CAPITOL RECORDS, INC. V. NAXOS OF AMERICA, INC.: THE PERSISTENCE OF COPYRIGHT ON THAT OLD TIME ROCK N' ROLL

By Timothy P. Best

When their song "Love Me Do" premiered on the British record charts in October 1962, the Beatles started a 50-year clock ticking down toward the expiration of their British copyright.[1] As the years passed, and many 50-year copyright terms approached their end, the holders of those copyrights surely began to consider the ramifications copyright expiration would have on their property. So when the classical music label Naxos of America ("Naxos") decided to re-release some recordings of British origin whose British copyrights had expired, the owner of those erstwhile copyrights, Capitol Records ("Capitol"), decided to find out what rights it still held in those recordings.

In *Capitol Records, Inc. v. Naxos of America, Inc.*, responding to a certified question from the U.S. Court of Appeals for the Second Circuit, the New York Court of Appeals affirmed that publicly sold and distributed sound recordings fixed prior to February 15, 1972 are protected by New York common law copyrights until February 15, 2067.[2] Even though the original United Kingdom copyrights on the works had lapsed, Naxos could not evade a claim brought by Capitol under New York state copyright law.[3] The court further held that New York common law required no bad faith on the part of Naxos to establish Capitol's copyright infringement claim. Moreover, the fact that the original work had a negligible current market did not absolve Naxos of liability.[4]

Since the current federal copyright statute does not extend protection to pre-1972 sound recordings, any statutory copyright protection for such works must originate from state law.[5] Absent state statutory schemes, protection for these works must arise from common law copyright protection, which traces its roots to seventeenth century English common law. *Naxos* thus stands as the latest entrant in a line of New York cases embracing a

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1. *See* WILLIAM RUHLMAN, BREAKING RECORDS: 100 YEARS OF HITS 135 (2004).
2. Capitol Records, Inc. v. Naxos of Am., Inc., 830 N.E.2d 250, 263-64 (N.Y. 2005).
3. *Id.* at 265.
4. *Id.* at 267.
5. *See* 17 U.S.C. § 301(c) (2000).

wide ambit of state common law copyright protection for sound recordings.[6] While for literary works, common law copyright protection historically ceased upon public distribution of the work, *Naxos* provided that, as to sound recordings, common law copyrights endure after public distribution of the protected works.[7] Further, the court held that the expiration of the original works' statutory copyright in the country of origin does not divest the owner of a work of New York common law copyright protection.[8]

The court's ruling will ensure that record companies will be able to protect and exploit their back catalogues without the fear of losing these recordings to the public domain. As a consequence of the decision to extend state copyright protection to recordings that fall within the public domain in their country of origin and the inherent economic strength of the New York market, most uses of pre-1972 recordings will have to contend with *Naxos*.

This Note explores the current and future implications of the *Naxos* ruling. Part I presents the factual background and prior rulings leading up to the *Naxos* litigation before the New York Court of Appeals. Part II illuminates the legal history and theory behind common law copyright and its limitations. Part III then presents several implications of the *Naxos* decision for rights holders. Part IV summarizes these conclusions.

I. *CAPITOL RECORDS, INC. V. NAXOS OF AMERICA, INC.*

A. Background and Overview

In the 1930s, the company now known as EMI Records Limited recorded several performances, in England, by world-famous performers of classical music, including Pablo Casals, Edwin Fischer, and Yehudi Menuhin.[9] At that time, the statutory copyright laws of the United Kingdom protected sound recordings for fifty years.[10] In 1996, after the origi-

6. *See* Rosette v. Rainbo Record Mfg. Corp., 546 F.2d 461 (2d Cir. 1976), *aff'g* 354 F. Supp. 1183 (S.D.N.Y. 1973); *see also* Capitol Records, Inc. v. Mercury Records Corp., 221 F.2d 657, 663 (2d Cir. 1955); Radio Corp. of Am. v. Premier Albums, Inc., 240 N.Y.S.2d 995, 996-97 (App. Div. 1963); Gieseking v. Urania Records, Inc., 155 N.Y.S.2d 171, 172-73 (N.Y. Sup. Ct. 1956); Metro. Opera Assn. v. Wagner-Nichols Recorder Corp., 101 N.Y.S.2d 483, 495 (Sup. Ct. 1950).

7. *Naxos*, 830 N.E.2d at 265.

8. *Id.*

9. Capitol Records, Inc. v. Naxos of America, Inc., 830 N.E.2d 250, 252-53 (N.Y. 2005).

10. *Id.* at 253.

nal U.K. copyrights had expired, subsidiaries of EMI granted appellant Capitol Records, Inc. ("Capitol") an exclusive license to use these recordings in the United States.[11] Capitol digitized the original analog recordings and remastered them to improve their aural characteristics.[12] They then sold the resulting product in, among other places, New York State.[13]

Respondent Naxos, wishing likewise to preserve and market the performances, obtained copies of the original shellac recordings, digitized them, remastered them, and began marketing them in the United States beginning in 1999.[14] Capitol sent cease and desist letters demanding that Naxos halt their distribution of the unlicensed recordings.[15] Naxos refused, and in 2002 Capitol brought a diversity action in the United States District Court for the Southern District of New York.[16] Capitol's complaint alleged, among other things, common law copyright infringement and unfair competition under New York state law.[17]

Naxos moved for summary judgment arguing that the recordings had entered the public domain in the U.K.[18] The Southern District of New York issued two opinions. The principal opinion granted summary judgment for Naxos with leave for Capitol to submit additional factual material.[19] After receipt of such material, the district court delivered a second opinion, adhering to the original judgment and expanding on its arguments.[20] The court addressed Capitol's copyright claim by concluding that Capitol had no property right for Naxos to infringe, since the U.K. copyrights had expired in the 1980s.[21] Regarding the unfair competition claim, the district court held that the Naxos recordings were "new and commercially viable product[s]" rather than mere "duplicates" of the original.[22] As such, they did not compete unfairly in the market for the original records.

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11. *Id.*
12. *Id.*
13. *Id.*
14. *Id.*
15. *Id.*
16. *Id.*
17. *Id.*
18. *Id.*
19. Capitol Records, Inc. v. Naxos of Am., Inc., 262 F. Supp. 2d 204 (S.D.N.Y. 2003).
20. Capitol Records, Inc. v. Naxos of Am., Inc., 274 F. Supp. 2d 472 (S.D.N.Y. 2003).
21. *Naxos*, 262 F. Supp. 2d at 211.
22. *Id.* at 213-14.

On appeal, the Second Circuit determined that the district court's conclusions rested on several unsettled issues of New York law.[23] Since state law controls as to areas of copyright falling outside the scope of federal preemption, the Second Circuit certified the following question to the Court of Appeals of New York: "In view of the District Court's assessment of the undisputed facts, but without regard to the issue of abandonment, is Naxos entitled to defeat Capitol's claim for infringement of common law copyrights in the original recordings?"[24] Additionally, the Second Circuit asked New York to clarify its position on three subquestions:

> (1) Does the expiration of the term of a copyright in the country of origin terminate a common law copyright in New York?;
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> (2) Does a cause of action for common law copyright infringement include some or all of the elements of unfair competition?; and,
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> (3) Is a claim of common law copyright infringement defeated by a defendant's showing that the plaintiff's work has slight if any current market and that the defendant's work, although using components of the plaintiff's work, is fairly to be regarded as a "new product"?[25]

B. The New York Court of Appeals's Decision

The court began its analysis by recounting the development of common law copyright, first through English law, then through American law generally, and finally through New York law specifically.[26] The court determined that at English common law during the time of the American Revolution common law copyright protected the rights of authors and their assignees against unauthorized copying of unpublished works up to the time of first publication.[27] For works that remained unpublished, this right lasted indefinitely.[28] At the time of a work's publication the common law copyright dissolved and the state invested the works with statutory copyright protections, which expired after a limited time.[29] As the common law

23. Capitol Records, Inc. v. Naxos of Am., Inc., 372 F.3d 471, 479-82 (2d Cir. 2004).

24. *Id.* at 484.

25. *Id.* at 484-85.

26. Capitol Records, Inc. v. Naxos of Am., Inc., 830 N.E.2d 250, 254-64 (N.Y. 2005).

27. *Id.* at 254-56.

28. *Id.*

29. *Id.*

of England, this legal framework provided the basis for state common law among the newly independent American states.[30]

The court next described the American development of common law copyright.[31] At the time sound recording was invented, the common law of the various states—but not the federal common law—protected the rights of authors up until the time of first publication, at which point statutory copyright displaced the common law rights.[32] This development paralleled English common law copyright. Because sound recordings could not be read without machine intervention, though, the Supreme Court ruled that one could not "publish" such works in the common law sense.[33] Thus, common law copyright persisted notwithstanding public distribution of the recording.[34] Due to this perceived fundamental difference, federal statutory copyright did not initially preempt protection for sound recordings.[35] Only after 1972 did Congress provide for federal copyright protection of sound recordings, although this protection was prospective only.[36] As a result, common law copyright persisted as the sole protection for pre-1972 sound recordings in the United States. While at common law this protection lasted indefinitely, Congress placed an endpoint on state common law protection in 2067.[37] The court noted that New York adhered to this interpretation of common law copyright protection.[38]

Given this background, the court proceeded to answer the three questions certified to it by the Second Circuit. As to the first subquestion, whether federal law prohibits New York from extending its common law copyright protection to works that have entered the public domain in another country, the court first considered whether existing precedent precluded copyright protection.[39] The court applied a line of New York and Supreme Court cases affirming common law copyright protection for literary works, even in the face of foreign copyright divestment, to sound recordings.[40] The court then questioned whether any treaties or federal

30. *Id.* at 256.

31. *Id.* at 256-62.

32. *Id.* at 257-58.

33. *Id.* at 258; *see also* White-Smith Music Publ'g Co. v. Apollo Co., 209 U.S. 1, 29-32 (1908).

34. *Id.*; *see also* Wheaton v. Peters, 33 U.S. (7 Pet.) 591 (1834).

35. *Naxos*, 830 N.E.2d at 258.

36. *Id.* at 260-61; *see* 17 U.S.C. §§ 102(a)(7), 301(c) (2000).

37. *Naxos*, 830 N.E.2d at 260-61.

38. *Id.* at 263-64.

39. *Id.* at 264.

40. *See* Ferris v. Frohman, 223 U.S. 424, 437 (1912) (holding that a British statute divesting a publicly-performed play of its common law copyright in favor of a statutory

statutes precluded copyright protection.[41] The Federal Constitution requires that all treaties signed by the federal government carry the force of law in all of the United States, but no treaty signed by the United States applied to sound recordings made before 1974.[42] Nor did any statute bar the states from exercising common law copyright protection over pre-1972 recordings.[43] Since federal law permitted the application of New York common law, and since nothing in New York law suggested that the state must apply foreign copyright terms to putative infringements in New York, the Court of Appeals answered this question in the negative.[44] The court therefore held that the expiration of the British copyright on the sound recordings did not preclude New York from protecting them through common law copyright.[45]

Next, the Court of Appeals addressed the second subquestion, which sought to determine whether common law copyright infringement was distinguishable from unfair competition.[46] The court defined copyright infringement as including two elements: (1) the existence of a valid copyright; and (2) unauthorized copying of the protected work.[47] In answering the first subquestion, the court concluded that Capitol possessed a valid common law copyright for the recordings.[48] The district court found that Capitol did not authorize the copies produced by Naxos; the Court of Appeals did not question this finding.[49] Since New York law did not require

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copyright did not divest the play of its Illinois common law copyright); Palmer v. DeWitt, 47 N.Y. 532 (1872); Roberts v. Petrova, 213 N.Y.S. 434 (N.Y. Sup. Ct. 1925).

41. *Naxos*, 830 N.E.2d at 265.

42. The court names the Berne Convention and the Universal Copyright Convention, which do not apply to sound recordings. *See* Berne Convention for the Protection of Literary and Artistic Works art. 7(a), Sept. 9, 1886, *revised in Paris* July 24, 1971, *amended in* 1979, 25 U.S.T. 1341, 828 U.S.T.S. 221; Universal Copyright Convention art. IV(4), *opened for signature in Geneva* Sept. 6, 1952, 6 U.S.T. 2731, 216 U.N.T.S. 132, *as revised in Paris* July 24, 1971, 25 U.S.T. 1341, 943 U.N.T.S. 178. Nor does the Phonograms Convention apply, as it became law in the United States on March 10, 1974. *See* Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms art. 7(3), Oct. 29, 1971, 25 U.S.T. 309, 888 U.N.T.S. 67.

43. The statutory implementation of the Uruguay Round Agreements Act does not apply. *See* Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994) (codified at 17 U.S.C. § 104(a) (2000)).

44. *Naxos*, 830 N.E.2d at 265.

45. *Id.* at 264-65; *see* 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 5.11 (2005) [hereinafter NIMMER].

46. *Naxos*, 830 N.E.2d at 266.

47. *Id.* at 266; *see* 4 NIMMER, *supra* note 45, § 13.01.

48. *Naxos*, 830 N.E.2d at 264-65.

49. *See id.* at 266.

fraud or bad faith as an element of copyright infringement,[50] unlike with unfair competition claims, the Court of Appeals held that copyright infringement and unfair competition were distinct and different claims.[51]

Finally, the Court of Appeals answered the third subquestion, which addressed whether the negligible market value of the original protected works weighed against a defendant's unauthorized use of such works and whether the defendant's work, although drawing upon plaintiff's work, constituted a "new product."[52] The court first recognized that "the popularity of a product does not affect a state common-law copyright infringement claim."[53] Next, the court acknowledged the Second Circuit's finding that the "'independent creation' of a new product can 'not consist of [the] actual copying' of an entire work."[54] Relying on this, the court then rejected a fair use argument by pointing out that copying an entire copyrighted work constituted infringement.[55] Since Naxos's recordings were primarily infringing copies of the original works, and since their use did not receive the absolution of fair use, Naxos was potentially liable for copyright infringement.[56]

By showing first that in general, state common law copyright could protect pre-1972 sound recordings, second that these recordings were so protected in New York, and finally that the works did not enter the public domain simply because their original foreign copyrights had expired, the New York Court of Appeals could then address whether Naxos infringed on Capitol's copyrights. In finding that Naxos copied the whole of the expression in the original works, the court held that Naxos infringed the common law copyrights protecting Capitol's recordings, regardless of any bad faith or lack thereof.[57]

II. LEGAL BACKGROUND

Understanding the development of common law copyright helps to draw the contours of the rights upheld by the court in *Naxos*. While as-

50. *See* Chamberlain v. Feldman, 89 N.E.2d 863 (N.Y. 1949) (enjoining the publication of a manuscript by Mark Twain on behalf of his estate's trustees in the absence of any evidence of fraud or bad faith).

51. *Naxos*, 830 N.E.2d at 266.

52. *Id.* at 266-67.

53. *Id.* (citation omitted).

54. *Id.* at 267 (quoting Durham Indus. v. Tomy Corp., 630 F.2d 905, 910 (2d Cir. 1980)).

55. *Id.*; *see* 4 NIMMER, *supra* note 45, §13.05[A][3].

56. *Naxos*, 830 N.E.2d at 267.

57. *Id.*

pects of common law copyright have evolved over time, many of the law's central concepts have remained relatively unchanged since their initial development in seventeenth and eighteenth century England. Thus, to illuminate the rights that pre-1972 sound recordings possess today, this Part first canvasses the foundational copyright law developed in England and then recounts how this law developed in America. This legal background links the fact pattern and rulings outlined in Part I with their ramifications in Part III.

A. English Copyright Law

During the seventeenth century, following the English civil war, English common law began to recognize vested, perpetual property rights in creative works, acquired by the author through the act of creation.[58] Common law copyright originated from a natural rights perspective, under which the paramount concern was to protect the creator's labor and his right to use the work and exclude others from its unauthorized use.[59] This copyright interest arises at the moment of the work's creation and could conceivably last indefinitely.

In 1709, Parliament moved away from natural rights toward a utilitarian picture of copyright by passing the Statute of Anne.[60] Unlike common law copyright, the statute invested literary works with copyright protection from the time of publication, rather than from the time of creation.[61] This protection expired after, at most, twenty-eight years.[62] In contrast to natural rights arguments, a utilitarian theory views the goal of copyright law as promoting the synthesis of new creative works by endowing authors and

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58. *See* 2 WILLIAM BLACKSTONE, COMMENTARIES ON THE LAWS OF ENGLAND 405-06 (Wayne Morrison ed., Cavendish Publishing, Ltd. 2001), *available at* http://www.yale.edu/lawweb/avalon/blackstone/bk2ch26.htm (last visited Sept. 7, 2005). Blackstone illustrates this by acknowledging:

> [T]he right, which an author may be supposed to have in his own original literary compositions: so that no other person without his leave may publish or make profit of the copies. When a man by the exertion of his rational powers has produced an original work, he has clearly a right to dispose of that identical work as he pleases, and any attempt to take it from him, or vary the disposition he has made of it, is an invasion of his right of property.

Id.

59. *See generally* Alfred C. Yen, *Restoring the Natural Law: Copyright as Labor and Possession*, 51 OHIO ST. L.J. 517 (1990).

60. 8 Ann., c. 19 (1710) (Eng.), *available at* http://www.yale.edu/lawweb/avalon/eurodocs/anne_1710.htm.

61. *Id.*

62. *Id.*

artists with a property-like set of incentives tied to their works.[63] Against those incentives, the theory balances a need to prevent oppressive ownership regimes by the creators, which would tend to keep the works from public use.[64] The Statute of Anne balanced economic incentives for authors against the harms of monopoly, reserving for authors and their assigns the exclusive right to publish their works.[65] This created a property-like right, but protected the public interest in seeing a creator's work distributed by limiting the term of the copyright to, at most, twenty-eight years. This limited term raised the question, though, whether it served to terminate all copyright protection, including common law rights, or merely terminated copyright protection under the Statute of Anne.

This practical conflict between the economic perspective under the Statute of Anne and the natural rights perspective under common law copyright was exposed in the early case of *Millar v. Taylor*.[66] Under the Statute of Anne, a poet had assigned his copyright in a certain work to a publisher, Millar.[67] After waiting for the statutory copyright term to expire, a second publisher, Taylor, printed volumes including the work formerly protected by the expired statutory copyright.[68] Millar brought suit claiming that, under common law, his copyright in the poem extended beyond the statutory term.[69] Lord Justice Mansfield, writing for the court, affirmed Millar's assertion.[70] Under this ruling, common law copyright in a work co-existed with statutory copyright.[71] As such, common law copyright protection extended beyond the term set by the Statute of Anne, which was triggered by the act of publication. Necessarily, this also meant that a common law copyright, invested in a work at its creation, outlived the act of publication. Thus *Millar* tended to marginalize the importance of the Statute of Anne.

Five years later, the House of Lords breathed renewed importance into the Statute of Anne in the case of *Donaldson v. Beckett* by effectively overruling the second assertion of *Millar* in finding that while common law copyright did exist along with statutory protection, common law copy-

63. *See generally* William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEGAL STUD. 325 (1989).

64. *See id.*

65. 8 Ann., c. 19, § II (1710) (Eng.).

66. (1769) 98 Eng. Rep. 201 (K.B.).

67. *Id.* at 203.

68. *Id.* at 203-04.

69. *Id.* at 205.

70. *Id.* at 250-53.

71. *Id.*

right ceased to protect a work once that work was published.[72] This ruling could be viewed as an assertion that the law of copyright stands more soundly upon utilitarian, economic rationales than upon labor theory. In any event, *Donaldson* defined the state of English copyright law which prevailed at the time of the American Revolution.

B. American Copyright Law

In order to ensure uniform intellectual property protection throughout the new United States, the Founders granted Congress the power to pass relevant legislation: "The Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."[73] On the basis of this authorization, Congress passed the first federal copyright statute in 1790.[74] Like the Statute of Anne, this statute vested authors with copyrights that extended for up to twenty-eight years. In addition, since the states derived their common law from England, common law copyright also became a part of American copyright protection.[75] Not surprisingly, a tension between the 1790 Act and the common law developed, similar to the tension in England between the Statute of Anne and English common law copyright.

The U.S. Supreme Court resolved this tension, for a time, in *Wheaton v. Peters*.[76] Henry Wheaton, who had been the third official reporter for the Court, sued his successor Richard Peters to prevent Peters from copying and republishing material that had been published in Wheaton's reporters, alleging that such activity constituted copyright infringement.[77] The Court held that while English common law protected copyright prior to publication, a similar right was not included in American federal common law.[78] In other words, while federal statutes promised copyright protection for creative works, federal decisional law nowhere supplemented those statutory rights with rights derived from English common law copy-

72. (1774) 98 Eng. Rep. 257 (H.L.).

73. U.S. CONST. art. I, § 8, cl. 8.

74. Act of May 31, 1790, ch. 15, § 1, 1 Stat. 124.

75. The Founders knew that copyright was protected as a matter of common law in England. THE FEDERALIST No. 43 (Alexander Hamilton) (stating that "[t]he copyright of authors has been solemnly adjudged in Great Britain, to be a right of common law").

76. 33 U.S. (7 Pet.) 591 (1834).

77. *Id.* at 667-68. Wheaton alleged both statutory and common law copyright infringement. The Court remanded the statutory copyright count for factual determination whether Wheaton had complied with needed formalities to support his claim.

78. *Id.* at 658.

right. Nonetheless, any state which had incorporated the principles of English common law copyright protection in its decisional law was free to do so, but only to the extent that federal copyright statutes did not provide substantially equivalent protection. Since prior to 1978 the federal copyright statutes provided no protection for creative works before publication, common law copyright could protect unpublished works, on a state-by-state basis, without conflicting with federal statutory copyright. While scholars do not recognize the *Wheaton* opinion for its clarity of reasoning, they often cite it for the important principle that the act of publication dissolved common law copyright protection in the United States.[79]

While these issues were settled with respect to printed works, the advent and proliferation of sound recordings, motion pictures, and other new media raised new questions, principally regarding definition. Most relevant to this discussion was whether sound recordings could be protected by copyright at all, and if so, what it meant to "publish" a sound recording, as publication extinguished common law copyright. In 1908, the Supreme Court determined in *White-Smith Music Publishing Co. v. Apollo Co.* that only works that one could "see and read" could be filed with the Library of Congress, and were thus eligible for federal statutory copyright protection.[80] Under this definition, piano rolls, which had to be played back on a player piano to unlock their expression, could not be protected under federal copyright statutes.[81] Since by analogy sound recordings could not meet the "see and read" requirements for Library of Congress deposit, Congress did not include them as statutory subject matter when it passed the Copyright Act of 1909.[82] Nonetheless, sound recordings could qualify for state copyright protection if a state chose to extend such protection.[83]

A series of cases in the Second Circuit held that, at least in New York, not only did sound recordings qualify for state common law copyright protection, but also that this protection survived the offering of such recordings for public sale—that is to say offering sound recordings for public sale would not constitute "publication" for common law copyright pur-

79. *See id.* at 661-62; *see also* 1 NIMMER, *supra* note 45, § 4.02[C].

80. 209 U.S. 1, 17 (1908).

81. *Id.*

82. Act of Mar. 4, 1909, ch. 320, §§ 23-24, 35 Stat. 1075, 1080-1081 (1909).

83. *See Wheaton*, 33 U.S. (7 Pet.) at 687. Note that state copyright protection was not limited to the common law—states could also enact statutory protections so long as they did not fall within the federally preempted sphere. For the texts of some representative statutes from New York, California, and Illinois, see 2 NIMMER, *supra* note 45, § 8C.05.

poses.[84] While *Wheaton* had held that offering a literary work for public sale terminated copyright protection, the Second Circuit read the rule narrowly, electing not to apply it to sound recordings.[85] For example, in *Capitol Records, Inc. v. Mercury Records Corp.*, the Second Circuit concluded that federal statutory copyright under the Copyright Act of 1909 was not intended to, and did not, cover sound recordings.[86] As such, since the case arose in New York State, the state law of New York applied. By analyzing New York common law, the Second Circuit determined that public distribution did not constitute publication in the *Wheaton* sense—that is, publication divesting the work of common law copyright.[87] While the above Second Circuit decisions are important for their limitation of the applicability of the *Wheaton* principle to sound recordings, their effects were not national in scope.

These rulings came down amidst a growing concern about music piracy.[88] In addition to common law copyright protection, many states enacted anti-bootlegging statutes that criminalized the sale or other commercial use of sound recordings without the owner's consent.[89] While the persistence of common law copyright and anti-bootlegging statutes aided record companies and artists in pursuing infringers of their work, they were piecemeal solutions to a national problem. Responding to the growing threat of unauthorized copying of sound recordings, Congress passed an amendment to the federal copyright statute in 1971 to afford federal protection to sound recordings.[90] The amendment applied only prospectively, though, protecting only those recordings made after February 15, 1972. With regard to pre-1972 recordings, the law provided for federal preemption of state common law copyright protection beginning on February 15, 2047.[91] The preemption date was later extended twenty years by the Sonny Bono Copyright Term Extension Act, to 2067.[92]

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84. *See* Capitol Records, Inc. v. Mercury Records Corp., 221 F.2d 657, 663 (2d Cir. 1955); Rosette v. Rainbo Record Mfg. Corp. 546 F.2d 461,463 (2d Cir. 1976).

85. *See Mercury Records*, 221 F.2d at 663; *Rosette*, 546 F.2d at 463; *see also Wheaton*, 33 U.S. (7 Pet.) at 658, 661-62 (holding that publication ended state common law copyright protection).

86. 221 F.2d at 660-62.

87. *Id.* at 663.

88. *See* H.R. REP. NO. 92-487 (1971) (noting that reliable trade sources estimated the annual volume of record piracy to exceed $100 million).

89. *See* 2 NIMMER, *supra* note 45, § 8C.05.

90. Sound Recordings Act of 1971, Pub. L. No. 92-140, § 3, 85 Stat. 391, 391 (1971) (codified at 17 U.S.C. § 5(n) (2000)).

91. *See id.*

92. Pub. L. No. 105-298, 112 Stat. 2827 (codified at 17 U.S.C. § 301(c)).

The 1971 amendment clarified that from 1972 onward sound recordings would constitute copyrightable subject matter under the federal Copyright Act from the time of creation.[93] As such, the amendment left no un-preempted territory for state copyright law regarding post-1972 recordings. With regard to pre-1972 recordings, the 1971 amendment ensured that whatever protection the several states gave to these works, that protection would be preempted by federal copyright law in the mid-twenty-first century. Until that time, though, the amendment left unclear what rights the states could extend to pre-1972 recordings. The amendment could conceivably be read to abrogate both common law copyright and existing state statutes proscribing music piracy. A user of pre-1972 sound recordings certainly would like to know the proper reading, else risk liability for copyright infringement. Further, the amendment included no guidance on the meaning of "publication" as pertaining to sound recordings made prior to 1972.[94]

The Supreme Court resolved some of these questions in *Goldstein v. California*.[95] In *Goldstein*, the defendants were convicted by a lower court of violating a California statute criminalizing music piracy. They appealed, challenging the validity of the California statute as violating the Copyright Clause of the Federal Constitution, in establishing state copyright protection with an unlimited duration in violation of the clause's "limited times" provision, as well as the Supremacy Clause and the Federal Copyright Act.[96] The Court rejected the defendants' challenges to the perpetual nature of California's criminal copyright protection statute on the basis that the Copyright Clause limits the power of Congress, not of the states, to protect intellectual property rights.[97]

The Court also rejected the defendants' contention that, because the allegedly infringed work was in public distribution, it had been published and was thus, under the *Wheaton* principle, no longer protected by state law. The Court pointed out that in interpreting federal law "'publication' serves only as a term of the art which defines the legal relationships which Congress has adopted . . . [a]s to categories of writings which Congress has not brought within the scope of the federal statute, the term has no ap-

93. *See* Sound Recordings Act of 1971, *supra* note 90.

94. Note that this is a distinction without a difference with regard to post-1972 recordings since the Copyright Act extends protection from the moment of creation, rather than publication.

95. 412 U.S. 546 (1973).

96. *Id.* at 551; *see also* U.S. CONST. art I, § 8, cl. 8.

97. *Goldstein*, 412 U.S. at 560-61.

plication."[98] In other words, state common law copyright protection could, but need not, possess duration beyond the time of public distribution in the absence of contrary statutory authority.[99]

Congress subsequently passed the Copyright Act of 1976,[100] which defined publication, for purposes of federal statutory copyright protection, as including the public sale of sound recordings.[101] Once again some questioned whether "public sale" ended common law copyright protection for pre-1972 sound recordings. The Ninth Circuit broached this question in *La Cienega Music Co. v. ZZ Top*, in which the owner of certain recordings of the blues artist John Lee Hooker performing the song "Boogie Chillen" sued the rock band ZZ Top for infringement.[102] ZZ Top defended on the ground that inclusion of "Boogie Chillen" on several publicly-distributed albums had extinguished the common law copyright covering the song.[103] The Ninth Circuit held for the defendants, finding that public sale of the earlier recordings extinguished plaintiff's common law copyright protection.[104]

The Ninth Circuit's decision in *La Cienega* directly clashed with the Second Circuit's decisions extending common law protection beyond public sale in *Capitol Records* and *Rosette*.[105] In response to this split in authority, Congress finally clarified the matter by amending the 1976 Act as follows: "The distribution before January 1, 1978, of a phonorecord shall not for any purpose constitute a publication of the musical work embodied therein."[106] As a result, state common law copyright could protect pre-1972 sound recordings until the date of federal preemption, regardless of any public sale. New York, in turn, extended common law copyright to

98. *Id.* at 570 n.28.

99. 1 NIMMER, *supra* note 45, § 4.02[C].

100. Act of Oct. 19, 1976, Pub. L. No. 94-553, 90 Stat. 2541 (1976) (codified as amended at scattered sections of 17 U.S.C.).

101. 17 U.S.C. § 101 (2000).

102. 53 F.3d 950 (9th Cir. 1995).

103. *Id.* at 952.

104. *Id.* at 953.

105. *See* Rosette v. Rainbo Record Mfg. Corp., 546 F.2d 461, 463 (2d Cir. 1976), *aff'g* 354 F. Supp. 1183 (S.D.N.Y. 1973); Capitol Records, Inc. v. Mercury Records Corp., 221 F.2d 657, 663 (2d Cir. 1955).

106. 17 U.S.C. § 303(b) (2000); *see also* Capitol Records, Inc. v. Naxos of Am., Inc., 830 N.E.2d 250, 262 (N.Y. 2005); 1 NIMMER, *supra* note 45, § 4.06.

protect pre-1972 sound recordings regardless of their public distribution.[107]

Thus, the law has come full circle: the current situation in New York, with regard to pre-1972 recordings, resembles that of literary works in England after *Millar v. Taylor*. Common law copyright protects sound recordings made prior to 1972 from the time of their creation to the year 2067. This protection persists regardless of whether the recordings have been publicly distributed. These circumstances thus provide the setting in which the New York Court of Appeals acted in considering *Naxos*.[108]

III. THE RAMIFICATIONS OF *NAXOS* FOR PROSPECTIVE USERS OF PRE-1972 SOUND RECORDINGS

The Court of Appeals's decision in *Naxos* has several implications for prospective users of pre-1972 sound recordings. First, the case affirms that, at least in New York, common law copyright on pre-1972 sound recordings will persist until the date of federal preemption, regardless of whether the creator or his assignee publicly distributes the work. This knowledge will encourage publishers to reissue old material for public consumption and enjoyment.

Second, reissues of pre-1972 sound recordings will be considered infringing works for purposes of New York common law copyright. Thus, any prospective remastering engineer or company must license the original recording or risk liability.

Third, at least in New York, the owner of a pre-1972 sound recording not covered by a federal copyright can seek protection from state copyright law, regardless of whether the recording originated domestically or abroad, and regardless of whether the work is protected by copyright in its country of origin. Prospective users will have to pay an increased cost for this protection, which may be offset by the establishment of collective rights organizations.

Finally, given the interconnected nature of today's networked world and the uncertainty of conflict of laws rules regarding copyright, much alleged infringement may potentially give rise to common law copyright liability in the state of New York. Prospective users of pre-1972 recordings will have to be aware of this possible liability and plan their mar-

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107. *See Rosette*, 546 F.2d at 463; *Mercury Records*, 221 F.2d at 663; Radio Corp. of Am. v. Premier Albums, Inc., 240 N.Y.S.2d 995, 996-97 (App. Div. 1963); Metro. Opera Assn. v. Wagner-Nichols Recorder Corp., 101 N.Y.S.2d 483 (Sup. Ct. 1950).

108. *Naxos*, 830 N.E.2d at 263-64.

keting and licensing strategies accordingly. The following sections explore these implications further.

A. Copyright Protection for Pre-1972 Recordings Preserves Incentives for Re-Release by Copyright Holders

In their current state, many pre-1972 sound recordings sit idle in music publishing back storerooms. With the decline of analog record use and sales in today's market, old recordings are currently unmarketable. In order to extract economic value from these assets, companies must invest time and effort in converting the albums into a digital format. In turn, the publishers must be able to exclude unauthorized use of their reissues in order to recoup their investment. The ruling of the New York Court of Appeals in *Naxos* will encourage publishers to reissue old material for public consumption and enjoyment, since publishers will have the benefit of copyright protection for more than 60 additional years.

Given that a state *may* choose to extend copyright protection to cover any area not preempted by federal law, though, it does not necessarily follow that a state *should* do so. From a natural rights or labor theory perspective, in the words of Lord Justice Mansfield, "it is just, that an author should reap the pecuniary profits of his own ingenuity and labor."[109] By this reasoning, a creator might well be entitled to hold his copyright in perpetuity. Notwithstanding this perspective, from a utilitarian point of view, maintaining protection on older works presents problems. No system of incentives will encourage the creation of more pre-1972 records. The artists and their assignees have gathered the fruits of their labors for a minimum of thirty-three years, and in many instances much more than that. That their efforts would be protected for as much as 170 years from creation surely would not, and did not, encourage the creation of more works than otherwise would have been created prior to 1972. Indeed, given that statutory copyrights through 1972 could persist, at most, for ninety-five years, artists thinking about such things likely would have assumed a similar term of protection would be afforded them.

Additionally, maintaining copyrights on antiquated works, where the line of ownership may be challenging, or impossible, to unravel, increases the costs of any attempt to use those old recordings.[110] Nonetheless, an

109. Millar v. Taylor, 98 Eng. Rep. 201, 252 (K.B.).

110. For background on the particular challenge of so-called "orphan works"—that is, works whose owners are impossible to locate—see U.S. Copyright Office, Orphan Works, http://www.copyright.gov/orphan (last visited Nov. 22, 2005). *See also* Olive Huang, Note, *U.S. Copyright Office Orphan Works Inquiry: Finding Homes for the Orphans*, 21 BERKELEY TECH. L.J. 265 (2006).

adherent to the utilitarian point of view might see the protection of such recordings' economic value, in the form of an incentive to reissue, as weighing in favor of maintaining copyright protection for pre-1972 recordings. While copyright protection extending well into the twenty-first century may seem to place an onerous limitation upon public access, efficient use of old recordings demands some form of copyright protection.

As the *Naxos* case demonstrates, pre-1972 recordings possess potential economic value.[111] In order to capture that value, though, a reissuing party must exert the effort required to remaster old recordings. The value contained in such recordings varies significantly. Certainly, some pre-1972 recordings have an existing audience, given the amount of pre-1972 music already available in digital format on compact discs. For other recordings, though, their value may be quite small without the investment of significant effort and resources. All recordings made prior to 1972 inhabit an analog domain; to create something of value to a modern music consumer, old recordings must be transferred to a commercially-viable digital format. After all, most people do not have a gramophone lying about. At a minimum, digitizing old recordings requires both a means to read the old media and a means to convert the resulting analog data into a digital form.[112]

A party may wish to digitize old recordings and remaster them to appeal to a modern audience.[113] Other innovators might pursue more creative uses, including sampling old recordings and employing them in new music. While these latter users might add sufficient creativity to support new copyrights on their material, under the *Naxos* ruling, companies who merely remaster and re-release older material would not qualify for copyright protection.

To create a truly desirable product in today's market, recording engineers will likely have to invest additional effort beyond mere digitization. Recordings made solely with the acoustic energy of the artist, without microphones, or music mixed in one or two channel audio will not play well on a modern music system with six or more channels of surround sound

111. It is interesting to note that in the wake of the *Naxos* ruling, the world's largest record label, Universal Music Group International, has announced a major program to reissue recordings in their archives, many of which "[go] back to the early days of recorded music." Ray Bennett, *Rare Tracks Excavated for Digital Downloading*, YAHOO! NEWS, Jan. 18, 2006, http://news.yahoo.com/s/nm/20060119/music_nm/rare_dc.

112. For details about the sound recording process and analog-to-digital conversion as applied to sound recording, see ALAN P. KEFAUVER, FUNDAMENTALS OF DIGITAL AUDIO (1999) and ASS'N OF PROF'L RECORDING SERVS., SOUND RECORDING PRACTICE (John Borwick ed., 4th ed. 1994).

113. *See* Frank J. Prial, *An Expert at Making Old Tunes New Again*, N.Y. TIMES, Aug. 27, 2005, at B7.

output.[114] These recordings must be digitized, broken down into their constituent parts, cleaned of noise resulting from antiquated recording technology and deteriorating media, balanced to take advantage of advances in loudspeaker technology and multichannel output, and remixed into a single file playable on a digital music player or compact disc player.[115] In short, a party wishing to re-release old recordings must invest time, effort, and money.[116] Without the promise of copyright or other protection, though, a re-releasing company could find it difficult to recoup this investment.

The *Naxos* court held that even if Naxos had created a new product through its remastering efforts, in the presence of a common law copyright on the original recordings, Naxos's remastered products could be deemed to infringe the copyrights on the original recordings. The court reasoned that independent creation cannot consist of actual copying and that fair use does not apply where an entire copyrighted work is reproduced.[117] In essence, the court concluded that the mere re-releasing of analog recordings in a digital format could not result in noninfringing new works.

Only noninfringing new creative works vest property rights in their creators. If the original source works were not protected by copyright, the products that Naxos re-released would be in the public domain. But if the original recordings were protected by common law copyright, and if Naxos failed to create a noninfringing new product, then it would possess no right to exclude others from unauthorized use of the re-released works. Thus, not only would Naxos likely be liable for copyright infringement, free-riding third parties could copy Naxos's re-released works with impunity. Since prospectively the re-releaser could not hope to recoup its investment in remastering other old recordings, going forward, it would

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114. Prior to 1924, the process of sound recording consisted of a needle scratching its vibrations into a blank medium, with those vibrations being directly produced by the audio energy, captured via a large collecting horn, emanating from a source—in essence, the opposite of the playback process. In 1924, though, H.C. Harrison patented the electric condenser microphone, which thereafter reshaped the method of sound recording. The primary result was that the powerful bellowing voices needed to create acoustic recordings gave way to the mellow "crooner" voices permitted by microphone recording. *See* MARK COLEMAN, PLAYBACK: FROM THE VICTROLA TO MP3, 100 YEARS OF MUSIC, MACHINES, AND MONEY 34-37 (2003); *see also* RUHLMANN, *supra* note 1, at 49.

115. *See* KEFAUVER, *supra* note 112.

116. Of course, with the wide availability of powerful personal computers and software suites permitting digital editing of media files, the minimum investment needed to create high-quality reissues is lower than at any time in the past. Nonetheless, reissuing companies must invest something.

117. Capitol Records, Inc. v. Naxos of Am., Inc., 830 N.E.2d 250, 267 (N.Y. 2005).

have no incentive to similarly treat other antique works and their value would lie unrealized.[118]

Moreover, absent assured copyright protection vested in the publisher, reissues would depend on ad hoc efforts by a multitude of dissociated reissuing companies. Assured copyright protection increases the likelihood that a publisher will organize its efforts to extract maximum yields from its back catalogue, further decreasing the cost of remastering through an economy of scale. Additionally, the consumer may then be assured of higher minimum quality standards in its products, as the publisher, rather than various prospective reissuers, has the best access to the original master recordings. Finally, lower transaction costs between publishers and online music distributors, such as the popular iTunes,[119] would prevail over a situation in which a multitude of reissuing companies would conduct transactions with the online distributors, resulting in a greater number of one-shot deals requiring more negotiations.

Many compelling reasons disfavor protection of pre-1972 recordings, among them the attenuated link between the incentive to create and the property rights granted, as well as the difficulty in tracing the ownership of many older works. On balance, though, it seems prudent to maintain protection in order to encourage the extraction of these recordings' economic values as reissued products. Further, by centralizing efforts to exploit that value in the hands of music publishers, the law ensures that the recordings will be used by the entities who often possess the best remaining source material, who may best utilize economies of scale, and who can most efficiently bargain licensing transactions.

B. Prospective Users of Foreign Works in the Public Domain Must License Them

On the international copyright scene, for works of foreign origin, courts often compare copyright terms, as between the domestic norm and the foreign regime, and choose to apply the shorter of the two.[120] While New York was not compelled to do this by any law or precedent, it could have chosen to do so. In choosing otherwise, the Court of Appeals guaranteed that sound recordings which remain unprotected by the federal copyright statute will, wherever their origin, qualify for state copyright protection in New York. While this choice will impose some costs upon pro-

118. *See* Landes & Posner, *supra* note 63.

119. Apple - iPod + iTunes, http://www.apple.com/itunes (last visited Feb. 19, 2006).

120. *See* 4 NIMMER, *supra* note 45, § 17.10[A]; 1 INTERNATIONAL COPYRIGHT LAW AND PRACTICE § 5(2) (Paul E. Geller, ed., 2005).

spective users of these recordings, collective rights organizations could serve to mitigate those costs.

While one might have guessed that the states would continue to extend copyright protection for domestic pre-1972 recordings up until the date of preemption, it was by no means clear that the states would do likewise for foreign works that have entered the public domain in their country of origin. In *Naxos*, the recordings in question were fixed in the United Kingdom in the 1930s, at a time after the U.K. had abolished common law copyright in favor of a singular statutory copyright scheme.[121] This situation raises at least three questions: (1) Do works of foreign origin even fall within the ambit of domestic common law copyright; (2) Does the abrogation of common law copyright in the country of origin preclude New York from extending common law copyright to underlying recordings; and (3) Does the expiration of the statutory copyright in the country of origin terminate common law copyright in New York? The *Naxos* court jumped past the first two questions and dealt only with the third question explicitly. Nonetheless, all three questions logically bear on the protection that New York may extend to pre-1972 recordings.

As to whether domestic common law copyright can protect works of foreign origin, both New York courts and the Supreme Court have held that, as to literary works, common law copyright affords protection regardless of the nationality or domicile of the author and regardless of where the work was released.[122] While New York need not have read that rule to include sound recordings, it implicitly chose to do so in *Naxos*. As for whether the abrogation of common law copyright in the work's country of origin precludes New York from affording the work domestic protection, again for literary works, at least one New York court has held that such an abrogation did not dissolve New York common law copyright.[123] *Naxos* implicitly established that this rule applies to sound recordings as well, throughout the state of New York.

The third question can be restated as an inquiry into the duration of common law copyright in New York for works that have entered the public domain in their country of origin. The Berne Convention requires its member nations, among them the United States, to accord "national treatment" to foreign claimants in Berne member courts.[124] This is to say that

121. Roberts v. Petrova, 213 N.Y.S. 434, 435 (Sup. Ct. 1925).

122. *See* Ferris v. Frohman, 223 U.S. 424, 434 (1912); Palmer v. De Witt, 47 N.Y. 532, 538 (1872); *Roberts*, 213 N.Y.S. at 437.

123. *Roberts*, 213 N.Y.S. at 437.

124. *See* Berne Convention, *supra* note 42, art. 5(1) ("Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union

foreign claimants must have the same rights in domestic courts as would domestic claimants in domestic courts. The Constitution requires that the states recognize treaties entered into by the federal government as having the force of federal law.[125] Berne, though, does not apply to pre-1972 sound recordings; nor do the other treaties or statutes that would normally demand national treatment.[126] Thus, neither federal statute nor Constitutional provision requires the states to accord foreign pre-1972 sound recordings the same protection as their domestic counterparts. Therefore, in *Naxos* the court could have chosen to apply a shorter common law copyright duration than it would have given to domestic works. In other words, although the court determined, through the historical analysis elucidated in Part II, that common law copyright on domestic pre-1972 sound recordings persists in New York until the date of federal preemption, the court need not have accorded the works in *Naxos* the same treatment, as they were of foreign origin.

For example, the court could have chosen to apply the "rule of the shorter term."[127] In international copyright law, when protection is claimed in one country but litigated in another, countries often compare the copyright term available in the forum country with that given by the protecting country, and apply the shorter of the two.[128] Indeed, the Berne Convention mandates application of this rule unless domestic legislation of a member country specifically provides otherwise.[129] The rule is meant to harmonize international copyright law by discouraging forum shopping on the part of prospective plaintiffs.[130] As previously stated, though, Berne does not apply to pre-1972 sound recordings. The federal law of the United States does not apply the rule of the shorter term, in general, but instead accords both foreign and domestic federal copyright claims the term granted by the federal copyright statute.[131] States, on the other hand,

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other than the country of origin, the rights which their respective laws do now grant or may hereafter grant to their nationals, as well as the rights specially granted by this Convention.").

125. U.S. CONST. art. VI, § 2.

126. *See supra* notes 42, 43. Even if Berne or the Universal Copyright Convention applied, they do provide for the application of the rule of the shorter term as something of an exception to national treatment. *See* Berne Convention, *supra* note 42, at art. 7(8); Universal Copyright Convention, *supra* note 42, Art. IV(4)(a).

127. *See* 4 NIMMER, *supra* note 45, § 17.10[A].

128. *See id.*

129. Berne Convention, *supra* note 42, art. 7(8).

130. *See* 4 NIMMER, *supra* note 45, § 17.10[A]; 1 INTERNATIONAL COPYRIGHT LAW AND PRACTICE § 5(2) (Paul E. Geller, ed., 2005).

131. *See* 3 NIMMER, *supra* note 45, § 9.12[A].

need not follow this convention. Thus, a U.S. state is neither obligated to, nor forbidden from, applying the rule of the shorter term.

In *Naxos*, had New York chosen to apply the rule of the shorter term, it would likely have found that while New York law would grant copyright for sixty-one more years, British law no longer provided for copyright protection. Applying the rule, the works would no longer be protected by copyright and Naxos's use would not infringe. Since the court determined that all domestic sound recordings not qualifying for federal statutory protection would qualify for state copyright protection, in choosing to discard the rule of the shorter term in favor of according foreign claimants domestic treatment, the court guaranteed that all sound recordings, wherever their origin, not qualified for federal statutory protection, would qualify for state statutory or common law copyright protection.

This choice consequently generates increased transaction costs from tracing copyright ownership and additional licensing negotiations.[132] These concerns, though, need not overshadow the advantages of long-term copyright protection; collective rights organizations could ameliorate these costs by easing ownership determination and providing standard negotiated deals for the use of pre-1972 recordings.[133] Such groups are constituted to distill dispersed ownership and enforcement rights as to many relatively low-value properties into one entity. This centralization increases the properties' overall values by lowering the energy barrier to their use and rights enforcement. This effect derives from the easier location of rightholders and lowered costs of licensing negotiation, achieved by spreading transaction costs among a bundle of associated licensed properties—essentially encouraging repeat-player reciprocal bargaining and concomitantly discouraging more expensive one-off bargains. In addition, pooling of enforcement resources leads to lower costs for rightholders.

Altogether, the upshot of the Court of Appeals ruling is that if sound recordings are not protected by the Federal Copyright Act, whatever their nation of origin, they will be protected by state copyright law in New York. While this situation will impose the known costs for long-duration copyright, these costs could be lowered by the creation of collective rights

132. *See* William M. Landes & Richard A. Posner, *Indefinitely Renewable Copyright*, 70 U. CHI. L. REV. 471, 475-76 (2003).

133. *Cf.* Robert P. Merges, *Contracting Into Liability Rules: Intellectual Property Rights and Collective Rights Organizations*, 84 CALIF. L. REV. 1293 (1996) (arguing that in the context of licensing digital media, collective rights organizations efficiently organize licensing according to economic need and underlying intellectual property rights).

organizations. In any event, these works will remain under copyright for a long time to come and, thus, prospective users must plan accordingly.

C. The Long Arm of New York Common Law Copyright

Under the *Naxos* ruling New York will extend copyright protection to pre-1972 sound recordings regardless of whether their domestic copyright persists. A prospective user of these recordings, wherever located, who wishes to sell in the U.S. market will have to consider the implications of *Naxos*. This is largely due to the fact that modern marketing methods, especially the internet, possess an international scope, implicating that the laws of many jurisdictions may intercede twixt the cup and the lip.

In *Naxos*, Capitol sued Naxos on the basis of alleged infringement occurring in New York. In order to predict how wide a reach this ruling might have, one must examine choice of law as it applies to international copyright. The mere presence of international entities and actions does not implicate a conflict of laws. One must evaluate the prima facie elements of the cause of action asserted for the appearance of any true conflicts of law.[134] It may turn out that while the parties argue about which of one or more laws apply, only one may plausibly apply; or, though more than one law may apply, the respective applications of these laws may result in no substantive differences. In these cases no true choice of laws is presented. In other cases, though, more than one law may plausibly apply, and the results of applying the respective laws may differ enough to implicate a conflict of law situation. In this event, the arbiter of the case should seek to maximize the policy concerns of such a choice. These include predictability of result, fairness between the parties, simplicity of application, and, often most strikingly, avoidance of forum shopping.[135]

In *Naxos*, the law of New York and the law of the U.K. could both plausibly apply, assuming that the alleged infringement occurred in New York, but the works in question originated in the U.K. The content of the laws clearly differs, since in the U.K. the works in question are in the public domain while in New York the works are protected under copyright. Thus, the prima facie elements of the case suggest that one must pursue a choice of law analysis. The traditional rule in copyright conflicts dictates that the forum should apply the law of the place of infringement.[136] This

134. Larry Kramer, *Rethinking Choice of Law*, 90 COLUM. L. REV. 277, 281-83 (1990).

135. RESTATEMENT (SECOND) OF CONFLICT OF LAWS § 6 (1971).

136. *See* 4 NIMMER, *supra* note 45, § 17.05; INTERNATIONAL COPYRIGHT LAW, *supra* note 130, § 3(1). The Second Circuit has refined this analysis to apply the law of the state in which the infringement occurred to all aspects of the action except as to the issue of

rule works reasonably well to meet the goals of a choice of law regime—predictability of result, fairness between the parties, simplicity of application, and avoidance of forum shopping—when the infringing activity is localized to one jurisdiction. When the infringing activity occurs in multiple jurisdictions over the internet, which may implicate many jurisdictions or none, it may be quite difficult to localize the place of infringement. Yet this localization must be established in order to know which law will be applied, regardless of where a plaintiff brings suit.

Consider a case in which an online music distributor converts a pre-1972 album into a digital format in state A. He then transports that recording via compact disc into state B and loads it onto his company's computer server, offering it for sale over the internet. A consumer purchases the digital album in state C wherein he downloads the song and listens to it. Where is the place of infringement? Note that *Naxos* is a similarly complex case. Capitol was able to localize the infringement to New York by founding its claim upon allegedly infringing articles sold in New York, allowing New York law to apply even though the works were originally recorded and copyrighted in Britain. Naxos is a Hong Kong-based company whose corporate subsidiary, Naxos of America, is based in Tennessee. Thus a Tennessee subsidiary of a Hong Kong company faced liability in New York over a British recording.

The multiplicity of choice of law methods employed by various states might well lead different jurisdictions to answer the place of infringement question quite differently, even on the same set of facts.[137] While several commentators have attempted to elucidate choice of law methods more suited to the emerging digital age of copyright law, the results serve mainly to illuminate the nebulous nature of these methods.[138] To limit this uncertainty on the international scene, nations have adopted several trea-

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ownership, which is to be "determined by the law of the state with 'the most significant relationship' to the property and the parties." Itar-Tass Russ. News Agency v. Russ. Kurier, Inc., 153 F.3d 82, 90 (quoting RESTATEMENT (SECOND) OF CONFLICT OF LAWS § 222 (1971)).

137. *See generally* DAVID P. CURRIE ET AL., CONFLICT OF LAWS (6th ed. 2001) (illustrating the various choice of law regimes, including territorial theories, state interest analysis, and significant contacts analysis, among others).

138. *See* Graeme W. Austin, *Domestic Laws and Foreign Rights: Choice of Law in Transnational Copyright Infringement Litigation*, 23 COLUM.-VLA J. L. & ARTS 1 (1999); Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. PA. L. REV. 469 (2000); William Patry, *Choice of Law and International Copyright*, 48 AM. J. COMP. L. 383 (2000); Andreas P. Reindl, *Choosing Law in Cyberspace: Copyright Conflicts on Global Networks*, 19 MICH. J. INT'L L. 799 (1998).

ties to harmonize the various national laws that a case may implicate, thus reducing the likelihood of a true conflict of laws.[139] As stated earlier, these treaties do not apply to pre-1972 recordings.[140] Additionally, national courts will employ the doctrine of *forum non conveniens* to avoid litigating a copyright issue in a forum not strongly attached to the facts of the infringement, when another more connected forum presents.[141] There are few cases when *forum non conveniens* is proper, though, since rarely does a forum possess ties to a case that are strong enough to permit a suit to be brought there but that are too attenuated for there to be sufficient interest in applying the forum's law. The harmonization efforts typically employed by nations on the international stage do not apply to the facts of *Naxos*.

It may turn out, though, that *Naxos*, itself, will function as a harmonization mechanism. A prospective user of protected material, who wishes to distribute a product containing such material over the internet, must obey the most restrictive laws in order to avoid liability.[142] Under the *Naxos* ruling New York will extend copyright protection to pre-1972 sound recordings regardless of whether their domestic copyright persists. New York is an important part of the desirable U.S. market. A prospective user of these recordings, wherever located, who wishes to take advantage of the U.S. market, as a practical matter will have to license the material in order to avoid liability. Certainly, a prospective user of these recordings could decrease the risk of liability by not distributing via the internet or by limiting the geographic areas which can download the material. Nonetheless, many such users will undoubtedly wish to exploit the whole of the U.S. market, and hence will license the material. New York's arms will grow long indeed.

IV. CONCLUSION

Media companies are increasingly attempting to exploit their back catalogues of television shows, films, and recorded music through com-

139. Chief among these is the Berne Convention, though also important are the Universal Copyright Convention, the Rome Convention, and the Phonograms Convention. *See supra* note 42.

140. *See id.*

141. *See, e.g.*, London Film Prods. Ltd. v. Intercontinental Commc'ns, Inc., 580 F. Supp. 47 (S.D.N.Y. 1984).

142. *Cf.* Peter S. Menell, *Regulating "Spyware": The Limitations of State "Laboratories" and the Case for Federal Preemption of State Unfair Competition Laws*, 20 BERKELEY TECH. L.J. 1363 (2005) (arguing that in the context of state unfair competition law regulating malicious computer software, the interconnected nature of the internet renders the most restrictive state laws controlling over less restrictive laws).

pact disc and home video sales, as well as through internet distributors. With regard to music recorded before 1972, in the past these companies could not be certain of the intellectual property rights that they would have in their catalogue, and thus could not efficiently exploit those recordings in a commercial context. In *Naxos*, the New York Court of Appeals illuminated the rights that New York will accord music publishers in their older works, particularly those which were originally published abroad. Pre-1972 sound recordings will remain protected under the aegis of state common law copyright until 2067. This common law copyright protects against unauthorized copying and permits plaintiffs to collect civil remedies from unlicensed copiers. Copyright claims will not require bad faith on the part of the copier. Moreover, a showing that the market for the original work is negligible will not excuse the copier from liability.

Due to New York's importance both as an independent music market and as a significant part of the U.S. market, as well as the interconnectedness of today's world, this ruling will produce an impact upon the global music publishing business. Until 2067, any user of old recordings will have to seek out and take a license for the use or else risk copyright liability. Most impacted by this effect will be the new-technology music distributors, today including primarily internet retailers. Though, in the future, potentially telecommunications companies who wish to distribute music over cellular telephone, fiber optic telephone, or cable television connections could also face liability. The owner of the Beatles catalog can rest easy.