Gross Receipts or other considerations earned by Artist in respect thereof, when applicable, the amount, if any, which shall be payable by Artist or on Artist's behalf in respect of so-called "sound and lights" for such live performances or appearances.

### **GENERAL PROVISIONS**

**18. COLLECTION OF INCOME:** During the Term of this Agreement and in perpetuity thereafter, unless specifically set forth otherwise, Company shall receive and collect:

- a) all Gross Receipts derived from advances, royalties or fees or income derived from the sales or licenses of the Masters recorded hereunder including but not limited to sales of Records;
- b) All Gross Receipts derived from advances, royalties or fees for publishing income derived from the exploitations and licenses of the Controlled Compositions issued by Company;
- c) all Gross Receipts derived from advances, royalties or fees payable for sales of Merchandise derived from the exploitations and licenses of Merchandising Rights issued by Company;
- d) during the Term only and subject to the terms of paragraph 19 of this Agreement, all Gross Receipts derived from advances royalties or fees paid for Live Performances by Artist.

**19. ROYALTIES:** Company agrees to pay royalties ("Royalties") to Artist as follows:

a) Exploitation of Masters and Sales of Records and Videos: Company shall pay to Artist as a royalty, twenty-five percent (25%) of the Net Receipts calculated by Company, from all exploitations of the Masters, including but not limited to sales of the Masters, sales of Records including Digital Formats, flat fee licenses, etc, and the sale or exploitation of Videos.

b) Company shall pay to Artist as songwriter royalties fifty percent (50%) of the Net Receipts, excluding public performance income, collected by Company for any exploitation or licenses issued by it for the Controlled Compositions.

c) Merchandise: Company shall pay Artist fifty percent (50%) of the calculated Net Receipts received by Company as a result of the exploitations and licenses issued by Company for the Merchandising Rights and for which Company manufactures and sells Merchandise.

d) Live Performance: During the Term of this Agreement Company shall pay Artist eighty-five percent (85%) of the Gross Receipts received by Company from all live appearances, performances and tours.

## **20. ROYALTY ACCOUNTING:**

a) Statements as to royalties payable hereunder shall be sent by Company to Artist on a semi-annual basis, within ninety (90) days after each June 30th and December 31<sup>st</sup>, or within thirty (30) days following receipt of a royalty accounting from Company's Distributor, whichever shall be later, together with payment of accrued Royalties, if any, earned by Artist hereunder during the applicable semi-annual period.

b) Royalties in respect Gross Receipts received outside of the United States shall be computed in the national currency in which Company is paid and shall be credited to Artist's royalty account hereunder at the same rate of exchange as Company is paid, and shall be proportionately subject to any transfer or comparable taxes that may be imposed upon Company's receipts

c) Artist shall be deemed to have consented to all royalty statements and all other accountings rendered by Company hereunder and each such royalty statement or other accounting shall be conclusive, final, and binding and shall not be subject to any objection for any reason whatsoever unless specific objection in writing, stating the basis thereof, is given by Artist to us within Two (2) years after the date rendered.

d) Company shall maintain books of account concerning the all exploitations of the rights granted to Company hereunder including sale of Records, Merchandise, Publishing or Live Performances. Artist, or an accountant, in Artist's behalf, may, at Artist's sole expense, examine our said books relating to the all exploitations of rights hereunder solely for the purpose of verifying the accuracy thereof, only during our normal business hours and upon reasonable written notice. Company's books relating to any particular royalty statement may be examined as aforesaid only within two (2) years after the date rendered and Company shall have no obligation to permit Artist to so examine our such books relating to any particular royalty statement more than once.

## **21. ADVANCES:**

a) Company shall hereafter pay to Artist during the Term the following sums of money ("Advances") which shall be treated as advances against and first to be deducted from all sums payable to Artist pursuant to the terms hereof:

(i) A total of seventy-five thousand dollars (\$75,000), payable as follows:

(ii) ~~Twenty five thousand dollars (\$25,000)~~ Twenty five thousand dollars (\$35,000) within 7 (seven) days of the complete execution hereof, and

(iii) ~~Twenty five thousand dollars (\$25,000) within 7 (seven) days of the date of delivery of the Preliminary Report for this Initial Contract Year; and~~

Twenty five thousand dollars (\$35,000) within 7 (seven) days following the commercial release of the Album in the United States; and

(iv) Fifty thousand dollars (\$50,000) for each subsequent album recorded by Artist during the Term hereof, payable as follows: one-third (1/3) within 7 (seven) days of commencement of recording; one-third (1/3) within seven (7) days of delivery of the Album; and one-third (1/3) within seven (7) days following the commercial release of the Album in the United States

b) Artist hereby acknowledges and confirms prior receipt of an Advance of Eighty-thousand dollars (\$80,000) heretofore paid by Company.

c) The Advances paid and payable by Company pursuant to the provisions of subparagraphs a) and b) above, shall include all Recording Costs as described in paragraph 7 hereof. No Net Income shall be payable by Company to Artist until the Advances have been fully recouped by Company

## 22. NAME & LIKENESS:

a) During the Term of this Agreement and for as long as Company shall be entitled to the rights granted to it under this Agreement, including the sale of Records or to sell or distribute Merchandise or exploit Artist's Controlled Compositions, Artist hereby licenses to Company the exclusive right, and to license others the exclusive right, to use Artist's name, approved likeness, voice, approved biographical material or other identification for use in association with any promotion, marketing or advertising, in any medium now known and existing or that is created in the future. However, during the Term of this Agreement, Artist will not license or consent to the use of Artist's name, likeness, voice, biographical material or other identification, for or in connection with the recording or exploitation of Records under this Agreement by or for anyone other than Company. This paragraph shall not limit Company's rights it has been granted in this Agreement regarding Merchandising Rights set forth in this Agreement.

b) Artist shall apply for and obtain in Artist's name, and at Artist's expense, federal registration of a trademark and/or service mark for Artist's professional name and /or logo in connection with the use thereof in all areas of the entertainment industry, including, without limitation, in connection with the recording and sale of phonograph records, the establishment of fan clubs, the rendition of concerts and live performances, and the sale of clothing and other merchandise. If Artist fails to apply for and obtain federal registration of any such trademark or service mark, Company shall thereafter

have the right to apply for and obtain federal registration of any such trademark or service mark, in Artist's name, for which costs shall be considered an Advance and Artist hereby appoints Company as its attorney-in-fact, coupled for the purpose of applying for and obtaining such registration. Such authority is coupled with an interest and is therefore irrevocable.

23. **DEFINITIONS:** For the purpose of this Agreement, the following terms shall have the following meaning:

**"Advance"** shall mean a pre-payment of Royalties. Unless otherwise stated specifically in this Agreement, all Advances are not Expenses and are recoupable from any income earned by Artist and payable hereunder.

**"Audio-Visual Recordings" ("Videos")** shall mean devices reproducing audio performances or recording artists together with a visual image for home use or otherwise, embodying Artist's performances.

**"Compositions"** shall mean any single musical composition, irrespective of length, including all spoken words and bridging passages and a medley.

**"Contract Year"** shall mean any twelve (12) month period of the Agreement wherein a term or obligation may be applicable either in the Initial five (5) year Period or any subsequent Option Periods.

**"Controlled Compositions"** shall mean all musical Compositions or material recorded pursuant to this Agreement, which are written or composed, in whole or in part, or owned or controlled directly or indirectly by Artist or any producer of Masters subject thereto.

**"Delivery"** shall mean Company's receipt of newly-recorded technically satisfactory Masters to constitute the Record required to be given to Company as per this Agreement (mixed and mastered), together with all necessary licenses, approval, consents and permissions and all Artwork to be used in connection with the production and distribution of Records derived from the Masters recorded hereunder.

**"Digital Format"** shall mean a digital configuration of a Master Recording used in the furtherance of delivering the Master Recording through a Digital Transmission including but not limited to digital files such as MP3, MPEG, WAV, RAM, etc. or any other digital file now known or created in the future.

**"Digital Transmissions"** shall mean the transmission and distribution to the consumer of Digital Formats or other configurations other than physical Records, whether of sound alone, sound coupled with an image or sound coupled with data, in any form including but not limited to the downloading or other conveyance of Artist's performance on Masters or Audiovisual Recordings recorded hereunder by telephone, satellite, cable, direct transmission over wire or through the air, and on-line computers whether a direct or indirect charge is made to receive the transmission.

**"Entertainment Services"** shall mean the exclusive services of Artist performed in the music industry now existing or hereafter developed including but not limited to the areas of Recording, Publishing, Merchandise Rights and Live Performance as set forth in this Agreement.

**"Expenses"** shall mean all expenses incurred under this Agreement including all Recording Costs, as that term is defined herein, payments to union pension and welfare funds, editing costs, distribution fees, licensing fees, and other payments to third parties on Artist's behalf, tour support, and legal accounting fees payable to Artist's own legal counsel or accountant (if any such payments are actually made by us) and customary artwork, all taxes, mechanical royalties payable to third parties or payable to Artist hereunder, manufacturing, packaging charges, or legal fees payable on artist's behalf, or fees associated with filing copyright or trademark fees, all costs attributed to promotion, marketing and advertising expended in furtherance of the sale of Records produced from the Masters; costs to create merchandise; Attorney's or Accounting fees or other administrative expenses paid for the creation, enforcement, licensing or exploitation of Artist and Artist's rights granted to Company herein, and; any other costs, fees, or expenses directly related to the representation or exploitation of Artist consistent with the terms of this Agreement; royalties paid by Company to Artist for a writer's share of publishing royalties; payment to any other writers of Controlled Compositions pursuant to any songwriter's agreements between Artist and any such other writers documented by a written agreement and provided to Company by Artist; administrative and exploitation expenses of Company with respect to the Controlled Compositions including, without limitation, copyright registration fees, advertising and promotion expenses directly related to the Controlled Compositions, the costs of transcribing for lead sheets, and the costs of producing demonstration records, and; any other costs, fees, or expenses directly related to the representation or exploitation of Artist consistent with the terms of this Agreement.

**"Gross Receipts"** shall mean any and all revenue, income and sums derived and actually received by Company in the United States (after deduction of any collection or other fees charged by any third party and after deduction of any collection fee or share of royalties charged by any third party used by Company outside the United States and Canada) including without limitation, advances, fees or royalties payable to Artist for Artist's Entertainment Services and the exploitation of the rights granted to Company under this Agreement.

**"Long-Playing" ("LP")** shall mean a Record that has no less than ten (10) Compositions and being no less than forty (40) minutes in duration.

**"Master Recording" ("Master" or "Masters")** shall mean any original recording, production, and/or manufacture of Records, together with any derivatives thereof.

**"Net Receipts"** shall mean Gross Receipts received by Company under the terms of this Agreement after deducting any and all Expenses.

**"Records,"** shall mean all forms of sound reproductions whether now known or unknown, on or by which sound may be recorded for later transmission to listeners, embodying sound, including, without limitation, discs of any speed or size, vinyl, compact disc, reel-to-reel tapes, cartridges, cassettes, audiovisual recordings, digital formats, Digital Transmissions.

**"Recording Costs"** shall mean all costs incurred with respect to the production of Masters embodying the Artist's performances, including audio visual recordings, and which are customarily recognized as Recording Costs in the phonograph record industry



including but not limited to all expenses incurred in connection with the production, mixing and mastering of audio and/or visual masters and all payments and/or advances to Artist hereunder, as well as payments to all of the musicians (including without limitation, instrumentalists, leaders, arrangers, orchestrators, copyists and contractors) vocalists and producers, if any, rendering services in connection with any recordings hereunder, payments to union pension and welfare funds, costs of cartage and instruments hire, studio or hall rentals, editing costs, payroll taxes and other payments to third parties on Artist's behalf related to recording costs, fees to third party producers or side artists, fees for replay or a sampling license, and other reasonable expenses incurred by Company for the purpose of production of the Masters; costs, taxes and/or third party payments in connection with the creation, production, manufacture and exploitation or use of such Records, Masters or Videos recorded or produced under this Agreement.

**"Term"** shall mean the duration of the Agreement including the Initial five (5) year Period and subsequent Option Periods, if any, during which Artist accepts and agrees to render services to the Company.

**"Territory"** shall mean the Universe.

**24. WARRANTIES AND REPRESENTATIONS:** Artist warrants and represents the following:

a) Artist is not now and during the Term shall not be a party to or bound by any contract or agreement that will interfere in any manner with the manufacture and marketing and sale of the Recording by Company. Artist is under no disability, restriction or prohibition with respect to Artist's right to sign and perform under this Agreement.

b) The songs and performances embodied in the Recordings, and any use thereof by Company or its grantees, licensees, or assigns, will not violate or infringe upon the rights of any third party. Artist has secured all proper licenses for the right to perform and record all or any part of the performances or recording embodied on Artist's Master including for the use of any third party's recording or composition for use in what is commonly known as "sampling", "replay", or "interpolation".

d) Artist expressly acknowledge that Artist's services hereunder are of a special, unique, and intellectual character which gives them peculiar value, and that in the event of a breach by you of any term, condition, or covenant hereof, Company will be caused irreparable injury. Artist expressly agrees that in the event you shall breach any provisions of this Agreement, Company shall be entitled to seek injunctive relief and/or damages, as Company may deem appropriate, in addition to any other rights or remedies available to Company, and Company shall have the right to recoup any such damages resulting from any such breach, which shall be reduced to a final, adverse judgment, from any monies which may be payable to you hereunder or under any other agreement between Artist and Company or Company's our affiliates.

e) During the Term of this Agreement, if required by law or any other agreement that Company may become a party to, Artist shall become and remain a member in good standing of any appropriate labor union or unions. If Company becomes a party to any such union agreement, Company shall give Artist written notice of such action.

f) Artist warrants that it is the sole owner of its professional name **740 Boyz** and that Artist has the sole and exclusive right to use and to allow others to use the Artist's professional name in connection with Artist's Entertainment Services.

g). Artist understands that the record industry and sales of records is speculative and that Company makes no warranty or representations as to the success of the sales of Artist's Records distributed and sold hereunder.

h) Artist hereby warrants and represents that it has the right to enter into this Agreement and to grant to Company any rights granted herein, and that the exercise by Company of any and all rights with respect to the Controlled Compositions will not violate or infringe upon any common law or statutory rights of any person, firm or corporation, including without limitation, contractual rights, copyrights and rights of privacy. The rights granted herein are free and clear of any claims, demands, liens or encumbrances. Artist acknowledges that Company has the right to administer and publish compositions other than Artist's Controlled Compositions.

i) The rights of the parties hereto in and to each Master and Controlled Composition shall extend for the full term of the copyright of said Master and Controlled Composition and of any derivative copyrights therein the Territory.

j) The parties hereto shall execute any further documents including without limitation, assignments of copyrights, and do all acts necessary to fully effectuate the terms and provisions of this Agreement.

**25. INDEMNIFICATION:** Both Company and Artist agree to and do hereby indemnify, save and hold each other harmless of and from any and all loss and damage (including reasonable attorney's fees) arising out of or connected with any claim by any one or more third parties or any act by each other which is inconsistent with any of the warranties, representations, and/or agreements made by each party herein, and agrees to reimburse each other on written demand for any reasonable payment made by either party at any time with respect to any liability or claim to which the foregoing indemnity applies. Pending the determination of any claim involving such alleged breach or failure, Company may withhold sums due Artist hereunder in an amount consistent with such claim. Any judgments against Company and any settlements by Company of claims against Artist together with costs and expenses, including counsel fees shall be paid to Company promptly upon demand and may also be recouped by Company from any Royalties payable to Artist hereunder.

**26. CURE OF BREACH:** Neither party will be deemed in breach unless the other party gives notice and the notified party fails to cure within thirty (30) days after receiving notice (fifteen (15) days, in the case of a payment of money); provided, that if the alleged breach does not involve a payment of money and is of such a nature that it cannot be completely cured within thirty (30) days, the notified party will not be deemed to be in breach if the notified party commences the curing of the alleged breach within such thirty-day period and proceeds to complete the curing thereof with due diligence within a reasonable time thereafter.

**27. ENTIRE AGREEMENT:** This Agreement sets forth the entire understanding between the parties, and cannot be changed, modified or cancelled except by an instrument signed by the party sought to be bound.

**28. SUSPENSIONS AND DEFAULT:**

a) Company reserves the right by written notice to Artist to suspend its obligation hereunder and/or to extend the expiration date of the then-current Contract Period for the duration of the following contingencies if by reason of such contingencies it is materially hampered in the recording, manufacture, distribution or sale of Records, or its normal business operations become commercially impractical: labor disagreements, fire, catastrophe, shortage of materials or any cause beyond Company's control.

b) In the event of any default or breach by Artist in the performance of any of Artist's obligation or warranties hereunder, Company, by written notice to Artist, in addition to any other rights or remedies which it may have at law or otherwise, at its election, may terminate the Term or may suspend its obligations hereunder for the duration of such default or breach and/or may extend the expiration date of the then current Contract Period for a period equal to all or any part of the period of such default or breach.

**29. APPROVAL:** Wherever in this Agreement Artist's approval or consent is required, Artist's approval shall not be withheld unreasonably and failure to give such approval or disapproval within seven (7) days of notice by Company shall be deemed an approval by Artist. When such approval is to be mutual, in the event of a dispute Company's decision shall control.

**30. ASSIGNMENT:** Company shall have the right to assign this Agreement or any of Company's rights hereunder or to delegate our obligations hereunder or any part thereof to any third party. Specifically, first, in the event of the foregoing, Company shall have the right to enter into a long term recording, production or distribution agreement, on terms no less favorable than those contained herein, for the provision of Artist's services as exclusive recording artists or assigning any of our rights hereunder with any "Major" record company or nationally distributed independent label, (as those terms are understood in the recording industry). Artist's rights and obligations hereunder are personal and non-delegable.

**31. SUCCESSOR IN INTEREST:** This Agreement shall inure to the benefit of and be binding upon each of the parties hereto and their respective successor, permitted assigns, and representatives. Company may, at its election, assign this Agreement or any of its rights hereunder.

**32. INVALIDITY OF TERMS:** If any clause, sentence, paragraph or part of this Agreement, or the application thereof to any person, shall for any reason be adjudged by a court of competent jurisdiction to be invalid, such judgment shall be limited and confined in its operation to the clause, sentence, paragraph or part thereof directly involved in the controversy in which such judgment shall have been rendered and to the person involved.

**33. NOTICES:** All notices hereunder required to be given to Company shall be sent to Company at its address first mentioned herein and all royalty statements (and payments) and all notices to Artist shall be sent to Artist as Artist's address first mentioned herein, or such other address as each party respectively may hereafter designate by notice in writing to each other. All notices shall be in writing and shall be sent by registered mail or certified mail, return receipt requested. The day of mailing of any such notice shall be

deemed the date of the giving thereof. Royalty statements (and payments) may be sent by regular mail. All notices shall be served upon Company to the attention of the President.

**34. APPLICABLE LAW:** This Agreement has been entered into in the State of New York and the validity, interpretation and legal effect of this Agreement shall be governed by the laws of the State of New York applicable to contracts entered into and performed entirely within the State of New York, with respect to the determination of any claim, dispute or disagreement which may arise out of the interpretation, performance or breach of this Agreement. Any process in any action or proceeding commenced in the courts of the State of New York or elsewhere, arising out of any such claim, dispute or disagreement, may among other methods be served upon Artist by delivering or mailing the same, via registered or certified mail, addressed to Artist at the address first above written or such other address as Artist may designate pursuant to paragraph 14 hereof. Any such delivery or mail service shall be deemed to have the same force and effect as personal service with the State of New York or the jurisdiction in which such action or proceeding may be commenced.

**35. AMENDMENT:** This writing sets forth the entire understanding between the parties with respect to the subject matter hereof, and no modification, amendment, waiver termination or discharge of this Agreement shall be binding upon the Company unless confirmed by a written instrument signed by an authorized officer of the Company. No waiver of any provision or any default under this Agreement shall constitute a waiver by Company of compliance thereafter with the same or any other provision or its right to enforce the same or any other provision thereafter.

**36. MEDIATION:** Any claim or dispute arising out of or relating to this Agreement or the breach thereof shall first attempt to be settled by mediation in accordance with the rules and regulations of the American Arbitration Association governing single member panels or any other mediation procedure agreed to by the parties. In the event mediation of the parties hereto is not successful then each party hereto shall have the right to pursue any claim arising out of the dispute by any other legal means available to them within the competent jurisdiction.

**37. MISCELLANEOUS:**

a) Nothing contained herein shall constitute a partnership between or a joint venture by Company and Artist.

b) The Artist's obligations under this Agreement are joint and several. All references to "Artist" include all members of the group collectively and each member individually, unless otherwise specified herein.

c) "Artist" shall refer to the members of the group as presently comprised and such other individual(s) who at any given time during the term hereof shall then comprise the group. Any substituted individual of Artist's group will be deemed a party to this Agreement and shall agree in writing to be bound by all of the terms and conditions of this Agreement. Artist shall promptly deliver to Company any documents as Company may require executed by such substituted member, as Company, in its judgment, may deem necessary or advisable to effectuate the institution of such substituted member.

d) Artist agrees to execute any additional agreements as necessary to effectuate the rights granted to Company in this Agreement including but not limited to letters of direction, copyright assignments or authorization letters.

**38. RIGHT TO LEGAL REPRESENTATION: Artist represents and warrants that Artist has read this Agreement and Artist understand that this is an important legal document. Artist hereby represents and warrants that Artist has been advised of its right to seek independent legal counsel in connection with the negotiation and execution of this Agreement and that Artist has either retained and has been represented by such legal counsel or has knowingly and voluntarily waived its right to such legal counsel and desires to enter into this Agreement with the benefit of independent legal representation.**

The effective date of this Agreement shall be the first date written above.

PAPA GRANDE ENT. LLC

By: \_\_\_\_\_  
("Company")

\_\_\_\_\_  
WINSTON ROSA ("Artist")  
Soc. Security .No. 069-60-9973

\_\_\_\_\_  
DANIEL FERNANDEZ, JR. ("Artist")  
Soc. Security .No. 155-70-1276

\_\_\_\_\_  
JOSE RAFAEL FUENTES ("Artist")  
Soc. Security .No. 112-70-4416

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City Bar Center for Continuing Legal Education  
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Day 1

ENTERTAINMENT LAW: AN OVERVIEW

Robert I. Freedman <sup>[FNa1]</sup>  
Innes Smolansky <sup>[FNa2]</sup>

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The Entertainment Industry is a collection of various businesses that provide leisure time entertainment to very broad audiences. The entertainment law practice encompasses film, television, music, theater, publishing, live appearances and related businesses such as sports, modeling and new media. The practitioner in these fields must develop expertise in both the law as it applies to these disciplines and business practices in these fields.

It is common for attorneys to specialize in one of these industries although some entertainment lawyers are more generalists and their practices touch on two or more entertainment specialties. Although the business practices are likely to differ from one of these businesses to another, there are many common threads that unite these practices into a commonality referred to as Entertainment Law.

The attorney who practices Entertainment Law will need to be a master of several areas of the law. The first and foremost is contract law. Almost all business deals in these fields become memorialized in a writing that is signed by the parties. Much of the lawyer's time is spent drafting, revising and reviewing contracts. Another large amount of time is spent negotiating these contracts along with discussing the implications of contractual provisions with one's client.

I have observed that to the extent the practice of Entertainment Law is an art rather than a science, the art is anticipating the possible consequences of contractual provisions and minimizing the bad consequences of such provisions and maximize the good ones. This is often easier said than done as your adversary is trying to do exactly the same thing for his or her client and their goals may be quite contrary to what you are trying to gain for your client.

Another legal discipline is intellectual property. In the Entertainment industry, the final product manufactured by your client is likely to be an intellectual property. It could be a film or television program; a book or a play; or a sound recording. Each of these creative works both need to be properly protected in your clients' interests and need to be free of any third party's material to avoid claims of infringement. The practitioner of Entertainment Law would be well served in being quite familiar with the provisions of the US Copyright Act of 1978, as amended.

Entertainment attorneys may require a smattering of labor law. Many of the employment agreements in the entertainment world are governed by collective bargaining agreements. Actors, singers, musicians, writers, directors and designers are among the many participants in a creative work who may belong to a union or guild. The terms and conditions of the applicable collective bargaining agreement may govern the relationship between the producers who engage the services of these persons and the talent. Many of these agreements may be found on-line on the websites of the respective unions and guilds.

For those attorneys who might be involved in the financing of motion pictures, theatrical productions and other entertainment properties, a working knowledge of federal securities law, blue sky laws and tax law as it applies to these kinds of investments is a requirement. Fortunately, most of these offerings are private offerings and not public ones and can be accomplished under exceptions from full registrations.

Specific areas of the Entertainment Industry practice may call for knowledge of other areas of law. For attorneys whose work is heavily in television, cable and radio, a working knowledge of the US Communications Act is vital. If one is practicing in the theater industry in New York City, there are a series of New York State laws governing matters relating to financing and ticket sales.

Finally, the Entertainment lawyer needs to be a generalist. It is likely that your clients will assume that since you are a lawyer, you can do anything for them that any other lawyer will do. I have been called upon to form corporations and other

business entities, negotiate financing, do real estate closings, advise on matrimonial matters, prepare wills and on one occasion I was called upon to get a client out of jail. A good lawyer will always know his/her limitations and know when either assistance or a referral is called for.

## THE TELEVISION INDUSTRY

Representing clients in the television industry is not monolithic. Lawyers may represent broadcasters, program producers and/or a myriad of talent including writers, director, performers, news people and designers. The television industry itself creates programming as disparate as detective dramas and news programs, reality programs and talk shows, sitcoms and documentaries. Each of these genres of programs brings with it some similar and some unique issues.

We find attorneys in the television industry working in private practice; on the staffs of television networks; working for labor unions and on the staffs of large production companies including the television divisions of the major film studios.

A large majority of attorneys in the television industry spend much of their waking hours negotiating, drafting and reviewing contracts. There is usually another lawyer, an agent, a manager or a business manager on the other side of the negotiation. Issues invariably center on rights, compensation and credits. Most everything else in the contracts is secondary. Many networks have both a Business Affairs Department staffed by attorneys and a Legal Department. The former negotiate the points mentioned above. The latter are concerned with issues of liability, dispute resolution and other “back of the contract” matters.

While an attorney may treat each deal as a new and original challenge that is not how most attorneys in this field perform their services. Attorneys will usually rely on one of the contract form books that serve the industry or will look to a prior deal and contract as the basis for drafting the contract that memorializes the instant deal. However, the attorney should not rely on these pre-existing agreements to the exclusion of carefully creating new language that incorporates each of the unique deal points agreed upon by the parties.

Much of the television industry works as follows. Programs originate either with a writer who has written a script or treatment; or a producer who develops a concept for programming and then proceeds to flesh out that concept. The producer may hire a writer to create a script or treatment; may hire a director to consult on script or treatment; and may line up named talent to make the package saleable. Once the package is assembled the producer will seek financing, usually from a broadcast or cable network. For public television, funding may be sought from a foundation or corporation. Upon entering into a contract for funding and broadcast of the program, the producer will commence production and hire writers, directors, actors, narrators, news staff, designers, camera persons, editors and associate producers and production assistants. If one has sat through minutes of credits on programs it is evident that one needs to gather a village to create programming.

Upon completion of a program and exploitation on a television network, the producer may engage in the ancillary distribution of the program. This may include foreign television sales, home video distribution, digital downloads, other internet exploitation and non theatrical distribution.

The producer is likely to want his/her attorney during each step of the process to consult with on what is a fair business deal and for the preparation of contracts to confirm each of these deals.

Before a network will broadcast a program, it will often require the producer to obtain Errors & Omissions insurance. This insures all parties against claims of copyright and trademark infringement, defamation and invasion of privacy. And before the insurance underwriter will issue a policy it will want assurances that the producer has followed appropriate procedures for clearing of rights to minimize the likelihood of a claim. It will require the television attorney to screen the program and, in some instances, give an opinion that the producer has followed those procedures to ascertain that all rights have been cleared and that the insurance underwriter’s guidelines have been followed.

To effectively perform his/her duties, the television attorney must have a sound business knowledge of the industry. What does the network normally pay to license a particular genre of programming? What rights does the network require? What does one pay for the underlying rights? How much do you pay a writer or director for their services? What are the union minimums for actors? What is a going rate for a known performer? What are the network precedents regarding credits? And these are just some of the business issues.

The attorney in this field must also bring a small arsenal of legal skills. First and foremost is the ability to draft a clear and unambiguous agreement. If an agreement is ambiguous on a material point and a disagreement between the parties arise, the television attorney may well find himself/herself handing off the matter to a litigator; a move that could spell disaster to the relationship between the transactional television attorney and his/her client.

The attorney is likely to advise the client on rights clearances. Since a television program is a collection of pictures and sounds, and some of each may come from pre-existing material, questions will inevitably arise on the need to obtain written permissions to use film footage, photographs, literary materials, musical compositions, sound recordings and other third party intellectual property. There may be consideration as to whether the use of a small amount of material might fall under the

Fair Use exception to copyright law.

A television attorney may also dip into tort law and need to advise the client whether material contained in a television program is defamatory. Or whether the use of a person's appearance in a program might constitute an invasion of that person's right of privacy or right of publicity. These rights are often determined under state law and there is divergence in different jurisdictions.

The knowledge of communications law may also be useful. The law contains anti-payola provisions prohibiting the acceptance of money or gifts for mentioning a product or service on the air and not disclosing such payment. There are rules regarding the appearance of political candidates during an election campaign. Each of the major networks also has their own standards and practices which program producers will be asked to comply with.

As television programming can be quite expensive, producers and networks might look to bring in "partners" to help cover the cost of these productions. The structure for achieving these deals is a co-production. The producer may co-produce with other production companies; the producer may arrange a presale with a foreign broadcaster or find other co-producers. The key issues in fashioning and negotiating this kind of relationship is (i) what does each party contribute; (ii) who will make decisions and a final decision on business and creative issues relating to this venture; (iii) what does each party receive from this deal in the form of rights, income and profits; and (iv) what credits will each of the parties receive. In deals with multiple co-producers the difficulty of negotiation and drafting may expand geometrically.

This discussion of the role of the attorney in the television industry is not to be taken as an exhaustive list. There are some attorneys who litigate matters in this industry and there are lawyers who arbitrate labor disputes. There are attorneys who handle major celebrities and play the role of a manager advising the talent on business matters, finding appropriate attorneys who specialize in wills and estates, real estate and matrimonial matters as the occasion arises.

## THE THEATER INDUSTRY

In some respects the world of theater is quite insular and most of the major work in theater is managed by a relatively small number of lawyers. While this practice is centered around New York City given the much larger number of theaters here, there are theaters and talent around the country. One generally thinks of Broadway when one thinks of theater, and at any given time there are only 25-40 Broadway productions. However, when one adds Off-Broadway, Off-Off Broadway, regional theaters, touring shows and the hundreds of local playhouses, the world of theater does expand.

In the world of theater, the most active client is the producer. But, there are lawyers who represent playwrights, directors, performers, designers, theaters and investors. As with other areas of entertainment law, representing clients in the world of theater requires a combination of business and legal skills.

We start with the producer. The producer is the person or persons who seek out a worthy property, whether musical or straight play, and option the rights to that work. Most of the agreements for Broadway shows and for off-Broadway shows are heavily influenced, if not governed by a document referred to as the APC. The Approved Production Contract is promulgated by the Dramatist's Guild, an organization that is not a collective bargaining unit, but nevertheless is concerned with the welfare of its writer members.

The APC provides for minimum payments to writers for options, purchase, weekly box office shares, profit participation and payments back to the producer from the writers for supplemental market licensing such as stock and amateur productions and film and television productions. Since this agreement will determine what a producer can offer to investors, it is a very heavily negotiated document.

If the work is a musical, the attorney will need to include the book writer, the composer and the lyricist in the production contract and be familiar with industry customs as to what rights are to be granted and what rights are to be retained by the respective writer. This includes acquiring sufficient rights to the music to present the play and produce an original cast album.

The major task of an attorney representing a theatrical producer lies in the area of investment. To produce an off-Broadway production, the producer may need to raise \$500,000 - \$1,500,000. To finance a Broadway production the costs may run from \$2,000,000 - \$10,000,000 or even more. Producers rarely self-finance these business ventures. They look to investors to provide the financing.

The theatrical attorney will first need to advise producer clients on the "do's and don'ts" of raising money, particularly as regards federal and state laws for private placements. The producer will seek out investors in a specified and named number of states. The producer will furnish investors at a minimum with a Limited Liability Company operating agreement which may be embellished with an Offering Memorandum and Investor Qualification Documents. The main purpose of these documents are to provide an investor with sufficient information so that the investor (or the investor's representative) can make an informed decision on the merits of the investment. If the production is to be in New York, the producer's attorney must advise the client of the provision of Arts and Cultural Affairs statute of the New York Code, particularly with respect to



Title F of that law relating to theatrical syndications.

In New York State the investor must be advised on the qualifications of the principal individuals that are responsible for the production; the amount of money to be raised and the intended use of those proceeds; the risks involved in a theatrical production investment; and the business deal noting the priority of return of capital and shares of profit. A typical vanilla deal will have one hundred percent of proceeds available for distribution go to the investors until the investors have fully recouped; and then such proceeds are shared equally between investors and producers. The practitioner should note that this is the starting point and not the finish line. All kinds of variations on this formula are possible provided that the final proposed deal is fully disclosed to a potential investor.

The attorney is responsible for filing with the Securities and Exchange Commission if moneys are to be raised in more than one state, and to comply with the Blue Sky laws in each state in which investors are being solicited. The attorney must also file all LLC documents and in New York State provided for publication of a Notice of Formation.

In the production of a theatrical presentation the attorney might also be called upon to negotiate and/or draft contracts with the director, designers and leading actors. The attorney will work closely with the producers and manager. It is likely that in all of the attorney's negotiations on behalf of the producer, each of the persons and entities on the other side of the deal might also be represented by lawyers representing the interests of the various persons who are engaged to render services on the theatrical production. In other cases those persons may be represented by agents.

Lawyers may be called upon to negotiate the theater rental agreement between the producer and the owner of the theater in which the play will be presented.

Once the Play is running in New York, the lawyer may be asked to represent the producer for the license of that production for film and television; for a license for touring rights; for merchandising rights associated with that production; and for the rights to remount that production in or out of New York City.

The attorneys for playwrights will represent their clients in the negotiations with the Producer; and also in negotiations for the publication of the play; for stock and amateur rights; and possibly for foreign productions outside of the territory granted to the original producers.

## THE MUSIC INDUSTRY

Perhaps no other industry within entertainment has changed within the last 10 years as much as the music industry.

Ten years ago most of the music lawyer's day was spent on representing clients in connection with record distribution agreements, recording agreements, songwriting and publishing agreements, merchandising and touring agreements, commercial appearances, endorsements, and sponsorships, intra-group agreements for recording artists and business structures, music composer and soundtrack album agreements, various music licensing agreements, record producer agreements, music and sampling clearances as well as personal management deals.

In today's technology-driven marketplace, a music lawyer is expected to be on top of changes in the ever evolving new technology that is now used to transmit music and sound, and be able to understand implications of this technology for sources of revenue streams. Music clients, themselves pretty lost in the new technology landscape, expect their lawyer to advise them on what they can do to monetize their talent in this environment. Thus, as a first step, the music lawyer is often expected to give business advice and only then to address legal needs.

Music lawyers today need to be familiar with structuring such diverse and new agreements as the ones related to using music in ring tones, rights to digital downloading, digital content, aggregations, P2P distribution, all forms of API (web related application programming interface) licensing and Web casting, interactive v. non-interactive services; downloads v. streams, etc.

New finance models of how to monetize music on the Internet are popping up almost every day. For example, some companies are partnering up with YouTube and reaching out to artists that have posted their songs on YouTube to collect revenue generated from ad sales, Google Ad Sense, video ad sense, premium sponsorships, etc. generated by people listening to the songs posted by individual artists on YouTube. To represent artists effectively in such new deals, a music lawyer in today's environment needs to be constantly on top of the technological advances devising new deal structures to take advantage of the expanding possibilities.

Lawyers representing music clients have very diverse clientele, including independent record and music publishing companies, recording artists, songwriters, performers, producers, and music supervisors, personal managers, business managers, talent agencies, and concert promoters, clients operating special music related Web Sites & Digital Music Start-Ups, general entertainment companies, as well many large companies that interface with the music industry.

As with any other aspect of entertainment law, a thorough knowledge of copyright law is a must, especially in relation to music licensing. Besides, using copyright law in drafting and negotiating music contracts, music lawyers need to recognize when a client's copyright may be infringed upon and when they may need to take legal action to protect their clients' rights.

A music lawyer should be familiar with trademark law and know how to apply it when assisting clients with advertising, promotions, endorsements, sponsorships and branding deals.

Music lawyers will also work with film lawyers licensing synch, master use and public performance rights for use of the songs in the audiovisual media. A synchronization license is a license that allows for the use of the music in a film or audiovisual program in synchronization with the moving images of the film. This license is usually obtained from the music publisher administering copyright in the licensed music or in some cases directly from the composer/lyricist. A master use license allows for the use of a particular recording of the licensed music and is usually obtained from and negotiated with the record company that owns copyright in that particular recording. A public performance is the right that allows the music contained in the film or audiovisual program to be publicly performed on television or any other form of public transmission, including the Internet. In the US broadcasters usually pay for this license by buying a blanket performance license from the three performance rights societies: ASCAP, BMI and SESAC, that allows them to broadcast all the music in their repertoires. These performing rights societies, once they receive payment from the broadcasters, websites and web channels, are then responsible for compensating the music authors and publisher. Nearly every professional composer, songwriter, lyricist and publisher is a member of a performing rights society and the income received from them is a major source of their income.

Music lawyers working in large firms and representing well established music talent may even find themselves involved in assisting clients with various aspects of finance and lending deals. A recording artist with a large enough catalogue of songs may wish to raise equity capital using his catalogue as collateral. While in most of such deals a music lawyer will be assisted by corporate counsel, it is important to have at least basic familiarity with these types of capital structures that music clients use in raising debt and equity capital.

Another aspect of representing music client that you need to be aware of is that music clients, especially young clients, often look to their music lawyer to help them find deals. Successful music lawyers, therefore, work hard to cultivate relationships in the music industry which requires exceptional people skills to do this successfully.

Most importantly though, a music lawyer must love and know music. As a music lawyer you will be listening to your clients' songs and will often be asked to comment on a song. Having a good ear can also help as you may be called upon to analyze a possibility of a copyright infringement case in hidden music embedded through digital sampling, or to assess the contribution of various musical co-writers with a theme song, jingle, or score that has been rearranged and reworked from an earlier version, where there may be conflicting interests on the part of the earlier and later writers.

## THE FILM INDUSTRY

While the film industry has not been immune to technological change that has swept the entertainment world, at the heart of every film project unwaveringly will always be a story. The underlying story may come from a treatment, a book, a play, an original screenplay, a poem, a song, or some other form.

The first step in any narrative feature film work, therefore, is the acquisition of the underlying literary material. A film lawyer would be called upon to represent either the producer acquiring the rights to the underlying story or the author or the current owner of the work, if the work has already been assigned to another party. At this stage, an individual producer or a production company would usually enter into an Option and Purchase Agreement with the author or owner of the underlying rights. The film lawyer representing the producer would usually be the party drafting the agreement and would then negotiate it with the author's lawyer, agent or both.

During the option period, the production company would develop the underlying property and may hire one or several writers to adapt the underlying material further with the goal of having a finished script by the end of the option period. If the writer hired to adapt the materials is a member of the Writers Guild of America, the employment agreement covering the writer's services will be subject to the WGA rules.

Lawyers representing producers in the documentary world, likewise, would ask their clients whether the documentary film may be based on an underlying work such as a book, or several books, a newspaper or magazine article. If that is the case, and if the work is factual, the lawyer would need to do a copyright analysis as to whether the underlying literary work has to be acquired or not. If the answer is yes, the resulting agreement would be not too dissimilar from the one used by narrative feature film producers.

If the film, on the other hand, centers around a living person, instead of optioning rights to the underlying literary work, producer would need to clear the rights to that person's life story. If the film centers around a deceased person, a lawyer would do an analysis of that person's estate's rights of publicity to determine what rights are need to be cleared with the estate.

In an attempt to control legal costs and simplify the acquisition process instead of entering into an Option and Purchase Agreement and actually acquiring the underlying rights, some producer may decide to enter into a Shopping Agreement. A Shopping Agreement usually provides that if the producer is successful in attracting a third party financier to the project, both

the producer and the owner of the underlying rights will make their own deals with such financier, provided, however, that the owner of the underlying rights will not make a deal until after producer's deal is in place.

The next step in either the narrative feature or the documentary world is to seek financing. Both the narrative and the documentary producers would usually seek to "package" their project first.

Lawyers may be called upon to help producers and their casting director to reach out to talent and their agents and managers to make this happen. Lawyers often write letters of intent that though not binding on the talent, help producers to finance the project. Film packages of this type would often include a production schedule, a budget, a marketing, outreach and distribution plan for the film, as well as any other information that makes the project attractive to financiers.

Financing of a motion picture can be accomplished in many different ways, and more often than not financing comes from a combination of various sources. During the financing stage of the film, the film lawyer is usually involved in every aspect of the process. A lawyer would not only draft and negotiate every financing agreement, but also assist clients in thinking through and implementing their financing strategy. A solid knowledge of corporate law in addition to securities laws is extremely helpful at this stage.

As soon as financing is beginning to come into place, a film production lawyer would be rushed to draft and negotiate all the production documents, including agreements with principal production personnel such as all the performers, the director, the producers, as well as the cinematographer, the set designers, the wardrobe person, the make up person. This will be followed by making deals with unions for the rest of the below line and technical services such as the drivers, the grip, the lighting, etc. While it is often a challenge to accomplish all of this in a short time period, it is extremely important to do everything possible to have these agreements finalized and signed before shooting begins.

As the film approaches post production, production counsel for the film will be finalizing a deal with the editor, the composer, the music supervisor, and any post production house and personnel that may be used on the film. It is not unusual, especially in the independent film world, to have to do additional financing agreements at this stage as films often run over budget or, what is even worse, commence production with only partial budget in place.

In the documentary world, since most of the shooting is not scripted, the lawyer often tries to "prepare" their client by supplying them with certain clearance forms in advance. An advance documentary clearance package would usually include at a minimum several personal releases, performer releases, location agreements, and photograph releases as it may be impossible or highly impractical on the limited documentary budget to find each person that was interviewed in a particular scene months or even years later when the film is finally in post-production, since documentary subjects are not actors and they may have been only transitory where the film shooting took place.

In both the narrative features and the documentary music is an integral part of the film. All the music that goes into the film has to be properly cleared.

The last, but certainly not the least important stage is the distribution and exploitation of the film. Every film represents a bundle of rights that may be exploited in a variety of media, including theatrical, non-theatrical, all forms of television, all forms of electronic and digital delivery and transmission, and, as film lawyers like to say, "in any and all media hereinafter devised". In addition, certain other rights, such as merchandizing and soundtrack, may be separately exploited as well. Sometimes a single distributor is used to distribute the film in all media worldwide, and sometimes distribution rights may be split by media or territory or both. In some cases a filmmaker may decide that self distribution in a particular media is the best approach. Film lawyers work very closely with their filmmaker clients not only in reviewing, analyzing and negotiating all distribution agreements but also in determining the best and most profitable distribution strategy for the film.

<sup>[FN1]</sup> **Robert I. Freedman** is an attorney at Cowan DeBaets Abrahams & Sheppard LLP. He is an internationally-recognized transactional attorney in the field of entertainment with many years' experience representing award-winning filmmakers, independent producers, theaters, writers, directors, performers, composers, and charitable and non-profit associations. He has also represented clients in corporate matters and is a mediator. His clients have included MacNeil Lehrer Productions, National Interfaith Cable Coalition, National Geographic Society, Great Chefs Television, Tony Brown Productions, Marc Brown and documentary producers William Greaves, Danny Anker, Rob Gardner, Bill Jersey, Mort Silverstein, and Aviva Kempner. Mr. Freedman has been selected as a "New York Super Lawyer" from 2007 to 2013 for the New York Super Lawyers - Metro Edition. He is a former General Counsel of WNET/Channel 13 and is the author of the television volume of "Entertainment Industry Contracts."

<sup>[FN2]</sup> **Innes Smolansky** is a lawyer in Brooklyn, New York focusing on various areas of law.





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Declined to Follow by [Duffey v. Twentieth Century Fox Film Corp.](#), S.D.N.Y., March 27, 2014

621 F.3d 958

United States Court of Appeals, Ninth Circuit.

F.B.T. PRODUCTIONS, LLC; Em2M, LLC,  
Plaintiffs–Appellants,

v.

AFTERMATH RECORDS, dba [Aftermath Entertainment](#); Interscope Records; [UMG Recording, Inc.](#); ARY, Inc., Defendants–Appellees.

F.B.T. Productions, LLC; Em2M, LLC,  
Plaintiffs–Appellants,

v.

Aftermath Records, dba [Aftermath Entertainment](#); Interscope Records; [UMG Recording, Inc.](#); ARY, Inc., Defendants–Appellees.

Nos. 09–55817, 09–56069

Argued and Submitted July 12, 2010.

Filed Sept. 3, 2010.

**Synopsis**

**Background:** Holder of exclusive recording services of musician filed action against assignee over dispute regarding percentage of royalties due. The United States District Court for the Central District of California, [Philip S. Gutierrez, J.](#), [2009 WL 137021](#), granted judgment for assignee. Plaintiff appealed.

**Holdings:** The Court of Appeals, [Silverman](#), Circuit Judge, held that:

[1] argument that contracts were unambiguous raised issue of law;

[2] after full trial on merits, Court of Appeals could review district court’s determination on summary judgment of whether masters licensed provision unambiguously applied under California law to permanent downloads and mastertones;

[3] broad masters licensed provision was not ambiguous;

[4] assignee’s agreements that permitted download

distributors, cellular phone carriers, and other third-parties to use its sound recordings to produce and sell permanent downloads and mastertones in exchange for periodic payments based on volume of downloads without any transfer in title of assignee’s copyrights to recordings were “licenses”;

[5] sound recordings that assignee had provided to third-parties qualified as masters;

[6] amendment to agreement provided that sales of permanent downloads by third-parties counted towards escalations on royalty owed when assignee itself sold records through normal retail channels;

[7] industry custom or parties’ course of performance regarding past application of records sold provision was immaterial to whether agreement applied to permanent downloads and mastertones; and

[8] assignor’s prior lack of objection to payments made for permanent downloads and mastertones under records sold provision could not be used to prove how assignor had interpreted agreement.

Reversed in part, vacated in part, and remanded.

**Procedural Posture(s):** On Appeal.

West Headnotes (16)

[1] **Federal Courts** Sufficiency of evidence

Party that did not file a pre-verdict motion for judgment as a matter of law did not preserve challenge to sufficiency of evidence to support the verdict in favor of opponent. [Fed.Rules Civ.Proc.Rule 50, 28 U.S.C.A.](#)

1 Case that cites this headnote

[2] **Federal Courts** Sufficiency of evidence

Party’s argument that contracts were unambiguous under California law raised issue of law that did not rest on sufficiency of

evidence to support jury's verdict in favor of opponent, and therefore to be reviewable on appeal that argument only had to be raised at some point before judge submitted case to jury, rather than presented in motion for judgment as matter of law. [Fed.Rules Civ.Proc.Rule 50](#), 28 U.S.C.A.; [West's Ann.Cal.Civ.Code § 1638](#).

6 Cases that cite this headnote

[3] **Federal Courts** → On appeal from final judgment

A district court's denial of summary judgment is subject to review on appeal, despite full trial on the merits, where the district court made an error of law that, if not made, would have required the district court to grant the motion. [Fed.Rules Civ.Proc.Rule 56](#), 28 U.S.C.A.

3 Cases that cite this headnote

[4] **Evidence** → Nature and Existence of Ambiguity in General

Parol evidence properly is admitted under California law to construe a contract only when its language is ambiguous. [West's Ann.Cal.Civ.Code § 1638](#).

22 Cases that cite this headnote

[5] **Evidence** → Contracts and agreements in general

When deciding whether to admit parol evidence under California law, a court first provisionally receives, without actually admitting, all credible evidence concerning the parties' intentions to determine "ambiguity," i.e., whether the language is "reasonably susceptible" to the interpretation urged by a party; if in light of the extrinsic evidence the court decides the language is "reasonably susceptible" to the interpretation urged, the extrinsic evidence is

then admitted to aid in interpreting the contract. [West's Ann.Cal.Civ.Code § 1638](#).

29 Cases that cite this headnote

[6] **Federal Courts** → Contracts

Despite a trial court's provisional review of extrinsic evidence in construing contract, its determination of whether an ambiguity exists remains a question of law, subject to independent review on appeal. [West's Ann.Cal.Civ.Code § 1638](#).

10 Cases that cite this headnote

[7] **Federal Courts** → On separate appeal from interlocutory judgment or order

Determination on summary judgment of whether masters licensed provision unambiguously applied under California law to permanent downloads and mastertones was on "question of law" that Court of Appeals could review on appeal after full trial on merits that was resolved in favor of assignee in action against assignee over dispute regarding percentage of royalties due, since district court would have required to grant summary judgment to assignor if issue would have been resolved in favor of assignor. [Fed.Rules Civ.Proc.Rule 56](#), 28 U.S.C.A.; [West's Ann.Cal.Civ.Code § 1638](#).

3 Cases that cite this headnote

[8] **Evidence** → Assignments

Broad masters licensed provision, which explicitly applied to masters that were licensed to third-parties for manufacture of records "or for any other uses" "notwithstanding" record sold provision, was not ambiguous under California law, and thus parol evidence was not admissible to interpret it, with regard to its



application to assignee's agreements with third-party download distributors that allowed assignee to retain ownership of digital files, reserved right for assignee to regain possession of files at any time, and required recurring benefits to assignee in form of payments based on volume of downloads. West's Ann.Cal.Civ.Code § 1638.

6 Cases that cite this headnote

[9] **Contracts** → Existence of ambiguity

Under California law, a contractual term is not ambiguous just because it is broad. West's Ann.Cal.Civ.Code § 1638.

3 Cases that cite this headnote

[10] **Copyrights and Intellectual Property** → Assignment or other transfer of license; sublicenses

Assignee's agreements under California law that permitted download distributors, cellular phone carriers, and other third-parties to use its sound recordings to produce and sell permanent downloads and mastertones, in exchange for periodic payments based on volume of downloads, without any transfer in title of assignee's copyrights to recordings were "licenses." 17 U.S.C.A. §§ 111(a), 114(d)(2), (f), 115; West's Ann.Cal.Civ.Code §§ 1638, 1644.

2 Cases that cite this headnote

[11] **Copyrights and Intellectual Property** → Licenses and Royalties

Where a copyright owner transfers a copy of copyrighted material, retains title, limits the uses to which the material may be put, and is

compensated periodically based on the transferee's exploitation of the material, the transaction is a "license." 17 U.S.C.A. §§ 111(a), 114(d)(2), (f), 115.

3 Cases that cite this headnote

[12] **Copyrights and Intellectual Property** → Licenses and Royalties

A "license" is an authorization by the copyright owner to enable another party to engage in behavior that would otherwise be the exclusive right of the copyright owner, but without transferring title in those rights; this permission can be granted for the copyright itself, for the physical media containing the copyrighted work, or for both the copyright and the physical media. 17 U.S.C.A. §§ 111(a), 114(d)(2), (f), 115.

3 Cases that cite this headnote

[13] **Copyrights and Intellectual Property** → Construction, Operation, and Effect

Sound recordings that assignee had provided to third-parties qualified as masters under California law, where contracts defined "master" as "recording of sound which is used or useful in the recording, production or manufacture of records," permanent downloads and mastertones were records, and sound recordings that assignee supplied to third-parties were "used or useful" in production of permanent downloads and mastertones. 17 U.S.C.A. §§ 111(a), 114(d)(2), (f), 115; West's Ann.Cal.Civ.Code §§ 1638, 1644.

1 Case that cites this headnote

[14] **Copyrights and Intellectual Property** → Construction, Operation, and Effect

Amendment to agreement transferring exclusive recording services to assignee under California law, which stated only that albums sold as permanent downloads were to be counted “for purposes of escalations” under records sold provision and that “[e]xcept as specifically modified herein, the Agreement shall be unaffected and remain in full force and effect,” did not clarify that records sold provision set royalty for permanent downloads by third-parties; instead, amendment provided that sales of permanent downloads by third-parties counted towards escalations on royalty owed when assignee itself sold records through normal retail channels. 17 U.S.C.A. §§ 111(a), 114(d)(2), 115(f), 115; West’s Ann.Cal.Civ.Code §§ 1638, 1644.

4 Cases that cite this headnote

[15] **Copyrights and Intellectual Property** — Construction, Operation, and Effect  
**Customs and Usages** — Explanation of Contract

Industry custom or parties’ course of performance regarding past application of records sold provision “only to compilation records and incorporation into movies, TV shows, and commercials” was immaterial to whether agreement transferring exclusive recording services to assignee under California law applied to permanent downloads and mastertones, since parties’ contract contemplated advances in technology and permanent downloads and mastertones subsequently came into existence.

1 Case that cites this headnote

[16] **Copyrights and Intellectual Property** — Performance and breach in general

Assignor’s prior lack of objection to payments made for permanent downloads and mastertones under records sold provision could not be used under California law to prove how assignor had

interpreted agreement transferring exclusive recording services to assignee, where assignor previously had not knowingly acquiesced to such payment; although assignor had received statements that included royalties for permanent downloads and mastertones, assignor did not audit those royalty statements until later, it did not have any obligation to audit statements any earlier than it did, and it immediately raised issue with assignee after audit.

1 Case that cites this headnote

**Attorneys and Law Firms**

\*961 Jerome B. Falk Jr., Daniel B. Asimow, and Sara J. Eisenberg, Howard Rice Nemerovski Canady Falk & Rabkin PC, San Francisco, CA; and Richard S. Busch, King & Ballow, Nashville, TN, for the plaintiffs-appellants.

Glenn D. Pomerantz, Kelly M. Klaus, and Melinda E. Lemoine, Munger, Tolles & Olson LLP, Los Angeles, CA, for the defendants-appellees.

Appeal from the United States District Court for the Central District of California, Philip S. Gutierrez, District Judge, Presiding. D.C. No. 2:07-cv-03314-PSG-MAN.

Before JEROME FARRIS, CYNTHIA HOLCOMB HALL and BARRY G. SILVERMAN, Circuit Judges.

**OPINION**

SILVERMAN, Circuit Judge:

This dispute concerns the percentage of royalties due to Plaintiffs F.B.T. Productions, LLC, and Em2M, LLC, Em2M, LLC, under their contracts with Defendant Aftermath in connection with the recordings of Marsha B. Mathers, III, professionally known as the rap artist Eminem.<sup>1</sup> Specifically, F.B.T. and Aftermath disagree on whether the contracts’ “Records Sold” provision or



“Masters Licensed” provision sets the royalty rate for sales of Eminem’s records in the form of permanent downloads and mastertones. Before trial, F.B.T. moved for summary judgment that the Masters Licensed provision unambiguously applied to permanent downloads and mastertones. The district court denied the motion. At the close of evidence, F.B.T. did not move for judgment as a matter of law, and the jury returned a verdict in favor of Aftermath. On appeal, F.B.T. reasserts that the Masters Licensed provision unambiguously applies to permanent downloads and mastertones. We agree that the contracts are unambiguous and that the district court should have granted summary judgment to F.B.T. We therefore reverse the judgment and vacate the district court’s order awarding Aftermath its attorneys’ fees.

## BACKGROUND


F.B.T. signed Eminem in 1995, gaining exclusive rights to his recordings. In 1998, F.B.T. signed an agreement transferring Eminem’s exclusive recording services to Aftermath. The “Records Sold” provision of that agreement provides that F.B.T. is to receive between 12% and 20% of the adjusted retail price of all “full price records sold in the United States ... through normal retail channels.” The agreement further provides that “[n]otwithstanding the foregoing,” F.B.T. is to receive 50% of Aftermath’s net receipts “[o]n masters licensed by us ... to others for their manufacture and sale of records or for any other uses.” The parties refer to this provision as the “Masters Licensed” provision. The contract defines “master” \*962 as a “recording of sound, without or with visual images, which is used or useful in the recording, production or manufacture of records.” The agreement does not contain a definition of the terms “licensed” or “normal retail channels.”

In 2002, Aftermath’s parent company, Defendant UMG Recordings, Inc., concluded an agreement with Apple Computer, Inc., that enabled UMG’s sound recordings, including the Eminem masters, to be sold through Apple’s iTunes store as permanent downloads. Permanent downloads are digital copies of recordings that, once downloaded over the Internet, remain on an end-user’s computer or other device until deleted. The contract between UMG and Apple is but one example of the many agreements that Aftermath has concluded to sell sound recordings in digital formats since approximately 2001. Since 2003, Aftermath has also concluded contracts with major cellular telephone network carriers to sell sound recordings as mastertones, which are short clips of songs

that can be purchased by users to signal incoming calls, popularly known as ringtones.

In 2003, F.B.T. and Aftermath entered into a new agreement that terminated the 1998 agreement. The 2003 agreement increased some royalty rates, but incorporated the wording of the Records Sold and Masters Licensed provisions from the 1998 agreement. In 2004, the parties amended the agreement to provide that “Sales of Albums by way of permanent download shall be treated as [U.S. Normal Retail Channel] Net Sales for the purposes of escalations.” Escalations are increases in the royalty rate when total album sales surpass certain targets. The amendment further provides, “Except as specifically modified herein, the Agreement shall be unaffected and remain in full force and effect.”

F.B.T. brought suit after a 2006 audit showed that Aftermath had been applying the Records Sold provision to calculate the royalties due to F.B.T. for sales of Eminem’s recordings in the form of permanent downloads and mastertones. Before trial, F.B.T. moved for summary judgment that the Masters Licensed provision unambiguously applied to those sales. Aftermath cross-moved for summary judgment. It argued, in part, that the 2004 amendment showed that the parties intended the Records Sold provision to apply to permanent downloads.

After provisionally reviewing the undisputed extrinsic evidence, the district court concluded that the agreements were reasonably susceptible to either party’s interpretation and denied both motions for summary judgment. At trial, only Aftermath moved for judgment as a matter of law at the close of the evidence. The court denied the motion. The jury returned a verdict in favor of Aftermath, and the district court awarded Aftermath its attorneys’ fees of over \$2.4 million. F.B.T. timely appealed the district court’s final judgment and award of attorneys’ fees. We have jurisdiction pursuant to  28 U.S.C. § 1291 and we reverse.

## DISCUSSION

### ***I. F.B.T. Is Not Precluded from Arguing that the Masters Licensed Provision Unambiguously Applies to Permanent Downloads and Mastertones.***

<sup>[1]</sup> <sup>[2]</sup> F.B.T. did not file a pre-verdict motion for judgment as a matter of law pursuant to [Federal Rule of Civil](#)

Procedure 50, so it has not preserved “a challenge to the sufficiency of the evidence to support the verdict” in this case. [Nitco Holding Corp. v. Boujikian](#), 491 F.3d 1086, 1089 (9th Cir.2007). However, F.B.T.’s argument that the contracts are unambiguous raises an issue of law that \*963 does not rest on the sufficiency of the evidence to support the jury’s verdict. See [Wolf v. Superior Court](#), 114 Cal.App.4th 1343, 8 Cal.Rptr.3d 649, 656 (2004) (“The trial court’s determination of whether an ambiguity exists is a question of law, subject to independent review on appeal.”). F.B.T. therefore did not have to present that argument in a motion for judgment as a matter of law. Rather, F.B.T. had to raise the argument at some point before the judge submitted the case to the jury, which it did. See [Cochran v. City of L.A.](#), 222 F.3d 1195, 1200 (9th Cir.2000) (holding that an issue of law that “does not concern the sufficiency of the evidence presented to the jury” need not be raised in a motion for judgment as a matter of law to preserve the issue for appeal); [Landes Constr. Co. v. Royal Bank of Can.](#), 833 F.2d 1365, 1370 (9th Cir.1987) (“As long as a party properly raises an issue of law before the case goes to the jury, it need not include the issue in a motion for a directed verdict in order to preserve the question on appeal.”).


[3] F.B.T. argued that the contract was unambiguous in its motion for summary judgment, and the district court denied the motion. A district court’s denial of summary judgment is subject to review on appeal, despite full trial on the merits, “where the district court made an error of law that, if not made, would have required the district court to grant the motion.” [Banuelos v. Constr. Laborers’ Trust Funds for S. Cal.](#), 382 F.3d 897, 902 (9th Cir.2004) (citing [Pavon v. Swift Transp. Co., Inc.](#), 192 F.3d 902, 906 (9th Cir.1999)). For example, in [Wilson Arlington Co. v. Prudential Insurance Co.](#), 912 F.2d 366, 370–71 (9th Cir.1990), we reversed the denial of a summary judgment motion after a jury trial because the contract in question was unambiguous as a matter of law. Accord [King v. PA Consulting Group, Inc.](#), 485 F.3d 577, 589 (10th Cir.2007) (holding that despite the absence of a motion for judgment as a matter of law, “King adequately preserved the purely legal question of whether the Agreement is ambiguous by raising the matter in his trial brief”); [Chemetall GMBH v. ZR Energy, Inc.](#), 320 F.3d 714, 718–20 (7th Cir.2003) (reviewing a district court’s conclusion on summary judgment that a contract was ambiguous despite the absence of a motion for judgment as a matter of law at trial); [White Consol. Indus., Inc. v. McGill Mfg. Co.](#), 165 F.3d 1185, 1189–90 (8th Cir.1999) (same).

[4] [5] [6] Just as in *Wilson*, we may review the district court’s determination that the contracts in this case are ambiguous. Under California law, “[t]he language of a contract is to govern its interpretation, if the language is clear and explicit, and does not involve an absurdity.” Cal. Civ.Code § 1638. Parol evidence is properly admitted to construe a contract only when its language is ambiguous.

The decision whether to admit parol evidence involves a two-step process. First, the court provisionally receives (without actually admitting) all credible evidence concerning the parties’ intentions to determine “ambiguity,” i.e., whether the language is “reasonably susceptible” to the interpretation urged by a party. If in light of the extrinsic evidence the court decides the language is “reasonably susceptible” to the interpretation urged, the extrinsic evidence is then admitted to aid in the second step—interpreting the contract.

[Winet v. Price](#), 4 Cal.App.4th 1159, 6 Cal.Rptr.2d 554, 557 (1992). Despite the trial court’s provisional review of extrinsic evidence, its determination of whether an ambiguity exists remains “a question of law, subject to independent review on appeal.” [Wolf](#), 8 Cal.Rptr.3d at 656; see also [\\*964 City of Hope Nat’l Med. Ctr. v. Genentech, Inc.](#), 43 Cal.4th 375, 75 Cal.Rptr.3d 333, 181 P.3d 142, 156 (2008) (stating that contract interpretation is a question of law for the court “when it is based on the words of the instrument alone [or] when there is no conflict in the extrinsic evidence”).

[7] Here, F.B.T. moved for summary judgment that the Masters Licensed provision unambiguously applied to permanent downloads and mastertones. The district court denied F.B.T.’s motion because it determined that the agreements were reasonably susceptible to Aftermath’s contrary interpretation that the Records Sold provision applied. That determination was on a “question of law,” [Wolf](#), 8 Cal.Rptr.3d at 656, that if decided in F.B.T.’s favor “would have required the district court to grant the


[summary judgment] motion,”  *Banuelos*, 382 F.3d at 902. We may therefore review the district court’s denial of summary judgment despite full trial on the merits.

## II. The District Court Erred in Determining that the Contracts Were Ambiguous.




<sup>[8]</sup> Turning to the agreements in question, the Records Sold provision contains the royalty rate for “full price records sold in the United States ... through normal retail channels.” On summary judgment, Aftermath argued that the Records Sold provision applied because permanent downloads and mastertones are records, and because iTunes and other digital music providers are normal retail channels in the United States.

<sup>[9]</sup> However, the agreements also provide that “notwithstanding” the Records Sold provision, F.B.T. is to receive a 50% royalty on “masters licensed by [Aftermath] ... to others for their manufacture and sale of records or for any other uses.” The parties’ use of the word “notwithstanding” plainly indicates that even if a transaction arguably falls within the scope of the Records Sold provision, F.B.T. is to receive a 50% royalty if Aftermath licenses an Eminem master to a third party for “any” use. A contractual term is not ambiguous just because it is broad. Here, the Masters Licensed provision explicitly applies to (1) masters (2) that are licensed to third parties for the manufacture of records “or for any other uses,” (3) “notwithstanding” the Record Sold provision. This provision is admittedly broad, but it is not unclear or ambiguous.

<sup>[10]</sup> Accordingly, to determine whether the Masters Licensed provision applies, we must decide whether Aftermath licensed the Eminem masters to third parties. Aftermath argues that there was no evidence that it or F.B.T. used the term “licensed” in a technical sense. *See Cal. Civ.Code § 1644* (“The words of a contract are to be understood in their ordinary and popular sense, rather than according to their strict legal meaning; unless used by the parties in a technical sense....”). In the ordinary sense of the word, a license is simply “permission to act.” WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY OF THE ENGLISH LANGUAGE 1304 (2002). Aftermath did not dispute that it entered into agreements that permitted iTunes, cellular phone carriers, and other third parties to use its sound recordings to produce and sell permanent downloads and mastertones. Those agreements therefore qualify as licenses under Aftermath’s own proposed construction of the term.

The conclusion that Aftermath licensed the Eminem masters to third parties also comports well with and finds additional support in federal copyright law. When one looks to the Copyright Act, the terms “license” and “sale” have well differentiated meanings, and the differences between the two play an important role in the \*965 overall structures and policies that govern artistic rights. For example, under the language of the Act and the Supreme Court’s interpretations, a “sale” of a work may either be a transfer in title of an individual copy of a work, or a sale of all exclusive intellectual property rights in a work. *See 17 U.S.C. § 109* (describing the “first sale” doctrine);  *Quality King Distrib. v. Lanza Research Int’l*, 523 U.S. 135, 145, 118 S.Ct. 1125, 140 L.Ed.2d 254 (1998) (describing the transfer of an individual copy of a work as a sale); *see also* 3–10 NIMMER ON COPYRIGHT § 10.02 (2009) (describing a transfer of all ownership in a copyright as a sale).

There is no dispute that Aftermath was at all relevant times the owner of the copyrights to the Eminem recordings at issue in this case, having obtained those rights through the recording contracts in exchange for specified royalty payments. Pursuant to its agreements with Apple and other third parties, however, Aftermath did not “sell” anything to the download distributors. The download distributors did not obtain title to the digital files. The ownership of those files remained with Aftermath, Aftermath reserved the right to regain possession of the files at any time, and Aftermath obtained recurring benefits in the form of payments based on the volume of downloads.

Much as [Section 109](#) describes a “sale” under the “first sale” doctrine, various other sections of the Copyright Act illuminate the meaning of the term “license.” For example,  [section 114\(f\)](#), titled “Licenses for Certain Nonexempt Transmissions,” describes the statutory authorization for a third party to exercise public performance rights that otherwise remain the exclusive rights of a copyright holder and defines this authorization as a “license.”  [17 U.S.C. § 114\(f\)](#); *see also* [17 U.S.C. §§ 111\(a\)](#),  [114\(d\)\(2\)](#). [Section 115](#), titled “Scope of Exclusive Rights in Nondramatic Musical Works: Compulsory License for Making and Distributing Phonorecords,” refers directly to the statutory authorization for artists to exercise the copyright owner’s right to make and distribute phonorecord “covers” as a license, but again makes it clear that title remains with the copyright owner. [17 U.S.C. § 115](#).

<sup>[11]</sup> Under our case law interpreting and applying the

Copyright Act, too, it is well settled that where a copyright owner transfers a copy of copyrighted material, retains title, limits the uses to which the material may be put, and is compensated periodically based on the transferee's exploitation of the material, the transaction is a license. See, e.g., [Wall Data Inc. v. Los Angeles County Sheriff's Dep't](#), 447 F.3d 769, 785 (9th Cir.2006); [MAI Sys. Corp. v. Peak Computer, Inc.](#), 991 F.2d 511 (9th Cir.1993); [United States v. Wise](#), 550 F.2d 1180, 1190–91 (9th Cir.1977); [Hampton v. Paramount Pictures Corp.](#), 279 F.2d 100, 103 (9th Cir.1960).

<sup>[12]</sup> It is easily gleaned from these sources of federal copyright law that a license is an authorization by the copyright owner to enable another party to engage in behavior that would otherwise be the exclusive right of the copyright owner, but without transferring title in those rights. This permission can be granted for the copyright itself, for the physical media containing the copyrighted work, or for both the copyright and the physical media.

When the facts of this case are viewed through the lens of federal copyright law, it is all the more clear that Aftermath's agreements with the third-party download vendors are "licenses" to use the Eminem master recordings for specific purposes authorized thereby—i.e., to create and distribute permanent downloads and mastertones—in exchange for periodic payments based on the volume of downloads, without \*966 any transfer in title of Aftermath's copyrights to the recordings. Thus, federal copyright law supports and reinforces our conclusion that Aftermath's agreements permitting third parties to use its sound recordings to produce and sell permanent downloads and mastertones are licenses.

<sup>[13]</sup> Furthermore, the sound recordings that Aftermath provided to third parties qualify as masters. The contracts define a "master" as a "recording of sound ... which is used or useful in the recording, production or manufacture of records." Aftermath admitted that permanent downloads and mastertones are records. The sound recordings that Aftermath supplied to third parties were "used or useful" in the production of permanent downloads and mastertones, so those sound recordings were masters. Because Aftermath permitted third parties to use the Eminem masters to produce and sell records, in the form of permanent downloads and mastertones, F.B.T. is entitled to a 50% royalty under the plain terms of the agreements.

<sup>[14]</sup> Aftermath argues that the 2004 amendment to the agreements clarified that the Records Sold provision sets the royalty for permanent downloads. However, the 2004

amendment states only that albums sold as permanent downloads are to be counted "for purposes of escalations" under the Records Sold provision, and that "[e]xcept as specifically modified herein, the Agreement shall be unaffected and remain in full force and effect." Read in context, the plain language of the amendment provides that sales of permanent downloads by third parties count towards escalations on the royalty owed when Aftermath itself sells records through normal retail channels. It does not state, and in no way implies, that the royalty rate for the sale of the permanent downloads by third parties is set by the Records Sold provision.

<sup>[15]</sup> Nor did any of the evidence regarding industry custom or the parties' course of performance support Aftermath's interpretation that the Records Sold provision applies. Aftermath's expert explained that the Masters Licensed provision had in the past been applied "only to compilation records and incorporation into movies, TV shows, and commercials." It was, however, undisputed that permanent downloads and mastertones only came into existence from 2001 to 2003. Consequently, the fact that the Masters Licensed provision had never previously been applied to those forms of licensing is immaterial. There is no indication that the parties intended to confine the contract to the state of the industry in 1998. To the contrary, the contract contemplated advances in technology. It provided that Aftermath had the right to exploit the "masters in any and all forms of media now known and hereinafter developed." Aftermath's evidence of how the Masters Licensed provision had been applied in the past therefore did not cast doubt on its application to permanent downloads and mastertones.

<sup>[16]</sup> Furthermore, Aftermath renewed its agreement with F.B.T. in 2003, by which time permanent downloads and mastertones were coming into existence. Aftermath argued that subsequent to renewal, F.B.T. had "never objected to Defendants' payment of royalties under the Records Sold provision until the auditor raised the issue in 2006." However, Aftermath provided no evidence that F.B.T. knowingly acquiesced to payment under the Records Sold provision between 2003 and 2006. It showed that F.B.T. had received statements that included royalties for permanent downloads and mastertones, but it was uncontroverted that F.B.T. did not audit those royalty statements until 2006. F.B.T. had no obligation to audit the statements \*967 any earlier than it did, and it immediately raised the issue with Aftermath after the audit. Accordingly, Aftermath cannot use F.B.T.'s lack of objection to payments made before 2006 to prove how it interpreted the agreements. See [Barnhart Aircraft v. Preston](#), 212 Cal. 19, 297 P. 20, 22 (1931) (holding that a party's acts can be used to construe its interpretation of an



agreement only where such acts were “direct, positive and deliberate and ... done in an attempted compliance with the terms of the contract or agreement”). The undisputed extrinsic evidence provisionally reviewed by the district court therefore did not support Aftermath’s interpretation that the Records Sold provision applies.

In sum, the agreements unambiguously provide that “notwithstanding” the Records Sold provision, Aftermath owed F.B.T. a 50% royalty under the Masters Licensed provision for licensing the Eminem masters to third parties for any use. It was undisputed that Aftermath permitted third parties to use the Eminem masters to produce and sell permanent downloads and mastertones. Neither the 2004 amendment nor any of the parole evidence provisionally reviewed by the district court supported Aftermath’s interpretation that the Records

Sold provision applied. Because the agreements were unambiguous and were not reasonably susceptible to Aftermath’s interpretation, the district court erred in denying F.B.T. summary judgment.

The judgment in favor of Aftermath is REVERSED, the district court’s order granting Aftermath its attorneys’ fees is VACATED, and the case is REMANDED for further proceedings consistent with this opinion.

**All Citations**

621 F.3d 958, 10 Cal. Daily Op. Serv. 11,652, 2010 Daily Journal D.A.R. 14,127

**Footnotes**

<sup>1</sup> This case involves multiple Plaintiffs and Defendants. For ease of reference, we refer to Plaintiffs collectively as F.B.T. and to Defendants collectively as Aftermath.

28 N.Y.3d 583  
Court of Appeals of New York.

FLO & EDDIE, INC., a California Corporation,  
Individually and on behalf of All Others Similarly  
Situated, Respondent,

v.

SIRIUS XM RADIO, INC., a Delaware  
Corporation, Appellant, et al., Defendants.

Dec. 20, 2016.

### Synopsis

**Background:** Owner of pre-1972 sound recordings brought putative class action against satellite radio provider, asserting claims under New York common law for copyright infringement and unfair competition, based on public performance of sound recordings and reproduction in aid of public performances, without licensing or royalty payments. The United States District Court for the Southern District of New York, [McMahon, J.](#), [62 F.Supp.3d 325](#), denied provider's motion for summary judgment, denied reconsideration, [2014 WL 7178134](#), and certified its summary judgment and reconsideration orders for interlocutory appeal, [2015 WL 585641](#). The Court of Appeals granted provider's petition for interlocutory appeal. The United States Court of Appeals for the Second Circuit, [Calabresi](#), Circuit Judge, [821 F.3d 265](#), certified question to the Court of Appeals of New York.

**[Holding:]** In a matter of first impressions, the Court of Appeals, [Stein, J.](#) held that New York common law does not recognize a right of public performance for creators of pre-1972 sound recordings.

Question answered.

[Fahey, J.](#), filed a concurring opinion.

[Rivera, J.](#), filed a dissenting opinion in which [Abdus-Salaam, J.](#), concurred.

**Procedural Posture(s):** Certified Question.

West Headnotes (5)

[1] **Common Law** → Application and operation

The common law evolves slowly and incrementally, eschewing sudden or sweeping changes.

1 Case that cites this headnote

[2] **Common Law** → Application and operation  
**Courts** → Previous Decisions as Controlling or as Precedents

When addressing a legal question for the first time, courts must be mindful of the effect on future litigation and the development of the common law.

[3] **Copyrights and Intellectual Property** → Common-law copyright and literary property

Consistent with its name, common law copyright prevents copying of a work, but does not prevent someone from using a copy, once it has been lawfully procured, in any other way the purchaser sees fit.

1 Case that cites this headnote

[4] **Copyrights and Intellectual Property** → Subject Matter Protected by Common-Law Copyright or as Literary Property

The understanding and expectations of society are relevant to the question of what falls within the common-law copyright protection.

1 Case that cites this headnote

[5] **Copyrights and Intellectual Property** — Common-law copyright and literary property

New York common law does not recognize a right of public performance for creators of pre-1972 sound recordings.

6 Cases that cite this headnote

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Raza Panjwani, Public Knowledge, Washington, D.C., for Public Knowledge, amicus curiae.

**OPINION OF THE COURT**



STEIN, J.

\*589 \*\*937 The Second Circuit Court of Appeals has certified the following question to this Court: "Is there a right of public performance for creators of sound recordings under New York law and, if so, what is the nature and scope of that right?" Because New York common-law copyright does not recognize a right of public performance for creators of sound recordings, we answer the certified question in the negative.

## I.

Procedural History



Plaintiff is a corporation owned by two of the original members of the Turtles, a band formed in 1965 and most famous for its No. 1 hit song “Happy Together.” Plaintiff controls the master recordings of approximately 100 Turtles songs that were recorded before 1972. Defendant is the nation’s \*590 largest satellite digital radio service. Defendant acknowledges that it broadcasts pre-1972 sound recordings, including Turtles songs, but does not have licenses with the performers or the sound recording copyright holders, nor does it pay them for broadcasts. Plaintiff commenced this federal putative class action, \*\*938 \*\*\*271 on behalf of recording artists of pre-1972 sound recordings—or the owners of their rights, who are mostly record companies—alleging common-law copyright infringement and unfair competition. Defendant moved for summary judgment dismissing the complaint.



The United States District Court for the Southern District of New York denied defendant’s motion for summary judgment, finding, among other things, that New York affords a common-law right of public performance to protect copyright holders of pre-1972 sound recordings, and that defendant’s conduct in making internal reproductions of plaintiff’s recordings to facilitate its broadcasts did not constitute fair use (  62 F.Supp.3d 325 [S.D.N.Y.2014] ). The District Court indicated that it intended to grant plaintiff summary judgment on liability. That court later denied defendant’s motion for reconsideration (  113 U.S.P.Q.2d 1303, 2014 WL 7178134, 2014 U.S. Dist. LEXIS 174907 [S.D.N.Y., Dec. 12, 2014, No. 13 Civ. 5784(CM) ] ), but certified an interlocutory appeal.

On defendant’s appeal, the Second Circuit Court of Appeals determined that the case presented “a significant and unresolved issue of New York copyright law,” and certified the foregoing question to this Court (821 F.3d 265, 267, 272 [2d Cir.2016] ).<sup>1</sup> This Court accepted the certified question (27 N.Y.3d 1015, 32 N.Y.S.3d 576, 52 N.E.3d 240 [2016] ).

## II.

Federal Copyright Law

Although copyright evolved in English common law and was adapted into the common law in this country, it is now primarily governed by federal statutes. Congress enacted the first federal Copyright Act in 1790 (see Act of May 31, 1790 § 1 [1st Cong., 2d Sess., ch. 15], 1 U.S. Stat. 124, reprinted in Lib of Cong., \*591 Copyright Enactments, 1783–1900 at 30–32); however, federal law did not protect musical works until 1831 (see Copyright Act of 1831 [21st Cong., 2d Sess., ch. 16], 4 U.S. Stat. 436). Despite a major revision of the Copyright Act in 1909, Congress did not consider audio musical works or recordings—as contrasted with the musical composition (sheet music)—to be within the scope of the act (see  *Capitol Records, Inc. v. Naxos of Am., Inc.*, 4 N.Y.3d 540, 552, 797 N.Y.S.2d 352, 830 N.E.2d 250 [2005] ). This is unsurprising, considering that sound recording was, at that time, a relatively new technology.<sup>2</sup> State common law applies to copyright only to the extent that federal statutes do not (see 17 U.S.C. § 301[a];  *Naxos*, 4 N.Y.3d at 559, 797 N.Y.S.2d 352, 830 N.E.2d 250). Pursuant to federal statute, copyright protection encompasses original works of authorship fixed in any tangible medium of expression, including the categories of literary works, musical works, dramatic works and, as relevant here, sound recordings, subject to certain limitations (see 17 U.S.C. § 102[a] ).

Sound recordings were a late addition to the federal statutes. They were first included in the Sound Recording Amendment of 1971, but the protection afforded by the amendment was limited to those recordings produced after February 15, 1972 (see Pub. L. 92–140, 85 U.S. Stat. 391 \*\*\*272 \*\*939 [1971] ). The federal statutes then provided exclusive rights to the owner of a copyright to reproduce the work in copies or phonorecords, prepare derivative works, and distribute copies of the work to the public by sale or lease (see  17 U.S.C. § 106[1]–[3]; *Arista Records, LLC v. Launch Media, Inc.*, 578 F.3d 148, 152 [2d Cir.2009] [noting the right to reproduce “tangible” copies of sound recordings], cert. denied 559 U.S. 929, 130 S.Ct. 1290, 175 L.Ed.2d 1105 [2010] ). Although the statutes provided a right “to perform the copyrighted work publicly,” that right applied only to literary, musical, dramatic, and choreographic works, motion pictures, pantomimes and other audiovisual works; Congress expressly stated that this performance right did not extend to sound recordings (see  17 U.S.C. §§ 106 [4]; 114[a] [providing that the exclusive rights of owners of sound recordings were limited and did not include any right of performance]; *Arista Records, LLC*, 578 F.3d at 152).



A summary of the historical background of the distinction between the law's treatment of composers versus performers was articulated in *Bonneville Intl. Corp. v. Peters*, as follows:

**\*592** “The creator of a musical composition has long had a right of exclusive public performance of that musical piece. However, the owner of a copyright in a *sound recording* of a musical composition has long had very little copyright protection. Until 1971 there was no copyright protection at all. With the Sound Recording Amendment of 1971, a limited copyright in the reproduction of sound recordings was established in an effort to combat recording piracy. However, there was still no right to public performance of that sound recording. Therefore, while playing a compact disc recording of [a particular song] in a concert hall for the paying public would still enrich [the composer's assignee], the person or company that owned the copyright *on the CD recording* of the music would earn no remuneration beyond the proceeds from the original sale of the recording.... While radio stations routinely pay copyright royalties to songwriters and composers (through associations like the American Society of Composers, Authors, and Publishers (“ASCAP”) and Broadcast Music, Inc. (“BMI”)) for the privilege of broadcasting recorded performances of popular music, they do not pay the *recording industry* royalties for that same privilege. Perhaps surprisingly, this state of affairs, until [the early 1990s], produced relatively high levels of contentment for all parties. The recording industry and broadcasters existed in a sort of symbiotic relationship wherein the recording industry recognized that radio airplay was free advertising that lured consumers to retail stores where they would purchase recordings. And in return, the broadcasters paid no fees, licensing or otherwise, to the recording industry for the performance of those recordings. The recording industry had repeatedly sought, however, additional copyright protection in the form of a performance copyright. Until 1995, those efforts were rejected by Congress” (347 F.3d 485, 487–488 [3d Cir.2003] [citations and footnotes omitted and some emphasis added]).

In 1995, due to concerns about the expansion of digital means of reproducing music, Congress enacted the Digital Performance Right in Sound Recordings Act (DPRA), which accorded sound recording owners a right to control or authorize the **\*593** public performance of the copyrighted work, but only for performances “by means of a digital audio transmission” (17 U.S.C. § 106 [6]). At the same time, however, Congress fashioned a number

of exemptions **\*\*940 \*\*\*273** to this right. Thus, under federal law, the exclusive right of performance is circumscribed, and excludes transmissions in nonsubscription broadcasts, as well as the playing of music within a business establishment and its surrounding vicinity (see 17 U.S.C. § 114[d]).

Essentially, the right to control performance is now limited to digital radio services, and does not apply to AM/FM radio stations, nor to bars, restaurants or stores that play music in their establishments. “This exemption was founded in Congress’s desire not to impose ‘new and unreasonable burdens on radio and television broadcasters, which often promote, and appear to pose no threat to, the distribution of sound recordings’ ” (*Bonneville Intl. Corp.*, 347 F.3d at 488, quoting H.R. Rep. 104–274, 104th Cong., 1st Sess. at 14 [1995]).

Significantly, the DPRA created a highly complex scheme that: established a statutory licensing regime for noninteractive digital subscription services; required copyright owners to grant a license to such services for performance of their sound recordings (in order to prevent an artist from refusing to allow digital radio play); provided a means of determining reasonable rates and royalty payments (including a dispute resolution system); and required that portions of the royalties be distributed to the recording artists, as well as to the copyright owner (see 17 U.S.C. § 114[d], [e], [f], [g]; *Bonneville Intl. Corp.*, 347 F.3d at 488–489). The enactment of the DPRA was prompted, in part, by concerns that, without appropriate protection, the creation of new sound recordings and musical works would be discouraged, and new subscription and interactive services might adversely affect sales of sound recordings and erode the ability of copyright owners to control and be paid for their work (see *Arista Records, LLC*, 578 F.3d at 154). After years of public comment and deliberation, Congress attempted to strike a balance between, on the one hand, protecting owners of copyright and encouraging creation of new music and, on the other hand, promoting the development of new media and distribution forms (see *id.*). Indeed, through the DPRA’s intricate scheme of rules and exceptions, Congress balanced the interests of numerous stakeholders, including digital radio services, recording companies, composers, terrestrial radio stations, businesses that play music on their premises, performing artists, and the public.

**\*594** In the DPRA, Congress specifically provided that, while the federal copyright statutes preempted other laws, they did not limit or annul the common law or statutes of any state with respect to a violation of rights unless the rights provided under state law were equivalent to the

exclusive rights contained in 17 U.S.C. § 106 (see 17 U.S.C. § 301[b][3]). With respect to sound recordings fixed before February 15, 1972, Congress expressly stated that any rights or remedies under state statutes or common law (that do not conflict with the federal statutes) may be applied until February 15, 2067 (see 17 U.S.C. § 301[c]). In this regard, the United States Supreme Court has held that states can regulate—by statute or common law—areas of copyright not covered by federal statutes, including recordings of musical performances fixed prior to 1972 (see *Goldstein v. California*, 412 U.S. 546, 570–571, 93 S.Ct. 2303, 37 L.Ed.2d 163 [1973] [upholding California anti-piracy statute applied to pre-1972 sound recordings]). While Congress permitted the states to regulate unaddressed areas of copyright law until 2067, it neither indicated that such rights existed, nor required states to recognize or create new or additional rights.

\*\*\*274 \*\*941 In a case addressing statutory copyright, the Supreme Court explained that, while copyright is a form of property interest, it is not like ordinary chattels insofar as it “comprises a series of carefully defined and carefully delimited interests to which the law affords correspondingly exact protections” (*Dowling v. United States*, 473 U.S. 207, 216, 105 S.Ct. 3127, 87 L.Ed.2d 152 [1985]). Consistent with that principle, 17 U.S.C. § 106 confers certain exclusive rights, including the right to publish, copy and distribute the work, but the copyright owner is subjected to defined limits and is not accorded “complete control over all possible uses of his [or her] work” (*id.* at 217, 105 S.Ct. 3127 [internal quotation marks and citations omitted]).

### III.

#### New York State Common-Law Copyright

The question now before us is whether, in light of this history, New York common law includes a right to control public performances of pre-1972 copyrighted sound recordings. If so, the copyright holders have gone decades without acting to enforce that right.

[1] [2] The common law, of course, evolves slowly and incrementally, eschewing sudden or sweeping changes (see \*595 *Norcon Power Partners v. Niagara*

*Mohawk Power Corp.*, 92 N.Y.2d 458, 467–468, 682 N.Y.S.2d 664, 705 N.E.2d 656 [1998]). We have recognized that the legislature has the ability to step in and make drastic changes to the law, but that courts cannot do so (see *Roberson v. Rochester Folding Box Co.*, 171 N.Y. 538, 545, 64 N.E. 442 [1902]). Rather, when addressing a legal question for the first time, courts must be mindful of the effect on future litigation and the development of the law (see *id.* at 545–547, 64 N.E. 442). State court cases in New York have not directly addressed the question of whether the common-law copyright for sound recordings includes the right of public performance. Thus, this issue of first impression requires a review of our state’s relevant case law.

*Palmer v. De Witt*, 47 N.Y. 532 (1872) was an early case concerning common-law copyright of a play. In that case, this Court explained that authors have a common-law copyright—also called the right of first publication—in unpublished works of any form, including literary works, dramatic or musical compositions, designs or artwork. In accordance with such right, the author may determine whether to publish the work at all and, if so, “when, where, by whom, and in what form” (*id.* at 536). That exclusive right was limited to the first publication such that, under common law, once the work was published and dedicated to the public, it became the property of the world, and the author had no exclusive right to make multiple copies or control whether others could make and distribute copies (see *id.* at 536, 539). Nevertheless, while we did not recognize a common-law right to control distribution after the first publication, authors obtained a statutory right to multiply copies to the exclusion of others (see *id.* at 536; see also *A.J. Sandy, Inc. v. Junior City*, 17 A.D.2d 407, 409, 234 N.Y.S.2d 508 [1st Dept.1962]). In other words, in *Palmer*, this Court described the protection of literary labor as primarily statutory in nature and concluded that the common-law protection was “very slight at the best” (*Palmer*, 47 N.Y. at 539).

The question then became whether the dramatic composition at issue in *Palmer* had been “published” by being performed on stage with the author’s permission, even though the script, itself, had not been distributed to the public. In that regard, we explained that “[t]he rights of an author \*\*942 \*\*\*275 of a drama in his [or her] composition are two-fold. He [or she] is entitled to the profit arising from its performance, and also from the sale of the manuscript, or the printing and publishing [of] it” (*id.* at 543). Those rights—performance; and printing and distribution \*596 were described as entirely distinct,

it being possible for one to exist without the other (see [id.](#) at 542). We noted that the exclusive right of first publication existed at common law, but that the right to control public performance was created by statute; in fact, the common law permitted anyone to perform a play from memory or from a legally procured script, without paying royalties to perform it (see *id.*). *Palmer* was an early example of the principle that a copyright owner can have separate rights addressing copying and performing, with the former based in common law and the latter based in statute. We did not recognize a single, inseparable bundle of rights.

Seventy years later, in *Pushman v. New York Graphic Socy.*, this Court recognized that an artist has a common-law copyright—which we alternately called “control of the right to reproduce”—that protects the right to make reproductions of a painting, which right is separate from, and does not necessarily pass with, the sale of the painting (287 N.Y. 302, 307, 39 N.E.2d 249 [1942]). That case similarly drew a distinction between the right to make copies and the right to the physical object itself, at times giving protection to one but not the other.

An important federal case in this discussion, decided a few years before *Pushman*, is [RCA Mfg. Co. v. Whiteman](#), 114 F.2d 86 (2d Cir.1940), *certs. denied* 311 U.S. 712, 61 S.Ct. 393, 85 L.Ed. 463 [1940]. Defendant contends that *Whiteman* definitively held that New York’s common law does not provide a right of public performance to a copyright owner of a sound recording. Defendant maintains that, for the nearly 75 years between that decision in 1940 and the District Court’s decision in the present case, all interested stakeholders treated *Whiteman* as a proper statement of New York law. In *Whiteman*, RCA had a contract pursuant to which it recorded Whiteman’s orchestra and sold the records to the public, with a legend on each record stating that it was not licensed for radio broadcast (see [id.](#) at 87). The defendant broadcasting company purchased the records and then broadcast them on the radio. The Second Circuit considered the questions of whether Whiteman and RCA had any common-law property rights in the recordings that were invaded by such broadcasting and, if so, whether the legend limited the use that buyers might make of the records (see *id.*). The court began its analysis by noting that, although rights in sound recordings had been recognized only fairly recently—because it had been possible to record an artist’s performance only since the advent of the phonographic record—such rights had nevertheless [\\*597](#) become valuable (see [id.](#) at 88). The court ultimately held that “the ‘common-law property’ in these performances ended with the sale of the records and

that the restriction did not save it” (*id.*).

That holding is based, in part, on the premise that any form of copyright “is a monopoly [that] consists only in the power to prevent others from *reproducing* the copyrighted work” (*id.* [emphasis added]). The court concluded that the broadcaster did not invade that right, because it never copied the performances; the broadcaster “merely used those copies which [Whiteman and RCA] made and distributed,” in the way that the performances were intended to be used—namely, by playing them (*id.*). Addressing publication of the work, the court then applied that premise to conclude, consistent with the old common-law copyright rule, that the copyright [\\*\\*943 \\*\\*\\*276](#) was extinguished once a work was published (see [id.](#) at 89). The court stated that, if the common-law copyright had dissolved, “then anyone may copy it who chances to hear it, and may use it as he [or she] pleases. It would be the height of ‘unreasonableness’ to forbid any uses to the owner of the record which were open to anyone who might choose to copy the rendition from the record” (*id.*).

Fifteen years later, in [Capitol Records v. Mercury Records Corp.](#), 221 F.2d 657 (2d Cir.1955), the Second Circuit again addressed the topic, including the *Whiteman* decision. At that time, a sound recording itself—as opposed to the musical composition—was not a copyrightable work under the federal statutes. Finding “a complete dearth of authority” in New York state law, the court premised its decision upon principle ([id.](#) at 662). As relevant here, the court addressed the question of whether the owner of the right to make certain sound recordings lost that right as soon as it sold its first records (see [id.](#) at 663). The court summarized *Whiteman* as holding that “the commonlaw property in the performances of musical artists which had been recorded ended with the sale of the records and that thereafter anyone might copy them and use them as he [or she] pleased” (*id.*). The court then asserted, however, that “the quoted statement from [*Whiteman*] is not the law of the State of New York” (*id.*). Citing a state trial-level decision handed down after *Whiteman*, the Second Circuit concluded that, where the originator of “records of performances by musical artists puts those records on public sale, his [or her] act does not constitute a dedication of the right to copy and sell the records” (*id.*, citing [\\*598 Metropolitan Opera Assn., Inc. v. Wagner–Nichols Recorder Corp.](#), 199 Misc. 786, 101 N.Y.S.2d 483 [Sup.Ct., N.Y.County 1950], *affd.* 279 App.Div. 632, 107 N.Y.S.2d 795 [1st Dept.1951]).

In our view, *Mercury Records* overruled *Whiteman* ‘s



holding, but not the underlying premise pronounced in that case. The holding of *Mercury Records*—that merely selling a record to the public does not divest the copyright holder of its exclusive interest in the right to copy and distribute the protected sound recording—constitutes protection against piracy, which all of the parties and amici here recognize as valid. However, *Mercury Records* did not address the underlying premise stated in *Whiteman*—that common-law copyright of sound recordings “consists only in the power to prevent others from reproducing the copyrighted work”; that limited right does not include control over other rights in the work, such as public performance ( [Whiteman](#), 114 F.2d at 88 [emphasis added] ). Since the 1940s, the recording and broadcasting industries appear to have acted in conformity with that premise, as evidenced by the apparent absence of any attempt by sound recording copyright owners to assert control over the right of public performance.

In the [Metropolitan Opera](#) case, 199 Misc. 786, 101 N.Y.S.2d 483, the Metropolitan Opera (the Met) entered into a contract with ABC for the exclusive right to broadcast its performances. The Met also entered into a contract with Columbia Records for the exclusive right to make and sell phonograph records of its performances, but reserved the right to approve all records before they were offered for sale (see [id.](#) at 789–790, 101 N.Y.S.2d 483). The defendant recorded the ABC broadcast performances off the air, without permission, and used those recordings to produce records that it then sold to the public (see [id.](#) at 790, 101 N.Y.S.2d 483). The principal claim in the action brought by the Met was for unfair competition, but the Met also argued that it and its assignees possessed protected property rights such **\*\*944 \*\*\*277** that they could exclude others from making recordings. The court concluded that the production of an opera included creative elements that the law of copyright would recognize and protect against appropriation (see [id.](#) at 798, 101 N.Y.S.2d 483). Specifically, the court concluded that, under the common law, the live performance of an opera on stage and the broadcast of it on the radio under an exclusive broadcasting contract was publication for only a limited purpose, which did not dissolve the Met’s rights to that performance for other purposes (see *id.*, citing [Palmer](#), 47 N.Y. 532). The court noted the care exercised by the Met in limiting its grants by entering **\*599** into exclusive contracts and reserving the right to approve records before their release, which indicated “an attempt to retain effective control over the broadcasting and recording of its performances” ( [Metropolitan Opera Assn.](#), 199

Misc. at 799, 101 N.Y.S.2d 483).

As the Second Circuit correctly stated in *Mercury Records*, *Metropolitan Opera* held that an artist or creator of a performance can, under New York common law, prevent someone without permission from exploiting a performance by making a surreptitious recording of it, reproducing that recording and selling the copies, as the defendant did there (see [Mercury Records Corp.](#), 221 F.2d at 663). In our view, however, *Metropolitan Opera* is essentially limited to an anti-piracy determination. Most of the other state trial-level cases also concern piracy or the meaning of the word “publication” in the copyright arena (see e.g. [Capitol Records v. Greatest Records](#), 43 Misc.2d 878, 879, 252 N.Y.S.2d 553 [Sup.Ct., N.Y.County 1964]; [Columbia Broadcasting Sys. v. Documentaries Unlimited](#), 42 Misc.2d 723, 724–725, 248 N.Y.S.2d 809 [Sup.Ct., N.Y.County 1964]; [Brandon Films v. Arjay Enters.](#), 33 Misc.2d 794, 795, 230 N.Y.S.2d 56 [Sup.Ct., N.Y.County 1962]; [Gieseking v. Urania Records](#), 17 Misc.2d 1034, 1035, 155 N.Y.S.2d 171 [Sup.Ct., N.Y.County 1956] ). None of those cases, including *Metropolitan Opera*, directly address the right of public performance.<sup>3</sup>

Several cases addressing New York common law cite the decision of the Pennsylvania Supreme Court in [Waring v. WDAS Broadcasting Sta.](#), 327 Pa. 433, 194 A. 631 (1937). There, an orchestra sued a radio station for broadcasting the orchestra’s **\*600** records, despite a label on each record stating that it was not licensed for radio broadcast (see [327 Pa. at 436–437](#), 194 A. at 632–633). The radio station had **\*\*945 \*\*\*278** appropriated and used the orchestra’s efforts for the station’s own profit, in competition with the orchestra itself, which performed live on the radio each week in exchange for a sizable sum (see [327 Pa. at 452–453](#), 194 A. at 640). The Pennsylvania Supreme Court reasoned in that case that the phonograph record, itself, was distinct and independent from the title to the artistic property contained on it (the orchestra’s performance of a composition), and that use of the latter could be limited despite the sale of the record (see [327 Pa. at 448](#), 194 A. at 638). Accordingly, the court determined that equity would allow an injunction to protect against unfair competition (see [327 Pa. at 449](#), 194 A. at 638).

*Waring* has no direct bearing on whether New York common law recognizes a right of public performance of sound recordings. To the extent this 1937 out-of-state decision pronounced a public performance right for creators of sound recordings under Pennsylvania common

law, we find this holding inapplicable in the context of New York state common-law copyright.

The most recent pronouncement from this Court on New York’s common-law copyright came in the 2005 case of [Capitol Records, Inc. v. Naxos of Am., Inc.](#), 4 N.Y.3d 540, 797 N.Y.S.2d 352, 830 N.E.2d 250 (2005). There, we were presented with a certified question and sub-questions that we summarized as asking “whether there is common-law copyright protection in New York for sound recordings made prior to 1972” ([id.](#) at 544, 797 N.Y.S.2d 352, 830 N.E.2d 250). The plaintiff recording company, Capitol Records, had recorded famous musicians in the 1930s and had contracts with the artists that permitted an absolute worldwide right to the performances, including the right to make and sell copies of the recordings to the public. The defendant conducted its own restoration of the original recordings and offered compact discs for sale in the United States, without obtaining a license. The complaint alleged common-law copyright infringement under New York law.

The *Naxos* decision included summaries of *Waring*, *Metropolitan Opera* and *Whiteman* ([see id.](#) at 553–554, 797 N.Y.S.2d 352, 830 N.E.2d 250). Our synopsis of *Waring* was limited to stating that an artist’s rights in records were protected by state common law, and that the sale of records with a limiting label did not constitute a publication that would divest the artist of common-law property rights, because the labels indicated a lack of intent to make the records common \*601 property ([see id.](#)). We observed that the Second Circuit had reconsidered its view of state common law after *Metropolitan Opera*, and referred to that court’s announcement in *Mercury Records* “that the appropriate governing principle [under New York common law] was that ‘where the originator ... of records of performances by musical artists puts those records on public sale, his [or her] act does not constitute a dedication of the right to copy and sell the records’ ” ([Naxos](#), 4 N.Y.3d at 554, 797 N.Y.S.2d 352, 830 N.E.2d 250, quoting [Mercury Records Corp.](#), 221 F.2d at 663). This, we stated, was consistent with the long-standing practice of the United States Copyright Office and “became the accepted view within the music recording industry” ([Naxos](#), 4 N.Y.3d at 555, 797 N.Y.S.2d 352, 830 N.E.2d 250). Recognizing that these decisions appear to conflict with the traditional principle that a public sale of a literary work constituted a general publication that terminated a common-law copyright, such that any further copyright protection must be statutory, we pointed out the historical distinction in the treatment of literary and musical works ([see id.](#)).

**\*\*279 \*\*946** Turning to the scope of common-law copyright protection in New York, this Court indicated in *Naxos* that both the judiciary and the state legislature intended to fill the void left by Congress to protect owners of sound recordings ([see id.](#) at 559, 797 N.Y.S.2d 352, 830 N.E.2d 250 [citing Penal Law art. 275, and Arts and Cultural Affairs Law § 31.01 as legislative efforts]). We recognized that the federal statutes had abrogated our state common-law protection of sound recordings in two respects: first, the common law does not cover any sound recordings fixed after February 15, 1972, because the federal statutes cover them; and second, any state common-law protection for pre-1972 sound recordings is not perpetual because a federal statute mandates that state rights will cease in 2067 ([see Naxos](#), 4 N.Y.3d at 560, 797 N.Y.S.2d 352, 830 N.E.2d 250; [see also](#) 17 U.S.C. § 301 [c]). Thus, we concluded that the pre-1972 sound recordings at issue therein were entitled to copyright protection under New York common law until 2067 ([see Naxos](#), 4 N.Y.3d at 560, 797 N.Y.S.2d 352, 830 N.E.2d 250).

Next, it was necessary for us to determine what constituted “publication” under the facts presented. We declared that “in the realm of sound recordings, it has been the law in this state for over 50 years that, in the absence of federal statutory protection, the public sale of a sound recording otherwise unprotected by statutory copyright does not constitute a publication sufficient to divest the owner of common-law copyright protection” (*id.*). We concluded that the musical \*602 recordings therein were entitled to common-law copyright protection under our state law, regardless of whether they had entered the public domain in the country of origin, if the alleged infringement occurred in New York ([see id.](#) at 561–563, 797 N.Y.S.2d 352, 830 N.E.2d 250).

In answering one of the sub-questions in *Naxos*, this Court delineated the elements of a cause of action alleging New York common-law copyright infringement: “(1) the existence of a valid copyright; and (2) unauthorized reproduction of the work protected by the copyright” ([id.](#) at 563, 797 N.Y.S.2d 352, 830 N.E.2d 250 [emphasis added]). We referred to the second element as requiring “unauthorized copying and distribution” (*id.*); we did not include unauthorized performance as an alternative way of establishing that element. Indeed, our decision did not, in the context of rights under state common-law copyright, discuss public performance at all.

*Naxos* does not resolve the question presently before us. That, too, was an anti-piracy case; it reiterated that New

York's common-law copyright protection would prevent the unauthorized copying and sale of records. However, *Naxos* did not address the right of public performance. Thus, our conclusion in *Naxos* that pre-1972 sound recordings are subject to some New York common-law copyright protection does not define the scope of that protection or stand for the proposition that there is a single aspect to that protection, as opposed to separate and distinct aspects of reproduction and performance.

While the cases discussed above are not directly on point, they do demonstrate that we can, and do, separate the various rights held by creators of sound recordings. *Palmer* recognized the two distinct rights of a play's author—the right to control copying and sales of scripts, and the right to control performances (see ¶ 47 N.Y. at 543). These rights were described in a way that separated them for legal purposes. *Pushman* also discussed the separate nature of the artist's rights to sell a painting and to control the ability to make reproductions (see ¶¶ 947-948, 280 N.Y. at 307, 39 N.E.2d 249). Moreover, these distinct rights have been treated differently.

[3] Most of the decisions from lower courts, or from federal courts applying New York law, have been rendered in anti-piracy cases that do not provide an answer or rationale to support a conclusion regarding the question presented here—whether New York common law provides a right of public performance to creators of sound recordings (see ¶ 603 ¶ *Mercury Records Corp.*, 221 F.2d at 663; ¶ *Gieseking*, 17 Misc.2d at 1035, 155 N.Y.S.2d 171; ¶ *Capitol Records v. Greatest Records*, 43 Misc.2d at 879, 252 N.Y.S.2d 553; ¶ *Metropolitan Opera*, 199 Misc. at 799, 101 N.Y.S.2d 483). Although *Whiteman* was overruled in part, *Mercury Records* should not be read to overrule the underlying premise—not at issue in the latter case—that our common-law copyright protection prevents only the unauthorized reproduction of the copyrighted work, but permits a purchaser to use copies of sound recordings for their intended purpose, namely, to play them (see ¶ *Whiteman*, 114 F.2d at 88). It makes sense that, consistent with its name, *copy* right prevents *copying* of a work, but does not prevent someone from using a copy, once it has been lawfully procured, in any other way the purchaser sees fit.

#### IV.

#### Societal Expectations

[4] The understanding and expectations of society are also relevant to the question of what falls within the common-law copyright protection (see ¶ *Motorola Credit Corp. v. Standard Chartered Bank*, 24 N.Y.3d 149, 162–163, 996 N.Y.S.2d 594, 21 N.E.3d 223 [2014] [refusing to overrule long-standing common-law rule because interested parties in the affected segment of society had relied on the rule]; ¶ *Naxos*, 4 N.Y.3d at 561 n. 9, 797 N.Y.S.2d 352, 830 N.E.2d 250 [observing that our conclusion regarding state common-law copyright was the same position taken by the United States Copyright Office and sound recording industry]). In that regard, at hearings held before Congress, representatives of the recording industry have indicated that copyright owners do *not* have a right of performance (see e.g. *Arista Records, LLC*, 578 F.3d at 153 [citing 1995 testimony of Jason Berman, president of the Recording Industry Association of America, that without a copyright in right of performance via Internet technology, the industry would be unable to compete in the emerging digital age]; testimony of Jason S. Berman before the House Judiciary Subcommittee on Courts and Intellectual Property: Hearing on HR 1506, June 21, 1995, 1995 WL 371088 [stating that under existing law, performers “have no rights to authorize or be compensated for the broadcast or other public performance of their works”]; Copyright Law Revision: Hearings before the Subcommittee on the Judiciary, Part 2, 90th Cong., 1st Sess. at 496, 500 [1967] [stating that under existing law the record companies and performers receive nothing from public performance on radio or in clubs]).

¶ 604 While plaintiff suggests that this testimony, and the lobbying of Congress by the recording industry for a right of public performance, merely reflected the understanding that there was no *federal statutory right* to public performance in sound recordings, many of the statements reflect a broader understanding that there was *no such right*—including under state common law—to protect copyright holders of sound recordings.<sup>4</sup> Indeed, several Registers of ¶ 948 ¶ 281 Copyrights have repeatedly indicated that no such public performance right exists, or at least that it was not generally recognized (see Copyright Office, Federal Copyright Protection for Pre-1972 Sound Recordings: A Report of the Register of Copyrights 44–45 [2011] [explaining that “(i)n general, state law does not appear to recognize a performance right in sound recordings”];<sup>5</sup> Performance Royalty: Hearings before the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Committee on the Judiciary on S. 1111, 94th Cong., 1st Sess. at 10 [Comm. Print 1975] [stating that creators of sound recordings have copyright



protection under federal law, but “still receive no royalties whatever from the public performance for profit of their copyrighted works”]; Copyright Law Revision: Hearings before Subcommittee No. 3 of the House Committee on the Judiciary on HR 4347, HR 5680, HR 6831, HR 6835, 89th Cong., 1st Sess. at 1863 [Comm. Print 1965] [opining, based on experience, that the chance of enacting a bill recognizing a right of performance in sound recordings was so remote as to be nonexistent] ). To be sure, the beliefs of these individuals and groups are not dispositive; however, they do shed some light on the fact that stakeholders in this arena have not understood New York common-law **\*605** copyright to provide a right of public performance to the copyright holders of sound recordings (see [Flo & Eddie, Inc. v. Sirius XM Radio, Inc.](#), 4 N.Y.3d at 561 n. 9, 797 N.Y.S.2d 352, 830 N.E.2d 250).

Indeed, it would be illogical to conclude that the right of public performance would have existed for decades without the courts recognizing such a right as a matter of state common law, and in the absence of any artist or record company attempting to enforce that right in this state until now. The absence of a right of public performance in sound recordings was discussed at the federal level for years and became acutely highlighted in 1971, upon enactment of the Sound Recording Amendment, and again in 1995, upon enactment of the DPRA. At those times, all interested parties were placed on notice of the statute’s limited rights for post-1972 sound recordings. Although parties do not lose their rights merely by failing to enforce them, the fact that holders of rights to sound recordings took no action whatsoever to assert common-law protection for at least the past four decades—when the absence of a comprehensive federal right of public performance for sound recordings was clear—supports our conclusion that artists and copyright holders did not believe such a right existed in the common law.

Instead, common sense supports the explanation, articulated by the Third Circuit, that the record companies and artists had a symbiotic relationship with radio stations, and wanted them to play their records to encourage name recognition and **\*\*949 \*\*\*282** corresponding album sales (see *Bonneville Intl. Corp.*, 347 F.3d at 487–489). As the dissent acknowledges (see dissenting op. at 632–633, 48 N.Y.S.3d at 300–02, 70 N.E.3d at 967–69), the Federal Copyright Office explicitly recognized the technological advances affecting the interests of the various participants in the music industry as early as 1991 (see Register of Copyrights, Report on Copyright Implications of Digital Audio Transmission Services at 154–155 [Oct. 1991] ). Nevertheless, those participants have coexisted for many

years and, until now, were apparently “happy together.” While changing technology may have rendered it more challenging for the record companies and performing artists to profit from the sale of recordings, these changes, alone, do not now warrant the precipitous creation of a common-law right that has not previously existed.

Simply stated, New York’s common-law copyright has never recognized a right of public performance for pre-1972 sound recordings. Because the consequences of doing so could be **\*606** extensive and far-reaching, and there are many competing interests at stake, which we are not equipped to address, we decline to create such a right for the first time now. Even the District Court here, while finding the existence of a common-law copyright of public performance in sound recordings, acknowledged that such a right was “unprecedented,” would upset settled expectations, and would “have significant economic consequences” ([Flo & Eddie, Inc. v. Sirius XM Radio, Inc.](#), 62 F.Supp.3d at 352). Under these circumstances, the recognition of such a right should be left to the legislature.

As Congress demonstrated when it enacted the DPRA—by including mandatory licensing and a rate-setting scheme, as well as exemptions—recognizing new rights in this complex area of law involves a delicate balancing of numerous competing interests, requiring an intricate regulatory scheme that can be crafted only by a legislative body. For instance, to make practical the exercise of the right of public performance, it would certainly be necessary to have a central agency or clearinghouse—as the DPRA has established—to maintain a record of ownership rights in sound recordings.

Further, in contrast to the anti-piracy right—which is based on an acknowledgment that no relevant stakeholder has a legitimate interest in unauthorized duplication and distribution of sound recordings—some stakeholders may be harmed if we recognize a right of public performance. Composers, for instance, are paid royalties each time their song is performed publicly (see [Flo & Eddie, Inc. v. Sirius XM Radio, Inc.](#), 17 U.S.C. § 106[4] ). However, if the sound recording copyright holder has control over whether and when a recording of that song is played, the composer could lose royalties. In addition, the public and the artists could be harmed by the recognition of a right of public performance. Specifically, if deterred by the costs of paying to play older songs, radio services may choose to limit or cease their broadcasts of pre-1972 music. The public will then be deprived of this music and artists will be deprived of the interest in their performances that is generated by radio broadcasting, potentially resulting in decreased revenue to the performers from record sales and from live concerts,

festivals and merchandise which, in many instances, have replaced record sales as the performers' primary sources of income. These are but a few of the potential ramifications of recognizing a right of public performance; there are undoubtedly others which we have not even considered. Moreover, the requested expansion of copyright protection is \*607 not necessary to encourage the creation of music, as it \*\*950 \*\*\*283 would apply only to recordings that were already created more than 40 years ago.

We cannot ignore the fact that Congress studied the nature and scope of the right to the public performance of sound recordings for nearly two decades before revising the federal statutes to recognize a limited right. Indeed, in 1976, Congress “considered at length the arguments in favor of establishing a limited performance right, in the form of a compulsory license, for copyrighted sound recordings, but concluded that the problem require[d] further study” (H.R. Rep. 94–1476, 94th Cong., 2d Sess. at 106, reprinted in 1976 U.S.Code Cong. & Admin. News at 5659, 5721). As directed by the Copyright Act of 1976, the Register of Copyrights submitted a voluminous report in 1978, recommending that Congress enact a limited right to control public performances of sound recordings. Not until 1995 did Congress take action on that recommendation and enact any such right and, even then, the right it created was a narrow one circumscribed by a nuanced regulatory scheme limited to digital transmissions of post–1972 sound recordings (see Pub. L. 104–39 § 2[3], 109 U.S. Stat. 336 [1995]). Moreover, as part of that statutory scheme, Congress included a requirement that the copyright holder pay a portion of the royalties to the recording artist; even if we were to recognize a common-law copyright to public performance, there is no guarantee that the artists would receive any portion of the royalties, as many copyrights are apparently held by the record companies. Ultimately, it cannot be overstated that, if this Court were to recognize a right of public performance under the common law, we would be ill-equipped—or simply unable—to create a structure of rules to properly guide the application of that right. The legislative branch, on the other hand, is uniquely qualified, and imbued with the authority, to conduct the required balancing of interests and make the necessary policy choices.

V.

Scope of Right

The question certified to us also asks—*if* we recognize a right of public performance in sound recordings—that we define the nature and scope of that right. Because we do not recognize such a right, we need not address the second portion of the \*608 certified question. However, a brief discussion of the issue further demonstrates why we should not create the right in the first instance.

Plaintiff argues that the right of public performance should apply when a sound recording is used for “commercial purposes,” but the scope of that term remains undefined. For instance, it is unclear whether the right would apply to AM/FM radio broadcasting. Traditional radio stations generate money through advertisers, who essentially pay for the music, so it may very well be that the recordings will be considered as being used for a commercial purpose in that arena. It would be irresponsible for us to recognize a right of public performance and leave open such a basic question as whether such right applies to ordinary radio. It is similarly unclear whether the right would extend only to situations in which someone is charged directly for the music—such as defendant’s digital radio service, or even a jukebox—or whether the right would also apply where payment is indirect, such as to a bar that imposes a cover charge when it has a DJ who plays music. As plaintiff concedes, the public performance right might also apply to public entities, such as museums or schools. Given this uncertainty and the plethora of issues involved in \*\*951 \*\*\*284 deciding these questions, such line-drawing is best left to the legislature.<sup>6</sup>

The dissent would recognize a right of public performance in pre–1972 sound recordings that tracks the federal right in post–1972 \*609 sound recordings (see dissenting op. at 633, 48 N.Y.S.3d at 307, 70 N.E.3d at 968). While the dissent notes that the federal law reflects Congress’s balancing of the varied and competing interests involved, this only highlights that a legislative body—not the courts—should make decisions regarding such a right.<sup>7</sup> Additionally, it would be highly unusual for this Court to simply adopt federal statutes as the embodiment of the scope of a state common-law right. Moreover, as a practical matter, not all aspects of the complex federal scheme can be directly incorporated under our common law. For example, in the DPRA, Congress provided a means of determining reasonable rates and royalty payments, including a dispute resolution system (see 17 U.S.C. § 114 [f]). However, state courts have no authority to require the federal Copyright Royalty Judges to adjudicate challenges to royalty rates on pre–1972 sound recordings (see 17 U.S.C. §§



114[f]; 801–804), nor do we have the authority to create a New York State version of that dispute resolution system.

Further, the federal Copyright Act—on which the dissent would rely to define the scope of our state’s common-law right— **\*\*952 \*\*\*285** applies nationally, not on a state-by-state basis. The dissent acknowledges that defendant’s subscribers “can travel cross-country and enjoy uninterrupted and unlimited play” of music within defendant’s coast-to-coast satellite coverage area (dissenting op. at 618, 48 N.Y.S.3d at 290, 70 N.E.3d at 957). Defendant’s license from the Federal Communications Commission requires it to broadcast the same music or programs nationwide, and does not allow defendant **\*610** to customize its programming by state or region. Despite these circumstances and the portable nature of radio service, the dissent does not address the difficulties that would arise if this Court, and other state courts across the country, were to separately determine the existence and scope of a common-law right of public performance for sound recordings and were to reach different results in neighboring jurisdictions that may share radio airwaves. Those difficulties present yet another reason why the parameters of any such right should be defined by a legislative body.

Finally, we note that sound recording copyright holders may have other causes of action, such as unfair competition, which are not directly tied to copyright law. Indeed, in the present case, plaintiff prevailed in the District Court on its causes of action alleging unfair competition and unauthorized copying of sound recordings. The Second Circuit concluded that defendant had copied plaintiff’s recordings, but postponed the questions of fair use and unfair competition until after our resolution of the certified question (821 F.3d at 270 n. 4, 272). Thus, even in the absence of a common-law right of public performance, plaintiff has other potential avenues of recovery.

<sup>[5]</sup> At the end of the day, the question before us is not whether recognizing a right of public performance in sound recordings is a good idea, or whether the absence of such a right enures to the detriment of any particular individual or group. Rather, the question is whether that determination should be made by this Court or whether it should be left to the legislature; in our view, the answer is decidedly the latter. We hold that New York common law does not recognize a right of public performance for creators of pre-1972 sound recordings. Accordingly, the certified question should be answered in the negative.

FAHEY, J. (concurring).

I agree with my colleagues in the majority that the common law of this state does not recognize a right of public performance for the creators of sound recordings fixed prior to February 15, 1972 (*see* majority op. at 605, 48 N.Y.S.3d at 281, 70 N.E.3d at 948), and that the question whether to recognize such a right is best left to the legislature (*see id.* at 606, 48 N.Y.S.3d at 282, 70 N.E.3d at 949). Consequently, I also generally agree with my colleagues in the majority that the pertinent part of the certified question, which asks whether there is “a right of public performance for creators of sound recordings under New York law” (*Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 821 F.3d 265, 272 [2d Cir.2016] ), should be answered in the negative.

**\*611** In seeking guidance from this Court, however, the United States Court of Appeals for the Second Circuit noted that we should exercise our power to “reformulate or expand [its certified] question as appropriate” (*id.* [internal quotation marks omitted]; *see*

Although the question *whether to recognize* a right of “public performance” for creators of sound recordings is for the legislature, the preliminary question *how to define* “public performance” is for this Court. In a technologically simpler time the distinction between performance and publication was easy to define. That is not true now. Presently, access to sound recordings falls along a continuum ranging from public performance to publication; it begins with AM/FM radio broadcasters (performance) and concludes with consumer purchase of compact discs or other hard copies of sound recordings (publication).

This continuum is best described in five steps:

1. AM/FM radio—sometimes called “terrestrial” radio. These broadcasters rely on advertising; access is free.
2. Internet “radio” operations (such as Pandora)—these broadcasters also have advertisers and are free.
3. Subscription broadcast services (such as defendant)—where consumers pay a monthly fee and are provided with commercial-free content in genres

selected by the user (i.e., sports radio, 60s music, etc.). The service is available over the Internet and by satellite.

4. Interactive/“on-demand” services (such as Apple Music)—where, for a monthly subscription fee, consumers are provided access to an almost unlimited music library that is available at any time on multiple platforms (i.e., phone, iPad, computer). This service, in essence, rents the sound recording to the listener as long as the monthly fee is paid.

5. Purchase of a sound recording, either digital (i.e., through iTunes or Google Play) or hard copy (i.e., CD, vinyl, tape).

The Court’s focus generally rests with the broadcasters on the continuum, and my concern specifically rests with the method of broadcasting in the fourth step of that series. To \*612 permit listeners to specifically select a sound recording for use through an “on-demand” service is to rent or lease that recording to those listeners inasmuch as they do not own it, but can instantly enjoy its use. To rent or lease a sound recording through an “on-demand” service is for the provider to substitute for the purchase of that recording. To prevent the sale of a sound recording through the “on-demand” rental or lease of it is not to perform the recording, but to publish it.

To that end, while I agree with the conclusion of my colleagues in the majority that the common law of this state does not recognize a right of public performance, I would answer the pertinent part of the certified question in the negative with this caveat: “public performance” does not include the act of allowing members of the public to receive the “on-demand” transmission of particular sound recordings specifically selected by those listeners.

### Backdrop

On balance, I appreciate that the common law of this state recognizes a right of performance in works that arguably are similar to sound recordings (e.g., plays [see [Palmer v. De Witt](#), 47 N.Y. 532, 535–536, 540–541 (1872) ]; films [see [Brandon Films v. Arjay Enters.](#), 33 Misc.2d 794, 230 N.Y.S.2d 56 (Sup.Ct., N.Y.County 1962) ]; and film clips [see [Roy Export Co. Establishment of Vaduz, Liechtenstein v. Columbia](#)

[Broadcasting Sys., Inc.](#), 672 F.2d 1095, 1097–1099 (2d Cir.1982) (applying New York law) ] ). I also appreciate that [\\*\\*954 \\*\\*\\*287 RCA Mfg. Co. v. Whiteman](#), 114 F.2d 86 (2d Cir.1940), cert. denied 311 U.S. 712, 61 S.Ct. 393, 85 L.Ed. 463 (1940), its progeny, and the congressional treatment of copyright law do not answer the question whether the common law of this state has recognized a right of performance in sound recordings fixed prior to February 15, 1972.

The discussion of federal copyright law in the majority opinion (see majority op. at 590–594, 48 N.Y.S.3d at 270–74, 70 N.E.3d at 937–40) is helpful in reviewing the state common-law question now before us. As this Court noted in [Capitol Records, Inc. v. Naxos of Am., Inc.](#), 4 N.Y.3d 540, 797 N.Y.S.2d 352, 830 N.E.2d 250 (2005), in “examining copyright law, a page of history is worth a volume of logic” ([id.](#) at 546, 797 N.Y.S.2d 352, 830 N.E.2d 250 [internal quotation marks omitted] ). The evolution of the federal copyright scheme—including the recognition in 1995 of a limited performance right in recordings fixed after February 15, 1972—has been methodical and balanced. Indeed, the federal forging of that right occurred only after significant deliberation, that is, “only after Congress \*613 heard from dozens of witnesses about the competing policy considerations, after committees produced multiple reports detailing their findings, ... after Congress revised the proposed legislation to address each issue,” and after the Register of Copyrights issued an analysis of nearly 1,000 pages “recommending a limited performance right for post-1972 recordings” (brief for defendant-appellant at 43; see H.R. Rep. 104274, 104th Cong., 1st Sess. [1995]; S. Rep. 104–128, 104th Cong., 1st Sess., reprinted in 1995 U.S. Code Cong. & Admin. News at 356 [1995] ).

### “Terrestrial” Radio

The common law of this state evolves in a similarly measured and cautious manner (see [Campaign for Fiscal Equity, Inc. v. State of New York](#), 8 N.Y.3d 14, 28, 828 N.Y.S.2d 235, 861 N.E.2d 50 [2006]; [Norcon Power Partners v. Niagara Mohawk Power Corp.](#), 92 N.Y.2d 458, 468, 682 N.Y.S.2d 664, 705 N.E.2d 656 [1998] ), and I agree with my colleagues in the majority that the question whether there is a right of public performance in sound recordings fixed prior to February 15, 1972 is best answered by the legislature. On the one

hand, artists obviously have an interest in receiving compensation for the performance of sound recordings to which they have contributed from broadcasters that perform such works for a profit. Perhaps there is even a strong rationale for such compensation: the author of one of a collection of short stories undoubtedly could be entitled to a royalty with respect to the sale of that collection, and to that end it arguably is illogical that a musician who contributes to a sound recording that was fixed prior to February 15, 1972 and that is now publicly performed by a broadcaster for profit should not be entitled to a royalty with respect to that performance.

On the other hand, there are myriad reasons for us not to make such a significant leap here. The relationship between the recording industry and the “terrestrial” radio industry was and perhaps still is a strong one inasmuch as record companies have used and continue to use free airplay (or “spins”) to generate revenue from album sales, concert ticket sales, and merchandising (see *Bonneville Intl. Corp. v. Peters*, 347 F.3d 485, 487–488 [3d Cir.2003] [“The recording industry and broadcasters existed in a sort of symbiotic relationship wherein the recording industry recognized that radio airplay was free advertising that lured consumers to retail stores where they would purchase recordings. And in return, the broadcasters \*614 paid no fees, licensing or otherwise, to the recording industry for performance of \*\*955 \*\*\*288 those recordings” (footnote omitted) ]; see also Robert L. Hilliard & Michael C. Keith, *The Broadcast Century and Beyond* 151 [5th ed. 2010] [“(t)he recording industry manufactured the popular, youth-oriented music radio wanted and needed, and the (radio medium) provided the exposure that created a market for this product. From the perspective of the recording industry, radio was the perfect promotional vehicle for showcasing its established, as well as up-and-coming, artists”]; James N. Dertouzos, *Radio Airplay and the Record Industry: An Economic Analysis* at 5 [2008] [“a significant portion of music industry sales of albums and digital tracks can be attributed to radio airplay—at a minimum 14 percent and as high as 23 percent”], available at [http://www.nab.org/documents/resources/061008\\_Dertouzos\\_Ptax.pdf](http://www.nab.org/documents/resources/061008_Dertouzos_Ptax.pdf), cached at [http://www.nycourts.gov/reporter/webdocs/061008\\_Dertouzos\\_Ptax.pdf](http://www.nycourts.gov/reporter/webdocs/061008_Dertouzos_Ptax.pdf).<sup>1</sup>

#### Internet and Satellite “Radio”

The analysis with respect to Internet and satellite broadcasters is closer. The economics of Internet and satellite “radio” (which comprise the second and third steps on my continuum) are not the same as those of “terrestrial” radio. Conventional radio has a partnership with the recording industry, and the economics of that medium have been predicated upon the idea that such broadcasters are not responsible for royalties to performers of sound recordings transmitted over their “air.”

By contrast, Internet and satellite broadcasting (which include the transmissions in which defendant engages) are relatively new phenomena, meaning that they did not grow together or in harmony with the recording industry. That is, while “terrestrial” broadcasters have long contributed to the growth of the recording industry and its artists, digital broadcasters have not given corresponding assistance to that enterprise. Perhaps Congress recognized as much in passing \*615 the Digital Performance Right in Sound Recordings Act of 1995 (Pub. L. 104–39, § 1, 109 U.S. Stat. 336 [Nov. 1, 1995] ), which granted a performance right in sound recordings fixed after February 15, 1972 and required Internet “radio” broadcasters, but not “terrestrial” radio broadcasters, to license such recordings (see S. Rep. 93–983 at 225–226 [capturing the view of six Senators that, “(f)or years, record companies ... gratuitously provided records to (radio) stations in hope of securing exposure by repeated play over the air”]). Nevertheless, given the complex and significant nature of this performance right question, I agree with my colleagues in the majority that the legislature should determine whether to establish a right of public performance even with respect to the “new” Internet and satellite broadcasters.

#### Interactive/“On–Demand” Internet Broadcasters

With respect to the fourth step on my continuum, certain Internet broadcasters—such as Apple Music, Spotify’s premium subscription, Rhapsody, and Amazon’s Music Unlimited offering—permit users to peruse a catalog of millions of songs and to “call them up on any device, including \*\*956 \*\*\*289 [one’s] phone, anytime [one] wants” (Peter Kafka, *Amazon Takes on Spotify with Streaming Music Services that Cost Less than \$10 a Month*, Oct. 12, 2016, <http://www.cnn.com/2016/10/12/amazon-takes-on-spotify-with-streaming-music-services-that-cost-less-t>

han-10-a-month.html). One “can also download them, so [that one] can play them when ... not connected to the internet” (*id.*). They cannot be directly converted to a hard copy. When the service ends, the user loses all access to music that has been downloaded.

In determining whether there is a common-law right of public performance for recordings fixed prior to February 15, 1972, we necessarily have occasion to speak to the nature and the limits of such right. In the realm of federal copyright law, “publication” is defined as “the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending”(1–4 Nimmer on Copyright § 4.03[B], citing 17 U.S.C. § 101; *cf.* *Naxos*, 4 N.Y.3d at 560, 797 N.Y.S.2d 352, 830 N.E.2d 250 [“ ‘publication’ is a term of art that has distinct meanings in different contexts”]). To allow a user to regularly, specifically, and directly access an exact sound recording “on-demand” is not to facilitate the “public performance” of such recording, but to publish that work and therefore to infringe upon the right of \*616 the copyright holder to sell it (*cf.* *id.* at 560, 797 N.Y.S.2d 352, 830 N.E.2d 250 [“in the realm of sound recordings, it (is) the law in this state ... that, in the absence of federal statutory protection, the public sale of a sound recording otherwise unprotected by statutory copyright does not constitute a publication sufficient to divest the owner of common-law copyright protection”]).

One of the amici astutely notes that “[i]ncreasing numbers of consumers have turned to digital streaming services as their primary source of musical content.” In fact, “[t]he move by consumers away from owning music to renting it from services like Spotify and Apple Music has caught fire” (Neil Shah, *The Summer That Streaming Took Over*, Wall St. J., Aug. 25, 2016, available at <http://www.wsj.com/articles/the-summer-that-streaming-took-over-1472151516>). Consumers “who pay \$10 a month for a subscription to Spotify or Apple Music listen to music for a full 27 hours a week”—“three hours more a week than those who listen for free on YouTube and Spotify’s ad-supported site and more than double the amount non-streamers listen”( *id.*). The rising popularity of instant, unfettered access to catalogs that may exceed 30 million sound recordings (*see* Madi Alexander & Ben Sisario, *Apple Music, Spotify and a Guide to Music Streaming Services*, N.Y. Times, Apr. 5, 2016, available at <http://www.nytimes.com/interactive/2015/06/30/business/media/music-streaming-guide.html>) has dampened music sales: digital music track and compact disc sales have declined in direct correlation to the increase in the number of songs streamed through “on-demand” services (*see*

Victor Luckerson, *Spotify and YouTube Are Just Killing Digital Music Sales*, Time, Jan. 3, 2014, available at <http://business.time.com/2014/01/03/spotify-and-youtube-are-just-killing-digital-music-sales/>).

The evolution of technology should be accompanied by the evolution of the law. The “broad and flexible power of the common law” needs “to keep pace” with this new means of music consumption ( *Naxos*, 4 N.Y.3d at 555, 797 N.Y.S.2d 352, 830 N.E.2d 250 [internal quotation marks omitted] ). We must recognize that the rental or lease of sound recordings fixed prior to February 15, 1972 by Internet broadcasters who provide the public “on-demand” \*957 \*\*\*290 access to such recordings is a form of publication under copyright law.<sup>2</sup>

Indeed, the “on-demand” access to sound recordings offered to the public is unique in that it requires a paid subscription \*617 that connects the customer to a nearly limitless catalog of music and gives the customer the power to instantly listen to recordings specifically selected by that user without purchasing even a single one of those songs.<sup>3</sup> In essence, unlike “terrestrial,” Internet, and satellite radio operations, which select and play sound recordings *for all* of their listeners, “on-demand” services permit recordings to be selected and played *by each* of their users.

A 2011 report of the United States Copyright Office foresaw that the rise of such streaming services could lead to a fall in the sale of sound recordings (*see* Copyright Office, Federal Copyright Protection for Pre-1972 Sound Recordings: A Report of the Register of Copyrights 45 [2011] [“It is possible that a state court would entertain a claim for ... common law copyright infringement (where) pre-1972 sound recordings were being made available through internet streaming, particularly if it were persuaded that the use was substituting for purchases of the plaintiff’s recording”]). Yesterday’s prediction has become today’s reality.

While I agree with my colleagues in the majority that the question whether to recognize a right of “public performance” in sound recordings fixed prior to February 15, 1972 is best answered by the legislature, I would conclude that “public performance” does not include the act of allowing members of the public to receive the “on-demand” transmission of sound recordings specifically selected by those listeners.



RIVERA, J. (dissenting).

On this certified question, the United States Court of Appeals for the Second Circuit asks whether New York recognizes a right of public performance in sound recordings and, if so, what is the scope of such right (*Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 821 F.3d 265, 272 [2d Cir.2016] ). Contrary to the conclusion of my colleagues, New York’s broad and flexible common-law copyright protections for sound recordings encompass a public performance right that extends to the outer boundaries of current federal law, and ceases upon preemption by Congress.

**\*618 I.**

The Turtles are an American rock band that formed in the 1960s and signed to White Whale Records in 1965. The band had a number of hit songs—the most notable of their songs is “Happy Together,” which reached the number one spot on the Billboard charts in 1967 and is considered a quintessential 1960s recording.

The band acquired the copyright to the master recordings of their albums in 1971 after they sued White Whale Records for underpayment of royalties. Thereafter, two band members bought out the others’ rights to the albums and incorporated **\*\*958 \*\*\*291** ownership of the recording’s copyright under “Flo & Eddie, Inc.” Since that time, Flo & Eddie has licensed the Turtles’ songs for use in movies, television and commercials, and for digital sale through music vendors like iTunes and Amazon.


Sirius XM Radio Inc. (Sirius) is a commercial radio broadcast company with over 25 million subscribers, making it one of the largest radio and Internet-radio broadcast companies in the United States. Unlike traditional AM/FM radio, Sirius charges subscribers a monthly fee, ranging from \$9.99 to \$18.99 per month, to generate revenue for its music broadcasting and streaming services. Sirius offers access to a variety of music, talk shows, sports coverage, and news broadcasts through satellite and Internet connections for play on personal computers and media devices. One of its main selling points is that Sirius subscribers can personalize the commercial-free music channels.

Sirius markets itself as a replacement for AM/FM radio by offering a broader reception range than terrestrial

radio, available in vehicles of every major United States automobile company. Like some AM/FM channels, Sirius also features themed channels, including separate stations for period music, for example from the 1940s, 1950s, and 1960s. Yet, unlike traditional AM/FM radio with its limited reception, Sirius subscribers pay for seamless listening of various music genres, provided commercial-free, 24 hours a day, seven days a week, for the entire period their subscription is effective. Thus, without having to change channels, a subscriber can travel cross-country and enjoy uninterrupted and unlimited play of self-selected music within the Sirius coast-to-coast satellite coverage area. Additionally, Sirius provides a “rewind” function for its radio channels, which allows subscribers to jump back **\*619** in the broadcast up to five hours in the past and replay music that has already aired.<sup>1</sup>

Sirius also allows subscribers to download music directly from its website, so that the subscriber can listen to a desired song from a computer or a variety of mobile media devices at any time. Additionally, Sirius has a streaming service, which allows subscribers with Internet or cellular access to stream any song in the Sirius catalog on-demand, without waiting to download a file.<sup>2</sup>

Sirius has a library of over 280,000 songs, and 42,000 of these songs were recorded prior to 1972. The pre-1972 library includes songs by the Turtles, 15 of which have been “performed,” meaning broadcast or streamed, by Sirius. At the time the Sirius executives were deposed, Sirius had never entered into a licensing agreement to broadcast any of the pre-1972 songs from its library, and did not believe it needed such an agreement.<sup>3</sup>

**\*\*\*292 \*\*959** The business model and commercial success of Sirius and other digital music providers has dramatically and permanently changed the music industry. The primacy of terrestrial and analog radio is a thing of the past. Gone are the days when a listener’s sole means of acquiring music for personal enjoyment was by obtaining a record, cassette tape, or compact disc. The fast-paced changes wrought by the “digital music era” have caused devastating impacts on the music industry. In its first iteration, peer-to-peer sharing programs allowed free access to music by illegally downloading audio files—this undercut record and compact disc sales and threatened traditional revenue streams for record   
**\*620** companies and artists (*see A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1016–1017 [9th Cir.2001]; see also Tamara Kurtzman, *The Day Big Music Died*, 20 J. Internet L. 1, 8–9 [2016] ). With the arrival of legal downloading programs that charge customers to purchase music downloads, such as iTunes, the music industry found a new source of revenue (*see* Recording Industry

Association of America, Year End Statistics, 1989–2007). However, that revenue has been “cannibalized” by the growing popularity of services that allow a listener to stream and download music for a flat subscription rate (78 Fed. Reg. 23,054, 23,066 [Apr. 17, 2013] [capturing Sirius’ comments to proposed rule change, in which Sirius noted that streaming services cannibalize record sales]).

Throughout this evolution in the manner by which a listener accesses and enjoys music, the market for records, tapes, and compact discs from which music is communicated and perceived has continued to shrink and is likely never to rebound (*see* Kurtzman, *supra* at 10). As these technological advances continue to rock the music industry, Flo & Eddie have turned to the courts and asserted their copyright interests in the performance of their songs and the profits made by Sirius from playing and facilitating digital access to the Turtles’ music.

In their New York federal lawsuit, Flo & Eddie alleged, in part, that Sirius violated New York’s common-law right of public performance by broadcasting and streaming pre-1972 sound recordings without a license, and collecting revenue from subscribers who pay to hear the music. They successfully defended against summary judgment and found a receptive ear in the district court, which held that New York’s common law recognizes a right of public performance. After the Second Circuit accepted an interlocutory appeal squarely presenting the issue, that court certified the following question for our consideration: “Is there a right of public performance for creators of sound recordings under New York law and, if so, what is the nature and scope of that right?” (*Flo & Eddie, Inc.*, 821 F.3d at 272).

Contrary to my colleagues, I conclude that decisional law, statutory mandates, legislative history, and the doctrinal foundations of private rights of ownership compel a determination that our common law recognizes a creator’s right of public performance in sound recordings. The beneficial contours of this right and the creator’s interests in receiving compensation for the labor that produced the sound recording align with society’s interest in avoiding exploitation of artists and their \*621 creative works. This right is balanced against the goal of increasing public access to creative works, the expectations of certain sectors of the music recording industry, and the reality that Congress has placed a time limit on common-law protections \*\*960 \*\*\*293 for pre-1972 sound recordings while providing a limited right of public performance for all sound recordings made after February 15, 1972.

I reject a parochialism that justifies turning a blind eye to

the exploitative practices of today’s music industry made possible by technological advances and that, as a consequence, excludes from our common-law copyright in sound recordings a quintessential property interest in the use of these works, and limits a creator’s opportunity to derive financial benefit from their performance (majority op. at 594–595, 48 N.Y.S.3d at 273–75, 70 N.E.3d at 940–42; concurring op. at 613, 48 N.Y.S.3d at 287, 70 N.E.3d at 954). As this Court has previously stated, “[t]he common law is not rigid and inflexible [It is] a living organism which grows and moves in response to the larger and fuller development of the nation” (*Oppenheim v. Kridel*, 236 N.Y. 156, 163–164, 140 N.E. 227 [1923]). Indeed, it is this Court’s duty to apply New York’s common-law copyright to the changing landscape of the music industry and protect the interests of creators of sound recordings against those who profit from the fruits of others’ labor, without compensating the copyright holder, and do so in a manner that jeopardizes the primary source of revenue for creative genius.

## II

As far back as 1831, federal law has provided a copyright for musical compositions (Copyright Act of 1831 [21st Cong., 2d Sess., ch. 16], 4 U.S. Stat. 436; *see also* *Bonneville Intl. Corp. v. Peters*, 347 F.3d 485, 487 [3d Cir.2003]). However, federal copyright law has continually relied on common-law principles and, since 1909, the federal Copyright Act has consistently expressed that state common law, unless preempted, may afford copyright protections for sound recordings (17 U.S.C. § 2, as added by Pub. L. 60–349, § 2, 35 U.S. Stat. 1076 [1909]; *Capitol Records, Inc. v. Naxos of Am., Inc.*, 4 N.Y.3d 540, 553, 797 N.Y.S.2d 352, 830 N.E.2d 250 [2005]). In 1971, when Congress first confirmed copyright protections for sound recordings that are fixed, meaning recorded, on or after February 15, 1972, it also left untouched any state rights with respect to sound recordings fixed before that date (Sound Recordings Act, Pub. L. 92–140, 85 U.S. Stat. 391 [1971], codified at 17 U.S.C. § 102[a][7]). The United States Supreme Court has upheld the constitutionality of this dual copyright system, and recognized, \*622 that where Congress “has left the area unattended, no reason exists why the State should not be free to act” (*Goldstein v. California*, 412 U.S. 546, 570, 93 S.Ct. 2303, 37 L.Ed.2d 163 [1973]).

Congress provided a limited right of public performance

in 1995, entitling copyright holders to royalties when the recording was performed, i.e. broadcast via digital audio transmission ( 17 U.S.C. § 106[6] ). Once again, Congress maintained a role for state law and declared that “[w]ith 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” (*id.* § 301[c] ). The federal law left to the states the choice both to recognize a copyright in sound recordings and to define the parameters of state law protections. Thus, with respect to the issues presented by the certified question, not only is the “area unattended,” but Congress has specifically accounted for state copyright protections (*see id.* § 301[c] ).

In response to a previous certified question from the Second Circuit, this Court clarified that our State’s common-law copyright protections apply to pre-**961** **294** 1972 sound recordings ( *Naxos*, 4 N.Y.3d at 560, 797 N.Y.S.2d 352, 830 N.E.2d 250 ). As part of a comprehensive discussion of the history of United States copyright law, with its roots in English copyright, and upon a thorough review of federal legislation, the Court stated that federal copyright developed to address concerns related to “property rights in tangible intellectual products” (*id.* at 546, 797 N.Y.S.2d 352, 830 N.E.2d 250 ). The Court explained that “[w]ith the dawn of the 20th century, courts throughout the country were confronted with issues regarding the application of copyright statutes, which were created with sole reference to the written word, to new forms of communication. One of the first such challenges involved music” (*id.* at 552, 797 N.Y.S.2d 352, 830 N.E.2d 250 ). Specifically, the Court identified a common-law history of protection for sound recordings and held that, absent specific federal preemption, the common law was free to identify the moment of divestment of common-law protections in audio musical works ( *id.* at 552–553, 797 N.Y.S.2d 352, 830 N.E.2d 250 ).

With regard to when federal copyright preempts state common law—which occurs upon “first publication”—the Court noted that for literary works, the point of divestment of common-law rights historically was the moment of public distribution of the writing ( *id.* at 560, 797 N.Y.S.2d 352, 830 N.E.2d 250 ). In the context of audio recordings, several early opinions rejected the sale of a record as “publication” for sound recordings because the copyright **623** holder did not intend to relinquish control over a performance by selling a record of the musical work ( *id.* at 552–555, 797

N.Y.S.2d 352, 830 N.E.2d 250, citing *Metropolitan Opera Assn., Inc. v. Wagner–Nichols Recorder Corp.*, 199 Misc. 786, 798, 101 N.Y.S.2d 483 [Sup.Ct., N.Y.County 1950]; *Waring v. WDAS Broadcasting Sta.*, 327 Pa. 433, 443, 194 A. 631, 636 [1937] ). The *Naxos* Court similarly concluded that, so long as the federal law has not preempted state copyright law as regards sound recordings, our common law does not treat the broadcast of the recording as a publication that divests a copyright holder of any common-law copyright: “in the realm of sound recordings, it has been the law in this state for over 50 years that, in the absence of federal statutory protection, the public sale of a sound recording otherwise unprotected by statutory copyright does not constitute a publication sufficient to divest the owner of common-law copyright protection” ( *id.* at 560, 797 N.Y.S.2d 352, 830 N.E.2d 250 [citations omitted] ).

In reaching this conclusion, the Court made two significant observations. First, that “the historical distinction in the treatment of literary and musical works by Congress accounts for the lack of federal statutory copyright protection for sound recordings,” and “[i]n the absence of protective legislation, Congress intended that the owner of rights to a sound recording should rely on the ‘broad and flexible’ power of the common law to protect those property rights after public dissemination of the work” ( *id.* at 555, 797 N.Y.S.2d 352, 830 N.E.2d 250 ). Second, that “both the judiciary and the State Legislature intended to fill [the] void” left by the federal Copyright Act “by protecting the owners of sound recordings in the absence of congressional action” ( *id.* at 559, 797 N.Y.S.2d 352, 830 N.E.2d 250 ). Based on this understanding of the elasticity of New York’s common law in the area of copyright as grounded in our State’s interest in protecting recordings not covered by federal law and the historical changes in technology impacting musical artists, the *Naxos* Court declared that “the common law ‘has allowed the courts to keep pace with constantly **962** **295** changing technological and economic aspects so as to reach just and realistic results’ ” ( *id.* at 555, 797 N.Y.S.2d 352, 830 N.E.2d 250 quoting *Metropolitan Opera*, 199 Misc. at 799, 101 N.Y.S.2d 483 ).

Thus, until the 2067 effective date of federal preemption, our common-law copyright governs the rights and remedies available to owners of sound recordings, and a copyright holder’s interests are not relinquished by the mere sale of the musical work. While the federal Copyright Act provides a copyright in a musical composition for “the notes and lyrics of the song” and a



\*624 copyright for “the recorded musical work performed by a specific artist” for sound recordings fixed after February 15, 1972 (*Recording Indus. Assn. of Am., Inc. v. Librarian of Congress*, 608 F.3d 861, 863 [D.C.Cir.2010]; 17 U.S.C. §§ 102[a]; 302[a] ), our state common-law copyright for pre-February 15, 1972 sound recordings is subject to a federally designated shelf life. The Second Circuit asks whether our common law encompasses a right of public performance, viable until the effective date of federal preemption. I believe such right is a constituent part of a creator’s property interests in a sound recording.

### III.

The multiple rights of ownership, use, and possession are expressed as “ ‘a bundle of sticks’—a collection of individual rights which, in certain combinations, constitute property” ( *United States v. Craft*, 535 U.S. 274, 278, 122 S.Ct. 1414, 152 L.Ed.2d 437 [2002] ). “It is axiomatic, of course, that state law is the source of those strands that constitute a property owner’s bundle of property rights” ( *Nollan v. California Coastal Comm’n*, 483 U.S. 825, 857, 107 S.Ct. 3141, 97 L.Ed.2d 677 [1987, Brennan, J., dissenting]; see also 63C Am. Jur. 2d, Property § 1).

This long-standing conceptualization of property rights applies to a copyright holder’s interest in tangible and intangible intellectual products, and includes a right of public performance ( 17 U.S.C. § 106[4]; *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 546, 105 S.Ct. 2218, 85 L.Ed.2d 588 [1985] [“Section 106 of the Copyright Act confers a bundle of exclusive rights to the owner of the copyright”]; *Penguin Group [USA] Inc. v. American Buddha*, 16 N.Y.3d 295, 305, 921 N.Y.S.2d 171, 946 N.E.2d 159 [2011] [“The Copyright Act gives owners of copyrighted literary works five ‘exclusive rights,’ which include the right of reproduction; the right to prepare derivative works; the right to distribute copies by sale, rental, lease or lending; the right to perform the work publicly; and the right to display the work publicly”]; S. Rep. 94–473, 94th Cong., 1st Sess. [1975] [“These exclusive rights, which comprise the so-called ‘bundle of rights’ that is a copyright, are cumulative and may overlap in some cases”] ).<sup>4</sup>

Like tangible property rights, the intangible rights subject to copyright law may be relinquished in whole or part, as

the \*625 holder deems most appropriate and beneficial (see *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 173–174, 105 S.Ct. 638, 83 L.Ed.2d 556 [1985] [recognizing that the bundle of rights associated with a copyright in a literary work can be alienated]; see also S. Rep. 94–473, 94th Cong., 1st Sess. [1975] ). This basic tenet of property law is central to determining whether there is any reason to exclude a right of public performance from the bundle of rights in a sound recording.

Indeed, New York courts have recognized a right of performance in other media (see e.g. *Palmer v. De Witt*, 47 N.Y. 532, 535–536 [1872] [plays]; *Brandon Films v. Arjay Enters.*, 33 Misc.2d 794, 230 N.Y.S.2d 56 [Sup.Ct., N.Y.County 1962] [films]; *De Mille Co. v. Casey*, 121 Misc. 78, 87–88, 201 N.Y.S. 20 [Sup.Ct., N.Y.County 1923] [photoplays] ).<sup>5</sup> There is no logical basis to distinguish between the copyright protections of those works and a sound recording. All involve creative inspiration and genius, application of artistic ability, and the development of a final product marketable to the public. The creator’s interest in the sound recording is no less real or significant than with other forms by which an artist communicates a creative idea, a concept that the majority ignores in reaching its conclusion. Indeed, addressing a slightly different matter, this Court in *Naxos* recognized performance is not the same as the mode of reproduction, and stated that the copyright holder in that case “has a protected property interest in the performances embodied on the shellac records” ( *Naxos*, 4 N.Y.3d at 564 n. 11, 797 N.Y.S.2d 352, 830 N.E.2d 250).

The right to perform a sound recording publicly is a property interest in a specific rendition of an artistic work. This public expression of the musical composition has its own unique aesthetic quality, which, once recorded, preserves for the future the artist’s contribution to the final work. Thus, the distinctiveness of the work as heard is due in part to the artist’s execution of the musical composition. When an artist brings to life the notes of a song and instrumental composition, the artist’s rendition is a personal representation of the musical piece. Nat King Cole’s silk-voiced rendition of “Unforgettable” and “The Christmas Song,” Frank Sinatra’s self-assured version of “My Way,” Peggy Lee’s highly lyricized “Fever,” Aretha Franklin’s \*626 commanding “Respect,” Doris Day’s full-voiced “Que Sera, Sera,” the Beatles’ harmonious “Hey Jude” and unbridled “Revolution,” Billie Holiday’s aching performance of “Strange Fruit,” Jimi Hendrix’ electric performance of “The Star-Spangled Banner,” Marvin Gaye’s enchanting “What’s Going On,” and the



Turtles' "Happy Together" are but some examples of the most well-known and beloved artistic renditions of musical works available to the public through a tangible medium.<sup>6</sup> These performances—like those of lesser known and unpromoted or minimally commercially promoted artists—reflect skill and verve essential to an interpretive creative work. Most importantly, they constitute an interest in property no less consequential or worthy of legal recognition and protection than the property interest in the musical composition, for without the artist's performance there would be no sound recording. \*\*\*964<sup>7</sup> Indeed, the sound recording \*\*\*297 is a different product from the musical composition, i.e. the combination of music notes and, in the case of songs, the lyrics. Moreover, each rendition is a version that can be made available by publicizing its performance.<sup>8</sup>

\*627 The law's protection for just such a property interest in a performance was recognized early on in *Metropolitan Opera*. That court held "[t]he law has also ... protected the creative element in intellectual productions—that is, the form or sequence of expression, the new combination of colors, sounds or words presented by the production" (199 Misc. at 798, 101 N.Y.S.2d 483; see also *Naxos*, 4 N.Y.3d at 555, 797 N.Y.S.2d 352, 830 N.E.2d 250 [adopting the reasoning of *Metropolitan Opera*]).

Other jurisdictions have recognized that the creative value of a performance gives rise to a property interest in controlling the broadcast of that performance. The Supreme Court of Pennsylvania in *Waring v. WDAS Broadcasting Sta.*, 327 Pa. 433, 194 A. 631 (1937) upheld an injunction barring an unauthorized radio station's broadcast of an orchestra's performance, and noted:

"[a] musical composition in itself is an incomplete work; the written page evidences only one of the creative acts which are necessary for its enjoyment; it is the performer who must consummate the work by transforming it into sound. If, in so doing, [the performer] contributes by ... interpretation something of novel intellectual or artistic value, [the performer] has undoubtedly participated in the creation of a product in which [the performer] is entitled to a right of property, which in no way overlaps or duplicates that of the author in the musical composition" (327 Pa. at 441, 194 A. at 635).

Similarly, in *Waring v. Dunlea*, 26 F.Supp. 338, 340 (E.D.N.C.1939), a federal district court recognized a right of performance, explaining:

"The great singers and actors of this day give something to the composition that is particularly theirs, and to say that they could not limit its use is to deny them the right to distribute their art, as they may see fit, when they see fit. Surely, their labors and talents are entitled to the privilege of distribution, especially where, as here, the privilege is subject to definite terms and bounds" (*id.*).

Moreover, as *Metropolitan Opera* recognized, "[t]o refuse to the groups who expend time, effort, money and great skill in producing these artistic performances the \*\*\*965 \*\*\*298 protection of giving them a 'property right' in the resulting artistic creation would \*628 be contrary to existing law, inequitable, and repugnant to the public interest" (*Metropolitan Opera*, 199 Misc. at 802, 101 N.Y.S.2d 483). This same appreciation for the labor and creative skill represented by a performance can also be found in a report on the right of public performance issued by the Federal Copyright Office.<sup>9</sup> In that report, the Copyright Office stated that "[p]erformers are in the professional position of being forced to compete with, and of eventually being driven out of work by, their own recorded performances" (Register of Copyrights, Performance Rights in Sound Recordings, HR Doc. 15, 95th Cong., 2d Sess. at 4 [1978]). As further explained in the report, "[i]n the history of the communications revolution, performers offer the most dramatic examples of the concept known as 'technological unemployment' " (*id.*).

Similarly, excluding the right of public performance from the creator's copyright is contrary to society's interest in protecting those whose labor has produced creative works (see *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 548, 105 S.Ct. 2218, 85 L.Ed.2d 588 [1985] [explaining that an author's labor must be a protected interest when considering the fair use defense in a federal copyright claim]). Indeed, it rewards practices that undermine the traditional forms of revenue that sustain artists, and indulges exploitation made possible by the type of technology described in the instant case.

Nevertheless, Sirius urges this Court to rely on *RCA Mfg. Co. v. Whiteman*, 114 F.2d 86, 89 (2d Cir.1940) as the precedent upon which to determine that no right of performance has ever existed, but such reliance is misplaced. In that case, the Second Circuit determined that common law and statutory copyright protections prevent only unauthorized reproduction of a copyrighted work (*id.*). A copyright holder lost any control over the performance of a recording once that recording was broadcast because the broadcast constituted publication,

such that the copyright holder could not control the broadcast of the recording in the future (¶ *id.* at 88). The court dismissed a \*629 complaint that sought to enjoin a radio station from broadcasting a sound recording because the copyright owner lost any right to control that performance by publishing the recording (¶ *id.* at 88).

The Second Circuit overruled *Whiteman* in ¶ *Capitol Records v. Mercury Records Corp.*, 221 F.2d 657, 663 (2d Cir.1955), explaining that the *Metropolitan Opera* decision clarified that the broadcast of a sound recording did not constitute publication of that recording and did not result in relinquishment of a right to control the performance of the recording (*id.*, citing ¶ *Metropolitan Opera*, 199 Misc. at 786, 101 N.Y.S.2d 483).

The *Metropolitan Opera* approach to publication comports with the modern understanding of publication. As the Court has recognized, “the public sale of a sound recording otherwise unprotected by statutory copyright does not constitute a publication \*\*966 \*\*\*299 sufficient to divest the owner of common-law copyright protection” (¶ *Naxos*, 4 N.Y.3d at 560, 797 N.Y.S.2d 352, 830 N.E.2d 250). Rather, publication is the point at which a copyright holder expressly and intentionally relinquishes any future right to control any aspect of the work’s future use (*id.*). In other words, publication only occurs when the copyright holder gives up all of the sticks in the bundle.<sup>10</sup> Therefore, the broadcast of a sound recording does not constitute publication in the modern sense, and this aspect of *Whiteman*’s reasoning is erroneous.

Moreover, the underlying premise of *Whiteman* is inconsistent with the current understanding of a what copyright entails. The federal Copyright Act recognizes a copyright holder’s varied rights in property, such that the “bundle of sticks” metaphor describes a multi-faceted protection of interests (e.g. ¶ *Harper & Row*, 471 U.S. at 546, 105 S.Ct. 2218; ¶ 17 U.S.C. § 106 [4] ). When the Copyright Act was amended in 1976, the Senate Report for the proposed bill indicated that ¶ section 106 was a codification of the “bundle of rights,” i.e. “the exclusive rights of reproduction, adaptation, publication, performance, and display” (S. Rep. 94473, 94th Cong., 1st Sess. [1975] ). At the time, Congress’s inclusion of a right of performance in the statute indicated that it \*630 understood that state common law included a right of performance for other types of artistic works (17 U.S.C. § 301 [c] ). *Whiteman*’s limited characterization of what a copyright entails is no longer the accepted understanding. Moreover, limiting New York’s common law to reproduction of a record ignores the reality that a

performance is an integral part of a sound recording and that our common law is not static, but rather allows for development of appropriate responses to technological advances (¶ *Woods v. Lancet*, 303 N.Y. 349, 354, 102 N.E.2d 691 [1951] [“(I)t is the duty of the court to bring the law into accordance with present day standards of wisdom and justice rather than with some outworn and antiquated rule of the past”] ).

To be sure, copyright in a sound recording has a peculiar history because it was made possible by technological advances that distinguish it from copyright in the written word, and, as discussed, initially sound recordings were not protected by federal copyright law (see ¶ *Naxos*, 4 N.Y.3d at 552, 797 N.Y.S.2d 352, 830 N.E.2d 250). When Congress amended the federal Copyright Act in 1972 to include post-1972 sound recordings, it explicitly withheld a right of performance from sound recording copyright holders (see ¶ 17 U.S.C. §§ 106 [4]; 114[a] ). At the time, Congress understood that state common law included a right of performance, for otherwise this express reservation would be unnecessary (*id.* § 301[c] ).

My colleagues’ grounds for excluding the right of public performance from New York’s common-law copyright in sound recordings are unpersuasive. The first reason is that no such right has previously been recognized in New York (majority op. at 604, 48 N.Y.S.3d at 280, 70 N.E.3d at 947). However, as I have discussed, a generic right of public performance as part of a copyright holder’s “bundle of rights” \*\*967 \*\*\*300 is well-established in decisional law and property doctrine. The fact that until now there has been no detailed explication on the right of public performance in sound recordings from this Court does not inexorably lead to the conclusion that no such right exists. Of course, since no New York state court has rejected the right of public performance, there is also no basis to exclude such right from the copyright holder’s protections. Regardless, the United States Supreme Court has warned against placing significance on the delayed assertions of copyright protections. “It is hardly incumbent on copyright owners ... to challenge each and every actionable infringement. And there is nothing untoward about waiting to see whether an infringer’s exploitation undercuts the value of the \*631 copyrighted work, has no effect on the original work, or even complements it” (¶ *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. —, —, 134 S.Ct. 1962, 1976 [2014]; see also ¶ *District of Columbia v. Heller*, 554 U.S. 570, 625, 128 S.Ct. 2783, 171 L.Ed.2d 637 [2008] ).

The fact that the issue is now presented for our consideration reflects the realities of the music industry

and the impact of technological advances on industry and customer practices, rather than consensus on the nonexistence of a common-law right of public performance. This leads to my colleagues' second reason for excluding the right of performance from the interests of creators of sound recordings, namely their conclusion that music industry members historically understood that there is no right of performance (majority op. at 604–605, 48 N.Y.S.3d at 280–82, 70 N.E.3d at 947–49). However, the fact that some in the music industry argued for a federal right does not disclaim the existence of a common-law right. Rather, the majority's reference to a four decade "inaction" is a red herring—the music industry has changed drastically since 1971 and 1995, as the ways in which fans enjoyed music are dramatically different than the digital delivery technology at issue here. The attendant consequences of this sea change for the industry and individual artists is well documented, providing the basis for the inference that this change in circumstances prompted copyright holders to invoke their rights. Further, if, as claimed, everyone in the music industry understood that no right of performance existed, there would be no reason for Congress to legislate on the assumption that state common law protects the right of performance and no need to set a 2067 date for federal preemption of such right (17 U.S.C. § 301[c]).

The last reason my colleagues assert for denying the right is perhaps the most unsupportable because it is grounded in the perception that it is too difficult to define the scope of such a right (majority op. at 606–607, 48 N.Y.3d at 282–83, 70 N.E.3d at 949–50). Whether a right exists is a question separate from the expanse of the right, and the considerations regarding how best to protect the right as against competing interests and societal goals serve as no excuse for removing this "stick" from a copyright holder's bundle of rights. Our common law does not bow to the challenges brought about by change. Rather, "[o]ur court said, long ago, that it had not only the right but the duty to re-examine a question where justice demands it" (Woods, 303 N.Y. at 354, 102 N.E.2d 691). The law, and the equities as they stand today, support recognition of a creator's right of public performance in a sound recording.

**\*632 IV.**

Turning to the scope of the right of public performance under New York law, my guiding principle is that the

right of public performance addresses the imbalance \*\*968 \*\*\*301 of financial incentives and revenue streams. The commercial gain in digital transmissions that are charged directly to the customer reduces the customer's incentive to purchase a copy of the sound recording in some other format that might garner financial gain to the copyright holder—for example where the performer is also the composer or holds other copyright interests. To this extent I am in agreement with my concurring colleague (concurring op. at 614–615, 48 N.Y.S.3d at 288–89, 70 N.E.3d at 955–56). A common-law right of public performance protects against technologies that reap financial gains from musical works and that jeopardize prior revenue streams of copyright holders, while also allowing the copyright holder to share in the profits. Moreover, the Court has long recognized its power to develop the common law when the legislature has failed to act but justice demands a change (see Woods, 303 N.Y. at 354, 102 N.E.2d 691).

The analysis is informed by this Court's acknowledgment that "state common-law copyright protection is no longer perpetual for sound recordings not covered by the federal act (those fixed before February 15, 1972), because the federal act mandates that any state common-law rights will cease on February 15, 2067" (Naxos, 4 N.Y.3d at 560, 797 N.Y.S.2d 352, 830 N.E.2d 250). For sound recordings fixed after February 15, 1972, federal law provides payment to copyright holders in sound recordings when broadcast via an interactive service (e.g. Spotify or Sirius' streaming service), a radio station that requires a subscription (e.g. Sirius or Pandora), or certain other methods of rebroadcasting a licensed broadcast (17 U.S.C. § 114).

Before enactment of the federal law, Congress was made acutely aware of the urgency of establishing protections against the impact of digital broadcasting. In its 1991 report, the Copyright Office declared that

"[t]hirteen years have passed since the Copyright Office formally recommended to the Congress the enactment of a public performance right in sound recordings. Technological changes have occurred that facilitate transmission of sound recordings to huge audiences. Satellite and digital technologies make possible the celestial jukebox, music on demand, and pay-per-listen services. Sound recording authors and proprietors are harmed by the lack of a performance right in their works"(Register of Copyright, Report on Copyright Implications of Digital Audio Transmission Services at 154–155 [Oct. 1991]).

Those same interests and concerns inform the proper

boundaries of the public performance right for recordings that are fixed pre-February 15, 1972 and protected only by our common law.

Given our State’s long history of protecting rights in creative works (see [Metropolitan Opera](#), 199 Misc. at 786, 101 N.Y.S.2d 483; [Naxos](#), 4 N.Y.3d at 560, 797 N.Y.S.2d 352, 830 N.E.2d 250; former Penal Law § 441-c [L. 1966, ch. 988] ) and recognizing that the federal law currently anticipates full preemption in 2067, our common-law right of public performance in pre-1972 sound recordings best serves both the creator and the public interest in access to those recordings by tracking the federal public performance right in post-1972 musical works.

Our common law is, of course, a creature of the state, recognized and expanded by our courts. It is independent of federal law and not limited by what may be national concerns addressed by federal legislation. However, the fact that federal law exists is important, especially in an area where Congress has specifically chosen to **\*\*969 \*\*\*302** preempt state common-law rights in the future. The fact that a New York common-law right of public performance may serve state interests by drawing upon federal law does not ignore the primacy of our common law or diminish its status. Indeed, consideration of the current system of compensation under federal copyright law provides a much needed understanding of the impact of a common-law right of public performance on the music industry, and the mechanics of protecting that right. Further extending to pre-February 15, 1972 sound recordings protection that is at least equivalent to the federal right recognized in the post-1972 works allows us to treat both classes of sound recordings equally and avoids enhanced rights for one based not on a considered reason but on an arbitrary date.

Notably, applying protections and limitations to define the right of performance that has been in place under federal law for over 20 years builds on an established framework, and one that is familiar to music industry stakeholders. Just as the industry adapted to paying royalties for the performance of sound recordings made after February 15, 1972, it will do the same under our common law for pre-1972 recordings, this time **\*634** with the experience and wisdom of having done so under the federal law. Sirius is particularly well placed to address claims for compensation since it has settled with other record labels to temporarily pay licensing fees for its broadcast of pre-1972 recordings.<sup>11</sup>

Limiting the common-law right of public performance in sound recordings by exempting traditional AM/FM radio

stations’ analog broadcasts recognizes the benefits to copyright holders from the airing of musical works through terrestrial radio. The broadcasts popularized the music played on the “airwaves” and incentivized purchase of the recordings (e.g. [Bonneville](#), 347 F.3d at 487–488 [discussing the symbiotic relationship between the recording industry and AM/FM radio stations] ). There is no reason to extend protections against a performance medium that has increased revenue and—unlike digital performances—poses no financial threat to copyright holders.<sup>12</sup> Similarly, exclusions **\*\*970 \*\*\*303** for individual use—as compared to for-profit wholesale performance by Sirius and other digital music delivery entities—benefit the copyright holder without affecting the bottom line.

**\*635 V.**

For the reasons I have explained, I would answer the certified question in the affirmative and define the scope of New York’s common-law copyright protections as coterminous with current federal law. Recognizing this right and defining its limits in this way is in line with “the ever-evolving dictates of justice and fairness, which are the heart of our common-law tradition” ([Buckley v. City of New York](#), 56 N.Y.2d 300, 305, 452 N.Y.S.2d 331, 437 N.E.2d 1088 [1982] ).

Judges [PIGOTT](#), [FAHEY](#) and [GARCIA](#) concur, Judge [FAHEY](#) in a separate concurring opinion; Judge [RIVERA](#) dissents in an opinion in which Judge [ABDUS-SALAAM](#) concurs; Chief Judge [DiFIORE](#) taking no part.

Following certification of a question by the United States Court of Appeals for the Second Circuit and acceptance of the question by this Court pursuant to section 500.27 of this Court’s Rules of Practice, and after hearing argument by counsel for the parties and consideration of the briefs and record submitted, the certified question answered in the negative.

**All Citations**


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## Footnotes

- <sup>1</sup> Although the Second Circuit held that defendant copied plaintiff's sound recordings in the course of its broadcasting protocol, the court deferred resolution of the fair use defense, unfair competition, and other issues raised, until after we answer its certified question (821 F.3d 265, 270 n. 4, 272 [2d Cir.2016] ).
- <sup>2</sup> The phonograph was invented in 1877.
- <sup>3</sup> Publication is an important concept in common-law copyright. Copyright originally applied only to written works and, as noted above, the act of publication generally divested the author of common-law rights (see [Capitol Records, Inc. v. Naxos of Am., Inc.](#), 4 N.Y.3d 540, 551–552, 797 N.Y.S.2d 352, 830 N.E.2d 250 [2005]; [Jewelers' Mercantile Agency v. Jewelers' Weekly Publ. Co.](#), 155 N.Y. 241, 247, 49 N.E. 872 [1898] ). Thus, the common-law copyright was sometimes referred to as the right of first publication (see [Pushman v. New York Graphic Socy.](#), 287 N.Y. 302, 307, 39 N.E.2d 249 [1942]; [Palmer v. De Witt](#), 47 N.Y. 532, 536 [1872] ). We have recognized that, because copyright laws were originally created to protect the written word, courts have been confronted with challenges in attempting to apply those laws to new or different forms of communication or expression (see [Naxos](#), 4 N.Y.3d at 552, 797 N.Y.S.2d 352, 830 N.E.2d 250). Indeed, several of the cases cited in the immediately-preceding text above, as well as many others, have addressed what constitutes a general publication of a sound recording, such as would commit the recording to the public domain and divest it of common-law copyright protection. Federal statutes define "publication," but the definition only applies to works falling within the statutes themselves; pre-1972 sound recordings are not covered (see [id.](#) at 557, 797 N.Y.S.2d 352, 830 N.E.2d 250; [17 U.S.C. § 101](#)). Despite this digression, publication is not at issue in our discussion of the certified question here.
- <sup>4</sup> The dissent similarly asserts that, when Congress amended the Copyright Act to include post-1972 sound recordings but explicitly withheld the right of public performance, "Congress understood that state common law included a right of performance, for otherwise this express reservation would be unnecessary" (dissenting op. at 630, 48 N.Y.S.3d at 281, 70 N.E.3d at 948). But it is at least equally plausible that Congress believed that no right of public performance existed, even under the common law, and codified an explicit exclusion to make its understanding clear, particularly in light of the recording industry's lobbying efforts to create such a right. Even if Congress believed that such a right existed under state common law, such belief was unfounded as it pertained to New York.
- <sup>5</sup> This 2011 statement was revised after the present case was commenced. The Register of Copyrights clarified that, while states could recognize a performance right in sound recordings under their common law, state law did not appear to recognize such a right at that time (see [Music Licensing Study: Second Request for Comments](#), 79 Fed. Reg. 42,834 n.3 [July 23, 2014] ).
- <sup>6</sup> The certified question does not differentiate between different media or types of services in the continuum of public users of sound recordings, as recounted in the concurrence, such as: terrestrial radio; free Internet radio

broadcasters; subscription satellite and Internet radio broadcasters (like defendant); and interactive digital services that allow a user to “rent” the provider’s library of music at any time. Regardless of the media used, we hold that the creator of the sound recording is not entitled to a right of public performance under our common law. We acknowledge that a number of questions, not raised or addressed by the parties in this case, remain unresolved. For example, as noted in the concurrence, interesting questions may come to mind concerning whether obtaining a song from an interactive digital service—which permits a paying user to select any particular song and call it up on any device at any time, or even, perhaps, to download the song and play it when not connected to the Internet—violates some protected rights of the owners of sound recordings under state common law or some other copyright principles. That question—and, indeed, others not yet envisioned based upon new and emerging technologies—remains open until addressed by the legislature or until properly presented to the Court in the context of a proceeding in which all interested stakeholders have an opportunity to provide input regarding such novel issues.

<sup>7</sup> The dissent relies upon a settlement reached by these parties in a federal class action in California to support the proposition that defendant is well positioned to address claims for compensation by creators of sound recordings. Such reliance is misplaced for several reasons. First, in the California action, defendant’s liability was established under a state *statute* providing a right of public performance in sound recordings (see *Cal. Civ. Code § 980[a][2]*; see also  *Flo & Eddie Inc. v. Sirius XM Radio Inc.*, 112 USPQ2d 1307, 2014 WL 4725382, 2014 U.S. Dist. LEXIS 139053 [C.D.Cal., Sept. 22, 2014, No. CV 13–5693 PSG (RZx) ] ). This highlights our conclusion that such a right is most appropriately created and defined by a legislative body. Second, the amount of damages for which defendant will be responsible in that action is apparently contingent on the outcomes of two other actions pending between the parties—a case brought in the Florida federal courts, and the case currently before us (see Jonathan Stempel, *Sirius May Settle Music Copyright Suit Brought by the Turtles for \$100M*, Insurance J., Nov. 30, 2016, available at <http://www.insurancejournal.com/news/national/2016/11/30/433536.htm>). Third, the California settlement is not final, as it requires judicial approval (see *id.*; Amanda Bronstad, *Sirius XM Radio Agrees to Settle Copyright Case With 60s Rock Band The Turtles*, Nat’l L.J., Nov. 14, 2016, available at <http://www.nationallawjournal.com/id=1202772377801>).

<sup>1</sup> Perhaps the federal prohibition against “**payola**” also illustrates this point. “**Payola**” refers to the practice of paying for or otherwise inducing the broadcast of a recording on a radio station without a concomitant announcement of the acceptance of consideration in exchange for that airplay (see  47 U.S.C. §§ 317, 508). If “terrestrial” radio was not a promotional tool for sound recordings, then there would have been no reason for record companies and other entities interested in the sales of those recordings to have attempted to increase the number of “spins” such recordings received in the radio medium through the “**payola**” device.

<sup>2</sup> The point of my dissenting colleagues “that music streaming companies [do not] ‘publish’ music” in a traditional sense (dissenting op. at 629 n.10, 48 N.Y.S.3d at 298 n.10, 70 N.E.3d at 965 n.10) misses the mark. The new technology that is “on-demand” music streaming has given rise to what effectively is the new means of publication addressed herein.

<sup>3</sup> Of course, in this scenario, the “on-demand” providers benefit from the rental of the music in their catalogs to their subscribers, but artists and the recording companies are denied the opportunity to sell their music to those listeners.

- <sup>1</sup> Comparatively, traditional AM/FM radio stations, or terrestrial stations, have a broadcast range that is limited by the Federal Communications Commission (*see generally* 47 C.F.R. part 73). While in range, the radio listener does not have the ability to rewind a song that has already been broadcast.
- <sup>2</sup> This is similar to services offered by other music streaming providers, such as Spotify or Apple Music.
- <sup>3</sup> Since the interposition of this lawsuit, Sirius settled a separate lawsuit that requires it to pay record labels for the performance of the pre-1972 recordings in which the labels hold copyrights (U.S. Securities & Exchange Commission, Form 10-K [Feb. 2, 2016] at 12, Commission File No. 00134295, Registrant: Sirius XM Holdings Inc.). This settlement agreement essentially creates a temporary licensing scheme, as Sirius will pay royalties for any broadcast from 2013 to 2017 (*id.*). Additionally, Flo & Eddie agreed to settle its other lawsuit against Sirius, which was filed in a California federal court and is pending court approval (*see Flo & Eddie, Inc. v. Sirius XM Radio Inc.*, U.S. Dist. Ct., C.D. Cal., No. 13-CV-05693, 2016).
- <sup>4</sup> In other litigation between the parties, Sirius has acknowledged the applicability of the “bundle of rights” analogy to copyright ownership, while maintaining that it does not include exclusive rights of public performance (*see Flo & Eddie, Inc. v. Sirius XM Radio Inc.*, 2014 WL 4725382, \*3, 2014 U.S. Dist. LEXIS 139053, \*6-7 [C.D. Cal., Sept. 22, 2014, No. CV 13-5693 PSG (RZx) ] ).
- <sup>5</sup> The *Naxos* Court provided a thorough explanation of the New York courts’ treatment of common-law copyright issues. Though the majority attempts to recharacterize the *Naxos* treatment of this jurisprudence to reach its conclusion, I find no occasion to recast the line of cases discussed in *Naxos*.
- <sup>6</sup> Most of these songs are in the Sirius library, and the company advertises these recordings on its website as a means to attract customers (Sirius XM, Channel Lineup, [www.siriusxm.com/channellineup/?hpid=02010023&intcmp=SXM\\_HP-NAV\\_0916\\_DEF\\_HDR\\_PROG\\_CHANNEL-LINEUP](http://www.siriusxm.com/channellineup/?hpid=02010023&intcmp=SXM_HP-NAV_0916_DEF_HDR_PROG_CHANNEL-LINEUP) [last visited Nov. 7, 2016] ).
- <sup>7</sup> Several amici contend that the right of performance is unnecessary because record labels hold the copyrights to most pre-1972 recordings, not the artists (*see e.g.* brief of CBS Radio Inc. as amicus curiae in support of appellant Sirius XM Radio Inc. at 16-18, citing Register of Copyrights, Report on Performance Rights in Sound Recordings, HR Doc 15, 95th Cong., 2d Sess. at 824 [1978], Comments of Jack Golodner, Executive Secretary of the Council of AFL-CIO Unions for Professional Employees). Yet, the plaintiff-respondent in this very case is an entity which has a copyright in the music that its owners expended creative energy to create. Even assuming the number of artists who would benefit from a right of performance in pre-1972 works is small, there is no reason to interpret our common law narrowly to deny them compensation for their creative work. The alternative would allow digital audio broadcasters to reap the exclusive profits from performing the musical recordings by a means that diminishes potential compensation for copyright holders. This is a particularly unjust outcome given that the companies were not part of the creative process, and do little to maintain the demand for the creator’s traditional revenue source—purchase of an ownership right in a reproduction of the sound recording.

- <sup>8</sup> Thus, the Turtles have an interest in the publication of their performance of their music, as well as the public performance of a rendition of their songs by others.
- <sup>9</sup> The Copyright Office is the administrative agency responsible for executing the Copyright Act and is led by the Register of Copyrights (17 U.S.C. § 701). This office has been a sub-agency of the Library of Congress since 1897 and, since that time, the Register of Copyrights has been the “principal advisor to Congress on national and international copyright matters” by providing “impartial expertise on copyright law and policy” (Library of Congress, U.S. Copyright Office, Overview of the Copyright Office, <http://www.copyright.gov/about/> [last visited Nov. 7, 2016], cached at [http://www.nycourts.gov/reporter/webdocs/https\\_\\_www.copyright.pdf](http://www.nycourts.gov/reporter/webdocs/https__www.copyright.pdf)).
- <sup>10</sup> I disagree with the concurrence to the extent my colleague espouses the view that music streaming companies “publish” music (concurring op. at 616, 48 N.Y.S.3d at 289, 70 N.E.3d at 956). A basic tenet of copyright law is that the right of publication is solely the right of the owner and occurs only when the copyright holder “relinquishes” further rights in the work by “some unequivocal act indicating an intent to dedicate it to the public” (Palmer, 47 N.Y. at 543). This definition of “publication” is not in dispute here (see 17 U.S.C. § 101; *Naxos*, 4 N.Y.2d at 557, 797 N.Y.S.2d 352, 830 N.E.2d 250).
- <sup>11</sup> The existence of Sirius’ settlement agreements are relevant only to the extent that they demonstrate Sirius is no stranger to dealing with the performance right at issue—clearly, Sirius is able both to negotiate and enter into licensing agreements with those who hold a copyright in sound recording. Yet, the majority misconstrues my reference to these settlements (majority op. at 609 n. 7, 48 N.Y.S.3d at 284 n.7, 70 N.E.3d at 951 n.7). The fact that the other settlement arose out of a claim under a California statute is of no import, as Sirius’ ability to deal with performance rights is agnostic of the source of law that created the right.
- <sup>12</sup> The exemption would have limited adverse impact on the creator’s interest because analog radio performance is of little relevance in today’s digital music world, particularly on record sales (see Kurtzman, *supra* at 7). It is true that terrestrial radio stations have maintained listenership during the surge of both satellite and web-based radio (Nancy Vogt, Pew Research Center for Journalism & Media, *Audio: Fact Sheet* [June 15, 2016], <http://www.journalism.org/2016/06/15/audio-fact-sheet/>, cached at [http://www.nycourts.gov/reporter/webdocs/http\\_\\_www.journalism.pdf](http://www.nycourts.gov/reporter/webdocs/http__www.journalism.pdf)). However, the major radio broadcast companies are facing crippling debt, a problem that is not expected to be fixed anytime soon (Steve Knopper, *Is Terrestrial Radio Facing Its Judgment Day with Fierce Digital Competition?*, *Billboard*, May 19, 2016, [www.billboard.com/articles/business/7378152/terrestrial-radio-digital-competition-heartradio-cumulus](http://www.billboard.com/articles/business/7378152/terrestrial-radio-digital-competition-heartradio-cumulus)). Moreover, though Americans continue to tune into terrestrial radio stations, this has done little to improve the well-documented plummet in sale of sound recordings in any form (Ben Sisario & Karl Russell, *In Shift to Streaming, Music Business Has Lost Billions*, *N.Y. Times*, Mar. 24, 2016). As these statistics indicate, terrestrial radio has been pushed to the margins to the extent that the “symbiotic relationship” between the recording industry and broadcast companies has weakened.





 KeyCite Yellow Flag - Negative Treatment  
Distinguished by [Toto, Inc. v. Sony Music Entertainment](#), S.D.N.Y.,  
October 8, 2014

940 F.Supp.2d 123  
United States District Court, S.D. New York.

Yngwie J. MALMSTEEN, Plaintiff,  
v.  
UNIVERSAL MUSIC GROUP, INC., and UMG  
Recordings, Inc., Defendants.

No. 10 Civ. 3955(PAE)  
|  
April 19, 2013.

### Synopsis

**Background:** Musician brought diversity action against record company and its indirect parent company, alleging breach of contract. Defendants moved for summary judgment and musician filed cross-motion for partial summary judgment.

**Holdings:** The District Court, [Paul A. Engelmayer, J.](#), held that:

[1] contract provision listing royalty rate for records sold through “Normal Retail Channels” governed digital download sales of musician’s records, and

[2] there was no evidence that record company applied more than 50% of expenses it incurred in producing musician’s videos against royalties due to musician, as would violate contract.

Defendants’ motion granted and musician’s motion denied.

**Procedural Posture(s):** Motion for Summary Judgment.

West Headnotes (16)

[1] **Contracts** ↔ Grounds of action

Under New York law, a breach of contract claim requires proof of (1) an agreement, (2) adequate

performance by the plaintiff, (3) breach by the defendant, and (4) damages.

4 Cases that cite this headnote

[2] **Contracts** ↔ Language of contract

The primary objective of a court in interpreting a contract is to give effect to the intent of the parties as revealed by the language of their agreement.

1 Case that cites this headnote

[3] **Contracts** ↔ Ambiguity in general  
**Summary Judgment** ↔ Contracts in general

Summary judgment is generally proper in a contract dispute only if the language of the contract is wholly unambiguous; the question of whether the language of a contract is ambiguous is a question of law to be decided by the court.

7 Cases that cite this headnote

[4] **Contracts** ↔ Existence of ambiguity

Ambiguity in the language of a contract is defined in terms of whether a reasonably intelligent person viewing the contract objectively could interpret the language in more than one way.

2 Cases that cite this headnote

[5] **Contracts** ↔ Construction as a whole  
**Contracts** ↔ Construing whole contract together  
**Contracts** ↔ Language of Instrument

To give effect to the intent of the parties, a court must interpret a contract by considering all of its provisions, and words and phrases should be given their plain meaning.

[5 Cases that cite this headnote](#)

[6] **Contracts**↔Application to Contracts in General  
**Contracts**↔Language of Instrument

A written agreement that is clear, complete and subject to only one reasonable interpretation must be enforced according to the plain meaning of the language chosen by the contracting parties.

[1 Case that cites this headnote](#)

[7] **Summary Judgment**↔Contracts in general

At the summary judgment stage, the mere assertion of an ambiguity in a contract does not suffice to make an issue of fact.

[3 Cases that cite this headnote](#)

[8] **Contracts**↔Existence of ambiguity

A court should not find a contract ambiguous where the interpretation urged by one party would strain the contract language beyond its reasonable and ordinary meaning; language whose meaning is otherwise plain does not become ambiguous merely because the parties urge different interpretations in the litigation, unless each is a reasonable interpretation.

[2 Cases that cite this headnote](#)

[9] **Summary Judgment**↔Contracts in general

Generally, summary judgment is appropriate in a contract dispute only where the contract's terms are unambiguous, whereas interpretation of ambiguous contract language is a question of fact to be resolved by the factfinder; however, summary judgment is also appropriate when the contract language is ambiguous and there is relevant extrinsic evidence, but the extrinsic evidence creates no genuine issue of material fact and permits interpretation of the agreement as a matter of law.

[11 Cases that cite this headnote](#)

[10] **Contracts**↔Extrinsic facts

If there is no extrinsic evidence bearing on the parties' intentions, the proper interpretation of ambiguous contract language is an issue for the court.

[5 Cases that cite this headnote](#)

[11] **Copyrights and Intellectual Property**↔Construction, Operation, and Effect

Under New York law, in contract between musician and record company, phrase "[a]ny device now or hereafter known on or by which sound may be recorded and reproduced" manifested clear intent of contracting parties that definition of record encompassed as-yet-undeveloped technologies, including digital downloads.

[2 Cases that cite this headnote](#)

[12] **Copyrights and Intellectual Property**↔Construction, Operation, and Effect

Under New York law, provision of contract between musician and record company listing royalty rate of 8-15% for records sold through

“Normal Retail Channels” governed digital download sales of musician’s records, rather than 50% royalty rate listed in provision for less traceable methods of distribution to consumers, including “direct mail, mail order, or in conjunction with TV advertising;” phrase “Normal Retail Channels” comfortably encompassed digital downloads sold on the internet, and sale of digital downloads did not resemble any of methods listed in provision with 50% royalty rate.

1 Case that cites this headnote

[13] **Copyrights and Intellectual Property** → Performance and breach in general

There was no evidence that record company applied more than 50% of expenses it incurred in producing musician’s videos against royalties due to musician, as required to support claim, under New York law, for breach of contract provision entitling company to recoup 50% of expenses it incurred in producing videos.

[14] **Assignments** → Liabilities of Assignee  
**Contracts** → Duties and liabilities of third persons  
**Principal and Agent** → Agent’s Contracts

Under New York law, a contract cannot bind a non-party unless the contract was signed by the party’s agent, the contract was assigned to the party, or the signatory is in fact the alter ego of the party; an exception to this rule exists, however, where a non-party manifests an intent to be bound by the contract.

6 Cases that cite this headnote

[15] **Corporations and Business Organizations** → Contracts in general  
**Corporations and Business**

**Organizations** → Contracts and Securities for Payment of Corporate Liabilities

Under New York law, a nonsignatory parent corporation can be held liable for breach of contract if its intent to be bound by the contract were inferable from the parent’s participation in the negotiation of the contract, or if the subsidiary is a dummy for the parent, or if the subsidiary is controlled by the parent for the parent’s own purposes.

2 Cases that cite this headnote

[16] **Corporations and Business Organizations** → Contracts in general  
**Corporations and Business Organizations** → Contracts and Securities for Payment of Corporate Liabilities

There was no evidence that nonsignatory parent company participated in negotiation of contract between record company and musician, that record company was dummy for parent company, or that record company was controlled by parent company for parent’s own purposes, as required, under New York law, to hold parent company liable for record company’s alleged breach of contract.

**Attorneys and Law Firms**

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Andrew Harrison Bart, Jenner & Block LLP, Joseph Peretz Fishman, New York, NY, for Defendants.

OPINION & ORDER

PAUL A. ENGELMAYER, District Judge.

This case arises out of a recording contract between plaintiff Yngwie J. Malmsteen, a musician, and defendant UMG Recordings, Inc. (“UMG”). Before the Court are cross-motions for summary judgment on Malmsteen’s sole remaining claim in this case: a breach of contract claim against UMG and its indirect parent, Universal Music Group, Inc. (collectively with UMG, “defendants”), alleging three different violations of the agreement. Defendants move for summary judgment as to all three alleged violations. Malmsteen cross-moves for summary judgment as to two, and argues that triable issues of fact preclude summary judgment on the third. Defendants also move to dismiss the entire case as to defendant Universal Music Group, Inc. Malmsteen opposes that motion.

For the reasons that follow, defendants’ motion for summary judgment is granted in its entirety, and Malmsteen’s motion is denied.

**\*126 I. Background<sup>1</sup>**

**A. The Parties and the Agreement**

Malmsteen is a professional musician. Bart Decl. Ex. 1 (Deposition of Yngwie J. Malmsteen (“Malmsteen Dep.”)) at 8. Defendant UMG, a record company, is a wholly owned subsidiary of PolyGram Holdings, Inc., which in turn is a wholly owned subsidiary of defendant Universal Music Group, Inc. Harrington Decl. ¶¶ 2–3. UMG was formerly known as PolyGram Records, Inc. (“PolyGram”), having changed its name in 1999. *Id.* ¶ 2.

On November 1, 1985, PolyGram and DeNovo Productions (“DeNovo”), a division of DeNovo Music Group, Inc., entered into the recording contract at issue in this case. Bart Decl. Ex. 5 (the “Agreement”); Malmsteen Dep. 9–10.<sup>2</sup> Malmsteen is DeNovo’s successor-in-interest under the Agreement. Bart Decl. Ex. 6. Thus, at present, the Agreement runs between Malmsteen, as DeNovo’s successor-in-interest, and UMG, as the entity formerly known as PolyGram. Universal Music Group, Inc. is not a party to the Agreement.

Under its Agreement with DeNovo, PolyGram was given

the exclusive right to record “Master Recordings” by Malmsteen during the term of the Agreement, and to reproduce and sell those recordings. A “Master Recording” is defined as “[a]ny recording of sound, whether or not coupled with a visual image, by any method and on any substance or material, whether now or hereafter known, intended for reproduction in the form of Phonograph Records, or otherwise, including Audio–Visual Recordings.” Agreement § 13.01. The Agreement provides that such Master Recordings are “entirely the property of [UMG]” and that UMG “and its subsidiaries, affiliates, and licensees shall have the sole, exclusive and unlimited right ... to manufacture Records

... embodying ... the performances embodied on Master Recordings.” Agreement § 5.01. The Agreement also gives UMG the “exclusive right to publicly perform and otherwise utilize [Malmsteen’s] performances in connection with Audio–Visual Recordings for promotional and commercial purposes.” *Id.* § 5.02(a)(i). Under the Agreement, UMG is obliged to pay Malmsteen royalties on income derived from its exploitation of Master Recordings; the means of calculating these royalties are set forth in Article 7.

UMG is required to provide Malmsteen with semiannual royalty accountings “on or before September 30th for the period ending the preceding June 30th, and on or before March 31st for the period ending the preceding December 31st.” Agreement § 8.01. The Agreement also contains a limitations provision, *see id.* § 8.05(a), which, as this Court found in a previous decision, bars Malmsteen from asserting any claims based on royalty statements \*127 rendered before the March 31, 2006 statement. *See Malmsteen v. Universal Music Grp., Inc. (“Malmsteen I”),* No. 10 Civ. 3955(PAE), 2012 WL 2159281, at \*6–8 (S.D.N.Y. June 14, 2012).

On April 3, 1989, UMG and Malmsteen executed an amendment to the Agreement. Bart Decl. Ex. 6 (“1989 Amendment”). Relevant here, the 1989 Amendment addresses a video recording of a February 1989 concert performance by Malmsteen in the Soviet Union (the “Concert Video”). *Id.* That amendment grants UMG the right to “exploit, or refrain from exploiting, the Concert Video as it deems appropriate in its sole discretion including ... editing the Concert Video ... and manufacturing and exploiting ... CD/Videos embodying the Concert Video or any portion thereof.” *Id.* § 8(b).

The “Term” of the Agreement expired in the early 1990s, after Malmsteen had delivered four Master Recordings to UMG. Malmsteen Dep. 57–58; *see* Agreement § 1.01 (providing that the Term of the Agreement ends eight months after Malmsteen fulfills his recording

obligations). Some of UMG's obligations under the Agreement were explicitly tied to the duration of the Agreement's Term, and therefore expired at this point. However, UMG's obligation to account to Malmsteen for royalties remains ongoing.

Malmsteen argues that UMG breached the Agreement in three distinct ways, each related to the calculation and payment of royalties owed to him. The Court reviews the facts relevant to each of these theories, in turn.

### **B. The Royalty Rate on Sales of Digital Downloads**

UMG sells Records in a variety of formats, including digital downloads sold through non-affiliated third-party retailers such as Apple's iTunes Music Store. *See* Dalley Decl. Exs. D, E. In 1985, however, when the Agreement was executed, these modern means of distribution did not exist. The Agreement accordingly contains no express provision regarding sales of digital downloads.

UMG has been crediting Malmsteen for royalties on sales of digital downloads at the rates applicable, under the Agreement, to the sale of "Records" and "Phonograph Records" through "Normal Retail Channels." "Records" and "Phonograph Records" are defined as:

Any device now or hereafter known, on or by which sound may be recorded and reproduced, which is manufactured or distributed primarily for home and/or consumer and/or juke box use and/or use on or in means of transportation including "sight and sound" devices or Audio-Visual Devices.

*Id.* § 13.02.<sup>3</sup> "Normal Retail Channels," in turn, are defined as "[n]ormal retail distribution channels, excluding sales of Records described in [§§ 7.05–7.08], herein." *Id.* § 13.16. The royalty rate applicable to such sales ranges from 8% to 15%, depending on the location of the sale, the total number of albums sold, and whether the Record sold is an "Album" or a "Single." Agreement §§ 7.01–7.03.<sup>4</sup>

\*128 Different royalty rates apply to the sale of Records through certain specified methods of distribution outside

of the "Normal Retail Channels." Relevant here, under § 7.06, Malmsteen is entitled to a 50% royalty on Records sold by such methods, which include:

licenses of Master Recordings to Non-Affiliated Third Parties for sales of Records by such licenses through direct mail, mail order, or in conjunction with TV advertising, including through methods of distribution such as "key outlet marketing" (distribution through retail fulfillment centers in conjunction with special advertisements on radio or television), or by any combination of the methods set forth above or other methods.

Agreement § 7.06(a)(ii). In this lawsuit, Malmsteen argues that § 7.06(a)(ii), and not the provisions governing the sale of "Records" and "Phonograph Records" through "Normal Retail Channels," governs the sale of digital downloads, and therefore that UMG has breached the Agreement by calculating royalties at the lower rates provided for under §§ 7.01–7.03.

### **C. Recoupment of Video Production Costs**

UMG maintains two separate accounts for Malmsteen's royalties, one for income derived from exploitation of his audio recordings ("Audio Account") and one for income derived from exploitation of his video recordings ("Video Account"). Harrington Decl. ¶¶ 5–6. The royalties from these accounts are not payable to Malmsteen, however, "until such time as all Advances ... have been repaid to [UMG]." Agreement § 7. An "Advance" is defined as "a prepayment of royalties and shall be charged against and shall be recoupable from all royalties accruing hereunder." *Id.* § 13.11. Included among these Advances are 50% of UMG's video production costs for a defined number of Audio-Visual Recordings. *Id.* § 6.03. UMG is similarly entitled to recoup 50% of the production costs of the Concert Video. 1989 Amendment § 8(c). Accordingly, UMG is entitled to recoup from Malmsteen's audio royalties 50% of the expenses it incurred in producing Malmsteen's video recordings, including the Concert Video, in the late 1980s and early 1990s. The parties do not dispute UMG's entitlement to recoup such expenses.



Rather, they dispute whether UMG has in fact limited its calculation of recoupment to 50% of video production costs. Malmsteen claims that UMG has applied a higher percentage of its expenses against his royalties.

As audio royalties accrue to Malmsteen, UMG transfers that money from the Audio Account to the Video Account, as reflected in the royalty statements. Harrington Decl. ¶ 6. Those transfers are stated in absolute dollar figures, however, so they do not reflect what percentage of the costs has been recouped. *See id.* Ex. 1; Harrington Dep. 23–24. The royalty statements in the summary judgment record, which date back to 1988, each report a negative balance for Malmsteen’s Video Account. Harrington Decl. ¶ 5 & Ex. 1. As of June 30, 2012, the negative balance in the Video Account was \$119,123.31. *Id.* Ex. 1. In other words, these records reflect that UMG has not yet recouped 50% of the video production costs it incurred in the late 1980s and early 1990s. *See* Harrington Decl. ¶ 7. Malmsteen, by contrast, alleges that these account statements are \*129 inaccurate: He alleges that the negative balance on these account statements reflects an attempt by UMG to recoup an excessive percentage, perhaps even 100%, of the video production costs. Malmsteen admits that he is unaware of any proof that UMG has recouped more than 50% of its costs. *See* Malmsteen Dep. 128. He does note a curious feature of the June 30, 2005 statement, which reflects that UMG paid him, that month, \$5,212.53. *See* Dalley Decl. Ex. G.

#### D. The *Far Beyond the Sun* DVD

In 2006, Universal Music Group International, Ltd. (“UMGI”) released a DVD entitled *Far Beyond the Sun* (“the DVD”). Bart Decl. Ex. 2 (Deposition of April Malmsteen) at 54; *id.* Ex. 7. UMG did not create, manufacture, or sell the DVD (nor did Universal Music Group, Inc.). Harrington Decl. ¶ 8.

The DVD consists of video recordings of Malmsteen, some, but not all, of which are UMG’s property. As noted, UMG has the exclusive right to exploit these recordings under the Agreement. *See* Agreement § 5.02(a)(i); 1989 Amendment § 8(b). Nevertheless, UMG has not received any royalties or income from exploitation of the DVD, Harrington Decl. ¶ 8, and therefore, under the terms of the Agreement, it has not paid Malmsteen any such royalties. *See* Agreement § 8.02 (providing that “royalties on Phonograph Records sold outside the United States shall not be due and payable by [UMG] until payment therefore has been received by or credited to

[UMG] in the United States”).

#### E. Procedural History

On May 12, 2010, Malmsteen filed his original Complaint, bringing a host of claims against UMG, Universal Music Group, Inc., and Universal Music Canada, Inc (“UMG Canada”). Dkt. 1. On November 8, 2010, Malmsteen voluntarily dismissed many of these claims. Dkt. 12. On September 30, 2011, the case was reassigned to this Court. Dkt. 17. On November 22, 2011, Malmsteen filed a motion for leave to amend the complaint, Dkt. 24, which defendants did not oppose, and the Court granted, Dkt. 29.

On January 6, 2012, Malmsteen filed the Amended Complaint, asserting one breach of contract claim against the same three defendants named in the original Complaint, and a second breach of contract claim against UMGI. Dkt. 31. On April 11, 2012, all four defendants moved to dismiss the Amended Complaint in part. Dkt. 38. On June 14, 2012, after briefing and argument, the Court granted defendants’ motion. The Court held that (1) it lacked personal jurisdiction over UMG Canada and UMGI, *see Malmsteen I*, 2012 WL 2159281, at \*2–6 & n. 1; and (2) Malmsteen’s claims relating to royalty statements rendered before March 31, 2006 are time-barred, *see id.* at \*6–8.






On January 25, 2013, the remaining defendants—UMG and Universal Music Group, Inc.—filed the instant motion for summary judgment. Dkts. 76–80. On February 8, 2013, Malmsteen filed his opposition to that motion and a cross-motion for summary judgment. Dkts. 82–86. On February 22, 2013, defendants filed an opposition to Malmsteen’s cross-motion and reply in further support of their motion. Dkts. 92–96. On March 8, 2013, Malmsteen filed a reply in further support of his cross-motion. Dkt. 98. On April 11, 2013, the Court heard argument.

## II. Applicable Legal Standards


#### A. Summary Judgment

Summary judgment may be granted only where the submissions, taken together, “show that there is no genuine issue as \*130 to any material fact and that the







movant is entitled to judgment as a matter of law.” Fed.R.Civ.P. 56(a). The movant bears the burden of demonstrating the absence of a material factual question, and in making this determination, the court must view all facts “in the light most favorable” to the non-movant.  *Celotex Corp. v. Catrett*, 477 U.S. 317, 323, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986); see also  *Holcomb v. Iona Coll.*, 521 F.3d 130, 132 (2d Cir.2008). To survive a summary judgment motion, the opposing party must establish a genuine issue of fact by “citing to particular parts of materials in the record.” Fed.R.Civ.P. 56(c)(1); see also  *Wright v. Goord*, 554 F.3d 255, 266 (2d Cir.2009). “A party may not rely on mere speculation or conjecture as to the true nature of the facts to overcome a motion for summary judgment,” because “conclusory allegations or denials cannot by themselves create a genuine issue of material fact where none would otherwise exist.”  *Hicks v. Baines*, 593 F.3d 159, 166 (2d Cir.2010) (citation omitted). Only disputes over “facts that might affect the outcome of the suit under the governing law” will preclude a grant of summary judgment.  *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986).

### B. Breach of Contract

[1] “Under New York law, a breach of contract claim requires proof of (1) an agreement, (2) adequate performance by the plaintiff, (3) breach by the defendant, and (4) damages.”  *Fischer & Mandell, LLP v. Citibank, N.A.*, 632 F.3d 793, 799 (2d Cir.2011). Here, there is no dispute about the existence of an agreement. Rather, the parties’ disputes turn on (1) the interpretation of provisions of the Agreement and (2) factual questions whether defendants have breached its terms.

[2] [3] [4] As to the questions of interpretation, “[t]he primary objective of a court in interpreting a contract is to give effect to the intent of the parties as revealed by the language of their agreement.” *Compagnie Financiere de CIC et de L’Union Europeenne v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 232 F.3d 153, 157 (2d Cir.2000). “Summary judgment is generally proper in a contract dispute only if the language of the contract is wholly unambiguous.” *Id.* at 157. “The question of whether the language of a contract is ambiguous is a question of law to be decided by the Court.” *Id.* at 158. Ambiguity is “defined in terms of whether a reasonably intelligent person viewing the contract objectively could interpret the language in more than one way.” *Topps Co. v. Cadbury*

*Stani S.A.I. C.*, 526 F.3d 63, 68 (2d Cir.2008); see  *Sayers v. Rochester Tel. Corp. Supplemental Mgm’t Pension Plan*, 7 F.3d 1091, 1095 (2d Cir.1993) (“Contract language is ambiguous if it is capable of more than one meaning when viewed objectively by a reasonably intelligent person who has examined the context of the entire integrated agreement and who is cognizant of the customs, practices, usages and terminology as generally understood in the particular trade or business.” (citation omitted)).

[5] [6] [7] [8] To give effect to the intent of the parties, a court must interpret a contract by considering all of its provisions, and “words and phrases ... should be given their plain meaning.” *LaSalle Bank Nat’l Ass’n v. Nomura Asset Capital Corp.*, 424 F.3d 195, 206 (2d Cir.2005). “A written agreement that is clear, complete and subject to only one reasonable interpretation must be enforced according to the plain meaning of the language chosen by the contracting parties.” *In re Couderc Bros.*, 487 B.R. 375, 389 (S.D.N.Y.2013) (quoting \*131 *Acumen Re Mgmt. Corp. v. Gen. Sec. Nat’l Ins. Co.*, No. 09 Civ. 1796(GBD), 2012 WL 3890128, at \*5 (S.D.N.Y. Sept. 7, 2012)). At the summary judgment stage, “[t]he mere assertion of an ambiguity does not suffice to make an issue of fact.” *Thompson v. Gjivoje*, 896 F.2d 716, 721 (2d Cir.1990); see also  *Sayers*, 7 F.3d at 1095 (“Parties to a contract may not create an ambiguity merely by urging conflicting interpretations of their agreement.”). “Thus, the court should not find the contract ambiguous where the interpretation urged by one party would ‘strain [ ] the contract language beyond its reasonable and ordinary meaning.’ ”  *Law Debenture Trust Co. of N.Y. v. Maverick Tube Corp.*, 595 F.3d 458, 467 (2d Cir.2010) (quoting *Bethlehem Steel Co. v. Turner Constr. Co.*, 2 N.Y.2d 456, 459, 161 N.Y.S.2d 90, 141 N.E.2d 590 (N.Y.1957)). “Language whose meaning is otherwise plain does not become ambiguous merely because the parties urge different interpretations in the litigation, unless each is a ‘reasonable’ interpretation.”  *Id.* (internal citation and quotations omitted).

[9] [10] Generally, summary judgment is appropriate in a contract dispute only where the contract’s terms are unambiguous, whereas “interpretation of ambiguous contract language is a question of fact to be resolved by the factfinder.” *Compagnie Financiere*, 232 F.3d at 158. However, summary judgment is also appropriate “when the [contract] language is ambiguous and there is relevant extrinsic evidence, but the extrinsic evidence creates no genuine issue of material fact and permits interpretation of the agreement as a matter of law.” *Nycal Corp. v. Inoco PLC*, 988 F.Supp. 296, 299 (S.D.N.Y.1997) (Kaplan, J.);

see also [3Com Corp. v. Banco do Brasil, S.A.](#), 171 F.3d 739, 746–47 (2d Cir.1999) (“[T]he court may resolve ambiguity in contract language as a matter of law if the evidence presented about the parties’ intended meaning is so one-sided that no reasonable person could decide the contrary.”). “Similarly, if there is *no* extrinsic evidence bearing on the parties’ intentions, the proper interpretation of ambiguous contract language is an issue for the court.” *In re Coudert Bros.*, 487 B.R. at 390 (emphasis in original) (citing *Mellon Bank, N.A. v. United Bank Corp. of N.Y.*, 31 F.3d 113, 116 (2d Cir.1994); [Williams & Sons Erectors, Inc. v. S.C. Steel Corp.](#), 983 F.2d 1176, 1184 (2d Cir.1993)).

### III. Discussion

Malmsteen argues that defendants breached the Agreement by: (1) failing to pay the proper royalty rate for sales of digital downloads; (2) deducting improper video production costs from audio royalties; and (3) failing to account for royalties on sales of the *Far Beyond the Sun* DVD. Defendants move for summary judgment on all three theories. Malmsteen cross-moves for summary judgment on the first and third theories. The Court addresses these issues in turn. Finally, the Court addresses defendants’ argument that Universal Music Group, Inc. should be dismissed from the case whether or not the case goes forward against UMG.

#### A. The Royalty Rate on Sales of Digital Downloads

The parties’ first dispute involves a pure question of contract interpretation: which royalty provision applies to sales of digital downloads? Both parties argue that the contract is unambiguous. Both agree that this issue is to be resolved on the face of the contract, without resort to extrinsic evidence, and may therefore be resolved as a matter of law. See Transcript of April 11, 2013 Oral Argument (“Tr.”) 23, 28.

<sup>[11]</sup> As a threshold matter, digital downloads are clearly Records, as defined \*132 in § 13.02 of the Agreement. The phrase “[a]ny device now or hereafter known on or by which sound may be recorded and reproduced” manifests the clear intent of the contracting parties that the definition of Record encompass as-yet-undeveloped technologies. See [Reinhardt v. Wal-Mart Stores, Inc.](#), 547 F.Supp.2d 346, 354–55 (S.D.N.Y.2008) (“The phrase

‘now or hereafter known,’ when referring to forms of reproduction, reveals that future technologies are covered by the agreement.... It is not reasonable to construe the phrase ‘all forms’ ‘now or hereafter known’ to exclude Defendants’ alleged digital download form.”); see also [Greenfield v. Philles Records](#), 98 N.Y.2d 562, 572, 750 N.Y.S.2d 565, 780 N.E.2d 166 (2002); [Silvester v. Time Warner, Inc.](#), 1 Misc.3d 250, 763 N.Y.S.2d 912, 917 (N.Y.Sup.Ct.2003), *aff’d*, 14 A.D.3d 430, 787 N.Y.S.2d 870 (1st Dep’t 2005). This broad definition evinces a practical recognition of the constantly evolving nature of music recording technology.

<sup>[12]</sup> This leaves the question whether digital downloads are Records sold through “Normal Retail Channels,” or rather by one of the specific means of distribution enumerated in § 7.06(a)(ii). UMG persuasively argues that the royalty rates set forth in §§ 7.01–7.03 apply here. In today’s market, the phrase “Normal Retail Channels” comfortably encompasses digital downloads sold through Apple’s iTunes store and similar platforms—brick-and-mortar record shops have gone the way of the 8–track, the phonograph, and the mastodon. See [Allman v. Sony BMG Music Entnm’t](#), No. 06 Civ. 3252(GBD), 2008 WL 2477465, at \*2 (S.D.N.Y. June 18, 2008), *judgment vacated with leave to amend pleadings*, No. 06 Civ. 3252 (Dkt. 37). Applying the 8–15% royalty rate contained in §§ 7.01–7.03 to retail sales of digital downloads, rather than the 50% rate contained in § 7.06(a)(ii), also accords with the structure of the Agreement: For sales to consumers through normal retail channels that are reliably and readily measured, the contract provides for a lower rate; by contrast, as to the unique and, at least potentially, less traceable methods of distribution to consumers listed in § 7.06(a)(ii), the artist, Malmsteen, is assigned a higher rate of compensation. See generally Tr. 7–13. Because “Records” are defined broadly enough to include digital downloads, and because the sales of these downloads through media like the iTunes store are the normal retail channels in today’s music industry, §§ 7.01–7.03 unambiguously govern the applicable royalty rates here.

Malmsteen argues that the 50% royalty rate set forth in § 7.06(a)(ii) applies. That provision, however, does not fit. Section 7.06(a)(ii) covers “licenses of Master Recordings to Non–Affiliated Third Parties for sales of Records” by the following specifically enumerated means of distribution: “direct mail, mail order, or in conjunction with TV advertising, including through methods of distribution such as ‘key outlet marketing’ (distribution through retail fulfillment centers in conjunction with special advertisements on radio or television).” Agreement § 7.06(a)(ii). The sale of digital downloads does not resemble any of these methods. Recognizing

this, Malmsteen argues that digital downloads are nonetheless picked up by the residual clause following this list: “or by any combination of the methods set forth above *or other methods*.” *Id.* (emphasis added). In Malmsteen’s view, the phrase “or other methods” has essentially no limit. Tr. 34 (“Q: So is there any limitation, in your words, to the expression[ ] ‘or other methods’ ...; is it limited in any way by the more specific items identified in the earlier part of that clause? A: I do not believe so, your Honor.”).

\*133 Malmsteen’s reading of the Agreement is undermined by two basic principles of contractual interpretation. First, under the principle of *ejusdem generis*, when a general phrase, such as “or other methods,” follows a list of specific terms, the general phrase must be interpreted to refer to items of the same ilk as those specifically listed. See [Travelers’ Ins. Co. of Hartford v. Seaver](#), 19 Wall. 531, 86 U.S. 531, 538, 22 L.Ed. 155 (1873); [Haynes v. Kleinewefers & Lembo Corp.](#), 921 F.2d 453, 457 (2d Cir.1990); [Purchase Partners, LLC v. Carver Fed. Sav. Bank](#), 914 F.Supp.2d 480, 491–92 (S.D.N.Y.2012) (citing Black’s Law Dictionary 594 (9th ed. 2009)). Here, however, digital downloads are unlike the specific means of distribution enumerated in § 7.06(a)(ii). Second, as Malmsteen notes, *see* Pl. Reply Br. 3, an interpretation rendering contractual provisions redundant or superfluous is disfavored. See [Int’l Multifoods Corp. v. Commercial Union Ins. Co.](#), 309 F.3d 76, 86 (2d Cir.2002); [Serdarevic v. Centex Homes, LLC](#), 760 F.Supp.2d 322, 332 (S.D.N.Y.2010). Here, interpreting “or other methods” as Malmsteen does—to be essentially limitless—would render superfluous both the specifically enumerated list in that section and the separate sub-section addressing the sale of Records through record clubs. See Agreement § 7.06(a)(iii).

For these reasons, Malmsteen’s reading of the Agreement is unpersuasive: Section 7.06(a)(ii) cannot reasonably be interpreted to cover sales of digital downloads.<sup>5</sup> Accordingly, UMG was correct to apply the royalty rates set forth in §§ 7.01–7.03 to the sale of digital downloads, and summary judgment is merited in UMG’s favor on this claim.

### B. Recoupment of Video Production Costs

<sup>131</sup> The parties do not dispute that, under the Agreement, UMG is entitled to recoup 50% of the expenses it incurred in producing certain of Malmsteen’s videos in the late

1980s and early 1990s. See Agreement § 6.03; 1989 Amendment § 8(c). Their only dispute is a factual one—whether UMG has in fact applied more than 50% of those expenses against the royalties due to Malmsteen.

The operative document used by UMG to track the sums due to Malmsteen is a biannual royalty accounting statement that it furnishes to Malmsteen. As noted, those accounting statements have consistently shown a negative balance: in other words, that the royalties due to Malmsteen have yet to eclipse the video production \*134 costs incurred by UMG that it has applied against those royalties. See Harrington Decl. Ex. 1. The oldest of these statements, covering the period ending December 31, 1988, reflects a negative balance of \$215,868.50. *Id.* On subsequent statements, this negative balance grows to a peak of \$624,942.60 in 1990, which corresponds to the time frame during which the parties represent that UMG was incurring costs to produce Malmsteen’s videos. *Id.* Since 1990, the negative balance has gradually decreased as Malmsteen’s audio royalties have been transferred into his video account and applied against the negative balance that was carried forward. See Harrington Decl. ¶ 6. As of June 30, 2012, the negative balance stood at \$119,123.31. *Id.* Ex. 1.

Malmsteen claims that this negative balance must reflect that UMG, back in the late 1980s through 1990, was improperly deducting 100% of its video production costs from his audio royalties, rather than 50% as required. However, the time to make such a claim lapsed long ago. This Court has already ruled that Malmsteen’s claims are barred insofar as they are based on any royalty statements rendered before March 31, 2006, *see Malmsteen I*, 2012 WL 2159281, at \*6–8, and the deductions that Malmsteen challenges here were taken, and reflected, on royalty statements rendered in the late 1980s and early 1990s, *see* Harrington Decl. Ex. 1. No statement rendered on March 31, 2006 or thereafter reflects any new deductions made against Malmsteen’s balance. Rather, the negative balance has been creeping steadily towards zero. See *id.* If Malmsteen believed that the deductions taken more than 20 years ago from his account were excessive and represented more than the 50% that UMG was entitled to take, he should have challenged those entries after he received the account statements reflecting them. Instead, he slept on his rights for two decades. Malmsteen cannot now defeat the parties’ contractual limitations provision by asserting a claim based on the negative balance carried forward from an allegedly improper deduction taken more than 15 years outside the limitations period. For this reason, summary judgment is merited in UMG’s favor.<sup>6</sup>



### C. The *Far Beyond the Sun* DVD

In the Amended Complaint, Malmsteen alleges that UMG and UMGI breached the \*135 Agreement by distributing the DVD without Malmsteen's consent. Am. Compl. ¶¶ 41–42, 47–48, 52. UMGI has since been dismissed from this case for lack of personal jurisdiction. See *Malmsteen I*, 2012 WL 2159281, at \*2–6. As for UMG, as it points out in its brief, see Def. Br. 18, the provision requiring it to secure Malmsteen's consent before exploiting certain audiovisual recordings is explicitly tied to the Term of the Agreement, see Agreement § 5.02(b), which expired in the early 1990s, see Malmsteen Dep. 57–58; Agreement § 1.01. Not surprisingly, Malmsteen has ceased to pursue this theory of breach.

Instead, Malmsteen argues that UMG's failure to account for royalties on sales of the DVD by UMGI is another instance of miscalculation of royalties. However, it is undisputed that: (1) UMGI, not UMG, sold the DVD, Bart Decl. Ex 7; Harrington Decl. ¶ 8; (2) UMG has not received any payment from UMGI for the DVD's exploitation, Harrington Decl. ¶ 8; and (3) under the terms of the Agreement, UMG need not pay royalties to Malmsteen until UMG receives such payment, Agreement § 8.02. Accordingly, no royalties are currently owed to Malmsteen.

Malmsteen makes a final effort to avoid summary judgment by asserting that “[i]f not explicitly, [UMG] has at a minimum implicitly licensing [*sic*] the [concert footage] to its foreign affiliate [UMGI]. [UMG]'s failure to account to Malmsteen or even try to obtain revenue from [UMGI] for the exploitation and sale of [the DVD], ... constitutes a breach of the implied covenant of good faith that is part of every contract made under New York law.” Pl. Br. 9–10. That allegation, however, is nowhere to be found in the Amended Complaint, and “[a]n opposition brief is not the place to raise new allegations.”

¶ Perkins v. Am. Transit Ins. Co., No. 10 Civ. 5655(CM), 2013 WL 174426, at \*21 (S.D.N.Y. Jan.15, 2013) (citing ¶ Lyman v. CSX Transp., Inc., 364 Fed.Appx. 699, 701 (2d Cir.2010) (summary order)). Because Malmsteen failed to include this claim in his Amended Complaint,<sup>7</sup> instead raising it for the first time in opposition to summary judgment, it is waived. See *Rojo v. Deutsche Bank*, 487 Fed.Appx. 586, 588–89 (2d Cir.2012) (summary order) (argument that defendant violated duty of good faith and fair dealing waived where first raised in opposition to summary judgment); ¶ *Compania Embotelladora Del Pacifico, S.A. v. Pepsi Cola Co.*, 650 F.Supp.2d 314, 324 (S.D.N.Y.2009)

(same); *Bonnie & Co. Fashions, Inc. v. Bankers Trust Co.*, 170 F.R.D. 111, 119 (S.D.N.Y.1997) (same); see also *Augienello v. Coast-to-Coast Fin. Corp.*, 64 Fed.Appx. 820, 822 (2d Cir.2003) (summary order) (affirming dismissal of breach of contract claim where complaint makes no mention of a duty of good faith and fair dealing). UMG's motion for summary judgment is therefore granted on this claim, and Malmsteen's cross-motion is denied.

### D. Universal Music Group, Inc.

[14] [15] Even assuming that Malmsteen's claims could survive as to UMG, summary judgment must still be granted in favor of Universal Music Group, Inc., because it was not a signatory to the Agreement. “A contract cannot bind a non-party unless the contract was signed by the party's agent, the contract was assigned to the party, or the signatory is in fact the ‘alter ego’ of the party.” \*136 *Wolfson v. Conolog Corp.*, No. 08 Civ. 3790(LTS)(MHD), 2009 WL 465621, at \*3 (S.D.N.Y. Feb. 25, 2009) (citation omitted). “An exception to this rule exists, however, where a non-party ‘manifests an intent to be bound by the contract.’ ” ¶ *Travelers Cas. & Sur. Co. v. Dormitory Authority–State of N.Y.*, 735 F.Supp.2d 42, 80 (S.D.N.Y.2010) (quoting ¶ *Horsehead Indus., Inc. v. Metallgesellschaft AG*, 239 A.D.2d 171, 657 N.Y.S.2d 632, 633 (1st Dep't 1997)). Thus, a nonsignatory parent corporation, such as Universal Music Group, Inc., could be held liable if its intent to be bound by the contract were “inferable from the parent's participation in the negotiation of the contract, or if the subsidiary is a dummy for the parent, or if the subsidiary is controlled by the parent for the parent's own purposes.” ¶ *MBIA Ins. Corp. v. Royal Bank of Can.*, 706 F.Supp.2d 380, 396 (S.D.N.Y.2009) (quoting ¶ *Horsehead Indus.*, 657 N.Y.S.2d at 633).

[16] Malmsteen has adduced no evidence that such circumstances exist here. Rather, Malmsteen's sole basis for asserting that Universal Music Group, Inc. is bound by the Agreement is the claim that “no officer for either Universal defendant has given a clear explanation as to the relationship between the parties.” Pl. Br. 16. But that is not so. Defendants have provided evidence that Universal Music Group, Inc. is an indirect corporate parent of UMG, and that Vivendi S.A. is the ultimate corporate parent of each. Harrington Decl. ¶ ¶ 2–3. Malmsteen, in response, has offered no evidence that Universal Music Group, Inc. participated in the negotiation of the contract or controlled UMG for its own

purposes. James Harrington’s deposition testimony that employees of UMG Recordings, Inc. (the entity referred to herein as UMG) commonly refer to their employer as “Universal Music Group” does not create a genuine issue of fact to the contrary. Harrington Dep. ¶¶ 5–6; *see* Bart Supp. Decl. Ex. 12 ¶¶ 8–9 (describing “Universal Music Group” as a trade name that does not refer to a specific legal entity). Absent some evidence that Universal Music Group, Inc. was a signatory to the Agreement or was in fact the alter ego of UMG, summary judgment must be granted in its favor.

For the foregoing reasons, defendants’ motion for summary judgment is granted, and plaintiffs motion for summary judgment is denied. The Clerk of Court is directed to enter judgment in defendants’ favor, to terminate the motion pending at docket number 76, and to close this case.


SO ORDERED.




#### All Citations


940 F.Supp.2d 123

### CONCLUSION

#### Footnotes

- <sup>1</sup> The facts which form the basis of this Opinion are taken from the parties’ pleadings and their submissions in support of and in opposition to the instant motions—specifically, the parties’ respective Local Rule 56.1 Statements and Counterstatements of Undisputed Fact (Dkts. 78, 83, 84, 93, 96); the Declaration of Andrew H. Bart in Support of Defendants’ Motion for Summary Judgment (Dkt. 79) (“Bart Decl.”); the Declaration of James Harrington in Support of Defendants’ Motion for Summary Judgment (Dkt. 80) (“Harrington Decl.”); the Declaration of John A. Dalley in Opposition to Defendants’ Motion and in Support of Plaintiff’s Motion for Summary Judgment (Dkt. 85) (“Dalley Decl.”); the Supplemental Declaration of Andrew H. Bart in Support of Defendants’ Motion for Summary Judgment (Dkt. 94) (“Bart Supp. Decl.”); and the exhibits attached to these declarations. Facts in dispute are so noted.
- <sup>2</sup> The Agreement is governed by New York law. Agreement § 14.07.
- <sup>3</sup> With one exception: For reasons that the record leaves unclear, UMG has been crediting Malmsteen at the *higher* rate applicable to sales of Albums, even when customers download only Singles. Bart Decl. Ex. 3 (Deposition of James Harrington (“Harrington Dep.”)) at 57–58.
- <sup>4</sup> “Album” is defined as “[a] 12 inch, long-play Phonograph Record or the equivalent thereof embodying thereon the equivalent of not fewer than eight (8) Sides, and having not less than thirty-five (35) minutes playing time.” Agreement § 13.04(c) & (d). A “Single” is defined as “[a] 7 inch, 45 rpm Phonograph Record or equivalent embodying thereon at least one (1) Side.” *Id.* § 13.04(a). The 1989 Amendment clarified that, as used in these definitions, the phrase “or equivalent” means “every form of pre-recorded tape, compact disc or any other Record equivalent.” 1989 Amendment § 10.
- <sup>5</sup>  [FBT Productions, LLC v. Aftermath Records, 621 F.3d 958 \(9th Cir.2010\)](#) is not to the contrary. The agreement at issue in that case contained two distinct royalty provisions: (1) the “Records Sold” provision, which applied to “full price records sold ... through normal retail channels”; and (2) the “Masters Licensed” provision, which applied to

“masters licensed ... to others for their manufacture and sale of records or for any other uses.”  *Id.* at 961. The court found that the higher royalty rate of the Masters Licensed provision applied, because the agreement provided that “notwithstanding” the fact that a sale arguably falls within the scope of the Records Sold provision, the Masters Licensed provision would apply to masters “that are licensed to third parties for the manufacture of records ‘or for any other uses.’ ”  *Id.* at 964. That “admittedly broad” language in the Masters Licensed provision,  *id.*, is a far cry from the narrow list of uses enumerated in § 7.06(a)(ii). Because the applicable royalty provisions in the Agreement do not turn on the distinction between “sales” and “licenses,” as they did in *FBT*, the Court need not decide here whether UMG sells or licenses master recordings to Apple and other third-party retailers. Even assuming that this were a licensing relationship, it is not of the sort contemplated by § 7.06(a)(ii), and therefore is covered by the broader scope of §§ 7.01–7.03.

<sup>6</sup> That the parties today cannot reconstruct with certainty the formula UMG used long ago to calculate this deduction is not surprising: During discovery, UMG objected to Malmsteen’s request that such information be produced, and the Court sustained that objection. *See* Dkt. 74. Not only would such discovery have related to long-time-barred royalty statements, but it would have required UMG to conduct an extensive audit of production and other expenses incurred over two decades ago. The difficulties inherent in such an inquiry—such as finding an employee at UMG who could authenticate royalty statements from the 1980s—are why contractual limitations provisions like the one at issue here are put in place. UMG has offered that it is the contemporary understanding of James Harrington, the Vice President of Royalties & Copyright at UMG, that the negative balance reflects only 50% of video production costs. *See* Harrington Decl. ¶ 7. Malmsteen admits of no knowledge to the contrary, *see* Malmsteen Dep. 128, and, as noted, he failed to object to the deductions when the royalty statements bearing them were rendered to him two decades ago. Malmsteen’s only support for his claim that UMG applied excess deductions is that a one-time payment of \$5,212.53 to Malmsteen’s Audio Account is reflected on the June 30, 2005 royalty statement. *See* Dalley Decl. Ex. G. But this payment, whatever the circumstances that brought it about, has no discernible relationship to the percentage of costs deducted from Malmsteen’s Video Account 15 years earlier. To overcome a summary judgment motion, “[a] party may not rely on mere speculation or conjecture.”  *Hicks*, 593 F.3d at 166. Yet that is what Malmsteen does here.

<sup>7</sup> Malmsteen’s attempt to argue that this claim was somehow implicitly included in his Amended Complaint is unpersuasive. *See* Pl. Reply Br. 6 (citing Am. Compl. ¶¶ 41–43, 47–50).

547 F.Supp.2d 346  
United States District Court,  
S.D. New York.

Richard REINHARDT (p/k/a Richie Ramone and  
Richie Beau), Plaintiff,

v.

WAL-MART STORES, INC., Apple, Inc.,  
RealNetworks, Inc., Estate of John Cummings  
(a/k/a John Ramone and Johnny Ramone), Taco  
Tunes, Inc., Ramones Productions, Inc., Herzog &  
Strauss, and Ira Herzog, Defendants.

No. 07 Civ. 8233 (SAS).

April 18, 2008.

#### Synopsis

**Background:** Member of punk rock band, as owner of copyright in music, brought action against businesses which distributed sound recordings and other digital media over Internet and in other electronic forms alleging copyright infringement. Defendants brought motion to dismiss.

**Holdings:** The District Court, Shira A. Scheindlin, J., held that:

[1] owner stated federal claim under Copyright Act;

[2] owner's pursuit of other grievances in state court against licensees that were related to same recording agreement did not bar owner's right to seek remedies in federal court for alleged violations of Copyright Act;

[3] phrases "all forms" "now or hereafter known," when referring to forms of reproduction authorized by licensing agreement, created expansive rather than restrictive conveyance of rights, and thus covered future technologies, including alleged digital download form; and

[4] recording agreement that was heavily referenced by copyright owner in his complaint alleging copyright infringement was incorporated by reference and thus could be considered by court on motion to dismiss.

Motion granted.

**Procedural Posture(s):** Motion to Dismiss; Motion to Dismiss for Failure to State a Claim; Motion to Dismiss for Lack of Subject Matter Jurisdiction.

West Headnotes (23)

#### [1] Federal Courts → Copyrights

If a dispute is about the ownership of a copyright, and turns on the interpretation of a contract, then no federal question is presented under the Copyright Act. 17 U.S.C.A. § 101 et seq.; 28 U.S.C.A. § 1338(a).

2 Cases that cite this headnote

#### [2] Federal Courts → Copyrights

Unless a complaint asserts a remedy expressly granted by the Copyright Act, such as damages for infringement, or requires interpretation of the Copyright Act, there is no Copyright Act federal jurisdiction. 17 U.S.C.A. § 101 et seq.; 28 U.S.C.A. § 1338(a).

1 Case that cites this headnote

#### [3] Federal Civil Procedure → Matters considered in general

When deciding a motion to dismiss for failure to state a claim upon which relief can be granted, a court is not limited to the face of the complaint, but also may consider any written instrument attached to the complaint, statements or documents incorporated into the complaint by reference, and documents possessed by or known to the plaintiff and upon which it relied in bringing the suit. Fed.Rules Civ.Proc.Rule 12(b)(6), 28 U.S.C.A.



[4] **Federal Civil Procedure** → Matters considered in general

Before materials outside the record may become the basis for a dismissal for failure to state a claim upon which relief can be granted, it must be clear on the record that no dispute exists regarding the authenticity or accuracy of the document. 🚩 Fed.Rules Civ.Proc.Rule 12(b)(6), 28 U.S.C.A.

[5] **Federal Civil Procedure** → Claim for relief in general  
**Federal Civil Procedure** → Insufficiency in general

Although a complaint need not provide detailed factual allegations to avoid dismissal for failure to state a claim upon which relief can be granted, it must amplify a claim with some factual allegations to render the claim plausible; the complaint must provide the grounds upon which the plaintiff's claim rests through factual allegations sufficient to raise a right to relief above the speculative level. 🚩 Fed.Rules Civ.Proc.Rule 12(b)(6), 28 U.S.C.A.

[6] **Copyrights and Intellectual Property** → Assignments, conveyances, and sales

A copyright owner may convey the bundle of discrete rights regarding the owner's ability to use his property, either temporarily or permanently, to another, although the copyright owner may not convey more than the copyright protects. 🚩 17 U.S.C.A. § 501(b).

[7] **Copyrights and Intellectual Property** → Copying; access

To succeed on a claim for infringement under the Copyright Act, a plaintiff must show that he owned a valid copyright to the songs and defendants copied original constituent elements of these songs. 🚩 17 U.S.C.A. § 501(b).

[8] **Copyrights and Intellectual Property** → Use Under License or Other Transfer of Rights

Where an author brings a copyright infringement action against a purported licensee, the license may be raised as a defense. 🚩 17 U.S.C.A. § 501(b).

[9] **Copyrights and Intellectual Property** → Licenses and Royalties

When a copyright dispute is over whether a license exists, the alleged infringer has the burden of proving its existence. 🚩 17 U.S.C.A. § 501(b).

[10] **Copyrights and Intellectual Property** → Construction, Operation, and Effect

In a copyright case, the determination of whether a defendant's activities fall within the scope of an existing license essentially involves a question of contract interpretation.

4 Cases that cite this headnote

- [11] **Copyrights and Intellectual Property** → Questions of Law or Fact  
**Evidence** → Particular Writings, Contracts, and Agreements in General

In a copyright case, if the contract language is unambiguous and conveys a definite meaning, its interpretation is a question of law for the court; however, if the language used is susceptible to differing interpretations, each of which may be said to be as reasonable as another, then the interpretation of the contract becomes a question of fact for the jury, and extrinsic evidence of the parties' intent properly is admissible. 🚩 17 U.S.C.A. § 501(b).

[3 Cases that cite this headnote](#)

- [12] **Copyrights and Intellectual Property** → Performance and breach

The copyright owner bears the burden of proving that the defendant's copying was unauthorized in situations where the dispute is only over the scope of the license. 🚩 17 U.S.C.A. § 501(b).

[1 Case that cites this headnote](#)

- [13] **Federal Civil Procedure** → Fact issues

Interpretation of a contract is suitable for disposition on a motion to dismiss for failure to state a claim upon which relief can be granted since generally it is a question of law. 🚩 Fed.Rules Civ.Proc.Rule 12(b)(6), 28 U.S.C.A.

[6 Cases that cite this headnote](#)

- [14] **Copyrights and Intellectual Property** → Technology and software licenses

When considering whether the use of a new technology is covered by an existing copyright license, a copyright licensee properly may pursue any uses that reasonably may be said to fall within the medium as described in the license. 🚩 17 U.S.C.A. § 501(b).

[2 Cases that cite this headnote](#)

- [15] **Copyrights and Intellectual Property** → Technology and software licenses

Neutral principles of contract interpretation are used to determine whether the use of a new technology is covered by an existing copyright license; if a license is more reasonably read to benefit one party, that party should be able to rely on it. 🚩 17 U.S.C.A. § 501(b).

[1 Case that cites this headnote](#)

- [16] **Contracts** → Presumptions and burden of proof


A party seeking a departure from the most reasonable reading of the contract bears the burden of supporting its interpretation of the contract.

- [17] **Copyrights and Intellectual Property** → Contributory Liability


Under the Copyright Act, one who, with knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another, may be held liable as a contributory infringer. 🚩 17 U.S.C.A. § 501(b).



alleged violations of Copyright Act.  17 U.S.C.A. § 501(b); 28 U.S.C.A. § 1338(a).


[18] **Copyrights and Intellectual Property**  Contributory Liability

Contributory copyright infringement includes personal conduct that encourages or assists the infringement.  17 U.S.C.A. § 501(b).

[19] **Copyrights and Intellectual Property**  Contributory Liability

There can be no contributory copyright infringement absent actual infringement.  17 U.S.C.A. § 501(b).

[20] **Copyrights and Intellectual Property**  Validity, ownership, and duration of rights  
**Copyrights and Intellectual Property**  Licenses and Royalties


Copyright owner stated federal claim under Copyright Act on allegations that licensees infringed his copyright in songs by exceeding scope of their license and that he was entitled to recover damages for that infringement.  17 U.S.C.A. § 501(b).

[2 Cases that cite this headnote](#)

[21] **Courts**  Pendency and Scope of Prior Proceeding



Copyright owner's pursuit of other grievances in state court against licensees that were related to same recording agreement did not bar owner's right to seek remedies in federal court for

[22] **Copyrights and Intellectual Property**  Technology and software licenses

Phrases "all forms" "now or hereafter known," when referring to forms of reproduction authorized by licensing agreement, created expansive rather than restrictive conveyance of rights, and thus covered future technologies, including digital download form, although digital downloads were transmitted to end users rather than manufactured.  17 U.S.C.A. § 501(b).

[5 Cases that cite this headnote](#)

[23] **Federal Civil Procedure**  Matters considered in general

Recording agreement that was heavily referenced by copyright owner in his complaint alleging copyright infringement was incorporated by reference and thus could be considered by court on motion to dismiss for failure to state claim upon which relief could be granted.  17 U.S.C.A. § 501(b);  Fed.Rules Civ.Proc.Rule 12(b)(6), 28 U.S.C.A.

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## OPINION AND ORDER

SHIRA A. SCHEINDLIN, District Judge:

### I. INTRODUCTION

Richard Reinhardt (p/k/a Richie Ramone and Richie Beau) brings this action for copyright infringement against Wal-Mart Stores, Inc., Apple, Inc., RealNetworks, Inc., Taco Tunes, Inc., Ramones Productions, Inc., the Estate of John Cummings, Herzog & Strauss, and Ira Herzog (collectively, “Defendants”) under the 1976 Copyright Act. He also brings a claim for contributory infringement against the Estate of John Cummings, Ira Herzog, Herzog & Strauss, and Ramones Productions. Defendants have moved to dismiss the Amended Complaint pursuant to Rule 12(b)(1) of the Federal Rules of Civil Procedure for lack of subject matter jurisdiction and pursuant to  Rule 12(b)(6) for failure to state a claim upon which relief can be granted. For the following reasons, the motion to dismiss for failure to state a claim is granted and the case is dismissed.

### II. BACKGROUND

#### A. Facts<sup>1</sup>

Richard Reinhardt was a member of the punk band the Ramones<sup>2</sup> from 1983 to 1987.<sup>3</sup> During that time he authored six songs—*Smash You*, *Somebody Put Something in My Drink*, *Human Kind*, *I’m Not Jesus*, *I Know Better Now*, and *(You) Can’t Say Anything Nice* (the “Compositions”).<sup>4</sup> He was the sole author of each Composition.<sup>5</sup> Reinhardt filed copyright registration applications for the Compositions with the U.S. Copyright Office sometime before the Complaint was filed.<sup>6</sup>

\*350 In 1984, Reinhardt entered into a recording agreement (“Recording Agreement”) with Ramones

Productions,<sup>7</sup> a corporation engaged in the business of “exploiting” the intellectual property, merchandise, and other products associated with the Ramones.<sup>8</sup> The Recording Agreement provided for Ramones Productions to “engage Plaintiff to record with the Ramones.”<sup>9</sup> The Recording Agreement also granted Ramones Productions the limited right to “create physical sound recordings embodying the Compositions,”<sup>10</sup> with royalty payments to be made to Reinhardt for his performances on certain Ramones recordings.<sup>11</sup>

Taco Tunes is a corporation engaged in the business of “exploiting musical compositions owned by certain members of the Ramones.”<sup>12</sup> The Recording Agreement “contemplates” a music publishing agreement between Reinhardt and Taco Tunes, but no terms were ever agreed to and no contract was completed.<sup>13</sup>

Wal-Mart Stores, Inc. (“Wal-Mart”), Apple, Inc. (“Apple”), and RealNetworks, Inc. (“RealNetworks”), are businesses which, inter alia, distribute sound recordings and other digital media over the Internet and in other electronic forms.<sup>14</sup> Taco Tunes authorized these defendants to electronically distribute and duplicate “non-physical digital copies” of the Compositions.<sup>15</sup>

Herzog & Strauss is a partnership that provides accounting, management, and financial advisory services.<sup>16</sup> Ira Herzog is a partner at Herzog & Strauss.<sup>17</sup> The Estate of John Cummings is the estate of the deceased Ramones lead man, who was known professionally as Johnny Ramone.<sup>18</sup> These defendants, along with Ramones Productions, have controlled in whole or in part, the policies and operations of Taco Tunes for over twenty years.<sup>19</sup>

#### B. Procedural History

Reinhardt filed suit against Defendants on September 21, 2007, for copyright infringement and brought an additional claim against the Estate of John Cummings, Herzog, Herzog & Strauss, and Ramones Productions for contributory infringement of his copyrights. He seeks damages as well a declaratory judgement that he, and not Ramones Productions or Taco Tunes, is the sole owner of all the copyrights to the Compositions.

In a separate action, Reinhardt filed suit against John Cummings, Ira Herzog, Herzog & Strauss, Taco Tunes, Ramones Productions, and others in federal court in the Central District of California. That action was dismissed on jurisdictional grounds, re-filed in state court in New


York, and is currently pending.<sup>20</sup> According to Reinhardt, the state action asserts contract and \*351 tort claims related to Defendants' "non-payment of royalties attributable to the lawful use of the Compositions under the Express License."<sup>21</sup>

### III. APPLICABLE LAW

#### A. Rule 12(b)(1)—Subject-Matter Jurisdiction

<sup>[1]</sup> <sup>[2]</sup> Federal courts have original and exclusive jurisdiction over cases arising under the Copyright Act.<sup>22</sup> However, a case does not automatically fall within the jurisdiction of the federal courts simply because it concerns a copyright.<sup>23</sup> If the dispute is about the ownership of a copyright, and turns on the interpretation of a contract, then no federal question is presented. Unless the complaint asserts a remedy expressly granted by the Copyright Act, such as damages for infringement, or requires interpretation of the Copyright Act, there is no federal jurisdiction.<sup>24</sup> In these types of cases, "the line between contract interpretation and statutory interpretation is not always clear."<sup>25</sup>

#### B. Rule 12(b)(6)—Motion to Dismiss

When deciding a defendant's motion to dismiss under  Federal Rule of Civil Procedure 12(b)(6), the court must "accept as true all of the factual allegations contained in the complaint"<sup>26</sup> and "draw all inferences in the light most favorable to the non-moving party."<sup>27</sup> Nevertheless, the court need not accord "[l]egal conclusions, deductions or opinions couched as factual allegations ... a presumption of truthfulness."<sup>28</sup>

<sup>[3]</sup> <sup>[4]</sup> In deciding a motion to dismiss, the court is not limited to the face of the complaint, but "may [also] consider any written instrument attached to the complaint, statements or documents incorporated into the complaint by reference, and documents possessed by or known to the plaintiff and upon which it relied in bringing the suit."<sup>29</sup> However, "before materials outside the record may become the basis for a dismissal it must be clear on the record that no dispute exists regarding the authenticity or accuracy of the document."<sup>30</sup>

<sup>[5]</sup> "Federal Rule of Civil Procedure 8(a)(2) requires ... 'a short and plain statement of the claim showing that the pleader is entitled to relief.'"<sup>31</sup> To survive a 12(b)(6) motion to dismiss, the allegations in the complaint must meet the standard of "plausibility."<sup>32</sup> Although the complaint need not provide "detailed factual allegations,"<sup>33</sup> it must "amplify a claim \*352 with some factual allegations ... to render the claim *plausible*."<sup>34</sup> The standard is no longer that a complaint can be dismissed only if there is "no set of facts" that plaintiff could prove "which would entitle him to relief."<sup>35</sup> Rather, the complaint must provide "the grounds upon which [the plaintiff's] claim rests through factual allegations sufficient 'to raise a right to relief above the speculative level.'" <sup>36</sup>

#### C. Copyright Infringement

<sup>[6]</sup> Section 102 of title 17 of the United States Code provides copyright protection to "original works of authorship fixed in any tangible medium of expression," including musical works and accompanying words.<sup>37</sup> Moreover, under the Copyright Act, copyright in a protected work "vests initially in the author or authors of the work."<sup>38</sup> The Second Circuit has held that "copyright ownership is a 'bundle of discrete rights' regarding the owner's ability to use his property."<sup>39</sup> Additionally, a copyright owner may bring an infringement action against those who exploit her work without permission or assignment.<sup>40</sup> A copyright owner may convey the rights, either temporarily or permanently, to another, although the copyright owner may not convey more than the copyright protects.<sup>41</sup>

<sup>[7]</sup> <sup>[8]</sup> <sup>[9]</sup> <sup>[10]</sup> <sup>[11]</sup> <sup>[12]</sup> <sup>[13]</sup> To succeed on a claim for infringement under the Copyright Act, "a plaintiff must show that (a) he owned a valid copyright to the songs and (b) defendants copied original constituent elements of these songs."<sup>42</sup> "[W]here an author brings an infringement action against a purported licensee, the license may be raised as a defense."<sup>43</sup> When the dispute is over whether a license exists, the alleged infringer has the burden of proving its existence.<sup>44</sup> However, determining whether a defendant's activities fall within the scope of an existing license essentially involves a question of contract interpretation.<sup>45</sup> If the contract language is unambiguous and conveys a definite meaning, its interpretation is a question of law for the court. However, if " 'the language used is susceptible to differing interpretations, each of which may be said to be as reasonable as another,' then the interpretation of the contract becomes a question of fact for the jury and extrinsic evidence of the parties'



intent properly is admissible.”<sup>46</sup> In situations where the dispute is only over the scope of the license, “ ‘the copyright owner bears the burden of proving \*353 that the defendant’s copying was unauthorized.’ ”<sup>47</sup> Because “ ‘interpretation of a contract is generally a question of law,’ ”<sup>48</sup> it is “ ‘suitable for disposition on a motion to dismiss.’ ”<sup>49</sup>

[14] [15] [16] The Second Circuit continues to rely, in part, on *Bartsch v. Metro–Goldwyn–Mayer, Inc.*,<sup>50</sup> for determining whether the use of a new technology is covered by an existing license.<sup>51</sup> The preferred approach, used in *Bartsch* and reaffirmed in *Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*, is “ ‘that the licensee may properly pursue any uses that may reasonably be said to fall within the medium as described in the license.’ ”<sup>52</sup> This “new-use” analysis relies on neutral principles of contract interpretation—if a license is more reasonably read to benefit one party, that party should be able to rely on it.<sup>53</sup> A party seeking a departure from the most reasonable reading of the contract bears the burden of supporting its interpretation of the contract.<sup>54</sup>

#### D. Contributory Infringement

[17] [18] [19] “ ‘[O]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a ‘contributory’ infringer.’ ”<sup>55</sup> Contributory infringement includes personal conduct that encourages or assists the infringement.<sup>56</sup> There can be no contributory infringement absent actual infringement.<sup>57</sup>

## IV. DISCUSSION

#### A. Subject–Matter Jurisdiction

[20] Defendants argue that the Complaint should be dismissed for lack of subject-matter jurisdiction in light of Reinhardt’s pending state court action.<sup>58</sup> Defendants contend that Reinhardt’s true grievance involves monies allegedly not paid to him under the Recording Agreement, not copyright infringement.<sup>59</sup> Additionally, Defendants claim that Reinhardt cannot bring two suits against identical defendants—one for improperly collecting royalties attributed to lawful \*354 use and the other for unlawful copyright infringement of the same works.

[21] Reinhardt has properly alleged a federal claim. Reinhardt has alleged that Defendants have infringed his copyright by exceeding the scope of their license. Accordingly, he seeks damages for copyright infringement under the Copyright Act. That Reinhardt has other grievances with Defendants related to the same Recording Agreement does not bar his right to seek remedies in federal court for alleged violations of the Copyright Act. Because Reinhardt has properly alleged a cause of action arising under the Copyright Act, Defendants’ motion to dismiss for lack of subject-matter jurisdiction is denied.

#### B. Copyright Infringement

[22] [23] Reinhardt alleges that Defendants have infringed his copyright through their “exploitation of the Compositions” in digital formats, without his permission.<sup>60</sup> In their motion to dismiss, Defendants rely on the plain language of the Recording Agreement to argue that their use of the Compositions, in a digital format, is licensed by Reinhardt. Because the Recording Agreement is heavily referenced by Reinhardt in the Complaint, it is incorporated by reference and I will consider it on this motion to dismiss.<sup>61</sup>

In pertinent part, section 5(a) of the Recording Agreement authorizes Ramones Productions “to manufacture, advertise, sell, distribute, lease, license or otherwise use or dispose of the Masters and phonograph records embodying the Masters, in any or all fields of use, by any method now or hereafter known.”<sup>62</sup>

The Recording Agreement also provides that “ ‘Records,’ ‘phonograph records,’ ‘recordings,’ and ‘derivatives’ means all *forms of reproduction* including pre-recorded tapes and discs and electronic video recordings, *now or hereafter known*, manufactured or sold primarily for home use, school use, juke box use or use on means of transportation...”<sup>63</sup> “Master” however, is specifically defined as “the equivalent of a 7 inch, 45 rpm, single-sided recording embodying the recorded performances by the Ramones.”<sup>64</sup>

This language is clear and unambiguous and conveys a definite meaning. The contractual language defining “phonograph records,” when read together with the provisions of section 5(a), clearly authorizes the digital uses employed by Defendants. The phrase “now or hereafter known,” when referring to forms of reproduction, reveals that future technologies are covered

by the agreement.<sup>65</sup> This language creates an expansive rather than a restrictive conveyance of rights. It is not reasonable to construe the phrase “all forms” \*355 “now or hereafter known” to exclude Defendants’ alleged digital download form, which now constitutes a form of reproduction. This unambiguous language forecloses other interpretations and the need to consider extrinsic evidence.<sup>66</sup>

Additionally, this result is consistent with the “new-use” analysis of *Boosey & Hawkes*. The Recording Agreement is more reasonably read to convey to Ramones Productions the right to sell and distribute the “phonograph records” through new technologies, including digital formats. The language authorizes use in “all forms,” “now or hereafter known.”<sup>67</sup> The most reasonable reading of this language supports Defendants’ use in digital form.

Reinhardt argues that the license refers only to “all forms” that are “manufactured or sold,” and digital downloads do not fall within its purview because they are transmitted and licensed to end users rather than manufactured or sold.<sup>68</sup> This argument is without merit. The distinction Reinhardt attempts to draw departs from the most reasonable reading of the contract and he therefore bears the burden of justifying this departure. Reinhardt has failed to meet this burden, particularly because he alleges that the digital recordings were sold, contradicting his own argument that digital recordings are licensed but not sold.<sup>69</sup> Accordingly, the claim for copyright infringement is dismissed as a matter of law.

### C. Contributory Infringement

Reinhardt also alleges that the Estate of John Cummings, Herzog & Strauss, Herzog, and Ramones Productions knowingly and willfully directed the policies, activities, and operations of Taco Tunes, which is one of the parties that allegedly infringed on Reinhardt’s copyright.<sup>70</sup> Because I hold that there is no copyright infringement, there cannot be any contributory infringement. Therefore, that claim is dismissed. Additionally, because there is no copyright infringement or contributory infringement, I need not address whether the claims are barred by the statute of limitations or the doctrines of laches, estoppel or implied consent.

### V. CONCLUSION

For the foregoing reasons, Defendants’ motion to dismiss is granted. The Clerk of the Court is directed to close this motion [No. 5 on the docket] and this case.

SO ORDERED.

### All Citations

547 F.Supp.2d 346, 2008 Copr.L.Dec. P 29,566, 86 U.S.P.Q.2d 1496

### Footnotes

<sup>1</sup> The following factual allegations, taken from the Complaint, are accepted as true for purposes of this motion.

<sup>2</sup> Formed in 1974, the Ramones’ first four albums were “punk cornerstones,” fundamental to the development of American and British punk music. John Pareles, *Dee Dee Ramone, Pioneer Punk Rocker, Dies at 50*, N.Y. Times, June 7, 2002. The music of the Ramones is “explicitly juvenile, at once sweetly dumb and knowing, and, above all, blisteringly loud.” Jonathan Lethem, *Wanting to Be Joey Ramone*, N.Y. Times, Apr. 20, 2001. Their music was not immediately popular, and the band did not achieve commercial success in its lifetime. They never had a “top 40” hit, and no Ramones album went platinum. With hindsight, critics and fans alike have recognized their contributions to the development of American rock and punk music. The Ramones were inducted into the Rock and Roll Hall of Fame in 2002.



<sup>3</sup> See Amended Complaint (“Compl.”) ¶ 1.

<sup>4</sup> See *id.* ¶ 13.

<sup>5</sup> See *id.* ¶ 14.

<sup>6</sup> See *id.* ¶ 15.

<sup>7</sup> See *id.* ¶ 16.

<sup>8</sup> *Id.* ¶ 9.

<sup>9</sup> *Id.* ¶ 16.

<sup>10</sup> *Id.* ¶ 19.

<sup>11</sup> See *id.* ¶ 16.

<sup>12</sup> *Id.* ¶ 8.

<sup>13</sup> *Id.* ¶ 17.

<sup>14</sup> See *id.* ¶¶ 5–7.

<sup>15</sup> *Id.* ¶ 21.

<sup>16</sup> See *id.* ¶ 11.

17 *See id.* ¶ 12.

18 *See id.* ¶ 10.

19 *See id.* ¶ 23.

20 *See* Plaintiff's Memorandum of Law in Opposition to Defendants' Motion to Dismiss ("Pl. Mem.") at 21 n.10.



21 *Id.* at 21.

22 *See* 28 U.S.C. § 1338(a).

23 *See*  *Jasper v. Bovina Music, Inc.*, 314 F.3d 42, 46 (2d Cir.2002).

24 *See id.*

25  *Id.*

26  *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 127 S.Ct. 1955, 1975, 167 L.Ed.2d 929 (2007) (quotation marks omitted).  
*Accord*  *In re NYSE Specialists Sec. Litig.*, 503 F.3d 89, 95 (2d Cir.2007).

27  *In re NYSE Specialists*, 503 F.3d at 95.




28 *Id.* (quotation marks omitted).

29  *ATSI Commc'ns v. Shaar Fund, Ltd.*, 493 F.3d 87, 98 (2d Cir.2007).




30 *Faulkner v. Beer*, 463 F.3d 130, 134 (2d Cir.2006).

31  *Erickson v. Pardus*, 551 U.S. 89, 127 S.Ct. 2197, 2200, 167 L.Ed.2d 1081 (2007) (quoting Fed.R.Civ.P. 8(a)(2)).

32 See  *Bell Atl.*, 127 S.Ct. at 1970.

33  *Id.* at 1964. Accord  *ATSI*, 493 F.3d at 98 n. 2 (applying the standard of plausibility outside  *Bell Atlantic's* anti-trust context).



34   *Iqbal v. Hasty*, 490 F.3d 143, 157–58 (2d Cir.2007) (emphasis in original).

35  *Bell Atl.*, 127 S.Ct. at 1969 (quoting  *Conley v. Gibson*, 355 U.S. 41, 45, 46, 78 S.Ct. 99, 2 L.Ed.2d 80 (1957)).  
Accord  *id.* (“The phrase is best forgotten as an incomplete, negative gloss on an accepted pleading standard.”).

36  *ATSI*, 493 F.3d at 98 (quoting  *Bell Atl.*, 127 S.Ct. at 1965).

37 17 U.S.C. § 102(a).


38 17 U.S.C. § 201.

39  *Davis v. Blige*, 505 F.3d 90, 98 (2d Cir.2007) (quoting  *Faulkner v. Nat’l Geographic Enters.*, 409 F.3d 26, 35 (2d Cir.2005)).

40 See  *id.* at 98–99 (citing  17 U.S.C. § 501(b)).

41 See  *id.* at 99.



42  *Phillips v. Audio Active Ltd.*, 494 F.3d 378, 390 (2d Cir.2007).

43  *Tasini v. New York Times Co.*, 206 F.3d 161, 170–71 (2d Cir.2000).

44 See  *id.* at 171.

45 See  *Bourne v. Walt Disney Co.*, 68 F.3d 621, 631 (2d Cir.1995).



46  *Id.* at 629 (quoting  *Seiden Assocs., Inc. v. ANC Holdings, Inc.*, 959 F.2d 425, 428 (2d Cir.1992)).

47  *Tasini*, 206 F.3d at 171 (quoting  *Bourne*, 68 F.3d at 631).

48  *Revson v. Cinque & Cinque*, 221 F.3d 59, 66 (2d Cir.2000).

49  *OBG Technical Servs. v. Northrop Grumman Space & Mission Sys. Corp.*, 503 F.Supp.2d 490, 514 (D.Conn.2007) (quoting *Kohl's Dep't Stores v. Rongrant Assocs.*, No. 04 Civ. 4907, 2005 WL 1263613, at \*1 (E.D.N.Y. May 27, 2005)).

50  391 F.2d 150 (2d Cir.1968).

51 See  *Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*, 145 F.3d 481, 487–88 (2d Cir.1998). “Disputes about whether licensees may exploit licensed works through new marketing channels made possible by technologies developed after the licensing contract—often called ‘new-use’ problems—have vexed courts since at least the advent of the motion picture.”  *Id.* at 486.

52  *Id.* at 486–87 (quoting MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 10.10(b)).

53 See  *id.* at 487.

54 See  *id.* at 488.

55  *Nat'l Geographic Enterp.*, 409 F.3d at 40 (quoting  *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir.1971)).


56  *Matthew Bender & Co. v. West Publ'g Co.*, 158 F.3d 693, 706 (2d Cir.1998).

57 See  *Nat'l Geographic Enterp.*, 409 F.3d at 40.

58 See Defendants' Memorandum of Law in Support of Defendants' Motion to Dismiss at 18.

59 See *id.*

60 Compl. ¶ 28.



61 See  *Chambers v. Time Warner, Inc.*, 282 F.3d 147, 153–53 n. 4 (2d Cir.2002) (holding that contracts between plaintiff and a recording company were properly considered by the district court because the amended complaint was “replete with references to the contracts and requests judicial interpretation of their terms”).

62 8/1/84 Recording Agreement (“Recording Agreement”), Ex. F. to Affidavit of Stewart L. Levy, defendants' counsel, at 61.

63 *Id.* at 58 (emphasis added).

64 *Id.* at 57.

65 When the parties intended to limit the definition of a certain term to a specific physical medium they did so, defining “Master” as a “7 inch, 45 rpm, single-sided recording,” and “LP” as “12 inch, 33–1/3 rpm, long playing doublesided phonograph record.” *Id.* “Phonograph records” has no such limiting language. Instead, it refers broadly to “all forms of reproductions.” *Id.* at 58.

66 See  *Boosey & Hawkes Music Publishers, Ltd.*, 145 F.3d at 486 (holding that a 1939 agreement conveying the right “to record [the composition] in any manner, medium or form” for use “in [a] motion picture” was sufficiently broad to include distribution in video format). Accord  *Batiste v. Island Records, Inc.*, 179 F.3d 217, 223 (5th Cir.1999) (holding that the right to use musical compositions “in any or all fields of use, by any method now or hereafter known, throughout the world” was sufficiently broad to include a digital sample).

<sup>67</sup> Recording Agreement at 58.

<sup>68</sup> See Pl. Mem. at 11–12.

<sup>69</sup> As Defendants note, Reinhardt alleges in the Complaint that Apple, Wal-Mart, and RealNetworks “continuously sold and offered to sell digital recordings” of the Compositions. Compl. ¶¶ 24–26. See Defendants’ Reply Memorandum of Law in Further Support of Defendants’ Motion to Dismiss at 4.

<sup>70</sup> See Compl. ¶¶ 32–33.



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Mr. Tisman commenced practice in 1977 with a multinational, Wall Street law firm. From 1980 to 1987, he was Senior Litigation Counsel of ITT Corporation, a Fortune 20 company, where he was responsible for employment litigation system-wide and commercial, antitrust, and product liability defense litigation. In 1985, ITT awarded him an outstanding professional achievement award. Mr. Tisman was a founding member and head of the litigation and employment and labor practices of Groman, Ross & Tisman, P.C., which joined the Firm in 2006.

As an in-house attorney with ITT, Mr. Tisman learned that effective teaming with outside counsel insured that litigation was handled with the company's business objectives and relationships in mind. He continues to use those lessons teaming with corporate clients, and their in-house legal staffs, to achieve positive litigation results consistent with business considerations and objectives

He has published articles in various journals including the *Journal of the American Corporate Counsel Association*, and the *National Law Journal*, the *Suffolk Lawyer*, and treatise sections on litigation and employment topics, including chapter updates for BNA's Employment Discrimination Law treatise. He has lectured extensively on employment and litigation law and alternative dispute resolution before both local and national audiences.

Mr. Tisman actively serves as an arbitrator and mediator in commercial and employment disputes. He has been a court-appointed arbitrator and an arbitrator for the American Arbitration Association and NAM. Mr. Tisman has been recognized for his volunteer



efforts on behalf of Live On New York, formerly the New York Organ Donor Network. He serves of the Board of Harboring Hearts, and is a former benefit chair, a charity devoted to providing support services to heart and liver transplant patients and their families. He also is a member of the Board of the Theodore Roosevelt American Inn of Court.

He has been AV-Rated by Martindale Hubbell for more than 35 years. Mr. Tisman was honored by the Nassau County Bar Association for distinguished career, professional achievement, expertise, and leadership in the field of Labor and Employment. He repeatedly has been selected to the *New York Metro Super Lawyers* (Business Litigation), and has been selected by *Long Island Business News* as one of Long Island's leading employment and labor lawyers in its "Who's Who in Law" edition, and as a Legal Eagle by *Long Island Pulse Magazine*, among other honors.

## **Selected Significant Music Law Statutes**

### Significant statutes dealing with music law include the following:

Title 17 of the United States Code contains the text of current federal copyright law. The following is a selected list of important copyright statutes:

Copyright Act of 1909, Pub. L. No. 60-349, 35 Stat. 1075 (1909)

Sound Recording Act of 1971, Pub. L. No. 92-140, 85 Stat. 391 (1971)

Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (1976)

Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996)

Digital Millennium Copyright Act (DMCA), Pub. L. No. 105 - 304, 112 Stat. 2860 (1998)

Enforcement of Intellectual Rights Act of 2008 (Pro-IP Act), Pub. L. No. 110-403, 122 Stat. 4256 (2008)

### Title 15 of the U.S. Code contains the text of three major antitrust statutes:

Sherman Antitrust Act, ch. 647, 26 Stat. 209 (1890)

Clayton Act, ch. 323, Pub. L. No. 63-212, 38 Stat. 730 (1914)

Federal Trade Commission Act, ch. 311, 38 Stat. 717 (1914)

### Other Statutes (Federal and State)

47 U.S.C. § 508 (Requiring disclosure of compensation for broadcasting)

Trademark Act of 1946 ("Lanham Act"), ch. 540, Pub. L. No.79-489, 60 Stat. 427 (1946)

California Labor Code 2855 (Duration of personal service contracts)

California Civil Code Section 3344 (Right of publicity)

California Penal Code Section 653w (Failure to disclose origin of recording or audiovisual work)

New York Civil Rights Law Sec. 50 &51 (Right of privacy and action for damages)

## Selected Major Music Law Regulations

Select federal regulations relevant to the music industry include:

37 C.F.R. secs. 200-299

Regulations promulgated by the Copyright Office, Library of Congress.

37 C.F.R. secs. 300-399

Regulations promulgated by the Copyright Royalty Board, Library of Congress.

47 C.F.R. secs. 70-79

Regulations promulgated by the Federal Communications Commission dealing with broadcast radio services.

## Skidmore v. Led Zeppelin

United States Court of Appeals for the Ninth Circuit

September 23, 2019, Argued and Submitted En Banc, San Francisco, California; March 9, 2020, Filed

No. 1-6-56057, No. 16-56287

### Reporter

952 F.3d 1051 \*; 2020 U.S. App.LEXIS 7585 .. ; Copy. L. Rep. (CCH) P31,606; 111Fed. R. Evid. Serv. (Callaghan) 1115: 106  
Fed. R. Serv. 3d (Callaghan) 373; 2020 WL 1128808

MICHAEL **SKIDMORE**, as Trustee for the Randy Craig Wolfe Trust, Plaintiff-Appellant, **y. LED ZEPPELIN**; JAMES PATRICK PAGE; ROBERT ANTHONY PLANT; JOHN PAUL JONES; SUPER HYPE PUBLISHING.INC.; WARNER MUSIC GROUP CORPORATION; WARNER/CHAPPELL MUSIC.INC.; ATLANTIC RECORDING CORPORATION; RHINO ENTERTAINMENT COMPANY, Defendants-Appellees.MICHAEL **SKIDMORE**, as Trustee for the Randy Craig Wolfe Trust, Plaintiff-Appellee, **y. WARNER/CHAPPELL MUSIC, INC.**, Defendant-Appellant, and **LED ZEPPELIN**; JAMES PATRICK PAGE; ROBERT ANTHONY PLANT; JOHN PAUL JONES;SUPER HYPE PUBLISHING. INC.; WARNER MUSIC GROUP CORPORATION, ATLANTIC RECORDING CORPORATION; RHINO ENTERTAINMENT COMPANY, Defendants.

**Subsequent History:** US Supreme Court certiorari denied by, Motion granted by *Skidmore v. Led Zeppelin*. 2020 U.S. LEXIS 4591 (U.S., Oct.5.2020)

**Prior History:** **[\*\*1]** Appeal from the United States District Court for the Central District of California. D.C. No. 2:15-cv-03462-RGK-AGR. R. Gary Klausner, District Judge, Presiding.

*Skidmore v. Led Zeppelin*. 2016 U.S. Dist. LEXIS 51006 (C.O. Cal., Apr. 8. 2016)

### Core Terms

musical, district court, substantially similar, deposit, copying, similarities, infringement, instructions, unprotectable, descending, chromatic, song, inverse ratio rule, musical composition, copyright protection, instruction of a jury, jury instructions, sound recording, omission, sequence, pitch, plain error, compositions, recordings, ascending, arpeggios, creative, played,

chord, cases

### Summary:

### SUMMARY.

### Copyright

The en bane court affirmed the district court's judgment after a jury trial in favor of *Led Zeppelin* in a copyright action alleging that the opening notes of *Stairway to Heaven* infringed *Taurus*, a song written by guitarist Randy Wolfe and performed by his band Spirit.

In Part I, the en bane court held that the 1909 Copyright Act, which does not protect sound recordings, rather than the 1976 Copyright Act, controlled its analysis because the copyright at issue was for the unpublished musical composition of *Taurus*, which was registered in 1967. The scope of the copyright in the unpublished work was defined by the deposit copy, which in the case of *Taurus* consisted of only one page of music. Accordingly, it was not error for the district court to decline plaintiffs request to play sound recordings of the *Taurus* performance that contained further embellishments or to admit the recordings on the issue of substantial similarity.

In Part II. the en bane court held that proof of copyright infringement required plaintiff **[\*\*2]** to show: (1) that he owned a valid copyright in *Taurus*; and (2) that *Led Zeppelin* copied protected aspects of the work. The en bane court explained that the second prong contains two separate components: "copying" and "unlawful appropriation." A plaintiff may prove copying circumstantially by showing access and striking similarity. The hallmark of "unlawful appropriation" is

· This summary constitutes no part of the opinion of the court. It has been prepared by court staff for the convenience of the reader.

that the works share substantial similarities. Both an extrinsic and an intrinsic test must be satisfied for the works to be deemed substantially similar.

In Part 111, the en banc court addressed the district court's exclusion of sound recordings of *Taurus* as relevant to prove access but too prejudicial because of the risk that the jury would confuse access with substantial similarity. The en banc court concluded that this evidentiary issue was moot because the jury found access.

In Part IV, the en banc court addressed three jury instruction issues: (1) the failure to give an inverse ratio rule instruction; (2) the sufficiency of the court's originality instructions; and (3) the failure to give a selection and arrangement instruction. In Part IV.A, joining the majority of circuits, the en banc court rejected the [\*\*3] inverse ratio rule, which requires a lower standard of proof of substantial similarity when a high degree of access is shown. The en banc court overruled circuit precedent to the contrary. In Part IV.B, the en banc court held that the district court properly instructed the jury on originality. In Part IV.C.1, the en banc court concluded that the failure to give a selection and arrangement instruction would be reviewed for plain error. In Part IV.C.2, the en banc court held that the district court did not commit plain error. In Part IV.C.3, the en banc court held that the district court did not commit any error because plaintiff did not present a selection and arrangement theory at trial. In Part IV.C.4, the en banc court held that, even though the district court did not instruct the jury on selection and arrangement, its instructions, as a whole, fairly and adequately covered plaintiffs argument for extrinsic similarity between *Taurus* and *Stairway to Heaven*.

In Part **y**, the en banc court held that the district court did not err in setting trial time limits, responding to a jury question, admitting expert testimony, or declining to award attorneys' fees.

Concurring, Judge Watford wrote **r\*4**] that he joined the court's opinion, with the exception of section IV.C, because he saw no reason to decide whether plaintiff adequately preserved his request for a selection-and-arrangement instruction when, even if such an instruction had been given, no reasonable jury could have found infringement.

Concurring in part and dissenting in part, Judge Ikuta, joined by Judge Bea, wrote that she dissented from Part IV(B) to (C) because, without plaintiffs requested

instruction on selection and arrangement, the jury was deprived of the opportunity to consider plaintiffs central theory of the case, and the instructions given to the jury were misleading.

**Counsel:** Francis Malofiy (argued) and Alfred Joseph Fluehr, Francis Alexander LLC, Media, Pennsylvania, for Plaintiff-Appellant.

Peter J. Anderson (argued), Law Offices of Peter J. Anderson, Los Angeles, California; Helene M. Freeman, Phillips Nizer LLP, New York, New York; for Defendants-Appellees.

Edwin **f**. McPherson and Tracy B. Rane, McPherson Rane LLP, Los Angeles, California, for Amici Curiae 123 Songwriters, Composers, Musicians, and Producers; Nashville Songwriters Association International (NSAI); and Songwriters of North America (SONA).

Eugene **r\*5**] Volokh, Mayer Brown LLP, Los Angeles, California; Danielle M. Aguirre and Erich C. Carey, National Music Publishers' Association, Washington, D.C.; for Amici Curiae Recording Industry Association of America and National Music Publishers Association.

Sean M. O'Connor, Center for the Protection of IP, Arlington, Virginia; Lateef Mtima and Steven D. Jamar, Institute for Intellectual Property and Social Justice, Inc.

Professor Mark A. Lemley, Stanford Law School, Center for Internet & Society, Stanford, California, for Amici Curiae 19 Intellectual Property Professors.

Kenneth D. Freundlich, Freundlich Law, Encino, California, for Amici Curiae Musicologists.

Joseph H. Hunt, Assistant Attorney General; Nicola T. Hanna, United States Attorney; Scott R. McIntosh and Daniel Tenny, Appellate Staff; Civil Division, United States Department of Justice, Washington, D.C.; Regan A. Smith, General Counsel and Associate Register of Copyrights; Jason E. Sloan, Assistant General Counsel; Jalyce E. Mangum, Attorney-Advisor; United States Copyright Office, Washington, D.C.; for Amicus Curiae United States.

W. Michael Hensley, AlvaradoSrsmith, Santa Ana, California, for Amicus Curiae The Pullman Group LLC and [\*\*6] Structured Asset Sales LLC.

**Judges:** Before: Sidney R. Thomas, Chief Judge, and M. Margaret McKeown, William A. Fletcher, Johnnie B. Rawlinson, Carlos T. Bea, Sandra S. Ikuta, Mary H. Murguia, Jacqueline H. Nguyen, Paul J. Watford, Andrew D. Hurwitz and Bridget S. Bade, Circuit Judges. Opinion by Judge McKeown: Concurrence by Judge

Watford; Partial Concurrence and Partial Dissent by Judge Ikuta.

**Opinion by:** M. Margaret McKeown

## Opinion

[\*1056] McKEOWN, Circuit Judge, with whom THOMAS, Chief Judge, FLETCHER, RAWLINSON, MURGUIA, NGUYEN, Circuit Judges, join in full, and with whom WATFORD, Circuit Judge, joins except as to Part IV.C, and with whom HURWITZ, Circuit Judge, joins except as to Parts IV.C.3 and IV.C.4, and with whom BADE, Circuit Judge, joins except as to Part IV.C.3:

*Stairway to Heaven* has been called the greatest rock song of all time. Yet, hyperbole aside, nearly 40 years after the English rock band Led Zeppelin released its hit recording, the song is not impervious to copyright challenges. The estate of guitarist Randy Wolfe claims that Led Zeppelin and its guitarist Jimmy Page and vocalist Robert Plant copied portions of *Taurus*, a song written by Wolfe and performed by his band Spirit.

This appeal stems from the [\*7] jury's verdict in favor of Led Zeppelin and a finding that the two songs are not substantially similar. Like the jury, we don't need to decide whether *Stairway to Heaven* has a place in the annals of iconic rock songs. Instead, we address a litany of copyright issues, including the interplay between the 1909 and 1976 Copyright Acts, the inverse ratio rule, the scope of music copyright, and the standards for infringement.

The 1909 Copyright Act, which does not protect sound recordings, controls our analysis. The copyright at issue is for the unpublished musical composition of *Taurus*, which was registered in 1967. The unpublished work is defined by the deposit copy, which in the case of *Taurus* consists of only one page of music. We also join the majority of circuits in rejecting the inverse ratio rule and overrule our precedent to the contrary. Finally, we are not persuaded by the challenges to jury instructions and various other evidentiary and trial rulings. We affirm the district court's entry of judgment in favor of Led Zeppelin and related parties.

### BACKGROUND

Randy Wolfe, professionally known as Randy California,

wrote the instrumental song *Taurus* in 1966 or 1967. He was a guitarist [\*\*8] in the band Spirit. Spirit signed a recording contract in August 1967 and released its first eponymous album—which included *Taurus*—a few months later. Wolfe also entered into an Exclusive Songwriter's and Composer's Agreement with Hollenbeck Music Co. ("Hollenbeck"). In [\*1057] December 1967, Hollenbeck registered the copyright in the unpublished musical composition of *Taurus*, listing Wolfe as the author. As required for registration of an unpublished work under the 1909 Copyright Act, which was in effect at the time, Hollenbeck transcribed *Taurus* and deposited one page of sheet music (the "*Taurus* deposit copy"), with the United States Copyright Office.

Around the same time, across the Atlantic, another rock band, Led Zeppelin, was formed by Jimmy Page, Robert Plant, John Paul Jones, and John Bonham. Led Zeppelin released its fourth album in late 1971. The untitled album, which became known as "Led Zeppelin IV," contained the now iconic song *Stairway to Heaven*. *Stairway to Heaven* was written by Jimmy Page and Robert Plant.

It is undisputed that Spirit and Led Zeppelin crossed paths in the late 1960s and the early 1970s. The bands performed at the same venue at least three times between 1968 [\*\*9] and 1970. Led Zeppelin also performed a cover of a Spirit song, *Fresh Garbage*. But there is no direct evidence that the two bands toured together, or that Led Zeppelin band members heard Spirit perform *Taurus*.

Wolfe passed away in 1997. After his death, Wolfe's mother established the Randy Craig Wolfe Trust (the "Trust"), and served as the trustee until she passed away. Neither Wolfe nor his mother filed a suit regarding *Stairway to Heaven*. Michael Skidmore became a co-trustee of the Trust in 2006.

Fast forward forty-three years from the release of *Stairway to Heaven* to May 2014. Skidmore filed a suit alleging that *Stairway to Heaven* infringed the copyright in *Taurus*, naming as defendants Led Zeppelin, James Patrick Page, Robert Anthony Plant, John Paul Jones Super Hype Publishing, and the Warner Music Group Corporation as parent of Warner/Chappell Music, Inc. ("Warner/Chappell"), Atlantic Recording Corporation and Rhino Entertainment Co. (collectively "Led

<sup>1</sup> Led Zeppelin does not challenge on appeal that all of Wolfe's intellectual property rights, including the ownership interest in *Taurus*, were transferred to the Trust.

**Zeppelin**".<sup>2</sup> One may wonder how a suit so long in the making could survive a laches defense. The Supreme Court answered this question in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, which clarified that laches is not a defense where **r"10]** copyright infringement is ongoing. 572 U.S. 663. 668. 134 S. Ct. 1962. 188 L. Ed. 2d 979 (2014).

**Skidmore** alleged direct, contributory, and vicarious copyright infringement. He also sought equitable relief for a claim that he titled "Right of Attribution-Equitable Relief-Falsification of Rock n' Roll History." **Skidmore's** claims are not based on the entire *Taurus* composition. Rather, **Skidmore** claims that the opening notes of *Stairway to Heaven* are substantially similar to the eight-measure passage at the beginning of the *Taurus* deposit copy:

[\*1058]



The claimed portion includes five descending notes of a chromatic musical scale. These notes are represented on the piano as a set of adjacent black and white keys, from right to left. The beginning of *Stairway to Heaven* also incorporates a descending chromatic minor chord progression in A minor. However, the composition of *Stairway to Heaven* has a different ascending line that is played concurrently with the descending chromatic line, and a distinct sequence of pitches in the arpeggios, which are not present in *Taurus*.

**Led Zeppelin** disputed ownership, access, and substantial similarity. **Led Zeppelin** also alleged affirmative defenses, including independent creation, unclean hands, and laches.

At the close of **[\*\*11]** discovery, **Led Zeppelin** moved for summary judgment. The district court granted the motion in part and denied it in part. The district court dismissed the claims against defendants John Paul Jones, Super Hype Publishing, and Warner Music Group because they had not performed or distributed

*Stairway to Heaven* within the three-year statute of limitations period preceding the filing of the complaint. The district court also granted summary judgment to **Led Zeppelin** on **Skidmore's** "Right of Attribution-Equitable Relief: Falsification of Rock n' Roll History" claim. Although the claim was "creatively termed" and "inventive" according to the district court, a right of attribution claim under the Copyright Act extends only to visual arts.

The district court also ruled that under the 1909 Act, the scope of the copyright was circumscribed by the musical composition transcribed in the *Taurus* deposit copy. Thus, only the one-page *Taurus* deposit copy, and not a sound recording, could be used to prove substantial similarity between *Taurus* and *Stairway to Heaven*.

The district court granted **Led Zeppelin's** motion in limine to exclude *Taurus* sound recordings and expert testimony based on those recordings. **r"12]** The district court again concluded that the *Taurus* deposit copy, rather than any recordings of Spirit's performance of *Taurus*, formed the sole benchmark for determining substantial similarity. The district court found that there were triable issues of fact relating to ownership, access, substantial similarity, and damages.

Against the backdrop of these rulings, the trial lasted five days. Two key issues predominated: access to *Taurus* by **Led Zeppelin** band members and substantial similarity.

On the access question, the district court allowed **Skidmore** to play various sound **r1059]** recordings of *Taurus* for Page outside of the presence of the jury. **Skidmore** then examined Page on access in front of the jury. Page testified that he owned "a copy of the album that contains 'Taurus,' ... in [his] collection," while denying "any knowledge of 'Taurus.'"

The substantial similarity question pitted two expert musicologists against each other. **Skidmore's** expert, Dr. Alexander Stewart, analyzed, one by one, five categories of similarities. Dr. Stewart acknowledged that a chromatic scale and arpeggios are common musical elements. But he found *Taurus* and *Stairway to Heaven* to be similar because the descending **r"13]** chromatic scales in the two compositions skip the note E and return to the tonic pitch, A, and the notes in the scale have the same durations. Then he pointed to three two-note sequences-AB, BC, and CF#-that appear in both compositions. In his view, the presence of successive eighth-note rhythms in both compositions also made them similar. Finally, he testified that the two

<sup>2</sup>The case was filed in the Eastern District of Pennsylvania and later transferred to the proper venue, the Central District of California. Skidmore v. Led Zeppelin, 106 F. Supp. 3d 581, 589-90 (FD Pa. 2015).



## ANALYSIS

## I. THE 1909 COPYRIGHT ACT

The world of copyright protection for music changed dramatically during the twentieth century and those changes dictate our analysis here. The baseline issue we address is the scope of Wolfe's copyright in the unpublished composition *Taurus*, which was registered in 1967, between the passage of the Copyright Act of 1909 ("1909 Act") and the sweeping copyright reform adopted in the Copyright Act of **r1061** 1976 ("1976 Act"). We conclude that the 1909 Act controls and that the deposit copy defines the scope of the *Taurus* copyright.

## A. THE HISTORY OF COPYRIGHT PROTECTION FOR MUSICAL COMPOSITIONS AND SOUND RECORDINGS

Although it seems unthinkable today, musical compositions were not explicitly subject to copyright in the United States until 1831, when Congress added "musical composition" to the list of statutorily protected works. *Copyright Act of 1831, ch. 16, § 1, 4 Stat. 436, 436* (repealed 1909). **[\*\*17]** Thus, the "musical composition," which was understood to be a printed form of the music, joined the statutory protection afforded to dramatic compositions, maps, charts, engraving, photographs and other works.

Between 1831 and the early 1900s, a number of machines were invented that allowed mechanical reproduction of a musical composition. *Goldstein v. California*, 412 U.S. 546, 564, 93 S. Ct. 2303, 37 L. Ed. 2d 163 (1973). With the advent of player pianos at the turn of the century, the question arose whether copyright protection extended to the infringement of musical compositions by perforated piano rolls.<sup>6</sup> The Supreme Court held that the copyright statute barred the unauthorized copying of a musical composition "in intelligible notation," but that it would be "strained and artificial" to consider musical sounds coming from an instrument to be a copy. *White-Smith Music Publ'g Co. v. Apollo Co.*, 209 U.S. 1, 17-18, 28 S. Ct. 319, 52 L.

*Ed. 655, 1908 Dec. Comm'r Pat. 562 (1908)*. Justice Holmes commented in his concurrence that "[o]n principle anything that mechanically reproduces that collocation of sounds ought to be held a copy, or, if the statute is too narrow, ought to be made so by a further act." *Id. at 20*.

Congress stepped in to remedy the situation, perhaps heeding Justice Holmes's call. The Copyright Act of 1909-landmark legislation that significantly revised copyright law-categorized **(\*\*18)** mechanically-reproduced musical compositions, such as those played on player pianos and phonograph players, as "copies" of the original composition. *1909 Act ch. 320, § 1(e), 35 Stat. 1075, 1075 (1909)* (repealed 1976).

The statute provided copyright protection against "any arrangement or setting of [the musical composition] or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it may be read or reproduced." *Id. Skidmore* seizes on this language to argue that the new legislation extended copyright protection beyond sheet music. The text does not support this reading. Although the 1909 Act extended copyright protection against infringement beyond the mere reproduction of the sheet music, Congress did not provide that copyrighted works could be anything other than sheet music or, for an unpublished work, the musical composition transcribed in the deposit copy. 1909 Act §§ 5, 11.

The Court reinforced this principle in *Goldstein v. California* when it noted that the amendments insured that *composers* of *original* musical works received adequate protection, and that "records and piano rolls were to be considered as 'copies' of the original composition **[\*\*19]** ..., and could not be manufactured" without a specified royalty payment. *412 U.S. at 565-66*. The Court emphasized that "composers were to have no control over **[\*\*1062]** the recordings themselves," which Congress considered "a component part of a machine, capable of reproducing an original composition," or "renderings of original artistic performance." *Id. at 566*.

Requiring more formalities than the current copyright act, the procedures for obtaining copyright protection under the 1909 Act were very specific. Registration for an unpublished musical work could be obtained "by the deposit, with claim of copyright, of one complete copy of such work" with the Copyright Office. 1909 Act § 11. In contrast, protection for a published work could be secured by affixing a copyright notice "to each copy

<sup>6</sup> A piano roll is "a roll, usually of paper, on which music is preserved in the form of perforations; it is recorded and played back mechanically on a player piano or pianola." *Piano(la) roll*, *The New Grove Dictionary of Jazz* (Barry Kernfeld ed., 1994).

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thereof published or offered for sale in the United States by authority of the copyright proprietor." *Id.* § 9. Either way, distributing sound recordings did not constitute publication under the 1909 Act, so musical compositions were only published if the sheet music also was published. See *ABKCO Music, Inc. v. LaVere*, 217 F.3d 684, 688 (9th Cir. 2000). Significantly, the Copyright Office did not even accept sound recordings as deposit copies. Indeed, "in order to claim copyright in a musical work under [\*\*20] the 1909 Act, the work had to be reduced to sheet music or other manuscript form." 1 M. Nimmer & D. Nimmer, *Nimmer on Copyright* ("*Nimmer*") § 2.05[A] (2017).

Sound recordings did not become subject to copyright protection until 1972, and then only for the sound recordings fixed on or after February 15, 1972. *Id.* *U.S.C. § 301(c)*. The amendment did nothing to change the requirements of the 1909 Act or the status of the *Taurus* copyright.

The copyright requirements were changed dramatically by the 1976 Copyright Act, which provided that public distribution of a sound recording qualified as publication of a musical composition. *Id.* § *J.Q.1*. In other words, composers could submit a recording rather than sheet music as the deposit copy for a musical composition. The catch, for this case, is that publication before the 1978 effective date is not covered by the new statute.

## B. THE TAURUS DEPOSIT COPY

The 1967 deposit copy of *Taurus* is a single page of sheet music. *Skidmore* suggests that the copyright extends beyond the sheet music; that is, the deposit copy is somehow archival in nature and more of a reference point than a definitive filing. This approach ignores the text of the statute and the purpose of the deposit.

We have outlined [\*\*21] copyright protection under the 1909 Act as follows: "[A]n unpublished work was protected by state common law copyright from the moment of its creation until it was either published or until it received protection under the federal copyright scheme." *ABKCO*, 217 F.3d at 688 (quoting *La Cienega Music Co. v. ZZ Top*, 53 F.3d 950, 952 (9th Cir. 1995)). The referenced federal copyright protection for unpublished works is found in the text of the statute: "copyright may also be had of the works of an author of which copies are not reproduced for sale, by the deposit, with claim of copyright, of one complete copy of

such work if it be a ...musical composition....." 1909 Act § 11.

The text is clear-for unpublished works, the author must deposit one *complete copy* of such work. The purpose of the deposit is to make a record of the claimed copyright, provide notice to third parties, and prevent confusion about the scope of the copyright. See *Data Gen. Corp. v. Grumman Sys. Support Corp.*, 36 F.3d 1147, 1161-62 (1st Cir. 1994) (the deposit requirement provides the "Copyright Office with sufficient material to identify the work in which the registrant claims a copyright . . . [and] prevent[s] confusion about which work the author is [\*\*1063] attempting to register"), *abrogated on other grounds by* *Reed Elsevier, Inc. v. Muchnick*, 559 U.S. 154, 130 S. Ct. 1237, 176 L. Ed. 2d 18 (2010); *Report of the Register of Copyrights on the General Revision of the U.S. Copyright [\*\*22] Law 71* (1961) (one of the purposes of the deposit is "to identify the work" being registered).

Even before the 1909 Act, the Supreme Court stated that one objective of the deposit was to permit inspection by other authors "to ascertain precisely what was the subject of copyright." *Merrell v. Tice*, 104 U.S. 557, 561, 26 L. Ed. 854 (1881). At the time that *Taurus* was registered, the Copyright Office's practice regarding applications to register unpublished musical compositions was to consider "writ[ing] to the applicant, pointing out that protection extends only to the material actually deposited, and suggesting that in his own interest he develop his manuscript to supply the missing element." *Compendium of Copyright Office Practices* ("*Copyright Office Compendium*") § 2.6.1.11.a (1st ed. 1967) (emphasis added). The inescapable conclusion is that the scope of the copyright is limited by the deposit copy.

The practical treatment of deposit copies underscores their importance. The 1909 Act prohibits destruction of copies of unpublished works without notice to the copyright owner. 1909 Act §§ 59-60. Buttressing this protection, the Register of Copyright's policy is to retain access to the deposit copies of unpublished works for the full copyright term. See *Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law* at 80-81.

The cases [\*\*23] *Skidmore* cites to suggest that the content of the deposit copy may be supplemented are not instructive. See, e.g., *Washingtonian Publ'g Co. v. Pearson*, 306 U.S. 30, 41-42, 59 S. Ct. 397, 83 L. Ed.

470 (1939) (addressing the failure to promptly submit a deposit copy for a *published* work); *Three Boys Music Corp. v. Bolton*, 212 F.3d 477, 486-87 (9th Cir. 2000) (addressing whether an incomplete deposit copy contained the "essential elements" of the musical composition such that subject matter jurisdiction was proper). Nor do the cases analyzing the 1976 Act illuminate the copyright scope question under the 1909 Act. See *Bridgeport Music, Inc. v. UMG Recordings, Inc.*, 585 F.3d 267, 276 (6th Cir. 2009); *Nat'l Conference of Bar Exam'rs v. Multistate Legal Studies, Inc.*, 692 F.2d 478, 482-83 (7th Cir. 1982).

Although *Skidmore* offers a host of reasons why adherence to the statute complicates proof in copyright cases, these arguments cannot overcome the statutory requirements. For example, *Skidmore* claims that it is impractical to compare a sound recording of the infringing work to a deposit copy of the infringed work, even though that is precisely what happened here, and experts for both sides were confident in their analysis. Indeed, during the trial, *Skidmore's* master guitarist, Kevin Hanson, performed the *Taurus* deposit copy as he interpreted it.

*Skidmore* also complains that restricting protection to the deposit copy disadvantages musicians who do not read music because it can be time consuming and expensive to make an accurate **[\*\*24]** deposit copy. Apparently, that was not a problem here, as Wolfe's work was transcribed for the sheet music deposit. Digital transcription and other technological advances undercut this argument, not to mention that for decades now, sound recordings have been accepted as the deposit copy. Finally, *Skidmore* offers conjecture about what might happen if a deposit copy were lost or destroyed. We need not play this "what if" guessing game because the statute is clear and unambiguous.

The district court correctly concluded that under the 1909 Act, which controls the **[\*1064]** copyright registration in this case, the *Taurus* deposit copy circumscribes the scope of the copyright. Because the deposit copy defines the four corners of the *Taurus* copyright, it was not error for the district court to decline *Skidmore's* request to play the sound recordings of the *Taurus* performance that contain further embellishments or to admit the recordings on the issue of substantial similarity.

## II. ELEMENTS OF COPYRIGHT INFRINGEMENT

Proof of copyright infringement requires *Skidmore* to

show: (1) that he owns a valid copyright in *Taurus*; and (2) that *Led Zeppelin* copied protected aspects of the work. *Rentmeester v. Nike, Inc.*, 883 F.3d 1111, 1116-17 (9th Cir. 2018) (citing *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361, 111 S. Ct. 1282, 113 L. Ed. 2d 358 (1991)). *Skidmore's* ownership **[\*\*25]** of a valid copyright in *Taurus* was not challenged on appeal.

The second prong of the infringement analysis contains two separate components: "copying" and "unlawful appropriation." *Rentmeester*, 883 F.3d at 1117. Although these requirements are too often referred to in shorthand lingo as the need to prove "substantial similarity," they are distinct concepts.

Because independent creation is a complete defense to copyright infringement, a plaintiff must prove that a defendant copied the work. *Feist*, 499 U.S. at 345-46. In the absence of direct evidence of copying, which is the case here, the plaintiff "can attempt to prove it circumstantially by showing that the defendant had access to the plaintiff's work and that the two works share similarities probative of copying." *Rentmeester*, 883 F.3d at 1117. This type of probative or striking similarity shows that the similarities between the two works are due to "copying rather than ... coincidence, independent creation, or prior common source." *Bernal v. Paradigm Talent & Literary Agency*, 788 F. Supp. 2d 1043, 1052 (C.D. Cal. 2010) (omission in original) (quoting 4 *Nimmer* § 13.02(8)). A finding of such similarity may be based on the overlap of unprotectable as well as protectable elements. *Rentmeester*, 883 F.3d at 1117

On the other hand, the hallmark of "unlawful appropriation" is that the works share *substantial* similarities. *Newton v. Diamond*, 388 F.3d 1189, 1193 (9th Cir. 2004). In our circuit, we use a **[\*\*26]** two-part test to determine whether the defendant's work is substantially similar to the plaintiff's copyrighted work. *Cavalier v. Random House, Inc.*, 297 F.3d 815, 822 (9th Cir. 2002). The first part, the extrinsic test, compares the objective similarities of specific expressive elements in the two works. *Id.* Crucially, because only substantial similarity in protectable expression may constitute actionable copying that results in infringement liability, "it is essential to distinguish between the protected and unprotected material in a plaintiff's work." *Swirsky v. Carey*, 376 F.3d 841, 845 (9th Cir. 2004). The second part, the intrinsic test, "test[s] for similarity of expression from the standpoint of the ordinary reasonable observer, with no expert assistance." *Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628, 637 (9th Cir. 2008) (quoting *Apple*

Comput. Inc. v. Microsoft Corp., 35 F.3d 1435, 1442 (9th Cir. 1994)). Both tests must be satisfied for the works to be deemed substantially similar. See Funky Films, Inc. v. Time Warner Entm't Co., 462 F.3d 1072, 1077 (9th Cir. 2006).

### III. EVIDENTIARY CHALLENGE-THE COPYING PRONG OF INFRINGEMENT

At trial, one of Skidmore's key arguments was that Led Zeppelin members heard either performances or recordings of *Taurus* before creating *Stairway to Heaven*, [\*1065] and thus had access for purposes of copying the music. To prove that point, Skidmore wanted to play several recordings of *Taurus* during the testimony of Jimmy Page, claiming that *observing* Page listening to the recordings would [\*\*27] have enabled the jury to evaluate his demeanor with respect to access. Skidmore's counsel explained that the recordings could be offered to prove access, even if the court excluded them for proving substantial similarity. The district court determined that although the sound recordings were relevant to prove access, Skidmore's approach would be "too prejudicial for the jury" because it risked confusing access with substantial similarity. Hence the court excluded the recordings under Federal Rule of Evidence 403. The court instead permitted Skidmore's counsel to play the recordings for Page outside the presence of the jury and then question him about the recordings in front of the jury.

Skidmore's position is a curious one and defies common sense. There would have been very little, if any, probative value in watching Page's reaction to listening to *Taurus* at the trial in 2016 to prove access to the song half a century ago. To prevent the jury from making an erroneous comparison for determining substantial similarity, the court properly excluded the sound recording, which contains performance elements that are not protected by the *Taurus* deposit copy. Indeed, the court's exclusion ruling displayed a clear understanding [\*\*28] of the distinct components of copying and unlawful appropriation, letting the evidence in "as far as access," but "not ... to compare the performance" to *Stairway to Heaven*.

In any event, the evidentiary question is moot. It turns out Skidmore's examination of Page on access proved fruitful. When Page testified, he candidly admitted to owning "a copy of the album that contains 'Taurus' in [his] collection," though still denying "any knowied of 'Taurus.'" The jury found that both Page and Plant

"had access to the musical composition *Taurus* before *Stairway to Heaven* was created." Once the jury made that finding, the remaining questions on the jury verdict form related to substantial similarity of the works.

In answer to the question of whether "original elements of the musical composition *Taurus* are extrinsically similar to *Stairway to Heaven*," the jury said no. Because the extrinsic test was not satisfied, the jury did not reach the intrinsic test. Although these findings ended the jury's copyright analysis, Skidmore also challenges various trial rulings.

### IV. THE JURY INSTRUCTION CHALLENGES

Three jury instructions are at issue in this appeal: (1) the failure to give an inverse [\*\*29] ratio rule instruction; (2) the sufficiency of the court's originality instructions; and (3) the failure to give a selection and arrangement instruction. We review for abuse of discretion the district court's formulation of the instructions and review de novo whether the instructions accurately state the law. Louis Vuitton Ma/letier. S.A. v. Akanoc Sols. Inc., 658 F.3d 936, 941 (9th Cir. 2011). We consider the issued instructions as a whole, but reversal is not warranted if "the er or is more probably than not harmless." Swinton y. Potomac Corp., 270 f.3d 794, 802, 805 (9th Cir. 2001) (quoting Caballero v. City of Concord, 956 F.2d 204, 206 (9th Cir. 1992)). "[W]hen a litigant in a civil trial fails to object to a jury instruction, we may review the challenged jury instruction for plain error." Chess v. Dovey, 790 F.3d 961, 970 (9th Cir. 2015).

#### A. THE INVERSE RATIO RULE

Copyright infringement cases often boil down to the crucial question of substantial similarity. We have stated that "substantial [\*\*1066] similarity is inextricably linked to the issue of access," and have adhered to "what is known as the 'inverse ratio rule,'" which requires "a lower standard of proof of substantial similarity when a high degree of access is shown." Three Boys Music, 212 F.3d at 485 (quoting Smith v. Jackson, 84 F.3d 1213, 1218 (9th Ctr. 1996)). That is, "the stronger the evidence of access, the less compelling the similarities between the two works need be in order to give rise to an inference of copying." Rentmeester, 883 F.3d at 1124.

Skidmore proposed an inverse ratio rule instruction, [\*\*30] but the court chose not to give the

instruction. The court reaffirmed this decision when Skidmore raised the question again after the close of testimony: "We're not going to give that instruction." Because the inverse ratio rule, which is not part of the copyright statute, defies logic, and creates uncertainty for the courts and the parties, we take this opportunity to abrogate the rule in the Ninth Circuit and overrule our prior cases to the contrary. See e.g., Three Boys Music. 212 F.3d at 485-86; Shaw v. Lindheim. 919 F.2d 1353, 1361-62 (9th Cir. 1990).

The circuits are split over the inverse ratio rule, but the majority of those that have considered the rule declined to adopt it. The Second, Fifth, Seventh, and Eleventh Circuits have rejected the rule. Peters v. West. 692 F.3d 629, 634-35 (7th Cir. 2012) (noting that the circuit has never endorsed the idea that "a 'high degree of access' justifies a 'lower standard of proof for similarity'"); Positive Black Talk, Inc. v. Cash Money Records, Inc. 394 F.3d 357, 371 (5th Cir. 2004) (acknowledging the rule but explicitly not adopting it), abrogated on other grounds by Reed Elsevier. 559 U.S. 154, 130 S. Ct. 1237, 176 L. Ed. 2d 18; Beal v. Paramount Pictures Corp.. 20 F.3d 454, 460 (11th Cir. 1994); Arc Music Corp. v. Lee. 296 F.2d 186, 187-88 (2d Cir. 1961). Only our circuit and the Sixth Circuit have endorsed it.<sup>7</sup> See Stromback v. New Line Cinema. 384 F.3d 283, 293 (6th Cir. 2004); see also Peters. 692 F.3d at 634 (similarly describing the split).

But even within our circuit, our embrace and application of the rule have had a "checkered application." 4 Nimmer § 13.03(01). The very nature of the rule spawned uncertainty in its application. We first [\*\*\*\*31] articulated the rule in 1977, holding that the high "degree of access" present in that case "justifie[d] a lower standard of proof to show substantial similarity," though "[n]o amount of proof of access will suffice to show copying if there are no similarities." Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp.. 562 F.2d 1157, 1172 (9th Cir. 1977), superseded on other grounds by 17 U.S.C. § 504(b). In its next breath, the court in Krofft admitted that "it is impossible to quantify this standard," so it is unsurprising that the court was unclear-failing to explain whether the rule applied to the actual copying or unlawful appropriation prong of the infringement analysis. *Id.*; see David Aronoff, *Exploding the "Inverse*

*Ratio Rule.*" 55 J. Copyright Soc'y U.S.A. 125, 136 (2008) ("[T]he court [in Krofft] was confused as to whether the [inverse ratio rule] applied to the element of actual copying or unlawful appropriation ").

A decade later, we reversed course and distanced ourselves from Krofft, relying on the Second Circuit's rejection of the inverse ratio rule in Arc Music. See Aliotti v. R. Dakin & Co.. 831 F.2d 898, 902 (9th Cir. 1987). According to Aliotti, because the rule "ha[d] been employed by no Ninth Circuit case since Krofft and had been earlier criticized for 'confus[ing] and even [\*1067] conceal[ing]' the requirement of substantial similarity," [\*\*32] the court declined to "address the continuing viability of' the rule. *Id.* (alteration in original) (quoting Arc Music. 296 F.2d at 187-88). But Aliotti was a momentary detour. We later returned to the inverse ratio rule and, in a series of cases throughout the 1990s and early 2000s, applied it in confusing ways.

Revitalizing Krofft, we several times affirmed that the rule guided our analysis of similarity. See, e.g., Three Boys Music. 212 F.3d at 485-86; Smith. 84 F.3d at 1218 & n.5; Shaw. 919 F.2d at 1361-62. Even so, we did not explain *how* to apply the rule. See Aronoff, *supra*, at 137 (applying the rule in the context of the unlawful appropriation analysis, "the court did not articulate how [access] is to be considered, or the weight it is to be given").

The lack of clear guidance is likely due in no small part to our use of the term "substantial similarity," both in the context of copying and unlawful appropriation, muddying the waters as to what part of the infringement analysis the rule applies. See 3 William f. Patry, Patry on Copyright ("Patry") § 9.91 (2017) ("The inverse ratio theory confuses fundamental principles of infringement analysis: access is relevant only in establishing the act of copying, not in establishing the degree thereof. Once copying is established, access is irrelevant and the inquiry shifts to [\*\*33] the final stage of the infringement analysis, material appropriation."). In Rentmeester, we pointed out the term's dual use and ultimately stated that the inverse ratio rule "assists only in proving copying, not in proving unlawful appropriation." 883 F.3d at 1124.

Capping off this period of expansion, we even pushed past the rule's outer limits set forth in Krofft, *i.e.*, that "[n]o amount of proof of access will suffice to show copying if there are no similarities." 562 F.2d at 1172. In Metcalfe y. Bochco, though we did not explicitly name the rule, we held that because access was not disputed, we

<sup>7</sup>The Federal Circuit has applied the rule, but only because it "applies copyright law as interpreted by the regional circuits, in this case ... the Ninth Circuit." Amini Innovation Corp. v. Anthony Cal. Inc. 439 F.3d 1365, 1368-69 (Fed. Cir. 2006).

"could easily infer that the many (generic) similarities between [the works] were the result of copying, not mere coincidence." 294 F.3d 1069, 1074-75 (9th Cir. 2002).

Confusion followed in *Metca*'s wake. In one case, we tried to cabin *Metca* to cases where there was a clear "concession of access." Rice v. Fox Broad. Co., 330 F.3d 1170, 1178-79 (9th Cir. 2003). In other cases, where access was assumed (though not conceded), we "side-stepped" *Metca* and held that the similarities between works were insufficient to support a conclusion of copying. Aronoff, *supra* at 139; see e.g., Funky Films, 462 F.3d at 1081 n.4; Benav v. Warner Bros. Entm't, Inc., 607 F.3d 620, 625 (9th Cir. 2010). The result?—confusion about when to apply the rule and the amount of access and similarity needed to invoke it.

Our jurisprudence in recent years brought additional r<sup>34</sup> uncertainty. In 2000, we circumscribed the rule by explaining that it is not a two-way street: while the rule "requires a lesser showing of substantial similarity if there is a strong showing of access," it does not mean that "a weak showing of access requires a stronger showing of substantial similarity." Three Boys Music, 212 F.3d at 486. In 2018, it seems, the rule goes both ways: it also provides that the "more compelling the similarities supporting an inference of copying, the less compelling the evidence of access need be." Rentmeester, 883 F.3d at 1124.<sup>8</sup> In the face of tangled precedent, the *Rentmeester* panel tried to carefully thread the needle, but ended up adding another indecipherable stitch.

[\*1068] Just two years ago, we again sowed doubt whether the rule ought to apply at all. In *Williams v. Gaye*, which dealt with the song *Blurred Lines*, the majority initially defended use of the rule against the dissent's criticism because the rule is "binding precedent" that "we are bound to apply." 885 F.3d 1150, 1163 n. 6 (9th Cir. 2018). But in an amended opinion, the court deleted all references to the rule. Williams v. Gaye, 895 F.3d 1106 (9th Cir. 2018). One commentator posited the rule was excised because it "is so controversial." Edwin f. McPherson, Crushing Creativity: The Blurred Lines Case and Its Aftermath, 92 S. Cal. L. Rev. Postscript 67, 75 n.22 (2018).

As we struggled with the inverse ratio rule over the years, [\*\*\*35] the Second Circuit rejected it as early as 1961, describing the idea as a "superficially attractive apophthegm which upon examination confuses more than it clarifies." Arc Music, 296 F.2d at 187. The court reasoned that "access will not supply [similarity's] lack, and an undue stress upon that one feature can only confuse and even conceal this basic requirement." Id. at 187-88. Importantly, the Second Circuit noted that there is "no such principle" in "the federal law of copyright." Id. at 187.

The Second Circuit also identified the problematic implications of this principle where access is very high and similarity very low: "[t]he logical outcome of the claimed principle is obviously that proof of actual access will render a showing of similarities entirely unnecessary." *Id.* However, "it does not follow that 'more' access increases the likelihood of copying." Aronoff, *supra*, at 126. Yet that is what the rule compels. Complete access without any similarity should never result in infringement liability because there is no infringement. Even so, the rule suggests that liability may be imposed in such a case. "There is," however, "simply no logic in presupposing that the mid-points of [the rule] give rise to a 'ratio' of access to similarity constituting [\*\*\*36] proof of infringement." *Id.* at 141. Indeed, even "[w]hen the inverse ratio rule is applied, we still don't know how much similarity is required." *Patry* § 9.91.

The flaws in the rule can be seen in the inconsistent ways in which we have applied the rule within our circuit, the logic of the circuits that have rejected the rule, and analysis by academics and commentators. See *id.* ("There is nothing positive that can be said about a rule that lacks any clarity at all: trying to get a jury to both understand the rule and apply it properly is totally impossible.").

As a practical matter, the concept of "access" is increasingly diluted in our digitally interconnected world. Access is often proved by the wide dissemination of the copyrighted work. See Loomis v. Cornish, 836 F.3d 991, 995 (9th Cir. 2016). Given the ubiquity of ways to access media online, from YouTube to subscription services like Netflix and Spotify, access may be established by a trivial showing that the work is available on demand. See Brooks Barnes, 'The Streaming Era Has Finally Arrived. Everything Is About to Change.', *N.Y. Times*, Nov. 18, 2019 (In addition to Netflix, which "entertain[s] more than 158 million subscribers worldwide," there are currently "271 online

<sup>8</sup> The Ninth Circuit Model Jury Instructions Copyright § 17.17 (2017)-Copying-Access and Substantial Similarity-and the Supplemental Instruction suffer from similar infirmities in trying to reconcile the case law.



video services available [\*\*37] in the United States").

To the extent "access" still has meaning, the inverse ratio rule unfairly advantages those whose work is *most* accessible by lowering the standard of proof for similarity. Thus the rule benefits those with highly popular works, like *The Office*, which are also highly accessible. But nothing in copyright law suggests that a work deserves stronger legal protection simply because it is more popular or owned by better-funded rights holders.

(\*1069) Finally, the inverse ratio rule improperly dictates how the jury should reach its decision. The burden of proof in a civil case is preponderance of the evidence. Yet this judge-made rule could fittingly be called the "inverse burden rule."

Although we are cautious in overruling precedent-as we should be-the constellation of problems and inconsistencies in the application of the inverse ratio rule prompts us to abrogate the rule. Access does not obviate the requirement that the plaintiff must demonstrate that the defendant actually copied the work. By rejecting the inverse ratio rule, we are not suggesting that access cannot serve as circumstantial evidence of actual copying in all cases; access, however, in no way can prove substantial [\*\*38] similarity. We join the majority of our sister circuits that have considered the inverse ratio rule and have correctly chosen to excise it from copyright analysis. In light of this holding, the district court did not err in failing to instruct the jury on the inverse ratio rule.

## B. THE ORIGINALITY INSTRUCTIONS

Although copyright protects only original expression, it is not difficult to meet the famously low bar for originality. *Feist*, 499 U.S. at 345 ("The *sin qua non* of copyright is originality"; "[t]he vast majority of works make the grade quite easily ...."); see also 17 U.S.C. § 102(a) ("Copyright protection subsists ... in original works of authorship ").

Even in the face of this low threshold, copyright *does* require at least a modicum of creativity and does not protect every aspect of a work; ideas, concepts, and common elements are excluded. See 17 U.S.C. § 102(b); *Feist*, 499 U.S. at 345-46. Nor does copyright extend to "common or trite" musical elements, *Smith*, 84 F.3d at 1216 n.3, or "commonplace elements that are firmly rooted in the genre's tradition," *Williams*, 895 F.3d

at 1140-41 (Nguyen, J., dissenting). These building blocks belong in the public domain and cannot be exclusively appropriated by any particular author. See *Satava v. Lowry*, 323 F.3d 805, 810 (9th Cir. 2003) ("[E]xpressions that are standard, stock, or common to a particular subject matter [\*\*39] or medium are not protectable under copyright law"). Authors borrow from predecessors' works to create new ones, so giving exclusive rights to the first author who incorporated an idea, concept, or common element would frustrate the purpose of the copyright law and curtail the creation of new works. See id. at 813 ("we must be careful in copyright cases not to cheat the public domain"); *Berkie v. Crichton*, 761 F.2d 1289, 1293 (9th Cir. 1985) ("General ideas . . . remain forever the common property of artistic mankind."); 1 *Nimmer* § 2.05[81] ("In the field of popular songs, many, if not most, compositions bear some similarity to prior songs."). With these background principles in mind, we review the district court's instructions on originality, Nos. 16 and 20.<sup>9</sup>

Jury Instruction No. 16 explained "what a copyright is, what it protects, and what it does not protect."<sup>10</sup>

<sup>9</sup>By filing proposed originality instructions and objecting to *Led Zeppelin's* versions, *Skidmore* preserved his objection to the originality instructions given by the district court. See *Fed. R. Civ. P. 51(c)(1); CD. Cal. Local Rule 51-1, -5*.

<sup>10</sup>Jury Instruction No. 16 reads in full as follows:

Plaintiff has filed a claim against Defendants for violation of the United States Copyright Act, which governs this case. In order for you to undertake your responsibility, you must know what a copyright is, what it protects, and what it does not protect.

Copyright confers certain exclusive rights to the owner of a work including the rights to:

1. Reproduce or authorize the reproduction of the copyrighted work;
2. Prepare derivative works based upon the copyrighted work.
3. Distribute the copyrighted work to the public; and
4. Perform publicly a copyrighted musical work.

Copyright only protects the author's original expression in a work and does not protect ideas, themes or common musical elements, such as descending chromatic scales, arpeggios or short sequences of three notes.

Also, there can be no copyright infringement without actual copying. If two people independently create two

Relevant to this appeal, [\*1070] the instruction provided that "[c]opyright only protects the author's original expression in a work." This statement comes straight from the Supreme Court's opinion in *Feist*. The instruction went on to state that copyright "does not protect ideas, themes or common musical elements, such as descending chromatic scales, arpeggios or short sequences of three notes." Although this [\*40] statement is derived from *Smith*, *Skidmore* objects to the list of unprotectable elements. In particular, he argues that characterizing the "descending chromatic scales, arpeggios or short sequence of three notes" as examples of "common musical elements" was prejudicial to him.

To put this instruction in context, it is useful to outline the essence of the "common musical elements" or building blocks. The chromatic scale is one of two principal scales in Western music. It consists of twelve pitches separated by a half-step. On a piano, this means playing the white and black keys in order from left to right. Three or more notes or pitches sounded simultaneously are called chords, and an arpeggio, sometimes called a broken chord, is "[a] chord whose pitches are sounded successively, ... rather than simultaneously." *Arpeggio, Chromatic, and Chord, Harvard Dictionary of Music* (Don Michael Randel ed., 4th ed. 2003).

To conduct a copyright infringement analysis, the factfinders ask "whether 'the protectible elements, standing alone, are substantially similar'" and "disregard the non-protectible elements." *Cavalier*, 297 F.3d at 822 (quoting *Williams v. Crichton*, 84 F.3d 581, 588 (2d Cir. 1996)); see *Apple Comput. Inc. v. Microsoft Corp.*, 35 F.3d 1435, 1446 (9th Cir. 1994) (same). Jury Instruction No. 16 correctly listed non-protectable musical building blocks that no individual may own, and did not, as *Skidmore* claims, exclude the particular use of musical elements in an original expression.

For example, despite *Skidmore's* challenge to the characterization [\*42] of descending chromatic scales as unprotectable, even his own expert musicologist, Dr. Stewart, agreed musical concepts like the minor chromatic line and the associated chords have been "used in music for quite a long time" as "building blocks." This candid acknowledgement was echoed by *Led Zeppelin's* expert, Dr. Ferrara described the "chromatic scale, descending or ascending," as "a

musical building block. This is something that no one can possibly own." The commonality of descending scales and arpeggios has been reinforced by the Copyright Office, which lists "[d]iatonic or chromatic scales" and "arpeggios" as common property musical material. *Copyright Office Compendium* § 802.5(A) (1st ed. 2017). Emphasizing the importance of original creation, the Copyright Office notes that "a musical work consisting entirely of common property material would not constitute original authorship." *Id.* Just as we [\*1071] do not give an author "a monopoly over the note of B-flat," descending chromatic scales and arpeggios cannot be copyrighted by any particular composer. *Swirsky*, 376 F.3d at 851

We have never extended copyright protection to just a few notes. Instead we have held that "a four-note sequence common in the music field" is not [\*43] the copyrightable expression in a song. *Granite Music Corp. v. United Artists Corp.*, 532 F.2d 718, 721 (9th Cir. 1976). In the context of a sound recording copyright, we have also concluded that taking six seconds of the plaintiffs four-and-a-half-minute sound recording—spanning three notes—is de minimis, inactionable copying. See *Newton*, 388 f.3d at 1195-96. One of our colleagues also expressed skepticism that three notes used in a song can be copyrightable by observing that of the "only 12<sup>3</sup> or 1,728 unique combinations of three notes," not many would be useful in a musical composition. See *Williams*, 895 F.3d at 1144 n.6 (Nguyen, J., dissenting). The Copyright Office is in accord, classifying a "musical phrase consisting of three notes" as de minimis and thus not meeting the "quantum of creativity" required under *Feist*. *Copyright Office Compendium*, § 313.4(8) (3d ed. 2017). At the same time, we have not foreclosed the possibility that "seven notes" could constitute an original expression. *Swirsky*, 376 F.3d at 852. To the contrary, our sister circuit observed decades ago that "the seven notes available do not admit of so many agreeable permutations that we need be amazed at the re-appearance of old themes." *Arnstein v. Edward & Marks Music Corp.*, 82 F.2d 275, 277 (2d Cir. 1936).

In view of our precedent and accepted copyright principles, the district court did not commit a reversible error by instructing the jury that [\*44] a limited set of a useful three-note sequence and other common musical elements were not protectable.

The district court also instructed the jury on copyright originality in Jury Instruction No. 20, which states:

An original work may include or incorporate

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works, no matter how similar. there [\*41] is no copyright infringement unless the second person copied the first.

elements taken from prior works or works from the public domain. However, any elements from prior works or the public domain are not considered original parts and not protected by copyright. Instead, the original part of the plaintiffs work is limited to the part created:

1. independently by the work's author, that is, the author did not copy it from another work; and
2. by use of at least some minimal creativity.

Despite Skidmore's claim that the following language has no support in the law and was prejudicial-"any element from prior works or the public domain are not considered original parts and not protected by copyright"-this is black-letter law. See 17 U.S.C. §§ 102(b), 103. Reading this sentence with the preceding one-an "original work may include or incorporate elements taken from prior works or works from the public domain"-we conclude that Jury Instruction No. 20 correctly instructed the jury that original expression can be the result of borrowing [r45] from previous works or the public domain.

Skidmore appears to want less than the law demands. In his closing and on appeal, he argued that a work is original as long as it was independently created. Not quite. Though not demanding, originality requires at least "minimal" or "slight" creativity-a "modicum" of "creative spark"-in addition to independent creation. Feist, 499 U.S. at 345-46, 362. Jury Instruction No. 20 correctly articulated both requirements for originality, that the work be created "independently by the work's author." and contain [\*1072] "at least some minimal creativity." The court's omission of the optional, bracketed language from the Ninth Circuit Model Jury Instruction 17.14 (2017)-which reads, "In copyright law, the 'original' part of a work need not be new or novel"-was not a reversible error. The reference to "minimal creativity" in Jury Instruction No. 20 embraces this concept. Reviewing the jury instructions as a whole, we conclude that the originality instructions were sound and were not prejudicial to Skidmore.

### C. THE OMISSION OF A SELECTION AND ARRANGEMENT INSTRUCTION

#### 1. Skidmore Forfeited His Objection to the Omitted Selection and Arrangement Instruction

The district court did not give what Skidmore [\*\*46]

denominates as a "selection and arrangement" instruction. Because Skidmore did not preserve his objection to the omission, we review for plain error.

Skidmore maintains that his objection was preserved by the timely filing of a proposed selection and arrangement instruction and by objecting to Led Zeppelin's version. Not so. Federal Rule of Civil Procedure 51(d)(1)(8) provides that "a failure to give an instruction" must be both "properly requested ... and .. . also properly objected [to]." An objection must be made "on the record," "promptly after learning that the instruction or request will be ... refused." Fed. R. Civ. P. 51(c)(1), (c)(2)(8). Skidmore may have requested a selection and arrangement instruction, but he did not object to the district court's decision to omit the instruction. In other words, Skidmore's proffer of the instruction was necessary but not sufficient to preserve the objection. See United States ex rel. Reed v. Callahan, 884 F.2d 1180, 1184 (9th Cir. 1989) (objection waived where "counsel offered the . . . proposed instructions" but "no objection was made to the failure to give them"); Monroe v. City of Phoenix, 248 F.3d 851, 858 (9th Cir. 2001) (objection waived where counsel "simply submitted a proposed jury instruction" but "failed to properly object at trial to the failure to give the proposed instruction"), abrogated on other grounds by Scott v. Harris, 550 U.S. 372, 127 S. Ct. 1769, 167 L. Ed. 2d 686 (2007).

Nor is this the [\*\*47] type of situation where "it is obvious that in the process of settling the jury instructions the court was made fully aware of the objections of the party and the reasons therefor and further objections would be unavailing." Reed, 884 F.2d at 1184. According to Skidmore, he could not object to the refused instruction because the district court forbade oral objections. The record tells a different story. Skidmore's myriad other objections, all allowed by the district court, undermine his account of the procedure at trial. For example, Skidmore requested the omission of an instruction on a topic not presented to the jury; objected to the wording of several jury instructions; and proposed a new jury instruction. The court's response was to entertain extensive discussion from the parties about the instructions, letting them state their objections "for the record." Further, the court asked Skidmore to draft the proposed new instruction and bring it in the next day.

A parallel omission situation is illuminating. Skidmore objected to the court's refusal to include a jury instruction on the inverse ratio rule. The judge overruled

that objection without suggesting that he would not entertain others. Indeed, when r"48] raising the inverse-ratio objection, counsel said "one last thing," implying that he had no other objections. In contrast, Skidmore did not object to the court's refusal to include a jury instruction on selection and arrangement during the extensive discussion counsel and the court had on jury instructions. Nor did Skidmore object to r1073] the omission of the selection and arrangement instruction before the jury was summoned the next morning.

Skidmore was responsible for compiling the court's final instructions, so he was well aware of what instructions were included and omitted. The court affirmatively engaged with Skidmore when he wanted to "make sure" that certain instructions had been included. Although Skidmore argues that the selection and arrangement theory was central to his infringement case, his conspicuous silence on the omission of what he claims to be a crucial instruction cannot be squared with the court's willingness to discuss specific instructions. On this record, it was not "obvious" that an objection to the failure to give a selection and arrangement instruction would be "unavailing."

In any case, there is a real possibility that the district court simply overlooked the [""49] instruction, and would have been willing to give one had the omission been brought to its attention. But absent notice and an objection, the district court cannot be expected to divine an objection to an omitted instruction. We do not impose such prescience on the district court in the face of the complicated, and often hurried, process of producing a final set of instructions. We noted long ago that the district court need not "rummage through ... proposed instructions in an effort to discover potential objections to instructions riot ... given " *Bertrand y. S. Pac. Co.*, 282 f..2d 569, 572 (9th Cir. 1960). By not putting the district court on notice of an objection to a refused instruction, Skidmore forfeited his objection. Therefore, we apply plain error review. Fed. R. Civ. P. 51(d)(2).

## 2. The District Court Did Not Commit a Plain Error in Omitting the Instruction

Because Skidmore did not preserve his objection, we review the omission of a selection and arrangement instruction for "a plain error in the instructions if the error affects substantial rights." Fed. R. Civ. P. 51(d)(2); see Chess, 790 F.3d at 970. Under plain error review of a civil jury instruction, we consider whether "(1) there

was an error; (2) the error was obvious; and (3) the error affected substantial rights." C.8. y. *City of Sonora*, 769 f.3d 1005, 1018 (9th Cir. 2014) (en bane). [1'1'50) Even where these demanding requirements are met, "the decision whether to correct a plain error under Federal Rule of Civil Procedure 51(d)(2) is discretionary," typically invoked only where "the error seriously impaired the fairness, integrity, or public reputation of judicial proceedings" "to prevent a miscarriage of justice." *Id.* at 1018-19.

Even if there was an error in not giving the instruction, and even assuming the error was plain, we cannot conclude that it produced a miscarriage of justice. The district court did not err in withholding the studio version of *Taurus* from the jury. A selection and arrangement instruction would not have convinced the jury that *Stairway to Heaven* was substantially similar to the deposit copy of *Taurus*. Therefore, the failure to give the selection and arrangement instruction cannot have "likely prejudiced the outcome of the case," or "seriously impaired the fairness, integrity, or public reputation of judicial proceedings." Hoard v. Hartman, 904 F.3d 780 787 (9th Cir. 2018) (internal quotation marks omitted). We may also take "into consideration 'the costs of correcting [the] error,'" *id.* (quoting C.8.. 769 f..3d at 1018), and that factor clearly supports letting the jury verdict stand. This case involved a lengthy trial, and there is little reason to have another trial [\*\*51] that Skidmore cannot win.

"Rare is the case where the district court's errors are so grave as to 'seriously [\*10741 impair[ ] the fairness, integrity, or public reputation of judicial proceedings.'" *Id.* at 791 (alteration in original) (quoting C.8., 769 F.3d at 1019); see also Teixeira v. Town of Coventry ex rel. Przybyla, 882 F.3d 13. 18 (1st Cir. 2018) (describing such errors as "hen's-teeth rare"). This is not such a case. The district court did not commit a plain error in deciding not to give a selection and arrangement instruction.

## 3. Skidmore Did Not Present a Selection and Arrangement Theory

Finally, we conclude that the district court did not commit any error. The fatal flaw in Skidmore's argument that he was entitled to a selection and arrangement instruction is that he did not present that as a separate theory at trial. To be sure, a copyright plaintiff may argue "infringement ... based on original selection and arrangement of unprotected elements."

Metcalfe 294 F.3d at 1074 (quoting Apple Computer, Inc. v. Apple II, 35 F.3d at 1446). The supposed centrality of a selection and arrangement theory is belied by the trial record. Skidmore never once used the words "selection" or "arrangement" during trial. But we do not rest our discussion on invocation of copyright vernacular; more importantly, Skidmore never presented the argument to the jury. Nowhere did Skidmore r\*s21 argue that the claimed elements were selected and arranged in a particular way to create the resulting four-bar passage in Section A of the musical composition in *Taurus*. Nor was there a word in Skidmore's closing about the selection and arrangement theory. Notably, our decision here is based on the trial evidence and not an appellate adjudication of copyrightability.

At trial, Skidmore's copyright infringement claim was based on the combination of five elements: minor chromatic line and associated chords; duration of pitches of minor chromatic line; melody placed over the descending chromatic line consisting of combination of arpeggios and two-note sequences; rhythm of steady eighth note beats; and pitch collection.

Skidmore and his expert underscored that the presence of these five musical components makes *Taurus* unique and memorable: *Taurus* is original, and the presence of these same elements in *StairNay to Heaven* makes it infringing. This framing is not a selection and arrangement argument. Skidmore never argued how these musical components related to each other to create the overall design, pattern, or synthesis. Skidmore simply presented a garden variety substantial similarity [\*\*53] argument. Yet, Skidmore relies on the handful of times that his expert musicologist, Dr. Stewart, referred to the "unique and memorable" parts of the *Taurus* composition as a "combination" to argue that he made a selection and arrangement argument at trial, though not even this "combination" characterization was included in his closing.

Semantics do not characterize legal arguments—substance does. Skidmore does not contest that the selection and arrangement must itself be original to merit copyright protection. See Feist, 499 U.S. at 358. We have extended copyright protection to "a combination of unprotectable elements ... only if those elements are numerous enough and their selection and arrangement original enough that their combination constitutes an original work of authorship." Satava, 323 F.3d at 811. Put another way, what a selection and arrangement copyright protects is the *particular* way in which the artistic elements form a coherent pattern,

or synthesis, or design. See L.A. Printex Indus., Inc. v. Aeropostale, Inc., 676 F.3d 841, 850-51 (9th Cir. 2012) ("original selection, coordination, and arrangement" that result in the overall "design" are protectable); [\*\*1075] Metcalfe, 294 F.3d at 1074 ("Each note in a scale ... is not protectable, but a pattern of notes in a tune may earn copyright protection."); United States v. Hamilton, 583 F.2d 448, 452 (9th Cir. 1978); see also Feist, 499 U.S. at 350-51; Rentmeester, 883 F.3d at 1119.

Skidmore and his [\*\*54] experts never argued to the jury that the claimed musical elements cohere to form a holistic musical design. Both Skidmore's counsel and his expert confirmed the separateness of the five elements by calling them "five categories of similarities." These disparate categories of unprotectable elements are just "random similarities scattered throughout [the relevant portions of] the works." Shaw, 919 F.2d at 1362 (quoting Litchfield v. Spielberg, 736 F.2d 1352, 1356 (9th Cir. 1984)). Labeling them a "combination" of unprotectable elements does not convert the argument into a selection and arrangement case.<sup>11</sup> Skidmore's selection and arrangement argument fails because a copyright plaintiff "d[oes] not make an argument based on the overall selection and sequencing of . . . similarities," if the theory is based on "random similarities scattered throughout the works." Metcalfe, 294 F.3d at 1074-75 (quoting Cavalier, 297 F.3d at 825); see also Litchfield, 736 F.2d at 1356 (same). Presenting a "combination of unprotectable elements" without explaining how these elements are particularly selected and arranged amounts to nothing more than trying to copyright commonplace elements. Satava, 323 F.3d at 811-12. Without such arrangement, there is no liability for taking "ideas and concepts" from the plaintiffs work, "even in combination." Rentmeester, 883 F.3d at 1122-23.

Skidmore misconstrues what the [\*\*55] copyright law means by a "combination," "compilation," and "selection and arrangement" of unprotectable elements. The word

<sup>11</sup> Skidmore misconstrues Swirsky's observation that we have upheld "a jury finding of substantial similarity based on the combination of five otherwise unprotectable elements." 376 F.3d at 849. There, the court was trying to fathom which aspects of a musical composition can be used for a similarity analysis, given that no definitive list of musical elements existed in the case law. Properly read, Swirsky left open the possibility that five or more different musical elements may be analyzed for a substantial similarity analysis, not that a set of five musical elements is always sufficient to find infringement. *Id.*

"combination" cannot mean any "set" of artistic building blocks. We have explained that only the "new combination," that is the "novel arrangement," Universal Pictures Co. v. Harold Lloyd Corp., 162 F.2d 354, 363 (9th Cir. 1947) (emphasis added), and not "any combination of unprotectable elements ... qualifies for copyright protection," Satava, 323 F.3d at 811. Likewise, a protectable "compilation" is the precise "result" that is "formed by the collection and assembling of preexisting materials . . . that are selected, coordinated, or arranged." 17 U.S.C. § 101.

Therefore, a selection and arrangement copyright is infringed only where the works share, in substantial amounts, the "particular," *i.e.*, the "same," combination of unprotectable elements. Feist, 499 U.S. at 349, 350-51. A plaintiff thus cannot establish substantial similarity by reconstituting the copyrighted work as a combination of unprotectable elements and then claiming that those same elements also appear in the defendant's work, in a different aesthetic context. Because many works of art can be recast as compilations of individually unprotected constituent parts, Skidmore's theory of combination copyright would deem substantially similar [\*56] two vastly dissimilar musical compositions, novels, and paintings for sharing some of the same [\*1076] notes, words, or colors. We have already rejected such a test as being at variance with maintaining a vigorous public domain. See, *e.g.*, Shaw, 919 F.2d at 1362-63.

To the extent Skidmore's combination theory was meant to encompass or be a variation on the theme of the selection and arrangement claim, the jury was adequately instructed, as noted below. To the extent Skidmore now claims the selection and arrangement theory was a separate claim, he never articulated that theory at trial. But, in any event, any omission was not in error. The trial court was not compelled to give the instruction, nor did it really matter in the end in light of the evidence and the jury's finding that the relevant portions of the songs were not substantially similar.

Ultimately, failure to properly invoke a selection and arrangement argument is a death knell for Skidmore's request for a selection and arrangement instruction. He is not entitled to an instruction based on a legal theory that was not presented to the jury. See Roberts v. Pa. Ding, 783 F.2d 867, 873 (9th Cir. 1986) ("[T]he district court was under no duty to submit to the jury proposed instructions that contain . . . a theory

not [\*\*57] supported by the evidence . . .").<sup>12</sup> The district court committed no error by declining to instruct the jury on selection and arrangement.<sup>13</sup>

#### 4. The Jury Instructions Fairly Covered Skidmore's Theory

Even though the district court did not instruct the jury on selection and arrangement, its instructions, as a whole, fairly and adequately covered Skidmore's argument for extrinsic similarity between Taurus and Stairway to Heaven. As discussed above, Jury Instruction No. 20 explained to the jury that an "original work may include or incorporate elements taken from prior works or works

<sup>12</sup> That both Skidmore and Led Zeppelin proposed their own version of a selection and arrangement instruction does not affect whether the district court was required to instruct the jury on the selection and arrangement theory. This just reflects the common practice of proposing, such as in this case several months ahead of trial, broad sets of jury instructions, trial exhibits, and witness lists that may cover an argument presented at trial. The court's ultimate decision on instructions depends on the proof at trial.

<sup>13</sup> Led Zeppelin and several amici have argued that even if Skidmore is entitled to a selection and arrangement instruction, the standard to determine unlawful appropriation under this theory is "virtual identity," not substantial similarity. We do not need to reach this issue because, as noted above, Skidmore has not made a sufficiency of evidence argument. But to be clear, we do not recognize a separate, heightened standard for proving actionable copying. The standard is always substantial similarity. Of course the degree of overlap in original expression that is required for the similarity to be substantial is determined by the range of possible protectable expression. See Apple Comput., 35 F.3d at 1443. More similarities are required to infringe if the range of protectable expression is narrow, because the similarities between the two works are likely to cover public domain or otherwise unprotectable elements. See Mattel, Inc. v. MGA Entm't, Inc., 616 F.3d 904, 913-14 (9th Cir. 2010). Thus, for works where there is a narrow range of available creative choices, the defendant's work would necessarily have to be "virtually identical" to the plaintiffs work in order to be substantially similar. We have at times described this result as the work having a "thin" copyright. *E.g.*, Apple Comput., Inc. 35 F.3d at 1446-47; see also Harper House, Inc. v. Thomas Nelson, Inc., 889 F.2d 197, 205 (9th Cir. 1989) ("A *tactical* compilation receives only limited copyright protection."). A selection and arrangement copyright is not always thin. Compare L.A. Pnntex Indus., 676 F.3d at 850 (broad selection and arrangement copyright) with Satava, 323 F.3d at 811 (thin selection and arrangement copyright).

from the public domain," and that the "original part" of the work only requires "minimal creativity" by the author. This instruction was immediately [\*1077] followed by Jury Instruction No. 21, which explained that the taking of "original material protected by the copyright" in "significant" amounts constituted infringement. Accordingly, to determine whether the *Taurus* deposit copy was substantially similar to the musical composition of *Stairway to Heaven*, the jury needed to determine whether "any ... musical elements that are original to *Taurus* ... also appear in *Stairway to Heaven*." The instructions fairly and adequately covered Skidmore's sole argument on substantial similarity, *i.e.*, that there were "five things that these two songs 'Taurus' and 'Stairway to Heaven'" shared.

## Y. VARIOUS REMAINING CHALLENGES

### A. TRIAL TIME LIMITS

Based on pretrial proceedings and the scope of proposed testimony, before trial began, the district court advised the parties that each side would have ten hours of witness time. Neither party objected. Skidmore now complains the court's inflexibility was a due process violation. During Led Zeppelin's case in chief, the court advised that Skidmore's counsel was exceeding his time limits. Skidmore requested "a little bit of leeway in getting additional time." When the court gave Skidmore ten additional minutes for cross-examination of each of Led Zeppelin's remaining witnesses, Skidmore's counsel said, "[t]hat's fair." After Led Zeppelin concluded its case, Skidmore requested leave to call two rebuttal witnesses, though he did not identify them. There was no offer of proof and the request was denied.

The district court was not inflexible or unforgiving. Skidmore's counsel was warned during the trial that he was getting into "all [\*\*59] kinds of background information and things that really aren't relevant to this case." The court gave extra time every day and in granting Skidmore extra time to examine defense witnesses, the court reminded counsel that his examination had been "repetitive," included "many questions that were irrelevant," and included "gaps ... where [he] could have been presenting evidence." Although the court said there was "no excuse and no reason to give (Skidmore) more time," the court did so anyway. Skidmore has shown no prejudice from these rulings. The district court did not abuse its discretion in limiting trial time by being up front about the limits and

then being flexible at counsel's request. See Monotype Corp. v. Int'l Typeface Corp., 43 F.3d 443, 450-51 (9th Cir. 1994).

### 8. THE DISTRICT COURT'S RESPONSE TO JURY QUESTION

During deliberation, the jury asked to listen to "1. Plaintiffs audio of *Taurus* (guitar)" and "2. Plaintiffs audio of *Stairway to Heaven* (guitar)." During trial, Skidmore's witness, master guitarist Kevin Hanson, performed two versions of the *Taurus* deposit copy—one with just the bass clef part and one with the treble and bass clef parts together. Skidmore's counsel argued that the jury should hear the bass-clef-only version because that version [\*\*60] was played repeatedly during trial whereas the version with both parts "was never played ... in full." When the court asked the jury which version it wanted to hear, one juror said "Bass clef," while the jury foreperson followed up and said "full copy." No other juror spoke up or countermanded the foreperson's request. The district court directed that the full deposit-copy version be played and asked if that answered the jury's question. The foreperson replied, "thank you." Skidmore made no objection at that point and the jury heard the "full copy," which includes both clefs in the introduction to the songs. The jury made no follow-up request. Skidmore waived any objection to the claim [\*1078] that there was a conflict between jurors and any error was harmless.

### C. ADMISSION OF DR. FERRARA'S TESTIMONY

Skidmore filed a motion for sanctions and to preclude Led Zeppelin's expert musicologist, Dr. Ferrara, from testifying at trial. At his deposition, Dr. Ferrara testified that he had previously analyzed the similarities between *Taurus* and *Stairway to Heaven* sound recordings for Rondor Music ("Rondor"), a subsidiary of Universal Music Publishing Group. Universal Music Publishing Group was working [\*\*61] for Hollenbeck, Spirit's publisher. Dr. Ferrara explained that his analysis for Rondor had already been completed by the time he was contacted by Led Zeppelin's counsel. Rondor waived any conflict and consented to Led Zeppelin retaining Dr. Ferrara as an expert witness.

As a preliminary matter, the district court denied Skidmore's motion as improperly noticed, over the page limit, and untimely. On that basis alone, the district court's ruling was not an abuse of discretion. But even



without these infirmities, the district court did not err in denying the motion. **Skidmore's** challenge is based on a purported conflict of interest that made it improper for Dr. Ferrara to testify for **Led Zeppelin** without disclosing the conflict or obtaining a waiver from **Skidmore**.

This argument fails because there was no conflict of interest. Although Rondor waived any potential conflict from having Dr. Ferrara testify on behalf of **Led Zeppelin**, even that is immaterial because Rondor does not have any interest in this litigation. **Skidmore** contends that Rondor's parent, Universal Music, was working for Hollenbeck, an entity that owed a fiduciary duty to **Skidmore** as a publisher of Spirit's music. But a music [\*62] publisher does not have a fiduciary relationship with its composers, absent special circumstances. See Cafferty v. Scotti Bros. Records, Inc., 969 F. Supp. 193, 205 (S.D.N.Y. 1997). **Skidmore** made no showing of any special circumstances, or that Hollenbeck was a fiduciary of the Trust. Nor did **Skidmore** show that Dr. Ferrara had confidential information concerning **Skidmore**. See Erickson v. Newmar Corp., 87 F.3d 298, 300 (9th Cir. 1996). Rondor retained Dr. Ferrara to obtain his opinion on two publicly available sound recordings, which he communicated telephonically to Rondor. All of this occurred before Dr. Ferrara ever had contact with **Led Zeppelin's** attorneys. The district court did not abuse its broad discretion by permitting this expert testimony. See Campbell Indus. v. MN Gemini. 619 F.2d 24, 27 (9th Cir. 1980).

#### D. ATTORNEYS' FEES

Warner/Chappell cross appeals the district court's denial of attorneys' fees and costs under 17 U.S.C. § 505. The Supreme Court counsels that a court has "broad leeway" to consider the relevant factors that promote the purposes of the Copyright Act, but the Court also has cautioned against giving substantial weight to just one factor, and directed the courts to "give due consideration to all ... circumstances relevant to granting fees." Kirtsaeng v. John Wiley & Sons, Inc. 136 S. Ct. 1979, 1983, 1985, 195 L. Ed. 2d 368 (2016).

Here, after weighing the factors and the circumstance of the case, the district court found that litigation misconduct and [\*63] the degree of success swung solidly in favor of Warner/Chappell, that the need for compensation weighed slightly in favor of Warner/Chappell, but that motivation, frivolousness, and objective reasonableness weighed strongly in favor of

**Skidmore**. See Fantasy, Inc. v. Fogerty, 94 F.3d 553, 558-59 [\*1079] (9th Cir. 1996). Warner/Chappell's argument that litigation misconduct should form a sole, independent basis for consideration is contrary to the Supreme Court's guidance in Kirtsaeng. The district court did not abuse its discretion in concluding that an award of attorneys' fees was not appropriate in light of the Copyright Act's essential goals. Nor did the district court err in declining to award costs to Warner/Chappell.

#### CONCLUSION

This copyright case was carefully considered by the district court and the jury. Because the 1909 Copyright Act did not offer protection for sound recordings, **Skidmore's** one-page deposit copy defined the scope of the copyright at issue. In line with this holding, the district court did not err in limiting the substantial similarity analysis to the deposit copy or the scope of the testimony on access to *Taurus*. As it turns out, **Skidmore's** complaint on access is moot because the jury found that **Led Zeppelin** had access to the [\*64] song. We affirm the district court's challenged jury instructions. We take the opportunity to reject the inverse ratio rule, under which we have permitted a lower standard of proof of substantial similarity where there is a high degree of access. This formulation is at odds with the copyright statute and we overrule our cases to the contrary. Thus the district court did not err in declining to give an inverse ratio instruction. Nor did the district court err in its formulation of the originality instructions, or in excluding a selection and arrangement instruction. Viewing the jury instructions as a whole, there was no error with respect to the instructions. Finally, we affirm the district court with respect to the remaining trial issues and its denial of attorneys' fees and costs to Warner/Chappell.

The trial and appeal process has been a long climb up the *Stairway to Heaven*. The parties and their counsel have acquitted themselves well in presenting complicated questions of copyright law. We affirm the judgment that **Led Zeppelin's** *Stairway to Heaven* did not infringe Spirit's *Taurus*.

**AFFIRMED .**

**Concur by:** WATFORD; IKUTA (In Part)

**Concur**

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WATFORD, Circuit Judge, concurring:

I join the court's opinion, with the exception of section IV.C. I see no reason to decide whether Skidmore adequately preserved his request for a selection-and-arrangement instruction because, even if such an instruction had been given, no reasonable jury could have found infringement here.

At trial, Skidmore predicated his theory of originality on Taurus' selection and arrangement of five unprotectable musical elements in the first four measures of the song. Specifically, Skidmore contended that Taurus uniquely combined the following features: a five-note descending chromatic scale in A minor; a sequence of half notes and whole notes in the scale; a melody involving various arpeggios and note pairs; a rhythm of successive eighth notes; and a collection of pitches in distinct proportions. None of those elements is subject to copyright protection in its own right; they belong to the public domain from which all musical composers are free to draw. See, e.g., Granite Music Corp. v. United Artists Corp., 532 F.2d 718, 720 (9th Cir. 1976); Copyright Office Compendium § 802.5(A) (3d ed. 2017).

Skidmore can claim protection for the original selection and arrangement of those elements, [\*\*65] but the scope of that protection depends on the "range of possible expression." Apple Computer, Inc. v. Microsoft Corp., 35 F.3d 1435, 1443 (9th Cir. 1994). There are relatively few ways to express a combination of five basic elements in just four measures, especially given the constraints of particular musical [\*\*1080] conventions and styles. See Darrell v. Joe Morris Music Co., 113 F.2d 80, 80 (2d Cir. 1940) (per curiam). For instance, once Randy Wolfe settled on using a descending chromatic scale in A minor, there were a limited number of chord progressions that could reasonably accompany that bass line (while still sounding pleasant to the ear).<sup>1</sup>

In light of the narrow range of creative choices available here, Skidmore "is left with only a 'thin' copyright, which protects against only virtually identical copying." Ets-

<sup>1</sup> Skidmore argues that Taurus' omission of one note from the descending chromatic scale further contributed to the song's originality. While this alteration may represent an original use of the descending chromatic scale, it does not change the limited scope of Taurus' copyright. As with Skidmore's selection-and-arrangement theory, there are only so many ways to modify a descending chromatic scale in four measures.

Hokin v. Skyv Spirits, Inc., 323 F.3d 763, 766 (9th Cir. 2003); see also Apple Computer, 35 F.3d at 1439 ("When the range of protectable and unauthorized expression is narrow, the appropriate standard for illicit copying is virtual identity."). In my view, this standard is separate from-and more demanding than-the "substantial similarity" test. As our cases have repeatedly recognized, the substantial-similarity framework applies only to works with broad copyright protection, while the virtual-identity standard governs thin copyrights. See, e.g., L.A. Printex Industries, Inc. v. Aeropostale, Inc., 676 F.3d 841, 851 (9th Cir. 2012); Mattel, Inc. v. MGA Entertainment, Inc., 616 F.3d 904, 913-14 (9th Cir. 2010); Satava v. Lowry, 323 F.3d 805, 812 (9th Cir. 2003); Ets-Hokin, 323 F.3d at 766; Apple Computer, 35 F.3d at 1439.

Contrary to Skidmore's contention, we have [\*\*66] never held that musical works are necessarily entitled to broad copyright protection. We did state in Williams v. Gave, 895 F.3d 1106 (9th Cir. 2018), that "[m]usical compositions are not confined to a narrow range of expression." Id. at 1120. But we made that statement in the context of assessing the creative choices involved in composing an entire song, which of course could involve a broad range of expression. See id. at 1117-18, 1120. We had no occasion there to categorically exempt musical works from the same principles we use to assess the scope of copyright protection for all other works.

Given the thin protection afforded the selection and arrangement of basic musical elements at issue here, Skidmore could prove infringement only if the relevant passages of Taurus and Stairway to Heaven are virtually identical. They are not. Undeniable and obvious differences exist between the first four measures of both songs: The notes in the melodies are different; the use of the treble clef in conjunction with the bass clef is different; and the rhythm of eighth notes is different. Those facts preclude a finding of virtual identity. As a result, even if the district court had given the jury a selection-and-arrangement instruction, Skidmore's infringement claim would [\*\*67] have failed as a matter of law.

**Dissent by:** IKUTA (In Part)

## Dissent

IKUTA, Circuit Judge, joined by BEA, Circuit Judge,

concurring in part and dissenting in part:

The plaintiffs theory of infringement in this case was straightforward: a four-bar musical passage of *Taurus* that combined an ascending line and a descending chromatic line in a unique and memorable way was substantially similar to the "iconic notes" of a musical passage repeated multiple times in the first two minutes and fourteen seconds of *Stairway to Heaven*. Both the plaintiff and defendant requested jury instructions on the key legal principle underlying this theory: that a combination [\*1081] of common musical elements can be protectable under copyright law, even if each individual element is too common on its own to be protected. Although this legal principle is well supported in our case law and had ample foundation in the evidence in this case, the district court failed to give any instruction on this theory to the jury. Without plaintiffs requested instruction, the jury was deprived of the opportunity to consider the plaintiffs central theory of the case, and the instructions given to the jury (to the effect that common musical elements were [\*\*68] not protectable under copyright law) were misleading. Therefore, I dissent from Part IV(B) to (C).

It was the late 1960s when songwriter Randy "California" Wolfe wrote a new instrumental piece which he entitled *Taurus* after the astrological sign of a woman he loved and eventually married.<sup>1</sup> Wolfe's band, Spirit, played the song regularly, and it became one of the band's signature numbers. There was substantial evidence that Led Zeppelin was at least familiar with Spirit and their work. In 1968, for instance, Led Zeppelin opened for Spirit at a concert in Denver, and the two bands played the same concerts on other occasions. Randy Wolfe died in 1997, and his intellectual property passed into a trust.

When the Supreme Court ruled in 2014 that laches would not bar a copyright infringement lawsuit, see Petrella v Metro-Goldwyn-Maver. Inc., 572 U.S. 663, 668, 134 S. Ct. 1962, 188 L. Ed. 2d 979 (2014). Michael Skidmore, the trustee for Randy Wolfe's estate, filed suit against Led Zeppelin. As stated in the original complaint, Skidmore's theory was that the "iconic notes to 'Stairway to Heaven.'" that have enthralled

generations of fans, sound almost exactly the same as" the "unique 2 minutes and 37 second instrumental titled 'Taurus.'"

At trial, Skidmore presented evidence to the jury to [\*\*69] show the following: The deposit copy of *Taurus* is a single page, comprising 18 bars of music. Skidmore focused on a fourbar passage from this deposit copy, which Skidmore claimed was both unique and protectable, and which was substantially similar to a repeated musical passage in *Stairway to Heaven*. The four-bar passage in *Taurus* (referred to as "Section A") is followed by a seven-measure bridge (labeled "Section B") in an AABAAB format. Section A had an ascending arpeggiated melodic line (identified in the treble clef) that included a series of two-note melodic phrases that move from A to B, B to C, and C to f. sharp. This ascending melodic line is played over an arpeggiated descending chromatic line (identified in the bass clef) which skipped the note "E" in its descent before resolving harmonically.<sup>2</sup> According to Skidmore's experts, Section A of *Taurus* is memorable and unique. Although descending chromatic lines are commonly used in certain genres of music, Dr. Alexander Stewart testified that the composer of *Taurus* had "found a way to use it in a way that is unlike other works that use [a descending chromatic] line." Specifically, most songs employing a descending chromatic line [\*\*70] resolve the scale by passing through the fifth note of the scale (here, the note E), but *Taurus* stops short of the fifth note. Stewart also testified that the combination of two-note melodic [\*\*1082] phrases in the ascending line in Section A was "unique," "distinct," and "used in an original and creative way." Skidmore's experts discussed a number of other musical elements in Section A, including the rhythm, chord progression, and duration of pitches in the minor descending chromatic line. Finally, Skidmore presented expert testimony that the combination of the descending and ascending lines, along with the other musical elements, made Section A unique. Stewart testified that the combination of musical elements in Section A, including "an ascending line with unique AB, BC, C to f.-sharp pairs" and "the descending line having a similar chord progression- arpeggiated in a unique way" were "significant" and "unique" when taken together. And Kevin Hanson, another expert, testified

<sup>1</sup> The origin of the song remains a bit of a mystery, as Skidmore alleged in his complaint that the song was inspired by Wolfe's deep affection for his bandmates from the band Spirit, some of whom had the astrological sign Taurus.

<sup>2</sup> Led Zeppelin's expert, Or. Lawrence Ferrara, likewise testified that the focus of the case was on Section A of *Taurus* which had "relevant similarities" to the "opening four measure of the guitar" that is played six times in the first two minutes and fourteen seconds of *Stairway to Heaven*.

that "the descending chromatic line, in conjunction with the other arpeggiated figures in the ascending melody . . . combined [to] form one piece of original music."

In addition to offering evidence [\*\*71] that Section A of *Taurus* was unique and original, Skidmore also presented evidence that the opening two minutes and fourteen seconds of *Stairway to Heaven* incorporated elements that were substantially similar to Section A of *Taurus*. *Stairway to Heaven's* opening included a thirteen-second musical passage (also referred to as Section A) which is repeated six times, separated by a B section or bridge, in an AABABAA format. *Stairway to Heaven's* Section A contained an ascending line which used a substantially identical pitch sequence as Section A in *Taurus*, as well as the same memorable two-note phrases. This ascending line played over a descending chromatic line, which likewise skipped over the fifth note in resolving the scale. In his closing argument, Skidmore asserted that "the only two songs in music history that are able to show that it skips the E was two pieces of work: 'Taurus' and 'Stairway to Heaven.'" In addition to using the same pitch sequence, *Stairway to Heaven* used the same rhythm and metric placement.

Led Zeppelin's defense was based on its argument that the musical elements in Section A of *Taurus* were too common to be protectable. Accordingly, it proposed the following **r•12**] jury instructions.<sup>3</sup> Instruction No. 16 stated that "common musical elements, such as descending chromatic scales, arpeggios or short sequences of three notes" are not protected by copyright. Instruction No. 20 stated that "any elements from prior works or the public domain are not considered original parts and not protected by copyright." And Instruction No. 21 stated:

You must then disregard all musical elements that are not original to *Taurus*. Once you have disregarded all musical elements that are not original to *Taurus*, you must decide whether there are any remaining musical elements that are original to *Taurus* and also appear in *Stairway to Heaven* and, if so, whether they are substantial similarities or insubstantial similarities.

In response, Skidmore proposed two instructions to explain that while musical elements that are too common are not protectable under copyright law, such common elements could be protectable in combination

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<sup>3</sup> The numbering of these three instructions corresponds to the instructions eventually given by the court.

under some circumstances.<sup>4</sup> Proposed **r1083**] Instruction No. 35 read, in part, that "(a) combination of individually otherwise unprotected elements can be infringed upon." Skidmore also proposed Jury Instruction No. 38, entitled "Combination of Unprotectable Elements," [\*\*73] which stated: "You may find a combination of unprotectable elements to be protectable."

Led Zeppelin objected to both instructions and proposed Instruction No. 29, which stated: "An author's arrangement and selection of unprotected elements is eligible for copyright protection only if those elements are numerous enough and their selection and arrangement original enough that their combination constitutes an original work of authorship." Skidmore objected to this formulation of the instruction.

The district judge considered these objections, but did not allow the parties to make any arguments. Although the judge conferred with the parties outside of the presence of the jury to rule on various pretrial motions, he asked the lawyers to recess for 45 minutes while he prepared the jury instructions. After the recess, the judge addressed counsel, and stated: "This is not to discuss with counsel what instructions are going to be given and which aren't. Both sides have fully briefed this on the instructions, their objections, their replies, et cetera, that I am confident that I can just come out and give the instructions." The judge then appointed Skidmore's counsel to act [\*\*74) as "scrivener" to "prepare a clean set of instructions," and dictated the approved jury instructions to Skidmore's lawyer. The court included Led Zeppelin's Instruction Nos. 16, 20 and 21, but did not include either Skidmore's or Led Zeppelin's version of the selection and arrangement instruction. Skidmore's lawyer commented on the wording of two instructions. But when he raised a concern regarding the omission of an instruction on the inverse ratio rule, the court dismissed the question brusquely, saying that the issue was not addressed "because we weren't giving that instruction," and

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<sup>4</sup> The majority refers to this instruction regarding the protectability of a combination of musical elements as a "selection and arrangement instruction." While I use this terminology for convenience, the words "selection" and "arrangement" have no special significance in our precedent; the missing instruction could equally be termed a "combination instruction" or "compilation instruction." See, e.g., Satava V. Lowry, 323 F 3d 805, 811 (9th Cir. 2003) (allowing that an original "combination of unprotectable elements may qualify for copyright protection").

repeated, "[w]e're not going to give that instruction." The judge then ended the meeting. The court's decision to omit any selection and arrangement instruction was not discussed.

On appeal, **Skidmore** argues that the court erred in not giving the jury the proposed instruction.

II

"A party is entitled to an instruction about his or her theory of the case if it is supported by law and has foundation in the evidence." *Jones v. Williams*, 297 F.3d 930, 934 (9th Cir. 2002) (citing *Jenkins v. Union Pac. R.R. Co.*, 22 F.3d 206, 210 (9th Cir. 1994)). A district court errs when it "rejects proposed jury instructions that are properly supported by the law and the evidence." *Clem v. Lomeli*, 566 F.3d 1177, 1181 (9th Cir. 2009). Moreover, "[Jury instructions must be formulated so that r\*75) they fairly and adequately cover the issues presented, correctly state the law, and are not misleading." *Duran v. City of Maywood*, 221 F.3d 1127, 1130 (9th Cir. 2000) (per curiam) (quoting *Gilbrook v. City of Westminster*, 177 F.3d 839, 860 (9th Cir. 1999)). "In evaluating jury instructions, prejudicial error results when, looking to the instructions as a whole, the substance of the applicable law was [not] fairly and correctly covered." *Swinton v. Potomac Corp.*, 270 F.3d 794, 802 (9th Cir. 2001) (cleaned up) (quoting *In re Asbestos Cases*, 847 F.2d 523, 524 (9th Cir. 1988)).

**Skidmore's** request for an instruction that "a combination of unprotectable elements [is] protectable" is supported by both law and evidence.

[\*1084] First, as the majority agrees, the principle underlying **Skidmore's** requested jury instruction is well-supported in law. Maj. Op. at 44-45. The Supreme Court has made clear that even a work "that contains absolutely no protectable ... expression" can meet "the constitutional minimum for copyright protection if it features an original selection or arrangement." *Feist Publ'ns, Inc. v. Rural Tel. Sen. Co.*, 499 U.S. 340, 348, 111 S. Ct. 1282, 113 L. Ed. 2d 358 (1991). We have applied this principle to musical elements. In doing so, we do not draw a distinction between a "combination," "compilation," and a "selection and arrangement" of musical elements. Thus, in *Three Boys Music Corp. v. Bolton*, we upheld a jury finding of "infringement based on a unique compilation" of five unprotectable musical elements: "(1) the title [\*76] hook phrase (including the lyric, rhythm, and pitch); (2) the shifted cadence; (3) the instrumental figures; (4) the verse/chorus relationship; and (5) the fade ending." 212 F.3d 477, 485 (9th Cir.

2000). Similarly, in *Swirsky v. Carey*, we disapproved of the district court's approach to pulling "elements out of a song individually, without also looking at them in combination," explaining that to "disregard chord progression, key, tempo, rhythm, and genre is to ignore the fact that a substantial similarity [between copyrighted and allegedly infringing works] can be found in a combination of elements, even if those elements are individually unprotected." 376 F.3d 841, 848 (9th Cir. 2004). Even though "chord progressions may not be individually protected, if in combination with rhythm and pitch sequence, they show the chorus of [a work] to be substantially similar to [another work], infringement can be found." *Id.*; see also *Satava v. Lowry*, 323 F.3d 805, 811 (9th Cir. 2003) (applying this principle to visual arts, and holding that "a combination of unprotectable elements may qualify for copyright protection" so long as the "combination constitutes an original work of authorship" and is "sufficiently original to merit protection") (emphasis and citations omitted). Accordingly, the legal basis for an [\*77] instruction that a combination of unprotectable elements may be protectable under copyright law is well-established.

Second, the evidence introduced at trial was sufficient for the court to instruct the jury on this principle. Both of **Skidmore's** experts testified that Section A of *Taurus* was original and creative and gave *Taurus* a distinct and memorable sound. Both also testified that the combination of musical elements present in Section A of *Taurus* was substantially similar to the six thirteen-second passages in Section A of *Stairway to Heaven*. This evidence is sufficient for a reasonable juror to conclude that Section A of *Taurus* was protectable, and that the repeated appearance of a substantially similar musical passage in the first two minutes and fourteen seconds of *Stairway to Heaven* constituted infringement. Because **Skidmore's** proposed instruction had a foundation in law and was supported by the evidence, the district court erred in declining to give it.

This error cut the heart out of **Skidmore's** case. Without this instruction, the three instructions given by the court regarding the unprotectability of common elements (Instruction Nos. 16, 20 and 21) told the jury that a descending [\*78] chromatic scale, arpeggios, and other common elements are not protected by copyright, and that the jury must disregard all such elements. In other words, the jury was told to disregard the precise elements that **Skidmore's** experts testified had been combined in a unique and original way, and thus the district court improperly foreclosed the possibility that *Taurus's* combination of a descending chromatic line

(which skipped the note E) and an ascending line using memorable note pairs was protected. **r10ss1**  
 Therefore, while Instruction Nos. 16, 20 and 21 are correct statements of the law, they are misleading in omitting the principle that a combination of unprotected elements can be protected. As such, the jury instructions establish a legal principle that is erroneous, and if allowed to stand, establish a mistaken view of copyright protection. Reversal for a new trial is required.

III

The majority's conclusion that "the district court did not commit any error" in failing to give the jury a selection and arrangement instruction is wrong as a matter of law.<sup>5</sup> Maj. Op. at 43. First, the majority makes a legal error in concluding that Skidmore was not entitled to a selection and arrangement instruction **[\*\*79]** because "Skidmore never presented the argument to the jury." Maj. Op. at 43. Rather, according to the majority, Skidmore's copyright infringement claim was based on "disparate categories of unprotectable elements," which the majority describes as the "minor chromatic line and associated chords; duration of pitches of minor chromatic line; melody placed over the descending chromatic line consisting of combination of arpeggios and two-note sequences; rhythm of steady 8th note beats; and pitch collection." The majority claims that Skidmore "never argued how these musical components related to each other to create the overall design, pattern, or synthesis." Maj. Op at **44**.

The majority's characterization of Skidmore's case is belied by both the trial record and by common sense. Hanson testified that Section A of *Taurus* had the holistic musical design that the majority says is lacking from Skidmore's argument; among other things, "the descending chromatic line, in conjunction with the other arpeggiated figures in the ascending melody . . . combined [to] form one piece of original music." Stewart also testified that the combination of musical elements present in Section A of *Taurus* was "unique and original." **[\*\*80]** And in closing argument, contrary to the majority's contention, Maj. Op. at 43, Skidmore reiterated that it was the combination of a descending

chromatic line and ascending line that made *Taurus* unique and protectable. This is a paradigmatic "selection and arrangement" theory, similar to the one we approved of in *Three Boys*, 212 F.3d at 485 (upholding a jury finding of infringement based on a "unique compilation of [musical] elements").

Moreover, the majority's claim that Skidmore's selection and arrangement argument fails because his theory was based on "random similarities scattered throughout the works," Maj. Op. at 45 (emphasis omitted), is unreasonable on its face given the brief nature of the passage Skidmore argued was protected.<sup>6</sup> As the majority **[\*1086]** acknowledges, Maj. Op. at 43, Section A of *Taurus* consists of only four bars of music. And Skidmore argued that the combination of the musical elements in this passage (the ascending melodic line is played over an arpeggiated descending chromatic line which skipped the note "E" in its descent) made it a unique piece of original music that was substantially similar to a specific thirteen-second passage in *Stairway to Heaven*. Nor does the trial record support the **[\*\*81]** majority's claim that the similarities were "scattered throughout" Section A of *Taurus*; rather, Skidmore explained at trial that the various musical elements that were combined in an original way to form *Taurus* played "simultaneously." There is simply no support in the record for the majority's theory that Skidmore's infringement claim was based on random "disparate categories of unprotectable elements" in *Taurus* that merely had counterparts in *Stairway to Heaven*. Maj. Op. at 45.

In short, the majority's misunderstanding of the evidence and its conclusion that the musical elements identified by Skidmore "do not cohere to form a holistic musical design" as a matter of law, Maj. Op. at 45, provide a

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<sup>6</sup> The concurrence's claim that *Taurus* is entitled to meager copyright protection because there "are relatively few ways to express a combination" of notes "in just four measures," and because there is only a "narrow range of creative choices available here," Concurrence at 55, would come as a surprise to the experts who opined on *Taurus* - and indeed, would likely surprise any talented composer. Like words, musical notes are subject to a range of expression limited only by the imagination and skill of the artist. A poet may select and arrange a mere 16 words (all of them common and unprotectable by themselves) so they are as memorable and unique as a Shakespeare play. See, e.g., William Carlos Williams, *The Red Wheelbarrow*, in THE COLLECTED POEMS OF WILLIAM CARLOS WILLIAMS, VOLUME I, 1909-1939 at 224 (A. Walton Litz & Christopher MacGowan eds., 1986).

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<sup>5</sup> Because the majority concludes that the district court "did not commit any error" at all, Maj. Op. at 43, it is irrelevant to the majority's decision whether Skidmore preserved his claim of error and, if not, whether the district court's error was plain. Because the majority's discussion of these points is unnecessary, I focus on the majority's erroneous reasoning regarding the merits of the district court's error.

good lesson as to why, as an appellate body, we are foreclosed from determining whether an identified combination of musical elements is original. We are not well situated to determine whether a musical passage is original; such a determination should have been left up to a properly instructed jury. See Dezendorf v. Twentieth Century-Fox Film Corp., 99 F.2d 850, 851 (9th Cir. 1938). Nor should we determine whether the four bars at issue meet some judicially constructed [\*\*82] standard for "holistic musical design." Bleistein v. Donaldson Lithographing Co., 188 U.S. 239, 251, 23 S. Ct. 298, 47 L. Ed. 460, 1903 Dec. Comm'r Pat. 650 (1903) ("It would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of pictorial illustrations, outside of the narrowest and most obvious limits."). But without an instruction that a combination of unprotectable elements can be protectable if combined in an original way, the jury in Skidmore's case was deprived of the opportunity to pass judgment on Skidmore's selection and arrangement theory.

IV

Although unnecessary to its resolution, the majority's rulings on forfeiture and plain error are also wrong. Maj. Op. at 39-43.

A

First, Skidmore did not forfeit his objection to the district court's omission of his selection and arrangement instruction. As we have previously explained, a party need not make a formal objection to the omission of a jury instruction if the party has made the district court "fully aware of a [party's] position" with respect to a jury instruction, Brown v. AVEMCO Inv. Corp., 603 F.2d 1367, 1371 (9th Cir. 1979), such as by raising the issue on multiple occasions, see Dorn, 397 F.3d at 1189, and the district court has made clear that it would not give the instruction, see *id.* (holding that party did not have to object to the underlying jury instruction [\*\*83] when the court was fully informed regarding the party's position on the jury instructions and "any further objection would have been superfluous and futile"); Brown, 603 F.2d at 1373 (holding that the party preserved its objection to a jury instruction when the court was aware of the issue and it was clear that the court would not change its mind).

[\*1087] Here, as in Brown, the judge was fully aware of Skidmore's position on the requested jury instruction. Skidmore had proposed two jury instructions on the

issue, and questioned witnesses at trial about the creative combination of various musical elements in Taurus. Led Zeppelin even cited Skidmore's reliance on a selection and arrangement theory as the rationale for proposing a selection and arrangement instruction of its own, which it described as "crucial." Moreover, as in Dom, objecting would have been pointless. The judge made clear that he had already heard all the argument he would need, and that he did not want to discuss which instructions "are going to be given and which aren't" with counsel. Although the majority discounts the effect of the judge's warning because Skidmore sought to clarify or correct the jury instructions on other issues, the judge brusquely [\*\*84] silenced Skidmore when he mentioned the omission of an instruction on the inverse ratio rule. At that point, any objection would be "superfluous and futile as well as contrary to the court's warning." Dorn, 397 F.3d at 1189. We do not know what objections Skidmore would have raised if not for the court's prefatory warning that began the conference and its sharp rejection of Skidmore's request at the close of the conference; the majority thus reads too much into Skidmore's effort to open the door to further discussion by assuring the court there would only be "one last thing." Given the imbalance of power that exists between a judge and a litigant, we should be careful not to require a litigant to defy explicit warnings from the court. Accordingly, Skidmore preserved his challenge to the omission of a selection and arrangement instruction, and the majority's review should have been de nova. See Gulliford v. Pierce Ctv., 136 F.3d 1345, 1348 (9th Cir. 1998).

B

Second, even if Skidmore had forfeited his objection to the omission of the selection and arrangement instruction, the district court's failure to give this instruction - which had been requested by both parties - was plainly erroneous, and the majority's conclusion to the contrary is wrong. Under our plain error [\*\*85] jurisprudence, "[w]e may exercise our discretion to correct a district court on plain error review when the following factors are met: (1) the district court erred; (2) the error was obvious or plain; (3) the error affected substantial rights; and (4) the error 'seriously impaired the fairness, integrity, or public reputation of judicial proceedings.'" Hoard v. Hartman, 904 F.3d 780, 787 (9th Cir. 2018) (quoting C.8. v. City of Sonora, 769 F.3d 1005, 1018-19 (2014)). An error affects substantial rights when it "affect[s] the outcome of the district court proceedings." United States v. Olano, 507 U.S. 725, 734, 113 S. Ct. 1770, 123 L. Ed. 2d 508 (1993); see



a/so *Bearchild v. Cobban*, 947 F.3d 1130, 1139 (9th Cir. 2020) ("We will usually find sufficient prejudice to warrant reversal where 'it is impossible to determine from the jury's verdict and evidentiary record that the jury would have reached the same result had it been properly instructed.") (quoting *Hoard*, 904 F.3d at 791)

We recently found the district court's instructional error met this standard in *Hoard*, where the plaintiff brought a § 1983 claim against an officer who allegedly had violated his right to be free from excessive force. 904 F.3d at 785. In that case, the district court (with plaintiffs counsel's approval) provided an erroneous definition of the word "sadistically" to the jury. *Id.* at 786. Because this definition "saddled [the plaintiff] with the unnecessary and exceedingly difficult burden of proving (,....86) that the officer was not just cruel, [\*1088] but sadistic as well," *id.* at 782, and made it difficult for the plaintiff to prevail, we held that "th[e] error likely prejudiced the outcome of the case and-left uncorrected-would contribute to a miscarriage of justice." *Id.* at 787. Therefore, we vacated the district court's judgment and remanded. *Id.*

Here, as in *Hoard*, all four prongs of the plain error test are met. For the reasons previously explained, the district court erred by failing to give the crucial selection and arrangement instruction requested by both parties. Moreover, this error was obvious or plain: *Skidmore* presented enough evidence at trial supporting the selection and arrangement theory which had been recognized by both parties as *Skidmore's* central theory at trial. Omitting the instruction in spite of the parties' consensus is an "error that is so clear-cut, so obvious, a competent district judge should be able to avoid it without benefit of objection." *United States v. Gonzalez-Apancio*, 663 F.3d 419, 428 (9th Cir. 2011) (quoting *United States v. Turman*, 122 F.3d 1167, 1170 (9th Cir. 1997)): see also *Hoard*, 904 F.3d at 790 (explaining that it must have been "sufficiently clear at the time of trial" that the instructions were erroneous for the error to be plain).

Moreover, the error was sufficiently prejudicial with respect to the outcome of the [\*87] case, given that the omission of the instruction-which "saddled [*Skidmore*] with the unnecessary and exceedingly difficult burden of proving" that the four bars in *Stairway to Heaven* were substantially similar to *Taurus* without relying on the unique way in which musical elements in *Taurus* were combined-necessarily precluded the jury from finding in *Skidmore's* favor. *Hoard*, 904 F.3d at 782. Furthermore, by introducing testimony from two

experts on the issue, *Skidmore* "introduced evidence from which a jury could have found" substantial similarity, *Bearchild*, 947 F.3d at 1148 such that it is "impossible to determine whether the jury would have reached the same result had it been properly instructed," *id.* at 1134. This is enough under our law to show that the error affected substantial rights.

Finally, as in *Hoard*, if "left uncorrected[, this error] would contribute to a miscarriage of justice." 904 F.3d at 787. It is clear that the district court's failure to give a correct instruction deprived *Skidmore* "of a meaningful and fair opportunity" to present his claim. See *id.*; *Bearchild*, 947 F.3d at 1149 ("Because [plaintiffs] ability to pursue his claim was fundamentally diminished by the jury instructions in this case, the final prong of the plain error test is satisfied."). *Skidmore* had [\*88] adduced sufficient evidence for a reasonable juror to find that *Taurus* was protectable under copyright law, and that there was a substantial similarity between *Stairway to Heaven* and the *Taurus* deposit copy, as the district court's prior rejection of *Led Zeppelin's* summary judgment motion confirmed. Therefore, the omission of the selection and arrangement instruction not only "placed a heavy thumb on the scale in favor of the [d]efendants," *Hoard*, 904 F.3d at 792, but decided the case entirely. Accordingly, the district court's error was plain, and just as in *Hoard*, we must vacate the district court's plainly erroneous ruling.

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The majority's rulings on forfeiture, plain error, and the merits are redundant and inconsistent. If there is no error at all, the majority had no need to reach forfeiture or plain error. Instead, the majority touches all three doctrines and makes each of them worse. Nevertheless, my key concern is the majority's erroneous legal ruling on whether the four-bar instrumental passage in *Taurus* was protectable and substantially similar to the "iconic" opening ["1089] bars of *Stairway to Heaven*. Unlike the rulings on forfeiture and plain error, this substantive ruling weakens copyright protection [\*89] for musicians by robbing them of the ability to protect a unique way of combining musical elements. Therefore, I dissent from Parts IV(B) to (C) of the majority opinion.

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## Williams v. Gaye

United States Court of Appeals for the Ninth Circuit

October 6, 2017, Argued and Submitted, Pasadena, California; July 11, 2018, Amended

No. 15-56880, No. 16-55089, No. 16-55626

### Reporter

895 F.3d 1106 \*; 2018 U.S. App. LEXIS 18954 °: 127 U.S.P.O.20 (BNA) 1517 \*\*\*; Copy. L. Rep. (CCH) P31,246  
LEXIS 7057 (9th Cir., Mar. 21, 2018)

PHARRELL **WILLIAMS**, an individual; CLIFFORD HARRIS, JR., an individual; ROBIN THICKE, an individual, OBA I Like'em Thicke Music, Plaintiffs-Counter-Defendants-Appellants, and MORE WATER FROM NAZARETH PUBLISHING, INC.; STAR TRAK ENTERTAINMENT; INTERSCOPE RECORDS; UMG RECORDINGS, INC.; UNIVERSAL MUSIC DISTRIBUTION, Counter-Defendants-Appellants, y. FRANKIE CHRISTIAN **GAYE**, an individual; MARVIN **GAYE** III, an individual; NONA MARVISA **GAYE**, an individual, Defendants-Counter-Claimants-Appellees. PHARRELL **WILLIAMS**, an individual; CLIFFORD HARRIS, JR., an individual; ROBIN THICKE, an individual, OBA I Like'em Thicke Music, Plaintiffs-Counter-Defendants-Appellees. and MORE WATER FROM NAZARETH PUBLISHING, INC.; STAR TRAK ENTERTAINMENT; INTERSCOPE RECORDS; UMG RECORDINGS, INC.; UNIVERSAL MUSIC DISTRIBUTION, Counter-Defendants-Appellees, y. FRANKIE CHRISTIAN **GAYE**, an individual; MARVIN **GAYE** III, an individual; NONA MARVISA **GAYE**, an individual, Defendants-Counter-Claimants-Appellants. PHARRELL **WILLIAMS**, an individual; ROBIN THICKE, an individual, OBA I Like'em Thicke Music; CLIFFORD HARRIS, JR., an individual, Plaintiffs-Counter-Defendants-Appellees. and MORE WATER FROM NAZARETH PUBLISHING, INC.; STAR TRAK ENTERTAINMENT; INTERSCOPE RECORDS; UMG RECORDINGS, INC.; UNIVERSAL MUSIC DISTRIBUTION, Counter-Defendants-Appellees. y. FRANKIE CHRISTIAN **GAYE**, an individual; MARVIN **GAYE** III, an individual; NONA MARVISA **GAYE**, an individual, Defendants-Counter-Claimants-Appellants.

**Prior History:** **[\*\*1]** Appeal from the United States District Court for the Central District of California. D.C. No. 2:13-cv-06004-JAK-AGR. John A. Kronstadt, District Judge, Presiding.

Williams v. Gaye. 885 F.3d 1150. 2018 U.S. App.

### Core Terms

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district court, Lines, Parties, Blurred, deposit, similarity, substantially similar, musical, songs, infringement, bass, pitches, extrinsic, unprotectable, sound recording, matter of law, new trial, Signature, copyright protection. compositions, keyboard, copying, rhythm, phrases, chords, Hook, profits, lyrics, musical composition, general verdict

### Case Summary

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#### Overview

**HOLDINGS:** [1]-In a copyright infringement case in which a jury found that appellant writers of the song "Blurred Lines," infringed appellees' copyright in the song "Got To Give It Up," the district court erred in overturning the jury's general verdicts finding in favor of appellant artist, who separately wrote and recorded a rap verse for "Blurred Lines," and appellant third-party defendants because appellees waived their challenge to any perceived inconsistencies between the jury's general verdicts as they did not object to the verdicts prior to jury discharge; and no evidence was adduced at trial supporting a theory of vicarious liability as the rap verse was added to the track seven months after appellant writers created "Blurred Lines," and appellees cited nothing in the record showing that appellant artist had either a right to stop the infringing conduct or the ability to do so.

#### Outcome

Judgment affirmed in part and reversed in part.

### LexisNexis® Headnotes

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Copyright Law > ... > Elements > Copying by Defendants > Access

Evidence > Types of Evidence > Circumstantial Evidence

Copyright Law > ... > Elements > Copying by Defendants > Substantial Similarity

Copyright Law > Copyright Infringement Actions > Civil Infringement Actions > Burdens of Proof

### **HN1[L] Copying by Defendants, Access**

To prevail on a copyright infringement claim, a plaintiff must show that (1) he or she owns the copyright in the infringed work, and (2) the defendant copied protected elements of the copyrighted work. A copyright plaintiff may prove copying with circumstantial, rather than direct, evidence. Absent direct evidence of copying, proof of infringement involves fact-based showings that the defendant had access to the plaintiffs work and that the two works are substantially similar.

Copyright Law > ... > Copying by Defendants > Substantial Similarity > Extrinsic Tests

Copyright Law > Copyright Infringement Actions > Civil Infringement Actions > Summary Judgment

Copyright Law > ... > Copying by Defendants > Substantial Similarity > Intrinsic Tests

Copyright Law > Copyright Infringement Actions > Civil Infringement Actions > Judicial Review

### **HN2[L] Substantial Similarity, Extrinsic Tests**

In a copyright infringement case, an appellate court uses a two-part test for substantial similarity: an extrinsic test and an intrinsic test. For a jury to find substantial similarity, there must be evidence on both the extrinsic and intrinsic tests. A district court applies only the extrinsic test on a motion for summary judgment, as the intrinsic test is reserved exclusively for the trier of fact. The extrinsic test is objective. It considers whether two works share a similarity of ideas

and expression as measured by external, objective criteria. Application of the extrinsic test requires analytical dissection of a work and expert testimony. An analytical dissection, in turn, requires breaking the works down into their constituent elements, and comparing those elements for proof of copying as measured by substantial similarity. The intrinsic test, on the other hand, is subjective. It asks whether the ordinary, reasonable person would find the total concept and feel of the works to be substantially similar.

Copyright Law > ... > Copying by Defendants > Substantial Similarity > Intrinsic Tests

### **HN3[L] Substantial Similarity, Intrinsic Tests**

In a copyright infringement case, because the requirement is one of substantial similarity to protected elements of the copyrighted work, it is essential to distinguish between the protected and unprotected material in a plaintiffs work. Still, substantial similarity can be found in a combination of elements, even if those elements are individually unprotected. That principle finds particular relevance in application of the intrinsic test, as a trier of fact may find that the over-all impact and effect indicate substantial appropriation, even if any one similarity taken by itself seems trivial.

Copyright Law > Scope of Copyright Protection

Copyright Law > ... > Elements > Copying by Defendants > Substantial Similarity

### **HN4[L] Copyright Law, Scope of Copyright Protection**

Appellate courts have distinguished between broad and thin copyright protection based on the range of expression involved. If there is a wide range of expression, then copyright protection is broad and a work will infringe if it is substantially similar to the copyrighted work. On the other hand, if there is only a narrow range of expression, then copyright protection is thin and a work must be virtually identical to infringe.

Copyright Law > ... > Copying by Defendants > Substantial Similarity > Extrinsic Tests

### **HN5[L] Substantial Similarity, Extrinsic Tests**

For purposes of a copyright infringement case, musical compositions are not confined to a narrow range of expression. Music is not capable of ready classification into only five or six constituent elements, but is instead comprised of a large array of elements, some combination of which is protectable by copyright. As there is no one magical combination of factors that will automatically substantiate a musical infringement suit, and as each allegation of infringement will be unique, the extrinsic test is met, so long as the plaintiff can demonstrate, through expert testimony, that the similarity was substantial and to protected elements of the copyrighted work.

Copyright Law > ... > Statutory Copyright & Fixation > Protected Subject Matter > Sound Recordings After 1972

#### **HN6[+] Protected Subject Matter, Sound Recordings After 1972**

While the Copyright Act of 1976 protects works of authorship fixed in sound recordings, 17 U.S.C.S. § 102, the 1909 Act did not protect sound recordings. It is well settled that sound recordings and musical compositions are separate works with their own distinct copyrights.

Civil Procedure > ... > Summary Judgment > Appellate Review > Appealability

#### **HNZ[A] Appellate Review, Appealability**

A party may not appeal an order denying summary judgment after a full trial on the merits. An order denying summary judgment is simply a step along the route to final judgment. Once the case proceeds to trial, the full record developed in court supersedes the record existing at the time of the summary-judgment motion.

Civil Procedure > Appeals > Standards of Review > Abuse of Discretion

Civil Procedure > Judgments > Relief From Judgments > Motions for New Trials

#### **HNBJ:] Standards of Review, Abuse of Discretion**

An appellate court reviews the district court's denial of a motion for a new trial for abuse of discretion. The

appellate court may reverse the denial of a new trial only if the district court reaches a result that is illogical, implausible, or without support in the inferences that may be drawn from the record. The abuse of discretion standard requires the appellate court to uphold a district court's determination that falls within a broad range of permissible conclusions. provided the district court did not apply the law erroneously.

Civil Procedure > Appeals > Standards of Review > Abuse of Discretion

Civil Procedure > Appeals > Standards of Review > De Novo Review

Civil Procedure > Trials > Jury Trials > Jury Instructions

#### **HN9[+] Standards of Review, Abuse of Discretion**

An appellate court reviews de nova whether jury instructions state the law accurately, but reviews a district court's formulation of jury instructions for abuse of discretion. In evaluating jury instructions, prejudicial error results when, looking to the instructions as a whole, the substance of the applicable law was not fairly and correctly covered.

Copyright Law > ... > Elements > Copying by Defendants > Access

Evidence > Types of Evidence > Circumstantial Evidence

Copyright Law > ... > Elements > Copying by Defendants > Substantial Similarity

#### **HN10[-] Copying by Defendants, Access**

In a copyright infringement case, because direct evidence is rare, copying is usually circumstantially proved by a combination of access and substantial similarity. Access may be based on a theory of widespread dissemination and subconscious copying. In short, there is no scienter requirement.

Civil Procedure > Appeals > Standards of Review > Abuse of Discretion

Evidence > Admissibility > Procedural  
Matters > Rulings on Evidence

### **HN11[J.] Standards of Review, Abuse of Discretion**

An appellate court reviews the district court's evidentiary rulings for abuse of discretion.

Copyright Law > Copyright Infringement  
Actions > Civil Infringement Actions > Judicial  
Review

Evidence > Types of  
Evidence > Testimony > Credibility of Witnesses

### **HN12[A.] Civil Infringement Actions, Judicial Review**

In a copyright infringement case, an appellate court refuses to interfere with the jury's credibility determination.

Civil Procedure > Judgments > Relief From  
Judgments > Motions for New Trials

Evidence > Weight & Sufficiency

Copyright Law > Copyright Infringement  
Actions > Civil Infringement Actions > Judicial  
Review

Civil Procedure > Appeals > Standards of  
Review > Reversible Errors

Civil Procedure > Trials > Jury Trials > Verdicts

### **HN13[L.] Relief From Judgments, Motions for New Trials**

An appellate court is bound by the limited nature of its appellate function in reviewing the district court's denial of a motion for a new trial. So long as there was some reasonable basis for the jury's verdict, the appellate court will not reverse the district court's denial of a motion for a new trial. Where the basis of a *Fed. R. Civ. P.* ruling is that the verdict is not against the weight of the evidence, the district court's denial of a *Fed. R. Civ. P.* 59 motion is virtually unassailable. When that is the case, the appellate court reverses only when there is an absolute absence of evidence to support the jury's verdict. It is not the court's place to substitute its

evaluations for those of the jurors. Of note, in copyright infringement cases, appellate courts are reluctant to reverse jury verdicts in music cases on appeal, given the difficulty of proving access and substantial similarity.

Copyright Law > ... > Civil Infringement  
Actions > Remedies > Damages

Copyright Law > Copyright Infringement  
Actions > Civil Infringement Actions > Judicial  
Review

### **HN14[J.] Remedies, Damages**

In a copyright infringement case, an appellate court affords great deference to a jury's award of damages and will uphold the award unless it is clearly not supported by the evidence or only based on speculation or guesswork.

Copyright  
Law > ... > Remedies > Damages > Measurement  
of Damages

### **HN15[L.] Damages, Measurement of Damages**

In a copyright infringement case, an appellate court will uphold an award of hypothetical-license damages provided the amount is not based on undue speculation. The touchstone for hypothetical-license damages is the range of the license's reasonable market value.

Civil Procedure > Appeals > Standards of  
Review > Clearly Erroneous Review

Copyright Law > ... > Damages > Types of  
Damages > Infringement Profits

Copyright Law > Copyright Infringement  
Actions > Civil Infringement Actions > Judicial  
Review

### **HN16[L.] Standards of Review, Clearly Erroneous Review**

In a copyright infringement case, an appellate court reviews an apportionment of infringer's profits for clear error. The burden is on the defendant to prove what percentage of its profits is not attributable to

infringement.

Civil Procedure > Appeals > Standards of Review > Abuse of Discretion

Copyright Law > Copyright Infringement Actions > Civil Infringement Actions > Judicial Review

Civil Procedure > Appeals > Standards of Review > Clearly Erroneous Review

Copyright Law > ... > Remedies > Damages > Types of Damages

### **HN11 Standards of Review, Abuse of Discretion**

In a copyright infringement case, an appellate court reviews a district court's decision to award equitable relief for abuse of discretion. Findings of fact are reviewed for clear error.

Civil Procedure > Appeals > Standards of Review > De Novo Review

Civil Procedure> Trials> Judgment as Matter of Law

### **HN18 Standards of Review, De Novo Review**

An appellate court reviews de novo a district court's grant of judgment as a matter of law.

Civil Procedure > Appeals > Standards of Review > De Novo Review

Civil Procedure > ... > Jury Trials > Verdicts > Inconsistent Verdicts

Civil Procedure > Trials > Jury Trials > Jury Instructions

### **HN19 Standards of Review, De Novo Review**

An appellate court reviews de novo a trial judge's decision to disrupt a jury verdict on the basis that an erroneous instruction resulted in inconsistent verdicts.

Civil Procedure > ... > Jury Trials > Verdicts > Inconsistent Verdicts

Civil Procedure > Appeals > Reviewability of Lower Court Decisions > Preservation for Review

### **HN20 Verdicts, Inconsistent Verdicts**

A party waives its objection to the jury's verdict by not objecting to the alleged inconsistency prior to the dismissal of the jury.

Civil Procedure> Trials> Judgment as Matter of Law

Civil Procedure > Appeals > Reviewability of Lower Court Decisions > Preservation for Review

### **HN21 Trials, Judgment as Matter of Law**

Under *Fed. R. Civ. P. 50*, a party must make a *Fed. R. Civ. P. 50(a)* motion for judgment as a matter of law before a case is submitted to the jury. Failure to file a *Fed. R. Civ. P. 50(a)* motion precludes consideration of a *Fed. R. Civ. P. 50(b)* motion for judgment as a matter of law.

Civil Procedure > ... > Jury Trials > Verdicts > Inconsistent Verdicts

### **HN22 Verdicts, Inconsistent Verdicts**

In most cases where a jury renders inconsistent verdicts, the trial judge must allow those verdicts to stand because it is unclear whose ox has been gored. District courts may reconcile the verdicts without intruding upon the jury's fact-finding role only under very limited circumstances, where there is an identifiable error that only could have affected one of the verdicts, where the necessary factual findings can be determined from the pattern of verdicts, and where there is nothing to be gained from a new trial.

Civil Procedure > ... > Jury Trials > Verdicts > Inconsistent Verdicts

Civil Procedure > ... > Jury Trials > Verdicts > Special Verdicts

**HN23[.!.] Verdicts, Inconsistent Verdicts**

When confronted by seemingly inconsistent responses to special verdict interrogatories, a trial court has a duty to harmonize those responses whenever possible. In contrast, there is no duty to reconcile inconsistent general verdicts. Legally inconsistent verdicts may stand on appeal even though inconsistent.

Copyright Law > ... > Civil Infringement  
Actions > Secondary Liability > Vicarious Liability  
Actions

**HN24[.!.] Secondary Liability, Vicarious Liability Actions**

To be vicariously liable for copyright infringement, one must have (1) the right and ability to supervise the infringing conduct and (2) a direct financial interest in the infringing activity. A vicarious infringer exercises control over a direct infringer when he has both a legal right to stop or limit the directly infringing conduct, as well as the practical ability to do so.

Civil Procedure > Appeals > Standards of  
Review > Abuse of Discretion

Copyright Law > ... > Damages > Types of  
Damages > Costs & Attorney Fees

Copyright Law > Copyright Infringement  
Actions > Civil Infringement Actions > Judicial  
Review

**HN25[+.] Standards of Review, Abuse of Discretion**

In a copyright infringement case, an appellate court reviews a district court's decision on attorney's fees for abuse of discretion.

Copyright Law > ... > Damages > Types of  
Damages > Costs & Attorney Fees

**HN26[.!.] Types of Damages, Costs & Attorney Fees**

In exercising its authority under 17 U.S.C.S. § 505 of the Copyright Act to award a prevailing party attorney's fees, a court should give substantial weight to the objective reasonableness of the losing party's position.

The court must also give due consideration to all other circumstances relevant to granting fees; and it retains discretion, in light of those factors, to make an award even when the losing party advanced a reasonable claim or defense.

Civil Procedure > Appeals > Standards of  
Review > Abuse of Discretion

Copyright Law > ... > Damages > Types of  
Damages > Costs & Attorney Fees

Copyright Law > Copyright Infringement  
Actions > Civil Infringement Actions > Judicial  
Review

**HN27[.!.] Standards of Review, Abuse of Discretion**

In a copyright infringement case, an appellate court reviews the district court's award of costs for abuse of discretion .

Civil Procedure > Remedies > Costs & Attorney  
Fees > Costs

**HN28[+.] Costs & Attorney Fees, Costs**

Fed. R. Civ. P. 54(d)(1) authorizes the award of costs to the prevailing party. A party in whose favor judgment is rendered is generally the prevailing party for purposes of awarding costs under Fed. R. Civ. P. 54(d).

Civil Procedure > Appeals > Standards of Review

Evidence > Types of  
Evidence > Testimony > Credibility of Witnesses

Copyright Law > Copyright Infringement  
Actions > Civil Infringement Actions > Judicial  
Review

**HN29[.!.] Appeals, Standards of Review**

In a copyright infringement case. although the trial judge can weigh the evidence and assess the credibility of witnesses, an appellate court may not.

**Summary:**



**SUMMARY.****Copyright**

The panel filed (1) an order amending an opinion and dissent and denying, on behalf of the court, a petition for rehearing en banc; and (2) an amended opinion and dissent in a copyright case.

In its amended opinion, the panel affirmed in part and reversed in part the district court's judgment after a jury trial, ruling that plaintiffs' song "Blurred Lines" infringed defendants' copyright in Marvin Gave's song "Got To Give It Up."

The panel held that "Got To Give It Up" was entitled to broad copyright protection because musical compositions are not confined to a narrow range of expression. The panel accepted, without deciding, the merits of the district court's ruling that the scope of the defendants' copyright was limited, under the Copyright Act of 1909, to the sheet music deposited with the Copyright Office, and did not extend to sound recordings.

The panel held that the district court's order denying summary judgment was not reviewable after a full trial on the merits.

The panel held that the district court did **[\*\*2]** not err in denying a new trial. The district court properly instructed the jury that there is no scienter requirement for copyright infringement and that it must find both access and substantial similarity. The district court did not erroneously instruct the jury to consider unprotectable elements of "Got To Give It Up." The district court did not abuse its discretion in admitting expert testimony. In addition, the verdict was not against the clear weight of the evidence because there was not an absolute absence of evidence of extrinsic and intrinsic similarity between the two songs.

The panel held that the district court's award of actual damages and infringers' profits and its running royalty were proper.

Reversing in part, the panel held that the district court erred in overturning the jury's general verdict in favor of certain parties because the defendants waived any

challenge to the consistency of the jury's general verdicts. In addition, there was no duty to reconcile the verdicts. The district court erred in finding one party secondarily liable for vicarious infringement.

The panel held that the district court did not abuse its discretion in denying the defendants' motion for **[\*\*3]** attorneys' fees under § 505 of the Copyright Act or in apportioning costs among the parties.

Dissenting, Judge Nguyen wrote that "Blurred Lines" and "Got To Give It Up" were not objectively similar as a matter of law under the extrinsic test because they differed in melody, harmony, and rhythm, and the majority's refusal to compare the two works improperly allowed the defendants to copyright a musical style.

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· This summary constitutes no part of the opinion of the court. It has been prepared by court staff for the convenience of the reader.

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**Judges:** Before: MILAN D. SMITH, JR., MARY H. MURGUIA, and JACQUELINE H. NGUYEN, Circuit Judges. Opinion by Judge Milan D. Smith, Jr.: Dissent by Judge Nguyen.

**Opinion by:** MILAN D. SMITH

## Opinion

[\*1115] [\*\*\*1520] AMENDED OPINION

### OPINION

M. SMITH, Circuit Judge:

After a seven-day trial and two days of deliberation, a jury found that Pharrell Williams, Robin Thicke, and Clifford Harris, Jr.'s song "Blurred Lines," the world's best-selling single in 2013, infringed Frankie Christian Gave, Nona Marvisa Gave, and Marvin Gave III's copyright in Marvin Gave's 1977 hit song "Got To Give It Up." Three consolidated appeals followed.

Appellants and Cross-Appellees Williams, Thicke, Harris, and More Water from Nazareth Publishing, Inc. (collectively, Thicke Parties) appeal from the district court's judgment. They urge us to reverse the district court's denial of their [\*\*6] motion for summary judgment and direct the district court to enter judgment in their favor. In the alternative, they ask us to vacate the judgment and remand the case for a new trial, on grounds of instructional error, improper admission of expert testimony, and lack of evidence supporting the

verdict. If a new trial is not ordered, they request that we reverse or vacate the jury's awards of actual [ \*1521] damages and infringer's profits, and the district court's imposition of a running royalty. Finally, they seek reversal of the judgment against Harris, challenging the district court's decision to overturn the jury's general verdict finding in Harris's favor.

Appellants and Cross-Appellees Interscope Records, UMG Recordings, Inc., Universal Music Distribution, and Star Trak, LLC (collectively, Interscope Parties) appeal from the district court's judgment. They urge us to reverse the judgment against them, challenging the district **n6)** court's decision to overturn the jury's general verdict finding in their favor.

Appellees and Cross-Appellants Frankie Christian Gave, Nona Marvisa Gave, and Marvin Gave III (collectively, Gayes) appeal from the district court's order on attorney's fees and costs. [\*\*7] They request that we vacate and remand for reconsideration the district court's denial of attorney's fees, and award them their costs in full. The Gayes also protectively cross-appeal the district court's ruling limiting the scope of the Gayes' compositional copyright to the four corners of the sheet music deposited with the United States Copyright Office. In the event a new trial is ordered, the Gayes urge us to hold that Marvin Gave's studio recording of "Got To Give It Up," rather than the deposit copy, establishes the scope of the Gayes' copyright under the Copyright Act of 1909.

We have jurisdiction over this appeal pursuant to 28 U.S.C. § 1291. Our law requires that we review this case, which proceeded to a full trial on the merits in the district court, under deferential standards of review. We accordingly decide this case on narrow grounds, and affirm in part and reverse in part.

### FACTUAL AND PROCEDURAL BACKGROUND

#### A. "Got To Give It Up"

In 1976, Marvin Gave recorded the song "Got To Give It Up" in his studio. "Got To Give It Up" reached number one on Billboard's Hot 100 chart in 1977, and remains popular today.

In 1977, Jobete Music Company, Inc. registered "Got To Give It Up" with the United States [\*\*8] Copyright Office and deposited six pages of handwritten sheet music

attributing the song's words and music to Marvin Gaye. Marvin Gaye did not write or fluently read sheet music, and did not prepare the deposit copy. Instead, an unidentified transcriber notated the sheet music after Marvin Gaye recorded "Got To Give It Up."

The Gayes inherited the copyrights in Marvin Gaye's musical compositions.

## B. "Blurred Lines"

In June 2012, Pharrell Williams and Robin Thicke wrote and recorded "Blurred Lines." Clifford Harris, Jr., known popularly as T.I., separately wrote and recorded a rap verse for "Blurred Lines" that was added to the track seven months later. "Blurred Lines" was the best-selling single in the world in 2013.

Thicke, Williams, and Harris co-own the musical composition copyright in "Blurred Lines." Star Trak and Interscope Records co-own the sound recording of "Blurred Lines." Universal Music Distribution manufactured and distributed "Blurred Lines."

## C. The Action

The Gayes made an infringement demand on Williams and Thicke after hearing "Blurred Lines." Negotiations failed, prompting Williams, Thicke, and Harris to file suit for a declaratory judgment of non-infringement on August [\*9] 15, 2013.

The Gayes counterclaimed against the Thicke Parties, alleging that "Blurred Lines" infringed their copyright in "Got To Give It Up,"<sup>1</sup> and added the Interscope Parties as third-party defendants.

## [\*1117] D. The District Court's Denial of Summary Judgment

The district court denied Williams and Thicke's motion for summary judgment on October 30, 2014.

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<sup>1</sup>The Gayes asserted a second counterclaim alleging that Thicke's song "Love After War" infringed their copyright in Marvin Gaye's composition "After the Dance." The jury found against the Gayes on the second counterclaim, and judgment was entered against them. On appeal, the second counterclaim is relevant only to the issue of costs.

## 1. The District Court's Interpretation of the Copyright Act of 1909

The district court ruled that the Gayes' compositional copyright, which is governed by the [\*\*\*1522] Copyright Act of 1909, did not extend to the commercial sound recording of "Got To Give It Up," and protected only the sheet music deposited with the Copyright Office. The district court accordingly limited its review of the evidence to the deposit copy, and concluded there were genuine issues of material fact.

## 2. The Evidence

The Thicke Parties relied upon the opinion of musicologist Sandy Wilbur. The Gayes relied upon the opinions of Dr. Ingrid Monson, the Quincy Jones Professor of African American Music at Harvard University, and musicologist Judith Finell. The experts disagreed sharply in their opinions, which they articulated in lengthy reports.

Finell opined that there is a "constellation" [\*\*\*10] of eight similarities between "Got To Give It Up" and "Blurred Lines," consisting of the signature phrase, hooks,<sup>2</sup> hooks with backup vocals, "Theme X."<sup>3</sup> backup hooks, bass melodies, keyboard parts, and unusual percussion choices.

Wilbur opined that there are no substantial similarities between the melodies, rhythms, harmonies, structures, and lyrics of "Blurred Lines" and "Got To Give It Up," and disputed each area of similarity Finell identified. The district court compared Finell's testimony with Wilbur's and, pursuant to the extrinsic test under copyright law, meticulously filtered out elements Wilbur opined were not in the deposit copy, such as the backup vocals, "Theme X," descending bass line, keyboard rhythms, and percussion parts.

The district court also filtered out several unprotectable similarities Dr. Monson identified, including the use of a cowbell, hand percussion, drum set parts, background vocals, and keyboard parts. After filtering out those elements, the district court considered Dr. Manson's analysis of harmonic and melodic similarities between

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<sup>2</sup>According to Finell, the term "hook" refers to the most important and memorable melodic material of a piece of popular music.

<sup>3</sup>Finell named a repeated four-note backup vocal in "Got To Give It Up" as "Theme x."

the songs, and noted differences between Wilbur's and Dr. Monson's opinions.

After performing its analytical dissection, as [\*\*11] part of the extrinsic test, the district court summarized the remaining areas of dispute in the case. The district court identified disputes regarding the similarity of the songs' signature phrases, hooks, bass lines, keyboard chords, harmonic structures, and vocal melodies. Concluding that genuine issues of material fact existed, the district court denied Williams and Thicke's motion for summary judgment.

### E. Trial

The case proceeded to a seven-day trial. The district court ruled before trial that the Gayes could present sound recordings of "Got To Give It Up" edited to capture only elements reflected in the deposit copy. Consequently, the commercial sound recording of "Got To Give It Up" was not played at trial.

Williams and Thicke testified, each acknowledging inspiration from Marvin Gaye and access to "Got To Give It Up."

Finell testified that "Blurred Lines" and "Got To Give It Up" share many similarities, [\*1118] including the bass lines, keyboard parts, signature phrases, hooks, "Theme X," bass melodies, word painting, and the placement of the rap and "parlando" sections in the two songs. She opined that nearly every bar of "Blurred Lines" contains an element similar to "Got To Give It Up." [\*\*12] Although the district court had filtered out "Theme X," the descending bass line, and the keyboard rhythms as unprotectable at summary judgment, Finell testified that those elements were in the deposit copy.

Dr. Monson played three audio-engineered "mash-ups" she created to show the melodic and harmonic compatibility between "Blurred Lines" and "Got To Give It Up." She testified that the two songs shared structural similarities on a sectional and phrasing level.

Wilbur opined that the two songs are not substantially similar and disputed Finell and Dr. Monson's opinions. Wilbur prepared and played a sound recording containing her rendition of the deposit copy of "Got To Give It Up."

Neither the Thicke Parties nor the Gayes made a motion for judgment as a matter of law pursuant to Federal Rule of Civil Procedure 50(a) before the case was

submitted to the jury.

On March 10, 2015, after two days of deliberation, the jury returned mixed general [\*\*\*1523) verdicts.<sup>4</sup> The jury found that Williams, More Water from Nazareth Publishing,<sup>5</sup> and Thicke infringed the Gayes' copyright in "Got To Give It Up." In contrast, the jury found that Harris and the Interscope Parties were not liable for infringement. The jury awarded the Gayes \$4 million in actual [\*\*\*13) damages, \$1,610,455.31 in infringer's profits from Williams and More Water from Nazareth Publishing, and \$1,768,191.88 in infringer's profits from Thicke.

### F. The District Court's Order on Post-Trial Motions

The district court ruled on the parties' various post-trial motions in an omnibus order.

The Thicke Parties filed a motion for judgment as a matter of law, a new trial, or remittitur. The district court denied the Thicke Parties' motion for judgment as a matter of law and motion for a new trial, but remitted the award of actual damages and the award of Williams' profits.

The Gayes filed three motions, seeking (1) a declaration that Harris and the Interscope Parties were liable for infringement; (2) injunctive relief or, in the alternative, ongoing royalties; and (3) prejudgment interest. The district court construed the Gayes' motion for declaratory relief as a post-trial motion for judgment as a matter of law, and granted the motion, overturning the jury's general verdicts in favor of Harris and the Interscope Parties. The district court denied the Gayes' request for injunctive relief, but awarded them a running royalty of 50% of future songwriter and publishing revenues from "Blurred [\*\*14) Lines." The district court granted in part the Gayes' motion for prejudgment interest.

### G. The Judgment and Order on Attorney's Fees and

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<sup>4</sup> Although the verdict forms are captioned "Special Verdict," they are functionally general verdict forms. See Zhang v. Am. Gem Seafoods, Inc. 339 F.3d 1020, 1031 (9th Cir 2003) ("If the jury announces only its ultimate conclusions, it returns an ordinary general verdict[.]").

<sup>5</sup> More Water From Nazareth Publishing, Inc. collects royalties on Williams' behalf.

## Costs

The district court entered judgment on December 2, 2015. The court awarded the Gayes \$3,188,527.50 in actual damages, profits of \$1,768,191.88 against Thicke and \$357,630.96 against Williams and More **r1119** Water from Nazareth Publishing, and a running royalty of 50% of future songwriter and publishing revenues received by Williams, Thicke, and Harris.

On April 12, 2016, the district court denied the Gayes' motion for attorney's fees and apportioned costs between the parties. The parties timely appealed.

## ANALYSIS

### I. Governing Law

We begin by discussing the law applicable to this case.

#### A. Elements of a Copyright Infringement Claim

**HN1["-i]** To prevail on a copyright infringement claim, a plaintiff must show that (1) he or she owns the copyright in the infringed work, and (2) the defendant copied protected elements of the copyrighted work. Swirsky v. CareYt 376 **F.3d** 841, 844 (9th Cir. 2004). A copyright plaintiff may prove copying with circumstantial, rather than direct, evidence. Three Boys Music Corp. v. Bolton, 212 **F.3d** 477, 481 (9th Cir. 2000). "Absent direct evidence of copying, proof of infringement involves fact-based showings that the defendant had 'access' to the plaintiff's **[\*\*15]** work and that the two works are 'substantially similar.'" *Id.* (quoting Smith v. Jackson, 84 **F.3d** 1213, 1218 (9th Cir. 1996)).

**HN2["i]** We use a two-part test for substantial similarity: an extrinsic test and an intrinsic test. Swirsky, 376 **F.3d** at 845. For a jury to find substantial similarity, there must be evidence on both the extrinsic and intrinsic tests. *Id.* (citing Rice v. Fox Broad. Co., 330 **F.3d** 1170, 1174 (9th Cir. 2003)). A district court applies only the extrinsic test on a motion for summary judgment, as the intrinsic test is reserved exclusively for the trier of fact. Benay v. Warner Bros. Entm't, Inc., 607 **F.3d** 620, 624 (9th Cir. 2010).

The extrinsic test is objective. Swirsky, 376 **F.3d** at 845. It "considers whether two works share a similarity of ideas and expression as measured by external, objective criteria." *Id.* Application of "[t]he extrinsic test

requires **r\*\*1524]** 'analytical dissection of a work and expert testimony.'" *Id.* (quoting Three Boys Music, 212 **F.3d** at 485). An analytical dissection, in turn, "requires breaking the works 'down into their constituent elements, and comparing those elements for proof of copying as measured by 'substantial similarity.'" *Id.* (quoting Rice v. Fox Broad. Co., 148 **F. Supp. 2d** 1029, 1051 (G.D. Cal. 2001)).

The intrinsic test, on the other hand, is subjective. Three Boys Music, 212 **F.3d** at 485. It "asks 'whether the ordinary, reasonable person would find the total concept and feel of the works to be substantially similar.'" *Id.* (quoting Pasillas v. McDonald's Corp., 927 **F.2d** 440, 442 (9th Cir. 1991)).

**HN3["-i]** "Because the requirement is one of substantial similarity to *protected* **[\*\*16]** elements of the copyrighted work, it is essential to distinguish between the protected and unprotected material in a plaintiff's work."<sup>6</sup> Swirsky, 376 **F.3d** at 845. Still, "substantial similarity can be found in **[\*\*1120]** a combination of elements, even if those elements are individually unprotected." *Id.* at 848; see also Metcalfe v. Bochco 294 **F.3d** 1069, 1074 (9th Cir. 2002) ("Each note in a scale, for example, is not protectable, but a pattern of notes in a tune may earn copyright protection."): Three Boys Music, 212 **F.3d** at 485-86 (upholding jury's finding of substantial similarity based on "a combination of unprotectible elements"). This principle finds particular relevance in application of the intrinsic test, as a trier of fact may "find that the over-all impact and effect indicate substantial appropriation," even if "any one similarity taken by itself seems trivial." Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp., 562 **F.2d** 1157, 1169 (9th c.r. 1977) (quoting Malkin v. Dubinsky, 146 **F. Supp.** 111, 114 (S.D.N.Y. 1956)), *superseded in part on other grounds*, 17 U.S.C. § 504(b); see also Three Boys Music, 212 **F.3d** at 485.

<sup>6</sup> "Copyright protection subsists . . . in original works of authorship," including "musical works" and "any accompanying words," that are "fixed in any tangible medium of expression." 17 USC. § 102(a). Generally speaking, copyright law does not protect ideas, but rather, protects the expression of ideas. See *id.* § 102(b); Rice, 330 **F.3d** at 1174. For example, elements of an original work of authorship may be unprotectable by reason of the *scènes a faire* doctrine. See Swirsky, 376 **F.3d** at 849-50. According to that doctrine, "when certain commonplace expressions are indispensable and naturally associated with the treatment of a given idea, those expressions are treated like ideas and therefore not protected by copyright." *Id.* at 850.

## B. The Standard of Similarity for Musical Compositions

**HN4[-]** We have distinguished between "broad" and "thin" copyright protection based on the "range of expression" involved. Mattel, Inc. v. MGA Entm't, Inc. 616 F.3d 904, 913-14 (9th Cir. 2010). "If there's a wide range of expression . . . , then copyright protection is 'broad' and a work will infringe if it's 'substantially similar' to the copyrighted work." *Id.* (citation omitted). On **r111** the other hand, "[i]f there's only a narrow range of expression . . . , then copyright protection is 'thin' and a work must be 'virtually identical' to infringe." *Id.* at 914 (citation omitted). To illustrate, there are a myriad of ways to make an "aliens-attack movie," but "there are only so many ways to paint a red bouncy ball on blank canvas." *Id.* at 913-14. Whereas the former deserves broad copyright protection, the latter merits only thin copyright protection. *See id.*

We reject the Thicke Parties' argument that the Gayes' copyright enjoys only thin protection. **HNSI[":i]** Musical compositions are not confined to a narrow range of expression.<sup>7</sup> See Swirsky, 376 F.3d at 849 (noting that "[m]usic ... is not capable of ready classification into only five or six constituent elements," but "is comprised of a large array of elements"). They are unlike a page-shaped computer desktop icon, see Apple Computer, Inc. v. Microsoft Corp., 35 F.3d 1435, 1444 (9th Cir. 1994), or a "glass-in-glass jellyfish sculpture," Satava v. Lowry, 323 F.3d 805, 810 (9th Cir. 2003). Rather, as we have observed previously, "[m]usic ... is not capable of ready classification into only five or six constituent elements," but is instead "comprised of a large array of elements, some combination of **\*\*\*1525** which is protectable by copyright." Swirsky, 376 F.3d at 849. As "[t]here is no one magical combination of . . . factors **\*\*18** that will automatically substantiate a musical infringement suit," and as "each allegation of infringement will be unique," the extrinsic test is met, "(s)o long as the plaintiff can demonstrate, through expert testimony ... , that the similarity was 'substantial' and to 'protected elements' of the copyrighted work." *Id.*

<sup>7</sup> Even the de minimis exception, which renders insignificant copying inactionable, does not require a standard of similarity as exacting as virtual identity. See VMG Sa/soul, LLC v. Ciccone, 824 F.3d 871, 878 (9th Cir. 2016) ("A 'use is de minimis only if the average audience would not recognize the appropriation.'" (quoting Newton v. Diamond, 388 F.3d 1189, 1193 (9th Cir. 2004))).

We have applied the substantial similarity standard to musical infringement suits before, see *id.*; Three Boys Music, 212 F.3d at 485, and see no reason to deviate from that standard now. Therefore, the Gayes' copyright is not limited to only thin copyright protection, and the Gayes need not prove virtual identity to substantiate their infringement action.

## **\*1121** C. The Copyright Act of 1909

Marvin Gaye composed "Got To Give It Up" before January 1, 1978, the effective date of the Copyright Act of 1976. Accordingly, the Copyright Act of 1909 governs the Gayes' compositional copyright. See Twentieth Century Fox Film Corp. v. Entm't Distrib., 429 F.3d 869, 876 (9th Cir. 2005); Dolman v. Agee, 157 F.3d 708, 712 n.1 (9th Cir. 1998).

**HN6[":i]** While the Copyright Act of 1976 protects "works of authorship" fixed in "sound recordings," 17 U.S.C. § 102, the 1909 Act did not protect sound recordings. It is well settled that "[s]ound recordings and musical compositions are separate works with their own distinct copyrights."<sup>8</sup> See VMG Sa/soul, LLC v. Ciccone, 824 F.3d 871, 877 (9th Cir. 2016) (quoting Erickson v. Blake, 839 F. Supp. 2d 1132, 1135 n.3 (O. Or. 2012)). It remains unsettled, however, whether **r\*19** copyright protection for musical compositions under the 1909 Act extends only to the four corners of the sheet music deposited with the United States Copyright Office, or whether the commercial sound recordings of the compositions are admissible to shed light on the scope of the underlying copyright. Here, the district court ruled that the 1909 Act protected only the deposit copy of "Got To Give It Up," and excluded the sound recording from consideration.

The Gayes cross-appeal the district court's interpretation of the 1909 Act only in the event the case is remanded for a new trial. The parties have staked out mutually exclusive positions. The Gayes assert that Marvin Gaye's studio recording may establish the scope of a compositional copyright, despite the 1909 Act's lack of protection for sound recordings. The Thicke Parties, on the other hand, elevate the deposit copy as the

<sup>8</sup> 17 USC. § 102(a)(2) protects "musical works," while § 102(a)(7) protects "sound recordings." "Sound recordings" are works that result from the fixation of a series of musical, spoken, or other sounds ... , regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied." 17 U.S.C. § 101.

quintessential measure of the scope of copyright protection.<sup>9</sup> Nevertheless, because we do not remand the case for a new trial, we need not, and decline to, resolve this issue in this opinion. For purposes of this appeal, we accept, without deciding, the merits of the district court's ruling that the scope of the **[\*\*20]** Gayes' copyright in "Got To Give It Up" is limited to the deposit copy.

## II. The District Court's Order Denying Summary Judgment is Not Reviewable After a Full Trial on the Merits.

The Thicke Parties seek review of the district court's order denying their motion **[\*1122]** for summary judgment, contending that the district court erred in its application of the extrinsic test for substantial similarity.

**[\*\*\*1526]** The order is not reviewable. The Supreme Court has squarely answered the question: H.N.I.J. "May a party . . . appeal an order denying summary judgment after a full trial on the merits? Our answer is no." Ortiz v. Jordan, 562 U.S. 180, 183-84, 131 S. Ct. 884, 178 L. Ed. 2d 703 (2011). An order denying summary judgment is "simply a step along the route to final judgment." Id. at 184. "Once the case proceeds to trial, the full record developed in court supersedes the record existing at the time of the summary-judgment motion." Id.

The Thicke Parties argue that we may nonetheless

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<sup>9</sup>To our knowledge, the Thicke Parties' position had not found support in case law until the district court's ruling. See Three Boys Music, 212 F.3d at 486 (observing, in the context of subject matter jurisdiction, that "[a]lthough the 1909 Co. n ht Act requires the owner to deposit a 'complete copy' of the work with the copyright office, our definition of a 'complete copy' is broad and deferential"); see also 17 U.S.C. 704 (providing that the Register of Copyrights and the Librarian of Congress may destroy or otherwise dispose of original deposit copies if certain facsimile requirements are met); Marva v. Warner/Chappell Music, Inc., 131 F. Supp. 3d 975, 982 (C.O Cal. 2015) (observing that "[t]he Copyright Office no longer has the deposit copy" of the work at issue, which was registered in 1935); 2 Nimmer on Copyrights 7.17(A) (2017) (noting that "[t]he function of deposit is to provide the Library of Congress via the Copyright Office with copies and phonorecords of all works published within the United States," and that the argument "that deposit has a copyright as well as an archival function" is "attenuated by the fact that the Library of Congress need not add all deposited works to its collection" or "preserve those works which it does add to its collection").

review the district court's denial of summary judgment for legal error. We "generally do 'not review a denial of a summary judgment motion after a full trial on the merits.'" Escriba v. Foster Poultry Farms, Inc., 743 F.3d 1236, 1243 (9th Cir. 2014) (quoting Banuelos v. Constr. Laborers' Tr. Funds for S. Cal., 382 F.3d 897, 902 (9th Cir. 2004)). We carved out an exception to this general rule in the past, concluding that we may review "denials of summary judgment motions **[\*\*21]** where the district court made an error of law that, if not made, would have required the district court to grant the motion." Id. (quoting Banuelos, 382 F.3d at 902).

Ortiz calls into question the continuing viability of our exception.<sup>10</sup> In Ortiz, the Supreme Court declined to address the argument that "purely legal" issues capable of resolution 'with reference only to undisputed facts' are preserved for appellate review even after trial. 562 U.S. at 189. Read broadly, Ortiz does not foreclose review of denials of summary judgment after trial, so long as the issues presented are purely legal. But read narrowly, the Court's dicta does not endorse such an exception either.

We need not decide today whether our exception survives Ortiz unaltered. The Thicke Parties' arguments "hardly present 'purely legal' issues capable of resolution 'with reference only to undisputed facts.'" Id. The district court's application of the extrinsic test of similarity was a factbound inquiry far afield from decisions resolving "disputes about the substance and clarity of pre-existing law." Id. The district court's ruling bears little resemblance to legal issues we have reviewed pursuant to our exception. See, e.g., Escriba, 743 F.3d at 1243-45 (examining **r\*22]** whether "the district court erred as a matter of law by entertaining [defendant's] 'legally impossible' theory of the case that [plaintiff] affirmatively declined to take FMLA leave"); Banuelos, 382 F.3d at 903 (examining whether "the district court erred as a matter of law when it concluded it could hear evidence outside the administrative record" in an ER/SA case); Pavon v. Swift Transp. Co., 192 F.3d 902, 906 (9th Cir. 1999) (reviewing the district court's ruling on claim preclusion). We accordingly conclude that Ortiz forecloses our review of the district court's denial of summary judgment.

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<sup>10</sup> While Escriba, a 2014 decision, post-dates Ortiz, Escriba does not reference the Supreme Court's decision. See 743 F.3d at 1243.



### III. The District Court Did Not Abuse its Discretion in Denying a New Trial.

**HN8[ ]:** We review the district court's denial of a motion for a new trial for abuse of discretion. Lam v. City of San Jose, 869 F.3d 1077, 1084 (9th Cir. 2017) (citing Molski v. M.J. Cable, Inc., 481 F.3d 724, 728 C11231 (9th Cir. 2007)). We may reverse the denial of a new trial only if the district court "reaches a result that is illogical, implausible, or without support in the inferences that may be drawn from the record." *Id.* (quoting Kode v. Carlson, 596 F.3d 608, 612 (9th Cir. 2010)). "The abuse of discretion standard requires us to uphold a district court's determination that falls within a broad range of permissible conclusions, provided the district court did not apply the law erroneously." *Id.* (quoting Kode, 596 F.3d at 612).

The Thicke Parties argue that a new trial is warranted on three grounds: [\*\*23] (1) Jury Instructions 42 and 43 were erroneous; (2) the district court abused its discretion in admitting portions of Finell and Dr. Manson's testimony; and (3) the verdict is against the clear weight of the evidence. We disagree, and discuss each ground in turn.

#### A. Instructions 42 and 43 Were Not Erroneous.

**HN9[ ]:** We review de novo whether jury instructions state the law accurately, but review a district court's formulation of jury instructions for abuse of discretion. *Id.* at 1085 (citing Hunter v. County of Sacramento, 652 F.3d 1225, 1232 C\*\*15271 (9th Cir. 2011)). "In evaluating jury instructions, prejudicial error results when, looking to the instructions as a whole, the substance of the applicable law was [not] fairly and correctly covered." Dang v. Cross, 422 F.3d 800, 805 (9th Cir. 2005) (alteration in original) (quoting Swinton .( Potomac Corp., 270 F.3d 794, 802 (9th Cir. 2001)).

#### 1. Jury Instruction 42

The Thicke Parties argue that Instruction 42 allowed the jury to place undue weight on Williams and Thicke's statements claiming inspiration from "Got To Give It Up" and Marvin Gave. The district court instructed the jurors:

In order to find that the Thicke Parties copied either or both of the Gave Parties' songs, it is not necessary that you find that the Thicke Parties consciously or deliberately copied either or both of these songs. It is sufficient if you find that the

Thicke [\*\*24] Parties subconsciously copied either or both of the Gave Parties' songs.

**HN10[ ]:** Because direct evidence is rare, copying is usually circumstantially proved by a combination of access and substantial similarity. See Swirsky, 376 F.3d at 844. As the Thicke Parties acknowledge, access may be "based on a theory of widespread dissemination and subconscious copying." Three Boys Music, 212 F.3d at 483. In short, there is no scienter requirement. See *id.* at 482-85. Instruction 42 stated as much.

The Thicke Parties argue that Instruction 42 was nonetheless inappropriate, because the issue of access was not at issue. Not so. The Thicke Parties take an unduly narrow view of Instruction 42 in isolation. The instructions as a whole make plain that a circumstantial case of copying requires not just access, but also substantial similarity. Instructions 28 and 41 provide that copying may be proven by demonstrating access plus substantial similarity.<sup>11</sup> Instruction 43 further underscores [\*\*1124] that the Gayes "must show that there is both substantial 'extrinsic similarity' and substantial 'intrinsic similarity' as to that pair of works." Looking to the jury instructions as a whole, see Dang, 422 F.3d at 805, it is clear that the district court properly instructed the jury to find both access and substantial [\*\*25] similarity.

In light of the foregoing, we conclude that the district court did not err in giving Jury Instruction 42.

#### 2. Jury Instruction 43

<sup>11</sup> Instruction 28 provides: "The Gave Parties may show the Thicke Parties copied from the work by showing by a preponderance of the evidence that the Thicke Parties had access to the Gave Parties' copyrighted work and that there are substantial similarities between the Thicke Parties' work and original elements of the Gave Parties' work." That the instruction uses the permissive "may" presents no problem. It simply reflects the fact that the Gayes may, but are not required to, prove copying by way of a circumstantial theory, rather than a direct one.

Instruction 41 provides: "If you conclude that the Thicke Parties had access to either or both of the Gave Parties' works before creating either or both of their works, you may consider that access in connection with determining whether there is substantial similarity between either or both pairs of works." Instruction 41's use of "may" is not problematic either. Instruction 41 merely reiterates that the Gayes may choose to prove infringement by using a circumstantial theory.

The Thicke Parties argue that Instruction 43 erroneously instructed the jury to consider unprotectable elements. Specifically, they contend that the district court instructed the jury that it "must consider" elements that they contend are not present in the deposit copy: "Theme X," the descending bass line, and keyboard parts. Instruction 43 states, in pertinent part:

Extrinsic similarity is shown when two works have a similarity of ideas and expression as measured by external, objective criteria. To make this determination, you must consider the elements of each of the works and decide if they are substantially similar. This is not the same as "identical." There has been testimony and evidence presented by both sides on this issue, including by expert witnesses, as to such matters as: (a) for "Got to Give It Up" and "Blurred Lines," the so-called "Signature Phrase," hook, "Theme X," bass melodies, keyboard parts, word painting, lyrics, [and] rap - parlando The Gaye Parties do not have to show that each of these individual elements is substantially r"26) similar, but rather that there is enough similarity between a work of the Gaye Parties and an allegedly infringing work of the Thicke Parties to comprise a substantial amount.

[,...\*1528) First, the Thicke Parties take the word "must" out of context. Instruction 43's use of the word "must" serves to underline the extrinsic test's requirement that the jury compare the objective elements of the works for substantial similarity.

Second, Finell testified that "Theme X," the descending bass line, and the keyboard parts are reflected in the deposit copy, while Wilbur testified to the contrary. The experts' quarrel over what was in the deposit copy was a factual dispute for the jury to decide. Even if Instruction 43's inclusion of contested elements could have led the jury to believe that the elements were in the deposit copy, and to consider them as protectable elements for purposes of the substantial similarity analysis, we cannot view Instruction 43 in isolation. In light of the jury instructions as a whole, we do not conclude that the district court's listing of elements in Instruction 43 prevented the jury from making a factual determination of what was in the deposit copy.

The instructions on whole ["'"27) make clear that the jury could consider only elements in the deposit copy. Instruction 28 states that the Gayes bear "the burden of proving that the Thicke Parties copied original elements from the Gayes' copyrighted work." Instruction 35, in

turn, defines the Gayes' copyrighted work. Instruction 35 informed jurors that at the time the copyright in "Got To Give It Up" was registered, "only written music could be filed by a copyright owner with the Copyright Office as the deposit copy of the copyrighted work." In contrast, "[r]ecordings of musical compositions could not be filed with the Copyright Office at that time." The district court cautioned the jurors to distinguish [\*1125) between the commercial sound recording of "Got To Give It Up" and the deposit copy, noting that "although [a] sound recording of 'Got to Give It Up' . . . w[as] made and released commercially, th[e] particular recording[] [is] not at issue in this case, w[as] not produced into evidence, and w[as] not played for you during the trial." What was at issue was "testimony from one or more witnesses from each side about what each thinks is shown on the deposit copy for each composition," as well as "recorded versions [\*\*28) of each work that each side has prepared based on what each side contends is shown in the deposit copy that was filed with the Copyright Office." In short, the district court instructed the jurors that the deposit copy, not the commercial sound recording, was the copyrighted work in the case.

Harper House, Inc. v. Thomas Nelson, Inc., 889 F.2d 197 (9th Cir. 1989), is not helpful to the Thicke Parties. In Harper House, we held that the district court erred in failing to give jury instructions that "adequately distinguish[ed] between protectable and unprotectable material." 889 F.2d at 207-08. The copyrighted works at issue in Harper House were organizers, which receive "extremely limited protection" and are "compilations consisting largely of uncopyrightable elements," such as "blank forms, common property, or utilitarian aspects." Id. at 205, 207-08.

Suffice to say, musical compositions are not like organizers, and this case is easily distinguishable. The jury never heard the commercial sound recording. Elements indisputably present only in the sound recording, such as the use of cowbell and party noises, were never played at trial. Had that been the case, the district court would have had to instruct the jury to distinguish between elements in the commercial recording and elements in the [\*-29) deposit copy. Instead, the jury heard sound clips edited to capture elements that the experts testified were in the deposit copy. The question of which expert to believe was properly confided to the jury.

The district court did not err in giving Instruction 43.

## B. The District Court Did Not Abuse its Discretion in Admitting Portions of Finell and Dr.-Monson's Testimony.

HN11IT We review the district court's evidentiary rulings for abuse of discretion. *Wagner v. County of Maricopa*, 747 F.3d 1048, 1052 (9th Cir. 2013). The Thicke Parties contend that the district court abused its discretion in admitting portions of Finell and Dr. Monson's expert testimony, arguing that they based their testimony on unprotectable elements. We disagree.

### 1. Finell's Testimony

The Thicke Parties object only to three portions of Finell's testimony: her testimony regarding [\*\*\*1529] "Theme X," the descending bass line, and the keyboard parts. Finell testified that "Theme X," the descending bass line, and the keyboard rhythms were in the deposit copy.

Finell was cross-examined for four hours. During cross-examination, Finell conceded that the notes of "Theme X" were not written on the sheet music, and she was questioned about her testimony that the notes of "Theme X" were implied in the deposit [\*\*\*30] copy. She also acknowledged that the bass melody she presented at trial differed from that notated in the deposit copy. She was impeached with her deposition testimony, in which she admitted that the rhythm of the keyboard parts in the sound recording of "Got To Give It Up" is not notated in the deposit copy.

Wilbur disputed her testimony, opining that "Theme X," the descending bass line, and the keyboard rhythms are not contained in the deposit copy. The dispute [\*1126] boiled down to a question of whose testimony to believe. Both experts referenced the sound recording.<sup>12</sup> Both experts agreed that sheet music requires interpretation.<sup>13</sup> The question of whose interpretation of

<sup>12</sup> Wilbur initially relied upon the commercial sound recording of "Got To Give It Up" to prepare her transcriptions. She continued to rely upon her transcriptions from the commercial sound recording, finding that they were substantially the same as the transcriptions prepared from the deposit copy.

<sup>13</sup> On cross-examination. Wilbur acknowledged that a lead sheet reflects a simplified version of a chord pattern in a composition, and that chord notation is merely representational.

the deposit copy to credit was a question properly left for the jury to resolve. See *Three Boys Music*, 212 F.3d at 485-86 (HN12IT) "We refuse to interfere with the jury's credibility determination[.]" Therefore, the district court did not abuse its discretion by permitting Finell's testimony.

### 2. Dr. Monson's Testimony

The Thicke Parties argue that the district court abused its discretion in allowing Dr. Monson to play audio "mash-ups" superimposing Marvin Gaye's vocals from "Got To Give It Up" onto the accompaniment in "Blurred Lines," and vice versa. They argue that (-31) the "mash-ups" contained unprotectable elements, such as the keyboard parts, bass melodies, and Marvin Gaye's vocals.<sup>14</sup>

This argument faces the same hurdle as the Thicke Parties' objection to Finell's testimony. Dr. Monson testified that there were structural similarities between the two songs at a sectional level and at a phrasing level, and used the "mash-ups" to demonstrate the songs' shared harmonic and melodic compatibility. We have permitted similar expert testimony in the past. Cf. *Swirsky*, 376 F.3d at 845-47 (holding that district court erred in discounting expert's testimony regarding structural similarities between two choruses). Dr. Monson was cross-examined on her opinion, and the jury was free to weigh her testimony as it saw fit.

Our decision in *Three Boys Music* confirms that the district court acted within its discretion. *Three Boys Music* was a 1909 Act copyright infringement case in which the jury heard not only a rendition of the deposit copy, see 212 F.3d at 486, but the complete commercial sound recording of the copyrighted song. Although the sufficiency of the deposit copy arose in the context of subject matter jurisdiction in *Three Boys Music*, our

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Wilbur also acknowledged that she relied on her interpretation of what was contained within the lead sheet to create her recording of "Got To Give It Up." She admitted that she made choices to deviate from the sheet music, and that her choices were informed by her musical training and knowledge. For example, despite the sheet music's instruction to continue playing a bass line throughout the song, she chose not to do so in certain parts of the song, knowing that playing the bass line would clash with certain chords.

<sup>14</sup> Although the "mash-ups" used Marvin Gaye's vocals, the parties have not disputed whether Marvin Gaye's vocals were notated in the deposit copy.

treatment of the issue lends support for our present conclusion. **[\*\*32]** In *Three Boys Music*, the defendants argued that there were "inaccuracies in the deposit copy." 212 F.3d at 486-87. While the plaintiffs' expert testified that "the song's essential elements" were in the deposit copy, the defendants argued that "the majority of the musical elements that were part of the infringement claim" were not in the deposit copy. Id. at 486. Despite the fact that the jury heard the complete sound recording, which differed from the deposit copy, we still upheld the jury's verdict finding for the plaintiffs.<sup>15</sup> Id. at 486-87.

**[\*1127]** [,...\*\*1530] Here, the district court excluded the commercial sound recording of "Got To Give It Up" from trial, and vigilantly policed the admission of testimony throughout trial, repeatedly instructing counsel to ensure that the experts tethered their testimony to the sheet music. The district court did not abuse its discretion in admitting portions of the Gayes' experts' testimony.

### C. The Verdict Was Not Against the Clear Weight of the Evidence.

The Thicke Parties argue that the verdict is against the clear weight of the evidence, maintaining that there is no extrinsic or intrinsic similarity between the two songs.

**HN13(i)** We are bound by the "limited nature of our appellate function" **[\*33]** in reviewing the district court's denial of a motion for a new trial." Lam. 869 F.3d at 1084 (quoting Kode. 596 F.3d at 612). So long as "there was some 'reasonable basis' for the jury's verdict," we will not reverse the district court's denial of a motion for a new trial. Id. (quoting Molski. 481 F.3d at 729). "(W)here the basis of a Rule 59 ruling is that the verdict is not against the weight of the evidence, the district court's denial of a Rule 59 motion is virtually

<sup>15</sup> It appears that factfinders have listened to commercial sound recordings in other music copyright infringement cases governed by the 1909 Act. See, e.g., Repp v Webber. 892 F. Supp. 552, 558 (S.D.N.Y. 1995) ("Having listened to the two songs at issue, however, the Court cannot say as a matter of law that they do not share any substantial similarities."); Bright Tunes Music Corp. v. Hamsonqs Music, Ltd. 420 F. Supp. 177, 180 (S.ONY 1976) (noting that the similarity between the songs "is perfectly obvious to the listener"), *aff'd sub nom. ABKCO Music, Inc. v. Harrisonqs Music, Ltd. 722 F.2d 988 (2d Cir. 1983); N. Music Corp. v. Kmq Record D1strib. Co. 105 F. Supp. 393, 398 (SONY 1952)* ("We have suffered through the playing of the commercial recordings.").

unassailable." Id. (quoting Kode. 596 F.3d at 612). When that is the case, we reverse "only when there is an *absolute absence of evidence* to support the jury's verdict." Id. (quoting Kode 596 F.3d at 612). "It is not the courts' place to substitute our evaluations for those of the jurors." Union Oil Co. of Cal. v. Terrible Herbst, Inc., 331 F.3d 735, 743 (9th Cir. 2003). Of note, we are "reluctant to reverse jury verdicts in music cases" on appeal, "[g]iven the difficulty of proving access and substantial similarity."<sup>16</sup> Three Bovs Music. 212 F.3d at 481.

The Thicke Parties face significant, if not unsurmountable, hurdles. First, we are generally reluctant to disturb the trier of fact's findings, and have made clear that "[w]e will not second-guess the jury's application of the intrinsic test." Id. at 485. Second, our review is necessarily deferential where, as here, the district court, in denying the Rule 59 motion, concluded that the verdict was not **[\*\*\*34]** against the clear weight of the evidence. Finell testified that nearly every bar of "Blurred Lines" contains an area of similarity to "Got To Give It Up." Even setting aside the three elements that trouble the Thicke Parties ("Theme X," the bass line, and the keyboard parts), Finell and Or. Monson testified to multiple other areas of extrinsic similarity, including the songs' signature phrases, hooks, bass melodies, word painting, the placement of the rap and "parlando" sections, and structural similarities on a sectional and phrasing level. Thus, we cannot say that there was an absolute absence of evidence supporting the jury's verdict.

**(\*1128)** We conclude that the district court did not abuse its discretion in denying the Thicke Parties' motion for a new trial.

### IV. The Awards of Actual Damages and Profits and the District Court's Running Royalty Were Proper.

#### A. The Award of Damages Was Not Based on Undue Speculation.

**HN14(L)** We afford "great deference" to a jury's award

<sup>16</sup> Our conclusion in *Three Boys Music* provides an example of the deference we must apply in reviewing the jury's verdict. Although that case presented "a weak case of access and a circumstantial case of substantial similarity," we held that "neither issue warrants reversal of the jury's verdict." 212 F.3d at 486.

of damages and will uphold the award "unless it is 'clearly not supported by the evidence' or 'only based on speculation or guesswork.'" In re First All. Mortg. Co., 471 F.3d 977, 1001 (9th Cir. 2006) (quoting L.A. Mem'l Coliseum Comm'n v. Nat'l Football League, 791 F.2d 1356, 1360 (9th Cir. 1986)). **HN15"-ij** We will uphold an award of hypothetical-license damages "provided the amount is not **(,...,35]** bas d on 'undue speculation.'" Oracle Corp. v. SAP AG, 765 F.3d 1081, 1088 (9th Cir. 2014) (quoting Polar Bear Prods., Inc. v. Timex Corp., 384 F.3d 700, 709 (9th Cir. 2004)). "The touchstone for hypothetical-license damages is 'the range of [the license's] reasonable market **r\*\*1531]** value.'" *Id.* (alteration in original) (quoting Polar Bear Prods., Inc., 384 F.3d at 709).

Here, the jury awarded the Gayes actual damages in the amount of 50% of the publishing revenues for "Blurred Lines." The Thicke Parties ask us to vacate the award of \$3,188,527.50 (remitted by the district court from the jury's original award of \$4 million),<sup>17</sup> because it was based upon an unduly speculative hypothetical license rate of 50%. We disagree.

The Gayes called Nancie Stern, an industry expert with over twenty years of experience in negotiating and assigning valuations for the use of portions of older musical compositions in new compositions. Stern has performed such valuations thousands of times. Major labels, as well as renowned artists, have retained her services. Few other people or businesses perform her line of work.

Stern testified that the prototypical negotiation centers on the percentage of the new musical composition that the owner of the older composition should receive for the use. The industry standard assigns 50% for the music and 50% for the lyrics. Turning to the two songs **r\*\*36)** at hand, Stern opined that the value of the use of "Got To Give It Up" in "Blurred Lines" would have been 50% had the Thicke Parties sought a license pre-release. Had the Thicke Parties sought a license post-release, the valuation would range between 75% to 100% percent. Stern arrived at her conclusion by reviewing "snippets" of the two songs and "A-B'ing"

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<sup>17</sup>The district court concluded that it had erred in informing the Jury that the publishing revenues amounted to \$8 million, where the parties had stipulated that the publishing revenues totaled \$6,377,055. Having determined that the jury applied a royalty rate of 50% to the publishing revenues, the district court remitted the damages award from \$4 million to \$3,188,527.50, which is 50% of \$6,377,055.

them, or playing them back and forth.<sup>18</sup> Stern's methodology and opinion were not unduly speculative, but tethered to her deep industry expertise.

In an attempt to buttress their position, the Thicke Parties cite to two decisions which are distinguishable. In Oracle, we held the jury's award of \$1.3 billion in hypothetical-license damages to be unduly speculative because "the evidence presented at trial failed to provide 'the range of the reasonable market value'" underlying the actual damages award. 765 F.3d at 1089 (quoting Polar Bear Prods., Inc., 384 F.3d at 709). Oracle's evidence was based on projected benefits and costs, and Oracle lacked a history of granting comparable licenses and provided no evidence of "benchmark" licenses in the industry. See id. at 1091-93. "Although a copyright plaintiff need not demonstrate that it would have reached a licensing agreement with the infringer or present **[\*\*37]** evidence of 'benchmark' agreements in order to recover hypothetical-license damages," we observed that "it may be difficult for a plaintiff to establish the amount of such damages without undue speculation in the absence of such evidence." Id. at 1093.

Here, as in Oracle, there is no evidence of a prior benchmark license agreement between the Thicke Parties and the Gayes. However, in contrast to Oracle, the Gayes tethered their hypothetical license damages to evidence of a benchmark license in the industry. Instead of relying on undue speculation, the Gayes presented an expert who had extensive and specialized knowledge regarding the type of hypothetical license at issue. Stern opined, based on an industry standard and her evaluation of the songs involved, that the reasonable market value of a license would range between 50% pre-release and 75% to 100% post-release.

In Uniloc USA, Inc. v. Microsoft Corp., 632 F.3d 1292 (Fed. Cir. 2011), the Federal Circuit held that the "25 percent rule of thumb," used in patent cases "to approximate the reasonable royalty rate that the manufacturer of a patented product would be willing to offer to pay to the patentee during a hypothetical negotiation," is a "fundamentally flawed tool." 632 F.3d at 1312, 1315. The Federal Circuit observed that the **r\*38]** 25% rule is "an abstract and largely

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<sup>18</sup>Although the Thicke Parties contend that Stern impermissibly based her testimony on the sound recording of "Got To Give It Up," Stern testified that her opinion was based solely on the edited clips approved for trial.

895 F.3d 1106, \*1129; 2018 U.S. App. LEXIS 18954, \*\*38; 127 U.S.P.Q.2D (BNA) 1517, \*\*\*1531

theoretical construct" that "does not say anything about a particular hypothetical negotiation or reasonable royalty involving any particular technology, industry, or party." *Id.* at 1317. The 50% standard Stern identified does not extend without bounds across art forms or different copyrightable media in the same way the 25% rule of thumb applied without regard to the industry or technology involved. Stern's **r-1532**) opinion was not based on abstraction, but on an industry standard and her expert assessment of the two songs. Her testimony was not unduly speculative, and did not render the damages award improper.

### **B. The Award of Profits Is Not Clearly Erroneous.**

**HN16(-i)** We review an apportionment of infringer's profits for clear error. *Cream Records, Inc. v. Joseph Schlitz Brewing Co.*, 864 F.2d 668, 669 (9th Cir. 1989) (per curiam); see also *Three Boys Music*, 212 F.3d at 487 (upholding jury's apportionment of profits for lack of clear error). The burden is on the defendant to prove what percentage of its profits is not attributable to infringement. *Three Boys Music*, 212 F.3d at 487.

The Thicke Parties contend that the award of \$1,768,191.88 in profits against Thicke and \$357,630.96 (remitted by the district court from the jury's original award of \$1,610,455.31) against **Williams**, which amounted to approximately 40% of their **[\*\*39]** non-publishing profits from "Blurred Lines," is excessive. They assert that the evidence supports a profits award of only 5%, citing Wilbur's opinion that less than 5% of "Blurred Lines" contains elements allegedly similar to ones in "Got To Give It Up."

We affirmed a similar profits award in *Three Boys Music*. See *id.* In *Three Boys Music*, the defendant presented evidence that only 10% to 15% of profits were attributable to the song's infringing elements. *Id.* Despite the evidence, the jury attributed 66% of profits to the song's infringing elements. *Id.* Here, the Thicke **r1130]** Parties bore the burden of proof. The jury was free to accept Wilbur's testimony or instead credit Finell's testimony that nearly every measure of "Blurred Lines" contains an element similar to "Got To Give It Up." The jury's choice to "apportion less than 100% of the profits but more than the percentage estimates of [the Thicke Parties'] expert does not represent clear error." *Id.*

### **C. The District Court Did Not Abuse its Discretion in**

#### **Awarding the Gayes a Running Royalty at the Rate of 50%.**

**HN17(-i)** We review a district court's decision to award equitable relief for abuse of discretion. *Traxler v. Multnomah County*, 596 F.3d 1007, 1014 n.4 (9th Cir. 2010); see also *Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, 702 F.3d 1351, 1363 (Fed. Cir. 2012) (reviewing district court's **[-40]** imposition of an ongoing royalty for abuse of discretion). Findings of fact are reviewed for clear error. See *Traxler*, 596 F.3d at 1014 n.4.

The district court based the royalty rate on Stern's testimony. For the same reasons set forth above, see *supra* Part VI.A, we conclude that the district court did not abuse its discretion in awarding the Gayes a running royalty at the rate of 50%.

#### **17. The District Court Erred in Overturning the Jury's General Verdict in Favor of Harris and the Interscope Parties.**

**HN18]** We review de novo a district court's grant of judgment as a matter of law. *Wallace v. City of San Diego*, 479 F.3d 616, 624 (9th Cir. 2007). **HN19[ ]** We also review de novo a trial judge's decision to disrupt a jury verdict on the basis that an erroneous instruction resulted in inconsistent verdicts. *Westinghouse Elec. Corp. v. Gen. Circuit Breaker & Elec. Supply Inc.*, 106 F.3d 894, 901 (9th Cir. 1997).

Harris and the Interscope Parties contend that the district court erred in overturning the jury's general verdicts finding in their favor. We agree. First, the Gayes waived any challenge to the consistency of the jury's general verdicts. Second, even had the Gayes preserved their challenge, neither *Federal Rule of Civil Procedure 50(b)* nor our decisions in *Westinghouse*, 106 F.3d 894, and *El-Hakem v. B.J.Y. Inc.*, 415 F.3d 1068 (9th Cir. 2005), conferred authority on the district court to upset the jury's verdicts in this case. Third, as to Harris specifically, the district court erred for the additional reason **[\*\*41]** that no evidence showed Harris was vicariously liable.

#### **A. The Gayes Waived Any Challenge to the Consistency of the Jury's General Verdicts.**

**HN20[ ]** A party "waive[s] its objection to the jury's verdict ... by not objecting to the alleged inconsistency

"[w]hen confronted by seemingly [**\*\*44**] inconsistent responses to special verdict interrogatories, a trial court has a *duty* to harmonize those responses whenever possible." *El-Hakem*, 415 F.3d at 1074 (emphasis added). In contrast, there is no duty to reconcile inconsistent general verdicts. We have held, in accordance with the majority rule, that "legally inconsistent verdicts 'may nonetheless stand on appeal even though inconsistent.'" *Zhang v. Am. Gem Seafoods, Inc.*, 339 F.3d 1020, 1035 (9th Cir. 2003) (quoting *Int'l Longshoremen's & Warehousemen's Union (C/O) v. Hawaiian Pineapple Co.*, 226 F.2d 875, 881 (9th Cir. 1955)). We see no reason to deviate from this rule today.

#### **r\*\*1534] D. Harris Is Not Vicariously Liable.**

The district court erred in entering judgment against Harris for the additional reason that the Gayes proffered no evidence establishing that Harris was secondarily liable for vicarious infringement. The Gayes argue, without citing to the record or to any law, that Harris is liable as a matter of law as a co-owner of the copyright who authorized the distribution of "Blurred Lines."<sup>22</sup> They are incorrect both legally and factually.

**HN24(-i)** To be vicariously liable for copyright infringement, one must have "(1) the right and ability to supervise the infringing conduct and (2) a direct financial interest in the infringing activity." *Perfect 10 Inc. v. Visa Int'l Serv., Ass'n*, 494 F.3d 788, 802 (9th Cir. 2007). A vicarious infringer "exercises control over a direct infringer when [**\*\*45**] he has both a legal right to stop or limit the directly infringing conduct, as well as the practical ability to do so." *Perfect 10 Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1173 (9th Cir. 2007).

No evidence was adduced at trial supporting a theory of vicarious liability. Harris, who did not testify at trial, independently wrote and recorded a rap verse that was added to the track seven months after Thicke and

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functionally general verdicts. See *El-Hakem v. BJJ Inc.*, 262 F. Supp. 2d 1139, 1146 (D. Or. 2003), *affd*, 415 F.3d 1068 (9th Cir. 2005). Notwithstanding this fact, *El-Hakem* is distinguishable for the reasons above, and for the additional reason that the parties in *El-Hakem*, unlike the parties in this case, moved for judgment as a matter of law. 415 F.3d at 1072.

<sup>22</sup>The parties' stipulation that Harris co-owned 13% of the musical composition copyright in "Blurred Lines" sheds no light on Harris's role in the distribution process.

**Williams** created "Blurred Lines." Neither Thicke nor **Williams** expected the later addition of a rap verse or had anything to do with its creation. The Gayes have cited nothing in the record demonstrating that Harris had either a right to stop the infringing conduct or the ability to do so, much less both.

We conclude that the district court erred in upsetting the jury's general verdicts in favor of Harris and the Interscope Parties and entering judgment against them.

#### **VI. The District Court Did Not Abuse its Discretion in Denying the Gayes' Motion for Attorney's Fees.**

**HN25(-i)** We review a district court's decision on attorney's fees for abuse of discretion. *Stetson v. Grissom*, 821 F.3d 1157, 1163 (9th Cir. 2016).

The Gayes request that we vacate the district court's order denying their motion for attorney's fees and remand the case for reconsideration in light of *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 195 L. Ed. 2d 368 (2016). In *Kirtsaeng*, the Supreme Court reaffirmed the principle **r\*46**] that, **HN26(-i)** in exercising [**\*\*1133**] its authority under § 505 of the Copyright Act to award a prevailing party attorney's fees, a court "should give substantial weight to the objective reasonableness of the losing party's position." *Id.* at 1983. The Court cautioned, however, that "the court must also give due consideration to all other circumstances relevant to granting fees; and it retains discretion, in light of those factors, to make an award even when the losing party advanced a reasonable claim or defense." *Id.*

Here, the district court's examination of objective reasonableness was but one factor in its analysis. The district court took the specific circumstances of the case into consideration, including the degree of success obtained, the purposes of the Copyright Act, the chilling effect of attorney's fees, motivation, frivolousness, factual and legal unreasonableness, compensation, and deterrence. The district court did not abuse its discretion in denying the Gayes' motion for attorney's fees, and a remand on that issue is not warranted.

#### **[\*\*\*1535] VII. The District Court Did Not Abuse its Discretion in Apportioning Costs Among the Parties.**

**HN2(-j)** We review the district court's award of costs



for abuse of discretion. Draper v. Rosario, 836 F.3d 1072, 1087 (9th Cir. 2016).

HN28[◆] Federal Rule of Civil Procedure 54(d)(1) authorizes [\*\*\*\*47] the award of costs "to the prevailing party." A "party in whose favor judgment is rendered is generally the prevailing party for purposes of awarding costs under Rule 54(d)." San Diego Police Officers' Ass'n v. San Diego City Emps.' Ret. Sys., 568 F.3d 725, 741 (9th Cir. 2009) (quoting d'Hedouville v. Pioneer Hotel Co., 552 F.2d 886, 896 (9th Cir. 1977)). Here, the district court entered judgment for the Gayes on their claim that "Blurred Lines" infringed their copyright in "Got To Give It Up," but entered judgment for the Thicke Parties on the Gayes' claim that "Love After War" infringed their copyright in "After the Dance." The district court apportioned the award of costs accordingly, awarding the Gayes their costs for the "Blurred Lines" claim, and awarding the Thicke Parties their costs for the "Love After War" claim.

The Gayes urge us to adopt the Federal Circuit's holding that "there can only be one prevailing party in a given case" for purposes of Rule 54(d)(1). Shum v. Intel Corp., 629 F.3d 1360, 1367 (Fed. Cir. 2010). Despite the Federal Circuit's singular construction of "the prevailing party," it affirmed an award of costs functionally equivalent to the one the district court ordered in this case. See id. at 1364. The Federal Circuit held that "the district court did not abuse its discretion in awarding costs to each party with respect to the claims on which they each prevailed, then netting those sums to arrive at the final [\*\*48] figure." Id. Here, as in Shum, the district court in effect reduced the Gayes' costs award "to reflect the extent of [their] victory." Id. at 1370. This was not an abuse of discretion.<sup>23</sup>

#### [\*1134] VIII. You Can't Get There from Here: The

<sup>23</sup> Additional authorities support our conclusion. See In re Paoli R.R. Yard PCB Litig., 221 F.3d 449, 469 (3d Cir. 2000) ("The general rule in this circuit and others is that a district court, in exercising its equitable discretion, may apportion costs between the prevailing and non-prevailing parties as it sees fit."); Amarel v. Connell, 102 F.3d 1494, 1524 (9th Cir. 1997) (instructing the district court to "await the outcome of the ISherman Act I Section 1 claim to ascertain whether allocation of costs is necessary," rather than "attempting to award partial costs at this juncture," where defendants prevailed on the Section 2 claim, but we remanded the Section 1 claim for a new trial).

#### Dissent Ignores Governing Law that We Must Apply Given the Procedural Posture of the Case.

The dissent's position violates every controlling procedural rule involved in this case. The dissent improperly tries, after a full jury trial has concluded, to act as judge, jury, and executioner, but there is no there there, and the attempt fails.

Two barriers block entry of judgment as a matter of law for the Thicke Parties. The dissent attempts to sidestep these obstacles: It finds that the Thicke Parties are entitled to judgment as a matter of law, but fails to explain the procedural mechanism by which this could be achieved. Given this flawed premise, it is perhaps unsurprising how little the dissent mirrors the majority opinion, and how far it veers into analysis untethered from the procedural posture of this case.

First, the dissent incorrectly concludes that there are no procedural obstacles barring entry of judgment as a matter of law for the Thicke Parties. The dissent is [\*\*49] unable to distinguish the Supreme Court's decision in Ortiz, which prevents us from reviewing the district court's order denying summary judgment after a full trial on the merits. 562 U.S. at 183-84. Even assuming our court's limited exception for reviewing a denial of summary judgment for legal error, see Escriba, 743 F.3d at 1243, survives Ortiz without change, we reiterate, without recapitulating our earlier analysis, supra Part 11, that the dissent's attempt to distinguish Ortiz and latch onto the exception outlined in Escriba is futile in this case. This case "hardly present[s] 'purely legal' issues capable of resolution 'with reference only to undisputed facts.'" Ortiz, 562 U.S. at 189. Even though the dissent's musicological exegesis has no bearing on our analysis at this procedural stage of the case, it clearly shows that the facts in this case are hotly disputed and that the case does not just involve pure issues of law. The dissent cites no controlling law authorizing it to undertake its own summary judgment analysis at this stage of the case.

[\*\*1536] Second, the Thicke Parties, like the Gayes, failed to make a Rule 50(a) motion for judgment as a matter of law at trial. Their failure to do so "precludes consideration of a Rule 50(b) motion for judgment as a matter of law." Tortu, 556 F.3d at 1083.<sup>24</sup> Just as

<sup>24</sup> Even in a case where the defendant argued that the district court "induced him not to file [a] Rule 50(a) motion," we nonetheless adhered to the strict requirements of Rule 50,

the district court could not enter judgment as a matter of law for the Thicke Parties, we cannot do so either.

This procedural limitation is well worth underscoring. We held, in a case in which a party made an oral Rule 50(a) motion, but failed to renew its motion, that the party "waived its challenge to the sufficiency of the evidence because it did not renew its pre-verdict Rule 50(a) motion by filing a post-verdict Rule 50(b) motion." Nitco Holding Corp. v. Bouiikian, 491 F.3d 1086, 1089 (9th Cir. 2007). We further held that, under the Supreme Court's decision in Unitherm Food Systems, Inc. v. Swift-Eckrich, Inc., 546 U.S. 394, 126 S. Ct. 980, 163 L. Ed. 2d 974 (2006), the party's failure to renew a Rule 50(a) motion "precluded [\*1135] [us] from exercising our discretion to engage in plain error review." Nitco, 491 F.3d at 1089-90. We thus overruled our "prior decisions permit[ing] a discretionary plain error review" in the absence of a Rule 50(a) motion "as in conflict with controlling Supreme Court authority." Id. (citing Miller v. Gammie, 335 F.3d 889, 900 (9th Cir. 2003) (en bane)). Thus, when we stitch together Rule 50's requirements with our case law, we are left with this result: Because "a post-verdict motion under Rule 50(b) is an absolute prerequisite to any appeal based on insufficiency of the evidence," id. at 1089, and because a Rule 50(a) motion is, in turn, a prerequisite for a Rule 50(b) motion, see Tortu, 556 F.3d at 1081-83, an advocate's failure to comply with Rule 50's requirements gives us serious pause, and compels us to heighten [\*\*51] the level of deference we apply on appeal.

The dissent cites Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 251-52, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986), for the proposition that "reviewing a summary judgment ruling and a jury verdict" are two sides of the same coin. The dissent makes an important omission, however. The Supreme Court observed that the standard of review for a *directed verdict* motion resembles that for a motion for summary judgment:

[T]he "genuine issue" summary judgment standard is "very close" to the "reasonable jury" directed verdict standard: "The primary difference between the two motions is procedural; summary judgment

noting that the defendant still "could have filed a Rule 50(a) motion ... before the matter had been submitted to the jury," and holding that the defendant's "disregard□ of Rule 50's "clear requirements" foreclosed the possibility of relief pursuant to Rule 50(b), Tortu, 556 F.3d at 1083. Here, the Thicke Parties could-and should-have filed a Rule 50(a) motion in order to preserve their ability to make a Rule 50(b) motion, regardless of whether or not the district court would have granted the motion.

motions are usually made before trial and decided on documentary evidence, while directed verdict motions are made at trial and decided on the evidence that has been admitted."

Id. (quoting Bill Johnson's Rests. v. NLRB, 461 U.S. 731, 745 n.11, 103 S. Ct. 2161, 76 L. Ed. 2d 277 (1983)). As neither of the parties made a motion for a directed verdict, we lack a procedural mechanism for resurrecting [\*\*52] a summary judgment-stage analysis. As we have emphasized repeatedly, our review on appeal is necessarily circumscribed.

The dissent cites a number of cases it claims support the proposition that a court must award judgment as a matter of law when it is able to determine substantial similarity, or lack thereof, under the extrinsic test. None of the cases the dissent cites, however, authorizes us to review a factbound summary judgment denial after a full trial on the merits, or to enter judgment as a matter of law in the absence of a Rule 50(a) motion below. All of the cases cited in the dissent arise from a different procedural posture, and are clearly distinguishable. See Rentmeester v. Nike, Inc., 883 F.3d 1111, 1116 (9th Cir. 2018) (reviewing grant of motion to dismiss); Folkens v. Wyland Worldwide, LLC, 882 F.3d 768, 773 (9th Cir. 2018) (reviewing grant of summary judgment); Antonick v. Elec. Arts, Inc., 841 F.3d 1062, 1065 (9th Cir. 2016) (reviewing grant of judgment as a matter of law); Peters v. West, 692 F.3d 629, 632 (7th Cir. 2012) (reviewing grant of motion to dismiss); Mattel, 616 F.3d at 912-13, 918 (vacating equitable relief awarded by district court on other [\*\*\*1537] grounds, where the district court had "made its own infringement findings in determining whether Mattel was entitled to equitable relief" (emphasis added)); Benav, 607 F.3d at 622 (reviewing grant of summary judgment); Newton v. Diamond, 388 F.3d 1189, 1190 (9th Cir. 2004) (reviewing grant of summary judgment); Calhoun v. Lillenas Pub/g, 298 F.3d 1228, 1232 (11th Cir. 2002) (per curiam) (reviewing grant of summary judgment). Moreover, [\*\*53] to the extent the citations to unpublished dispositions in the dissent carry any weight, which we question, they, too, provide no support for what the dissent seeks to accomplish. See Briggs v. Sony Pictures Entm't, Inc., 714 F. App'x 712, 713 (9th Cir. 2018) (reviewing grant of summary judgment); Si/as v. HBO, Inc., 713 Fed. Appx. 626, 627 (9th Cir. 2018) (reviewing grant of motion to dismiss); Mintz v. Subaru of Am., Inc., 716 F. App'x 618, 620 (9th Cir. 2017) (reviewing grant of motion to dismiss); Edwards v. Cinelou Films, 696 F. App'x 270, 270 (9th Cir. 2017) (reviewing grant of motion to dismiss); Heusev v.

Emmerich, 692 F. App'x 928, 928-29 (9th Cir. 2017) (reviewing grant of motion to dismiss); Braddock v. Jolie, 691 F. App'x 318, 319 (9th Cir. 2017) (reviewing grant of motion for judgment on the pleadings); Basile v. Twentieth Century Fox Film Corp., 678 F. App'x 576, 576 (9th Cir. 2017) (reviewing grant of motion to dismiss).

The dissent's remaining alternative to entering judgment as a matter of law for the Thicke Parties is to vacate the judgment and remand for a new trial. Although the dissent does not state so expressly, it appears that the dissent would reverse the district court's denial of the Thicke Parties' motion for a new trial on grounds that the verdict is against the clear weight of the evidence.

Assuming, *arguendo*, that is the route the dissent wishes to pursue, it nevertheless runs into several hurdles. Critically, there is no reference to the deferential standard of review applicable to the district court's denial of the Thicke Parties' motion for a new trial. Indeed, there is no discussion of the district court's **[\*\*54]** denial of the motion for a new trial at all. It bears repeating, then, that we are bound by the "'limited nature of our appellate function' in reviewing the district court's denial of a motion for a new trial." Lam, 869 F.3d at 1084 (quoting Kode, 596 F.3d at 612). As is the case here, "where the basis of a Rule 59 ruling is that the verdict is not against the weight of the evidence, the district court's denial of a Rule 59 motion is virtually unassailable." *Id.* (quoting Kode, 596 F.3d at 612). Under these circumstances, "only . . . an *absolute absence of evidence* to support the jury's verdict" will result in reversal. *Id.* (quoting Kode, 596 F.3d at 612). HN29(i) "Although the trial judge can weigh the evidence and assess the credibility of witnesses, we may not." Kode, 596 F.3d at 612; see also Landes Constr. Co. v. Royal Bank of Can., 833 F.2d 1365, 1372 (9th Cir. 1987) ("[W]e cannot weigh the evidence for ourselves").

In a thorough order, the district court reviewed the evidence presented at trial, and concluded that the verdict was not against the clear weight of the evidence. In faulting us for "tellingly refus[ing] to explain" the evidence supporting the verdict, the dissent ignores the weighty restrictions on our review at this procedural stage of the case. The dissent jettisons the constraints on our review, instead opting for the radical route of playing both expert **[\*\*55]** and juror. The dissent weighs the experts' credibility, resolves factual conflicts, and

sets forth its own findings on the extrinsic test.<sup>25</sup> We decline the dissent's invitation to invade the province of the jury: Applying the proper standard of review, one simply cannot say truthfully that there was an absolute absence of evidence supporting the jury's verdict in this case.

To buttress this point, in Swirsky, we reversed the district court's grant of summary judgment of non-infringement, finding the district court erred, in large part, by conducting an analysis similar to the one the dissent has undertaken here. See 376 F.3d at 846-49. Two of our conclusions **[\*1137]** in Swirsky are particularly relevant here. First, we held that the district court erred in discounting the expert's musical methodology on technical grounds. See id. at 846-47. For example, the district court rejected the expert's "selective" choice to "discount" notes that he characterize[d] as **[\*\*\*1538]** "ornamental," and discredited the expert's opinion that, "even though measure three of both choruses were not identical in numerical pitch sequence or note selection," they emphasized the same scale degree and resolved similarly. *Id.* We observed that "[t]here is nothing **[\*\*56]** inherently unsound about [the expert's] musicological methodology," id. at 846, and we similarly decline to conclude otherwise in this case.

Second, we held in Swirsky that the district court "erred by basing its comparison of the two choruses almost entirely on a measure-by-measure comparison of melodic note sequences from the full transcriptions of the choruses." Id. at 847. In so holding, we reiterated our case law. We stressed that "substantial similarity can be found in a combination of elements, even if those elements are individually unprotected." Id. at 848; see also Three Boys Music, 212 F.3d at 485 ("It is well settled that a jury may find a combination of unprotectible elements to be protectible under the extrinsic test because "the over-all impact and effect indicate substantial appropriation."" (quoting Krofft, 562 F.2d at 1169)). In fact, "[e]ven if a copied portion be relatively small in proportion to the entire work, if qualitatively important, the finder of fact may properly find substantial similarity." Swirsky, 376 F.3d at 852

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<sup>25</sup> The dissent does not mention the fact that the jury also considered the intrinsic test in reaching its verdict. The dissent correctly stops short of explicitly "second-guess[ing] the jury's application of the intrinsic test," Three Boys Music, 212 F.3d at 485, which is reserved exclusively for the trier of fact, Benav. 607 F.3d at 624.

(alteration in original) (quoting Baxter v. MCA, Inc., 812 F.2d 421, 425 (9th Cir. 1987)). Thus, even "an arrangement of a limited number of notes can garner copyright protection." Id. at 851. If taken to its logical conclusion, the dissent's musicological analysis and approach would sound the death knell for these **C-57** governing legal principles.

Consider the principle that, at summary judgment, so long as the Gayes "presented 'indicia of a sufficient disagreement concerning the substantial similarity of [the] two works,' then the case *must* be submitted to a trier of fact." Id. at 844 (alteration in original) (emphasis added) (quoting Brown Bag Software v. Symantec Corp., 960 F.2d 1465, 1472 (9th Cir. 1992)). To require that a case be submitted to a trier of fact if there is any "indicia" of a disagreement regarding substantial similarity, only to impose on the district court the task of independently scrutinizing the expert testimony presented at trial, would turn our law on its head. Worse still, to require a district court to do so in the absence of a Rule 50 motion defies law and logic.

Moreover, the expert review conducted by the dissent does not provide a workable standard for district courts to follow. It is unrealistic to expect district courts to possess even a baseline fluency in musicology, much less to conduct an independent musicological analysis at a level as exacting as the one used by the dissent. After all, we require parties to present expert testimony in musical infringement cases for a reason. See id. at 845.

The dissent has failed to take into account another wrinkle that would **[\*\*58]** ensue from vacating the judgment and remanding the case for a new trial. The Gayes have cross-appealed protectively, challenging the district court's interpretation of the 1909 Act, in the event a new trial is ordered. Even though a vacatur and remand would trigger the Gayes' protective cross-appeal, the dissent does not wrestle with the merits of this issue. While the dissent is adamant that the scope of the Gayes' copyright is limited to the four corners of the deposit copy, it provides no statutory interpretation or legal analysis supporting its assertion.

**[\*1138]** Lastly, the dissent prophesies that our decision will shake the foundations of copyright law, imperil the music industry, and stifle creativity. It even suggests that the Gayes' victory will come back to haunt them, as the Gayes' musical compositions may now be found to infringe any number of famous songs preceding them. Respectfully, these conjectures are unfounded

hyperbole.<sup>26</sup> Our decision does not grant license to copyright a musical style or "groove." Nor does it upset the balance Congress struck between the freedom of artistic expression, on the one hand, and copyright protection of the fruits of that expression, on the other **[\*\*59]** hand. Rather, our decision hinges on settled procedural principles and the limited nature of our appellate review, dictated by the particular posture of this case and **r\*\*1539]** controlling copyright law. Far from heralding the end of musical creativity as we know it, our decision, even construed broadly, reads more accurately as a cautionary tale for future trial counsel wishing to maximize their odds of success.

## CONCLUSION

We have decided this case on narrow grounds. Our conclusions turn on the procedural posture of the case, which requires us to review the relevant issues under deferential standards of review. For the foregoing reasons, we reverse the district court's entry of judgment against Harris and the Interscope Parties, and affirm the remainder of the district court's judgment, and its order denying attorney's fees and apportioning costs.

The parties shall bear their own costs on appeal.

AFFIRMED IN PART, REVERSED IN PART.

Dissent by: NGUYEN

## Dissent

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NGUYEN, Circuit Judge, dissenting:

The majority allows the Gayes to accomplish what no one has before: copyright a musical style. "Blurred Lines" and "Got to Give It Up" are not objectively similar. They differ in melody, harmony, and rhythm. Yet by refusing to compare **C-60]** the two works, the majority establishes a dangerous precedent that strikes a devastating blow to future musicians and composers

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<sup>26</sup> Unlike the 1909 Act, the current copyright regime, established by the 1976 Act, protects "works of authorship" fixed in "sound recordings." 17 U.S.C. § 102. Despite the dissent's prediction that our decision will "strike a devastating blow to future musicians and composers everywhere," the reality is that, going forward, a number of the contentious issues presented in this case will occur with less frequency with the passage of time.

everywhere.

While juries are entitled to rely on properly supported expert opinion in determining substantial similarity, experts must be able to articulate facts upon which their conclusions—and thus the jury's findings—logically rely. Here, the Gayes' expert, musicologist Judith Finell, cherry-picked brief snippets to opine that a "constellation" of individually unprotectable elements in both pieces of music made them substantially similar. That might be reasonable if the two constellations bore any resemblance. But Big and Little Dipper they are not. The only similarity between these "constellations" is that they're both compositions of stars.

I.

When a court, with the assistance of expert testimony, is able to determine substantial similarity (or lack thereof) under the extrinsic test, judgment must be given as a matter of law. See Benay v. Warner Bros. Entm't, Inc., 607 F.3d 620, 624 (9th Cir. 2010). If, for example, the defendant copied verbatim most of the plaintiffs [\*1139] work, then the plaintiff is entitled to a finding of substantial similarity as a matter of law. See Calhoun v. Lillenas Publ'g, 298 F.3d 1228, 1232 (11th Cir. 2002) ("[E]ven a casual comparison of the two compositions [...61] compels the conclusion that the two compositions are practically identical."). Conversely, if the objective similarities between the two pieces are merely trivial, then a verdict for the plaintiff could not stand. See Peters v. West, 692 F.3d 629, 636 (7th Cir. 2012) (affirming dismissal of infringement suit where the two songs "share[d] only small cosmetic similarities"); Newton v. Diamond ("Newton II"), 388 F.3d 1189 (9th Cir. 2004) (affirming grant of summary judgment to defendants who appropriated a de minimis portion of the plaintiffs musical composition and used it throughout their own work).

The majority, like the district court, presents this case as a battle of the experts in which the jury simply credited one expert's factual assertions over another's. To the contrary, there were no material factual disputes at trial. Finell testified about certain similarities between the deposit copy of the "Got to Give It Up" lead sheet and "Blurred Lines." Pharrell Williams and Robin Thicke don't contest the existence of these similarities. Rather, they argue that these similarities are insufficient to support a finding of substantial similarity as a matter of law. The majority fails to engage with this argument.

Finell identified a few superficial similarities [\*62] at the

"cell" level by focusing on individual musical elements, such as rhythm or pitch, entirely out of context. Most of these "short . . . pattern[s]" weren't themselves protectable by copyright, and Finell ignored both the other elements with which they appeared and their overall placement in each of the songs. Her analysis is the equivalent of finding substantial similarity between two pointillist paintings because both have a few flecks of similarly colored paint. A comparison of the deposit copy of "Got to Give it Up" and "Blurred Lines" under the extrinsic test leads [\*1540] to only one conclusion. Williams and Thicke were entitled to judgment as a matter of law.

11.

A.

The purpose of copyright law is to ensure a robust public domain of creative works. See Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 429, 104 S. Ct. 774, 78 L. Ed. 2d 574 (1984). While the Constitution authorizes Congress to grant authors monopoly privileges on the commercial exploitation of their output, see U.S. Const. art. I, § 8, cl. 8, this "special reward" is primarily designed to motivate authors' creative activity and thereby "allow the public access to the products of their genius." Sony Corp., 464 U.S. at 429. Accordingly, copyrights are limited in both time and scope. See U.S. Const. art. I, § 8, cl. 8 (providing copyright protection only "for limited Times"); Sony Corp., 464 U.S. at 432 ("This protection has....63] never accorded the copyright owner complete control over all possible uses of his work."); see also Berlin v. E. C. Pubis., 329 F.2d 541, 544 (2d Cir. 1964) ("[C]ourts in passing upon particular claims of infringement must occasionally subordinate the copyright holder's interest in a maximum financial return to the greater public interest in the development of art, science and industry.").

An important limitation on copyright protection is that it covers only an author's expression—as opposed to the idea underlying that expression. See 17 U.S.C. § 102(a) ("Copyright protection subsists . . . in original works of authorship fixed in any tangible medium of expression . . . from which they can be perceived, [\*1140] reproduced, or otherwise communicated . . ."); id. § 102(b) ("In no case does copyright protection . . . extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of

the form in which it is described, explained, illustrated, or embodied in [the author's original] work."). Copyright "encourages others to build freely upon the ideas and information conveyed by a work." Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 349-50, 111 S. Ct. 1282, 113 L. Ed. 2d 358 (1991) (citing Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 556-57, 105 S. Ct. 2218, 85 L. Ed. 2d 588 (1985)).

The idea/expression dichotomy, as this principle is known, "strikes a definitional balance between the First Amendment and the Copyright Act." Bikram's Yoga Coll. of India, L.P. v. Evolation Yoga, LLC., 803 F.3d 1032, 1037 (9th Cir. 2015) (quoting **[\*\*64]** Harper & Row, 471 U.S. at 556) (alteration in Harper & Row omitted). Because "some restriction on expression is the inherent and intended effect of every grant of copyright," Golan v. Holder, 565 U.S. 302, 327-28, 132 S. Ct. 873, 181 L. Ed. 2d 835 (2012), the idea/expression dichotomy serves as one of copyright law's "built-in First Amendment accommodations." Eldred v. Ashcroft, 537 U.S. 186, 219, 123 S. Ct. 769, 154 L. Ed. 2d 683 (2003) (citing Harper & Row, 471 U.S. at 560).

Such accommodations are necessary because "in art, there are, and can be, few, if any, things, which in an abstract sense, are strictly new and original throughout." Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 575, 114 S. Ct. 1164, 127 L. Ed. 2d 500 (1994) (quoting Emerson v. Davies, 8 F. Gas. 615, 619, F. Cas. No. 4436 (C.C.D. Mass. 1845) (Story, J.)). Every work of art "borrows, and must necessarily borrow, and use much which was well known and used before." *Id.* (quoting Emerson, 8 F. Cas. at 619); see 1 Melville D. Nimmer & David Nimmer, Nimmer on Copyright § 2.05(81) (rev. ed. 2017) ("In the field of popular songs, many, if not most, compositions bear some similarity to prior songs.").<sup>1</sup> But for the freedom to borrow others' ideas and express

<sup>1</sup> As an example, Williams and Thicke attempted to show the jury a video demonstrating how a common sequence of four chords serves as the harmonic backbone of innumerable songs. See Axis of Awesome, 4 Chord Song (with song titles), YouTube (Dec. 10, 2009) <https://www.youtube.com/watch?v=5pidokakU4I> (singing 38 popular songs over the same chord progression, ranging from "Let It Be" by the Beatles to "If I Were a Boy" by Beyonce). "Blurred Lines" employs only two chords-the first two from this sequence. The district court prevented the jury from hearing this evidence. However, the court allowed the jury to hear mashups of "Blurred Lines" played together with "Got to Give It Up," which the Gayes used to show that the two songs were harmonically similar.

them in new ways, artists would simply cease producing **[\*\*\*1541]** new works-to society's great detriment.

## B.

"Blurred Lines" clearly shares the same "groove" or musical genre as "Got to Give It Up," which everyone agrees is an unprotectable idea. See, e.g., 2 William F. Patry, Patry on Copyright § 4:14 (2017) ("[T]here is no protection for a communal style . . ."). But what the majority overlooks **[\*\*65]** is that two works in the same genre must share at least some protectable expression in order to run afoul of copyright law.

Not all expression is protectable. Originality, the "*sine qua non* of copyright," accommodates authors' need to build on the works of others by requiring copyrightable expression to be "independently created by the author" and have "at least some minimal degree of creativity." Feist, 499 U.S. at 345, 348. If an **[\*1141]** author uses commonplace elements that are firmly rooted in the genre's tradition, the expression is unoriginal and thus uncopyrightable. See *id.* at 363.

Even original expression can be so intimately associated with the underlying idea as to be unprotectable. Under the doctrine of *scènes à faire*, "expressions that are standard, stock, or common to a particular subject matter or medium are not protectable under copyright law." Satava v. Lowry, 323 F.3d 805, 810 (9th Cir. 2003) (citing See *y.*: Durang, 711 F.2d 141, 143 (9th Cir. 1983)). The doctrine of merger provides that "where an idea contained in an expression cannot be communicated in a wide variety of ways," the "idea and expression may merge . . . [such] that even verbatim reproduction of a factual work may not constitute infringement." Allen v. Acad. Games League of Am., Inc., 89 F.3d 614, 617 (9th Cir. 1996); see also Rice v. Fox Broad. Co., 330 F.3d 1170, 1175 (9th Cir. 2003) {"[S]imilarities derived from the use of common ideas cannot be protected: otherwise, **[\*\*66]** the first to come up with an idea will corner the market." (quoting Apple Computer, Inc. v. Microsoft Corp., 35 F.3d 1435, 1443 (9th Cir. 1994))}.

The majority begins its analysis by suggesting that the Gayes enjoy broad copyright protection because, as a category, "[m]usical compositions are not confined to a narrow range of expression." Maj. Op. at 20. But the majority then contrasts this protected category as a whole with specific applications of other protected categories-the "page-shaped computer desktop icon"

in *Apple Computer* (an audiovisual work) and the "glass-in-glass jellyfish sculpture" in *Satava* (a pictorial, graphic, and sculptural work)<sup>2</sup>-that were entitled only to thin copyright protection due to the limited number of ways in which they could be expressed. That's a false comparison. Under the majority's reasoning, the copyrights in the desktop icon and glass jellyfish should have been broad. Like musical compositions, both audiovisual works and pictorial, graphic, and sculptural works can be expressed in myriad ways.

More importantly, "[t]he mere fact that a work is copyrighted does not mean that every element of the work may be protected." *Feist*, 499 U.S. at 348. Application of the extrinsic test "requires breaking the [copyrighted and allegedly infringing] r\*67] works down into their constituent elements, and comparing those elements for proof of copying as measured by substantial similarity." *Swirsky v. Carey*, 376 F.3d 841, 845 (9th Cir. 2004) (internal quotation marks omitted). "Because the requirement is one of substantial similarity to *protected* elements of the copyrighted work, it is essential to distinguish between the protected and unprotected material . . . ." *Id.* We then "apply the limiting doctrines, subtracting the unoriginal elements," to determine how "broad" or "thin" the remaining copyright is. *Ets-Hokin v. Skyy Spirits, Inc.*, 323 F.3d 763, 766 (9th Cir. 2003) (citing *Apple Computer*, 35 F.3d at 1442).

The majority doesn't explain what elements are protectable in "Got to Give It Up," which is surprising given that our review of this issue is de nova. See *Mattel, Inc. v. MGA Entm't, Inc.*, 616 F.3d 904, 914 (9th Cir. 2010). But by affirming the jury's verdict, the majority implicitly draws the line between protectable and unprotectable expression "so broadly that future authors, [\*\*\*1542] composers and artists will find a diminished store of ideas on which to build their works." *Oravec v. Sunny Isles Luxury Ventures, L.C.*, 527 F.3d 1218, 1225 f".11421 (11th Cir. 2008) (quoting *Meade v. United States*, 27 Fed. Cl. 367, 372 (Fed. Cl. 1992)).

The issue here isn't whether *Williams* and Thicke copied "Got to Give It Up"-there's plenty of evidence they were attempting to evoke Marvin *Gaye's* style. Rather, the issue is whether they took too much.

<sup>2</sup> The *Copyright Act* expressly protects each of these categories. See 17 USC § 102(a)(2) (musical works); *id.* § 102(a)(5) (pictorial, graphic, and sculptural works); *id.* § 102(a)(6) (motion pictures and other audiovisual works).

Copying in and of itself "is not conclusive of infringement. Some r\*68] copying is permitted." *Newton II*, 388 F.3d at 1193 (quoting *West Publ'g Co. v. Edward Thompson Co.*, 169 F. 833, 861 (E.D.N.Y. 1909) (*Hand, J.*)). Copying will only have legal consequences if it "has been done to an unfair extent." *Id.* (quoting *West Publ'g*, 169 F. at 861). In determining liability for copyright infringement, the critical and ultimate inquiry is whether "the copying is substantial." *Id.*

Requiring similarities to be substantial is of heightened importance in cases involving musical compositions. Sound recordings have "unique performance elements" that must be "filter[ed] out . . . from consideration." *Newton II*, 388 F.3d at 1194. Thus, the range of musical expression is necessarily more circumscribed when music is written down than when it is performed. "Given the limited number of musical notes (as opposed to words in a language), the combination of those notes and their phrasing, it is not surprising that a simple composition of a short length might well be susceptible to original creation by more than one composer." *Calhoun*, 298 F.3d at 1232 (footnote omitted).

III.

The *Gayes* don't contend that every aspect of "Blurred Lines" infringes "Got to Give It Up." Rather, they identify only a few features that are present in both works. These features, however, aren't individually protectable. And when considered in the works as a whole, these similarities r\*69] aren't even perceptible, let alone substantial.

Musical compositions are expressed primarily through the building blocks of melody, harmony, and rhythm.<sup>3</sup>

<sup>3</sup> Of course, these aren't the only elements through which a musical idea can be expressed in tangible form. See *Swirsky*, 376 F.3d at 848-49. Other elements include tempo (the speed at which a composition is played), dynamics (the volume of sound), and instrumentation. See *id.* Many elements can be broken down into constituent elements. For example, melody is a sequence of pitches played successively; harmony is a group of pitches played simultaneously; and a chord progression is a sequence of harmonies. See Don Michael Randel, *The New Harvard Dictionary of Music* 366, 481-82 (1986). The analysis will generally focus on the most relevant subset of elements, which depends on the nature of the music at issue. See *Swirsky*, 376 F.3d at 849. Finell did not compare the songs' overall harmonies because she felt "that wasn't the



See *Newton II. Diamond ("Newton I")*. 204 F. Supp. 2d 1244, 1249 (C.D. Cal. 2002) (citing 3 Nimmer & Nimmer, *supra*, § 2.05(07); Randel, *supra*, at 481 ("The whole of music is often informally divided into three domains: melody, harmony, and rhythm."); see generally Aaron Copland. *What to Listen for in Music* 33-77 (McGraw-Hill 1957). The deposit copy of "Got to Give it Up" employs these components through a melodic line, an introductory bass line, and chord indications, with the additional feature of lyrics.

The melodic line and the associated lyrics are notated throughout the deposit copy. The bass line is notated for only the first eight measures,<sup>4</sup> at the end of which the phrase "bass simile" indicates that the [\*1143] bass line should continue in a similar manner. As is typical of a lead sheet, the chords are not expressed with individual notes indicating pitch and duration. Rather, the chords are described by name (e.g., "A?" for a chord containing the pitches A, C#, E, and G) at places in the song where the harmony changes.

## A. Alleged Melodic Similarities

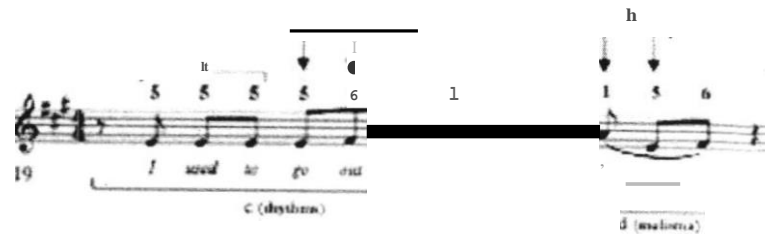
### 1. The "Signature" Phrase [\*\*70]

Finell dubbed a 10-note melodic sequence in the deposit copy the "Signature Phrase." She argued that it corresponded to a 12-note sequence in "Blurred Lines," notwithstanding that "no two notes have the same pitch, [\*\*\*1543] rhythm and placement," as the district court correctly observed.

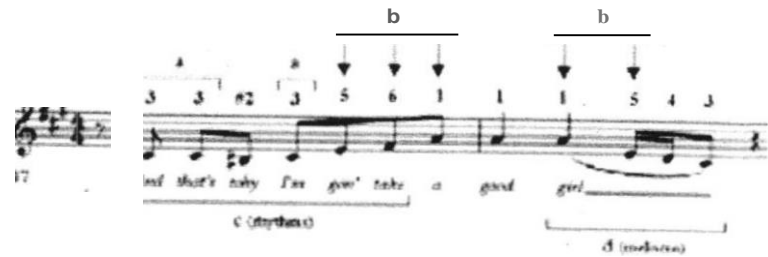
Finell identified four similar elements, none of which is protectable: (a) each phrase begins with repeated notes; (b) the phrases have three identical pitches in a row in the first measure and two in the second measure; (c) each phrase begins with the same rhythm; and (d) each phrase ends on a melisma (one word sung over multiple pitches).

most important similarity."

<sup>4</sup> In musical notation, the notes signifying individual pitches are grouped into "measures" divided by vertical "bar" lines. Within a measure, the note immediately after the bar line, or "downbeat," receives the greatest emphasis.



Signature Phrase in "Got to Give It Up" (Trial Exhibit 376-3)



Signature Phrase in "Blurred Lines" (Trial Exhibit 376-3)

### a. Repeated Notes

The Signature Phrase begins in "Got to Give It Up" with a note repeated four times. In "Blurred Lines," it begins with a note repeated twice, followed by a different note, followed by the first note.<sup>5</sup> The use of repeating notes is obviously not original to "Got to Give It Up." Finell repeatedly used the song "Happy Birthday to You" and the opening to Beethoven's [\*1144] Fifth Symphony as musical examples. Each of these famous melodies from the nineteenth [\*\*71] century begins with repeated notes. Therefore, the use of repeated notes is not protectable.

### b. Pitch Similarity

Although the Signature Phrase starts on different pitches in each piece, Finell identified three consecutive ascending pitches that were the same in both pieces, and two consecutive descending pitches that were the same. She believed this similarity to be the most

Finell attempted to minimize the significance of the third note in "Blurred Lines" moving to a neighboring pitch rather than repeating. However, she previously testified that the neighboring pitch—a sharp second scale degree (indicated "#2" in her exhibit)—was a "broken rule" that "stands out." ;hus. the mo:t \_ prominent note in the four-note sequence in Blurred Lines is the one that differs from the corresponding sequence in "Got to Give It Up."

important.

In assessing the similarity of two pieces of music, it's important to keep in mind "the limited number of notes and chords available to composers and the resulting fact that common themes frequently reappear in various compositions, especially in popular music." Gaste v. Kaiserman, 863 F.2d 1061, 1068 (2d Cir. 1988) (citing Arnstein v. Edward B. Marks Music Corp., 82 F.2d 275, 277 (2d Cir. 1936)). Substantial similarity "must extend beyond themes that could have been derived from a common source or themes that are so trite as to be likely to reappear in many compositions." Id. at 1068-69 (citing Se/le v. Gibb, 741 F.2d 896, 905 (7th Cir. 1984)).

Three consecutive pitches is just the sort of common theme that will recur in many compositions.<sup>6</sup> We have not yet addressed whether three pitches are protectable as a matter of law. While "a single musical note would be too small a unit to attract copyright protection ... ,an arrangement of a limited number of notes can garner copyright protection." [\*\*72] Swirskv. 376 F.3d at 851. Thus, we held in Swirsky that a melody of seven notes is not unprotectable as a matter of law. Id. at 852.

In Newton II, we considered a three-note musical phrase that the defendants sampled (*i.e.*, copied exactly) from the sound recording of a copyrighted musical composition and used repeatedly throughout their work. Although we did not decide whether this six-second segment was original enough to be protected, we held that "no reasonable juror could find [it] to be a quantitatively or qualitatively [\*\*\*1544] significant portion of the [four-and-a-half-minute] composition as a whole." Newton II, 388 F.3d at 1195. The district court reached the originality issue. In a "scholarly opinion," it ruled that the three-note phrase-even in combination with the background musical elements-was insufficiently original to warrant copyright protection. Id. at 1190; see Newton I, 204 F. Supp. 2d at 1253 ("Many

<sup>6</sup>There are only 123 or 1,728 unique combinations of three notes, and many of them are unlikely to be used in asong. See Darrell v. Joe Morris Music C.o 113 F.2d 80, 80 (2d Cir. 1940) (per curiam) ("[W]hile there are an enormous number of possible permutations of the musical notes of the scale, only a few are pleasing; and much fewer still suit the infantile demands of the popular ear."). Finell testified that it's "unusual" to use the five notes that fall between the seven notes of the scale. Demand for unique three-note combinations would quickly exhaust their supply. In 2016 alone, the Copyright Office registered over 40,000 sound recordings. See United States Copyright Office, Fiscal 2016 Annual Report 17.

courts have found that nearly identical or more substantial samples are not susceptible to copyright protection.").

The two-and three-note melodic snippets at issue here, taken in isolation from their harmonic context, are even less original than the three-note segment at issue in Newton. When played, each snippet lasts less than a second in a composition [\*\*73] that lasts over four minutes. They are not individually protectable.

### c. Rhythmic Similarity

The first measure of the Signature Phrase in both works begins with a rhythm of six eighth notes. A bare rhythmic pattern, particularly one so short and [\*\*1145] common, isn't protectable. See Batiste v. Naitn, 28 F. Supp. 3d 595, 616 (E.D. La. 2014) "[C]ourts have been consistent in finding rhythm to be unprotectable."); N. Music Corp. v. King Record Distrib. Co., 105 F. Supp. 393, 400 (S.D.N.Y. 1952) ("[O]riginality of rhythm is a rarity, if not an impossibility."); see also Berlin, 329 F.2d at 545 ("[W]e d ubt that even so eminent a composer as plaintiff Irving Berlin should be permitted to claim a property interest in iambic pentameter."). Here, the rhythmic pattern lasts approximately 1.5 seconds and consists of an eighth note repeated without any variation. Similar patterns are found in numerous other works. This element, devoid of its melodic and harmonic context, lacks any originality.

### d. Melisma

The final syllable of the lyrics in each phrase spans multiple pitches-three in "Got to Give It Up" and two in "Blurred Lines." Melisma, however, is "a common musical technique" and, as such, unprotectable. McDonald v. West, 138 F. Supp. 3d 448, 458 (S.D.N. Y. 2015). Use of melisma on the final syllable of a lyrical phrase is particularly "basic and commonplace." Id.

### e. The Signature Phrases as a Whole Are Not Substantially Similar

Even when each element is not individually protectable,

"[t]he particular sequence in which an author strings a significant number of unprotectable elements can itself be a protectable element," Metcalf v. Bochco, 294 F.3d 1069, 1074 (9th Cir. 2002). Here, as Finell concedes, the Signature Phrase has "very few notes," lasting less than four seconds. Therefore, even assuming that the Signature Phrase as a whole is protectable, its protection is thin.

There is very little similarity between the two songs' Signature Phrases. Both melodies rise and fall. But they begin and end on different pitches. The highest, longest, most stressed pitch in each phrase is different-in "Blurred Lines," this pitch is consonant with the underlying harmony; in "Got to Give It Up," it is dissonant. One phrase has 10 notes; the other, 12. The five identical pitches in each of the phrases have different rhythmic placement within the measure and therefore receive different stress. And only two of these **[\*\*75]** identical pitches have similar underlying harmonies.<sup>7</sup> The harmony changes halfway through the Signature Phrase in "Blurred Lines" but remains the same in "Got to Give It Up." The lyrics in each phrase are different. The Signature Phrase occurs in different places within each piece. In "Got to Give It Up," the Signature Phrase is the very first phrase sung. In "Blurred Lines," the Signature Phrase is not sung until 28 seconds later-after several lines of verse.

The various unprotected elements identified by Finell don't even coincide with one another in that short, four-second snippet. And her **[\*\*\*.1545]** narrow focus on these elements ignored the different harmonies in each phrase. "To pull these elements out of a song individually, without also looking at them in combination, is to perform an **[\*1146]** incomplete and distorted musicological analysis." Swirsky, 376 F.3d at 848.<sup>8</sup>

<sup>7</sup> In "Got to Give It Up," the entire Signature Phrase is harmonized to an A<sup>7</sup> chord. In "Blurred Lines," the first measure is harmonized to an E chord while the second measure is harmonized to an A chord. Seventh chords, such as A<sup>7</sup>, have the same three pitches as their underlying triads-here, an A chord-plus an additional pitch. See Copland, *supra*, at 66-67. Finell explained that the unique pitch in a seventh chord "add[s] an extra color" to the harmony.

<sup>8</sup> The majority fundamentally misunderstands *Swirsky* on this point. See Maj. Op. at 54-55. *Swirsky* did not hold that two works sharing multiple unprotected elements in disparate places are extrinsically similar. Were that the case, the entire Western canon would be extrinsically similar, since all of this

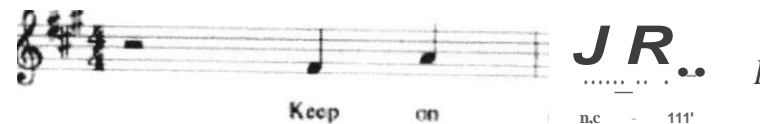
Given the lack of similarities between the Signature Phrases, there is no basis to conclude that they are substantially similar. "The most that can be said is that the two segments bear some relation to one another within a finite world of melodies. Given the limited musical vocabulary available to composers. **[\*\*76]** this is far from enough to support an inference of [infringement]." Johnson v. Gordon, 409 F.3d 12, 22 (1st Cir. 2005).

## 2. The "Hook" Phrase

Finell describes the Hook Phrase as the four melodic pitches in "Got to Give It Up" sung to the lyrics "keep on dancin'." She opined that "Blurred Lines" has similar Hook Phrases in two different places: one is the four pitches in the Signature Phrase sung to the lyrics "take a good girl"; the other is the five pitches sung to the lyrics "I hate these blurred lines."

There are basic conceptual problems with Finell's analysis. She describes the same four pitches in "Blurred Lines" as being similar to two unrelated phrases in "Got to Give It Up"-the Signature Phrase and the Hook Phrase. It is difficult to see how anything original in each of these two different phrases could be distilled into the same four-note phrase in "Blurred Lines."

In any event, the Hook Phrase in the deposit copy lacks sufficient originality to be protected. Its sequence of four pitches, lasting 2.5 seconds, is common. For example, Beyonce, Jennifer Hudson, and Anika Noni Rose memorably sang it to the lyrics. "We're your dreamgirls." See Henry Krieger & Tom Eyan, *Dreamgirls* measures 25-26 (Universal-Geffin Music 1981).



Hook **r\*77]** Phrase in "Got to Give It Up"

music contains the same twelve individually unprotected notes. The difference between *Swirsky* and this case is that in *Swirsky*, there was a coincidence of the unprotected elements (chord progressions, rhythm, and pitch sequence) within each song that occurred at the same relative place (the chorus) in both. See Swirsky, 376 F.3d at 848. Here, Finell examined the various elements in isolation, which is precisely what we criticized in *Swirsky*. See 376 F.3d at 848 ("[N]o approach can completely divorce pitch sequence and rhythm from harmonic chord progression, tempo, and key").

And that's why I'm gon' take a good girl.

Hook Phrase in "Blurred Lines"

If you can't hear

Were girls.

Hook Phrase in "Oreamgirls"

Hap - PY birth - d y

Even if the Hook Phrase pitches were protectable, there is no substantial similarity between its expression in the two songs. See *Arnstein v. Edward B. Marks Music Corp.*, 82 F.2d 275, 277 (2d Cir. 1936) (Hand. J.) ("The first phrase of the infringing chorus consists of the same four notes as the first phrase of the copyrighted song; that particular sequence can be found in several earlier musical pieces and its spontaneous reproduction should be no cause for suspicion.").

Theme X in "Happy Birthday to You"

The pitches and rhythm of Theme X in the deposit copy are identical to those sung to "Happy Birthday" and numerous other songs. None of the Theme X pitches in the deposit copy are the same as in "Blurred Lines." To see any correspondence between the two four-note sequences, one would have to shift and invert the pitches, a feat of musical gymnastics well beyond the skill of most listeners. Where short and distinct musical phrases require such contortions just to show that they are musically related, there is no basis to find them substantially similar. See *Johnson*, 409 F.3d at 22; see also *Amstein*, 82 F.2d at 277.

At most, three of the four pitches are the same,<sup>9</sup> and the different pitch is sung to what Finell described as the "money words" on "the strongest beat." The phrase's rhythms and underlying harmonies are different. Moreover, the phrases are sung at different places in each song. In "Got to Give It Up," the Hook Phrase is sung at the end of part 1 in a fade out. In "Blurred Lines," it is sung as the chorus in the middle of the song.

The harmonies accompanying Theme X also differ between "Got to Give It Up" and "Blurred Lines." Structurally, Theme X appears in completely different places in the two songs. In the deposit copy, it repeats several times in succession near the end of the piece. In "Blurred Lines," it is the very first line of verse near the beginning of the song and repeats periodically throughout the song.

3. Theme "X"

Theme X refers to another four-note melodic sequence. In the deposit copy, Theme X is sung to the lyrics "Fancy lady." In [\*\*\*1546] "Blurred Lines," it is first sung to the lyrics "If you can't hear." Like the Hook Phrase, Theme X is both unprotectable and objectively dissimilar [\*\*78] in the two songs.

B. Other Alleged Similarities

[\*1148]

1. Keyboard Parts

!! =!== = == ;:::i== ==Jc= - =\_=== =\_=== =Jied that the keyboard parts in "Got to Give It ing the [\*\*79] chords and their rhythms er the bass line) had "many important 11111a11u.:." to those in "Blurred Lines." However, there are no keyboard parts in the deposit copy. Finell explained that a lead sheet is essentially "musical shorthand for musicians," who "would understand how [the keyboard parts are] to be played." But because "[a] sound is protected by copyright law only when it is 'fixed

Fan - cy la dy

<sup>9</sup> Finell cited two examples of the Hook Phrase in "Blurred Lines," but they share only the last two pitches of their four- and five-note sequences. These two shared pitches are both tonic notes, which Finell described as "very common" in melodies.

in a tangible medium," *Newton II*, 388 F.3d at 1194 (quoting 17 U.S.C. § 102(a)). the deposit copy's unwritten [\*1149] keyboard parts are not protected expression.

To the extent the chord indications sufficiently express the keyboard parts, there is no substantial similarity between the two works. "Blurred Lines" contains only two chords throughout the entire piece—an A chord and an E chord—that alternate every four measures. The deposit copy contains neither of these chords. The chords it does contain—A?, D7, E7, B7, Dm7, and Am7—change in a much more irregular pattern. For example, the first 16 measures have a sustained A7 harmony, and the next 8 measures change harmonies every measure.

## 2. Bass Line

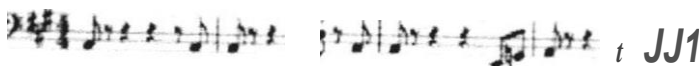
Finell opined that the bass melodies in "Got to Give It Up" and "Blurred Lines" are similar. However, when comparing them, she showed the jury the [\*80] version of the "Got to Give It Up" bass line that she had transcribed from the sound recording. Because several notes were different in the deposit copy, her testimony on this issue was of questionable value. See *Newton II*, 388 F.3d at 1196. It's also doubtful that the unexpressed portions of the baseline beyond the first eight measures of the deposit copy are sufficiently fixed in a tangible medium to warrant protection.

Even assuming the implied bass line in the deposit copy is sufficiently fixed, it's the type of expression that is so standard in the genre that it merges with the idea and is therefore unprotectable in and of itself. Cf. *Shapiro, Bernstein & Co. v. Miracle Record Co.*, 91 F. Supp. 473, 474 (N.D. Ill. 1950) (concluding that bass line was not copyrightable where it was "mechanical application of a simple harmonious chord"). Any thin protection that might lie in the "Got to Give It Up" bass line would not support a finding of substantial similarity between these two bass lines given their different notes, harmonies, and rhythms.

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Bass Line in "Got to Give It Up" (Deposit Copy)



## Bass Line in "Blurred Lines"

The only similarity between the bass lines is that they repeat the note **A** in most of the measures. However, in "Got to Give It Up" the note is syncopated so that it sounds before [\*81] the downbeat in the second, third, and fourth measures, whereas in "Blurred Lines" the note is played on the downbeat. Moreover, the note A is the root of the chord in each song (A? in "Got to Give It Up," **A** in "Blurred Lines"). As the expert for Williams and Thicke testified without contradiction, it is commonplace for the root of a chord to appear in a bass line because it establishes the chord.

## 3. Word Painting, Parlendo, and Lyrics

Word painting and parlendo are common devices.<sup>10</sup> As Finell acknowledged, [\*1150] word painting has "been used for many centuries," and parlendo has been employed for "many years before ... rap was used as an art form." The deposit copy's use of these techniques in the abstract is not protectable expression, and there is no evidence that the specific applications of these techniques in the two pieces are similar. To say these two songs are substantially similar because they employ devices common to songwriting would be like saying two songs are substantially similar because they both have guitar solos in the middle even though the solos themselves bear no resemblance. Similarly, lyrical themes about liberation and sexual activity are not protectable in the abstract. [\*82] See *Edwards v. Raymond*, 22 F. Supp. 3d 293, 301 (S.D.N.Y. 2014) (citing *Feist*, 499 U.S. at 344-45); see also *Peters*, 692 F.3d at 636.

## C. Overall Lack of Similarity

Even considering all of these individually unprotectable elements together, see *Metcalfe*, 294 F.3d at 1074, there is no evidentiary basis to conclude that the two works are substantially similar. See *Guzman v. Hacienda Records & Recording Studio, Inc.*, 808 F.3d 1031, 1040 (5th Cir. 2015) (finding no similarity where "the alleged compositional similarities running between the songs in "L...-1tirety, i.e., their melodies, rhythmic patterns, 1emes. and instrumental accompaniment, were

<sup>10</sup> Word painting is a compositional technique in which the be used to illustrate the words in the lyrics, such as "e,111"11,c word "higher" to an ascending melody. Parlendo is spoken word or rap in the middle of a song.

either common to the . . . genre or common in other songs").

The two pieces have different structures. Finell acknowledged that "Got to Give It Up" lacks a chorus whereas "Blurred Lines" has a "pretty common structure for a popular song" in that it consists of a verse, pre-chorus, and chorus. The two songs' harmonies share no chords.

The discrete elements identified by Finell don't occur at the same time within the musical theme or phrase in each piece. And with the exception of parlando, the various themes and phrases she identified don't occur in corresponding places in each piece. Thus, whether considered micro-or macroscopically, "Got to Give It Up" and "Blurred Lines" are objectively dissimilar. Williams and Thicke are entitled to judgment as a matter **r\*83**] of law.

#### IV.

The majority insists that the verdict is supported by the evidence but tellingly refuses to explain what that evidence is. Instead, it defends its decision by arguing that a contrary result is impossible due to Williams and Thicke's purported procedural missteps. Maj. Op. at 48-57. While the procedural mechanism for granting relief is beside the point given the majority's holding, there's no such obstacle here.

I agree that we normally are not at liberty to review the district court's denial of summary judgment after a full trial on the merits. See Ortiz v. Jordan, 562 U.S. 180, 131 S. Ct. 884, 178 L. Ed. 2d 703 (2011). This rule makes eminent sense. Once a trial has concluded, any issues relating to the merits of the parties' dispute "should be determined by the trial record, not the pleadings nor the summary judgment record." Id. at 184 (quoting 15 Alan Charles Wright et al., *Federal Practice & Procedure* § 3914.10 (2d ed. 1992 & Supp. 2010)). However, there is little difference between **\*\*\*1548**] reviewing a summary judgment ruling and a jury verdict other than the source of the factual record, see Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 251-52, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986), and here there are no material factual disputes. A completed trial does not prevent us from reviewing the denial of summary judgment "where the district court made an error **\*\*84**] of law that, if not made, would have required the district court to grant the motion." Escriba v. Foster, **\*\*\*11511 Poultry Farms, Inc.**, 743 F.3d 1236,

1243 (9th Cir. 2014).<sup>11</sup>

The majority conveniently ducks any review of the evidence by mischaracterizing the facts as "hotly disputed," Maj. Op. at 49, and accusing me of "act[ing] as judge, jury, and executioner." id. at 48, by "weigh[ing] the experts' credibility, resolv[ing] factual conflicts, and set[ting] forth (my) own findings on the extrinsic test," id. at 54. But my "musicological exegesis," id. at 49, concerns evidence of extrinsic similarity that Finell presented at trial. No one disputes that the two works share certain melodic snippets and other compositional elements that Finell identified. The only dispute regarding these similarities is their legal import—are the elements protectable, and are the similarities substantial enough to support liability for infringement? See Mattel, 616 F.3d at 914 ("We review de novo the district court's determination as to the scope of copyright protection." (citing Ets-Hokin, 225 F.3d at 1073)); Benav, 607 F.3d at 624 ("Substantial similarity is a fact-specific inquiry, but it "may often be decided as a matter of law."" (quoting Funky Films, Inc. v. Time Warner Entm't Co., 462 F.3d 1072, 1076 (9th Cir. 2006/)).

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<sup>11</sup> The majority surprisingly questions whether Escriba "survives" Ortiz. Maj. Op. at 23-24. Since Ortiz expressly declined to decide whether there is an exception to the general rule for "'purely legal' issues capable of resolution 'with reference only to undisputed facts,'" 562 U.S. at 189, it didn't undermine our case law. Regardless, the majority isn't free to revisit circuit precedent absent intervening higher authority that is "clearly irreconcilable" with it. Miller v. Gammie, 335 F.3d 889, 899-900 (9th Cir. 2003) (en bane). Even if the majority were correct that this is a factual matter and Williams and Thicke's lack of a Rule 50(a) motion forfeited their right to challenge the evidentiary sufficiency—notwithstanding the district court's statement that it would not grant Rule 50(a) motions "by either side," but see Tortu v. Las Vegas Metro. Police Dep't, 556 F.3d 1075, 1083 (9th Cir. 2009) (leaving open possibility that Rule 50(b) motion is not forfeited where district court instructs parties not to file Rule 50(a) motion); Thompson & Wallace of Memphis, Inc. v. Falconwood Corp., 100 F.Jd 429, 435 (5th Cir. 1996) (citing district court's instruction "not to make the rule 50(a) motion" as "legitimate excuse" for not making one)—we can still review the sufficiency of the evidence for plain error. See Nitco Holding Corp v. Boulikian, 491 F.3d 1086, 1089 (9th Cir. 2007) (citing Patel v. Penman, 103 F.Jd 868, 878 (9th Cir. 1996)) (contrasting Rule 50(b) motion as "absolute prerequisite" for appellate relief). A decision permitting entire genres of music to be held hostage to infringement suits is a "manifest miscarriage of justice," Patel, 103 F.Jd at 878, warranting relief.

By characterizing these questions as a factual dispute among experts, the majority lays bare its misconception **r\*85]** about the purpose of expert testimony in music infringement cases. As with any expert witness, a musicologist can't opine on legal conclusions, including the ultimate question here—substantial similarity. See Nationwide Transp. Fin. v. Cass Info. Sys., Inc., 523 F.3d 1051, 1058 (9th Cir. 2008); Michael Der Manuelian, Note, *The Role of the Expert Witness in Music Copyright Infringement Cases*, 57 *Fordham L. Rev.* 127, 138 (1988) ("[E]xpert analysis is not relevant to the determination of substantial similarity of expression of ideas."); see also Swirsky, 376 F.3d at 851 ("[A] musicologist is not an expert on what the term 'idea' means under the copyright laws."). Her role is to identify similarities between the two works, describe their nature, and explain whether they are "quantitatively or qualitatively significant in relation to the composition as a whole," *Newton If*, 388 F.3d at 1196. The value of such testimony is to assist jurors who are unfamiliar with **[\*1152]** musical notation in comparing two pieces of sheet music for extrinsic similarity in the same way that they would compare two textual works.

This result would never stand in copyright cases involving works in other media. We "frequently" conclude as a matter of law that two works of language or visual art fail the extrinsic test for substantial similarity. Benav. 607 F.3d at 624 (quoting Funky Films, 462 F.3d at 1071); see, e.g., Briqgs v. Sonv Pictures Entm't, Inc., 714 F. App'x 712 (9th Cir. 2018) (screenplays); Rentmeester v. Nike, Inc., 883 F.3d 1111 (9th Cir. 2018) (photograph); **[,....86]** Si/as v. HBO, Inc., 713 Fed. Appx. 626 (9th Cir. 2018) (television show); Folkens v. Wyland Worldwide, LLC, 882 F.3d 768 (9th Cir. 2018) (drawing); Mintz v. Subaru of Am.\* Inc., **[\*\*\*15491]** 716 F. App'x 618 (9th Cir. 2017) (advertising image and phrase); Edwards v. Cinelou Films, 696 F. App'x 270 (9th Cir. 2017) (film); Heusey v. Emmerich, 692 F. App'x 928 (9th Cir. 2017) (screenplay and film); Braddock v. Jolie, 691 F. App'x 318 (9th Cir. 2017) (novel and film); Basile v. Twentieth Century Fox Film Corp., 678 F. App'x 576 (9th Cir. 2017) (stories and film); Antonick v. Elec. Arts, Inc., 841 F.3d 1062 (9th Cir. 2016) (video game), cert. denied, 138 S. Ct. 422, 199 L. Ed. 2d 323 (2017); see also Mattel, 616 F.3d at 917-18 (vacating jury determination of substantial similarity between dolls).<sup>12</sup> This case should be no

<sup>12</sup> In faulting my citation of unpublished cases, see Maj. Op. at 51-52, the majority misses the point. That we choose not to publish many of our numerous cases deciding substantial

different.

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The Gayes, no doubt, are pleased by this outcome. They shouldn't be. They own copyrights in many musical works, each of which (including "Got to Give It Up") now potentially infringes the copyright of any famous song that preceded it.<sup>13</sup>

That is the consequence of the majority's uncritical deference to music experts.

Admittedly, it can be very challenging for judges untrained in music to parse two pieces of sheet music for extrinsic similarity. But however difficult this exercise, we cannot simply defer to the conclusions of experts about the ultimate finding of substantial similarity.<sup>14</sup> While experts are invaluable in identifying and explaining elements that appear in both works, judges must still decide whether, as a matter of law, these elements collectively support a finding of substantial similarity. Here, they don't, and the verdict should be vacated.

I respectfully dissent.

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similarity as a matter of law shows only how uncontroversial these decisions are when they concern non-musical works.

<sup>3</sup> "Happy Birthday to You" was still copyright protected when Marvin **Gaye** wrote Theme X. See Eldred, 537 U.S. at 262 (2003) (*Breyer, J., dissenting*).

<sup>14</sup> Federal Rule of Evidence 706, which allows courts to appoint their own experts, may be useful in situations where the court has little musical expertise and the parties' experts deliver starkly different assessments of two works' similarity.