

Copyright Owners “Don’t Have to Take it”: Federal Court of Australia Awards Substantial Remedy for Copyright Infringement, Plus Double Damages for Flagrancy

Sue Gilchrist, Partner and Head of Intellectual Property in Australia, **Aaron Hayward**, Senior Associate, and **Sophie Yates**, Solicitor, Herbert Smith Freehills, comment on the Federal Court’s recent *Universal Music v Palmer* decision.

The Federal Court’s recent decision in *Universal Music v Palmer*, in which Mr Palmer was ordered to pay AU\$1.5 million for his unauthorised use of the song *We’re Not Gonna Take It*, reaffirms that the Court is prepared to award significant financial remedies to intellectual property owners whose rights are infringed.

Key Takeaways

- The \$500,000 in compensatory damages and \$1 million in additional damages awarded against Mr Palmer reaffirms that the Court will award additional damages in an amount appropriate to punish and deter serious infringements of intellectual property, even where that award dwarfs the actual loss suffered by the rights owner and the amount of compensatory damages awarded.
- A party’s response to allegations of copyright infringement and their conduct after the original infringement, including the manner in which they conduct their defence to the proceedings, have critical implications for the assessment of additional damages.
- Damages on the basis of the “user principle”, or hypothetical licence fee, are available for copyright infringement in Australia, even when the parties would not have agreed on an actual licence. This appears to resolve any lingering uncertainty on this issue following the 2007 Full Court decision in *Aristocrat*.

Background

In the run up to the 2019 Federal election, aspiring Australian politician Clive Palmer instructed his team to record and make use of the jingle *Aussies Not Gonna Cop It (ANGCI)* across twelve television advertisements for his United Australia Party (UAP). The music and lyrics were lifted from the chorus of the 80’s hit by glam metal band Twisted Sister, *We’re Not Gonna Take It (WNGTI)*.

The launch of UAP’s campaign sparked impassioned reactions from Twisted Sister fans. Publicly, the band members made it clear on Twitter that they had not endorsed the use of the song; privately, they raised concerns with Universal Music, which held the copyright subsisting in the music and lyrics and which confirmed the works had not been licensed to the UAP.

Universal sent a cease and desist letter to Mr Palmer, in response to which Mr Palmer denied any unauthorised use. Instead, he mounted an energetic counterattack on radio and social media, alleging the Twisted Sister song had “stolen” from the 18th century carol *O Come All Ye Faithful*. Mr Palmer’s team also threatened to sue Universal for \$10 million. Universal commenced proceedings soon after.

The Proceedings: Infringement

In Court, Mr Palmer advanced various arguments that were ultimately held to lack merit, including that:

- no copyright subsisted in the musical or literary works (lyrics) of WNGTI, or alternatively did not protect what was copied, because WNGTI was itself copied from *O Come All Ye Faithful*. Mr Palmer advanced this position, including by relying on expert evidence, notwithstanding that he had earlier instructed his team to negotiate a licensing arrangement for use of the original works (only to baulk at the price and conditions that Universal required);
- the lyrics of ANGCI were an original poetic work of his, the words having come to him in a moment of “deep contemplation”, inspired by his watching of the film *Network* and shaped by his keen interest in poetry. These arguments were rejected as, variously, “fanciful”, “smack[ing] of recent invention”, “disingenuous” and “preposterous”. Mr Palmer’s oral evidence on this topic was inconsistent with contemporaneous documents, such as emails between Mr Palmer and his team which referred to the UAP videos by reference to WNGTI, as well as his own affidavit evidence; and
- even if the UAP advertisements reproduced a substantial part of the copyrighted works, Mr Palmer’s use was permissible as a satirical fair dealing under section 41A of the Act.

Unsurprisingly, Katzmann J found that ANGCI infringed the copyright in both the music and lyrics of WNGTI.¹

Mr Palmer was ordered to pay compensatory damages in the amount of \$500,000, assessed on the basis of the “user principle”, or a notional licence fee for use of the works, and additional damages in the amount of \$1,000,000.

The Notional Licence Fee: Assessment of Compensatory Damages

The applicability of the user principle in Australia in recent years has been controversial, in light of the 2007 Full Court decision in *Aristocrat*,² in which the Court was not satisfied that the parties would have in fact offered or taken a licence, and held that the user principle was unavailable as a consequence. More recently, Yates J in *Winnebago*³ found that *Aristocrat* was not binding authority, at least in relation to areas other than copyright infringement, and held that the user principle was available in an action for passing off.

Katzmann J’s decision in *Universal* has dispelled any remaining uncertainty as to the application of the principle, holding that the Full Court’s remarks in *Aristocrat* are not binding. Her Honour undertook a thorough review of the authorities, including the position in the UK⁴ and New Zealand,⁵ and noted (as did Yates J in *Winnebago*) that a contrary view would involve a “significant divergence from longstanding English authority”. As a result, although the parties agreed that they would not have been able to reach agreement on an actual licence, Katzmann J rejected Mr Palmer’s argument that Universal was entitled only to nominal damages.

Interestingly, although Mr Palmer had obtained a quote for the licence of the copyright works to the tune of \$150,000 plus GST, Katzmann J assessed the notional licence fee in

the order of \$500,000. That figure was reached on the basis of evidence from industry witnesses as to what they expected Universal would have required, taking into account that:

- WNGTI was a popular and valuable commodity for Universal;
- Mr Palmer derived considerable value from his use of WNGTI;
- WNGTI had not been used in Australian advertising previously, though it had been used overseas;
- the licence was for a controversial political figure;
- the works were deployed prominently in multiple advertisements, available on a wide variety of platforms, for six months;
- although the hypothetical licence extended only to the chorus of WNGTI (since that was what had been copied), that was the song’s most memorable feature; and
- there was a risk people would associate WNGTI with UAP and Mr Palmer.

Katzmann J accepted, however, in line with the New Zealand Court of Appeal in *Eight Mile Style*, that certain factors were not relevant to this assessment, namely:

- the fact that the online advertisements (eg YouTube) were not geoblocked, given the limited interest of the advertisements to audiences outside Australia;
- the lack of any ability for Universal to exercise quality control; and
- the fact that the song was used by Mr Palmer in particular, for a cause that Universal would never have endorsed. This stood

in contrast to the fact that the type of use more generally (ie for political purposes) had an “inherent divisive quality”, which was relevant to the assessment.

As a result, the amount awarded was lower than the estimates offered by Universal’s employees of \$750,000 to \$1 million, each of which considered one or more of these extraneous factors.

Flagrancy and Deterrence: The Award of Additional Damages

Additional damages are assessed in light of the flagrancy of the infringement, the conduct of the infringing party, the need to deter similar infringements, and having regard to the benefit derived by reason of the infringement.

Mr Palmer’s conduct both before and after the infringements had critical implications for the quantum of additional damages. Katzmann J rejected Mr Palmer’s arguments that he honestly believed that his use of the works was lawful, and that he had not derived any benefit from his use of the works on account of UAP not winning any seats in the 2019 election. Instead, her Honour held that “a substantial award of additional damages” was called for, in light of that facts that:

Mr Palmer flagrantly disregarded Universal’s copyright, in particular in that he used the works despite having failed to obtain a licence on his terms;

- Mr Palmer engaged in a high-handed and baseless counterattack against Mr Snider upon receiving the cease and desist letter, which included an empty threat to sue Mr Snider in defamation. This behaviour continued even during the trial when Mr Palmer falsely tweeted that Mr Snider admitted he did not write WNGTI;

1 *Universal Music Publishing Pty Ltd v Palmer (No 2)* [2021] FCA 434

2 *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd* [2007] FCAFC 40.

3 *Winnebago Industries Inc v Knott Investments Pty Ltd (No 4)* [2015] FCA 1327.

4 *Force India Formula One Team Ltd v 1 Malaysia Racing Team Sdn Bhd* [2012] EWHC 616.

5 *Eight Mile Style, LLC v New Zealand National Party* [2017] NZHC 2603; *The New Zealand National Party v Eight Mile Style, LLC* [2018] NZCA 596.

- the unauthorised use was upsetting to Mr Snider and, notwithstanding the publicity of the case, it was possible there were some fans for which he could not “set the record straight”;
- Mr Palmer was not remorseful;
- Mr Palmer gave false evidence;
- Mr Palmer deliberately frustrated the discovery of documents sought by Universal and resisted, without explanation, the production of a large tranche of relevant documents that were eventually produced; and
- Mr Palmer’s net worth, of over \$1 billion, and his claim in cross-examination that he did not care about having to pay \$180,000 to Universal, provided an important yardstick in determining the amount of the damages that would furnish an appropriate level of punishment and deterrence.

Additional Damages a Real Prospect in Australian IP Cases

This is not the first copyright infringement case in which additional damages have been awarded in an amount significantly higher than the compensatory damages. For example:

- In *Microsoft v CPL* (2018)⁶ the Court required the Respondents collectively to pay \$2,000,000 additional damages, over and above the \$256,658 compensatory damages, in light of the respondents’ flagrant conduct and deliberate destruction of records in an attempt to conceal the extent of the infringement.
- While significantly smaller in absolute terms, the award of \$50,000 in additional damages in *PKT v Peter Vogel Instruments* (2019)⁷ was nearly 17 times greater than the \$3,000 in compensatory damages that had been awarded in relation to the two unauthorised sales the applicant’s software, which was held to be justified because of

the “quite flagrant infringement” those sales involved.

- In relation to songs in particular, the Court has previously awarded \$150,000 in additional damages, four times the \$35,000 in compensatory damages awarded, for the unauthorised use by a bar of sound recordings publicly performed at the venue.⁸ The Court was satisfied of the Director’s contumelious disregard for the applicant’s copyrights, her failure to engage 20 letters and 18 emails sent by the applicant in connection with their asserted rights, and the significant period of 6 years of unauthorised use.

These authorities demonstrate the Court’s willingness to award additional damages, even in amounts that greatly exceed the notional value of the dispute, where it considers it to be appropriate to punish the infringer’s conduct or deter similar infringements from occurring in the future.

The focus in *Universal* on Mr Palmer’s conduct after receiving Universal’s letter of demand, which has also been present in other decisions, including each of those referred to above, also emphasises the importance of responding appropriately to copyright infringement allegations. As *Universal* shows, in appropriate cases even matters that might be regarded as “procedural” (and therefore be more relevant to costs), such as broad pleadings, false or misleading evidence, or unsatisfactory provision of discovery, may also be relevant to the question of additional damages. While Mr Palmer’s conduct in this regard was extreme, for any party, continuing to engage in the conduct complained of, ignoring demands from rights owners, or raising spurious defences may result in a much higher monetary award.

6 *Microsoft Corporation & Ors v CPL Notting Hill Pty Ltd & Ors* (No.4) [2018] FCCA 2465.

7 *PKT Technologies Pty Ltd v Peter Vogel Instruments Pty Ltd* [2018] FCAFC 1587.

8 *Phonographic Performance Company of Australia Pty Ltd & Ors v Hairy Little Sista Pty Ltd & Anor* [2018] FCCA 279.

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