

*Perez & Ors v Fernandez* [2012] FMCA 2

FEDERAL MAGISTRATES COURT OF AUSTRALIA

DRIVER FM

**DRIVER FM:**

**INTRODUCTION AND BACKGROUND**

1 These proceedings concern the infringement of copyright and moral rights claimed by the applicants (Mr Perez, an international recording artist known as “Pitbull” and two corporate entities associated with him) in a sound recording and musical work known as *Bon, Bon*. The infringements involved the respondent (Mr Fernandez, a disc jockey and music promoter in Perth) distorting the *Bon, Bon* work in a way which was said to be harmful to its author’s reputation, and then streaming that distorted version of the song from a website owned and operated by Mr Fernandez.

2 The applicants seek declarations as to infringements, injunctions, damages, interest and costs. Mr Fernandez initially resisted the application in its entirety (and indeed intended to seek its summary dismissal as an abuse of process, having regard to other proceedings between the parties in the Supreme Court of NSW) but these proceedings were partially settled and I made consent orders on 7 July 2011 which note the following undertakings given by Mr Fernandez and the following agreed statement of facts:

I, Jaime Fernandez, undertake to the Court that:

1. I will not, by myself, or by my servants or agents, make copies of, or communicate to the public in Australia, the whole or a substantial part of the *Bon, Bon* Sound Recording, or authorize any third person to do such acts in Australia, without the licence of the third applicant.
2. I will not, by myself, or by my servants or agents, infringe the first applicant’s moral rights in the literary and musical works comprised in the *Bon, Bon* Song.

3 Mr Fernandez also provided an apology on his website.

## AGREED STATEMENT OF FACTS<sup>1</sup>

### Parties

4 Mr Perez is and was at all material times: an internationally-renowned performing artist known as “Pitbull” whose repertoire includes the *Bon, Bon* Song released in November 2010 in the United States of America on Mr Perez’s album “Armando”; a natural person able to sue; a citizen of, and ordinarily resident in, the United States of America; and an officer of the second applicant.

5 Mr 305 is and was at all material times: a record label engaged in *inter alia* the licensing of copyright in sound recordings, including a sound recording embodying the *Bon, Bon* Song; a company incorporated under the laws of the United States of America; and a company able to sue.

6 Sweat It Out is and was at all material times: a record label engaged in *inter alia* the licensing of copyright in sound recordings, including the *Bon, Bon* Sound Recording; a company incorporated under the laws of the Commonwealth of Australia; and a company able to sue.

### *Bon, Bon* Song

7 The *Bon, Bon* Song was created in the United States of America in 2010.

8 The *Bon, Bon* Song is an arrangement created by Mr Perez in 2010 of two earlier songs known as “We No Speak Americano” and “Tu Duo Fa L’Americano”.

9 The song known as “We No Speak Americano” was written by Nicola Salerno, Matthew Handley, Duncan MacLennan and Andrew Stanley and the song known as “Tu Duo Fa L’Americano”, was written by Renato Carsone (the Earlier Songs).

10 Each of the Earlier Songs comprises original music and literary works within the meaning of the *Copyright Act 1968* (Cth) (“the Copyright Act”).

11 Mr Perez’s creation of the *Bon, Bon* Song consisted of the addition of original lyrics and original music to the Earlier Songs.

<sup>1</sup> Definitions: Except where otherwise indicated, capitalized terms have the same meaning as ascribed to those terms in the applicants’ Points of Claim.

12 The *Bon, Bon* Song comprises original music and literary works in the form of an adaptation  
of the Earlier Songs, in which copyright subsists.

13 Mr Perez is the author of the *Bon, Bon* Song and enjoys the rights of integrity of authorship in  
the copyright works comprised in the *Bon, Bon* Song pursuant to the Copyright Act.

### ***Bon, Bon* Sound Recording**

14 The *Bon, Bon* Song is embodied in the *Bon, Bon* Sound Recording.

15 The *Bon, Bon* Sound Recording is a sound recording in which copyright subsists within the  
meaning of s.89 of the Copyright Act.

16 Mr 305 and Sweat It Out are the owners of copyright in the *Bon, Bon* Sound Recording.

17 Sweat It Out is exclusively licensed to make and distribute copies and otherwise exploit and  
protect the copyright in the *Bon, Bon* Sound Recording in Australia.

### **Suave Website**

18 The Suave Website was set up by Mr Saxon Mailey in, or before, April 2008.

19 Mr Mailey and Mr Fernandez are co-workers.

20 The Suave Website was created for the purposes of promoting events that Mr Fernandez  
organized either by himself or with others.

21 The Suave Website was maintained by Mr Mailey from April 2008 to July 2009, and by Mr  
Fernandez since that time.

22 The registered owner of the Domain Name is Mr Oscar Texeira.

23 Mr Texeira and Mr Fernandez are business partners.

24 Mr Fernandez is the technical contact for the Suave Website.

25 Mr Fernandez was in receipt of website hosting services from [www.justhost.com.au](http://www.justhost.com.au)

26 Mr Fernandez owns the Suave Productions business name.

27 Mr Fernandez was wholly responsible for the content that appeared on the Suave Website from  
1 November 2010 to the present.

### **Creation of Mixed Bon, Bon Song**

28 In 2008, Mr Fernandez obtained a recording commonly known as an “Audio Drop” in which Mr Perez speaks the words to the effect of “Mr 305 and I am putting it down with DJ Suave” (Audio Drop). The Audio Drop was provided to Mr Fernandez in connection with the promotion of an Australian tour that Mr Fernandez and another promoter had organized in 2008.

29 In 2008, Mr Fernandez obtained a recording containing the *Bon, Bon* Song from Mr Perez’s “Armando” album, which Mr Fernandez had been given by a friend, Mr Jairo Escobar who resides in Chile. The album was a gift from Mr Escobar and was delivered to Mr Fernandez by means of international post.

30 Mr Fernandez made a copy of the *Bon, Bon* Song, and digitally stored that copy on his computer in MP3 format (MP3 Copy). Mr Fernandez was the only person concerned in making that MP3 Copy.

31 Mr Fernandez combined the Audio Drop with the MP3 Copy, using an audio editing software program, in such a manner as to cause the Audio Drop to be mixed at the beginning of the *Bon, Bon* Song (Mixed *Bon, Bon* Version).

32 Mr Fernandez was the only person involved in creating the Mixed *Bon, Bon* Version.

### **Reproduction and streaming from Suave Website**

33 On or before 9 December 2010, Mr Fernandez uploaded a copy of the *Bon, Bon* Sound Recording embodying the Mixed *Bon, Bon* Version to the Suave Website (Website Copy).

34 From on or before 9 December 2010 until 12 January 2011, Mr Fernandez caused digital files containing the Website Copy to be made available to members of the public who visited the Suave Website, by means of a process commonly known as “streaming”. The result of this process was that any person who visited the Suave Website immediately heard the Website Copy through their computer.

35 On 12 January 2011, Mr Fernandez removed the Website Copy from the Suave Website using Wix website editing tools.

36 Mr Fernandez had, at an interlocutory stage of these proceedings, sought security for costs. On 12 April 2011 I made orders noting the undertaking of the applicants to retain a balance of not less than \$16,000 in the trust account of Gilbert + Tobin Lawyers, pending the final disposition

of these proceedings as security for Mr Fernandez's costs. In light of the outcome of these proceedings, that undertaking can now be discharged.

37 The proceedings between the parties in the NSW Supreme Court are an action by Mr Fernandez against Mr Perez for an alleged breach of contract arising from circumstances in which Mr Perez was to come to Australia in December 2008 to perform a series of concerts. Those concerts did not go ahead. Mr Perez denies breach of contract and has filed a cross-claim alleging breach of contract by Mr Fernandez.

### **THE EVIDENCE**

38 The applicants rely upon their application and points of claim filed on 11 January 2011, and the affidavit of Angela Martinez made on 29 August 2011. Ms Martinez is a United States attorney acting for the applicants in the United States who has had a long professional and personal association with Mr Perez. Ms Martinez manages the day to day legal and commercial operations of Mr Perez, including music publishing and merchandising agreements and overseeing tour related legal and business affairs issues. Ms Martinez was cross-examined on her affidavit by telephone from the United States.

39 The applicants also rely on interrogatories and notices to admit served upon Mr Fernandez as well as the following documents tendered during the trial of this matter on 8 November 2011:

- AM-1 – CD, Pitbull, *Rebellion*
- AM-2 – CD, Pitbull, *Planet Pit*
- AM-3 – CD, Pitbull, *Armando*
- AM-4 – Bundle of documents
- AM-5 – CD provided by Gilbert + Tobin
- AM-6 – Confidential exhibit
- AM-7 – CD provided by Gilbert + Tobin
- B1 – Screen shot of Suave Productions website
- B2 – Applicants' tender bundle

40 Mr Fernandez relies upon his amended response filed on 15 April 2011 and his own affidavit made on 12 October 2011, on which he was cross-examined. He also relies upon the affidavit of Zong Mao Li made on 14 October 2011. Ms Li was not required for cross-examination. Ms Li is a solicitor and deposes as to research conducted by her about the rate of royalties paid to

recording artists when music is streamed through the artist's myspace web page and music chart positions of Mr Perez's music.

## **SUBMISSIONS**

41 Both parties filed opening written submissions. At the end of the trial of the matter I invited further written submissions. Only the applicants filed closing submissions on 24 November 2011. On 8 December 2011 the solicitors for Mr Fernandez filed a Notice of Withdrawal of Lawyer in accordance with the *Federal Magistrates Court Rules 2001* (Cth).

42 The applicants contend that Mr Fernandez's use of the Audio Drop to produce a distorted version of *Bon, Bon* was conduct engaged in without authorisation and involved infringements of the rights of reproduction and communication to the public when Mr Fernandez streamed the altered version of the song on his website. This is said to amount also to infringements of Mr Perez's moral rights to the integrity and authorship (as the author of *Bon, Bon*) pursuant to s.195AI of the Copyright Act. The conduct is said by the applicants to warrant the awarding of both compensatory and additional damages, including aggravated damages for moral rights infringement, as well as interest and costs.

43 Mr Fernandez contends that most of the remedies sought by the applicants have been overtaken by the partial settlement of the proceedings. He contends that the only real issue remaining in dispute is what remedy should be granted in addition to Mr Fernandez's undertakings. He submits that in view of the partial settlement, the declarations and injunctions sought should not be granted and that the circumstances disclosed by the evidence do not warrant the awarding of damages. He seeks the dismissal of the application with costs and the release to him of the moneys held by the applicants' solicitors as security.

## **CONSIDERATION**

### **The evidence of Mr Fernandez**

44 Mr. Fernandez maintained a website known as "www.suaveproductions.com.au". By occupation he is a disk jockey and promoter. The host site is "www.justhost.com" and the owner of the www.suaveproductions.com.au site is Mr Oscar Texeira.

45 Mr. Fernandez has had full control over the maintenance of the website for the past two years.

46 He admits that on 15 December 2010 he personally added four songs to the website so that when it loaded the songs would automatically play. The first song was *Bon, Bon* by Mr Perez.

Ms Martinez states that it was streaming on the website on 8 December 2010. The agreed statement of facts states that streaming of the song on the website commenced no later than 9 December 2010.

47 The song would play once and would cease to play thereafter. Mr Fernandez says that the song could not be downloaded from the website, only streamed to play in the background. He had obtained the *Bon, Bon* recording from a CD which was a gift from a friend from South America.

48 The Court's attention was directed to [www.myspace.com/pitbull](http://www.myspace.com/pitbull) where the *Bon, Bon* Song is free for use via Mr Perez's official myspace page. Mr Fernandez says that that song can be "added to your playlist" or "shared with your friends" or "bought for musical download". The first two options are free and the last requires the payment of money. The opportunity to listen to the recording for free promotes the purchase of it.

49 Mr Fernandez exhibits to his affidavit as "JFO1" a search of myspace showing approximately 33 million users and the fact that the song has been played for free according to the documents produced on at least 711,218 times.

50 There is other litigation in the NSW Supreme Court arising out of a cancelled tour involving Mr Perez and Mr Fernandez.

51 The interference with the sound recording was based on the Audio Drop that had been provided to Mr Fernandez by Mr Perez's agent, a man by the name of "Mr Barry London" who also goes by the stage name "Mr Purple". An Audio Drop or oral message had been provided to Mr Fernandez for the purposes of promoting the tour. The Audio Drop in its textual form is set out at [15] of the affidavit of Mr Fernandez.

52 On or about 30 September 2010 Mr Fernandez inserted the Audio Drop into the *Bon, Bon* track lasting for approximately 10 seconds into the song. Mr Fernandez was made aware of the fact that Mr Perez was disconcerted by the addition to the song and it was removed from the website no later than 12 January 2011.

53 Mr Fernandez states that he did not receive any income or derive any benefit as a result of the playing of the Audio Drop as part of the *Bon, Bon* Song.

54 Mr Fernandez asserts, and Ms Li deposes that, Mr Fernandez's website is of little or no importance with a calculation having been undertaken which demonstrates, applying averages, that there would have been only approximately 10 visits to the site during the relevant period

prior to the song being taken from the Suave Productions website. That is, however, no more than a guess, as the website traffic at the time the *Bon, Bon* Sound Recording was streaming on it has not been measured.

55 Mr Fernandez was an unimpressive witness. His approach to giving evidence under cross-examination reflects poorly on his credit. He was at times untruthful, and gave answers which he thought would put his case in the best possible light, depending on what he perceived that case to be at any particular point in the cross-examination. When confronted with the inconsistency, falsity or improbability of his evidence, Mr Fernandez ranged between refusing to concede the obvious and seeking to draw immaterial and/or irrelevant distinctions, or was simply nonplussed by the illogicality of his answers.

56 It was made clear from the cross-examination that Mr Fernandez has a continuing grievance with Mr Perez resulting from the failed tour, and a sense of entitlement to leverage off Mr Perez's reputation. This explains both his motive for engaging in the infringing conduct in the first place, and the approach that he took to the proceedings until the partial settlement.

57 In particular, Mr Fernandez:

- (a) was untruthful as to his reputation as a promoter. Mr Fernandez initially tried to down play his reputation, describing himself as “unknown”<sup>2</sup> and his website as “puny”<sup>3</sup>. However, when confronted with representations he has made on the Suave Website he said that “in Perth” he regarded himself as “on top of the Latin DJ scene”<sup>4</sup>. He was then forced to concede that he had been promoting “the biggest Latin concert of 2011 in Perth” for an artist that was a very significant Latin entertainer on the “worldwide scene”<sup>5</sup>. Later, when asked about the purpose of the press release he had issued about the litigation against Mr Perez in the NSW Supreme Court (which had been picked up in various media including a website claiming to be “Australia’s biggest urban culture website”)<sup>6</sup>, he unequivocally (but perhaps forgetting his earlier evidence) put

<sup>2</sup> transcript “T” 37.6

<sup>3</sup> T 35.46

<sup>4</sup> T 38.44

<sup>5</sup> T 39.40-45

<sup>6</sup> see T. 47.16-30



forward the need to defend his reputation as a promoter<sup>7</sup>. I infer that Mr Fernandez has a substantial reputation as a DJ in Perth, and most likely elsewhere in Australia, but attempted in the first instance to downplay his reputation because he thought it would advance his case;

- (b) refused to acknowledge that the Audio Drop conveyed an association between himself and Mr Perez<sup>8</sup>. He was referred to the text of the Audio Drop, having earlier suggested that the Audio Drop was intended to promote the DJ only<sup>9</sup>, and gave evidence that “Well, obviously there’s an association there between him mentioning my name on the Audio Drop.”<sup>10</sup> He then conceded that he had inserted the Audio Drop into the *Bon, Bon* Song in order to “make him look better” and to “promote himself”<sup>11</sup>. However, at the end of the cross-examination he refused to accept that he even understood what the word “association” means<sup>12</sup>;
- (c) maintained an illogical and implausible position about his right to use the Audio Drop. Mr Fernandez first suggested that the provision of the Audio Drop to him by Mr Perez “had nothing to do with the tour”, but was a general purpose recording to be deployed for “personal use”, and was “his property”. He then sought to differentiate a video drop he had been given (which he accepted was to promote the tour) from the Audio Drop, and eventually conceded that there were at least limitations on what he could use for the Audio Drop for, but without being able to articulate what those limitations were<sup>13</sup>. I infer that Mr Fernandez was well aware that he could not exploit the Audio Drop for his own purposes, and certainly not in a manner which was harmful to Mr Perez;
- (d) obfuscated on the significance of the internet audience. Mr Fernandez even put forward the example of a hypothetical “server crash” (there having been no suggestion of any such server crash during the relevant time period) as in some

<sup>7</sup> T 46.3-25; T 47.6-14

<sup>8</sup> T 60

<sup>9</sup> T 41.23

<sup>10</sup> T 50.45

<sup>11</sup> T 55.27-33

<sup>12</sup> T 60.42-61.7

<sup>13</sup> see T 41-42; 59

way limiting the audience, in an attempt to down play the impact of his infringing conduct<sup>14</sup>;

- (e) obfuscated as to his knowledge of copyright requirements. Mr Fernandez conceded that he had knowledge of copyright as a result of being heavily involved in the music scene as a DJ and promoter<sup>15</sup>. Yet, he continued to assert that he had believed he was entitled to stream *Bon, Bon* from his website without a licence<sup>16</sup>. Those assertions are inconsistent with his attempts to secure retrospective licences from copyright collecting societies. His attempt to feign ignorance about whether he had in fact been retrospectively licensed (which he then promptly retreated from) did him no credit<sup>17</sup>. Even at the conclusion of the cross-examination Mr Fernandez would only concede that “legally” he was required to obtain authorisation to reproduce the sound recording<sup>18</sup>;
- (f) resisted the inference that his infringing conduct formed part of a campaign against Mr Perez resulting from the failed tour<sup>19</sup>. That Mr Fernandez is engaging in such a campaign (arising from events which occurred almost three years ago) is evident from the following:
  - (i) engaging in press publicly and most notably on the internet via electronic publications responding to a press release issued some six months after the tour was cancelled;
  - (ii) continued use of the failed tour as a promotional device on his website<sup>20</sup>. Mr Fernandez considers he is entitled to continue this conduct until a judgment vindicating him is obtained in the NSW Supreme Court proceedings<sup>21</sup>;

<sup>14</sup> T 35.2

<sup>15</sup> T 42.36 – 43.38

<sup>16</sup> T 55.13; Fernandez [36]

<sup>17</sup> T 59.5–18

<sup>18</sup> T 62.34-41

<sup>19</sup> T 45.4 – 47.40

<sup>20</sup> T 51.12-23

<sup>21</sup> T 52.5

- (iii) continued use of the Suave Website to further agitate his dispute with Mr Perez (“failed to show up”), making no concession that it is inappropriate to do so<sup>22</sup>;
  - (iv) the very act of creating the Mixed *Bon, Bon* Version and streaming it from it his website;
  - (v) the playing of the Mixed *Bon, Bon* Version in the nightclubs where Mr Fernandez works as a DJ<sup>23</sup> (the inference to be drawn from Mr Fernandez’s unfounded assertion that there are licences in places permitting this, is that he may be continuing to do so);
  - (vi) the substitution for the Mixed *Bon, Bon* Version of the stand alone Audio Drop after these proceedings were commenced, an act of defiance intended to mock Mr Perez, for which Mr Fernandez gave no cogent explanation, and which only ceased after process had eventually been personally served upon him<sup>24</sup>;
  - (vii) his conduct during the proceedings, which included initially challenging the basis for the assertion of the applicants’ rights, and even the entitlement of the applicants to bring the action;
  - (viii) the failure to make any concession that collecting society licences cannot retrospectively cover him until cross-examination on the topic;
  - (ix) the attitude displayed under cross-examination, where Mr Fernandez’s grievance against Mr Perez, and his sense of entitlement to conduct his campaign against Mr Perez were clear<sup>25</sup>.
- (g) obfuscated on his intention to use the Mixed *Bon, Bon* Version to leverage off Mr Perez’s popularity by suggesting (for the first time in the proceedings) that he had in fact been motivated by the popularity of an earlier Australian sound recording (as though wishing to pass the re-mix off as the Australian sound

<sup>22</sup> T 51.25–52.10; T 53.3-54.15

<sup>23</sup> T 49.15-23

<sup>24</sup> T 59.23-28; 60.1-7; 61.18-23

<sup>25</sup> see T 51.13 – 52.12

recording was a matter that reflected well on him), although, tellingly, he was unable to recall either the Australian band or the name of the song<sup>26</sup>;

- (h) gave inconsistent evidence about the extent of his use of the Mixed *Bon, Bon* Version; having first volunteered that he had played it in nightclubs (as I find he did), he realised the implications of that and sought to suggest that he had done nothing with the recording in the two month period between its creation, and its discovery on his website (while also appreciating that he could not plausibly accept the suggestion that it had just sat on his computer)<sup>27</sup>.

58 Mr Fernandez also failed to provide an acceptable explanation for the negative response he gave in July 2011 to interrogatories requiring evidence of traffic to the Suave Website, when his affidavit evidence contended that he had inserted the Google Analytics code into his website in March 2011. No satisfactory explanation for this was advanced<sup>28</sup>. That matter goes to both his attitude to these proceedings, and the unreliable nature of the Google Analytics report he has sought to rely on.

59 Further matters which arose in Mr Fernandez's cross-examination include:

- (a) Mr Fernandez's admission that he had also been playing the Mixed *Bon, Bon* Version in nightclubs, thereby increasing the harm caused among the key audience for Mr Perez's music. I reject his suggestion that he was entitled to "mix songs" (ie. overlay drops onto sound recordings) at the clubs where he works as a DJ by virtue of collecting societies licences. It is illogical that a collecting society would licence the alteration of works, particularly where this would involve an infringement of the artist's moral rights (such rights being incapable of assignment in any event). The collecting society licences and correspondence in evidence contradict the assertion.

<sup>26</sup> T55.15 – 57.36

<sup>27</sup> T 50.17-30

<sup>28</sup> T 62.43 – 63.32

- (b) Mr Fernandez’s concession that had taken *Bon, Bon* at a time when people (certainly in Perth) would not have heard it; he described this as “a great thing for me to have”<sup>29</sup>.

### **Applicants’ evidence**

- 60 Mr Perez did not give evidence. The Court was invited by counsel for Mr Fernandez to draw an inference from that failure to give evidence that his evidence would not have assisted him. I am unwilling to draw that inference. Mr Perez is a foreign litigant and an international entertainer who is accustomed to have others attend to his business and legal affairs. In this instance, Ms Martinez, his attorney and advisor, gave evidence in support of his application. I am prepared to accept her evidence that Mr Perez was concerned and upset by the distortion of the *Bon, Bon* Sound Recording and the use made of it by Mr Fernandez. Ms Martinez was not, however, in a position to give evidence which quantified the loss suffered by Mr Perez as a result of the actions of Mr Fernandez. I accept that as the second and third applicants are co-owners of the copyright in the *Bon, Bon* Sound Recording, the evidence given by Ms Martinez applies equally to the second and third applicants’ interests insofar as is relevant to the matters in issue.
- 61 In cross-examination Ms Martinez gave evidence further clarifying the manner in which Mr Perez’s honour and reputation had been damaged. She said that in 2010 Mr Perez had been collaborating with artists and DJs, and had lost exclusivity as a result of Mr Fernandez’s actions; that is, Mr Perez could not now offer the opportunity to another DJ “who has a higher value to his name the opportunity to come and be a guest or do a remix of the [*Bon, Bon*] song”<sup>30</sup>. Ms Martinez also clarified that the losses suffered from the false association with Mr Fernandez were referable to money not made, and in this sense were unquantifiable<sup>31</sup>.
- 62 Ms Martinez also clarified that the appearances with Mr Perez that major artists would pay for pursuant to agreements such as those in evidence may be for “as little as eight bars”<sup>32</sup>. Viewed in that light, the length of time for which the Audio Drop plays within the Mixed *Bon, Bon*

<sup>29</sup> T 49.6

<sup>30</sup> T 10.18-36, T 11.2836

<sup>31</sup> T 16.32 – 17.2

<sup>32</sup> T 16.38-41

Version is significant, and substantial within the context of creating a commercially, and artistically, valuable association and within the meaning of copyright law.

63 Counsel for Mr Fernandez suggested to Ms Martinez that Mr Perez's reputation had been tarnished by various unrelated events (such as a libel suit by the celebrity Lindsay Lohan). That was a reference to defamation proceedings apparently instituted in the United States by Ms Lohan against Mr Perez because of a reference to her incarceration made by Mr Perez in one of his songs. All I am prepared to conclude from that evidence is that celebrities place a great store on their reputation and are quick to take action to protect it. Mr Perez is no exception.

### **The infringements**

64 Mr Fernandez's distortion of *Bon, Bon* involved combining a promotional recording known as an "Audio Drop" on which Mr Perez perform the words "Mr 305 and I am putting it right down with DJ Suave" with a copy of *Bon, Bon* Mr Fernandez had reproduced without authorisation from the *Armando* album. "Mr 305" is known among Mr Perez's fans to be a reference to himself, and "DJ Suave" is a reference to Mr Fernandez. Mr Perez had provided the Audio Drop to Mr Fernandez in order to assist in promoting the failed tour which is the subject of the NSW Supreme Court proceedings.

65 The combination of the Audio Drop with *Bon, Bon* makes it sound to the listener like Mr Perez is positively referring to Mr Fernandez at the beginning of the song, and that this reference forms part of the original work. Mr Fernandez then uploaded this altered copy of *Bon, Bon* to the Suave Website, such that it would immediately begin streaming whenever anyone visited the Suave Website. It was an act designed both to avenge Mr Fernandez's grievances with Mr Perez arising from the subject matter of the NSW Supreme Court proceedings, and to promote Mr Fernandez.

66 Mr Fernandez's conduct was engaged in without any authorisation and involved infringements of the rights of reproduction and communication to the public comprised in the *Bon, Bon* Sound Recording (owned by the second and third applicants) pursuant to ss.85 and 101(1) of the Copyright Act, and infringements of Mr Perez's moral rights to the integrity of authorship (as the author of the *Bon, Bon* Song) pursuant to s.195AI of the Copyright Act, which provides:

- (1) The author of a work has a right of integrity of authorship in respect of the work.
- (2) The author's right is the right not to have the work subjected to derogatory treatment.

### **The nature of the conduct**

67 I accept that the applicants were harmed by the conduct of Mr Fernandez and that he benefited from it.

68 I accept from the evidence of Ms Martinez that the rap/hip hop genre is one in which an artist's commercial and artistic associations really matter. Success in building a reputation, developing a fan base, selling records, attracting people to concerts, and ultimately entering into lucrative commercial sponsorships and endorsements depends in large measure on the other artists and brands the artist is seen to associate with. It is also a genre which has been closely linked to "DJ-ing". Association between artists and DJs continue to play an important role in promoting and building audiences for rap/hip hop music.

69 Mr Fernandez is a prominent DJ and live music promoter in Western Australia. He conceded that as well as streaming the Mixed *Bon, Bon* Version on his website, he also played the altered version of the sound recording at public venues where he performed as a DJ. He benefited by falsely representing a positive association between himself and Mr Perez. I further accept that Mr Fernandez was motivated in part by animosity towards Mr Perez because of the failed tour and the legal proceedings resulting from that failure. I accept that Mr Fernandez, in altering the sound recording of *Bon, Bon* to represent himself as a subject of the song and then prominently streaming it from his website, intended to cause Mr Perez artistic, reputational and commercial harm as an act of retribution for the grievances he has for the failed tour, while at the same time leveraging off the infringement for the sake of self promotion.

70 When he was made aware of the infringement by his solicitors, Mr Fernandez did not simply remove the infringing content from his website, but replaced it with the Audio Drop alone. Service of process upon him proved difficult. He also initially disputed all issues in the proceedings although ultimately conceded a number of matters which have been discussed above.

71 Mr Fernandez, in effect, acknowledged his wrongful conduct by seeking to obtain licences from APRA and the PPCA (copyright collecting societies) which he thought would retrospectively excuse his conduct. The APRA licence is irrelevant to the sound recording and the PPCA licence is not retrospective. In any event, a licence from either PPCA or APRA does not permit the licensee to remix or alter sound recordings in any way.

### **Compensatory damages**

72 In assessing damages for copyright infringement, the Court traditionally adopts either a licence fee approach, if appropriate, or otherwise makes an assessment at large.

73 This is not a case in which a licence would have been offered to Mr Fernandez. However, there is evidence available to the Court as to a range of licence fees which is of assistance to the Court in making an at large assessment.

74 The right to reproduce and communicate a sound recording from a website is a valuable one. On Mr Fernandez's own evidence the licence fee charged by PCCA for streaming sound recordings from a website is \$1,400. The licence fee charged by APRA is \$912. In considering the relevance of collecting society licences to an at large assessment the Court has considered that it should not "too lightly interfere with the right of a copyright holder to market his product at the best possible price"<sup>33</sup>. In this case, the licence fee would not of course permit the licensee to use the work in the manner engaged in by Mr Fernandez. Nevertheless, the unpaid licence fees at the time of the infringements is the best available measure of the compensation due to the second and third applicants for the infringements.

### **Additional damages**

75 The applicants seek an award of damages under s.115(4) of the Copyright Act. I accept their submissions as to the relevant principles to apply. In awarding those damages, the Court's discretion is broad and unfettered. It is not necessary for there to be any arithmetic nexus with the amount of compensatory damages awarded. The objective is independent of compensation of the copyright owner<sup>34</sup>.

76 The relevant factors listed under s.115(4) which the Court may take into account in awarding additional damages include:

- (a) flagrancy – Mr Fernandez's disregard for the first applicant's rights here has been manifest, and indeed his conduct was calculated to give offence;

<sup>33</sup> See *Top Plus Pty Ltd v K Square Pty Ltd (No 3)* [2010] FMCA 590 per Raphael FM at [8]

<sup>34</sup> See *Raben Footwear Ltd v Polygram Records Inc & Anor* (1997) 75 FCR 88 at 103-4; 37 IPR 417 at 432 per Tamberlin J; *Aristocrat Technologies Australia Pty Ltd v Global Gaming Supplies Pty Ltd* [2009] FCA 1495 at [910] per Jacobson J; and *PCCA & Ors v Jabouri Brothers Pty Ltd and Ors* [2011] FMCA 799



- (b) need for deterrence – Mr Fernandez has given an undertaking not to infringe again;
- (c) benefit accrued to the defendant – Mr Fernandez sought to gain a benefit from an association with Mr Perez in a genre in which such associations are highly valuable;
- (d) conduct after the infringement – this includes Mr Fernandez’s conduct after the proceedings were commenced<sup>35</sup>. Here, Mr Fernandez initially denied infringement and sought retrospective licences from the collecting agencies. He subsequently admitted the infringements.

77 Other factors which the Court has taken into account in awarding additional damages which are relevant here include evidence of contempt for the rights of the copyright owner<sup>36</sup> and Mr Fernandez’s awareness that he needed a licence<sup>37</sup>, evidenced here by Mr Fernandez’s approaches to the collecting societies.

78 Mr Fernandez’s use involved creating a direct association between the artist and himself, through the alteration of the work, and its prominent use as the first work which streamed each time the website was visited. That use should be presumed to have involved the exercise of commercially valuable rights.

79 The other evidence available to the Court in making an assessment comprises the confidential commercial agreements that Mr Perez has entered into with other artists to associate himself with them by way of appearances on those artist’s recordings.

80 I am not persuaded, however, that Mr Fernandez’s conduct warrants an award of damages under s.115(4) of the Copyright Act. The conduct of Mr Fernandez most grievously impacted upon Mr Perez, who is the author of the works but not the copyright owner of the sound recordings. In the present case I take into account the claim for compensation for moral rights

<sup>35</sup> see *Aristocrat Technologies Australia Pty Ltd v Global Gaming Supplies Pty Ltd* [2009] FCA 1495 at [911] per Jacobson J

<sup>36</sup> see *Sony Music Entertainment (Australia) Ltd & Ors v Smith & Ors* [2005] FCA 228

<sup>37</sup> see *APRA v Cougars Tavern & Ors* [2008] FMCA 369; *Microsoft Corporation v Tyn Electronics Pty Ltd (in liq)* [2004] FCA 1307

infringements which, in my view, covers the same field as would an award of additional damages.

### **Moral rights infringement**

81 I accept the applicants' legal submissions concerning moral rights. The moral rights protections in Part IX of the Copyright Act were introduced by the *Copyright Amendment (Moral Rights) Act 2000* (Cth). They have independent existence from the bundle of "economic" rights protected by copyright, are inalienable to the author, and give protection to the investment of the author's personality in his or her creation. Moral rights draw their jurisprudential force from civil law traditions and a number of international copyright and human rights conventions to which Australia is a party<sup>38</sup>. Further, in his Second Reading Speech introducing the relevant amendments to the Copyright Act, the then Attorney-General said:

But this bill is not just about fulfilling international obligations. More importantly, it is about acknowledging the great importance of respect for the integrity of creative endeavour. At its most basic, this bill is a recognition of the importance to Australian culture of literary, artistic, musical and dramatic works and of those who create them.

82 Although Australia and other common law jurisdictions were slow to recognise moral rights, Part IX of the Copyright Act now gives full force to Australia's international obligations in this respect. In 2011, an expert group of copyright academics convened by the Australian Copyright Council recognised moral rights protection as one of the four fundamental principles of Australian copyright law<sup>39</sup>.

83 The author's moral rights recognised in Part IX of the Copyright Act comprise the right of attribution (not in issue here), and right of integrity of authorship. Specifically, s.195AI provides that the right of integrity of authorship is the author's right "not to have the work subjected to derogatory treatment"<sup>40</sup>.

<sup>38</sup> See article 6bis of the *Berne Convention*, the *Australia United States Free Trade Agreement* (which requires compliance with *Berne*), the *WIPO Performances and Phonograms Treaty* (which extended moral rights to performers) and article 15(1) of the *International Covenant on Economic, Social and Cultural Rights* (which requires recognition of the rights of everyone "to benefit from the protection of the *moral* and material interests resulting from any scientific, literary or artistic production of which he is the author").

<sup>39</sup> See *Directions in Copyright Reforms in Australia*, Copyright Council Expert Group, Copyright Symposium 2011

<sup>40</sup> See also ss.195AJ, 195AQ(2) and 195AQ(3)

84 Here, the act in question undertaken by Mr Fernandez consisted of the deletion of a prominent part of *Bon, Bon* (the Spanish words *je, je, je, je, je, mira que tu estas rica*) and its replacement with words performed by Mr Perez in an entirely different context (“Mr 305 and I am putting it right down with DJ Suave” – intended to promote the failed tour). This made it appear that Mr Fernandez was a subject of the song. This alteration was carried out skilfully (presumably drawing on Mr Fernandez’s DJ skills), and exploited the fact that Mr Fernandez already had in his possession the Audio Drop provided to him by Mr Perez. This created the impression that the author had authored the altered content himself and included it in the song. The reference to Mr Perez’s alter ego “Mr 305” particularly attracts the listener’s attention. The change made to the song by Mr Fernandez must be regarded as a “distortion” or “alteration” (if not a “mutilation”) of the work, which is material, thereby satisfying that element of s.195AJ.

85 The fact that Mr Fernandez’s treatment of *Bon, Bon* was “prejudicial to the author’s honour or reputation” (the second element which must be satisfied to engage s.195AJ) is evident in two ways.

86 First, given that the work had only recently been released in the United States, and not in Australia at the time of the infringement (Mr Fernandez obtained it from a friend in Chile), there will have been a class of listeners, who upon listening to *Bon, Bon* for the first time through the Suave Website, will have presumed that the altered section formed part of the authentic, original work. In other words, they would have presumed that Mr Fernandez was indeed a subject of the song, and that Mr Perez had written and performed it about him.

87 I accept the affidavit evidence provided by Ms Martinez that, associations between artists and DJs in the hip-hop/rap genre are highly significant. Artists go to great lengths to choose whom they associate with, and these associations form a central part of their reputation. In those circumstances, I accept that the fact that the reference to Mr Fernandez in the altered version of the song had not been authorised by the author should be regarded as prejudicial to him *per se*. Were it to be suggested otherwise, Ms Martinez’s affidavit establishes to my satisfaction

that the association with Mr Fernandez is one which Mr Perez himself strongly considered to be prejudicial to his reputation, and which caused him anger and distress<sup>41</sup>.

88 Secondly, there will have been an alternative class of listeners who were more intimately aware of both Mr Perez's music and Mr Fernandez. This class is likely to have been alert to Mr Fernandez's ruse. Persons in this class are also likely to have been aware of the circumstances of the failed Australian tour, and the fact that Mr Fernandez is suing Mr Perez in the NSW Supreme Court in relation to it. These are matters which Mr Fernandez has sought to publicise for himself<sup>42</sup>. Listeners in this class will know the significance of Mr Perez's associations as an artist, and will understand the alterations to the song made by Mr Fernandez to be mocking Mr Perez's reputation.

89 The defence of reasonableness is not available to Mr Fernandez to excuse his conduct. In fact, an examination of the matters to be taken into account by the Court when deciding whether this defence is available, as set out in s.195AS of the Copyright Act, only serves to emphasise the harm caused by Mr Fernandez. In particular:

- (a) the nature of the work, which is one existing in a genre in which associations between artists is of considerable significance;
- (b) the purpose for which the work was used, which in this case was to either promote Mr Fernandez for his own benefit, or to mock Mr Perez as an act of retribution;
- (c) the manner and context, which in this case includes the fact that the work was streamed from Mr Fernandez's own website, and the existing relationship between the parties.

90 Section 195AZA sets out the remedies that may be granted for an infringement of moral rights. In light of the relief which has now been obtained by way of the part settlement, the remedies which the applicants seek from the Court is an award of damages for loss resulting from the infringement pursuant to subsection (1)(b).

<sup>41</sup> see Martinez's affidavit at [60]

<sup>42</sup> see Martinez's affidavit at [51]-[52]

91 In *Meskenas v ACP Publishing Pty Ltd*<sup>43</sup>, when considering the approach to be taken to awarding damages<sup>44</sup>, the Court took account of the academic commentary on moral rights, which notes among other things, that an author may also claim for injured feelings arising from the infringement. In this case, the Martinez affidavit establishes to my satisfaction that such harm was suffered by Mr Perez. He is entitled to be compensated for it.

92 In *Meskenas*, the Court ultimately took the view that the compensation awarded for moral rights infringement should reflect that which it would have awarded for copyright infringement. The applicants submit that this approach would not be apposite here. In this case there are two distinct groups of applicants involved: Mr Perez sues on the basis of his moral rights; the second and third applicants sue on the basis of their copyright. Were the conflation of copyright and moral right damages in *Meskenas* to be applied here without appreciation of the underlying factual differences it would leave one class of applicant uncompensated at the expense of the other. Here, the copyright and moral rights causes of action should sound in separate and cumulative heads of damage, in relation to compensatory damages for copyright infringement and breach of moral rights. However, as I have already found above, the considerations relevant to an award of additional damages are those bearing on the award of damages for breach of moral rights, as matters bearing on the interests of Mr Perez.

93 In *Meskenas* the Court also noted the availability of aggravated damages for moral rights infringement, which were awarded in that case on the basis of the respondent's conduct following the time when the infringement of the moral rights was made known. Mr Fernandez here has allegedly similarly aggravated the harm caused by his conduct after the infringement was made known to him, as has been set out above.

94 Mr Fernandez continues to deny that his conduct has resulted in any harm or embarrassment. His affidavit evidence continues to maintain that he is entitled to do as he pleases with the Audio Drop. I do not accept that Mr Fernandez has displayed contrition. The conduct following the infringement further aggravated the harm caused, for which, Mr Perez is also entitled to be

<sup>43</sup> [2006] FMCA 1136

<sup>44</sup> at [39]-[41]

compensated. However, Mr Fernandez is entitled to the benefit of his acknowledgment of his infringements (however belatedly).

95 An action for infringement of moral rights is actionable as a breach of statutory duty without proof of damage. What is required for a breach of the author's right of integrity (provided for in s.195AI) is the subjection of the work to "derogatory treatment", which means the doing of anything in relation to a work that results in a material distortion of, the mutilation of, or a material alteration to the work (or anything else) that is prejudicial to the author's honour or reputation<sup>45</sup>. A person infringes the author's right of integrity if he or she so subjects the work to derogatory treatment<sup>46</sup>.

96 In other words, all that is required is proof that Mr Fernandez's act in respect of the *Bon, Bon* Song was prejudicial to Mr Perez's honour or reputation, not that Mr Perez suffered damage. This approach has also been taken under the equivalent UK legislation<sup>47</sup>.

97 The Copyright Act does not require that Mr Perez's reputation has been prejudiced. All that is required is that the respondent's act in relation to the work "is prejudicial". That statutory language is derived from Article 6bis of the Berne Convention, which requires Australia to afford authors the right to object to derogatory treatment "which *would be prejudicial* to their honour or reputation" (emphasis added).

98 As is evident from the Martinez affidavit, issues concerning the reputation and honour of an artist in the rap/hip-hop genre in which Mr Perez creates are highly attuned:

- (a) an artist's honour and reputation depends on whom he or she associates with, and is a driver of artistic (and with it commercial) success. The artist goes to great lengths to control whom he or she associates with;
- (b) given that evidence, the distortion of Mr Perez's work, such as to create a false association, should be regarded as prejudicial to his honour and reputation as an artist *per se*;

<sup>45</sup> see s.195AJ

<sup>46</sup> see s.195AQ(3)

<sup>47</sup> See *Clark v Associated Newspapers* [1998] 1 All ER. (Specifically there, with respect to the right of attribution.)

- (c) that it is in fact prejudicial is made clear by the circumstances of Mr Perez's relationship with Mr Fernandez<sup>48</sup>; it is not necessary for the applicants to lead evidence from members of the public as to the way the work would be received;
- (d) that the treatment of the work was prejudicial may be presumed.

99 In *Meskenas* the Court awarded damages of \$9,100 for breach of ss.195AO and 195AP of the Copyright Act, for breach of the author's right of attribution, in circumstances where Raphael FM held that he would have awarded the same amount for copyright infringement (for both compensatory and additional damages).

100 However, the basis for compensation is not the same. Section 195AZA(1) provides that the remedies for moral rights infringement include "damages for loss resulting from the infringement". Moral rights are not proprietary rights (a matter which is evident by the absence in the statute of any provision allowing assignment). Moral rights attach to the personality of the author. They may be compared, for instance, with the reputational interests protected by an action in defamation.

101 It is relevant to consider that prior to the introduction of Part IX one of the ways that Australia sought to comply with its *Berne* obligations with respect to the right of integrity, was pursuant to the law of defamation. There are clear parallels between the two laws (noting that defamation protects reputation, whereas moral rights protect both "honour and reputation").

102 This means that the loss which is compensable includes not only pecuniary loss, but also damage to goodwill and reputation enjoyed by the author<sup>49</sup>.

103 In awarding damages for moral rights infringement on this basis the Court should have regard to the matters described above, with respect to extent and value of Mr Perez's reputation as an artist, and the harm caused by Mr Fernandez's conduct. This includes the fact that the distortion of the work and the false association created by it occurred at a time when the song was newly released, the artistic significance which associations have within the genre in which Mr Perez creates, the fact that the distorted work was performed in nightclubs which reach the target

<sup>48</sup> see applicants' opening submissions [28]-[31]

<sup>49</sup> See commentary in Laddie, Prescott and Vitoria, *The Modern Law of Copyright and Designs* (2011) at [13.57]

audience for Mr Perez, and that the distorted work was communicated on the internet where its audience was potentially unlimited.

104 In addition, damages awarded under s.195AZA(1) may further provide compensation for injured feelings, and vindication of the artist, by way of an award of aggravated damages. A parallel here may be drawn with an award of damages under this limb in the law of defamation. An award of aggravated damages may also take account of the respondent's conduct in the litigation. This would also accord with the approach taken in the law of defamation, where it has been held that conduct by counsel during the trial may also justify the award of aggravated damages through increasing the hurt done to the plaintiff<sup>50</sup>.

105 In *Meskenas*, Raphael FM awarded the applicant a separate component of damages, which he characterised as aggravated damages, for the distress caused to the applicant, including by reference to the respondent's conduct after the proceedings were commenced. In that case, his Honour considered that, the necessary factors going to flagrancy otherwise being absent in that case, the amount should be equal to that which he would have awarded under s.115(4) (ie. \$8,000).

106 Here, it is submitted that the Court should have regard to the need to provide compensation to Mr Perez for the distress caused to Mr Perez as an artist both at the time of the infringement, the conduct of Mr Fernandez since that time, including the ongoing campaign which is said to be being waged by Mr Fernandez, and the need to provide vindication to Mr Perez as an artist. In doing so, the Court may have regard for the range of damages it would award under s.115(4) for infringement of the copyright.

107 The applicants seek \$35,000 for the harm to Mr Perez's reputation and \$50,000 aggravated damages for distress to Mr Perez. That claim considerably overstates the applicants' case, trespasses into matters more appropriate to be dealt with in the NSW Supreme Court proceedings, and gives no acknowledgment of Mr Fernandez's concessions, undertakings and apology. I do not accept that Mr Perez's reputation has suffered any lasting damage. His moral rights were infringed in circumstances which caused him distress, and which were serious, but

<sup>50</sup> See *Rigby v Associated Newspapers* [1969] 1 NSW 729



Mr Fernandez ultimately saw the error of his ways and appropriately gave undertakings and an apology, however grudgingly. In all the circumstances, I have decided that an appropriate award of damages for the infringement of Mr Perez's moral rights is \$10,000.

## CONCLUSIONS

108 Mr Fernandez infringed copyright in the *Bon, Bon* Sound Recording by streaming it on his website and by publicly performing it without a licence. He also infringed Mr Perez's moral rights by altering the sound recording of the song to falsely represent that he (Mr Fernandez) was a subject of the song. In doing so, Mr Fernandez also misused the Audio Drop provided to him for the limited purpose of promoting an Australian tour by Mr Perez which did not take place.

109 Notwithstanding the concessions made by Mr Fernandez in the course of proceedings, it remains appropriate to make the declarations sought in the application before the Court. In particular, Mr Fernandez should be left in no doubt that he cannot use the Mixed *Bon, Bon* Version of the sound recording in his DJ performances at nightclubs, or otherwise. I accept, however, that it is no longer appropriate to issue the injunctions sought or the order for delivery up and an apology.

110 I will order that Mr Fernandez pay the second and third applicants compensatory damages for breach of copyright of \$2,312 and that Mr Fernandez pay Mr Perez damages of \$10,000 for infringement of his moral rights.

111 In respect of pre-judgment interest, I will apply Federal Court of Australia Practice Note CM16 issued on 1 August 2011. The following rates apply:

1 July 2010 to 31 December 2010	8.5 per cent
1 January 2011 to 30 June 2011	8.75 per cent
1 July 2011 to 31 December 2011	8.75 per cent
1 January 2012 to 30 June 2012	8.25 per cent

112 Interest will accrue from the date that the sound recording commenced streaming on Mr Fernandez's website (9 December 2010). The first applicant will receive interest up to judgment in the sum of \$1018.90 and the second and third applicants will receive interest up to judgment in the sum of \$235.58.

113 I will hear the parties as to costs.