UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	CV13-5693 PSG (GJSx)	Date	September 8, 2016
Title	Flo & Eddie, Inc. v. Sirius XM Radio, Inc., *et al.*		

Present: The Honorable	Philip S. Gutierrez, United States District Judge

Wendy Hernandez	Not Reported
Deputy Clerk	Court Reporter
Attorneys Present for Plaintiff(s):	Attorneys Present for Defendant(s):
Not Present	Not Present

Proceedings (In Chambers): Order GRANTING in Part and DENYING in Part Defendant's Motion for Partial Summary Judgment

Before the Court is Defendant Sirius XM Radio's motion for partial summary judgment on Plaintiff Flo & Eddie, Inc.'s claims for punitive damages, disgorgement, and common law unfair competition. *See* Dkt. # 335. The Court finds this motion appropriate for decision without oral argument. *See* Fed. R. Civ. P. 78(b); L.R. 7-15. After considering the arguments in the moving, opposing, and reply papers, the Court GRANTS in part and DENIES in part the motion.

I. Background

Plaintiff and class representative Flo & Eddie, Inc. ("Plaintiffs") is a corporation owned and controlled by Howard Kaylan and Mark Volman, two of the founding members of the music group "The Turtles." Dkt. # 365-2, *Plaintiff's Statement of Genuine Disputes of Material Fact ("PSDF")* ¶¶ 1, 2. Plaintiffs own all rights to The Turtles' sound recordings fixed before February 15, 1972. *Id.* ¶ 1. Defendant Sirius XM Radio ("Defendant") operates a subscription based nationwide satellite radio service as well as an internet radio service. Dkt. # 335-1, *Defendant's Statement of Uncontroverted Facts* ("*DSUF*") ¶ 3.

For over a decade now, Defendant and its predecessor companies, Sirius Satellite Radio and XM Satellite Radio Holdings, Inc., have regularly performed pre-1972 recordings without paying royalties to recording owners. *Id.* ¶ 6. For at least seven of those years, Plaintiffs have been aware of this practice. *PSDF* ¶ 11. Moreover, ever since The Turtles' songs were recorded in the 1960s and 1970s, Plaintiffs have been aware that radio stations nationwide have been performing their songs without seeking permission or paying royalties. *Id.* ¶ 10. Prior to this lawsuit, no recording owner, including Plaintiffs, had asked Defendant or any other broadcaster to stop performing their pre-1972 recordings. *Id.* ¶ 12.

Plaintiffs filed a Complaint in Los Angeles Superior Court on August 1, 2013, alleging violations of California Civil Code § 980(a)(2) ("§ 980"); unfair competition under California Business & Professions Code §§ 17200, *et seq.* ("UCL") and the common law; conversion; and misappropriation. Dkt. # 1. Defendant filed a timely Notice of Removal and the case was removed on August 6, 2013. *Id.* On September 22, 2014, the Court granted summery judgment in favor of Plaintiffs on all claims, holding that § 980 grants pre-1972 sound recording owners the "exclusive right to publicly perform that recording." Dkt. # 117, *Order Granting Plaintiff's Motion for Summary Judgment* ("SJ") at 10. Prior to this ruling, no court had ever expressly recognized such a right. *Id.*; *PSDF* ¶ 14.

Defendant now moves for summary judgment on Plaintiffs' request for punitive damages and disgorgement, as well as the common law unfair competition claim. Dkt. # 335 ("Mot.").

II. Legal Standard

A motion for summary judgment must be granted when "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c). A disputed fact is material if it might affect the outcome of the suit under the governing law. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986).

A party seeking summary judgment bears the initial burden of informing the court of the basis for its motion and of identifying those portions of the pleadings and discovery responses which demonstrate the absence of a genuine issue of material fact. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). If the nonmoving party will have the burden of proof at trial, the movant can prevail by pointing out that there is an absence of evidence to support the nonmoving party's case. *See id.* If the moving party meets its initial burden, the nonmoving party must set forth, by affidavit or as otherwise provided in Rule 56, "specific facts showing that there is a genuine issue for trial." *Anderson*, 477 U.S. at 250.

In judging evidence at the summary judgment stage, the court does not make credibility determinations or weigh conflicting evidence. Rather, it draws all inferences in the light most favorable to the nonmoving party. *See T.W. Electric Service, Inc. v. Pacific Electric Contractors Ass'n*, 809 F.2d 626, 630-31 (9th Cir. 1987). The evidence presented by the parties must be admissible. Fed. R. Civ. P. 56(e). Conclusory, speculative testimony in affidavits and moving papers is insufficient to raise genuine issues of fact and defeat summary judgment. *See Thornhill Pub. Co., Inc. v. GTE Corp.*, 594 F.2d 730, 738 (9th Cir. 1979).

III. Discussion

A. Punitive Damages

Defendant's motion for summary judgment on Plaintiffs' request for punitive damages rests on the following arguments: (1) the case presents an issue of first impression which precludes punitive damages as a matter of law; (2) allowing the possibility of punitive damages would violate due process; (3) Plaintiffs have presented no evidence of "fraud, oppression, or malice" as required by California Civil Code § 3294; and (4) punitive damages are not available under California's UCL. *Mot*. 9–16. Because the Court finds this case does indeed present an issue of first impression, punitive damages are precluded as a matter of law. *See Morgan Guar. Trust Co. v. American Sav. & Loan Ass'n*, 804 F.2d 1487, 1500 (9th Cir.1986). Accordingly, the Court concludes Defendant is entitled to summary judgment on Plaintiffs' request for punitive damages, and need not address the merits of the remaining arguments.[1]

1. First Impression Argument

Defendant's principal argument is that Plaintiffs cannot recover punitive damages on any of their claims because "the central issue in this case is one of first impression." *Mot*. 1, 9. If there was no recognized right to exclusive control of pre-1972 recordings prior to this Court's summary judgment ruling, then, Defendant argues, "it is impossible to demonstrate that [Defendant] acted with the requisite 'oppression, fraud, or malice.'" *Id*. at 2.

It is well established in California and the Ninth Circuit that punitive damages are not proper in cases of first impression. *See In re First Alliance Mortg. Co*., No. SA CV 01-971 DOC, 2003 WL 21530096, at *10 (C.D. Cal. June 16, 2003); *see also Waits v. Frito–Lay*, 978 F.2d 1093, 1104 (9th Cir.1992) ("[w]here an issue is one of first impression, or where a right has not been clearly established, punitive damages are generally unavailable"); *Morgan Guar. Trust Co.*, 804 F.2d at 1500 (declaring punitive damages inappropriate in the case where "key issue is one of first impression."); *Fariba v. Dealer Services Corp*., 178 Cal. App. 4th 156, 175 (2009)

[1] Defendant correctly asserts that punitive damages are not appropriate with respect to Plaintiff's second cause of action under California's UCL, Cal. Bus. & Prof. Code § 17200. *Mot*. 16. It is settled law that punitive damages are not available under § 17200. *Korea Supply Co. v. Lockheed Martin Corp.*, 29 Cal. 4th 1134, 1148 (2003) (noting that damages cannot be recovered under California's Unfair Competition Law, limiting prevailing plaintiffs to injunctive relief and restitution); *see also Groupion, LLC v. Groupon, Inc.*, 859 F. Supp. 2d 1067, 1083 (N.D. Cal. 2012) ("Punitive damages are not recoverable under . . . California's UCL."). Moreover, Plaintiffs concede this point by recognizing that "restitution is the appropriate remedy under the UCL claim." *Opp*. 19 n.3.

(finding punitive damages inappropriate where resolution of a claim turned upon an issue of first impression).[2]

With this general rule in mind, the question remains whether this case does in fact present an issue of first impression. As Defendant's argument explains, there could be no disregard for another's rights when no such rights existed prior to this case. *Mot.* 9-12. In support, Defendant points to this Court's summary judgment ruling as "the first time *any* court ever recognized the existence of performance rights for pre-1972 recordings under Section 980 or any other law." *Id.* at 10. Further relying on the record, Defendant notes this Court's own language that "nobody knew about the right until [the Court] said there was a right."[3] *Id.*; Dkt. # 234 at 26:6-10.

A case of first impression is one "that presents the court with an issue of law that has not previously been decided by any controlling legal authority in that jurisdiction." *See* BLACK'S LAW DICTIONARY (10th ed. 2014); *see also Quisenberry v. Compass Vision, Inc*., 618 F. Supp. 2d 1223, 1228 (S.D. Cal. 2007) (finding the case to be one of first impression in the jurisdiction where no California court had previously addressed the issue); *In re First Alliance*, 2003 WL 21530096, at *10 (finding a case of first impression where "there is no legal precedent by which [Defendant] could have expected liability from Plaintiffs."). It is clear that courts have not previously addressed the issue in the present case. As noted in the summary judgment ruling, there exists a "judicial void" on the matter because "facts that would prompt a court to rule on the issue have simply never been presented in a California court." *SJ* at 7.

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[2] The reasoning behind this rule is understandable. In *In re First Alliance*, the Court noted that the rationale behind not allowing punitive damages in cases of first impression is that "the requisite intent or willfulness required to consciously disregard another's rights cannot be present if no right or duty has been recognized." *In re First Alliance*, 2003 WL 21530096, at *10. Under California law, the imposition of punitive damages requires that Plaintiff prove by "clear and convincing evidence that the defendant has been guilty of oppression, fraud, or malice." Cal. Civ. Code § 3294. Pursuant to § 3294, malice, oppression and fraud all require a showing of intentional or conscious disregard of the rights of others. *Id*. at § 3294(a)-(c); *see also Fariba*, 178 Cal. App. 4th at 175 (finding punitive damages precluded in the absence of clear and convincing evidence that Defendant intended to deprive Plaintiff of property or legal rights, or otherwise cause injury). According to the Ninth Circuit, punitive damages must be based on a showing of conscious disregard for the rights of others or some type of evil motive or other morally culpable conduct. *See Morgan Guar. Trust Co.*, 804 F.2d at 1500.

[3] Defendant also points to other courts, commentators and legal academics acknowledging "that this Court's summary judgment ruling represented a completely new development in the law." *Mot*. 10-12.

Plaintiffs attempt to defeat this finding by pointing to two cases discussed in the summary judgment ruling, *Capital Records LLC et al. v. BlueBeat, Inc. et al*., 765 F. Supp. 2d 1198 (C.D. Cal. 2010) and *Bagdasarian Prods., LLC v. Capitol Records, Inc*., No. B217960, 2010 WL 3245795 (Cal. Ct. App. August 18, 2010). Dkt. # 373 ("Opp.") at 9. Neither case directly addresses the issue of public performance rights under § 980, but rather raises it "either implicitly or in dicta." *SJ* at 9. In *BlueBeat*, the Court found liability for misappropriation where Defendant operated a website that allowed users to download and stream songs, including pre-1972 recordings, without authorization. *See BlueBeat*, 765 F. Supp. 2d at 1200-1201, 1206. The Court, however, did not distinguish in its analysis between the downloading (reproduction and distribution of songs) and streaming (public performance of songs) operations, leading this Court to conclude the right to public performance was merely implied. *SJ* at 9. Similarly, in *Bagdasarian*, a case primarily concerned with contract interpretation regarding certain sound recording rights sold in a contract, the Court suggested in dicta that ownership of a sound recording included a right to public performance. *Bagdasarian*, No. B217960, 2010 WL 3245795, at *11. Thus, neither case isolated the question of the right of public performance of pre-1972 recordings and expressly recognized such a right under § 980. As the long held maxim states, courts are "not bound to follow . . . dicta in a prior case in which the point now at issue was not fully debated." *Central Va. Community College v. Katz*, 546 U.S. 356, 362 (2006). These cases, therefore, do not stand as authoritative legal precedent that precludes a finding of first impression in the present case.

Furthermore, Plaintiffs concede that the issue presented in this case has never been directly addressed before. *See Opp*. 8 ("[i]t is true that no court had the opportunity to directly hold that public performance is one of the 'exclusive ownership' rights that exist under § 980(a)(2)"). However, Plaintiffs argue that what constitutes an issue of first impression is "an adjustment of a substantive rule of law," rather than the lack of legal precedent as advocated by Defendants. *Id*. Without providing any reasoning, Plaintiffs conclude this is "not the case here," and cite to *Tancredi v. Met. Life Ins. Co*. in support of this standard. *Id*. In *Tancredi*, the Court's discussion of what constitutes a case of first impression distinguished between cases that present variations on a common fact pattern governed by the same legal principles (for example, each case of a driver striking a pedestrian is different in its own way, yet is governed by the same laws and standards), as opposed to those cases whose factual context "requires courts to give serious consideration to altering or adjusting legal rules in order to resolve them." *Tancredi*, 256 F. Supp. 2d 196, 200–201 (S.D.N.Y. 2003), *overruled on other grounds*, 378 F.3d 220 (2d Cir. 2009). According to the Court, only the latter present a case of first impression because they "require consideration of adjustments of substantive rules of law." *Id*.

Plaintiffs' reliance on this reasoning is puzzling given that the factual context of the present case prompted this Court to find a performance right included in the language of § 980, thereby engaging in statutory interpretation in order to resolve the case. *SJ* at 5-9. As this Court then noted, there is not "a single case in which a judge considered facts implicating this right [under § 980]." *Id.* at 7. This case therefore does not present a variation on a common fact pattern such as an automobile accident, but a novel set of facts that prompted judicial consideration of rights protected by § 980 for the first time. *Id*. Thus even under the *Tancredi* standard, the Court concludes this case is one of first impression.

Accordingly, Defendant's motion for summary judgment on Plaintiffs' request for punitive damages as to all claims is granted.

B. Disgorgement

Defendant next moves for summary judgment on "Plaintiffs' request for disgorgement." *Mot*. 17. Plaintiffs' proposed damages model consists of Defendant's gross proceeds attributable to pre-1972 recordings without deductions for costs. *Opp*. 19; Dkt. # 185 ¶ 9. What Plaintiffs are calling a "gross proceeds measure of damages," *Opp*. 21, Defendant is calling "disgorgement," and maintains that "plaintiffs have mischaracterized their request for . . . revenues as 'legal damages.'" *Mot*. 20.

The Court declines to entertain this distinction because it has already concluded that Plaintiffs' damages model is appropriate in this case. *See* Dkt. # 225, *Order Granting Motion for Class Certification* at 23 (determining that "damages in this case are well-suited to streamlined determination via application of a mechanical formula and will not require factual investigation beyond reviewing Sirius XM's records."); *see also A&M Records, Inc. v. Heilman*, 75 Cal. App. 3d 554, 570 (1977) (upholding judgment "in an amount equal to the gross proceeds attributable to the sale of recorded performances which were the property of [plaintiff] . . . [without] deduct[ing] any of the costs of the transactions by which [defendant] accomplished his wrongful conduct"); *Lone Ranger Television, Inc. v. Program Radio Corp.*, 740 F.2d 718, 726 (9th Cir. 1984) (affirming district court's summary judgment of damages for conversion under California law, noting that it "supports the gross proceeds measure chosen.").

Because Plaintiffs' damages model has already been approved, the Court denies Defendant's motion for summary judgment.

C. Common Law Unfair Competition Claim

Finally, Defendant seeks summary judgment on Plaintiffs' common law unfair competition claim. *Mot*. 2, 16–17. In California, common law unfair competition is "limited to

cases in which a party passes off their goods as another." *Groupion*, 859 F. Supp. 2d at 1083; *see also Sybersound Records, Inc. v. UAV Corp.*, 517 F.3d 1137, 1153 (9th Cir. 2008) ("The common law tort of unfair competition is generally thought to be synonymous with the act of 'passing off' one's goods as those of another.") (quoting *Bank of the West v. Superior Court*, 2 Cal. 4th 1254, 1263 (1992)).

In their Complaint, Plaintiffs allege "unauthorized duplication and exploitation" of Plaintiffs' pre-1972 recordings, as well as "appropriation and invasion" of Plaintiffs' "property rights." *Mot*. 16–17, Dkt. # 1, Ex. 1 ¶¶ 1, 25. However, as Defendant correctly notes, there are no allegations that Defendant "passed off plaintiffs' pre-1972 recordings as its own, by, for example making bootleg copies of plaintiffs' records or purporting to license their recordings to others." *Mot*. 17. Defendant further points out that Plaintiffs do not consider themselves "competitors with Sirius XM," and have neither presented evidence of confusion nor do they allege that "any such confusion (with respect to itself or any other class member)" has resulted from Defendant's use of their pre-1972 recordings.[4] *Id*. Plaintiffs do not even address the common law unfair competition claim and set forth no facts in opposition to Defendant's motion.

A district court may grant an unopposed motion for summary judgment if the movant's papers are themselves sufficient to support the motion and do not on their face reveal a genuine issue of material fact. *Henry v. Gill Indus.*, 983 F.2d 943, 950 (9th Cir. 1993); *see also Brown v. Beagley*, No. 1:10-CV-01460-JLT, 2012 WL 3233489, at *2 (E.D. Cal. Aug. 6, 2012). A district court is not required to probe the record in search of a genuine issue of triable fact. *Keenan v. Allen*, 91 F.3d 1275, 1279 (9th Cir.1996). The nonmoving party has the burden of identifying with reasonable particularity the evidence that precludes summary judgment. *Id.*

Because the Court finds Defendant's papers are sufficient to support this motion and Plaintiffs have failed to produce any evidence of a genuine issue of material fact, Defendant's motion for summary judgment on the common law unfair competition claim is granted.

IV. Conclusion

For the foregoing reasons, the Court GRANTS Defendant's motion for summary judgment on Plaintiff's request for punitive damages and the common law unfair competition claim, but DENIES the motion as to disgorgement.

[4] Plaintiffs do not dispute these facts. *See PSDF* ¶¶ 16-17.

IT IS SO ORDERED.