

Distributor not liable for secondary infringement of copyright in Eminem album

The High Court has found a record company liable for primary infringement of another label's copyright in Eminem's first album, *Infinite*.¹ Yet the related distributor was not found liable for secondary infringement under section 23 of the Copyright, Designs and Patents Act 1988 (**CDPA**), as in the judge's assessment it did not know (or have reason to believe) that the copies it sold were infringing copies. The reasoning of the judgment is instructive on how courts are likely to approach applying that test.

Background

A recording company, FBT Productions, LLC, claimed ownership of the copyright in the sound recording of the album and alleged that the defendants had infringed the copyright. *Infinite* was the first album released by Marshall Bruce Mathers III, professionally known as "Eminem".

The defendants in this case were related companies. The first defendant, Let Them Eat Vinyl Distribution Limited, is a record company, and the second defendant, Plastic Head Music Distribution Limited, is a distributor. Let Them Eat Vinyl made vinyl copies of *Infinite* and supplied them to Plastic Head. Plastic Head then sold those vinyl copies, as well as CD copies of *Infinite* that were supplied by David Temkin, who traded under the name "Shay Boogs" and "Boogie Up Productions".

Mark and Jeff Bass, who were brothers, ran a recording studio in Detroit and traded under the name "FBT Productions". Eminem signed the original recording agreement with FBT Productions in 1995 and went on to record *Infinite* in 1996. *Infinite* achieved minimal commercial success when released on the Bass brothers' "Web Entertainment" label. Less than two years later, Eminem and the Bass brothers signed an agreement with a division of Universal Music called Aftermath Entertainment, and under that agreement Eminem now recorded for Aftermath.

FBT Productions was later incorporated. According to the claimant, the Bass brothers assigned all their rights, including the copyright, to the claimant under a written agreement dated 19 April 2000.

Infinite was circulating around Europe on CD by 2013. It was distributed by a German company called Intergroove Tonträger-Vertriebs. Intergroove had acquired the CDs from Boogie Up. After Intergroove ceased trading in 2013, Mr Temkin approached Plastic Head and proposed that Plastic Head could take up where Intergroove had left off. That same year, Plastic Head signed a distribution agreement with Boogie Up to distribute CDs throughout the world, excluding North and South America and Russia. Under this agreement, a CD version of *Infinite* was one of the Boogie Up CDs that Plastic Head distributed.

In October 2014 the defendants were advised that Boogie Up had acquired the right to license the making of vinyl copies of *Infinite*, and Let Them Eat Vinyl asked the Mechanical Copyright Protection Society to grant it a licence for the works recorded on *Infinite*. In response, the MCPS said it did not then have a mandate for any of the works on *Infinite*, and so could not grant Let Them Eat Vinyl a licence. Nonetheless, the MCPS approved the manufacture of 2,931 vinyl copies. A total of 2,891 copies were made by Let Them Eat Vinyl and distributed by Plastic Head, and distribution continued until 9 October 2016.

FBT Productions issued a claim against the defendants in September 2017.

Legal issues

Sitting in the High Court, Mr Justice Hacon considered two legal issues in this case:

¹ *FBT Productions LLC v Let Them Eat Vinyl Distribution Ltd* [2019] EWHC 829 (IPEC) (2 April 2019).

- whether FBT Productions owned the copyright; and
- whether Plastic Head – or more specifically Stephen Beatty (the owner of Let Them Eat Vinyl, a shareholder in Plastic Head and the managing director of both companies) – knew or had reason to believe that the vinyl copies of Infinite that it sold, and the CD copies that it imported and sold, were infringing copies of the sound recording.

Ownership of copyright

The original agreement was entered into by Eminem and “F.B.T. Productions (hereafter ‘Company’)”, and the defendants’ counsel proposed that there might have been an unidentified company which was actually the first owner of the copyright, and that there was no sign that such company was a part of a chain of assignment to the claimant. In 1995, the Bass brothers were a partnership, and although HHJ Hacon could not say why the word “Company” had been used as the shorthand term for the Bass brothers in the original agreement, he had no doubt that such agreement was in fact between Eminem and the Bass brothers’ partnership.

The Aftermath agreement provided that: “F.B.T. hereby irrevocably sells, transfers and assigns to Aftermath all right, title and interest in and to the Master Recordings listed in Schedule 1 hereto featuring Artist’s performances which were recorded prior to the date hereof”. Schedule 1 to the agreement was, however, left blank. Counsel for the defendants proposed that there must have previously been something included at Schedule 1, that there had been an incomplete disclosure of documents by the claimant, and that other documents would reveal that Infinite was listed or should have been listed at Schedule 1. HHJ Hacon found this to be wishful thinking: the introduction of the Aftermath agreement states the function of the agreement “regarding F.B.T. furnishing to Aftermath the exclusive recording services of Marshall B. Mathers III p/k/a ‘EMINEM’ (‘Artist’)”. Accordingly, its purpose was not to assign copyright in sound recordings, but to transfer the recording services of Eminem from the Bass brothers’ partnership to Aftermath. The Aftermath agreement might allow for the possibility of an assignment of copyright in earlier recordings, but in HHJ Hacon’s view, if this was the intention of the parties, those recordings would have been listed at Schedule 1, and Schedule 1 was left blank because no agreement to assign copyright in earlier recordings existed.

For those reasons HHJ Hacon held that FBT Productions owned the copyright.

Secondary infringement

As the case progressed, it was not in dispute that, if the claimant owned the copyright (which HHJ Hacon found it did), then: (a) Let Them Eat Vinyl would be liable for primary infringement by making vinyl copies of Infinite; and (b) the vinyl and CD copies of Infinite sold by Plastic Head were infringing articles under the definition of “infringing copy” in section 27 of the CDPA. The question remained whether Plastic Head knew (or had reason to believe) that the vinyl copies it sold, and the CD copies it imported and sold, were infringing copies of the copyright and so was liable for secondary infringement under section 23 of the CDPA.

In *LA Gear Inc. v Hi-Tech Sports plc*² Morritt J stated that the wording “reason to believe” in section 23 of the CDPA: “... must involve the concept of knowledge of facts from which a reasonable man would arrive at the relevant belief. Facts from which a reasonable man might suspect the relevant conclusion cannot be enough. Moreover, as it seems to me, the phrase does connote the allowance of a period of time to enable the reasonable man to evaluate those facts so as to convert the facts into a reasonable belief.” Morritt J’s judgment has been applied in many subsequent cases, where “reason to believe” has been considered, and where liability has turned on events occurring after

² *LA Gear Inc. v Hi-Tech Sports plc* [1992] FSR 121.

the defendant received notice of a claim and on what constitutes sufficient notice. HHJ Hacon confirmed that this was not an issue in this instance: the time that elapsed between the claimant's solicitors' letter before action of 5 December 2016 and Plastic Head's cessation of marketing and sales on 12 January 2017 was brief enough to be considered a reasonable period for Mr Beatty to evaluate the claim.

HHJ Hacon considered all the relevant facts known to Mr Beatty in order to decide whether, viewed objectively, a reasonable distributor in Mr Beatty's position would have come to believe that the copies of Infinite distributed by Plastic Head were infringing copies. The judge noted that the reasonable man is not a lawyer in this case and must be an individual in the defendant's position.³

Decision

Counsel for the defendants made five submissions on why Mr Beatty neither knew nor had reason to believe that the defendants were infringing another person's copyright:

- (a) Mr Beatty approached the MCPS for a licence before making any vinyl copies of Infinite. He was given ostensible permission from the MCPS and stayed within the limit of vinyl copies permitted by the MCPS. This was the act of a man who wanted to ensure that the defendants obtained the necessary rights to make and market vinyl copies of Infinite.
- (b) The Infinite vinyl sleeve set out:
 - Let Them Eat Vinyl's full name, address, telephone number and website address;
 - a notice that it was manufactured and distributed by Plastic Head; and
 - a notice that it was made under licence from Boogie Up.

The assertion that Plastic Head was the manufacturer was in fact incorrect. Still, openly providing such information on the vinyl sleeve was not the behaviour of a man who believed he was dealing in unlicensed "bootleg" albums.

- (c) Intergroove had sold the Infinite CDs for some time, supposedly without any complaint, and Plastic Head overtly advertised the vinyl and CD versions.
- (d) Mr Beatty had a substantial business in lawfully selling albums and would not risk his reputation by selling "bootleg" albums.
- (e) Mr Beatty's response to the claimant's letter before action was the rapid and appropriate response of a man who honestly believed that he was selling licensed albums, and he promptly withdrew sales.

HHJ Hacon found the first, second, third and fifth arguments particularly compelling.

Counsel for the claimant put forward the following submissions in response:

- He cast doubt over Mr Beatty's evidence that Intergroove had sold copies of Infinite in the absence of supporting documentary evidence and asked HHJ Hacon to believe otherwise. HHJ Hacon commented that, having heard Mr Beatty give evidence, he accepted what Mr Beatty said.

³ *ZYX Music GmbH v King* [1995] FSR 566

- Given his experience in the business, Mr Beatty should have realised that further enquiry was required before he ceased to have reason to believe that the Infinite album was not licensed. HHJ Hacon disagreed and was not sure what else Mr Beatty could reasonably have done.
- A reasonable person in Mr Beatty's position would have expected to receive a master tape from a party offering a legitimate licence to make vinyl copies of Infinite. HHJ Hacon dismissed this argument and attached no importance to the fact that Let Them Eat Vinyl made its copies from a .wav file rather than a master tape.

Accordingly, HHJ Hacon held that Let Them Eat Vinyl infringed the copyright by manufacturing and selling vinyl copies of Infinite. Mr Beatty did not, however, know or have reason to believe that the vinyl and CD copies of Infinite sold by Plastic Head were infringing copies of another person's copyright. So neither defendant was liable for the alleged secondary infringement.

Comment

While this case has not created any new law as such, it serves as useful guidance on how the courts may interpret secondary infringement under section 23 of the CDPA. All relevant factors known to a reasonable person, in the defendant's position, at the time, will be considered objectively. Where the reasonable person is not a lawyer, their belief need not include a realisation of the full details of why infringement of copyright has occurred, such as the identity and nature of a particular copyright work, precisely who owns the copyright or why a licence does not exist. All that is required is for the facts to have led a reasonable person to believe that dealing in the copies would be in breach of a right in the nature of copyright held by another person: mere suspicion is not enough.

HHJ Hacon commented that the lawyers who drafted both the original agreement and the Aftermath agreement might have adapted precedent documents. That might explain the use of the term "Company" to refer to FBT Productions (which at the time was a partnership) in the original agreement, as well as the wording of the introduction to the Aftermath agreement, which referred to the blank Schedule 1. Both drafting errors turned out to be red herrings in this case, but practitioners should naturally take care to avoid potentially misleading drafting in entertainment contracts, especially when it comes to chain of title.

At least in this Eminem case, there was ultimately no doubt about the Real Slim Shady.

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