



Neutral Citation Number: [2019] EWHC 829 (IPEC)

Case No: IP-2017-00178

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY ENTERPRISE COURT

Royal Courts of Justice, Rolls Building
Fetter Lane, London, EC4A 1NL

Date: 02/04/2019

Before :

HIS HONOUR JUDGE HACON

Between :

F.B.T. PRODUCTIONS, LLC

Claimant

- and -

**(1) LET THEM EAT VINYL DISTRIBUTION
LIMITED**

**(2) PLASTIC HEAD MUSIC DISTRIBUTION
LIMITED**

Defendants

Jamie Muir Wood (instructed by **Simons Muirhead & Burton LLP**) for the **Claimant**
Richard Colbey (instructed by **RafterMarsh UK**) for the **Defendants**

Hearing date: 19 February 2019

Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

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HIS HONOUR JUDGE HACON

Judge Hacon :

Introduction

1. Marshall Bruce Mathers III, better known as ‘Eminem’, became very famous after the release of his second album in 1999. This action concerns his lesser known and less successful first album entitled ‘Infinite’, recorded in 1996 (‘Infinite’).
2. The claimant (‘FBT’) is a record company based in Detroit. It claims ownership of the copyright in the sound recording of Infinite (‘the Copyright’) and alleges that the Copyright has been infringed by the defendants.
3. The defendants are related companies which operate from the same address in Wallingford, Oxfordshire. The first defendant (‘LTEV’) is a record company. It is not in dispute that it made vinyl copies of Infinite and supplied them to the second defendant (‘Plastic Head’), a distribution company. Plastic Head sold the vinyl copies made by LTEV and also sold CD copies of Infinite supplied from a source in Massachusetts.
4. Jamie Muir Wood appeared for FBT, Richard Colbey for the defendants.

The issues

5. Three issues were identified before the trial:
 - (1) Whether FBT owns the Copyright.
 - (2) Whether LTEV and Plastic Head were licensed under the Copyright.
 - (3) If there was no licence, whether Plastic Head knew or had reason to believe that the vinyl copies of Infinite which it sold, and the CD copies which it imported and sold, were infringing copies of the sound recording of Infinite.
6. In closing Mr Colbey did not pursue the second issue. He maintained his case that FBT did not own the Copyright but accepted that if it did, no licence to the defendants had been granted.

Background

7. Since 1980 the brothers Mark and Jeff Bass (‘the Bass brothers’) have run a recording studio in Detroit known as FBT (Funky Bass Team). They traded as ‘F.B.T. Productions’. In 1995 they became aware of a local artist who by then already called himself Eminem. Eminem signed a recording contract with F.B.T. Productions.
8. In the first few months of 1996 Eminem recorded Infinite. It was released on the Bass Brothers’ ‘Web Entertainment’ label on 12 November 1996. Over subsequent months it sold 500 copies, 250 in vinyl format and 250 cassettes.
9. On 9 March 1998 Eminem and the Bass Brothers signed an agreement with Aftermath Entertainment, a division of Universal Music, pursuant to which Eminem recorded for Aftermath instead of the Bass Brothers. In February 1999 Eminem released his second

album, 'The Slim Shady LP' on the Aftermath label. It was a huge critical and commercial success, launching Eminem as a major music star.

10. In 2000 FBT was incorporated. FBT says that under a written agreement dated 19 April 2000 the Bass Brothers assigned all their rights, including the Copyright, to FBT.
11. By 2013 (the defendants say from about 2010) a CD version of Infinite was circulating in Europe. It was distributed by a German company called Intergroove Tonträger-Vertriebs ('Intergroove'). Intergroove had obtained the CDs from David Temkin, an individual working in record sales in Massachusetts. Mr Temkin trades under the name 'Shay Boogs' and also 'Boogie Up Productions' ('Boogie Up'). Intergroove had distributed CDs in Europe from a catalogue supplied by Boogie Up since July 2009.
12. Intergroove ceased trading in 2013 and was put into the German equivalent of liquidation in 2014. In the summer of 2013 Mr Temkin, as Boogie Up, approached Plastic Head suggesting that it could take up where Intergroove had left off. On 1 August 2013 Plastic Head signed a distribution agreement with Mr Temkin as Boogie Up to distribute CDs throughout the world, excluding North and South America and Russia. A CD version of Infinite was among the Boogie Up CDs distributed by Plastic Head.
13. In October 2014 the Defendants were advised that Boogie Up had acquired the right to license the making of vinyl format copies of certain recordings, including Infinite. The defendants were interested but felt that they should check with the Mechanical Copyright Protection Society ('MCPS'). The licensing of copyright in most sound recordings in the UK is done through MCPS, the function of which is to grant licences on behalf of copyright owners and distribute the royalties to the owners. LTEV approached MCPS for a licence in relation to all the works recorded on Infinite. MCPS's response included the following:

"MCPS currently appears to have no claim in relation to any of the Works included in [Infinite]. Consequently it is not possible to grant a licence on the basis of our present information. Please inform MCPS if any of the pressing details are incorrect as mistakes cannot be easily rectified at a later date."
14. Notwithstanding its assertion that it could not license the making of copies of Infinite, MCPS approved the manufacture of a maximum of 2,931 vinyl copies. 2,891 copies were made by LTEV, all of which were supplied to and distributed by Plastic Head. Distribution of the vinyl copies continued until 9 October 2016.
15. On 5 December 2016 FBT's solicitors sent a letter before action to LTEV. On 12 January 2017 the CD copies of Infinite supplied by Boogie Up were withdrawn from sale by Plastic Head. Advertising and marketing of Infinite by the Defendants came to an end.
16. On 14 September 2017 the claim form in this action was issued.

The witnesses

17. FBT's sole witness was Joel Martin. He is the manager of FBT and formerly acted as manager of business affairs for the Bass Brothers.

18. The main witness for the Defendants was Stephen Beatty who is the owner of LTEV and a shareholder in Plastic Head. Mr Beatty is the Managing Director of both companies. I also heard evidence for the defendants from David Temkin.
19. Mr Martin and Mr Temkin both gave evidence by video link from the United States and because of that the evidence from both varied in clarity. Mr Beatty was present in court. All were good witnesses.

Whether FBT owns the Copyright

20. Mr Colbey gave two reasons why FBT might not own the Copyright – he could put it no higher.
21. The first related to the initial link in FBT’s chain of title, the recording agreement with Eminem dated 28 November 1995 (‘the 1995 Agreement’). The counterparty to Eminem in that agreement is stated to be ‘F.B.T. Productions (hereafter ‘Company’)’. There is an express future assignment of copyrights in Eminem’s songs written or recorded during the term of the agreement but not any term governing the copyright in sound recordings. There was presumably no need. If the relevant American law is like its English equivalent, the first owner of the copyright in a sound recording is the person who owns the record on which the first recording was made (subject to the recording having been commissioned, of which there is no suggestion here). Usually that means the entity which owns the recording studio. In any event, the absence of an express reference to copyright in sound recordings in the 1995 Agreement was not Mr Colbey’s point.
22. His point was that in the 1995 Agreement the Bass Brothers are defined as ‘(hereafter “Company”)’. Mr Colbey speculated that there might be a real company, nowhere identified, which was the first owner of the Copyright and there was no sign that it was any part of chain of assignment to FBT.
23. Mr Martin was clear in his evidence about this. Bass Brothers were a partnership in 1995, running a recording studio. He could not say why the attorney who had drafted the 1995 Agreement had chosen to use ‘Company’ as the shorthand term for the Bass Brothers. He thought that the partnership may have been registered under Michigan law and that this might have something to do with it, but Mr Martin is not a lawyer. One plausible explanation that occurs to me is that the attorney who drafted the 1995 Agreement began with a precedent in which ‘Company’ was a more appropriate abbreviation. It doesn’t matter. The definitions clause, clause 24, states at subclause (1):

“ ‘Company’ means F.B.T. Productions, its licensees, lessees, affiliates, subsidiaries and assigns.”
24. This too would be more appropriate for a company, but F.B.T. Productions is identified and this was the trading name of the Bass Brothers partnership. At the bottom of the 1995 Agreement there is a signature which can be made out as ‘Marshall Mathers’ and another signature, which looks like ‘Mark Bass’, and which has beneath it ‘Partner, F.B.T. Productions’.

25. I have no doubt that the 1995 Agreement was between Eminem and the Bass Brothers partnership.
26. Mr Colbey's second reason for casting doubt on FBT's claim to the Copyright concerned an agreement dated 9 March 1998 ('the 1998 Agreement') between Eminem, the Bass Brothers partnership (again identified as 'F.B.T. Productions') and Aftermath Entertainment ('Aftermath') which, as I have said, is a division of Universal Music, the giant US music corporation.
27. Clause 12(a) includes this, in which 'Artist' is Eminem:

“(a) 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 (the 'Acquisition Masters') from the Inception of Recording, including, without limitation, the copyrights in the Acquisition Masters and the right to secure such copyrights and all renewals and extensions of such copyright, perpetually and throughout the Territory.”
28. Schedule 1 is blank. Mr Colbey suggested that there must have been something in Schedule 1 and speculated that there had been an incomplete disclosure of documents by FBT and that other documents would reveal that Infinite either was, or should have been listed in Schedule 1 and thus assigned to Aftermath.
29. This was wishful thinking. The 1998 Agreement begins with an introduction setting out its purpose:

“The following, when executed by all of the parties, will confirm the material terms of the agreement (the 'Agreement') between Aftermath Entertainment ('Aftermath') and F.B.T. Productions ('F.B.T.') regarding F.B.T. furnishing to Aftermath the exclusive recording services of Marshall B. Mathers III p/k/a 'EMINEM' ('Artist').”
30. The purpose of the agreement was to transfer the recording services of Eminem from the Bass Brothers partnership to Aftermath. It was not to assign copyright in sound recordings. Again, I suspect that it was taken from a precedent. In all events, the 1998 Agreement does no more than allow for the possibility of an assignment of copyright in earlier recordings. If this was to be done, they would have been listed in Schedule 1. In my view Schedule 1 is blank because there was no agreement to assign copyright in earlier recordings.
31. I find that FBT is the owner of the Copyright.

Knowledge or reason to believe

32. By the end of the trial it was not in dispute that if FBT owns the Copyright LTEV is liable for primary infringement by making vinyl copies of Infinite.
33. However, distribution of these vinyl albums and the Infinite CDs by Plastic Head could only have been secondary infringements pursuant to s.23 of the Copyright, Designs and Patents Act 1988 (the 1988 Act). Section 23 provides:

23. *The copyright in a work is infringed by a person who, without the licence of the copyright owner –*

(a) possesses in the course of business,

(b) sells or lets for hire, or offers or exposes for sale or hire,

(c) in the course of a business exhibits in public, or distributes, or

(d) distributes otherwise than in the course of business to such an extent as to affect prejudicially the owner of the copyright,

an article which is, and which he knows or has reason to believe is, an infringing copy of the work.

34. Section 27 sets out the meaning of ‘infringing copy’. It was common ground that if I found that FBT owns the Copyright, the vinyl and CD copies of Infinite sold by Plastic Head were infringing articles. The issue argued by counsel was whether Plastic Head knew or had reason to believe that this was the case, specifically whether this was true of Mr Beatty.

The case law

35. Mr Muir Wood referred me to the judgment of Scott J in *Columbia Pictures Industries Inc v Robinson* [1987] 1 Ch 38. At p.67F-G Scott J said that a person who deliberately refrains from inquiry and shuts his eyes to that which is obvious, cannot be heard to say that he lacked the requisite knowledge. Mr Muir Wood submitted that in the present case Mr Beatty had shut his eyes to the obvious and that he should therefore be imputed with constructive knowledge that the vinyl albums and CDs he was dealing with were infringing copies of the sound recording of Infinite.

36. Scott J was not considering s.23 of the 1988 Act but its equivalent in the Copyright Act 1956, s.16(3). In *L.A. Gear Inc v Hi-Tech Sports plc* [1992] FSR 121, Morritt J noted that the words ‘has reason to believe’ were newly introduced into the 1988 Act, whereas under the 1956 Act it was necessary to prove knowledge. On the other hand, the courts had construed s.16(3) of the 1956 Act to mean that knowledge was to be attributed to a defendant from facts within his knowledge from which it would be obvious that something was an infringing copy. Counsel in *L.A. Gear* submitted to Morritt J that s.23 of the 1988 Act should be construed in the same way – submitting in effect that the words ‘or has reason to believe is’ in s.23 in practice added nothing. Morritt J disagreed (at 129):

“I do not think that can be right. Parliament has seen fit to include these words anew and it seems to me that they must be applied in accordance with their meaning and proper construction and effect. If, so construed and applied, it reaches the same conclusion as the authorities under the 1956 Act on knowledge, so be it, but one should not, it seems to me, approach the words ‘reason to believe’ with a preconception that they in fact comprehend the same as and no more than imputed knowledge under the 1956 Act.”

37. Morritt J then encapsulated his understanding of the new words in s.23:

“...it seems to me that ‘reason to believe’ 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.”

38. On appeal from Morrith J’s judgment (reported also at [1992] FSR 121, beginning at 132) this passage was quoted by Nourse LJ (with whom Staughton LJ and Sir Michael Kerr agreed) (at p.138) with clear approval (at p.139).
39. Often, where ‘reason to believe’ has been in issue since *L.A. Gear* and this passage of Morrith J’s judgment applied, liability has turned on what happened after the defendant received notice of the claimant’s claim and what constitutes sufficient notice. That does not arise in the present case. Mr Muir Wood fairly conceded that the time which elapsed between the sending of the letter before action dated 5 December 2016 and the cessation of sales by Plastic Head on 12 January 2017 was sufficiently brief to constitute a reasonable period for Mr Beatty to evaluate FBT’s claim.
40. In *ZYX Music GmbH v King* [1995] FSR 566 Lightman J said that the reasonable man must be such an individual in the defendant’s position (at 578).
41. I must consider all the relevant facts known to Mr Beatty regarding the copies of Infinite he was distributing and decide whether, viewed objectively, a reasonable record distributor in his position would have arrived at the belief that they were infringing copies. The reasonable person is not a lawyer (not here, anyway) and I do not think that his or her belief must include a realisation of the full details of why there was an infringement of copyright, such as the identity and nature of the copyright work in question, precisely who owns the copyright or why there was no licence from the owner. It will be enough if the facts would 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 some other person. Merely suspecting that this is the case will not be enough.

This case

42. Mr Colbey advanced the following arguments in support of his contention that Mr Beatty neither knew nor had reason to believe that his companies were infringing copyright.
43. First, before LTEV made any of the vinyl copies of the album Mr Beatty approached MCPS for a licence. This was the act of a man who wanted to ensure that his companies had obtained the necessary rights to make vinyl copies of Infinite and market them. MCPS informed him that it did not have the right to grant a licence but approved the making of a limited number of copies for which an 8.5% royalty was charged. MCPS’s policy here is not clear, but from Mr Beatty’s perspective, an apparent sanction was given by the official copyright collecting society. Mr Beatty did not exceed the cap of vinyl copies imposed by MCPS.
44. Secondly, the sleeve of the vinyl album provides LTEV’s full name, full address in Wallingford, its telephone number and website address. It also states that it is manufactured and distributed by Plastic Head and says that it was made under licence

from Boogie Up Productions. The statement about manufacture by Plastic Head is not right, but Mr Beatty could not have arranged for the sleeve to be more open about Plastic Head, LTEV and the source of its licence. This was not the behaviour of a man who believed he was dealing in unlicensed 'bootleg' albums.

45. Thirdly, the CDs of the album had been sold for some time by Intergroove, apparently without complaint and both vinyl and CD versions were advertised openly by Plastic Head.
46. Fourthly, Mr Beatty had a substantial business in lawfully selling albums and would not risk his reputation by selling bootlegs.
47. Fifthly, Mr Beatty's response to FTB's complaint was the rapid and appropriate response of a man who honestly believed that he was selling licensed albums. Sales were promptly withdrawn.
48. In response Mr Muir Wood made these points.
49. First, he invited me to disbelieve Mr Beatty's evidence that Intergroove had sold copies of Infinite in the absence of supporting documentary evidence.
50. Secondly, Mr Beatty was experienced enough in the business to realise that further investigation was necessary before he ceased to have reason to believe that the Infinite albums his company was selling were not licensed.
51. Thirdly, 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.
52. I find Mr Colbey's points more compelling than those of Mr Muir Wood, especially Mr Colbey's first to third and fifth points. The fourth I think is neutral in that it assumes Mr Beatty was honest. It might be said that if Mr Beatty were dishonest he would be expected to conduct his business by profiting from unlawful sales of albums.
53. As to the third, I heard Mr Beatty give evidence. He said that Intergroove had sold Infinite albums since about 2010 without apparent complaint and there was no further evidence to suggest otherwise. I accept what Mr Beatty said.
54. With regard to Mr Muir Wood's points, I have dealt with the first. As to the second, I am not sure what else Mr Beatty could reasonably have done. He believed that he was taking over from Intergroove in the lawful sales of Infinite and other albums and had received the response from MCPS referred to above. I attach no importance to the fact that LTEV made its copies of Infinite from a WAV file rather than a Master Tape. Mr Martin said that a WAV file could be a copy of anything – the Master Tape or a poor quality cassette recording. I infer that whatever had been copied to create the WAV file of Infinite supplied by Boogie Up to LTEV, Mr Beatty or a colleague was satisfied that it was of sufficiently good quality. It may in fact have been a copy of the Master Tape.
55. In my view Mr Beatty neither knew nor had reason to believe that the vinyl and CD copies of Infinite sold by Plastic Head were infringing copies of another party's copyright work.

Conclusion

56. LTEV infringed the Copyright by creating vinyl copies of the Infinite album. Neither of the Defendants is liable for any of the secondary acts of infringement pleaded, namely importing, offering for sale and selling copies of the Infinite album.