Supplement to the Los Angeles and San Francisco
Daily Journal
MARCH 15, 2017

# THE 2017 CLAY AWARDS

## The 21st Annual California Lawyer Attorneys of the Year

**ENVIRONMENTAL**

# Giving artists royalties for pre-1972 recordings

### *Flo & Eddie Inc. v. Sirius XM Radio Inc.*

HENRY GRADSTEIN and MARYANN MARZANO of Gradstein & Marzano PC.

The Turtles sang in their 1968 hit "Elenore," "Gee I think you're swell/And you do me really well…" But that was hardly the legendary rock band's attitude toward those who played their music but refused to pay royalties.

Taking on as clients pre-1972 song owners including The Turtles' founders Flo & Eddie — in real life Howard Kaylan and Mark Volman — against a powerful music industry defendant, Henry D. Gradstein of Gradstein & Marzano LLP, prevailed in a landmark class action. Gradstein, with law partner Maryann R. Marzano and Susman Godfrey LLP class action specialists Kalpana Srinivasan and Steven G. Sklaver, won a $25 million Central District settlement that could balloon depending on cases pending in other states. *Flo & Eddie Inc. v. Sirius XM Radio Inc.,* 13-cv-5693 (C.D. Cal., filed Aug. 3, 2013).

"It wasn't fair that Sirius XM was playing pre-1972 recordings without paying for them," Gradstein said. "The defense theory was that the Copyright Act doesn't cover pre-1972 works, and that is a fact. But I began researching the states' common law copyright statutes. In California there is a statute arguably right on point in the civil code. It says the author of a recording has the exclusive right to exploit it. And other states have good case law as well." A 1937 East Coast case dealing with band and choral group Fred Waring and the Pennsylvanians was also useful. Gradstein also found a relevant 1973 U.S. Supreme Court case. *Goldstein v. California*, 412 U.S. 546, held that California laws criminalizing record piracy did not violate the U.S. Constitution's Copyright Clause.

"The law was pretty clear," Gradstein said. "The hard part was convincing judges that state law did indeed provide these protections."

The case took what Gradstein called "a circuitous and labyrinthine route" after September 2014 when U.S. District Judge Philip S. Gutierrez of Los Angeles extended California copyright protection of performances of so-called "oldies" sound recordings. "This settled the ambiguity in the law by explicitly holding that the older songs are protected by state law," Gradstein said.

Five major record labels, Capitol Records LLC, Sony Music Entertainment, UMG Recording Inc., Warner Music Group Corp. and ABKCO Music & Records Inc., that control about 85 percent of the oldies, then entered into a $210 million settlement agreement with Sirius in mid-2015. "The labels relied on our work," Gradstein said. "We got nothing."

But Gutierrez had established liability and certified a class. Gradstein enlisted Susman Godfrey and proceeded with damages claims on behalf of the individual clients, including Flo & Eddie. Sirius lost its bid to decertify the class and was barred from arguing any defenses to liability, the judge ruled.

In November, on the eve of trial, as Sirius faced the prospect of a jury's damages finding, the defendant settled. The deal included a future running royalty of 5.5 percent of pro-rata Sirius gross revenues from 2018 through 2028 from playing class members' sound recordings in exchange for a license to play them. Gradstein has a similar case pending against Pandora at the 9th U.S. Circuit Court of Appeals on whether the performance of the pre-1972 performance involves First Amendment issues.

Marzano called the result "the culmination of a battle Henry and I started almost four years ago and continued to wage with Susman Godfrey at our side. Over the course of what was to become an epic David versus Goliath fight, we remained true to our mission to uphold the law protecting artists' performance and other rights and to ensure that artists were fairly compensated for the fruits of their labor. In our current climate, where it is a struggle for musicians to earn a living, it was of great societal importance to pursue this case."

STEVEN G. SKLAVER
of Susman Godfrey LLP

KALPANA SRINIVASAN
of Susman Godfrey LLP

Said Srinivasan, "I was all set to give the open at trial. I was excited to tell their story, but [the settlement] was an emotional victory and I was so glad for the class." Added Sklaver, "It took the threat to the defendants to achieve the settlement. It was the genius of Henry and our collaborative work for the class to arrive at a settlement meaningful for our clients and for us as lawyers."

—John Roemer

Reprinted with permission from the ***Daily Journal.*** ©2017 Daily Journal Corporation. All rights reserved. Reprinted by ReprintPros949-702-5390