Rupa Marya v. Warner Chappell Music Inc Doc. 132

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	CV 13-4460 GHK (MRWx)	Date	July 25, 2014
Title	Good Morning You Prod. v. Warner/Chappell Music		

Present: The Honorable	Michael R. Wilner

Veronica McKamie	CS 7/25/2014
Deputy Clerk	Court Reporter / Recorder
Attorneys Present for Plaintiff:	Attorneys Present for Defendant:
Mark C. Rifkin Betsy C. Manifold	Melinda E. LeMoine Adam I. Kaplan

Proceedings: ORDER RE: DISCOVERY MOTION

This is a discovery motion in a copyright action. Plaintiffs moved to overrule a claim of attorney-client privilege that Defendant asserted as to materials obtained from a third party.[1] (Docket # 123.)

After consulting with Chief Judge King, the Court (Magistrate Judge Wilner) briefly extended the discovery cutoff and agreed to hear the motion on an expedited basis. The Court considered the parties' hefty joint filings, supplemental submissions, and arguments at the motion hearing and previous telephone conferences. (Docket # 124-31.) The Court adopts its tentative decision as explained to the parties at the hearing today, and augments it with this written decision. The motion to overrule the privilege claim is DENIED.

<u>Facts</u>

At issue in the litigation is the ownership of the song "Happy Birthday to You." Defendant Warner/Chappell Music (Warner) contends that it is the current owner of one or more valid copyrights regarding the song. Warner is the successor-in-interest of a previous rightsholder, Summy-Birchard Music (Summy).

[1] The motion originally sought to compel additional discovery and relief from the discovery cutoff in the action. At oral argument, Plaintiffs acknowledged that these ancillary requests are now moot.

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The present discovery dispute involves materials that Summy sent to ASCAP, a collective music rights management association, in 1979. Specifically, Summy received two letters from its attorney at the Coudert Brothers law firm in 1976 and 1978. (Docket # 124 (Rifkin Decl. at Ex. B and C).)[2] The letters may broadly be described as relating to the history and status of the "Happy Birthday" copyrights. The parties agree that the letters were protected by the attorney-client privilege when sent from Coudert Brothers to Summy, as they clearly were confidential communications intended to provide legal advice from a lawyer to a client.

In 1979, Summy provided the Coudert letters to the general counsel of ASCAP. (Docket # 124 (Rifkin Decl. at Ex. D).) Without disclosing the text of the terse transmittal letter, Summy's vice president (Arlene Sengstack) indicated that she and the ASCAP lawyer had previously discussed the Coudert analysis regarding Summy's copyright claim to "Happy Birthday," and that Summy wished to provide that analysis to ASCAP. It is this transmittal – Summy sending previously-privileged communications from its outside lawyer to a third party – that triggered the current discovery dispute.[3]

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[2] The Court typically refers to filed materials by their CM/ECF document number. However, because of the expedited timing of the motion and hearing, some of the materials submitted to the Court under seal may not have been docketed yet. For this reason, the Court will refer to the docket number associated with the Notice of Manual Filing and give a brief textual identification to facilitate later review of this decision.

[3] Plaintiffs originally suggested that any privilege was waived when ASCAP turned over the Coudert letters to Plaintiffs in the course of this litigation. However, because the privilege belongs to Defendant Warner, the inadvertent third party production cannot serve a knowing waiver of Warner's right. Moreover, the Court concludes that Warner acted reasonably promptly under Federal Rule of Civil Procedure 26(b)(5) and Federal Rule of Evidence 502 to "clawback" the production of the letters and to assert its privilege after learning of the production. In turn, the Court finds that Plaintiffs substantially complied with Rule 26(b)(5)'s sequestration provisions and its requirement to present the dispute to a court for adjudication.

At oral argument, Plaintiffs suggested that the Court could take into consideration the fact that ASCAP's lawyer did not believe that the Summy - Coudert materials were privileged or confidential at the time of their production. The Court declines to do so, particularly because the ASCAP lawyer has made conflicting statements regarding whether the organization engages in confidential discussions with members regarding copyright issues, and may have reconsidered the specific issue of the Summy materials. See Docket 128 (LeMoine Decl. at Ex. A (Reimer Deposition at 69-70 ("Q. Do you have any reason to doubt as you sit here today that the communication between

ASCAP's role in the music industry, in turn, presents a central consideration in the dispute. According to a declaration from an ASCAP lawyer, ASCAP is a "voluntary membership association" that represents songwriters and music rightsholders. (Docket # 123-10 at 2, Ex. 9 (Reimer Decl.).) Summy and Warner were among thousands of member-owners of the non-profit organization. ASCAP licenses the public performance rights of its members' musical works. In doing so, ASCAP may collect license fees from parties who perform its members' songs. ASCAP may also sue alleged infringers on behalf of those members. (Id; Docket 124 (Klaus Decl. at Ex. B (Blietz Deposition at 163-68); Ex. C and D (Agreement between Summy / Warner and ASCAP at ¶¶ 1(a), 4)); Docket 128 (LeMoine Decl. at Ex. A (Reimer Deposition at 68)).) ASCAP does not own its members' copyrights. It also does not retain royalties or fees it receives for the services it provides to its members. Rather, pursuant to the parties' agreement, ASCAP is paid a sum for its expenses in administering and policing its members musical copyrights. (Reimer Decl. at ¶ 5.)

Relevant Law

In a federal civil action, the assertion of the attorney-client privilege is governed by federal common law. Gomez v. Vernon, 255 F.3d 1118, 1131 (9th Cir. 2001) ("Federal common law recognizes a privilege for communications between client and attorney for the purpose of obtaining legal advice."). The party asserting the privilege bears the burden of proving that the privilege applies. In re Grand Jury Investigation, 974 F.2d 1068, 1070 (9th Cir. 1992). A federal court may engage in the "the well established practice of conducting in camera review to prevent abuses of the attorney-client privilege." Id. at 1073. Further, the privilege must be "strictly construed" to avoid impeding discovery unnecessarily. United States v. Graf, 610 F.3d 1148, 1156 (9th Cir. 2010).

The following elements are necessary for the attorney-client privilege to exist:

> (1) legal advice of any kind is sought (2) from a professional legal adviser in his capacity as such, (3) the communications relating to that purpose, (4) made in confidence (5) by the client, (6) are at his instance permanently

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Summy-Birchard and ASCAP concerning the validity of the copyright for Happy Birthday to You [was] intended to be confidential and privileged? A. No.")).)

> protected (7) from disclosure by himself or by the legal adviser, (8) unless the protection be waived.

United States v. Richey, 632 F.3d 559, 566 (9th Cir. 2011).

A specific body of law has developed concerning ASCAP that is of relevance to this issue. ASCAP is an unincorporated association comprised of numerous members. The federal district court in the Southern District of New York (the primary situs of litigation involving ASCAP, according to Defendant (Docket # 124 at 48 n.14)) has held that the attorney-client privilege may directly apply to communications between an ASCAP member and the organization's lawyers:

> For the purposes of determining the existence of an attorney-client privilege, several district courts have held that "[e]ach individual member of the [unincorporated] association is a client of the association's lawyer." Schwartz v. Broadcast Music, 16 F.R.D. 31, 32 (S.D.N.Y. 1954); see Connelly v. Dun & Bradstreet, Inc., 96 F.R.D. 339, 341 (D. Mass. 1982); Philadelphia Housing Auth. v. American Radiator & Standard Sanitary Corp., 294 F. Supp. 1148, 1149–50 (E.D. Pa.1969); United States v. American Radiator & Standard Sanitary Corp., 278 F. Supp. 608, 614 (W.D. Pa. 1967); see also Halverson v. Convenient Food Mart, Inc., 458 F.2d 927, 930 (7th Cir. 1972) ("Because the lawyer in effect had represented and benefitted every [one of the unincorporated association's] franchisee, he could reasonably believe each one of them was his client.")

United States v. ASCAP, 129 F. Supp. 2d 327, 337 (S.D.N.Y. 2001) (brackets in original). The "mere status of being a member of an unincorporated association" is insufficient to establish a privileged attorney-client relationship, though; the member must establish that it contacted the association's attorney "for the purposes of seeking legal assistance." Id. at 337-38.

The attorney-client privilege is ordinarily waived or vitiated by disclosure of the communication to a third party who is outside of the privileged relationship. However, as an exception to this rule, a third party who has a "common interest" with the holder of the privilege may receive information without constituting a waiver of the privilege. A party relying on the common interest exception to an apparent waiver of privilege bears the burden of establishing that: "(1) the communication is made by separate parties in the course of a matter of common [legal] interest; (2) the communication is designed to further that effort; and (3) the privilege has not been waived" otherwise. Nidec Corp. v. Victor Co. of Japan, 249 F.R.D. 575, 578 (N.D. Cal. 2007).

The common interest doctrine "is not limited to situations in which litigation has commenced or is in progress[; however], there must be some common legal effort in furtherance of anticipated litigation." In re Fresh and Process Potatoes Antitrust Litigation, No. MD 10-2186 BLW CWD, 2014 WL 2435581 at *6-7 (D. Id. 2014) (Potatoes). Moreover, "the communication at issue must be designed to further that legal effort." Id. (collecting cases). The "mere fact" that the parties have a common "commercial goal cannot by itself result in an identity of interest between the parties." Bank of America, N.A. v. Terra Nova Ins. Co, Ltd., 211 F. Supp. 2d 493, 497 (S.D.N.Y. 2002) (common interest doctrine inapplicable to relationship between bank issuing letter of credit and its debtor in which "each party had an interest in making the terms of the transaction as favorable as possible to itself").

Analysis

The Court concludes that the 1979 transmittal of the Coudert letters from Summy to ASCAP did not waive the attorney-client privilege applicable to those materials. A fair reading of (a) the evidence that Defendant Warner submitted regarding the relationship between the entities and (b) the circumstances of the transmittal is sufficient to establish that there was no waiver.

To be sure, the evidence presented on this issue is rather thin on both sides of the courtroom. The parties ask the Court to divine the intent of a company that was the predecessor of Defendant – and is not a participant in the current action – based on a three-sentence note written by a non-lawyer over 30 years ago. Neither the sender nor the recipient of Ms. Sengstack's letter is available to explain its purpose or otherwise illuminate the issue.

Yet the backdrop of the Sengstack letter is of undeniable importance in this determination. At the time that Summy gave the Coudert materials to ASCAP's lawyer via the Sengstack letter, ASCAP was responsible for licensing and collecting royalties for Summy regarding its copyrighted musical works. The parties acknowledge that "Happy Birthday" was one of the works within the ambit of ASCAP's registration. As a result, ASCAP was required to assert Summy's rights – including its right to sue for copyright infringement – on behalf of this member.

Plaintiffs explain (without contradiction from Warner) that ASCAP had not sued any user of the "Happy Birthday" work for infringement by the time of the 1979 transmittal. There is also no basis to conclude that any party had pursued a claim of copyright invalidity against Summy's ownership in the "Happy Birthday" copyrights.

However, the nature of the underlying Coudert letters – and the heart of the present action – demonstrate that there were issues regarding the validity of the "Happy Birthday" copyrights that merited considerable thought and raised colorable legal questions. Indeed, those questions apparently caused Summy to retain a major Wall Street law firm in the mid-1970s to investigate and opine upon the provenance of those copyrights.

The Sengstack letter is silent as to the specific reason why Summy provided materials from its outside lawyer to the association's lawyer regarding the validity. However, the only sensible conclusion that the Court can draw – that is, based on the evidence presented, it is more likely than not – is that ASCAP needed or requested this information to properly represent Summy in exploiting its song rights. ASCAP would only have been able to sue an infringer if it could demonstrate that its principal (Summy) owned a valid copyright. See, e.g., Range Road Music, Inc. v. East Coast Foods, Inc., 68 F.3d 1148, 1153 (9th Cir. 2012) ("To establish a prima facie case of copyright infringement, a plaintiff must demonstrate (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.") (quotation omitted).

The Coudert letters speak directly to the validity of the copyrights. That would have been a necessary precursor to any action – be it a cease-and-desist letter, a demand for a licensing fee, or the commencement of a civil infringement lawsuit – that ASCAP could have taken on behalf of Summy. Given the significance of the "Happy Birthday" song and its somewhat convoluted copyright history, the only plausible reason that the Court can discern as to why Summy divulged this information to ASCAP was to give the association "comfort" that Summy's rights (and, by agency exercise, ASCAP's) were solid.

Plaintiffs argue that it is equally as plausible that Summy gave this information to ASCAP's general counsel for other reasons, such as to advance an informal discussion about an issue of interest to the music rights community: whether "Happy Birthday" actually remained protected by copyright. The Court readily acknowledges that there are aspects of the Sengstack letter – its casual tone, the informal salutation ("Dear Bernie") and signature ("A"), and the lack of lawyerly statements preserving the sender's confidentiality or expressly stating the legal purpose for sending the materials to ASCAP – that certainly weigh against concluding that Summy's letter constituted a serious request for legal assistance. So too is the apparent lack of correspondence before or after the Sengstack letter regarding copyright validity issues.

However, the Court is persuaded by other circumstantial components and clues in the letter that there was no "gratutitous" disclosure of this information as Plaintiff asserts. The Sengstack letter was typed by a secretary (referenced by the notation "AMS:njr") on corporate stationery, was sent the general counsel of a major national organization at his office, and indicates Ms. Sengstack's business title. The letter expressly referenced a previous discussion on the topic of Summy's copyright claim to "Happy Birthday," which establishes that there had been an ongoing discussion between the parties on the issue. Ms. Sengstack clearly understood that she was conveying information received from her lawyer regarding the copyright question – the letter identifies the lawyer and his analysis of the "claim" directly. These observations strongly suggest that the parties were dealing with a serious issue of interest to the corporation.

Moreover, the Coudert material itself constituted thoughtful, high-level, and presumably costly legal advice regarding Summy's valuable intellectual property. Summy's vice president (who apparently was married to the company's president) personally sent the information to the top lawyer at a major rights agency regarding a significant and widely-known song. Given the Court's understanding that the validity of the "Happy Birthday" rights may have been of "bet the company" value to Summy, proof that the Coudert advice was sent to the legal chief at ASCAP is inconsistent with Plaintiffs' suggestion that it was the continuation of, say, a cocktail party discussion about the song's history.

The text of the transmittal letter, the relationship between the parties, and core logic regarding management of copyright issues therefore lead the Court to conclude that no waiver of the attorney-client privilege occurred. The Court finds sufficient evidence to support Warner's argument that Summy gave the Coudert materials to ASCAP's lawyer for the purpose of obtaining legal advice. <u>ASCAP</u>, 129 F. Supp. 2d at 338. Proof that Summy owned a legitimate copyright was fundamental to allowing the association to provide a fundamental service – enforcing and patrolling its members legal interest. The fact that one of Summy's principals sent the Coudert materials directly to the general counsel of a major rights enforcement agency fits well within the established perspective that "[e]ach individual member of the [unincorporated] association is a client of the association's lawyer." <u>Schwartz</u>, 16 F.R.D. at 32. If ASCAP's general counsel acted as Summy's lawyer to obtain material relevant to preparing future copyright infringement actions (even if such actions didn't come to pass), then the client's action in conveying privileged materials did not cause a waiver of the privilege.

The Court also finds the evidence sufficient to establish that Summy and ASCAP engaged in communication in furtherance of a common interest. As Summy's agent, ASCAP was contractually obliged to sue copyright infringers on behalf of Summy. The transmission of material central to an infringement action enabled the rights holder and its agent to pursue their common interest in halting such infringement. Nidec, 249 F.R.D. at 578. Plaintiff correctly notes that ASCAP did not stand to benefit directly from a successful copyright infringement action, as the association did not own the song's copyright or share meaningfully in royalties derived from its public performances. Yet, this merely establishes that ASCAP did not have a joint commercial goal with Summy, which would be a factor against finding a commonality of interest here. Terra Nova, 211 F. Supp. 2d at 497. Rather, the rights owner and the non-profit association were unified in asserting Summy's copyrights for Summy's benefit as a result of the agency relationship. Potatoes, 2014 WL 2435581 at *6-7. That common interest is adequate to warrant protecting privileged communications in advance of future conceivable litigation.[4]

Conclusion

When Summy provided ASCAP's general counsel with the legal advice it obtained from another lawyer, that did not cause a waiver of the attorney-client privilege. ASCAP stood to potentially assert Summy's rights as the owner of the song's copyrights. That allowed Summy to convey the Coudert copyright information to ASCAP in a protected manner. As Summy's successor, Defendant Warner properly asserted its predecessor's privilege to prevent disclosure of the underlying Coudert letters to Plaintiffs. Plaintiff's challenge to that assertion is DENIED.

cc: Chief U.S. District Judge George H. King

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[4] The Court finds minimal support for Plaintiffs' claims in the decisions cited in the supplemental brief and as discussed at oral argument. Those cases are fairly read to establish the unsurprising (and unrelated) proposition that ASCAP need not participate in every copyright action involving one of its members and a party accused of infringing a work subject to an ASCAP license. Doors Music Co. v. Meadowbrook Inn Corp., No. Civ. 89-134-D, 1990 WL 180286 (D.N.H. 1990) (ASCAP not potentially liable to business establishment that improperly used infringing music; joinder of ASCAP in action improper because association did not have "any interest in this suit that requires its presence"); Ocasek v. Hegglund, 673 F. Supp, 108, 1087 (D. Wyo. 1987) (ASCAP not an "indispensible party" in direct copyright action between artists and infringer; "plaintiff is the principal and ASCAP is the agent so that under elementary principles, in an action against a stranger, the principal is the proper party plaintiff").

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