



eight mile style v. spotify: district court holds doctrine of equitable estoppel bars copyright claims

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On August 15, 2024, a federal district court granted summary judgment to defendants Spotify USA Inc. ("Spotify") and the Harry Fox Agency ("HFA") in their long-running copyright-infringement dispute with plaintiffs Eight Mile Style and Martin Affiliated, LLC (together, "Eight Mile Style") over the service's streaming of Eminem's catalog. *Eight Mile Style, LLC v. Spotify USA Inc.*, 3:19-CV-00736, 2024 WL 3836075 (M.D. Tenn. Aug. 15, 2024). The opinion is notable for its application of equitable estoppel to bar the Plaintiffs' claims.

Eight Mile Style currently administers the U.S. mechanical rights to 242 compositions from Eminem's catalog (the "EMS Compositions"), through a closely-affiliated third party, Bridgeport Music, Inc. ("Bridgeport"). In 2009, before Eight Mile Style began to administer the catalog, Kobalt Music Publishing Inc. ("Kobalt") had properly registered itself as the administrator for the EMS Compositions in HFA's database, which is a well-known repository for copyright information. When Bridgeport later came to administer the rights, Eight Mile Style did not notify HFA of the change. Kobalt continues to administer certain other rights in the EMS Compositions.

Upon its 2011 U.S.-launch, Spotify separately engaged HFA to assist in obtaining licenses and distributing royalties for Spotify's streaming service. HFA, on Spotify's behalf, sent notices to Kobalt to obtain compulsory licenses for the EMS Compositions, though many notices had procedural defects. In 2016, Kobalt entered into a settlement agreement and blanket license with Spotify for Kobalt's catalog of musical works. As is standard industry practice, the agreements did not specify every work covered. Spotify incorrectly believed the agreements included the EMS Compositions. As such, Spotify paid royalties to Kobalt for the works, and Kobalt, as a collection agent, paid those royalties to Eight Mile Style.

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In 2019, Eight Mile Style sued Spotify for infringement based on its unauthorized streaming of the EMS Compositions since 2011, later adding claims against HFA for vicarious and contributory infringement. Spotify filed a third-party complaint against Kobalt alleging, in relevant part, that Kobalt was obligated to indemnify Spotify under the parties' agreements. The parties each moved for summary judgment. The district court granted the defendants' motions, finding as follows:

Spotify Had No License, Express or Implied. The court rejected Spotify's assertion that it had obtained a valid license from Kobalt, finding that Kobalt did not have actual or apparent authority to license the mechanical rights for the EMS Compositions in the U.S. Further, Eight Mile Style's acceptance of royalty payments did not give Spotify an implied license, as Eight Mile Style lacked any intent to grant such a license. Thus, the court found as a threshold matter that Spotify had committed copyright infringement.

Eight Mile Style's Claims Were Barred Under the Doctrine of Equitable Estoppel. Although the court found that Spotify had committed infringement based on the lack of license, it nevertheless granted summary judgment on the basis of equitable estoppel. The district court first noted that the Supreme Court in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. 663 (2014), which generally rejected laches defenses in copyright cases, had confirmed that the equitable estoppel defense remains available in copyright infringement cases. The district court went on to find that Spotify had established each element of the defense: (1) Eight Mile Style knew of the infringement; (2) Eight Mile Style had intent and engaged in culpable conduct; (3) Spotify did not have direct knowledge of the true facts; and (4) Spotify relied on Eight Mile Style's conduct to its injury.

The court found it "close to unthinkable" that Eight Mile Style did not know of the unauthorized streaming of the EMS Compositions—its core assets—by Spotify, a now central form of music distribution, especially given the billions of streams garnered. The court rejected Eight Mile Style's argument that it believed a license previously existed either through (1) a prior "pass-through" license from Universal Music Group (Eminem's record label), as Eight Mile Style had reached a settlement agreement in a highly public lawsuit to the contrary; or (2) based on Eight Mile Style's receipt of royalties, as Eight Mile Style knew HFA's database incorrectly listed Kobalt as the administrator and did nothing to rectify the error. The delay in bringing suit evidenced Eight Mile Style's intent and culpable conduct, as no legitimate business purpose justified such delay. Instead, the court suggested that Eight Mile Style waited for its damages to grow higher and higher rather than taking action to halt the infringement by, for example, sending a simple demand letter.

As for Spotify's lack of knowledge, the district court found that the industry practice of blanket licensing with neither party knowing the exact works covered made it "surprisingly plausible that Spotify might be genuinely confused" as to its rights. It rejected Eight Mile Style's argument that informal emails sent to HFA employees questioning the rights gave Spotify notice that it did not have a license. The court found injury "apparent" to Spotify based on the "strikingly high" potential liability.

Based on the above, equitable estoppel barred all relief sought against Spotify and HFA, as they acted in concert, with the court writing "Eight Mile Style improperly chose the cultivation of infringement damages over the proper functioning of the copyright system."



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No Decision on the MMA's Liability Limitation. The Music Modernization Act ("MMA"), passed in 2018, limits liability for past infringement by streaming services like Spotify, subject to certain requirements, to royalties that would have been due under the Act's compulsory licensing structure. Eight Mile Style challenged the constitutionality of this provision. Rather than reaching the constitutional issue, the district court suggested that this legal challenge, necessarily viable only *after* the MMA's enactment in 2018, was the precise (and improper) motive for the plaintiffs' delay that ultimately resulted in estoppel. Thus, the court decided to "leave any decision regarding the MMA for a future case involving an appropriate plaintiff."

Kobalt Must Indemnify Spotify. The agreements between Kobalt and Spotify provided that if Kobalt "administered" the EMS Compositions, it must indemnify Spotify. The court disagreed with Kobalt's position that "administer" referred strictly to U.S. mechanical rights, finding instead that because Kobalt did "administer" the compositions "in some sense" by, *inter alia*, granting synchronization licenses, receiving license requests, and collecting royalties, the indemnification provisions applied. The court left the exact amount owing as indemnification for further proceedings.

The ruling is significant in its application of equitable estoppel after *Petrella*. The opinion also reaffirms that rights holders should act swiftly to vindicate their rights, especially in cases of significant infringement.