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Appendix A

**UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT**

Nos. 20-3816(L), 20-4020(Con), 20-4099(XAP)

ABKCO MUSIC, INC., et al.,

*Plaintiffs-Counter-
Defendants-Appellees-
Cross-Appellants,*

v.

WILLIAM SAGAN, et al.,

*Defendants-
Counterclaimants-
Appellants-Cross-
Appellees.*

Argued: Mar. 14, 2022

Decided: Oct. 6, 2022

Before: JACOBS, WESLEY, and MENASHI,
Circuit Judges.

OPINION

In 2002, William Sagan acquired a trove of live concert recordings that included performances by The Rolling Stones, The Who, the Grateful Dead, and many others. At the time, the sellers cautioned that

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Sagan “may be buying the world[’s] greatest private collection [of recordings] that no one will ever hear.” App’x at 453. But in 2006, Sagan made those and other recordings available to the world through digital download and streaming services offered for a fee through various websites. Sagan did this through his companies Norton LLC and the Bill Graham Archives, LLC (together with Sagan, “defendants”).

In 2015, a collection of music publishers (together, the “Publishers”) brought this suit under the Copyright Act, alleging that defendants infringed the Publishers’ copyrights in 197 musical works that were performed in the live concert recordings. The Publishers sought about \$30 million in damages and a permanent injunction. On March 30, 2018, the United States District Court for the Southern District of New York (Ramos, *J.*) held on summary judgment that defendants had no valid licenses and therefore infringed each of the musical works and that Sagan was personally liable. The district court denied the Publishers’ request for a permanent injunction. Two years later, after a nine-day damages trial, the jury awarded the Publishers \$189,500, which was near the minimum statutory damages. The Publishers argued that the minimal award was a rushed and ill-considered result of the encroaching pandemic and moved for a new trial. The district court denied the motion but awarded them roughly \$2.4 million in attorneys’ fees.

On appeal, defendants challenge the district court’s summary judgment rulings and the order granting fees and costs. The Publishers cross-appeal the district court’s denial of a permanent injunction,

several evidentiary rulings, and its denial of the new trial.

BACKGROUND

I.

Congress has created two types of copyrights in a musical recording. One is for the underlying “musical work,” which encompasses the notes and lyrics of a song. *See* 17 U.S.C. § 102(a)(2). The other is for the “sound recording,” which covers the rights to a recording of a particular performance by a particular artist. *See id.* § 102(a)(7). This case concerns the first type of copyright. (The second type was at issue in a prior litigation.)

A person seeking to make and distribute phonorecords—that is, material objects in which sounds are fixed—of a previously published musical work can do so by obtaining a compulsory license. *See id.* § 115(a)(1).¹ One need only provide notice to the owner of the copyright in the musical work (*before* distribution) and pay government-prescribed royalties. *See id.* § 115(b), (c). Alternatively, a prospective licensee can go directly to the copyright owner or its agent and secure a “negotiated license.” *Id.* § 115(b)(2), (c)(3)(B).

If one seeks to duplicate and sell a sound recording that was “fixed by another,” *id.* § 115(a)(1),

¹ Section 115 of the Copyright Act was amended in 2018 under the Musical Works Modernization Act and governs conduct engaged in after October 11, 2018. *See* Act of Oct. 11, 2018, Pub. L. 115-264, 132 Stat. 3676. The conduct in this case occurred before that date, so all citations in this opinion to 17 U.S.C. § 115 are to the pre-2018 version of the statute.

rather than make one's own sound recording, there are two additional eligibility requirements for a compulsory license: (i) the sound recording must have been "fixed lawfully," and (ii) the duplication must have been authorized by the copyright owner of the sound recording or, "if the sound recording was fixed before February 15, 1972," the sound must have been fixed "pursuant to an express license from the owner of the copyright in the musical work or pursuant to a valid compulsory license for use of such a work in a sound recording." *Id.* We refer to these as Section 115's "substantive requirements."

II.

William Sagan is the president, CEO, and sole shareholder of Norton LLC ("Norton"). In 2002, Norton purchased the archives of the late concert promoter Bill Graham by acquiring Bill Graham Archives, LLC ("Archives"), which housed a collection of audio and audiovisual recordings. The purchase agreement that conveyed the Archives provided that Sagan was acquiring "all Intellectual Property rights . . . to the extent that either Seller or any of its Affiliates possesses such rights." Supp. App'x at 1334. A disclaimer recites that the seller made "*no representations* regarding whether the Assets or their past or future use or exploitation infringed or infringes on the Intellectual Property rights of any person." *Id.* at 1335 (emphasis added). The seller also told Sagan that he would need to get record company and artist approval to exploit the recordings.

In the ensuing years, defendants continued to acquire recordings of live concerts through other sources. As with the initial purchase from the

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Archives, these acquisitions came with limited assurances (or none) as to the nature of the intellectual property rights being conveyed, especially as pertaining to artist consent. Defendants were undeterred. Beginning in 2006, these recordings, many of them deemed historic, were made available to the public for download and on-demand streaming through defendants' websites.

About a year after the recordings launched on their websites, defendants sought to obtain licenses to use the musical works by applying for a licensing account with the Harry Fox Agency ("HFA")—a third-party licensing agent that receives Section 115 notices and grants negotiated licenses on behalf of music publishers.² For the next three years, defendants worked directly with HFA, obtaining licenses for the musical works, and paying the required royalties. In 2010, defendants hired RightsFlow Inc. to secure the licenses and distribute royalties on their behalf. In 2013, defendants hired MediaNet, Inc. to assume these duties. RightsFlow and MediaNet would either obtain negotiated licenses (directly from the music publisher or from HFA) or compulsory licenses (by issuing a Section 115 notice). At the same time, challenges arose and accrued, as follows.

² Many music publishers employ HFA "as their agent to receive notice of the intention to obtain a compulsory license, and to collect and distribute royalties. Acting on behalf of their clients, HFA waives the statutory notice requirements, negotiates royalty rates at or below the statutory level, and substitutes a quarterly accounting and payment schedule for the monthly schedule prescribed by Section 115." *Rodgers and Hammerstein Org. v. UMG Recordings, Inc.*, No. 00-cv-9322, 2001 WL 1135811, at *2 (S.D.N.Y. Sept. 26, 2001) (Martin, J.).

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In 2006, soon after defendants made the recordings available on their websites, several record labels and a group of musicians sued for infringement of their copyrights in the sound recordings—copyrights separate from musical works. In 2009, after that case settled, defendants entered “Joint Exploitation Agreements” with three major record labels—UMG Recordings Inc., Warner Music, Inc., and Sony Music Entertainment—which generally authorized defendants to exploit through sale and distribution certain sound recordings featuring the record labels’ artists, so long as separate licenses were obtained for the musical works. These claims are therefore not at issue in this suit.

In August 2013 (and again in August 2014), plaintiff ABKCO Music, Inc. demanded that defendants cease and desist exploiting an audiovisual recording of a 1981 Rolling Stones concert: “ABKCO has never issued synchronization licenses for the Video” and without such a grant “ABKCO’s copyrights in those Compositions have been infringed and continue to be knowingly and willfully infringed.” Supp. App’x at 1891 ¶ 64. Around the same time, defendants received several similar demands from songwriters and publishers of songs performed in the audiovisual recordings featured on their websites.

III.

On May 27, 2015, the Publishers filed this action alleging that defendants infringed their copyrights in 197 musical works by making audio and audiovisual recordings of those works available for download and streaming from their websites without a license to do so. In total, the Publishers claimed that defendants

had illegally exploited more than 1,175 recordings in audio or audiovisual format. The Publishers sought statutory damages of up to \$150,000 for each work infringed and a permanent injunction against the infringing conduct. Defendants, in turn, sought a declaration that their use of the recordings did not infringe the Publishers' rights and that they may exploit the audiovisual works without obtaining synchronization licenses, which allows a licensee "to synchronize music with visual images in a video, motion picture, etc." *Bridgeport Music, Inc. v. Still N The Water Pub.*, 327 F.3d 472, 481 n.8 (6th Cir. 2003).

In 2017, following discovery, the district court held on summary judgment that defendants had no valid licenses authorizing the reproduction and distribution of the musical works, had no implied license or estoppel defenses, and had therefore infringed all 197 of the musical works. *See ABKCO Music, Inc. v. Sagan*, No. 15-cv-4025, 2018 WL 1746564, at *17-20 (S.D.N.Y. Apr. 9, 2018) (Ramos, J.). The district court further held that the infringement of 167 of the works had been willful (there were disputed issues of fact as to the remaining 30 works) and that Sagan was personally liable for direct infringement. *See id.* at *21-22. However, the district court denied a permanent injunction on the grounds that cash could compensate for any future infringement and that the public has an interest in access to this collection of "iconic" recordings. *Id.* at *23. (Whether defendants needed to obtain synchronization licenses to exploit the audiovisual recordings was never decided because no party sought summary judgment on that claim.)

The district court later denied defendants' motion for reconsideration, which challenged "nearly every aspect of the [Summary Judgment] Opinion." *ABKCO Music, Inc. v. Sagan*, No. 15-cv-4025, 2019 WL 1382074, at *1 (S.D.N.Y. Mar. 26, 2019) (Ramos, J.).

Trial began on March 2, 2020. At issue was (i) whether defendants willfully infringed the 30 works for which disputed issues of fact precluded summary judgment, and (ii) the damages for infringement of all 197 musical works. The Copyright Act allows the jury to award anywhere between \$750 and \$150,000 if the infringement is "willful" and between \$750 and \$30,000 per work if not willful. 17 U.S.C. § 504(c). After nine days of trial, and less than an hour of deliberations, the jury found that the infringement with respect to the 30 works was non-willful and awarded the statutory minimum of \$750 per work. For the remaining 167 works that the district court had found to be willfully infringed, the jury awarded \$1,000 per work. In total, the jury awarded the Publishers \$189,500 of the \$30 million that was sought in statutory damages.

The Publishers moved for attorneys' fees and costs under Section 505 of the Copyright Act and separately moved for a new trial, arguing that the jury was "unable to deliberate as the COVID-19 pandemic was worsening in New York City." *ABKCO Music, Inc. v. Sagan*, No. 15-cv-4025, 2021 WL 1101107, at *1 (S.D.N.Y. Mar. 23, 2021) (Ramos, J.). On November 5, 2020, the district court denied the motion for a new trial but awarded the Publishers approximately \$2.4 million in attorneys' fees.

DISCUSSION

On this cross-appeal, we consider: (I) defendants’ challenge to the order granting the Publishers’ motion for summary judgment and the order denying defendants’ motion for reconsideration; (II) the Publishers’ appeal of the denial of a permanent injunction; (III) the Publishers’ challenge to several evidentiary rulings and to the denial of a new trial; and (IV) defendants’ appeal of the grant of attorneys’ fees.

I.

The summary judgment rulings contested by defendants on appeal are that (A) defendants had no valid license authorizing the reproduction and distribution of the musical works in either audio or audiovisual format, (B) defendants had neither an implied license nor had they any basis for estoppel, and (C) Sagan was liable for direct infringement. We review these rulings *de novo*. See *Andy Warhol Found. for Visual Arts, Inc. v. Goldsmith*, 11 F.4th 26, 36 (2d Cir. 2021), *cert. granted*, 142 S. Ct. 1412 (2022).

A.

The ruling that defendants infringed the Publishers’ copyrights in the musical works was based on three holdings that overlap: (1) Section 115 compulsory licenses do not cover the use of musical works in audiovisual recordings; (2) defendants failed to satisfy Section 115’s substantive requirements for “duplicating a sound recording fixed by another”; and (3) any license that defendants filed *after* distribution of the phonorecords is invalid as a matter of law. We address each holding in turn.

1.

Of the 197 musical works, “at least” 146 were reproduced and distributed in audiovisual recordings. *ABKCO*, No. 15-cv-4025, 2018 WL 1746564, at *7. Those actions, defendants argue, fall within the scope of Section 115 compulsory licenses.

Section 115 allows one to “obtain a compulsory license to make and distribute *phonorecords*” of a published musical work. 17 U.S.C. § 115(a)(1) (emphasis added). Whether Section 115 licenses cover exploitation of audiovisual recordings thus hinges on whether those types of recordings fall within the Copyright Act’s definition of “phonorecords”:

[M]aterial objects in which sounds, ***other than those accompanying a motion picture or other audiovisual work***, are fixed . . . , and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term “phonorecords” includes the material object in which the sounds are first fixed.

Id. § 101 (emphasis added). The district court held that this definition excludes all audiovisual recordings, including recordings of live concerts, and that all of defendants’ audiovisual recordings were therefore not covered by any Section 115 license. We agree.

In the first sentence of the phonorecords definition, the exclusionary phrase (bolded above) most naturally applies to any recording that includes both sounds *and* images. Defendants contend that one can only “accompany” something that is otherwise

separate and would thus limit the meaning of the exclusion to such things as a soundtrack, in which the sound is layered over a motion picture, but not to a recording of a live performance, in which the sound and image are fixed simultaneously. But, given the common and natural meaning of the word, sound can “accompany” an image simultaneously as well as by later addition. Had Congress intended to exclude from the phonorecords definition only soundtracks and other layered sounds, “it would have artfully worded the definition” to reflect that intent.³ *Huddleston v. United States*, 415 U.S. 814, 822 (1974).

Defendants contend that their reading of the exclusion is confirmed in the second sentence of the definition because, if “[t]he term ‘phonorecords’ includes the material object in which the sounds are first fixed,” then an object is a phonorecord *even if* images are “first fixed” with the sounds. As the district court correctly recognized, however, “the use of the definite article ‘the’ to reference the concepts ‘material objects’ and ‘sounds’ can only be read to refer to these terms as *previously* defined in the first sentence, that is to say, as expressly excluding audiovisual works.” *ABKCO*, No. 15-cv-4025, 2018 WL 1746564, at *11. The second sentence cannot be read to describe a larger set of sounds than the sentence preceding it does.

³ Defendants’ reading would also result in different licensing schemes applying to musical works used in motion pictures depending on whether the song was performed on stage (in front of the camera) or in a studio (to be dubbed). Copyright law is complicated, but it is not arbitrary.

True, our reading results in some redundancy. That is, it is unclear what the second sentence of the definition adds given that the first sentence already covers all material objects on which the sounds are fixed—regardless of whether they are fixed first, second, or any time thereafter. But “[r]edundancy is not a silver bullet.” *Rimini Street, Inc. v. Oracle USA, Inc.*, 139 S. Ct. 873, 881 (2019). The definition of “copies,” which appears elsewhere in the Act, has the same structure, similar phrasing, and an analogous second sentence that is likewise redundant without changing the evident meaning of the first sentence.⁴ The second sentence, which appears in the definition of “copies” as well as “phonorecords,” does not alter our understanding of the first.

Guided by the plain language of the exclusionary phrase, we conclude that audiovisual recordings are not covered by Section 115 compulsory licenses. Defendants therefore infringed each musical work included in an audiovisual recording.

2.

The 51 remaining musical works are in audio-only recordings. The district court concluded that defendants’ exploitation of these recordings was

⁴ That definition reads as follows:

“Copies” are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term “copies” includes the material object, other than a phonorecord, in which the work is first fixed.

17 U.S.C. § 101.

unlicensed because defendants failed to satisfy Section 115's substantive requirements, which apply when a person seeks to "duplicat[e] a sound recording fixed by another." 17 U.S.C. § 115(a)(1). Those requisites (with qualification) are that (i) the sound recording was "fixed lawfully" and that (ii) the making of the phonorecords was authorized by the copyright holder in the sound recording. See *id.* On appeal, defendants argue that they were not subject to those requirements because the sound recordings they sought to duplicate were fixed by their predecessors and, thus, not "*by another*."⁵ We agree. While the use of the term "another" is imprecise, defendants' interpretation is supported by logic and legislative history.

When defendants acquired the relevant recordings, they bought any rights that the sellers held in those recordings. The purchase agreement that conveyed the Archives, for instance, provided that the seller was acquiring "all Intellectual Property rights . . . to the extent that either Seller or any of its Affiliates possesses such rights." Supp. App'x at 1334. It is undisputed that the seller would not be subject to the substantive requirements of Section 115. To find that defendants (as purchasers) would be saddled with these additional requirements would impair the transferability of these sorts of works because every

⁵ While defendants raised this argument for the first time at the summary judgment hearing, we do not consider it waived because the district court chose to address it on reconsideration. See *United States v. Young*, 998 F.3d 43, 52 n.2 (2d Cir. 2021) ("[W]e do not consider arguments waived when, although not raised below, they were nevertheless passed on by the district court." (internal quotation marks omitted)).

trade would thereby impose new burdens and diminish value. Nothing in the text requires that result.

Legislative history militates in the same direction. Under the Copyright Act of 1909, once the copyright owner of a musical composition authorized the work's mechanical reproduction, any other person could make "similar use" of the work on payment to the copyright owner of a two-cent royalty "on each such part manufactured." 17 U.S.C. § 1(e) (1909). The licensee was not expressly required to make its own original sound recording of the musical work or to obtain a license from the lawful owner of the duplicated sound recording.

The 1971 amendments to the Copyright Act for the first time granted copyright protection in "sound recordings"—separate from the musical work—to protect against a recording being duplicated without authorization, *i.e.*, record piracy. In the litigation that ensued, music publishers claimed that one who duplicates a sound recording made by somebody else is ineligible for a compulsory license.⁶ These suits made their way to various circuit courts, all of which agreed that compulsory licenses for "similar use" do not allow a person to participate in "piracy under the flag of compulsory licensing." *Duchess Music Corp. v. Stern*, 458 F.2d 1305, 1311 (9th Cir. 1972); *see also Edward B. Marks Music Corp. v. Colorado Magnetics, Inc.*, 497 F.2d 285 (10th Cir. 1974); *Jondora Music*

⁶ The Third Circuit theorized that "[o]ne reason for these recent cases may be the increased remedies provided to the composers by [the 1971 Amendment]." *Jondora Music Pub. Co. v. Melody Recordings, Inc.*, 506 F.2d 392, 395 n.8 (3d Cir. 1974).

Pub. Co. v. Melody Recordings, Inc., 506 F.2d 392 (3d Cir. 1974); *Fame Pub. Co., Inc. v. Alabama Custom Tape, Inc.*, 507 F.2d 667 (5th Cir. 1975).

Later, the 1976 amendments made it possible for a person seeking to duplicate a sound recording “to obtain a compulsory license for the use of copyrighted music under section 115.” H.R. Rep. No. 94-1476, at 108. But, to prevent piracy, eligibility for a compulsory license was conditioned on “*the owner of the sound recording . . . authoriz[ing] its duplication.*” *Id.* (emphasis added). Since piracy concerns are not a consideration when (as here) the owner of the sound recording has transferred its rights to a successor, there is no reason to assume the application of the substantive requirements.

We hold that defendants’ recordings were not “fixed by another” for the purposes of Section 115, and therefore vacate the district court’s summary judgment ruling to the extent it found defendants to have infringed any of the musical works due to a failure to satisfy that section’s substantive requirements.⁷

⁷ Both the parties and the district court assumed that if the recordings were “fixed by another,” then defendants’ recordings would not have been “lawfully fixed” without the artists’ consent. The basis for that assumption is questionable: the two statutes on which the district court relied—the federal and New York anti-bootlegging acts—were enacted many years after the recordings at issue were fixed. *See* Pub. L. No. 103-465, 108 Stat. 4809 (1994) (codified at 17 U.S.C. § 1101); 1990 N.Y. Sess. Law Serv. 460 (McKinney). Unless another law applied at the time the recordings were fixed, then it does not appear to have been unlawful for the concert promoters to record the concerts without the performing artists’ consent.

3.

The final basis for the district court's infringement finding was defendants' failure to provide timely notice before distributing a phonorecord *and* before obtaining a voluntary HFA license. The Publishers argue that defendants failed to serve timely notice for at least one recording associated with each musical work and that this failure provides an independent basis for affirming the grant of summary judgment. We disagree.

The district court found infringement due to untimely notice only as to the musical works included in the recordings exploited in 2006 because defendants had sent no notices at that time and did not begin obtaining HFA licenses until the following year. *See ABKCO*, No. 15-cv-4025, 2018 WL 1746564, at *16. As to all other recordings, however, the district court found that "there is a disputed question of fact as to whether and which [notices] were actually submitted after the first download or streaming of a phonorecord and in the absence of an HFA license." *Id.* So far as we can tell, that disputed fact was not resolved.

We therefore remand to the district court for further factfinding on this issue. In so doing, we acknowledge that the factual dispute may be affected by a threshold legal question that arises from Section 115's command that "failure to serve or file the notice of intention . . . forecloses the possibility of a compulsory license." 17 U.S.C. § 115(b)(2). Specifically, the question is whether one is permanently barred from obtaining a valid compulsory license for a musical work that one had exploited before sending notice and in the absence of a

negotiated license.⁸ Section 115(b)(4)(A) might alternatively be read to prevent only retroactive issuance of a compulsory license that would otherwise absolve the licensee from suffering the consequence of infringement; in that case, a prospective license could still be acquired, so long as the compulsory licensing requirements are fulfilled. But this issue has not been briefed, so we merely raise it for further consideration in the district court.

* * *

To summarize, we agree with the district court's holding that the audiovisual recordings do not fall within the scope of Section 115 compulsory mechanical licenses, disagree with the district court's holding that defendants infringed the remaining musical works by failing to comply with the substantive requirements of Section 115, and reject the Publishers' argument that defendants' failure to serve timely notice provides an independent basis for affirming each finding of infringement. We therefore affirm in part and vacate in part the district court's summary judgment order.

On remand, the district court should reevaluate its infringement findings for all audio-only recordings. We leave it to the district court to decide whether a

⁸ Defendants' inability to obtain a compulsory license would not affect any negotiated license they might secure. *See Rodgers & Hammerstein*, 2001 WL 1135811, at *5 ("Nothing in Section 115 suggests that Congress intended to limit the ability of either copyright holders or prospective licensees to enter into private agreements that would contain different terms and conditions of the license.").

new jury trial is needed to resolve any factual disputes.

B.

Defendants argue that even if they failed to obtain any compulsory or negotiated licenses for the audiovisual recordings, the affirmative defenses of implied license and equitable estoppel preclude findings of infringement. We disagree.

1.

We have not yet ruled “on the precise circumstances under which an implied non-exclusive license will be found.” *Psihoyos v. Pearson Educ., Inc.*, 855 F. Supp. 2d 103, 120 (S.D.N.Y. 2012) (Oetken, *J.*) (internal quotation marks omitted). Some courts use a narrow test, finding an implied license only where one party “created a work at [the other’s] request and handed it over, intending that [the other] copy and distribute it.”⁹ *Effects Assocs., Inc. v. Cohen*, 908 F.2d 555, 558 (9th Cir. 1990). Others have applied a more permissive test by which consent “may be inferred based on silence where the copyright holder knows of the use and encourages it.” *Field v. Google Inc.*, 412 F. Supp. 2d 1106, 1116 (D. Nev. 2006). We have no occasion to decide which test to adopt, since both require a “meeting of the minds between the parties to permit the particular usage at issue,” *Psihoyos*, 855 F.

⁹ The district court cited *SmithKline Beecham Consumer Healthcare, L.P. v. Watson Pharms., Inc.*, 211 F.3d 21 (2d Cir. 2000) for the proposition that we have “endorsed” the “narrow” test for finding an implied license. *ABKCO*, No. 15-cv-4025, 2018 WL 1746564, at *18. But *SmithKline* did not adopt this test; it merely explained that *other courts* have applied the narrow test for deciding whether an implied license existed. 211 F.3d at 25.

Supp. 2d at 124 (internal quotation marks omitted), and there has been none here.

Defendants argue that, since they made royalty payments, the Publishers knew how the musical works were being used; and that acceptance of payment signified the consent required for a meeting of minds. But this reasoning ignores the mechanics of compulsory licensing.

The Publishers grant thousands of compulsory licenses annually. Not by choice; it is (as the name says) compulsory. Payment notifies the Publishers that a compulsory license has issued, but it does not communicate how the license will be used. The reasonable assumption is that use will be in accord with the requirements of Section 115, which, at the least, means that the musical works will not be used in any audiovisual recordings. The same assumption applies to any negotiated license in this case. The HFA licenses “state that Defendants seek licenses for ‘phonorecords’ as ‘authorized pursuant to 17 U.S.C. § 115,” ABKCO, No. 15-cv-4025, 2018 WL 1746564, at *20, which conveys the clear impression that the musical works would be used in sound recordings only.

Defendants further argue that ABKCO’s cease-and-desist letters show that the Publishers knew that the musical works were being used in audiovisual recordings. But those letters show only that the Publishers knew about a single Rolling Stones recording, not any of the rest (of which there were over a thousand). And, at the risk of being obvious, the demand that defendants *stop* exploiting that single recording cannot be construed as a meeting of the minds about anything.

2.

Nor can defendants establish a defense by equitable estoppel. That affirmative defense “is properly invoked where the enforcement of rights of one party would work an injustice upon the other party due to the latter’s justifiable reliance upon the former’s words or conduct.” *Veltri v. Building Serv. 32B-J Pension Fund*, 393 F.3d 318, 326 (2d Cir. 2004) (internal quotation marks omitted). To prevail on an estoppel defense in the copyright context, a defendant must show that:

- (1) plaintiff had knowledge of the defendant’s infringing conduct;
- (2) plaintiff either (a) intended that defendant rely on plaintiff’s acts or omissions suggesting authorization, or (b) acted or failed to act in such a manner that defendant had a right to believe it was intended to rely on plaintiff’s conduct;
- (3) defendant was ignorant of the true facts; and
- (4) defendant relied on plaintiff’s conduct to its detriment.

SimplexGrinnell LP v. Integrated Sys. & Power, Inc., 642 F. Supp. 2d 167, 194 (S.D.N.Y. 2009) (Lynch, J.) (citation omitted) (alterations adopted).

But as the district court concluded, there is no showing that the Publishers knew about the infringing conduct. *See ABKCO*, No. 15-cv-4025, 2018 WL 1746564, at *20. True, ABKCO knew that defendants were exploiting a recording of The Rolling Stones, which is why ABKCO demanded that defendants stop exploiting it. But, even as to that single recording, defendants are unable to show that

the cease-and-desist letters “suggest authorization” or anything of the sort.

C.

Defendants next challenge the district court’s holding that Sagan was liable for direct infringement. Direct liability requires “volitional conduct” that “causes” the copying or distribution. *Zappa v. Rykodisc, Inc.*, 819 F. Supp. 2d 307, 315 (S.D.N.Y. 2011) (Pauley, *J.*) (citation omitted). That is, direct liability attaches only to “the person who actually presses the button.” *Cartoon Network LP v. CSC Holdings, Inc.*, 536 F.3d 121, 131 (2d Cir. 2008). In *UMG Recording, Inc. v. Escape Media Group*, for example, two executives were directly liable because they “personally uploaded copyrighted sound recordings to [their website].” No. 11-cv-8407, 2014 WL 5089743, at *26 (S.D.N.Y. Sept. 29, 2014) (Griesa, *J.*).

Even if a copyright is not infringed by a corporate officer’s own hand, a corporate officer with an obvious and direct financial interest, and a power of supervision to effect an infringement, may be vicariously liable. *See EMI Christian Music Grp. v. MP3tunes, LLC*, 844 F.3d 79, 99 (2d Cir. 2016). But the Publishers pled only direct liability. The district court recognized as much and acknowledged that summary judgment would have to be premised “on that basis alone.” *ABKCO*, No. 15-cv-4025, 2018 WL 1746564, at *22 n.33.

However, the district court went on to recite the standard for vicarious liability instead, and to apply that standard to conduct that (with one arguable exception) could not give rise to direct liability. *See id.*

at *22. As to the exception: Sagan’s Chief Technology Officer stated in his deposition that “it was Sagan who instructed him as to ‘which concerts to make available for download or not,’ . . . and made plans ‘to start digitizing tape recordings with an eye towards making them available on a public website.’” *Id.* (citations omitted). But that passage involves only instructions and plans; there is no evidence that Sagan is the one who “actually presse[d] the button.” *Cartoon Network*, 536 F.3d at 131.

We therefore reverse the district court’s order granting judgment against Sagan.

II.

The Publishers challenge the district court’s refusal to issue a permanent injunction.¹⁰ We review this decision for abuse of discretion. *See 16 Casa Duse, LLC v. Merkin*, 791 F.3d 247, 254 (2d Cir. 2015).

Under the Copyright Act, a court may “grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.” 17 U.S.C. § 502(a). The test for determining when to grant such equitable relief requires the plaintiff to demonstrate: “(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is

¹⁰ Because we have vacated the district court’s order with regards to infringement on the audio-only recordings, the permanent injunction issue is relevant only with respect to the audiovisual recordings.

warranted; and (4) that the public interest would not be disserved by a permanent injunction.” *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006).

The district court found that the first two factors weigh against an injunction since the Publishers can be made whole with cash. We agree. The Publishers argue that their damages are impossible to quantify because defendants’ infringing conduct “threatens [their] relationships with . . . existing licensees, and undermines their negotiating leverage with prospective licensees.” Plaintiffs-Appellees Br. at 69-70. But they provide no factual (or theoretical) support that would allow us to credit that claim. True, “[h]arm can be irreparable” where, “absent an injunction, the defendant is likely to continue infringing the copyright.” *Broad. Music, Inc. v. Pamdh Enters., Inc.*, No. 13-cv- 2255, 2014 WL 2781846, at *4 (S.D.N.Y. June 19, 2014) (Wood, *J.*). But that factor is not decisive when (as here) the record gives no indication that defendants will continue their infringing conduct.

The third factor tilts in the same direction. Defendants invested tens of millions of dollars to acquire a library of live concert recordings and have devoted two decades to building a business around those recordings. The Publishers claim an offsetting hardship if they had “to commence litigation for each future violation,” whereas it would be no cognizable hardship if defendants were compelled “to comply with their legal duties.” *Broad. Music, Inc. v. Prana Hosp., Inc.*, 158 F. Supp. 3d 184, 196 (S.D.N.Y. 2016) (Engelmayer, *J.*). But the Publishers have the resources to commence future litigation if needed, and

if they do so successfully, they might collect fees and costs under Section 505 of the Copyright Act.

The final factor also favors defendants because the public has an interest in accessing “iconic” recordings of historical importance. *ABKCO*, No. 15-cv-4025, 2018 WL 1746564, at *23. The Publishers rely on a case in which we explained that the public has an interest in “protecting copyright owners’ marketable rights to their work and the economic incentive to continue creating.” *WPIX, Inc. v. ivi, Inc.*, 691 F.3d 275, 287 (2d Cir. 2012). But *WPIX* affirmed an injunction against “streaming [the] plaintiffs’ copyrighted television programming over the internet live and without their consent.” *Id.* at 277. We concluded that a preliminary injunction would not disserve the public interest because “[p]laintiffs’ desire to create original television programming surely would be dampened if their creative works could be copied and streamed over the Internet,” and because “the public will still be able to access plaintiffs’ programs through means other than [the defendant’s] Internet service.” *Id.* at 288.

This case is distinguishable in every way that matters. The concert recordings at issue were made primarily from the 1960s to the early 2000s; so no ongoing stream of new content is at stake. Even if it were, the Publishers fail to explain how the denial of a permanent injunction would curb creativity. *See Salinger v. Colting*, 607 F.3d 68, 82 (2d Cir. 2010) (“The object of copyright law is to promote the store of knowledge available to the public.”). Surely it would have no impact on concert performances themselves, or the desire to preserve them.

III.

After a nine-day damages trial, the jury awarded the Publishers the near minimum of their statutory entitlement—about \$30 million less than what they had sought. The Publishers now want a retrial on the ground that the district court abused its discretion with respect to a series of evidentiary rulings, and in its denial of the Publishers’ motion for a new trial. We address these arguments in turn.

A.

Three evidentiary rulings are contested.

First: The district court admitted into evidence payments that defendants made to non-parties and for works on which the Publishers did not sue. The district court concluded that the payments were relevant to the “conduct and attitude of the parties” and the “willfulness” or state of mind of defendants, and it issued a limiting instruction to that effect. App’x at 757. On appeal, the Publishers contend that this evidence was irrelevant and that any probative value was outweighed by the danger of misleading the jury as to the sum defendants paid for the musical works at issue. But the Publishers waived this argument when their counsel stated that he was “fine” with such evidence being admitted so long as a limiting instruction was given, as it was. *Id.* at 766.¹¹

¹¹ The Publishers also argue that defendants’ list of checks—a list created specifically for the litigation—should have been excluded “under the Best Evidence Rule,” and because “there was a dispute as to which checks had actually been cashed.” Plaintiffs-Appellees’ Reply Br. at 7. The Publishers first raised this argument on appeal in their reply brief, and thereby waived it. See *JP Morgan Chase Bank v. Altos Hornos de Mexico, S.A. de*

Second: The district court admitted into evidence the Joint Exploitation Agreements that defendants entered with Sony, Warner, and UMG. The Publishers' motion *in limine* to exclude the agreements from evidence was denied "subject to reopening as events unfold during the course of the trial." *Id.* at 755. On appeal, the Publishers argue that the district court abused its discretion because admitting these agreements conflicted with several of its other rulings.

This argument too was not preserved. An evidentiary issue is preserved *in limine* only if it was (among other things) "ruled upon by the court without equivocation." *United States v. McDermott*, 245 F.3d 133, 140 n.3 (2d Cir. 2001). The *in limine* ruling left the door ajar for objections at trial, and the Publishers did not object when these agreements were introduced at trial. The Publishers thus waived the argument they now advance on appeal. *See Barlow v. Liberty Maritime Corp.*, 746 F.3d 518, 529 (2d Cir. 2014) ("[Plaintiff] raised this objection *in limine*, but failed to raise it at trial, and specifically withdrew his objection in his post-trial briefing. We therefore need not consider it.").

Third: The Publishers sought to question Sagan about a June 2015 article published by defendants' licensing agent, MediaNet, which stated that, to exploit music in audiovisual format, "[s]ynchronization licenses for the musical

C.V., 412 F.3d 418, 428 (2d Cir. 2005) ("[A]rguments not made in an appellant's opening brief are waived even if the appellant pursued those arguments in the district court or raised them in a reply brief.").

composition in each track used must also be obtained from the appropriate music publisher(s).” Supp. App’x at 2107. The district court precluded this hearsay statement after concluding that it was not made within “the scope of [MediaNet’s] agency with respect to defendants.” *Id.* at 661.

The Publishers contest this ruling by pointing to the testimony of Sagan’s Chief Technology Officer that MediaNet provided “[a]dvice with respect to what licenses were required.” *Id.* at 657. But this testimony was vague and did not necessarily relate to synchronization licenses. Moreover, the full record shows that MediaNet’s agency role was largely limited to calculating what defendants owed and making the requisite royalty payments. The district court did not abuse its discretion in excluding this evidence.

B.

A motion for a new trial may be granted “for any reason for which a new trial has heretofore been granted in an action at law in federal court.” Fed. R. Civ. P. 59(a)(1)(A). Such a motion ordinarily should be denied “unless the trial court is convinced that the jury has reached a seriously erroneous result or that the verdict is a miscarriage of justice.” *Atkins v. New York City*, 143 F.3d 100, 102 (2d Cir. 1998) (citation omitted). The Publishers contend a new trial should have been granted because the pandemic resulted in a rushed and ill-considered jury verdict. We disagree.

When trial began on March 2, 2020, news of the pandemic was spreading. On March 10, the district court told counsel that “we may be surrounded by the National Guard tomorrow morning, . . . I want to get this done as soon as possible, okay?” App’x at 1889.

The next day, the district court told counsel that “[t]he world is falling apart around us, and I would like to get this done . . . it would be very, very helpful to get this done as soon as possible.” Supp. App’x at 791.

On March 12, 2020, New York’s mayor declared a state of emergency. That same day, Juror Five asked to speak in open court. The juror stated that the jury intended to do their job and “do[] it fairly,” but that:

We have been coming here for two weeks, all of us in this room. We have been exposing ourselves. Whether we know it or not, it’s happening. And, quite frankly, this matter doesn’t seem all that important compared to lives at stake, such as my mom who has lupus. She has a very compromised immune system. . . . We are here to decide damages and money. And, quite frankly, money, to me, is not worth the life of my mother or any of the lives of the jurors in there who also there are several who are older, and that’s my concern.

App’x at 797-98. The district court ruled *sua sponte* that the juror’s comments did not warrant his exclusion. Neither party objected.

Prior to deliberation later that day, the district court assured the jury: “Now that the case is in your hands, you can stay as long as you wish. I’m happy to stay with the usual schedule of 9:30 to 2:30, but if you wish to stay longer, I’ll leave that entirely up to you.” *Id.* at 935. The jury reached a verdict in less than an hour and without reviewing any trial exhibits. It awarded the Publishers \$189,500 in statutory

damages, and made findings as to willful infringement with respect to 30 recordings.

The Publishers' motion for a new damages trial argued that "the trial was fundamentally unfair because the jury was allegedly unable to deliberate as the COVID-19 pandemic was worsening in New York City." *ABKCO Music, Inc. v. Sagan*, 500 F. Supp. 3d 199, 205 (S.D.N.Y. 2020) (Ramos, J.), *judgment entered*, No. 15-cv-4025, 2021 WL 761852 (S.D.N.Y. Feb. 26, 2021). The Publishers claim an abuse of discretion for three reasons.

First: A new trial was ordered in the supposedly analogous case of *Lucas v. American Manufacturing Co.*, 630 F.2d 291 (5th Cir. 1980), in which the jury returned a verdict within 45 minutes after three days of trial, and shortly before a hurricane made landfall near the courthouse. *Id.* at 293. But *Lucas* was materially different. There, the judge asked the jurors to render a verdict in fifteen minutes, *see id.*, whereas the judge in this case told the jury that it could "stay as long as [it] wish[ed]." Supp. App'x at 935. And while *Lucas* held that there had been no evidentiary basis for the jury's award, which was less than half the amount to which the defendant stipulated prior to trial, 630 F.2d at 293, the jury in this case awarded damages within the permissible statutory range.

Second: The Publishers cite Juror Five's concerns. But those concerns revealed only an uneasiness to proceed in the face of the pandemic, not an unwillingness to engage in fair and thorough deliberations. Juror Five made this plain: "I'm not trying to get a hung jury. I want to do my job. I want to do my duty. So does everyone in this room, and we

plan on doing it fairly.” *ABKCO*, 500 F. Supp. 3d at 208.

Third: The Publishers argue that the effect of the pandemic on the trial is evidenced by the low damages award relative to the Publishers’ expectations. As the district court explained, however, the Publishers failed to “persuasively draw any connection between the potential impact of the COVID-19 pandemic and the specific damages awarded,” or explain why it would have been easier for a rushed jury to award damages on the lower side of the scale, as opposed to in the middle or on the higher end. *Id.* at 210.

IV.

The district court awarded the Publishers roughly \$2.4 million in attorneys’ fees primarily on the ground that defendants acted unreasonably when they claimed (without evidence) that artists had consented to the recording and exploitation of their concert performances and, relatedly, because defendants’ infringement was willful as to a large portion of the recordings. *See ABKCO*, 500 F. Supp. at 213-15. The premise of that award is that (according to the parties and the district court) the substantive requirements of Section 115 incorporate the requirement for performer consent. The award therefore conflicts (at least in part) with our holding that defendants were not subject to Section 115’s substantive requirements.

We therefore vacate the district court’s grant of attorneys’ fees and remand for reconsideration in light of this opinion.

CONCLUSION

To summarize:

- (1) We AFFIRM the rulings in the summary judgment order to the extent they: (a) held that defendants failed to obtain a license for any of the audiovisual recordings, and therefore infringed the audiovisual works; (b) concluded that defendants had no valid affirmative defense; and (c) declined the Publishers' request for a permanent injunction.
- (2) We VACATE the ruling in the summary judgment order that defendants infringed the musical works used in the audio-only recordings by failing to comply with Section 115's substantive requirements.
- (3) We REVERSE the ruling on summary judgment that Sagan was liable for direct infringement.
- (4) We REJECT the challenges to evidentiary rulings.
- (5) We AFFIRM the order denying the motion for a new trial.
- (6) We VACATE the award of attorneys' fees.
- (7) We REMAND the case for further proceedings consistent with this opinion.

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Appendix B

**UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT**

Nos. 20-3816(L), 20-4020(Con), 20-4099(XAP)

ABKCO MUSIC, INC., et al.,

*Plaintiffs-Counter-
Defendants-Appellees-
Cross-Appellants,*

v.

WILLIAM SAGAN, et al.,

*Defendants-
Counterclaimants-
Appellants-Cross-
Appellees.*

Filed: Nov. 28, 2022

ORDER

Appellees-Cross-Appellants filed a petition for panel rehearing, or, in the alternative, for rehearing *en banc*. The panel that determined the appeal has considered the request for panel rehearing, and the active members of the Court have considered the request for rehearing *en banc*.

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IT IS HEREBY ORDERED that the petition is denied.

FOR THE COURT:

Catherine O'Hagan Wolfe,
Clerk

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Appendix C

**UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF NEW YORK**

No. 15 Civ. 4025

ABKCO MUSIC, INC., et al.,
*Plaintiffs-Counterclaim-
Defendants,*¹

v.

WILLIAM SAGAN, et al.,
*Defendants-
Counterclaim-Plaintiffs.*

Filed: Apr. 9, 2018

OPINION and ORDER

¹ During the course of this litigation, Rodgers & Hammerstein Holdings LLC acquired the musical works that had been controlled by Imagem Music LLC. Plaintiffs therefore request that Rodgers & Hammerstein Holdings LLC be substituted for Imagem Music LLC. The Court grants this request. *See* Fed. R. Civ. P. 25(c) (“if an interest is transferred” the court, on motion, may order “the transferee to be substituted in the action”). Similarly, on March 26, 2018, the Court granted Plaintiffs’ request to join two subsidiaries of Plaintiff Spirit Catalog Holdings S.a.r.l: Towser Tunes, Inc. and Towser Newco Ltd. *See* Fed. R. Civ. P. 17(a)(3). The Clerk of Court is respectfully requested to update the caption as reflected above.

Ramos, D.J.:

This federal copyright infringement suit concerns a collection of live audio and audiovisual recordings of iconic songs that were recorded while being performed live in concert and thereafter acquired by Defendants William E. Sagan, Bill Graham Archives, LLC,² and Norton, LLC (“Defendants”), from the late Bill Graham and operators of other concert venues. The collection primarily consists of recordings made from the 1960s to the 2000s, and reads like a veritable who’s who of rock, soul, and alternative music, containing the performances of The Rolling Stones, The Who, the Grateful Dead, Willie Nelson, Ray Charles, Aretha Franklin, and Carlos Santana, to name a few. The list of songwriters who penned the works embodied in those performances is no less impressive and diverse, including legends such as Hoagy Carmichael, Carol King, Mick Jagger, Keith Richards, Pete Townshend, and Green Day, among others.

In the years following Defendants’ acquisitions, they have reproduced those recordings principally in digital format and made them available for mass consumption through digital download and streaming services offered for a fee through Defendants’ websites.³ Plaintiffs are a collection of six groups of

² Bill Graham Archives, LLC, does business under the names Wolfgang’s Vault, Concert Vault, Music Vault, and Daytrotter.

³ Defendants operate Wolfgang.com, WolfgangVault.com, ConcertVault.com, Daytrotter.com, MusicVault.com and the Music Vault channel on YouTube. Defs.’ Responses and Objections to Plaintiffs’ Statement of Undisputed Facts, (“Defs.’ Counter 56.1”) ¶ 40.

music publishers⁴ who claim to own, or hold exclusive licenses in, the copyrights to approximately 200 musical compositions (the “Musical Works”) reflected in Defendants’ recordings. Plaintiffs claim that Defendants’ exploitation of those recordings infringes their copyrights in the Musical Works. The principal question before the Court is whether Defendants obtained valid licenses such that their exploitation of these recordings is lawful under the Copyright Act, 17 U.S.C. § 101 *et seq.*

Before the Court are the parties’ cross motions for summary judgment pursuant to Federal Rule of Civil Procedure 56 on Plaintiffs’ claim of copyright infringement and their request to permanently enjoin Defendants from using the recordings at issue. Docs. 161, 191. For the reasons set forth below, the parties’ motions for summary judgment are GRANTED in part and DENIED in part.

⁴ Plaintiffs are comprised of the following groups of music publishing companies: (1) ABKCO Music, Inc., (2) Colgems-EMI Music Inc., EMI Algee Music Corp., EMI April Music Inc., EMI Blackwood Music Inc., EMI Consortium Music Publishing, Inc. d/b/a EMI Full Keel Music, EMI Consortium Songs, Inc. d/b/a EMI Longitude Music, EMI Feist Catalog Inc., EMI Robbins Catalog Inc., EMI Unart Catalog Inc., Jobete Music Co., Inc., Screen-Gems- EMI Music Inc., Stone Agate Music, Stone Diamond Music Corp.; (3) Rodgers & Hammerstein Holdings; (4) Peer International Corporation, PSO Limited, Peermusic Ltd., Peermusic III, Ltd., Songs Of Peer, Ltd.; (5) Spirit Catalog Holdings S.A.R.L., Spirit Two Music, Inc.; and (6) Warner-Tamerlane Publishing Corp. and WB Music Corp.

I. BACKGROUND

A. Statutory Scheme for Mechanical Licenses under the Copyright Act

To better contextualize the dispute between the parties, it is helpful to outline the statutory scheme covering the licensing of musical works under the Copyright Act. As a general matter, the owner of a copyright in a nondramatic musical work (i.e., a song’s words and musical composition) “has the exclusive rights” to reproduce that musical work in copies or phonorecords and to distribute those copies or phonorecords to the public.⁵ 17 U.S.C. § 106(1), (3). That exclusive right, however, is not without limitation. To encourage creativity and prevent monopolization in the music industry, Congress created the compulsory mechanical license,⁶ a narrow exception to that exclusive right, which “must be construed narrowly, lest the exception destroy, rather than prove, the rule.” *Fame Publishing Co. v. Alabama Custom Tape, Inc.*, 507 F.2d 667, 670 (5th Cir. 1975) (“[W]e should neither expand the scope of the compulsory license provision beyond what Congress intended . . . nor interpret it in such a way as to frustrate that purpose.”) (citing H.R. rep. NO. 2222,

⁵ Under the Copyright Act, separate copyrights attach to a musical work and a sound recording. *See* 17 U.S.C. § 102 (a)(2), (7).

⁶ The term “mechanical license” derives from the historical practice of using “such media as a phonograph record or piano roll,” to mechanically reproduce the sounds embodied in a musical work. *Cherry River Music Co. v. Simitar Entm’t, Inc.*, 38 F. Supp. 2d 310, 312 (S.D.N.Y. 1999) (citations and quotation marks omitted).

60th Cong., 2d Sess. 6 (1909)); *see also Fox Television Stations, Inc v. Aereokiller, LLC*, 851 F.3d 1002, 1011 (9th Cir. 2017). As a result, although the copyright holder in the musical composition has the exclusive right to determine “the manner in which his composition will initially be offered to the public,” once that musical work has been distributed to the public, the copyright holder “must then license others who wish to present their own competing renditions.” *Fame Publishing Co.*, 507 F.2d at 670. Under Section 115 of the Act, compulsory licensees are entitled to make and distribute “phonorecords” of a musical work, so long as they comply with requirements of that section. *See* 17 U.S.C. § 115; *Cherry River Music Co. v. Simitar Entm’t, Inc.*, 38 F. Supp. 2d 310, 312 (S.D.N.Y. 1999). Certain of those requirements are purely procedural, such as the timely filing of a Notice of Intention to Obtain Compulsory License (“NOI”). In this respect, Section 115(b)(1) requires that “[a]ny person who wishes to obtain a compulsory license under this section shall, before or within thirty days after making, and before distributing any phonorecords of the work, serve notice of intention to do so on the copyright owner.” 17 U.S.C. § 115(b)(1). At that point, the copyright owner cannot deny the license—hence the term “compulsory”—however, “[f]ailure to serve or file the notice required by clause (1) forecloses the possibility of a compulsory license and, in the absence of a negotiated license, renders the making and distribution of phonorecords actionable as acts of infringement” *Id.* § 115(b)(2).⁷

⁷ In contrast to a compulsory license, a negotiated license is simply a license that is consensually entered into based on terms

Typically, a compulsory licensee must “exercise his rights under the compulsory license only by assembling his own musicians, singers, recording engineers and equipment . . . for the purpose of recording anew the musical work that is the subject of the compulsory license.” 2 M. Nimmer & D. Nimmer, *Nimmer on Copyright* (“Nimmer”) § 8.04 [A]; *see also* *The Law of Copyright*, Howard B. Abrams, (“Abrams”) § 5:25; *Recording Indus. Ass’n of Am., Inc. v. Librarian of Congress*, 608 F.3d 861, 863 (D.C. Cir. 2010). In other words, the licensee cannot simply repackage and sell copies of another’s sound recording. To do that, a licensee would have to comply with the additional substantive requirements of Section 115(a)(1). *See* 17 U.S.C. § 115(a)(1) (identifying the requirements for works “fixed by another”). Those requirements include that the recording be (1) “lawfully fixed,”⁸ and (2) that the licensee have the authorization of the copyright holder in the sound recording, or “if the sound recording was fixed before February 15, 1972,” that the sound recording was fixed “pursuant to an express

privately negotiated and set by the parties. *See Blagman v. Apple, Inc.*, No. 12 Civ. 5453 (ALC) (JCF), 2014 WL 1285496, at *5 (S.D.N.Y. Mar. 31, 2014).

⁸ Pursuant to the Copyright Act, a work is “fixed” when it is embodied in a “tangible medium of expression . . . by or under the authority of the author, [and] is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated.” 17 U.S.C. § 101. In layman’s terms, the recordings here were fixed when they were first captured on film reel, VHS, cassette tape, CD, DVD, vinyl record, or similar device. For a work to be “lawfully fixed” its fixation cannot “constitute[] copyright infringement under federal law, or common law copyright infringement, unfair competition,” or any other violation of state law. 2 Nimmer § 8.04[E][2] n.88.

license from the owner of the copyright in the musical work or pursuant to a valid compulsory license for use of such a work in a sound recording.” *Id.* As discussed in more detail below, these procedural and substantive requirements are strictly enforced and form the basis of the dispute between the parties in the instant suit.

B. Defendants Acquire Bill Graham Archives

Defendant William Sagan is the founder, president, CEO, and sole owner of Defendant Norton LLC. Defendants’ Responses and Objections to Plaintiffs’ Statement of Material Facts, (“Defs.’ Counter 56.1”), Doc. 218 ¶ 10. Between 2002 and 2015, Defendants built their collection of audio and audiovisual recordings of live concert performances by acquiring entities possessing such recording archives, as well as acquiring collections of such recordings from various concert venues. Plaintiffs’ Responses to Defendants’ Statement of Material Facts (“Pls.’ Counter 56.1”), Doc. 202, ¶ 1. These acquisitions began in July 2002, when Defendant Norton LLC acquired Bill Graham Archives LLC (“BGA”), which owned the archives of the late concert promoter Bill Graham. Defs.’ Counter 56.1 ¶ 11. That acquisition netted Defendants 276 recordings covering approximately 90 of the Musical Works. *See* Dickstein Decl. Ex. 11 (Columns E & F). In documenting the sale, BGA was careful to advise Norton LLC that it was making no representations regarding BGA’s rights to record or exploit the Musical Works. The purchase agreement that conveyed the BGA collection provided that the seller was acquiring [REDACTED]

Defs.' Counter 56.1 ¶ 17 (citing Dickstein Decl., Ex. 3 at ¶ 3.10(a)(C), ¶ 3.11(a)). A side letter to that purchase agreement further provided that [REDACTED] *Id.* ¶ 18 (citing Dickstein Decl., Ex. 7 at *2).⁹ In purchasing those recordings, Defendants never saw any performance contracts executed by the artists authorizing the recording of those performances, nor were they made aware that such agreements existed. *Id.* ¶ 19.

Contemporaneous external sources confirmed the exceedingly limited nature of the intellectual property rights Norton was acquiring along with the BGA collection. An appraisal report prepared by Richard Prelinger, a prominent archivist and intellectual property consultant, and included in Defendants' closing binder stated that: [REDACTED]. *Id.* ¶ 21; Dickstein Decl., Ex. 5, BGA Appraisal Report, at 26200. Indeed, in his deposition testimony, Sagan later confirmed that he was unaware if any of the copyright owners of the Musical Works captured in those recordings ever even consented to the recording of those concert performances. Defs.' Counter 56.1 ¶ 27; Dickstein Decl. Ex. 2 at 132:18-25, 133:10-15.

⁹ In this regard, it is important to note that although he created a world-famous archive of concert footage, Bill Graham did not appear himself exploit the recordings commercially, except on a very limited basis. The video recordings were "used in approximately 10 non-revenue generating instances as part of concert programs and to provide ambient imagery for special events or private parties." Dickstein Decl., Ex. 5, BGA Appraisal Report, at 26177. Certain material was also licensed to VH-1 and MTV for documentary and biographic series such as "Behind the Music," "Where Are They Now," and "VH-1 Confidential." *Id.*

A marketing document for the BGA archive that was provided to Sagan at the time of the acquisition disclosed that [REDACTED] *Id.*

Michael Krassner, an attorney who represented the seller in connection with the sale of BGA to Defendants, explained to Sagan at the time of the sale that [REDACTED] *Id.*

Finally, Nicholas Clainos, an employee of Bill Graham's companies since the 1970s and president of those companies following Graham's death, testified that the [REDACTED] *Id.*¹⁰

C. Defendants Expand their Collection of Live Concert Recordings

Following Defendants' acquisition of BGA in 2002, they acquired at least a dozen other collections of concert tapes, which "expanded dramatically" the number of recordings in their collection. Defs.' Counter 56.1 ¶ 26. All told, Defendants went on to acquire recordings from collections owned by King Biscuit Flower Hour, Festival Network, Thomas Bradshaw, John Brower, Plainfield Music, David Hewitt, Steve Weitzman, Dawson Sound Productions, Amazingrace, Filmsonix, Fuel 2000 Records, Daytrotter, and the Ash Grove theatre. Pls.' Counter 56.1 ¶ 1.

The Plainfield Music collection includes some 213 recordings covering approximately 86 Musical Works.

¹⁰ Defendants challenge these statement on the basis of hearsay not within any exception and lack of personal knowledge, to the extent those statements are used to determine the Graham companies' practices prior to Clainos's hire. Defs.' Counter 56.1 ¶ 23.

Dickstein Decl. Ex. 11 (Columns E & F). However, the agreement by which Plainfield Music acquired those recordings provided that the concert promoter, [REDACTED]. Defs.' Counter 56.1 ¶ 35. And despite Sagan inquiring about performance agreements for this collection, the seller of those works did not possess any consents for Sagan to review, *id.*, and no such consents were produced in discovery.

Likewise, David Hewitt, from whom Defendants purchased a collection of live concert recordings that he created using recording equipment in a truck parked outside the concert venues, acknowledged that he did not have written consents from performers because it was not industry custom to acquire such consents when those performances were recorded. Though, he also noted that such consents would have gone through a legal or business department, and not through him as the engineer. Defs.' Counter 56.1 ¶ 33. That collection conveyed 303 recordings to Defendants, covering 86 of the Musical Works. Dickstein Decl. Ex. 11 (Columns E & F). Similarly, the agreement by which Festival Network acquired a collection of concert recordings later sold to Defendants in 2009 noted that Festival Network's predecessor [REDACTED] Defs.' Counter 56.1 ¶ 34. Again, although Sagan requested copies of the performance agreements for the Festival Network collection, he did not receive any consents, *id.*, and no consents were ever produced in discovery.

The sales agreement with Thomas Bradshaw, however, did purport to be made with the consent of

performers.¹¹ The agreement stated [REDACTED] Dickstein Decl., Ex. 15, [REDACTED], ¶ 4(e). That agreement, however, did not attach any of the performer consents that were ostensibly entered into decades prior. Moreover, that agreement further [REACTED] Dickstein Decl., Ex. 15, ¶ (4)(e). There is no evidence in the record that Defendants ever acquired those consents.

More broadly, although Defendants unilaterally prepared performer revenue share agreements, which would “authorize [them] to fully utilize and exploit the [recordings] in exchange for sharing with the Artist a portion of the revenue from such activity,” Sagan testified that he could not recall which artists have signed that form, *id.* ¶ 29, and no executed performer revenue share agreements were produced in discovery. To the contrary, three performing artists whom Defendants sought to depose—Keith Richards, David Byrne, and Michael Stipe—could not recall ever consenting to the recording of their performances. Defs.’ Counter 56.1 ¶ 30.

Notably, even as of 2010, when Defendants applied to register copyrights in remixes of concert recordings they had acquired, the United States Copyright Office repeatedly asked Defendants to [REDACTED]. In response, and notwithstanding Defendants’ inability to produce a single written performer consent, [REDACTED]. Lundberg Decl., Doc. 163, Ex. D.

¹¹ Bradshaw operated the Great American Music Hall, and conveyed 27 recordings (covering seven of the Musical Works) to Defendants. See Dickstein Decl., Ex. 11 (Columns E & F).

D. Defendants Begin Exploiting their Recordings

As early as 2002, the Defendants [REDACTED] Defs.' Counter 56.1 ¶ 53; Dickstein Decl. Ex. 2 Sagan Dep. at 132:9-17. In October 2003, as Sagan sought to reproduce and exploit his archive in CD and DVD format, he informed an employee that [REDACTED] Dickstein Decl., Ex. 30 at 2. During his deposition, [REDACTED].

In 2003, Defendants established their first website, Wolfgang's Vault, now named Wolfgang's, to provide to the public the live concert recordings obtained through Defendants' acquisition of BGA (the only collection that had been acquired up to that point). Lundberg Decl. ¶ 10; Dickstein Decl, Ex. 11 (Column G, showing acquisition date). But it was not until 2006 that Defendants made audio recordings in that collection, and others, available for download and on-demand streaming. *Id.* Defendants also launched the Concert Vault website in 2006, which offers both audio and audiovisual recordings for on-demand streaming. Lundberg Decl. ¶ 11. In the years that followed, Defendants continued to expand their internet-based platforms. In 2007, Defendant Norton LLC acquired a majority stake in Daytrotter Media, LLC, thereby acquiring Daytrotter's website, which also offered audio recordings to the public. *Id.* ¶ 12. Daytrotter Media, LLC, which now touts itself as the source for discovering new music,¹² rewrote its website in 2010 and now only allows visitors to download or stream audio recordings from recording sessions

¹² See www.daytrotter.com.

hosted specifically for the website. *Id.* As such, Plaintiffs' recordings are no longer offered on that website. In 2014, Defendants' Music Vault Youtube channel was launched and offers audiovisual recordings for on-demand streaming, including certain of the Musical Works at issue here. *Id.* ¶¶ 13-14.

E. Mechanical Licensing

As Defendants tell it, they have, "at all relevant times," properly obtained mechanical licenses to ensure compliance with the Copyright Act. Defendants' Cross-Motion for Summary Judgment ("Defs.' MSJ"), Doc. 161, at 13. They have done so either by working directly with the Harry Fox Agency ("HFA"), a third-party licensing agent that grants mechanical licenses on behalf of music publishers, or by using licensing vendors that obtain licenses on behalf of record manufacturers and distributors. *Id.* at 13-14; Lundberg Decl. ¶ 41. However, Defendants first applied for a mechanical licensing account with the Harry Fox Agency on March 1, 2007, over a year *after* they began to provide downloading and on-demand streaming of audio and audiovisual recordings of the then-acquired Musical Works through the Wolfgang's and Concert Vault websites. Lundberg Decl. ¶ 42; *id.* Ex. 28, Application for HFA Mechanical Licensing Account, at 1. Defendants worked directly with HFA until 2010, when they switched to RightsFlow Inc. ("RightsFlow") to secure their necessary licenses. *Id.* at 43-44.

Defendants contend that RightsFlow obtained on their behalf the right to exploit the Musical Works in one of three ways: by either "(1) obtaining licenses

directly from the publisher; (2) obtaining licenses from HFA through Defendants' HFA mechanical licensing account; or (3) issuing a . . . NOI . . . pursuant to the statutory requirements." *Id.* ¶ 50 (c). Finally, in May 2013, after RightsFlow was acquired by Google, Inc., Defendants switched to MediaNet, Inc. ("MediaNet") to manage their licensing needs and make the necessary payments to the publishers and administrators of the Musical Works. *Id.* ¶ 51. Notwithstanding "noted administrative issues occurring with HFA" that arose when Defendants changed licensing services providers from RightsFlow to MediaNet in 2013, Defs.' MSJ at 9; Lundberg Decl. ¶ 52, Defendants claim that they have fulfilled their royalty-payment obligations for all the recordings at issue and that Plaintiffs have never returned or rejected their payments, Defs.' MSJ at 9-10, 14; Pls.' Counter 56.1 ¶¶ 6-7. Defendants also contend that they have held licenses with performing rights organizations ("PROs"), which grant them the right to publicly perform, or, as in this case, provide on-demand streams for viewing of the Musical Works in question. Lundberg Decl. ¶¶ 36-39. The PROs, in turn, pay songwriters and publishers for the public use of their works. *Id.* ¶ 40. Defendants maintain that they have remitted royalties for all on-demand streaming pursuant to their licenses with the PROs and in accordance with the law and industry practice. *Id.* Those licenses, however, do not authorize Defendants to reproduce or distribute any of the Musical Works. Lundberg Decl., Ex. 25, [REDACTED].¹³

¹³ A license for public performance of a musical work, which includes on-demand streaming, is distinct from a mechanical

In Plaintiffs' rendition, licensing gaps abound. They assert that HFA licenses cover only a limited number of the recordings at issue; specifically they argue that 180 of the approximately 200 Musical Works have at least one recording that is not covered by Defendants' HFA licenses. Defs.' Counter 56.1 ¶ 63. Plaintiffs further explain that once Defendants began sending NOIs in 2013, they served their notices months or even years after they began exploiting a given recording, and that Lundberg, Defendants' Chief Technology Officer, acknowledged that Defendants failed to abide by Section 115 when he testified that it was "common industry practice" to send NOIs *after* publishing a recording to the Defendants' websites. *Id.* ¶ 61; Dickstein Decl., Ex. 1, Lundberg Dep. 245:13-265:23. Further, Plaintiffs state that the NOIs "fraudulently misrepresented" the date on which Defendants began distributing the recordings at issue. *Id.* ¶ 62. As they explain, the NOIs stated that the date of distribution of the relevant recording was the same as the date that the NOI was filed. In actuality, and as Lundberg concedes, the dates listed on the NOIs were not the dates on which Defendants' own records show the recordings were first downloaded or streamed. *Id.* Although Plaintiffs admit that they have not returned any payments made to them on the Defendants' behalf, they strongly

license, which grants the licensee the right to reproduce and sell recordings of the musical work. *Compare* 17 U.S.C. §§ 115 *with id.* § 106(4); *see Country Rd. Music, Inc. v. MP3.com, Inc.*, 279 F. Supp. 2d 325, 327 (S.D.N.Y. 2003) ("'Performance' and 'reproduction' are clearly and unambiguously separate rights under the Copyright Act of 1976 . . .") (citing 17 U.S.C. § 106(1), (4)).

“deny that Defendants have paid all sums owed,” as, they contend, “Defendants have no valid licenses that would authorize [their] exploitation” of the Musical Works at issue. Pls.’ Counter 56.1 ¶ 7.

1. Defendants Enter Joint Exploitation Agreements

In 2009—three years after they began exploiting their then-current collection of live recordings—Defendants entered into Joint Exploitation Agreements with three major record labels: Warner Music, Inc., Sony Music Entertainment, and UMG Recording Inc. (collectively, the “Joint Exploitation Agreements”).¹⁴ Generally, the agreements purport to authorize Defendants to exploit through sale and distribution certain sound recordings of concerts featuring the record labels’ artists, so long as Defendants obtained mechanical licenses for those recordings. *See* Lundberg Decl. ¶¶4-6, Ex. 2, Warner

¹⁴ Warner Music, Inc. is the record-music arm of the larger Warner Music enterprise. It is a distinct entity from Plaintiffs Warner-Tamerlane Publishing Corp, and WB Music Corp, which are publishing companies. *See* Pls.’ MSJ at 38. Sony Music Entertainment is likewise the recorded –music arm of Sony, and an affiliate of Plaintiff Sony/ATV Music Publishing, LLC, which, in 2012, began administering the music catalog owned by the EMI Plaintiffs. *Id.* Defendants initially contended that Sony Music Entertainment acquired the publishing catalog of the EMI Plaintiffs noted above. Pls.’ Counter 56.1 ¶ 4. However, in their Counter 56.1, they do not dispute that it is Sony/ATV Music Publishing, LLC that administers the EMI Plaintiffs’ music catalog. *See* Defs.’ Counter 56.1 ¶ 86; Declaration of Audrey Ashby, dated September 12, 2017, Doc. 199 (“Ashby Decl.”) ¶ 3 (“Sony Music Entertainment was not a member of the group that acquired EMI,” and EMI’s music publishing catalog is administered by Sony/ATV—not Sony Music Entertainment.”).

Music Inc. Joint Exploitation Agreement, dated August 4, 2009, § § 1.1, 3.3; Ex. 3, Sony Music Entertainment Joint Exploitation Agreement, dated August 4, 2009, § § 1.1, 3.2; Ex. 4, UMG Recording, Inc., Joint Exploitation Agreement, dated August 4, 2009 § § 1, 2.2.

None of these agreements, however, provide any written consent from the artists themselves, nor do they purport to state that the artists consented to the recording of their performances. Moreover, none of the Plaintiffs in this case are signatories to any of the Joint Exploitation Agreements, and those agreements expressly exclude any rights to the musical compositions. Pls.' Counter 56.1 ¶ 3.

Instead, the Warner and Sony [REDACTED] Lundberg Decl., Ex. 2, § 1.1. In somewhat different language, [REDACTED] Lundberg Decl., Ex. 3, § 1.1.¹⁵

[REDACTED]. Defendants have produced no Section 1 Notices.

2. Defendants Receive Cease-and-Desist Demands

In August of 2013 and 2014, Plaintiff ABKCO Music, Inc., demanded that Defendants cease and desist exploiting an audiovisual recording of a 1981 Rolling Stones concert because “ABKCO has never issued synchronization licenses for the video” and

¹⁵ Both agreements, however, expressly exclude audiovisual recordings of the Musical Works. *See* Lundberg Decl., Ex. 2, § 3.6(f) (providing that the agreement “shall not apply to audiovisual recordings”) *id.* Ex. 3, § 10.3 (same); Pls.' Counter 56.1 ¶ 3.

without such a grant “ABKCO’s copyrights in those Compositions have been infringed and continue to be knowingly and willfully infringed.” *Id.* ¶ 64. From 2013 to 2016, Defendants also received several similar demands from songwriters and publishers of songs embodied in Defendants’ audiovisual recordings, alerting Defendants that they potentially lacked the necessary licenses to exploit those audiovisual recordings. *Id.* ¶¶ 65-71.¹⁶

F. Procedural History

On May 27, 2015, Plaintiffs filed this action claiming Defendants infringed their copyrights in approximately 200 Musical Works by reproducing those works in digital format and making them available for downloading and streaming from Defendants’ websites without Plaintiffs’ consent. Doc. 1, 43. Plaintiffs also claimed infringement based on Defendants’ manufacture of physical records containing certain of Plaintiffs’ Musical Works. *See*

¹⁶ Defendants assert that third-party records relied on by Plaintiffs are inadmissible hearsay that may not be relied on for the truth of the matter asserted, and are not authenticated. Defs.’ Reply at 37 (citing Fed. R. Evid. 801). Plaintiffs correctly point out, however, that Defendants have authenticated these records by acknowledging their receipt and that those records are not being offered for the truth of the matter asserted, but are offered to show that the Defendants were on notice as to their allegedly infringing activity. Pls.’ Reply at 14 n.35. As a result, the Court finds these records admissible in that limited regard. *See George v. Celotex Corp.*, 914 F.2d 26, 30 (2d Cir. 1990) (“out of court statement offered not for the truth of the matter asserted, but merely to show that the defendant was on notice of a danger, is not hearsay”).

Doc. 1, Defs.’ Counter 56.1 ¶ 50.¹⁷ All told, Plaintiffs assert that Defendants have exploited in audio or audiovisual format more than 1,175 recordings of Plaintiffs’ approximately 200 Musical Works. *Id.* ¶ 47. Of those approximately 200 works, Defendants have exploited audiovisual recordings of at least 146 of them. *Id.* ¶ 79.

Defendants answered, asserting counterclaims seeking a declaration that their use of the recordings does not infringe Plaintiffs’ rights and that they do not need synchronization licenses to exploit the audiovisual works at issue. Doc. 12.¹⁸ Defendants also claimed in their answer that “all of the recordings which make up Defendants’ collection were created (and have been exploited) with permission and proper legal consent from the various artists who controlled the copyrights in the musical compositions they performed.” Doc. 12 at 21, 28 ¶¶ 4, 50. Defendants similarly represented in their Rule 26(a)(1) Initial Disclosures that they had “[l]icense agreements, including but not limited to agreements between and among BGA (and/or its predecessors and/or affiliates) and [PROs], [HFA], and/or any of the Plaintiffs . . . and/or the artists whose musical compositions and/or recordings [Plaintiffs] now allege to control.” Defs.’ Counter 56.1 ¶ 72. Notwithstanding

¹⁷ Those physical records include a vinyl albums that include the song “Moondance” by Van Morrison, and a John Denver performance of James Taylor’s ‘Fire and Rain.” Pls.’ Counter 56.1 ¶ 50.

¹⁸ Defendants also brought third party claims against the National Music Publishers’ Association and its president. Doc. 12. Those claims were dismissed in May 2016. Doc. 44.

ABKCO's cease and desist letters of August 2013 and 2014 and the commencement of this action, Defendants have added to their websites at least 36 recordings of Plaintiffs' Musical Works during the pendency of this action. *Id.* ¶ 77; Doc. 59 at 4. Following discovery, in May and September 2017, the parties filed cross-motions for summary judgment on Plaintiffs' infringement claim and request for permanent injunction. Docs. 161, 191.

On December 14, 2017, the Court held oral argument to address Defendants' motion to strike eleven documents produced in Plaintiffs' reply submission that were intended to fill chain-of-title gaps raised by Defendants.¹⁹ Because Defendants had raised those arguments for the first time in their opposition papers and the documents were relevant, the Court concluded that the documents were properly submitted in reply and denied Defendants' request. Doc. 240 at 8, 11. The Court also granted Plaintiffs leave to submit additional, recently obtained documents that Plaintiffs claimed would complete their chain of title for the Musical Works, and permitted Defendants to submit a sur-reply addressing those chain-of-title issues. Doc. 240 at 8, 11; Doc. 234; *id.* Ex. A, Supplemental Declaration of Audrey Ashby, Exs. 202-210.

In their sur-reply, Defendants challenged the chain of title for 45 of the Musical Works created by Pete Townshend (the "Townshend Works") and administered by Plaintiff Spirit Catalog Holdings,

¹⁹ Defendants concede Plaintiffs' copyright ownership for purposes of their summary judgment motion. *See* Defs.' MSJ at n.2.

S.a.r.l (“Spirit”). Defendants’ Sur-Reply (“Defs.’ Sur-Reply”), Doc. 242 at 4. Defendants contended for the first time that Plaintiff Spirit did not own or possess an exclusive license in the Townshend Works, and that its status as “exclusive administrator” was insufficient to confer standing. *Id.* at 5.

On February 6, 2018, Plaintiffs moved to strike the portions of Defendants’ sur-reply that alleged a break in the chain of title for the Townshend Works. Doc. 244 at 1. They contended that the chain-of-title documentation challenged by Defendants fell outside the scope of the Court’s prior order, and had been produced to Defendants not later than March 2017. *Id.* at 2. Alternatively, Plaintiffs advanced several theories purporting to establish Spirit’s standing to sue. First, Plaintiffs claimed that because Townshend assigned Spirit his 50% share of writer’s royalties, Spirit was a beneficial owner with standing to sue. *Id.* Second, Plaintiffs claimed that Spirits “exclusive administration rights” entitled them to bring suit on behalf of the owner or exclusive licensee. *Id.* at 3. Third, Plaintiffs claimed that Spirit could bring suit on behalf of its wholly owned subsidiaries, Towser Tunes, Inc. and its subsidiary Towser Newco Ltd., which the parties agreed held the exclusive license in the Townshend Works. *Id.*; Doc. 242 at 6 (“Towser—not its new parent Spirit—continued to hold any and all copyrights.”). Finally, and in the alternative, Plaintiffs requested leave to join its subsidiaries pursuant to Federal Rule of Civil Procedure 17(a)(3). Doc. 244 at 3.

On March 26, 2018, the Court heard oral argument on these issues, among others. In an effort

to reach the merits, the Court denied Plaintiffs' motion to strike and concluded that Spirit lacked standing to sue under any of the theories advanced by Plaintiffs because neither exclusive administration rights nor beneficial ownership in a writer's royalty share conferred to Spirit an "exclusive right" as contemplated by the Copyright Act. *See* 17 U.S.C. § 501(b) (providing that "the legal or beneficial owner of an exclusive right" may bring suit); *id.* § 106 (setting out the "exclusive rights" referenced in Section 501(b)); *Russian Entm't Wholesale, Inc. v. Close-Up Intern., Inc.*, 482 Fed. Appx. 602, 604 (2d Cir. 2012) ("[T]he legal or beneficial owner of an *exclusive right* under a copyright is entitled . . . to institute an action for any infringement of that particular right committed while he or she is the owner of it."); *Eden Toys, Inc. v. Florelee Undergarment Co., Inc.*, 697 F.2d 27, 32 (2d Cir. 1982), *superseded on other grounds by* Fed. R. Civ. P. 52(a) ("The Copyright Act authorizes only two types of claimants to sue for copyright infringement: [i] owners of copyrights, and [ii] persons who have been granted exclusive licenses by owners of copyrights."); *John Wiley & Sons, Inc. v. DRK Photo*, 998 F. Supp. 2d 262, 276-77 (S.D.N.Y. 2014) ("Although the right to prosecute an accrued cause of action for infringement is also an incident of copyright ownership, it is not an exclusive right under" the Copyright Act.) (citations, alterations, and quotation marks omitted) *aff'd*, 882 F.3d 394 (2d Cir. 2018). Nor does "a parent company [have] standing to bring claims on behalf of its subsidiary." *EMI Entm't World, Inc. v. Karen Records, Inc.*, No. 05 CIV. 390 LAP, 2013 WL 2480212, at *3 (S.D.N.Y. June 10, 2013); *Yong Ki Hong v. KBS Am., Inc.*, 951 F. Supp. 2d 402, 430

(E.D.N.Y. 2013) (“although the contract purports to delegate . . . authority . . . to protect [the] copyrights from infringement, *Eden Toys* makes clear that a copyright owner cannot, by contract or otherwise, grant a non-exclusive licensee the right to sue for copyright infringement”).

The Court, however, granted Plaintiffs leave to join its subsidiaries, Towser Tunes, Inc. and Towser Newco Ltd., which indisputably do have standing to sue, *see* Defs.’ Sur-Reply at 6, concluding that their joinder would not prejudice Defendants as no new discovery was required, and the subsidiaries had the same officers, executives and business operations as Spirit. *See* Fed. R. Civ. P. 17(a)(3) (“The court may not dismiss an action for failure to prosecute in the name of the real party in interest until, after an objection, a reasonable time has been allowed for the real party in interest to ratify, join, or be substituted into the action.”).

II. LEGAL STANDARD

A. Motion for Summary Judgment

Summary judgment is appropriate where “the movant shows that there is no genuine dispute as to any material fact.” Fed. R. Civ. P. 56(a). “An issue of fact is ‘genuine’ if the evidence is such that a reasonable jury could return a verdict for the non-moving party.” *Senno v. Elmsford Union Free Sch. Dist.*, 812 F. Supp. 2d 454, 467 (S.D.N.Y. 2011) (citing *SCR Joint Venture L.P. v. Warshawsky*, 559 F.3d 133, 137 (2d Cir. 2009)). A fact is “material” if it might affect the outcome of the litigation under the governing law. *Id.* The party moving for summary judgment is first responsible for demonstrating the

absence of any genuine issue of material fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). If the moving party meets its burden, “the nonmoving party must come forward with admissible evidence sufficient to raise a genuine issue of fact for trial in order to avoid summary judgment.” *Saenger v. Montefiore Med. Ctr.*, 706 F. Supp. 2d 494, 504 (S.D.N.Y. 2010) (internal quotation marks omitted) (citing *Jaramillo v. Weyerhaeuser Co.*, 536 F.3d 140, 145 (2d Cir. 2008)).

In deciding a motion for summary judgment, the Court must “construe the facts in the light most favorable to the non-moving party and must resolve all ambiguities and draw all reasonable inferences against the movant.” *Brod v. Omya, Inc.*, 653 F.3d 156, 164 (2d Cir. 2011) (quoting *Williams v. R.H. Donnelley, Corp.*, 368 F.3d 123, 126 (2d Cir. 2004)). However, in opposing a motion for summary judgment, the non-moving party may not rely on unsupported assertions, conjecture or surmise. *Goenaga v. March of Dimes Birth Defects Found.*, 51 F.3d 14, 18 (2d Cir. 1995). To defeat a motion for summary judgment, “the non-moving party must set forth significant, probative evidence on which a reasonable fact-finder could decide in its favor.” *Senno*, 812 F. Supp. 2d at 467-68 (citing *Anderson v. Liberty Lobby*, 477 U.S. 242, 256-57 (1986)).

“When confronted with cross-motions for summary judgment, the Court analyzes each motion separately, ‘in each case construing the evidence in the light most favorable to the nonmoving party.’” *Peterson v. Kolodin*, No. 13 Civ. 793 (JSR), 2013 WL 5226114, at *1 (S.D.N.Y. Sept. 10, 2013) (quoting

Novella v. Westchester Cty., 661 F.3d 128, 139 (2d Cir. 2011)); *see also Morales v. Quintel Entm't, Inc.*, 249 F.3d 115, 121 (2d Cir. 2001) (“[E]ach party’s motion must be examined on its own merits, and in each case all reasonable inferences must be drawn against the party whose motion is under consideration.”) (citation omitted). The Court is not required to resolve the case on summary judgment merely because all parties move for summary judgment. *Morales*, 249 F.3d at 121.

B. Copyright Infringement

To establish copyright infringement, a plaintiff must demonstrate “(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.” *Kwan v. Schlein*, 634 F.3d 224, 229 (2d Cir. 2011) (quoting *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co., Inc.*, 499 U.S. 340, 361 (1991)). Copyright owners and their exclusive licensees are entitled to bring an action for copyright infringement. *See* 17 U.S.C. § 501(a)-(b); *Random House, Inc. v. Rosetta Books LLC*, 283 F.3d 490, 491 (2d Cir. 2002). “A certificate of copyright registration is prima facie evidence that the copyright is valid.” *Fonar Corp. v. Domenick*, 105 F.3d 99, 104 (2d Cir. 1997) (citing 17 U.S.C. § 410(c); *Folio Impressions, Inc. v. Byer Cal.*, 937 F.2d 759, 763 (2d Cir. 1991)).

Once a plaintiff establishes infringement, a defendant may proffer as a defense proof that it held a valid license to use that copyrighted work. *See Associated Press v. Meltwater U.S. Holdings, Inc.*, 931 F. Supp. 2d 537, 561 (S.D.N.Y. 2013) (citing *Graham v. James*, 144 F.3d 229, 236 (2d Cir. 1998)). A valid nonexclusive license “immunizes the licensee from a

charge of copyright infringement, provided that the licensee uses the copyright as agreed with the licensor.” *Davis v. Blige*, 505 F.3d 90, 100 (2d Cir. 2007) (citing *Graham v. James*, 144 F.3d 229, 236 (2d Cir. 1998) (“A copyright owner who grants a nonexclusive license to use his copyrighted material waives his right to sue the licensee for copyright infringement.”)).

The party raising the defense bears the burden of proving that a valid license exists. *Associated Press*, 931 F. Supp. 2d at 561; *Infinity Broad. Corp. v. Kirkwood*, 150 F.3d 104, 107 (2d Cir. 1998) (noting that it is the “proponent” of an “affirmative defense to a claim of infringement” that bears “the burden of proof”) (citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 590 (1994)); *Am. Geophysical Union v. Texaco, Inc.* 60 F.3d 913, 918 (2d Cir. 1994) (stating that a party claiming fair use “typically carries the burden of proof as to all issues in the dispute”).

III. DISCUSSION

A. Copyright Ownership and Copying

Here, there is no dispute that Plaintiffs have produced copyright registrations for each of the Musical Works at issue, entitling them to a prima facie presumption of validity. *Fonar Corp.*, 105 F.3d at 104 (citing 17 U.S.C. § 410(c); *Folio Impressions, Inc.*, 937 F.2d at 763); Defs’ Counter 56.1 ¶ 78. As noted, Defendants concede Plaintiffs’ copyright ownership for purposes of their summary judgment motion and ultimately challenged the chain of title for the 45 Townshend Works only. *See* Defs.’ MSJ n.2; Defs.’ Sur-Reply at 5. The joinder of Plaintiff Spirit’s subsidiaries, Towser Tunes, Inc. and Towser Newco

Ltd., resolved that chain-of-title challenge and it is undisputed that Plaintiffs now have standing to sue for the entirety of the Musical Works. *See* Doc. 234; *id.* Ex. A, Supplemental Declaration of Audrey Ashby, Exs. 202- 210; Ex. B, Supplemental Declaration of Tal. E. Dickstein, Ex. 57A (addressing each of the chain-of-title issues raised by Defendants). Nor is there any dispute that Defendants have exploited, in audio or audiovisual format, more than 1,175 recordings of Plaintiffs’ Musical Works, and manufactured physical records of certain of those works. Defs.’ Counter 56.1 ¶¶ 47, 50. Accordingly, Plaintiffs have established infringement and the burden shifts to Defendants to demonstrate that they hold valid licenses authorizing the exploitation of Plaintiffs’ Musical Works. *See Associated Press*, 931 F. Supp. 2d at 561; *Infinity Broad. Corp.*, 150 F.3d at 107.

B. Defenses

In disputing Plaintiffs’ copyright infringement claim, Defendants contend that, from 2007 to the present,²⁰ they have held valid mechanical licenses—either in the form of compulsory licenses acquired by their licensing vendors pursuant to Section 115’s notice requirements, or equivalent licenses through HFA—authorizing them to exploit the Musical Works. Defs’ MSJ at 22 (stating that in “Defendants first began acquiring mechanical licenses and paying Plaintiffs under such licenses” in 2007). Defendants’

²⁰ Defendants implicitly concede that they did not have authority to exploit the works when they first made certain of them available in 2006. However, they assert a statute of limitations defense with respect to that infringing activity, which is addressed below.

Reply (“Defs.’ Reply”), Doc. 217 at 2 (“Defendants obtained compulsory mechanical licenses pursuant to 17 U.S.C. § 115.”). Plaintiffs, on the other hand, contend that Defendants do not have valid mechanical licenses and advance several bases in support of their claim. *First*, they assert that audiovisual works—video recordings of the works being performed live in concert—are not eligible for Section 115 compulsory mechanical licenses. *Second*, Plaintiffs argue that none of Defendants’ live concert recordings are eligible for mechanical licenses because (i) they were not “lawfully fixed” in the first instance, (ii) Defendants cannot show that they obtained the necessary authorization from the performers reflected in those recordings, and (iii) Defendants cannot show that the recordings made prior to February 15, 1972 were fixed pursuant to licenses from the owners of copyrights in the underlying Musical Works, i.e., Plaintiffs or their predecessors. *Third*, Plaintiffs contend that Defendants issued untimely and fraudulent NOIs that provide an independent basis for finding their compulsory mechanical licenses invalid. *Fourth*, and finally, Plaintiffs assert that Defendants’ HFA licenses cannot shield them from the infringement alleged here. Plaintiffs’ Cross-Motion for Summary Judgment (“Pls.’ MSJ”), Doc. 191, at 22-34. The Court addresses each of these arguments in turn.

1. Audiovisual Recordings

Relying on the text of the Copyright Act, Plaintiffs assert that Defendants’ *audiovisual* recordings are ineligible for Section 115 compulsory mechanical

licenses. Pls.’ MSJ at 22, 25-26.²¹ As Plaintiffs explain, “Section 115 grants a limited license to ‘make and to distribute *phonorecords* of [musical] works[.]” Pls.’ MSJ at 25 (citing 17 U.S.C. § 115) (emphasis added). The Copyright Act, in turn, defines “phonorecords” as:

material objects in which sounds, *other than those accompanying a motion picture or other audiovisual work*, are fixed . . . , and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term “phonorecords” includes the material object in which the sounds are first fixed.

17 U.S.C. § 101 (emphasis added).

Notwithstanding the statute’s clear language, Defendants contend that the Copyright Act’s text compels the opposite result. For support they rely on the last sentence of the definition of phonorecords, which states: “The term ‘phonorecords’ includes the material object in which the sounds are first fixed.” 17 U.S.C. § 101; Defs.’ Reply at 12. Defendants claim that because their live concert recordings “first fixed” the sounds in those recordings as part of an audiovisual work, the resulting “material object” qualifies as a phonorecord. *Id.* To conclude otherwise, Defendants contend, would fail to give effect to both sentences and result in the second sentence being “completely redundant, since ‘material objects in which

²¹ The parties agree that Defendants have exploited 206 audiovisual recordings that cover 146 of the Musical Works. *See* Defs.’ MSJ at 15; Pls.’ MSJ at 23; Lundberg Decl., Ex. 5.

sounds . . . are fixed’ plainly includes the material objects in which sounds are first fixed.” *Id.*

The Court finds Defendants’ interpretation unpersuasive. The second sentence cannot save Defendants from the first sentence’s categorical exclusion of audiovisual works. That is because the second sentence speaks only in terms of “*the* material object in which *the sounds* are first fixed.” Pursuant to its terms, then, the second sentence itself reinforces the concept that phonorecords include only sounds, and makes no mention of *audiovisual* works. Moreover, as Plaintiffs note, Plaintiffs Reply (“Pls.’ Reply”), Doc. 230 at 9, the use of the definite article “the” to reference the concepts “material objects” and “sounds” can only be read to refer to these terms as *previously* defined in the first sentence, that is to say, as expressly excluding audiovisual works. *See Am. Bus Ass’n v. Slater*, 231 F.3d 1, 4-5 (D.C. Cir. 2000) (“[I]t is a rule of law well established that the definite article ‘the’ particularizes the subject which it precedes.”) (citations and internal quotation marks omitted); *see also S.E.C. v. KPMG LLP*, 412 F.Supp.2d 349, 387-88 (S.D.N.Y. 2006) (“A [statute’s] use of the definite article ‘the,’ as opposed to the indefinite ‘a,’ ‘an,’ or ‘any,’ indicates that Congress intended the term modified to have a singular referent.”).²²

²² Nor is the Court persuaded that the general preference of statutory construction that courts avoid redundancy merits adopting Defendants’ interpretation. As Plaintiffs explain, the more natural interpretation is that Congress intended to ensure that the Copyright Act protected as phonorecords material objects such as studio equipment on which “sounds are first fixed,” just as it protected commercially available objects such as records and CDs. Pls.’ Reply at 8-9. Where “[s]urplusage does

The Court does not make this determination on a blank slate. The Second Circuit has held that the “plain language of [Section 101 of] the Copyright Act refutes” the claim that “audiovisual works” fall “within the grant of [a] compulsory license[.]” *ABKCO Music, Inc. v. Stellar Records, Inc.*, 96 F.3d 60, 65 (2d Cir. 1996) *abrogated on other grounds by Salinger v. Colting*, 607 F.3d 68, 75 (2d Cir. 2010). In reaching that conclusion, the Court explained that “[p]honorecords are defined as objects on which ‘sounds’ are fixed,” but that the definition does not include “objects on which sounds *and* visual representations . . . are fixed.” *Id.* (emphasis in original). The Court further noted that the term “phonorecords” excludes “audiovisual works,” which, by definition, “consist of a series of related images . . . together with accompanying sounds.” *Id.* (quoting 17 U.S.C. § 101). There is no dispute that Defendants’ “audiovisual recordings” (a term they employ almost exclusively) meet this definition.²³

not . . . produce ambiguity [the Court’s] preference for avoiding surplusage constructions is not absolute.” *Lamie v. U.S. Tr.*, 540 U.S. 526, 536 (2004); *Alliance for Open Soc’y Int’l, Inc. v. U.S. Agency for Int’l Dev.*, 430 F. Supp. 2d 222, 247 (S.D.N.Y. 2006), *aff’d*, 651 F.3d 218 (2d Cir. 2011), *aff’d sub nom. Agency for Int’l Dev. v. All. for Open Soc’y Int’l, Inc.*, 570 U.S. 205 (2013) (“[W]hen construing a statute, the general preference against surplusage is constrained by the requirement that a construction avoiding surplusage must be a reasonable one.”); *see also Sabre, Inc. v. Dep’t of Transp.*, 429 F.3d 1113, 1122 (D.C. Cir. 2005) (“Legislative drafters often use apparently redundant language in order to emphasize . . .”).

²³ For the reasons stated above, the Court declines Defendants’ invitation to reject the holding of *ABKCO Music, Inc.*, on the basis that that the Court would have reached a different conclusion

Accordingly, Defendants' license defense fails with respect to each of the 206 audiovisual recordings.²⁴

2. Lawful Fixation

Section 115(a)(1) provides that:

[a] person may not obtain a compulsory license for use of the [musical] work in the making of phonorecords duplicating a sound recording fixed by another, *unless*: (i) such sound recording was *fixed lawfully*; and (ii) the making of the phonorecords was *authorized by the owner of copyright in the sound recording* or, if the sound recording

had the case concerned a "first fixed" recording. Defs.' Reply at 14.

²⁴ In their papers, the parties dispute whether Defendants need "synchronization" licenses to exploit their audiovisual recordings. *See* Pls.' MSJ at 23-24; Defs.' MSJ at 15. But the issue before the Court is whether Defendants had valid licenses for their audiovisual recordings that immunizes them from a charge of infringement. Because the Court concludes that mechanical licenses do not cover audiovisual recordings, it need not address whether Defendants needed synchronization licenses (which they never obtained) to exploit audiovisual recordings of the Musical Works. Defendants sought adjudication of that issue as part of their counterclaims against Plaintiffs. *See* Doc. 9 at 20-23. In Defendants' Notice of Motion for Summary Judgment and/or Summary Adjudication, however, they moved only on "Plaintiffs' claims of copyright infringement against Defendants," but did *not* seek summary judgment on their counterclaims. Doc. 161 at 1. Nor have Plaintiffs cross-moved for summary judgment on Defendants' counterclaims. *See* Doc. 191 at 2 (seeking a "grant[] [of] summary judgment on liability for Defendants' infringements of Plaintiffs' copyrights in and to each of the musical works at issue," but not moving for summary judgment on Defendants' counterclaims); Pls.' Reply at 8 ("the Court need not define the scope of a synch license in order to decide this motion").

was fixed before February 15, 1972, *by any person who fixed the sound recording pursuant to an express license from the owner of the copyright in the musical work or pursuant to a valid compulsory license* for use of such work in a sound recording.

17 U.S.C. § 115(a)(1) (emphasis added).

In order for a work to be lawfully fixed it cannot “constitute[] copyright infringement under federal law, or common law copyright infringement, unfair competition,” or any other violation of state law. 2 Nimmer § 8.04[E][2] n.88. The parties are in agreement that Section 115(a)(1)(i) requires Defendants to have obtained the consent of the musical performers for their recordings to be lawfully fixed. *See* Pls.’ MSJ at 29 (“Defendants must show that [the concert recordings] were made with the consent of . . . the performing artists”); Defs.’ Reply at 6 (“Whether a fixation is ‘lawful’ depends exclusively on whether the performer’s consent was obtained.”) (alteration omitted). This is because it is a violation of state and federal law to record a live musical performance “without the consent of the performer or performers involved.” 17 U.S.C. § 1101(a); *see also* N.Y. Penal Law § 275.15 (criminalizing the manufacture or sale of an unauthorized recording of a performance where, among other things, a person sells, resells, or rents any recording “the person knows” was produced “without the consent of the performer”). The parties disagree, however, as to whether consent of the performers was properly obtained. They also dispute whether lawful fixation requires the consent of the holder of a copyright in a

musical work. *See* Pls.’ MSJ at 31, 33; Defs.’ Reply at 6-8.

The Court turns to the issue of the performers’ consent first, because if it is resolved in Plaintiffs’ favor, the Court need not reach the question of whether lawful fixation also requires the consent of the holder of a copyright in the musical work.

i. Performer Consent

In support of their claim that their live concert recordings were lawfully fixed, Defendants rely on the three Joint Exploitation Agreements entered into with third-party record labels years after they began exploiting their collection of live recordings and a sales agreement conveying to Defendants a collection of live recordings covering six of the Musical Works. Defs.’ Reply at 9. According to Defendants, those agreements purport to show that “performers duly consented to the[] first fixation of their live performances.” *Id.* Plaintiffs contend that these agreements are insufficient because they are not proof of consent from the performers themselves and because they are inadmissible hearsay that may not be considered on a motion for summary judgment. Pls.’ Reply at 3. The Court agrees.

The Joint Exploitation Agreements, which were entered into in 2009, in most cases decades after the recordings were fixed, are insufficient to demonstrate that the initial fixation of those recordings was lawful because, contrary to Defendants’ characterization, the

agreements do not purport to “acknowledge that the recordings were lawfully made.” Defs.’ Reply at 9.²⁵

Rather, the Sony and Warner agreements contain representations and warranties from the third-party record labels that purport to have the consent of artists that authorize the record labels to grant Defendants the right to exploit the sound recordings

²⁵ The Court separately concludes that the joint exploitation and sales agreements are inadmissible for the purposes of proving that the artists gave their consent. The agreements purport to contain out of court statements by the artists (i.e., that they consented to the fixation and exploitation of their recordings), within a document that is itself an out of court statement. While the contract itself is admissible because it is a verbal act, Fed. R. Evid. Note to 801(c), the document may not be used to prove artist consent because the artists are not signatories to the agreement and their statements are hearsay, for which Defendants have not offered an applicable exception. *See* Fed. R. Evid. 801(c); *cf. id.* 805; (noting that “each part of the combined statements [must] conform[] with an exception to the [hearsay] rule”). Accordingly, because factual assertions must be supported by admissible evidence, the Court may not consider these documents on summary judgment for the purpose of determining that the performing artists consented to the fixation and exploitation of their performances. *See* Fed. R. Civ. P. 56(c)(2).

On March 23, 2018, Defendants requested leave to submit replacement copies of the Joint Exploitation Agreements, which, unlike the version of those Agreements addressed above, do provide schedules of the artists and performances to which those agreements apply. Those agreements, however, still do not include the actual artist authorizations and do not purport to provide consent for the fixation of the recordings. Moreover, those documents also contain the same hearsay issue noted above. As such, the Court denies Defendants’ request to supplement these documents into the summary judgment record as this late hour.

in which those artists' performances are embodied. [REDACTED]. Neither of these agreements provide any written consent from the artists themselves or purport to say anything about whether the artists consented to the initial *fixation* of these recordings.

Defendants cannot rely on documents purporting to grant exploitation rights as proof that artists consented to the initial fixation of their performance decades prior. *See* 17 U.S.C. § 101 (“A work is ‘fixed’ in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived . . .”). This requirement is not pure semantics. The requirement that the recording be “fixed lawfully,” which requires performer consent, is separate from the requirement that copyright holders in the performance authorize the “making of the phonorecords,” i.e., that the reproduction and distribution of the recording is also authorized. *See id.* § 115(a)(1)(i)-(ii). At best, the Sony and Warner agreements purport to do the latter, and are insufficient even in that respect.

As Plaintiffs point out, Pls.’ Reply at 4, the agreements do not identify the performers, or attach any written consents from those performers. There is therefore no basis on which a trier of fact could determine which performers or recordings these Joint Exploitation Agreements ostensibly cover. Finally, even if those agreements were proof that the Defendants were authorized to reproduce and distribute those works, neither the Sony nor the Warner agreement applies to any audiovisual

recordings of the Musical Works. *See* Lundberg Decl., Ex. 2, [REDACTED].

The UMG agreement is even less helpful to Defendants' case. [REDACTED].

Defendants similarly rely on a sales agreement conveying to Defendants a collection of live recordings covering six of the Musical Works. Defs.' Reply at 9. In that agreement, the music venue operator, the Great Music Hall, represented and warranted that [REDACTED]. Although that agreement at least purports to have contemporaneous consents from artists to lawfully fix recordings of their performances, the agreement does not attach any of the artists consents. Moreover, that agreement provides that Defendants were required [REDACTED] *Id.* As Plaintiffs note, nothing in the record indicates that Defendants have complied with that requirement. Pls.' Reply at 3 n.8.

Moreover, Defendants' claim of artist consent is belied by contrary admissible evidence that consent does not exist. As an initial matter there is no dispute that Defendants have not produced a single performance agreement or consent from any of the performing artists at issue. Defs.' Counter 56.1 ¶ 20. The BGA collection contained a side letter to that purchase agreement that provided: [REDACTED] *Id.* ¶ 18 (citing Dickstein Decl., Ex. 7 at *2). And Defendants never viewed any artist performance contracts authorizing the recording of those performances, nor were they made aware that such agreements existed. *Id.* ¶ 19. Krassner, the attorney who represented the seller in connection with the BGA sale, specifically [REDACTED] *Id.* ¶ 25.

Likewise, David Hewitt, from whom Defendants purchased a collection of recordings, acknowledged that he did not have written consents from performers because it was not industry custom to acquire such consents when those performances were recorded. Defs.’ Counter 56.1 ¶ 33. That collection contains 303 recordings covering 86 of the Musical Works. Dickstein Decl. Ex. 11 (Columns E & F). Similarly, the agreement by which Festival Network acquired a collection of concert recordings later sold to Defendants in 2009 noted that Festival Network’s predecessor did [REDACTED] Defs.’ Counter 56.1 ¶ 34. Finally, there is undisputed evidence that the three performing artists whom Defendants sought to depose—Keith Richards, David Byrne, and Michael Stipe—could not recall ever consenting to the recording of their performances. Defs.’ Counter 56.1 ¶ 30. As a result, Defendants have not sustained their burden of demonstrating that any of their recordings were lawfully fixed.²⁶

ii. Pre-1972 Musical Works

Section 115 separately requires that, for “sound recordings . . . fixed before February 15, 1972,” compulsory licensees must demonstrate that the

²⁶ For precisely the same evidentiary reasons, Defendants cannot show that “the making of the phonorecords was authorized by the owner of copyright in the sound recording.” 17 U.S.C. § 115(a)(1)(ii); *see also In re Cellco P ‘ship*, 663 F. Supp. 2d 363, 369 (S.D.N.Y. 2009) (The owner of a copyright in the sound recording “is the performer(s) whose performance is fixed, or the record producer who processes the sounds and fixes them in the final recording, or both.”); *In re Porter*, 498 B.R. 609, 670 (Bankr. E.D. La. 2013) (“A sound recording is owned by the person whose performance is reflected on the recording.”).

making of phonorecords was authorized “by any person who fixed the sound recording pursuant to an express license from the owner of the copyright in the musical work or pursuant to a valid compulsory license for use of such work in a sound recording.” 17 U.S.C. § 115(a)(1)(ii); *see also Blagman v. Apple, Inc.*, No. 12 Civ. 5453 (ALC) (JCF), 2014 WL 128 5496, at *7 (S.D.N.Y. Mar. 31, 2014) (“Federal copyright law further provides that a compulsory license in the underlying composition may not issue unless, for sound recordings fixed prior to 1972, the duplicator obtains authorization from the person who fixed the sound recording, who must themselves have had authorization [from] the copyright owner of the . . . underlying composition.”) (citation and quotation marks omitted); 2 Nimmer § 8.04[E][2] (“The compulsory licensee must be authorized to make that duplication by the person who fixed the sound recording, who must, in turn, have made the fixation pursuant to a consensual or compulsory license from the copyright owner of the musical work that was thus fixed.”). That is because the Copyright Act does not protect “sound recording[s] fixed before February 15, 1972.” 17 U.S.C.A. § 301(c); *see* 2 Nimmer § 8.04[E][2] (noting that sound recordings fixed prior to February 15, 1972 are “not subject to statutory copyright”).

Defendants claim that Plaintiffs have not refuted the evidence that pre-1972 recordings were properly authorized. Defs.’ Reply at 5. This argument is totally without merit. As an initial matter it is Defendants who bear the burden of proving that their licenses were valid. *See Associated Press*, 931 F. Supp. 2d at 561; *Infinity Broad. Corp.*, 150 F.3d at 107. But more importantly, there is nothing for Plaintiffs to refute:

Defendants point to *no* evidence that the sound recordings were fixed pursuant to an express license or valid compulsory license from the holders of copyrights in the Musical Works, i.e., Plaintiffs or their predecessors. *See* 17.U.S.C. § 115(a)(1)(ii). As such, Defendants have failed to establish that they hold valid licenses for any of the pre-1972 recordings.

3. HFA Licenses

From 2007 to 2010, prior to hiring RightsFlow to manage their licenses, Defendants worked directly through HFA. Lundberg Decl. ¶¶ 41-47. Defendants contend that these licenses are “negotiated licenses” that are not subject to the requirements of Section 115. Defs.’ MSJ at 19; Defs.’ Reply at 15. Plaintiffs disagree, claiming that the HFA licenses are Section 115 compulsory licenses and invalid for the same reasons set forth above. Pls. MSJ at 13, 34-35. The Court concludes that Defendants’ HFA licenses are insufficient to establish that licenses are valid because those licenses do not alter the substantive requirements of Section 115.

Most mechanical licensees do not use Section 115’s notice requirements. Rather, they acquire licenses through HF A, which is authorized to issue mechanical licenses on behalf of publishers. *See EMI Entm ‘t World, Inc. v. Karen Records, Inc.*, 603 F. Supp. 2d 759, 763 (S.D.N.Y. 2009); *Rodgers & Hammerstein Org. v. UMG Recordings, Inc.*, No. 00 CIV. 9322 (JSM), 2001 WL 1135811, at *2 (S.D.N.Y. Sept. 26, 2001). Although HFA acts to “streamline the procedures created by § § 115(b) and 115(c),” the “[l]icenses issued by [HFA] do not . . . alter the basic rights and obligations of the licensee under § 115.”

EMI Entm't World, Inc., 603 F. Supp. 2d at 763-64; *see also Rodgers & Hammerstein Org.*, 2001 WL 1135811, at *2.²⁷

That understanding is borne out by the undisputed record evidence. Defendants' communications with HFA confirm that the licenses HFA issued were [REDACTED] Defendants have put forward no evidence to support their contention that the HFA licenses they obtained deviated from Section 115's substantive requirements.

Defendants' HFA licenses are therefore invalid as a matter of law: They are substantively invalid because, as set forth above, there is no indication that the recordings were lawfully fixed, or that the pre-1972 recordings were fixed pursuant to express or compulsory licenses from Plaintiffs or their predecessors. And just as a Section 115 mechanical license does not apply to audiovisual works, the HFA licenses do not either. *See Sony/ATV Publ'g, LLC v. Marcos*, 651 F. App'x 482, 485 (6th Cir. 2016) (HFA licenses are a "standard compulsory license limited to distribution of phonorecords and incorporates the statutory definition of that term, which excludes 'audiovisual work[s].'" (quoting 17 U.S.C. § 101). Moreover, because Defendants concede they began

²⁷ Defendants take out of context language in *Rodgers & Hammerstein Org.*, which states that "HFA waives the statutory notice requirements." 2001 WL 1135811, at *2. Understood in context, that case stands for the proposition that HFA acts as the publishers' "agent to receive notice[s] of the intention to obtain a compulsory license, and to collect and distribute royalties." *Id.* It does not stand for the proposition that parties need not have HFA licenses prior to distributing phonorecords of a musical work.

exploiting certain recordings in 2006, but only obtained HFA licenses beginning in 2007, recordings exploited prior to obtaining an HFA license are, as set forth directly below, independently barred by Section 115's filing requirements, and any reproduction or distribution made pursuant to those untimely licenses, constitutes infringement.

4. Untimely NOIs

As a further independent basis for finding Defendants' mechanical licenses invalid, Plaintiffs contend that Defendants' NOIs were not filed prior to the reproduction and distribution of their phonorecords, and are therefore invalid pursuant to Section 115(b). Pls.' MSJ at 26. For support they cite to a spreadsheet showing that for all but five recordings Defendants filed NOIs months or years after they admittedly began exploiting those recordings. *See* Pls.' MSJ at 12; Defs.' Counter 56.1 ¶ 60; Dickstein Decl. Ex. 52; Dickstein Decl. Ex. 1, Lundberg Dep. at 245:13-257:25 (stating "we always publish [songs] before we file [NOIs]").²⁸ For their part, Defendants advance two positions, one factual,

²⁸ On March 23, 2016, Defendants requested leave to file a supplemental declaration on behalf of Lundberg, in which he attempts to explain away his prior sworn deposition testimony that Defendants had a practice of making recordings available on their websites prior to filing NOIs. Doc. 252. Because the proposed supplemental declaration contradicts Lundberg's prior sworn testimony, the Court denies Defendants' request. *See Trans-Orient Marine Corp. v. Star Trading & Marine, Inc.*, 925 F.2d 566, 572 (2d Cir. 1991) ("The rule is well-settled in this circuit that a party may not, in order to defeat a summary judgment motion, create a material issue of fact by submitting an affidavit disputing prior sworn testimony.").

the other legal. As a factual matter, Defendants assert that they held HFA licenses prior to submitting NOIs pursuant to Section 115's notice requirements. Defs.' Reply at 15. As a result, they explain, Plaintiffs' claim that NOIs were filed months or years after the exploitation of the relevant recording is without basis. For support, they point to Lundberg's declaration, which avers that Defendants have held a mechanical licensing account with HFA since 2007 and licensed musical works through HFA until 2010. Lundberg Decl. ¶¶ 42-44. They also point to a spreadsheet that contains each recording that was licensed through Defendants' HFA account along with the HFA license number. *Id.* Ex. 29; Defs.' Counter 56.1 ¶ 62. Having reviewed the record evidence, the Court concludes that there is a disputed question of fact as to whether and which NOIs were actually submitted after the first download or streaming of a phonorecord and in the absence of an HF A license. Although the parties offer evidence which they claim resolves this issue, as best the Court can tell, neither the affidavits or spreadsheets relied on by the parties on their own terms bridge the gap between the HF A licenses and the submission of NOIs.

Second, Defendants contend that as a legal matter the incorrect date of distribution on their NOIs is "harmless error." *See* Defs.' Reply at 25 (citing 37 C.F.R. § 201.18(h) ("Harmless errors in a Notice that do not materially affect the adequacy of the information required to serve the purposes of section 115(b)(1) of title 17 of the United States Code, shall not render the Notice invalid.")).

Section 115(b)(1) expressly provides that “[a]ny person who wishes to obtain a compulsory license under this section *shall*, before or within thirty days after making, and before distributing any phonorecords of the work, serve notice of intention to do so on the copyright owner.” 17 U.S.C. § 115(b)(1) (emphasis added). Section 115(b)(2) then states that “[f]ailure to serve or file the notice required by clause (1) forecloses the possibility of a compulsory license and, in the absence of a negotiated license, renders the making and distribution of phonorecords actionable as acts of infringement” *Id.* § 115(b)(2). In view of this language, and the absence of case law to the contrary, the Court declines to read the regulation’s harmless error exception as an exemption from the mandatory filing period in Section 115(b)(1). *See e.g., Cherry River Music Co.*, 38 F. Supp. 2d at 312 (“[T]he failure to serve the [NOI] before distributing phonorecords . . . before the start of distribution *precludes* the creation of a compulsory license, and it does so both as to copies distributed prior to service and as to copies distributed thereafter.”) (emphasis added). Rather, the Court construes the harmless error exception to apply to the clerical filing formalities contained in that provision. *See* 17 U.S.C. § 115(b)(1) (providing that the NOI “shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation”).

* * *

To summarize, the Court concludes that Defendants hold no valid licenses authorizing the reproduction and distribution of the Musical Works.

Audiovisual recordings are not covered by Section 115 mechanical licenses, and Defendants have not met their burden of establishing that the balance of their recordings were fixed or manufactured with the consent of the artists featured in them, nor have they demonstrated that the pre-1972 recordings were fixed pursuant to an express or valid compulsory license from the copyright holders in the Musical Works, i.e., Plaintiffs or their predecessors. Moreover, any mechanical licenses—whether procured by NOIs or through HFA—that were not filed prior to the distribution of the related phonorecords are, as a legal matter, invalid. However, there remain questions of fact as to whether certain of the NOIs were untimely filed, or covered by preexisting HFA licenses. While that issue does not alter the Court’s analysis of infringement, as discussed below, it does raise a triable issue on whether untimely NOIs were recklessly or willfully filed after the distribution of phonorecords.

C. Additional Defenses²⁹

1. Implied License

“[T]he existence of an implied license to use the copyright for a particular purpose precludes a finding

²⁹ Defendants half-heartedly contend that the Copyright Act’s three-year statute of limitations bars Plaintiffs’ claims as to any “issues” that existed with their licenses prior to May 27, 2012. Defs.’ MSJ at 24; Defs.’ Reply at 26-27. That is incorrect. As Plaintiffs correctly point out, *see* Pls.’ MSJ at 40, the statute of limitations bars any “actions” that are not “commenced within three years after the claim accrued.” 17 USC § 507(b). The “issues” that Plaintiffs raise with Defendants’ license defense, for which it bears the burden, are not the claims of “infringement” that Plaintiffs allege. There is no dispute that Defendants have

of infringement.” *Johnson v. Jones*, 149 F.3d 494,500 (6th Cir. 1998). Because non-exclusive licenses do not transfer ownership and therefore are not subject to the writing requirement of Section 204 of the Copyright Act, *id.*, “[a] nonexclusive license may be granted orally, or may even be implied from conduct.” 3 Nimmer § 10.03[A].

“[T]he Second Circuit has not yet ruled on the precise circumstances under which an implied non-exclusive license will be found.” *Psihoyos v. Pearson Educ., Inc.*, 855 F. Supp. 2d 103, 120 (S.D.N.Y. 2012) (quoting *Weinstein Co. v. Smokewood Entm’t Grp., LLC*, 664 F. Supp. 2d 332, 344 (S.D.N.Y. 2009)). It has, however, endorsed the view of other circuits “and cautioned that implied non-exclusive licenses should be found ‘only in narrow circumstances where one party created a work at the other’s request and handed it over intending that the other copy and distribute it.’” *Weinstein Co.*, 664 F. Supp. 2d at 344 (alterations and second internal quotation marks omitted) (quoting *SmithKline Beecham Consumer Healthcare, L.P. v.*

exploited each of the Musical Works within three years of the filing of the Complaint. Defs.’ Counter 56.1 ¶ 87 (citing Dickstein Decl., Exs. 26 (showing dates of download in Column C), 56 (showing the month and year of streams in Columns I and J)). Accordingly, those claims for infringement are timely and Plaintiffs may recover on them, irrespective of when “issues” with Defendants’ licenses arose. See *Kwan v. Schlein*, 634 F.3d 224, 228 (2d Cir. 2011) (although “[a]n ownership claim accrues only once . . . an infringement action maybe commenced within three years of *any* infringing act, regardless of any prior acts of infringement”) (citations omitted). Defendants’ reliance on *Simmons v. Stanberry*, is misplaced because that case concerned a claim of copyright ownership, not copyright infringement. 810 F.3d 114 (2d Cir. 2016).

Watson Pharm., Inc., 211 F.3d 21, 25 (2d Cir. 2000) (addressing implied license on interlocutory appeal) (citing *Effects Assocs., Inc. v. Cohen*, 908 F.2d 555, 558 (9th Cir. 1990)); see also *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 776 (7th Cir. 1996) (finding an implied license where: “(1) a person (the licensee) requests the creation of a work, (2) the creator (the licensor) makes that particular work and delivers it to the licensee who requested it, and (3) the licensor intends that the licensee-requestor copy and distribute his work”); *Lulirama Ltd. v. Access Broad. Servs., Inc.*, 128 F.3d 872, 879-81 (5th Cir. 1997) (finding implied license where licensor created song at request of defendant); *Jacob Maxwell, Inc. v. Veeck*, 110 F.3d 749, 752-53 (11th Cir. 1997) (same).

Although some courts have applied a more lenient test, those courts fall outside of this circuit or predate the Second Circuit’s decision in *SmithKline*. See, e.g., *Field v. Google Inc.*, 412 F. Supp. 2d 1106, 1116 (D. Nev. 2006) (“Consent to use the copyrighted work need not be manifested verbally and may be inferred based on silence where the copyright holder knows of the use and encourages it.”); *Keane Dealer Servs., Inc. v. Harts*, 968 F. Supp. 944, 947 (S.D.N.Y. 1997) (noting that “consent given in the form of mere permission or lack of objection is also equivalent to a nonexclusive license and is not required to be in writing”) (citation omitted). Under either formulation, the touchstone of implied consent analysis is whether there was a “meeting of the minds.” *Psyhoyos*, 855 F. Supp. 2d at 124 (citing *Ulloa v. Universal Music and Video Distrib. Corp.*, 303 F. Supp. 2d 409, 416 (S.D.N.Y. 2004); *Design Options, Inc. v. BellePointe, Inc.*, 940 F. Supp. 86, 92 (S.D.N.Y. 1996) (requiring evidence that “both

parties to the transaction, not just the defendant, intended that the defendant could use or copy the plaintiffs work without liability for copyright infringement”); *Viacom Int’l. Inc. v. Fanzine Int’l. Inc.*, No. 98 Civ. 7448 (KMW), 2000 WL 1854903, at *3 (S.D.N.Y. July 12, 2000) (“As with all copyright licenses, an implied license protects the licensee only to the extent the copyright owners intended that their copyrighted works be used in the manner in which they were eventually used.”) (quotation marks omitted).

Defendants contend that Plaintiffs granted them an implied license by accepting their payments for several years and failing to object to their exploitation of the recordings at issue. *See* Defs.’ MSJ at 18-20. They assert that this “longstanding course of dealing with Plaintiffs has permitted them to believe that they have properly licensed the compositions in question.” *Id.* at 20. Plaintiffs counter that Defendants’ implied-license defense is barred by their unclean hands, and that, in any event, Defendants fail to demonstrate that Plaintiffs granted them an implied license. *See* Pls.’ MSJ at 41-45. The Court concludes it need not reach the unclean hands issue, because Defendants cannot meet their burden under either version of the implied license test.

Under the more rigid formulation endorsed by the Second Circuit, Defendants falter at the gate, as they do not even contend-and there is no admissible evidence to support-that they “created [their] [recordings] at the [Plaintiffs] request.” *Weinstein Co.*, 664 F. Supp. 2d at 344 (quoting *SmithKline Beecham Consumer Healthcare, L.P.*, 211 F.3d at 25).

Even under the more lenient test, Defendants cannot show that there was a meeting of the minds. Defendants assert that the meeting of the minds is manifest from their royalty payments and Plaintiffs' acceptance of those payments. *See* Defs.' MSJ at 19. For support, they rely on *Keane Dealer Servs., Inc.*, for the proposition that a meeting of the minds can be inferred from "lack of objection." 968 F. Supp. at 947. On that basis, they conclude that "knowledge of, and acquiescence in, the use of copyrighted material . . . may constitute an implied license." *See* Defs.' MSJ at 19. That case has no persuasive force under these circumstances.

As Plaintiffs note, the parties in that case had extensive communications with each other and plaintiff admitted that it was aware of the nature of defendant's use of the software at issue. 968 F. Supp. at 946. Indeed, the software, "an automated trading system[] [that] traded a proprietary account . . . against incoming retail order flow," had but one clear use. *Id.* Here, aside from Plaintiff ABKCO's cease and desist letters in August of 2013 and 2014, Defs.' Counter 56.1 ¶ 64, there is no evidence that the parties communicated with each other and no evidence that Plaintiffs understood the nature of the use that they were licensing. This lack of understanding is in large part due to the nature of the *compulsory* licensing scheme. That is to say, copyright holders in musical works have no say in whether to grant these licenses. Instead, when a licensee manifests their intention to manufacture "phonorecords" pursuant to Section 115, Plaintiffs are

entitled to rely on the compulsory licensees' compliance with the requirements of that provision.³⁰

Under these circumstances, prudential concerns also counsel against imputing intent to compulsory licensors who accept payments made pursuant to ostensibly valid NOIs and HFA licenses. As Plaintiffs persuasively argue, by conditioning the availability of the compulsory license on the timely filing of the NOI, Congress sought to impose strict liability on manufacturers who fail to comply with the terms of Section 115. Pls.' MSJ at 44 (citing 17 U.S.C. § 115(b)(2) ("Failure to serve or file the [NOI] required by clause (1) forecloses the possibility of a compulsory license and, in the absence of a negotiated license, renders the making and distribution of phonorecords actionable as acts of infringement . . .")).³¹ Finding an implied license whenever a licensee remits payments under Section 115 would require songwriters to "investigate the *bona fides* of every NOI

³⁰ The terms of the agreements entered into with HFA, RightsFlow, and MediaNet all indicate that the statutory requirements of Section 115 control the availability of the compulsory licenses Defendants obtained. *See* Lundberg Decl. ¶ 50(h), Ex. 31 (HFA licenses) at 1-2; Dickstein Decl. Ex. 31 (RightsFlow Agreement) ¶¶ 1(a), 7(b)(iii); Ex. 32 (MediaNet Agreement) ¶¶ 1.16, 4(a).

³¹ Prior to the 1972 Copyright Act, manufacturers who "faile[d] to serve a notice of intention to use," were liable only for the statutory royalty rate plus a minimal award of damages of "not more than 6 cents per record." S. REP. 94-473. This limitation on liability, however, was "strongly criticized as inadequate either to compensate the copyright owner or to deter infringement." *Id.* Section 115(b)(2) of the 1972 Act was therefore intended to deter non-compliance with Section 115's notice provision by making violators strictly liable for copyright infringement.

they receive,” or risk granting an implied license for otherwise unlawful use. *Id.*

Defendants’ payments were expressly conditioned on the lawful fixation of phonorecords (but not audiovisual works) and the filing of NOIs prior to the date of distribution. Where, as here, a licensee fails to meet the substantive and procedural requirements of that provision, they cannot claim that there was a meeting of the minds as to how those licenses would be used. The inherent assumption was compliance with the commands of Section 115. Defendants’ failure to satisfy those conditions defeats their claim that a meeting of the minds existed between the parties. *Cf. Graham v. James*, 144 F.3d 229, 237 (2d Cir. 1998) (noting that “if the nature of a licensee’s violation consists of a failure to satisfy a condition to the license . . . , it follows that the rights depend[e]nt upon satisfaction of such condition have not been effectively licensed, and therefore, any use by the licensee is without authority from the licensor and may therefore, constitute an infringement of copyright”) (citing 3 Nimmer § 10.15[A]). Indeed, “no court has found an implied license where the nature of the use is contested.” *SHL Imaging, Inc. v. Artisan House, Inc.*, 117 F. Supp. 2d 301, 317 (S.D.N.Y. 2000).

The objective facts concerning the course of conduct between the parties do not support a finding that an implied license existed. There is no evidence that Defendants intended audiovisual recordings of their Musical Works to be exploited under the guise of Section 115 compulsory mechanical licenses. Nor is there any indication that Plaintiffs intended recordings that were not fixed or exploited with the

appropriate consents to be laundered into lawful reproductions by reason of the compulsory license regime. Accordingly, Defendants' implied license defense fails.

2. Estoppel

For substantially the same reasons, Defendants have not established a basis for estoppel. To prevail on an estoppel defense in the copyright context, a defendant must show that:

- (1) plaintiff had knowledge of the defendant's infringing conduct;
- (2) plaintiff either
 - (a) intended that defendant rely on plaintiffs acts or omissions suggesting authorization, or
 - (b) acted or failed to act in such a manner that defendant had a right to believe it was intended to rely on plaintiffs conduct;
- (3) defendant was ignorant of the true facts; *and*
- (4) defendant relied on plaintiffs conduct to its detriment.

SimplexGrinnell LP v. Integrated Sys. & Power, Inc., 642 F. Supp. 2d 167, 194 (S.D.N.Y.2009) (citation and quotation marks omitted) (emphasis added). "Courts have warned that '[e]stoppel is a drastic remedy and must be utilized sparingly. Clearly, a successful application of this remedy requires the party asserting estoppel to use due care and not fail to inquire as to its rights where that would be the prudent course of conduct.'" *Psihoyos*, 855 F. Supp. 2d at 129 (quoting *Keane*, 968 F. Supp. at 948).

Defendants rely on two bases to support their claim of estoppel. First, they argue that Plaintiffs "knew" of Defendants "allegedly infringing conduct" and profited "from that conduct since 2007," when

Defendants acquired an account with HFA and began paying Plaintiffs under HFA licenses. Defs.' MSJ at 22. Defendants assert that those continued payments are proof of their detrimental reliance. *Id.* at 23. Second, Defendants contend that the Joint Exploitation Agreements are proof of their "good faith belief that they were acting under the proper licenses and authority." *Id.* at 22.

Defendants' sole proof of knowledge is the fact that they made payments to Plaintiffs pursuant to mechanical licenses. *See id.* at 22 (citing Defs.' 561. ¶ 6); Lundberg Dec. Exs. 7 (Transaction Statement for ABKCO), 10 (Transaction Statement for EMI), 13 (Transaction Statement for Imagem), 16 (Transaction Statement for Peer), 19 (Transaction Statement for Spirit), Ex. 22 (Transaction Statement for Warner); Defs.' Reply at 24 (citing Defs.' 561. ¶ 7; Lundberg Deel. Ex. 21 (NOIs sent by MediaNet to Warner)). But just as Defendants could not show that there was a "meeting of the minds" in the implied license context, they cannot show that Plaintiffs "knew" that their conduct was infringing. The transaction statements relied on by Defendants are summaries of the checks cashed by Plaintiffs and are not proof that Plaintiffs knew Defendants' conduct was infringing. Nor are NOIs or HFA licenses that explicitly state that Defendants seek licenses for "phonorecords" as "authorized pursuant to 17 U.S.C. § 115." Lundberg Deel. Ex. 21 (NOIs sent by MediaNet to Warner); *see id.* Ex. 31 at 1-2 (HFA informing Defendants that they were receiving [REDACTED] As a result, Defendants

cannot prove the first element of their equitable estoppel defense, and it must therefore fail.³²

³² The Court separately notes that Defendants' estoppel claim fails because they were not ignorant of the facts at issue. As discussed above in detail, when Defendants acquired their collection they were well aware of the myriad licensing and authorization issues they faced with respect to performing artists and the holders of copyrights in the compositions. Indeed, the record is clear that Defendants were repeatedly and specifically told that the sales agreements did *not* convey the intellectual property rights that Defendants now claim entitlement to exploit. The Joint Exploitation Agreements that they entered into—three years after they began exploiting some portion of the Musical Works—did not purport to resolve a number of those issues. On their terms, those agreements said nothing about whether the recordings were *fixed* with the consent of the performing artist. *See* Lundberg Decl., Exs. 2, 3, 4. Likewise, Defendants cannot credibly claim ignorance with respect to any of the audiovisual works, as the Sony and Warner agreements expressly excluded audiovisual recordings, *see* Lundberg Decl., Ex. 2, § 3.6(f), *id.* Ex. 3, § 10.3; Defs.' 56.1 ¶ 79, and the definition of phonorecords expressly excludes audiovisual works, *see* 17 U.S.C. §§ 101, 115. In addition, there is no reasonable basis to conclude that Defendants were ignorant to the fact that sound recordings fixed prior to 1972 were required to be fixed pursuant to a license from the holder of the copyright in the musical work. That is an unambiguous requirement of Section 115. *See* 17 U.S.C. § 115(a)(1)(ii). "Reliance is not justifiable if the party invoking estoppel 'had the means by which with reasonable diligence he could acquire the knowledge so that it would be negligence on his part to remain ignorant by not using those means.'" *Associated Press v. Meltwater U.S. Holdings, Inc.*, 931 F. Supp. 2d 537, 565 (S.D.N.Y. 2013) (quoting *In re Becker*, 407 F.3d 89, 99 (2d Cir. 2005)). Thus, Defendants reliance is not justifiable.

D. Willful Infringement

The Copyright Act permits a court to “increase the award of statutory damages to a sum of not more than \$150,000” where a defendant’s infringement is willful. 17 U.S.C. § 504(c)(2). “A copyright holder seeking to prove that a copier’s infringement was willful must show that the infringer ‘had knowledge that its conduct represented infringement or . . . recklessly disregarded the possibility.’” *Bryant v. Media Right Prods., Inc.*, 603 F.3d 135, 143 (2d Cir. 2010) (quoting *Twin Peaks Prods., Inc. v. Publ’ns. Int’l Ltd.*, 996 F.2d 1366, 1382 (2d Cir. 1993)). The Second Circuit’s “decisions clearly recognize that, even in the absence of evidence establishing the infringer’s actual knowledge of infringement, a plaintiff can still prove willfulness by proffering circumstantial evidence that gives rise to an inference of willful conduct.” *Island Software & Computer Serv., Inc. v. Microsoft Corp.*, 413 F.3d 257, 264 (2d Cir. 2005). “Although courts are generally reluctant to dispose of a case . . . when mental state is at issue, it is permissible to do so where there are sufficient undisputed material facts on the record to make the question appropriate for summary judgment.” *Lipton v. Nature Co.*, 71 F.3d 464, 472 (2d Cir. 1995).

Plaintiffs contend that, at a minimum, there is undisputed evidence that Defendants acted with reckless disregard thereby entitling them to a finding of willfulness on all of Defendants’ infringement. Pls.’ MSJ at 47. In contrast, Defendants assert that they hold a reasonable, good faith belief that their conduct does not constitute copyright infringement and that they took the necessary steps to obtain valid licenses.

Defs.' MSJ at 36. Defendants rely on the fact that they enlisted licensing vendors to aid in transmitting their NOIs to Plaintiffs to support their claim that they reasonably relied on these professional companies. *Id.* at 36-37. Defendants also assert that Plaintiffs cannot rely on the cease-and-desist demands from third parties as they are hearsay. Defs.' Reply at 37; *see supra* n.18.

As an initial matter, the Court agrees with Plaintiffs that there is voluminous, undisputed record evidence demonstrating that Defendants were on notice that the recordings they acquired lacked the consents and authorizations necessary to exploit them, both from performing artists and the copyright holders in the songs. The collections, which were at least in part conveyed through quit-claim transfer, Defs.' Counter 56.1 ¶ 17, informed Defendants that they were not acquiring intellectual property rights, *id.*, warned of the significant licensing issues that Defendants would need to overcome, *id.* ¶¶ 18-22, and either made "no representation . . . regarding original performance contracts," *id.*, or simply never provided Defendants with any performer contracts, *id.* ¶ 33-35. Moreover, there is no factual assertion in the record that Defendants ever obtained the consent of the copyright holders in the Musical Works.

There is also ample evidence that during the course of Defendants' exploitation, they were made aware of the statutory provision with which they were obligated to comply. Indeed, in invoking their licensing vendors as a show of good faith, Defendants fail to acknowledge that both the HFA and RightsFlow agreements stressed that Defendants were bound by

the requirements of Section 115. Emails from HFA expressly informed Defendants that they were being issued [REDACTED] And Defendants represented and warranted in their agreement with RightsFlow that Defendants would remain [REDACTED] Defs.’ Counter 56.1 ¶ 57.

Having been put on notice as to their obligations, Defendants obtained Joint Exploitation Agreements to ensure they had consent from artists to exploit those agreements. The Sony and Warner agreements expressly excluded audiovisual recordings, *see* Lundberg Decl., Ex. 2, § 3.6(f), *id.* Ex. 3, § 10.3; Defs.’ 56.1 ¶ 79, and so there is no good faith basis to conclude that those audiovisual recordings were authorized by the performers. Likewise, although Section 115 may give rise to reasonable disagreement as to certain of its terms, two things cannot reasonably be disputed: that phonorecords do not include audiovisual works, and that sound recordings fixed prior to 1972 must have been “fixed pursuant to an express license from the owner of the copyright in the musical work or pursuant to a valid compulsory license for use of such work in a sound recording.” 17.U.S.C. § 115(a)(1)(ii). In this latter respect, Defendants have made a business of exploiting vintage concert recordings. No less than 122 of the 1,175 recordings at issue were fixed before 1972. Dickstein Decl. Ex. 23. There is also no reasonable argument that, in the absence of a Section 1 Notice under the UMG agreement, that the UMG recording alone was sufficient to authorize any exploitation of sound recordings featuring UMG artists. Taken together, the record evidence establishes that Defendants’ conduct was, at a minimum, reckless with

respect to their audiovisual recordings, the pre-1972 recordings, and recording featuring UMG artists.

There is, however, contrary admissible evidence that precludes a finding of willful infringement based on the untimely filing of the NOIs and the post-1972 sound recordings. Lundberg testified that, based on his communications with licensing vendors, he understood it was industry custom to file NOIs after the date of distribution. Defs.' Counter 56.1 ¶ 33. That creates a genuine dispute of fact as to whether the untimely filing of NOIs was willful. There are also genuine disputes of fact as to whether licenses obtained directly from HFA covered the distribution of recordings prior to Defendants' filing of NOIs directly with Plaintiffs. Likewise, although the Court concludes that the Joint Exploitation Agreements are insufficient to show lawful fixation and, in any event, inadmissible hearsay for the purposes of proving artist consent, the Sony and Warner agreements are sufficient to create a triable issue as to whether the post-1972 sound recordings ostensibly covered under those agreements were exploited with reckless intent. There is at least a reasonable argument that Defendants believed the Sony and Warner agreements authorized the exploitation of recordings featuring those record companies' artists.

Accordingly, summary judgment is granted to Plaintiffs on their claim of willful infringement as to all audiovisual recordings, pre-1972 audio recordings, and all recordings covered by the UMG agreement, and denied in all other respects.

E. Liability for Sagan in his Individual Capacity

“It is well established that all persons and corporations who participate in, exercise control over or benefit from an infringement are jointly and severally liable as copyright infringers and that an individual, including a corporate officer, who has the ability to supervise infringing activity and has a financial interest in that activity, or who personally participates in that activity is personally liable for infringement.” *Capitol Records LLC v. Redigi Inc.*, No. 12-CV-95 RJS, 2014 WL 4354675, at *2 (S.D.N.Y. Sept. 2, 2014) (citing *Arista Records LLC v. Lime Grp. LLC*, 784 F.Supp.2d 398, 437 (S.D.N.Y.2011)) (punctuation marks omitted).

The Court has already ruled that Defendants are liable for copyright infringement. The undisputed record evidence establishes that Sagan is personally liable for direct infringement. Sagan is the founder, president, CEO, and sole owner of Defendant Norton LLC. Defs.’ Counter 56.1 ¶ 10. He was deeply involved in the acquisition of the recordings at issue and the agreements that conveyed those recordings clearly disclaimed intellectual property rights and in many instances documented the licensing issues the collections presented. Defs.’ Counter 56.1 ¶¶ 17-19, 21, 27, 33-35. On several occasions Sagan pressed sellers for artist consents, only to tum up empty handed. *Id.* ¶ 34-35. At his deposition, Sagan confirmed that he had “final decision-making authority” over the Defendant entities. *Id.* ¶ 55; Dickstein Decl., Ex. 2, Sagan Dep. at 43:1-3. Moreover, Lundberg, the Chief Technology Officer for Wolfgang’s

Vault, stated in his deposition that it was Sagan who instructed him as to “which concerts to make available for download or not,” who “manage[d] [the companies] original agreements,” and made plans “to start digitizing tape recordings with an eye towards making them available on a public website.” *Id.* at 54:3-9, 55:23-56:5

As the sole owner of Norton, and based on Sagan’s testimony and that of his Chief Technology Officer, the record evidence establishes that Sagan “has the ability to supervise infringing activity and has a financial interest in that activity.” *Capitol Records LLC*, 2014 WL 4354675, at *2. Sagan’s acknowledgement that he had “final decision-making authority” and the testimony from Lundberg regarding Sagan’s direction and management of Defendants’ operations is sufficient to establish that Sagan personally participated in the infringing activity. *See Id.*; *see also Arista Records LLC*, 784 F. Supp. 2d at 437-38 (granting summary judgment on claim that CEO was personally liable for copyright infringement, where CEO was “100% shareholder” of corporate defendant and testified that he “ran” and was the “ultimate decisionmaker” for corporate defendant); *Capitol Records LLC.*, 2014 WL 4354675, at *2 (concluding at motion to dismiss stage that allegation that corporate officer who controlled operations, personally conceived of business model, was “ultimate decision maker[] concerning the development and implementation of the infringing activity,” and “directed and approved” key aspects of infringing activity, could be held directly liable for infringement) (alterations omitted); *Arista Records LLC v. USENETcom, Inc.*, 633 F. Supp. 2d 124, 158-59 (S.D.N.Y. 2009) (granting summary

judgment on claim that “sole shareholder” was “personally responsible for a major share of Defendants’ infringing activities” and the “moving force behind the entire business”). Accordingly, summary judgment is granted to Plaintiffs on their claim of direct infringement by individual Defendant Sagan.³³

F. Injunctive Relief

“A plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief. A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.” *Monsanto Co. v. Geertson Seed Farms*, 561 U.S. 139, 156-57 (2010) (quoting *eBay Inc. v. MercExchange, L.L.C.*, 547

³³ Defendants’ sole argument in response to Plaintiffs’ claim that Sagan is personally liable for infringement, is that Plaintiffs did not allege vicarious liability in their complaint and are barred from asserting it now. Defs.’ Reply at 27-33. Although Defendants cast Plaintiffs claim as one for vicarious liability (and spill much ink arguing it), Plaintiffs never frame it as such, and Defendants concede that Plaintiffs’ Complaint alleged direct infringement by the “Defendants,” among whom Sagan is clearly named. They further concede that the Complaint alleges that Sagan “authorized, ratified, *participated in* and benefitted from each of the acts” identified in the Complaint. *Id.* at 28 n.22 (citing Doc. 141, Supp. Compl.) (emphasis added). Although the Court agrees that Plaintiffs did not plead vicarious liability, they have pleaded direct liability and their motion is granted on that basis alone.

U.S. 388, 391 (2006)) (alterations and quotation marks omitted). A permanent injunction is an extraordinary remedy that may be granted in the exercise of a court's sound discretion. *See Winter v. Nat. Res. Def Council, Inc.*, 555 U.S. 7, 24 (2008).

Plaintiffs argue that they are entitled to this extraordinary remedy because, absent the injunction, Defendants will continue their infringing conduct and hamper Plaintiffs' "negotiating leverage with prospective licensees." Pls.' MSJ at 53. Plaintiffs also suggest that their damages would be too difficult to quantify. *Id.*; Pls.' Reply at 15 (citing Declaration of Alisa Coleman, COO of ABKCO, Doc. 192, ¶ 4). The Court is unpersuaded by these arguments.

While there is no question that Plaintiffs have been harmed by Defendants, that harm is not irreparable because they can be compensated. *See Tom Doherty Assocs., Inc. v. Saban Entm't, Inc.*, 60 F.3d 27, 37 (2d Cir. 1995) ("Irreparable harm is an injury . . . for which a monetary award cannot be adequate compensation.") (citation and internal quotation marks omitted); *Roach v. Morse*, 440 F.3d 53, 56 (2d Cir. 2006) (identifying irreparable harm as essential to claim for permanent injunction)

Plaintiffs have argued throughout their summary judgment submissions that there are ways in which Defendants could have lawfully licensed these works; either through the mechanical licensing regime, negotiated licenses, or through synchronization licenses for their audiovisual recordings. *See* Pls.' MSJ at 23-24 (asserting that Plaintiffs "have identified numerous synchronization licenses that they have issued for live concert recordings"); Pls.' 56.1 ¶ 8

(same); *see also* Docs. 1, 43. Indeed, in filing its cease-and-desist letters, Plaintiff ABKCO informed Defendants that they needed synchronization licenses to exploit certain audiovisual recordings. Pls.' 56.1 if 64. Plaintiff ABK CO cannot now be heard to argue that calculating the fees for such licenses would be too difficult to do. *See* Pls.' Reply at 15; Declaration of Alisa Coleman, COO of ABKCO, Doc. 192, ¶ 4. That's what experts are for.

Finally, the Court finds that the balance of hardships and consideration of the public interest does not tip in Plaintiffs' favor. Setting aside any copyright ownership issues, there is no question that Defendants own the recordings at issue. Although that is insufficient to entitle them to exploit these recordings without the proper licenses, these licensing hurdles are not insurmountable. Defendants provide recordings of iconic songs and entertainers in a platform that makes them accessible to the general public. Licensing issues notwithstanding, the Court finds that the public's interest in having access to these recordings counsels against the imposition of a permanent injunction. Plaintiffs request for a permanent injunction is therefore denied.

IV. CONCLUSION

For the reasons set forth above, the parties' motions for summary judgment are GRANTED in part and DENIED in part as follows:

- Plaintiffs' claim of copyright infringement is GRANTED against all Defendants and as to all infringement within the statute of limitations; Defendants' motion on Plaintiffs' claim of

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copyright infringement is DENIED in all respects.

- Plaintiffs' claim for willful infringement is GRANTED with respect to the audiovisual recordings, pre-1972 recordings, and recordings ostensibly covered by the UMG agreement, and DENIED in all other respects; Defendants' motion on Plaintiffs' claim of willful infringement is DENIED in all respects.
- Plaintiffs' request for a permanent injunction is DENIED; and Defendants' motion is GRANTED.
- Defendants' request to supplement the record, Doc. 252, is GRANTED only with respect to the HFA spreadsheet, Ex. 1, and DENIED in all other respects.

The Clerk of the Court is respectfully directed to terminate the motions, Docs. 161, 191, 252.

SO ORDERED.

Dated: March 30, 2018

New York, New York

[handwritten: signature]

Edgardo Ramos, U.S.D.J.

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Appendix D

**UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF NEW YORK**

No. 15 Civ. 4025

ABKCO MUSIC, INC., et al.,

*Plaintiffs-Counterclaim-
Defendants,*

v.

WILLIAM SAGAN, et al.,

*Defendants-
Counterclaim-Plaintiffs.*

Filed: Mar. 26, 2019

OPINION and ORDER

Ramos, D.J.

This case concerns whether Defendants properly licensed Plaintiffs' copyrights in approximately 200 musical compositions ("Musical Works") included in live concert recordings that Defendants made available for download and streaming on their websites. On March 30, 2018, the Court granted in part and denied in part the parties' cross-motions for summary judgment. Doc. 255; Doc. 262 ("Op."). The Court assumes familiarity with the facts and holdings contained in that Opinion.

Defendants have moved for reconsideration of nearly every aspect of the Court's Opinion. Doc. 257. Because Defendants' arguments are incorrect, newly raised, or immaterial to the Court's holdings, Defendants' motion is DENIED.

I. LEGAL STANDARD

Under Local Civil Rule 6.3, reconsideration may be granted only where the Court has overlooked controlling decisions of law or factual matters that were "put before it on the underlying motion . . . and which, had they been considered, might have reasonably altered the result." *Mikol v. Barnhart*, 554 F. Supp. 2d 498, 500 (S.D.N.Y. 2008) (quoting *Greenwald v. Orb Commc'ns & Mktg., Inc.*, No. 00 Civ. 1939 (LTS) (HBP), 2003 WL 660844, at *1 (S.D.N.Y. Feb. 27, 2003)). Under such circumstances, a motion for reconsideration may be granted "to correct a clear error or prevent manifest injustice." *Kolel Beth Yechiel Mechil of Tartikov, Inc. v. YLL Irrevocable Tr.*, 729 F.3d 99, 104 (2d Cir. 2013) (quoting *Virgin Atl. Airways, Ltd. v. Nat'l Mediation Bd.*, 956 F.2d 1245, 1255 (2d Cir. 1992)). "Reconsideration of a court's previous order is an 'extraordinary remedy to be employed sparingly in the interests of finality and conservation of scarce judicial resources.'" *Parrish v. Sollecito*, 253 F. Supp. 2d 713, 715 (S.D.N.Y. 2003) (quoting *In re Health Mgmt. Sys., Inc. Sec. Litig.*, 113 F. Supp. 2d 613, 614 (S.D.N.Y. 2000)). "Where the movant fails to show that any controlling authority or facts have actually been overlooked, and merely offers substantially the same arguments he offered on the original motion or attempts to advance new facts, the

motion for reconsideration must be denied.” *Mikol*, 554 F. Supp. 2d at 500.

II. DISCUSSION

As noted, Defendants have challenged nearly every aspect of the Court’s Opinion (as well as earlier orders). The Court will address each argument in turn.

A. Discovery

As an initial matter, Defendants complain of certain discovery rulings issued by Magistrate Judge Pitman or this Court. Defs.’ Mem. 4-6. However, Defendants never opposed summary judgment on the grounds that they “cannot present facts essential to justify [their] opposition.” Fed. R. Civ. P. 56(d). Accordingly, Defendants cannot now, through a motion for reconsideration of the Court’s Opinion, claim they need additional discovery or challenge discovery rulings that were issued months before they briefed the summary judgment motion.¹

¹ Defendants also claim that Plaintiffs, by “deny[ing] that Defendants have paid all sums owed,” Pls.’ Counter 56.1 ¶ 7, reneged on an earlier promise to not dispute that Defendants made payments pursuant to purported compulsory licenses, Ranahan Decl. Ex. M, at 21:6-16. There is no contradiction between these two positions. Although Defendants indisputably made certain payments pursuant to purported compulsory licenses, Plaintiffs assert (and the Court held) that those licenses are invalid, and thus those payments are insufficient to compensate Plaintiffs for what was actually infringing use of the Musical Works.

B. Joinder of Towser Tunes, Inc. and Towser Newco Ltd.

As explained in the Opinion, at oral argument on March 26, 2018, the Court granted Plaintiffs leave to join Towser Tunes, Inc. and its subsidiary Towser Newco Ltd. as the “real part[ies] in interest” to resolve Defendants’ objection in its sur-reply that the ultimate parent of those entities, Plaintiff Spirit Catalog Holdings, S.a.r.l., did not have standing to sue. Op. 19-21 (quoting Fed. R. Civ. P. 17(a)(3)). As the Court explained, there was no dispute that the Towser entities had standing to sue, and “their joinder would not prejudice Defendants as no new discovery was required, and the subsidiaries had the same officers, executives and business operations as Spirit.” Op. 21; *see also* Fed. R. Civ. P. 21 (“On motion or on its own, the court may at any time, on just terms, add or drop a party [to correct misjoinder or nonjoinder].”).

Defendants argue that joinder of the Towser entities violated due process because Defendants had not had a chance to take any discovery from them or respond to any pleading filed by them. However, before the Court joined the Towser entities, Defendants could not specify any discovery that they needed from them. Oral Arg. Tr. 10:21-11:6. Defendants now contend that they need “an investigation into actual damages or lack thereof . . . , payments made, the value of their copyrights, among other issues.” Defs.’ Mem. 9. However, Defendants have not explained how this discovery would in any respect differ from the discovery they have already taken from two related entities: Plaintiff Spirit Catalog Holdings, S.a.r.l., which is the Towser

entities' ultimate parent; and Plaintiff Spirit Two Music, Inc., which shares offices and officers with Towser Tunes, Inc.² Nor is there any need for further pleadings from the Towser entities, as they are asserting the same copyright claims already pleaded. *See* Fed. R. Civ. P. 17(a)(3) (“After ratification, joinder, or substitution, the action proceeds as if it had been originally commenced by the real party in interest.”); *Clorox Int’l Co. v. Int’l Trade Expo, Inc.*, No. 94 Civ. 0938 (JSM), 1995 WL 106104, at *8 (S.D.N.Y. Mar. 9, 1995) (“[E]ven if plaintiff’s corporate parent were the real party in interest, all that would be necessary would be a change in the caption of this case.”). Accordingly, Defendants are not prejudiced by joining these parties, and it was not clearly erroneous or manifestly unjust to do so.³

For the first time, Defendants now contend that Towser Newco Ltd. dissolved in 2013 and thus cannot be a Plaintiff. Defs.’ Mem. 8-9. While Defendants may make any applications concerning the capacity of Towser Newco Ltd. to sue that they deem appropriate, a motion for reconsideration is not an appropriate

² Although Defendants point out that Plaintiff Spirit Catalog Holdings, S.a.r.l. does not share offices and officers with Towser Tunes, Inc., they ignore that Plaintiff Spirit Two Music, Inc. does.

³ In a footnote, Defendants similarly object to the substitution of Rodgers & Hammerstein Holdings LLC for ImaGem Music LLC after the latter transferred its interest in certain musical works to the former. Defs.’ Mem. 10 n.16. For the same reasons, it was not clearly erroneous or manifestly unjust to order “the transferee to be substituted in the action.” Op. 1 n.1 (quoting Fed. R. Civ. P. 25(c)).

vehicle to raise this new argument and new fact for the first time.

C. Applicability of § 115(a)(1)

Next, Defendants contend that the Court erred in holding that they were required to comply with the additional substantive requirements of § 115(a)(1) of the Copyright Act that apply when seeking a compulsory license for a musical work to make phonorecords duplicating a sound recording “fixed by another.”⁴ Op. 5 (quoting 17 U.S.C. § 115(a)(1) (2016)⁵).

Defendants argue that these provisions do not apply because they are not duplicating Plaintiffs’ sound recordings. Defs.’ Mem. 10-11. This argument totally misapprehends what this case is about. The issue is whether they properly obtained compulsory licenses to use Plaintiffs’ Musical Works that are reflected in Defendants’ phonorecords. Those phonorecords duplicate sound recordings that were

⁴ Those requirements are that (i) such sound recording must be “fixed lawfully”; and (ii) the licensee must have authorization from “the owner of copyright in the sound recording,” or “if the sound recording was fixed before February 15, 1972,” from a person who fixed the sound recording “pursuant to an express license from the owner of the copyright in the musical work or pursuant to a valid compulsory license for use of such work in a sound recording.” 17 U.S.C. § 115(a)(1).

⁵ On October 11, 2018, the Orrin G. Hatch-Bob Goodlatte Music Modernization Act, Pub. L. No. 115- 264, 132 Stat. 3676 (2018), went into effect and amended § 115. The parties have not identified any amendments that affect this case. Because the Court’s prior Opinion and the parties’ briefs cite the pre-amendment version of § 115, the Court will continue to do so here for consistency and clarity.

“fixed by another” because they were originally recorded by persons other than Defendants—i.e., concert promoters or venue operators who engineered the recordings. Accordingly, Defendants must comply with the requirements of § 115(a)(1) concerning sound recordings “fixed by another.”

In their reply, Defendants argue that the sound recordings were not fixed by “another” because those concert promoters or venue operators, from whom Defendants acquired the recordings, were their “predecessors.” Defs.’ Reply 4. However, Defendants have pointed to no authority—let alone controlling authority—holding that when a person acquires a recording from another person, the latter person is not “another” for purposes of § 115(a)(1). Accordingly, reconsideration of the Court’s conclusion to the contrary is not warranted.

D. Evidence that the Recordings Were “Fixed Lawfully”

The Court held that Defendants failed to demonstrate that any of their recordings were fixed lawfully.⁶ Op. 34. Defendants now contend that the Court overlooked evidence creating a triable factual issue as to whether the recordings were so fixed. Defs.’ Mem. 11-13.

First, Defendants point to the [REDACTED]. Ranahan Summ. J. Opp’n Decl. Ex. H, at 337:14-24. However, there is no basis to conclude that Sagan had personal knowledge that those bandmembers ever

⁶ A recording of a live musical performance is not lawfully fixed if it was recorded “without the consent of the performer or performers involved.” 17 U.S.C. § 1101(a); *see* Op. 29.

consented to the recording of their concert or that his assertion is anything other than hearsay. *See* Fed. R. Evid. 602, 802. This testimony is therefore inadmissible to prove the consent of those bandmembers.

Second, Defendants submit a 1993 license agreement purporting to license numerous concert recordings from a Bill Graham entity to a third party. Ranahan Decl. Ex. N. As an initial matter, this agreement was never submitted on summary judgment and may not be considered on reconsideration. In any event, the license agreement provides no evidence that the recordings were fixed lawfully, as the agreement explicitly makes no representations as to artists' consents and requires that such consents be obtained before using the recordings. *Id.* ¶¶ 3.03, 7.03.

Third, Defendants argue that the concert producers and sound engineers who recorded the concerts—and who Defendants claim are their predecessors—are joint owners of the copyright in the sound recordings. *See In re Cellco P'ship*, 663 F. Supp. 2d 363, 369 (S.D.N.Y. 2009) (“[T]he author of a sound recording is the performer(s) whose performance is fixed, or the record producer who processes the sounds and fixes them in the final recording, or both.” (citation omitted)). However, Defendants “bear[] the burden of establishing that each of the putative coauthors (1) made independently copyrightable contributions to the work; and (2) fully intended to be co-authors.” *Thomson v. Larson*, 147 F.3d 195, 200 (2d Cir. 1998). Here, where there is no admissible evidence that any performers ever consented to being

recorded, let alone fully intended to be co-authors with recording engineers (some of whom are unidentified), Defendants have not sustained their burden of establishing joint ownership of the copyright in the sound recordings.

Even assuming Defendants had sustained that burden, Defendants might then be able to argue that their exploitation of the post-1972 recordings was “authorized by the owner of copyright in the sound recording.” 17 U.S.C. § 115(a)(1). However, this would do nothing to establish that the sound recordings were “fixed lawfully,” which remains an independent requirement. *Id.* To do so, Defendants would need to show that the recordings were made with “the consent of the performer or performers involved.” 17 U.S.C. § 1101(a); *see also* 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 8E.03[A][3] (2018) (“[F]ixation of their work, without permission from each performer, violates the statute.”). Defendants have entirely failed to create a triable issue on this score, and their joint ownership argument does not change that.

Fourth, Defendants claim that the Court added a requirement that performers’ consent be “written.” The Court did no such thing. Rather, ruling on summary judgment, the Court required that there be “admissible evidence sufficient to support a finding” of performer consent. *Fitzgerald v. Henderson*, 251 F.3d 345, 361 (2d Cir. 2001). Defendants adduced no admissible evidence that the performers consented, whether in writing or orally. David Hewitt’s testimony that it was “common practice” for the engineer to have a recorded copy of the concert, Defs.’ Counter 56.1

¶ 33, does not support a finding that any particular performers actually consented to recording, of which Hewitt had no personal knowledge, *see* Fed. R. Evid. 602.

Fifth, as explained in the Court's Opinion, the Joint Exploitation Agreements submitted by Defendants did not purport to acknowledge that the recordings were lawfully made with performer consent. Op. 30-32. Defendants now submit four agreements with artists or their entities purporting to release claims concerning certain recordings or license recordings from Bill Graham Archives LLC. Sagan Decl. B-E. These agreements were never submitted on summary judgment and may not be considered now. Moreover, Defendants do not explain how these agreements acknowledge that the original fixation of these recordings was consensual and lawful.

In sum, Defendants have adduced no admissible evidence that the recordings at issue were lawfully fixed. The Court's holding that there was no triable issue on that question was not clearly erroneous or manifestly unjust.⁷

⁷ In addition, Defendants suggest that Plaintiffs had the burden to show that Defendants' recordings were unauthorized. That misstates the law. It was Defendants that asserted the defense that they held valid licenses, and "[t]he burden of proving that a license exists falls on the party invoking the defense." *Associated Press v. Meltwater U.S. Holdings, Inc.*, 931 F. Supp. 2d 537, 561 (S.D.N.Y. 2013) (citing *Graham v. James*, 144 F.3d 229, 236 (2d Cir. 1998)); *see also FameFlynet, Inc. v. Shoshanna Collection, LLC*, 282 F. Supp. 3d 618, 625 (S.D.N.Y. 2017) ("Where the dispute turns on whether a license is held by the accused infringer, the defendant bears the burden to come

E. Implied License and Estoppel

The Court held that Defendants did not have an implied license for Plaintiffs' Musical Works because there was no "meeting of the minds." Op. 42-44. While the Court noted that the parties never had communications with each other indicating a meeting of the minds, Defendants now contend that the Court should have focused on Defendants' interactions with the Harry Fox Agency ("HFA"), who Defendants claim acted as Plaintiffs' agent.⁸ Defs.' Mem. 14-16.

Defendants' argument fails. The "inherent assumption" of HFA—just like Plaintiffs—was Defendants' "compliance with the commands of Section 115." Op. 44. Indeed, HFA's communications with Defendants explicitly stated that [REDACTED]. Op. 36 [REDACTED]. Because Defendants failed to comply with § 115, including the requirement of lawful fixation, there was no meeting of the minds with Plaintiffs or HFA.

For the same reason, Defendants cannot show that Plaintiffs or HFA "knew" that their conduct was infringing" as required to establish the first element of estoppel. Op. 46. HFA and Plaintiffs were operating under the assumption that Defendants were *not*

forward with evidence of a license." (quoting *Agence France Presse v. Morel*, 769 F. Supp. 2d 295, 302 (S.D.N.Y. 2011)).

⁸ "Although HFA acts to 'streamline the procedures created by §§ 115(b) and 115(c),' the '[l]icenses issued by [HFA] do not . . . alter the basic rights and obligations of the licensee under § 115.'" Op. 36 (alteration in original) (quoting *EMI Entm't World, Inc. v. Karen Records, Inc.*, 603 F. Supp. 2d 759, 763–64 (S.D.N.Y. 2009), *amended in part on other grounds*, 681 F. Supp. 2d 470 (S.D.N.Y. 2010)).

infringing by complying with § 115. Defendants have submitted no evidence to rebut that premise.⁹

F. Audiovisual Works

Section 115 provides for a “compulsory license to make and distribute phonorecords” of a musical work. 17 U.S.C. § 115(a)(1). “Phonorecords” are “material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed.” 17 U.S.C. § 101. Based on the clear exclusion of audiovisual works from the statutory definition of “phonorecords,” the Court concluded that Defendants could not obtain compulsory licenses for any of the audiovisual recordings that they offered online. Op. 26-28.

Defendants claim that this was erroneous but cannot cite a single case—let alone a controlling case—supporting their contrary and counterintuitive interpretation of the statute.¹⁰ Reconsideration of this point is denied.

⁹ Relatedly, Defendants’ contention that there is a “factual question as to whether an HFA license is negotiated or compulsory” misses the mark. Defs.’ Mem. 14. However one labels the license, the fact remains that Defendants and HFA’s communications expressly indicated that [REDACTED]. Op. 36. Defendants have submitted no evidence indicating that HFA varied the key § 115 requirements at issue here, including the requirement of lawful fixation.

¹⁰ Because “[t]he term ‘phonorecords’ includes the material object in which the sounds are first fixed,” 17 U.S.C. § 101, the Court recognized in a footnote that phonorecords include “studio equipment on which ‘sounds are first fixed,’” as well as “commercially available objects such as records and CDs.” Op. 27 n.22. Misinterpreting this footnote, Defendants suggest that the Court erroneously stated that “studio equipment” that enables

G. Willfulness

“A copyright holder seeking to prove that a copier’s infringement was willful must show that the infringer had knowledge that its conduct represented infringement or . . . recklessly disregarded the possibility.” *Bryant v. Media Right Prods., Inc.*, 603 F.3d 135, 143 (2d Cir. 2010) (quoting *Twin Peaks Prods., Inc. v. Publ’ns Int’l Ltd.*, 996 F.2d 1366, 1382 (2d Cir. 1993)). The Court held as a matter of law that Defendants willfully infringed with respect to all audiovisual recordings, pre-1972 audio recordings, and recordings covered by the UMG agreement. Op. 50.

Defendants challenge that ruling principally by citing to a single sentence in Bill Graham Archives marketing materials stating that [REDACTED]. Defendants suggest that this sentence left “open” the possibility that the recordings could be exploited without artist approval. Defs.’ Mem. 19. However, the same document stated that [REDACTED]. This document’s reference to [REDACTED], in conjunction with other voluminous, undisputed evidence of willfulness, does not create a triable issue of willfulness as to the categories of recordings described above.¹¹ Rather, this material supports a finding that

the recording process, such as a tape recorder or mixing board, is a phonorecord. That is clearly not the kind of “studio equipment” to which the Court was referring. Rather, the studio recording medium in which sounds are first fixed, such as a reel-to-reel tape or computer hard drive, qualifies as a phonorecord.

¹¹ Defendants also point to their efforts to secure licenses from HFA and record labels as evidence of non-willfulness. As the Court explained, this evidence creates a triable issue of willfulness as to certain recordings covered by HFA licenses and

Defendants, at a minimum, recklessly disregarded the possibility of infringement.

As the Court explained, this evidence includes the following:

- The acquired collections informed Defendants that they were not necessarily acquiring intellectual property rights, warned of the significant licensing issues that Defendants would need to overcome, and made no representation regarding, or did not provide, performer contracts, Defs.' Counter 56.1 ¶¶ 17-22, 33-35;
- Defendants never obtained the consent of the copyright holders in the Musical Works;
- The HFA agreements informed Defendants [REDACTED]
- Defendants represented in their agreement with RightsFlow [REDACTED]
- Defendants' Joint Exploitation Agreements with Sony and Warner expressly excluded audiovisual recordings, Lundberg Decl. Ex. 2, § 3.6(f); *id.* Ex. 3, § 10.3; Defs.' Counter 56.1 ¶ 79;
- Pre-1972 recordings were not "fixed pursuant to an express license from the owner of the copyright in the musical work or pursuant to a valid compulsory license for use of such

post-1972 audio recordings covered by the Sony and Warner agreements, but does not create a triable issue as to any audiovisual recordings, pre-1972 audio recordings, or recordings covered by the UMG agreement. Op. 49–50.

work in a sound recording,” 17 U.S.C. § 115(a)(1); and

- There were no Section 1 Notices under the UMG agreement purporting to authorize the exploitation of any recordings featuring UMG artists.

See Op. 48-49.

Accordingly, Defendants have pointed to no overlooked evidence that could reasonably alter the Court’s conclusion on the issue of willfulness.

H. Sagan’s Individual Liability

Defendants contend that the Court conflated direct and vicarious liability for purposes of assessing Sagan’s individual liability. Defs.’ Mem. 20-23. That is incorrect. Although the Court noted that, in light of his authority over the Defendant entities and his ownership of Norton LLC, Sagan “has the ability to supervise infringing activity and has a financial interest in that activity,” which could establish his vicarious liability, Op. 51 (quoting *Capitol Records LLC v. Redigi Inc.*, No. 12 Civ. 95 (RJS), 2014 WL 4354675, at *2 (S.D.N.Y. Sept. 2, 2014)), the Court explicitly granted summary judgment to Plaintiffs for “direct infringement by individual Defendant Sagan,” Op. 52; *see also* Op. 52 n.33 (granting summary judgment “on that basis [of direct liability] alone” since Plaintiffs did not plead vicarious liability).

Contrary to Defendants’ contentions, undisputed evidence supports the conclusion that Sagan directly infringed as a matter of law. “[A]n individual, including a corporate officer, . . . who personally participates in [infringing] activity[] is *personally*

liable for infringement.” *UMG Recording, Inc. v. Escape Media Grp., Inc.*, No. 11 Civ. 8407, 2014 WL 5089743, at *25 (S.D.N.Y. Sept. 29, 2014) (first alteration in original) (quoting *Arista Records LLC v. Lime Grp. LLC*, 784 F. Supp. 2d 398, 437 (S.D.N.Y. 2011)) (holding company co-founders directly and secondarily liable because they directed the infringements). Here, not only did Sagan have “final decision-making authority” over the Defendant entities, Dickstein Decl. Ex. 2, at 43:1-3, as well as knowledge of the licensing problems presented by the collection, Defs.’ Counter 56.1 ¶¶ 17- 19, 21, 27, 33-35, he actually instructed his employees with respect to “which concerts to make available for download or not” and his plans to “start digitizing tape recordings with an eye towards making them available on a public website,” Dickstein Decl. Ex. 1, at 54:3-9, 55:23-56:5, 107:3-15. Because Sagan personally directed the infringing activity, and Defendants point to no evidence disputing that, Sagan is personally liable for infringement as a matter of law.¹²

I. Evidentiary Issues

Defendants also claim that the Court made several evidentiary errors warranting

¹² Because Sagan “authorized the [infringing] use,” he may also be liable for “contributory infringement.” *Softel, Inc. v. Dragon Med. & Sci. Commc’ns, Inc.*, 118 F.3d 955, 971 (2d Cir. 1997) (alteration in original) (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 437 (1984)). Nonetheless, Sagan may be held liable under either direct or secondary theories for his personal direction of infringement. See *UMG Recording*, 2014 WL 5089743, at *25.

reconsideration. Defs.' Mem. 23-25. Defendants are mistaken.

First, Defendants contend that cease-and-desist letters that they received from third parties constituted hearsay. However, “[c]ease-and-desist letters are not hearsay when offered to show bad faith and willful infringement.” *John Wiley & Sons, Inc. v. Book Dog Books, LLC*, 327 F. Supp. 3d 606, 629 (S.D.N.Y. 2018). Here, the letters warned that Defendants potentially lacked necessary licenses and could be infringing, and they were admissible for the limited purpose to show that “Defendants were on notice as to their allegedly infringing activity.” Op. 17 & n.16.¹³

Second, Defendants contend that the Court should not have excluded a supplemental declaration from Matthew Lundberg explaining that a spreadsheet indicating the date that songs were first streamed in many cases actually indicated simply the date the song was streamed internally as a test rather than to the public. The date that songs were made publicly available was relevant to the issue of whether Defendants timely filed a Notice of Intention to Obtain Compulsory License (“NOI”) before exploiting the

¹³ Nor are the third-party cease-and-desist letters improper character evidence. “Rule 404(b) does not preclude [the] letters because ‘evidence of [other] bad actions may be admissible to show “motive, opportunity, intent, preparation, plan, knowledge, identity, absence of mistake, or lack of accident.” On this basis . . . [c]ourts . . . consider the alleged infringer’s receipt of and response to cease-and-desist letters” *John Wiley*, 327 F. Supp. 3d at 630 (second and third alterations in original) (quoting *Gucci Am., Inc. v. Guess?, Inc.*, 858 F. Supp. 2d 250, 253 (S.D.N.Y. 2012)).

work. The Court excluded Lundberg's supplemental declaration on the basis that it impermissibly created a material issue of fact by contradicting his prior sworn testimony that Defendants always published songs online before filing NOIs. Op. 37 n.28 (citing *Trans-Orient Marine Corp. v. Star Trading & Marine, Inc.*, 925 F.2d 566, 572 (2d Cir. 1991)). Regardless of whether the Court considered or excluded this declaration, which purported to create additional factual issues surrounding the dates, it would not affect the Court's holding, because other record evidence already led the Court to conclude that "there is a disputed question of fact as to whether and which NOIs were actually submitted after the first download or streaming of a phonorecord and in the absence of an HFA license." Op. 38. Given that there is already a disputed issue on NOI timeliness, considering Lundberg's supplemental declaration would not have reasonably altered the result, so reconsideration of this issue is unwarranted.

Third, Defendants appear to challenge the Court's decision to exclude replacement copies of the Joint Exploitation Agreements that included schedules of covered artists and performances. The Court did not admit these supplemental submissions because they did not include artist authorizations and did not purport to provide artist consent for fixation of the recordings, which in any event would be hearsay. Op. 30 n.25. Defendants provide no explanation why this decision was erroneous. Defendants further argue that the Court misinterpreted the UMG agreement in concluding that [REDACTED] Defendants do not explain how the plain text of the UMG agreement leads to any other conclusion or how the Court's

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interpretation was erroneous, much less clearly erroneous.

III. CONCLUSION

For the reasons set forth above, Defendants' motion for reconsideration is DENIED. The parties are directed to appear before the Court for a status conference on **April 18, 2019, at 4:00 p.m.** The Clerk of the Court is respectfully directed to terminate the motion, Doc. 257.

It is SO ORDERED.

Dated: March 26, 2019

New York, New York

[handwritten: signature]
Edgardo Ramos, U.S.D.J.

Appendix E

RELEVANT STATUTORY PROVISIONS

**17 U.S.C. §106. Exclusive rights in
copyrighted works**

Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
- (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

17 U.S.C. §501. Infringement of copyright

- (a) Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106

through 122 or of the author as provided in section 106A(a), or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright or right of the author, as the case may be. For purposes of this chapter (other than section 506), any reference to copyright shall be deemed to include the rights conferred by section 106A(a). As used in this subsection, the term "anyone" includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

(b) The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of section 411, to institute an action for any infringement of that particular right committed while he or she is the owner of it. The court may require such owner to serve written notice of the action with a copy of the complaint upon any person shown, by the records of the Copyright Office or otherwise, to have or claim an interest in the copyright, and shall require that such notice be served upon any person whose interest is likely to be affected by a decision in the case. The court may require the joinder, and shall permit the intervention, of any person having or claiming an interest in the copyright.