

California Supreme Court Increases Privacy Protections for Covered Cellular Communications

April 6, 2021

Key Points

- The California Supreme Court overturned the California Court of Appeals to hold that a party to a phone call can violate California Penal Code section 632.7 by recording the conversation without the consent of the other party.
- The Court emphasized California's public policy of protecting privacy in communications, closing the gap between the protections attached to landline communications and those afforded to calls involving a cellular or cordless telephone.
- Companies must continue advising their customers that calls are being recorded at the outset of all calls.

On April 1, 2021, the California Supreme Court ruled that California Penal Code section 632.7 prohibits both parties to a communication and nonparties, such as an individual who covertly intercepts and eavesdrops on a phone call, from recording a communication without the consent of all participants. In so holding, the Court increased the privacy protections for covered communications and aligned the protections afforded to calls involving cellular or cordless phones with the safeguards applicable to calls involving only landlines.

Background

This case arose out of a brief phone conversation between Defendant LoanMe, Inc. and Plaintiff Jeremiah Smith. After LoanMe extended a loan to Plaintiff's wife, a LoanMe employee called a phone number provided by Plaintiff's wife. Plaintiff answered on what he asserts was a cordless phone, advised the LoanMe representative that his wife was not home, and hung up the phone 18 seconds after the call began.

Unbeknownst to Plaintiff, LoanMe had recorded the call. The LoanMe representative did not orally advise Plaintiff that the call was being recorded. Rather, three seconds into the call, LoanMe simply caused a "beep" tone to sound.

Contact Information

If you have any questions concerning this alert, please contact:

Neal Ross Marder

Partner

nmarder@akingump.com

Los Angeles

+1 310.728.3740

Natasha G. Kohne

Partner

nkohne@akingump.com

San Francisco

+1 415.765.9505

Aileen M. McGrath

Senior Counsel

amcgrath@akingump.com

San Francisco

+1 415.765.9553

Brett M. Manisco

Associate

bmanisco@akingump.com

Los Angeles

+1 310.229.1086

Lauren E. Huennekens

Associate

lhuennekens@akingump.com

Los Angeles

+1 310.229.1019

In September 2016, Plaintiff brought suit on behalf of a putative class consisting of “[a]ll persons in California whose inbound and outbound telephone conversations involving their cellular or cordless telephones were recorded without their consent by [LoanMe] or its agent/s within the one year prior to the filing of this action.” Plaintiff alleged that the recording of these calls violated Penal Code section 632.7, which provides that, “[e]very Person who, without the consent of all parties to a communication, intercepts or receives and intentionally records, or assists in the interception or reception and intentional recordation of, a communication transmitted between” a cellular or cordless telephone and another telephone, “shall be punished by a fine not exceeding” \$2,500.

In the first part of a bifurcated bench trial, the trial court was tasked with deciding whether Plaintiff consented to having the phone call recorded by continuing the conversation after LoanMe activated the “beep” tone. The trial court held that the tone gave Plaintiff adequate notice that the call was being recorded and entered judgment in LoanMe’s favor.

On appeal, the Court of Appeal did not reach the consent issue decided by the trial court, instead taking up the question of whether section 632.7 prohibits a party from intentionally recording a communication transmitted to or from a cellular cordless phone, or whether the section forbids only the intentional recording of such communications by persons other than parties—i.e., third-party eavesdroppers.

The Court of Appeal concluded that Penal Code section 632.7 applies only to nonparties and does not forbid a party to a phone call transmitted to or from a cellular or cordless telephone from recording the conversation without the consent of the other party or parties. In other words, the Court of Appeal held that section 632.7 does not prohibit the participants in a phone call from intentionally recording it. The Court of Appeal reasoned that the statute requires that the interception or receipt of the covered communication be without the parties’ consent, but the parties to a phone call always consent to the receipt of their communication by each other. Consequently, the parties to a phone call are incapable of violating section 632.7 because they do not intercept or receive each other’s communications without all parties’ consent.

Opinion

Relying on the text of the statute, its legislative history, and public policy, the California Supreme Court reversed the Court of Appeal’s decision.

The Court began its analysis by looking at the context of section 632.7. The Court reasoned that the purpose of the statute was to protect the right of privacy by requiring that all parties consent to a recording of their conversation. The Legislature then augmented the statutory scheme at various points to take account of privacy issues raised by the increased use of cellular and cordless telephones.

The Court also examined its prior decision, *Flanagan v. Flanagan*, where it held that a conversation is confidential if a party to the conversation has an objectively reasonable expectation that the conversation is not being overheard or recorded. The Court emphasized that the preferred interpretation was more consistent with the protections conferred by sections 632.5, 632.6, and 632.7, which protect against interception or recording of *any* communication.

The Court then looked to the language of section 632.7 in this context, determining that it is most naturally read as prohibiting both parties and nonparties from intentionally recording a covered communication without the consent of all parties to the communication. Specifically, the Court focused its analysis on the phrasing “[e]very person who, without the consent of all parties to a communication, intercepts or receives and intentionally records . . . a communication”

The Court read section 632.7(a)’s consent language as directed at the recording component of the offense with the section’s “intercepts or receives” phrasing specifying the circumstances in which a person may become privy to a covered communication. Under this interpretation, the Court found that there is no doubt regarding its applicability to parties as well as nonparties to a communication. The Court held that although parties might normally be regarded as consenting to the receipt of their communications by other parties to a call, this acquiescence would not, by itself, necessarily convey their consent to having these communications recorded.

Finding this to be the most sensible reading, but admitting that the statutory language is not so clear as to be unambiguous, the Court also reviewed the pertinent legislative history. The Court found that the legislative history of Assembly Bill 2465 comports with the Court’s reading of section 632.7 as announcing a general prohibition against the intentional recording of a covered communication without the consent of all parties, regardless of whether the recording is performed by a party to the communication or someone else.

The Court further reasoned that to hold that section 632.7 applies only to nonparties would require concluding that the Legislature was content with retaining a substantial gap between the protections attached to landline communications and those afforded to calls involving a cellular or cordless telephone. The Court found such a view of legislative intent difficult to square with the historical record and in tension with the Court’s prior analysis of the statutory scheme in *Flanagan*.

Finally, the Court found its interpretation of section 632.7 as applicable to recording by parties to be in line with public policy, as it better promotes the statutory scheme’s goal of protecting privacy in communications. The Court reasoned that recording a communication without the speaker’s consent can implicate significant privacy concerns, regardless of whether a party or someone else is performing the recording.

Takeaways

Courts have previously been split on whether section 632.7 applies to the intentional recording of a cellular communication by a party. With this decision, the California Supreme Court joins the majority of federal district courts that have considered the same issue, concluding that section 632.7 applies to parties and nonparties alike.

Accordingly, companies that do business and communicate with customers in California are well advised to implement policies and procedures ensuring that their representatives notify call recipients if a call is being recorded at the outset of any conversation.

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