

EIP



Eminem's First Record Label Fails to Stand Up and Succeed Fully in Damages Claim

Last week, the Intellectual Property Enterprise Court ("IPEC") heard the trial of quantum in the claim between F.B.T. Productions, LLC ("FBT") and Let Them Eat Vinyl Distribution Limited ("LTEV") for copyright infringement following the judgment on liability heard before HHJ Hacon on 2 April 2019.¹

Ian Karet (sitting as a Deputy High Court Judge) did not find in favour of all FBT's arguments and only awarded FBT a total sum of £7,452.50 plus interest out of the claimed £288,209.

Background

Before Eminem became a global superstar through his Slim Shady LP's, there was his lesser known first album entitled "Infinite", recorded in 1996, which was the subject of litigation last year. FBT, a record company based in Detroit, claimed ownership of the copyright in the sound recordings on Infinite (the "Work") and that copyright had been infringed by the defendants which were LTEV, a record company and Plastic Head Music Distribution Ltd, a distribution company.

HHJ Hacon concluded that LTEV had infringed the copyright by creating vinyl copies of the Infinite album but that neither of the defendants were liable for any of the secondary acts of infringement pleaded.

Present case

FBT elected for an inquiry into damages, claiming damages on three bases:

- a) the loss of an opportunity to license a third party to exploit the Work (and various tracks comprised in the Work);
- b) the losses flowing from the licence FBT would have offered LTEV for the exploitation of the Work; or
- c) a reasonable royalty for the actual sales made by LTEV based on the notion of a willing licensee/willing licensor negotiation.

FBT sought £288,209 in damages on the basis it would have sold 2,000 copies of the Work for US\$50. The release of the album would have been preceded by the release of a series of 12-inch vinyl singles of re-mastered tracks from the Work which would have sold for US\$20.16 each (the price chosen to refer to the year 2016- 20 years since the Work was first released). That FBT intended to license a third party to manufacture and sell the new vinyl copies of the Work, retaining 90 per cent of the revenue. And further that it had lost the opportunity to be involved in the making of a full-length documentary about the re-issue of the Work.

Loss of an opportunity

Applying the test set out in *SDL Hair Ltd v. Next Row Ltd*², the Judge found that FBT had not shown that the tort was a cause of any loss. Accordingly, FBT's claims for loss of an opportunity in relation to plans to sell vinyl records and to make a full-length documentary did not succeed.

Loss of licence fees

It was in FBT's evidence that it would not have offered a licence to LTEV because it was not an attractive potential licensee and so there was no loss of a licence. Therefore, this claim for damage also did not succeed.

Notional Licence / Royalty

The principles in *Henderson v All Around the World Recordings Ltd*³ set out the law regarding the approach to be taken in respect of a notional licence agreement and how the court is to consider the right infringed and the time over which that took place. In this case the hypothetical negotiation would have been for a licence to make 2,891 copies of the Work in the UK.

Taking into consideration that the licence would likely have been for a unit price per record and a number of other factors such as the nature and reputation of the licensor and the product in question, this being a special anniversary disc. The Judge concluded

the hypothetical fee would be £2.50 per disc. And therefore, damages should be assessed on the basis of a fee for a notional licence to make 2,981 infringing copies totalling £7,452.50 plus interest.

Take Away Points

This case continues to illustrate the High Court's approach to the assessment of damages regarding intellectual property cases. The overriding principle is that damages are compensatory and that a successful claimant is entitled, by way of compensation, to the sum of money which will put them in the same position they would have been in if they had not sustained the wrong.

Parties should think carefully when weighing up the advantages of seeking the High Court to quantify the damages in a claim as the amount awarded may not justify the effort and cost involved in getting there.

The judgment is available [here](#).

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[1][2019] EWHC 829 (IPEC)

[2] [2014] EWHC 2084 (IPEC)

[3] [2014] EWHC 3087 (IPEC)