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Federal Circuit Friday

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Occasionally, Federal Circuit Friday becomes "9th Circuit Friday" when the 9th Circuit issues an interesting intellectual property decision.

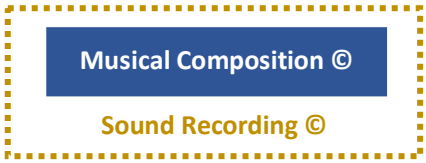
In *ABS Entertainment v. CBS Corp.* (August 20), the 9th Circuit reversed a district court's determination that remastering of pre-1972 sound recordings produced "derivative works" that were subject solely to federal copyright law. The essential issue in this case was whether the remastered versions were still *pre*-1972 sound recordings subject to state law or had become a *post*-1972 derivative works subject solely to federal copyright law. Which law applies made a difference because the license clearance process and cost structure for broadcasting differ between state law and federal law.

The specific intellectual property issue was the extent to which remastering must change the underlying sound recording to qualify as a derivative work. The district court required only a "perceptible change that is not merely mechanical or trivial," but the 9th Circuit set the bar higher – to be a derivative work, a remaster must "change . . . the essential character and identity of the work or [add] a minimal amount of sound recording authorship or originality."

This case caught my attention because I have been fascinated by music composition and sound recording ever since I got my first Led Zeppelin albums in the 70's and marveled at Jimmy Page's engineering, mixing, and mastering of those recordings, each of which has since been remastered a few times with ever-improving sound quality (the most recent remasters, released in 2014-2015, sound glorious !!) I similarly marvel at the stunning sound quality of remasters of other classic recordings, like Von Karajan's 1963 Beethoven symphony series and Glenn Gould's 1981 Goldberg Variations.

Brief Background Regarding Music Copyrights, Remastering, and Derivative Works.

In general, recorded musical works are subject to two copyrights: (i) copyright on the musical composition (*e.g.,* harmony, melody, lyrics); and (ii) copyright on the sound recording that embodies a particular performance, which includes the sounds of the musical instruments, the manner in which the song is played and sung, and contributions by recording engineers who may process and mix the sounds in creative ways. Because the sound recording necessarily embodies the musical composition, I usually visualize these copyrights as "nested":



"Remastering" involves manipulating an original sound recording to provide cleaner, clearer, better-quality sound by reducing noise and improving things like timbre, spatial imagery, balance, and dynamic range. In *ABS Entertainment* the issue was whether remastering sufficiently changed or added to the original sound recording to qualify the remaster as a separately-copyrightable *derivative work*. A derivative work is defined by the Copyright Act as one that is "based upon one or more preexisting works" and that "recast[s],

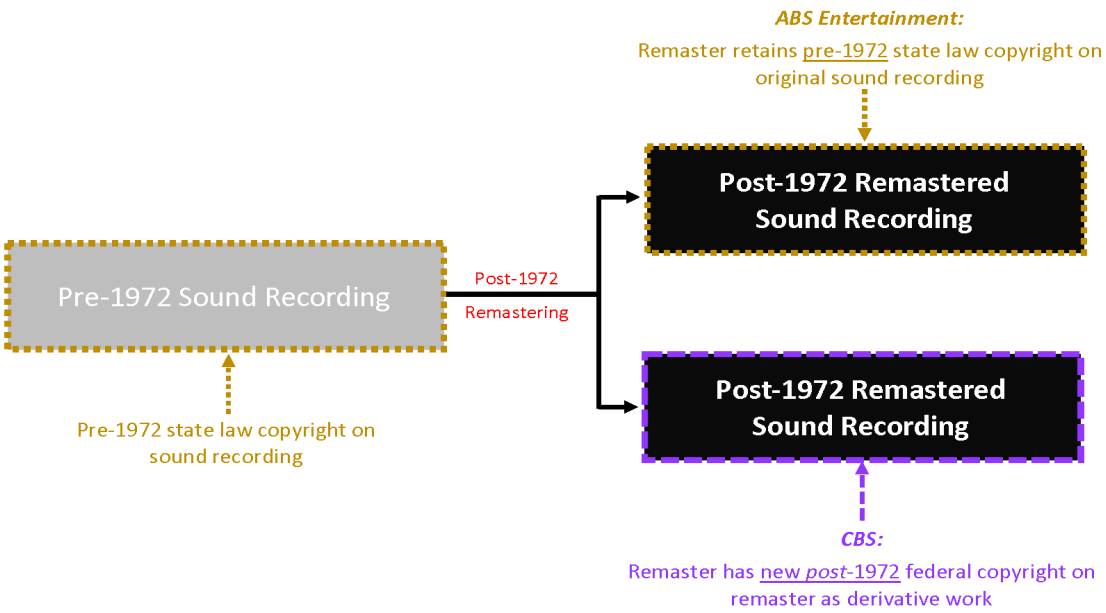
transform[s], or adapt[s]" it and "consist[s] of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship."[i]

Why Does it Matter? Different Rights and Compensation for Copyrighted *Pre*- and *Post*-1972 Sound Recordings.

Although musical compositions have long been protected by federal copyright law, sound recordings did not get that respect until much later. In 1971, Congress passed the Sound Recording Act to provide federal copyright protection for sound recordings, but only for sound recordings fixed in tangible form after February 15, 1972. Sound recordings fixed on or before February 15, 1972 were subject to state copyright laws.

Federal copyright law provides that sound recordings fixed after February 15, 1972 can be broadcast over terrestrial (*i.e.*, through the air) radio for free and broadcast in digital formats such as internet radio subject to a compulsory license fee that is set by the Copyright Royalty Board. In contrast, pre-1972 sound recordings are subject state copyright law, which varies from state to state and may require negotiation of rights and royalties with the copyright owners for both terrestrial and digital broadcasting.[ii] For all broadcasts (terrestrial or digital) of both pre-1972 and post-1972 sound recordings, however, a license under the musical composition copyright is always required.

CBS wanted to broadcast music under the regime set up by federal copyright law. As to pre-1972 sound recordings, CBS argued that it was only broadcasting *remastered* versions that were post-1972 *derivative works* subject exclusively to the federal copyright regime. ABS argued that the remasters were simply better-sounding versions of pre-1972 recordings, not separately copyrightable derivative works and not subject to the federal copyright regime. So, the issue was whether remastering of copyrighted *pre*-1972 sound recordings generated separately-copyrightable *post*-1972 derivative sound recordings subject exclusively to federal copyright law. The issue and positions can be visualized as follows:



The district court agreed with CBS, holding on summary judgment that the remasters were derivative works because "at least some perceptible changes were made to Plaintiff's Pre-1972 Sound Recordings" and those changes were not merely "mechanical" or "trivial." The 9th Circuit declared that approach "legal error."

The 9th Circuit Decision and Rationale.

The 9th Circuit explained the legal standard for determining if a work is a derivative work:

> A derivative work is copyrightable when it meets two criteria: (1) "the original aspects of a derivative work must be more than trivial," and (2) "the original aspects of a derivative work must reflect the degree to which it relies on preexisting material and must not in any way affect the scope of any copyright protection in that preexisting material."[iii]

Focusing on the first prong, originality, the court recounted relevant undisputed facts, including that "all of the sounds contained in the remastered sound recordings—the vocals, instruments, inflection, dynamics, rhythms, and sequences—were initially fixed in a studio before 1972" and that "the remastering engineers did not add or remove any sounds and did not edit or resequence the fixed performances."[iv] Therefore, the court concluded, "the remasters presumptively lacked the originality necessary to support copyright protection as derivative works."[v]

The 9th Circuit explained that the technical changes in sound quality embodied in the remasters did "not necessarily result in a change in the essential character and identity of the work in question" and the remasters themselves did not contain "anything of consequence owing its origin to the remastering engineers."[vi]

The court did ***not*** say that remasters can never be eligible for a derivative work copyright, but cautioned that "a digitally remastered sound recording made as a copy of the original analog sound recording will rarely exhibit the necessary originality to qualify for independent copyright protection."[vii]

Focusing on the second prong, the relationship between the derivative work copyright and the copyright on the original work, the 9th Circuit explained that the original author must have the ability to authorize later derivative works "without concern for aggressive enforcement against those later derivative works by the earlier derivative work copyright holder." In essence, the issue here is that if the derivative work is too close or similar to the original work, the copyright on the derivative work could unduly interfere with the creation of additional derivative works – the creator of the first derivative work would obtain a "de facto monopoly on derivative works." In the context of remastering, for example, a copyright on the improved sound quality of a remaster could adversely affect the ability of others to create their own derivative works (*e.g.,* alternative remasters, remixes, mash-ups, audio-visual works, etc.) that have similarly improved sound quality. The 9th Circuit identified the district court's failure to fully consider the second prong as additional legal error.

The 9th Circuit also addressed another really interesting issue: Assuming that a particular remaster ***is*** a derivative work and is subject solely to federal copyright law, does not a broadcast of the remaster necessarily also broadcast the underlying original sound recording? The district court said it doesn't matter because the pre-1972 state sound recording copyrights were preempted by federal law. But the 9th Circuit disagreed, holding that the "broadcast of the remastered sound recording also broadcast the pre-1972 sound recording therein embodied" and "if the remastered sound recordings are ultimately

determined to be authorized derivative works, federal law would govern only the additional expression in the remastered sound recordings" and not the original pre-1972 sound recording.[viii] Thus, even if CBS were to win on the issue of whether the post-1972 remasters were derivative works, CBS would still need to obtain rights under the pre-1972 original sound recording copyrights (at least in states that recognize copyright in sound recordings[ix]). This is similar to the nested musical composition and sound recording copyrights discussed above, with the original sound recording copyright nested within the remastered sound recording copyright:

* * *

In sum, to qualify as a separately-copyrightable derivative work the 9th Circuit looks for a "change in the essential character and identity of the work in question," something "of consequence" owing its origin to the author of the putative derivative work. The 9th Circuit also requires an inquiry into the extent to which a copyright on the putative derivative work would impede the holder of copyright on the original work in authorizing additional derivative works, which is a function of extent and character of differences between the derivative work and the original work.

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[i] 17 U.S.C. § 101; Slip Op. at 13-14.

[ii] The extent of protection of pre-1972 sound recordings under California law is presently unsettled. The California Supreme Court is set to decide the issue sometime this year on certification from the 9th Circuit. *Flo & Eddie, Inc. v. Pandora Media, Inc.*, Case No. S240649 (Cal. Supreme Court).

[iii] Slip Op. at 14 (quoting *U.S. Auto Parts Net., Inc. v. Parts Geek, LLC,* 692 F.3d 1009, 1016 (9th Cir. 2012)).

[iv] *Id*. at 24-25.

[v] *Id*. at 25.

[vi] *Id*. at 26, 29.

[vii] *Id*. at 32.

[viii] *Id*. at 38, 39 ("The broadcast of the remastered sound recording also broadcast the pre-1972 sound recording therein embodied, just as it also broadcast the underlying musical composition. Regardless of the remastering engineers' alterations, the sounds fixed in the remastered sound recording include those performed and fixed before 1972."). *See also* 39 ("Whether the derivative work author has a valid license or assignment does not impact whether distribution, for example, of the derivative work requires a license from the underlying sound recording author—it does.").

[ix] New York and Florida do not recognize state law copyright in sound recordings. *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.,* No. 172 (N.Y. Dec. 20, 2016); *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.,* No. SC16-1161 (FL Oct. 26, 2017). As mentioned in note *ii*, above. California presently is considering the issue.