

## **Summary of "Tom Waits" Case**

*Thomas Alen Waits and Hans Kusters Music, S.A. vs. Volkswagen-Audi España, S.A.; BBB Global Factory Music; and Tandem Campmany Guasch DDB, S.A., Barcelona Court of Appeals (15th Panel), November 17, 2005.*

### **Facts of the Case**

In this case, the American musician Thomas Alen Waits (hereinafter, "Mr. Waits") and his production company in Spain, Hans Kusters Music, S.A. (hereinafter, "Hans Kusters Music"), brought suit over a song featured in a commercial sponsored by Volkswagen-Audi España, S.A. (hereinafter, "Volkswagen-Audi"). The song featured in the commercial was a close imitation – in terms of both musical style and the singer's voice – of a Waits song entitled "Innocent When You Dream," for which Hans Kusters Music holds the copyright.

Volkswagen-Audi hired the advertising production company Tandem Campmany Guasch DDB, S.A. (hereinafter, "Tandem") to create an Audi advertisement entitled "Dreams." Tandem devised the advertisement and developed its script, leaving its actual production to the company Estudios Piramide, S.A. (hereinafter, "Piramide"). Piramide was also charged with obtaining the license to play Mr. Waits' "Innocent When You Dream" song in the new advertisement. To the effect, Piramide contacted the music company BBB Global Factory Music (hereinafter, "Global Factory Music"). On behalf of Piramide and Tandem, Global Factory Music communicated with Hans Kusters Music to negotiate a license for the use of Mr. Waits' "Innocent When You Dream" song in the Audi advertisement. The fax communications between the two companies establish that Hans Kusters Music was willing to grant the license in exchange for 6,000,000 pesetas (36,060.73 euros), subject to Mr. Waits' approval. However, Mr. Waits has a long-standing belief that his music should not be used for advertising purposes, and he therefore denied permission to grant the license. These unsuccessful negotiations were the only involvement that Global Factory Music had in the events in question.

When Global Factory Music's license negotiations proved unsuccessful, Tandem had Piramide hire an outside musician to create an imitation of the Waits song. This new song, entitled "Audi, ¿Y si las cosas soñaran una vida mejor?" (hereinafter "the imitation song"), was registered with the Spanish General Society of Authors and Publishers as the original work of José María Pérez Martín (hereinafter, "Mr. Pérez"). The copyright for this new imitation song belongs to the production company Chema Music Plus Music, S.L. (hereinafter "Plus Music"). Volkswagen-Audi paid directly Mr. Pérez for his work.

The imitation song was incorporated into the Audi advertisement, which was aired widely across Spain in the year 2000. Upon learning of the advertisement, Mr. Waits and Hans Kusters Music brought claims against Volkswagen-Audi, Tandem, and Global Factory Music. Mr. Waits sought damages for the infringement of his moral rights of authorship under Spain's Intellectual Property Law. Hans Kusters Music sought damages for infringement of its copyright interests, also pursuant to the Intellectual Property Law. The plaintiffs also requested cease-and-desist orders, as well as additional damages on the basis of Spain's Unfair Competition Law. No claims were filed against Piramide, Mr. Pérez, or Plus Music.

### **Barcelona Trial Court Level**

The case was heard before Barcelona Trial Court #25. On October 8, 2003, the Trial Court denied the defendants' pre-trial motion to dismiss, which was based upon the plaintiffs' alleged failure to join necessary defendants – to wit, the composer (Mr. Pérez) and the copyright holder (Plus Music) of the imitation song. At trial (decision issued January 28, 2004), the Trial Court held that the imitation song was substantially similar to Mr. Waits' original song. (This conclusion was based in part on reports prepared by the Belgian Society of Authors, Composers and Publishers and by the Spanish General Society of Authors and Publishers.) The Trial Court further found that the use of the imitation song in the Audi advertisement infringed the copyright interests of Hans Kusters Music and the moral rights of authorship of Mr. Waits.

However, the Trial Court dismissed all claims against Global Factory Music, which was involved only in the unsuccessful licensing negotiations for Mr. Waits' original work – and not with the reproduction, distribution or public communication of the imitation song. Furthermore, the Trial Court ruled that Volkswagen-Audi, as a car importer and dealer, had no reason to know that it was violating the copyright interests of Hans Kusters Music, especially given that it had hired an independent advertising production company to create the advertisement. The Trial Court reasoned that to impose upon Volkswagen-Audi a duty of greater oversight would necessarily require of it the unreasonable responsibility of becoming an expert in the music industry. As a result, the Trial Court held that Volkswagen-Audi could not be held liable for infringing Hans Kusters Music's copyright. Instead, only Tandem – the production company hired to create the advertisement – could be held liable for infringing the copyright. The Trial Court also determined that only Mr. Pérez, the person who actually modified Mr. Waits' original song without his consent, could be held liable for money damages for infringing Mr. Waits' moral rights of authorship. Finally, the Trial Court dismissed all claims based upon the Unfair Competition Law.

The Trial Court issued a cease-and-desist order requiring Tandem to abstain from using Mr. Waits' song, whether in whole or in part, and to refrain from transmitting the song in any way and across any medium. Tandem was also ordered to destroy, and to have third parties within its control destroy, all elements necessary to reproduce Mr. Waits' song in the advertisement. The Trial Court ordered Tandem to pay money damages of 36,060.73 euros to Hans Kusters Music for copyright infringement. Finally, all claims against Volkswagen-Audi and Global Factory Music were dismissed, with their costs to be paid by the plaintiffs.

### **Barcelona Court of Appeals Level**

#### Introduction

The two plaintiffs and defendant Tandem brought appeals in response to the Trial Court's decision. The appeals were heard before the 15th Panel of the Barcelona Court of Appeals, which issued its decision on November 17, 2005.

Mr. Waits and Hans Kusters Music appealed the following:

- (1) The dismissal of the claims based upon infringement of Mr. Waits' moral rights of authorship;
- (2) The acquittal of Volkswagen-Audi and Global Factory Music;
- (3) The awarding of damages of only 36,060.73 euros, when the copyright damages should have been 60,000 euros and the moral damages 30,000 euros; and
- (4) The dismissal of all claims based upon the Unfair Competition Law.

Tandem appealed the following:

- (1) The Trial Court's decision not to dismiss all claims for failure to join necessary defendants; and
- (2) The money judgment against Tandem, since it had hired Piramide, an experienced music production company, to develop original music for the "Dreams" advertisement.

#### Failure to Join Necessary Defendants

The failure to join necessary defendants is a judicially created doctrine that has since been incorporated into the Law of Civil Procedure. The purposes of the doctrine are two-fold: (1) to avoid prejudicing the rights of persons or entities that have not had the opportunity to state their case before the courts, and (2) to guard against the possibility of contradictory judgments.

The Court of Appeals ruled that it is not necessary for the plaintiffs to sue every party that might have participated in the airing of the advertisement – the musician that supposedly

modified the plaintiff's work, the companies that collaborated in the production of the commercial, and the advertiser itself – as these entities are not linked by any partnership relationship ("mancomunidad"). In addition, it is not appropriate to apportion responsibility with regards to the participation of each defendant, since each will be held liable as a consequence of its own individual acts. As a result, the plaintiff's failure to join some potentially liable parties does not prevent the Court from determining the liability of those parties that have been sued.

### Infringement of Intellectual Property Rights

The Court of Appeals held that Mr. Waits clearly has moral rights of authorship in his song "Innocent When You Dream," and that these rights include the ability to authorize the modification or alteration of the work. Furthermore, Hans Kusters Music's copyright gives it the exclusive right to reproduce, distribute and publicly communicate the work, whether in whole or in part. The Court of Appeals agreed with the Trial Court's determination that Mr. Pérez's song is in fact a substantially similar imitation of Mr. Waits' song, therefore implying an infringement of both moral rights and copyright interests. The Court further ruled that the infringement of the moral rights is attributable not only to the artist that actually modified the original work and registered the modified work as his own (i.e., Mr. Pérez), but also to those that were in charge of the advertisement's production (i.e., Tandem) and those that aired the advertisement for their own benefit (i.e., Volkswagen-Audi).

### Cease-and-Desist Orders

The Court of Appeals distinguished cease-and-desist orders, which are universally applicable, from actions for personal damages, whose validity depends upon the specific acts of the defendants being sued. As a result, cease-and-desist orders can be applied not only against those responsible for playing the plaintiffs' song in the "Dreams" advertisement, but also against whomever has commercialized and exploited said advertisement. The Court of Appeals held that the effective limit of such cease-and-desist actions can be found only with the final good-faith consumer. As such, both Tandem and Volkswagen-Audi are subject to the cease-and-desist order – Tandem because it developed the script for the advertisement and Volkswagen-Audi because it benefits from the advertisement. However, Global Music Factory's participation was limited only to the failed license negotiations. As such, it can be subject to neither a cease-and-desist order nor an action for money damages.

### Action for Money Damages Against Tandem

The Court of Appeals held that such actions for money damages can be maintained only as a result of the culpable conduct of the defendant. As an independent advertising development agency, Tandem had ultimate responsibility for the production of the advertisement. Tandem's culpable conduct in this case consisted of subcontracting the production of an imitation song, knowing full well that Mr. Waits had denied the license for his original song. The idea of using the modified version of Mr. Waits' song in the advertisement is attributable to Tandem, even when it should have been particularly careful not to infringe Mr. Waits' intellectual property rights.

The Court of Appeals further held that the proper measure of damages for the copyright infringement is the amount that was previously negotiated by Hans Kusters Music and Global Factory Music: 36,060.73 euros. (Mr. Waits' refusal was the only reason a license was not granted at that time.)

As to the damages for infringement of moral rights of authorship, the Court of Appeals held that such damages should be evaluated according to the circumstances of the infringement, the gravity of the harm and the degree of unauthorized transmission of the work. According to the Court, the circumstances in the case at bar include the fact that the author previously denied permission for the use of his work, the fact that as of the decision date the author had given no similar authorization, and the fact the work was recorded in modified form. These same circumstances reveal the gravity of the harm. In addition, there was significant transmission of the song because the advertisement was aired on television, to several million

viewers. As a result, the Court ruled that the plaintiff's request for 30,000 euros in moral damages is, although an estimate, reasonable.

#### Action for Money Damages Against Volkswagen-Audi

The Court of Appeals held that it was reasonable to infer that Volkswagen-Audi participated in the development of the advertisement and gave its approval for the use of the imitation song. Also, it was Volkswagen-Audi that directly paid Mr. Pérez to develop the imitation song, which serves as evidence that Volkswagen-Audi knew that Mr. Waits had refused to allow the company to use his original song in their advertisement. As a result, Volkswagen-Audi knew the risk of infringing the intellectual property rights of the plaintiffs, and as such had a duty of greater diligence to avoid the same. Therefore, Volkswagen-Audi is equally as responsible as Tandem for the copyright and moral rights damages awarded to the plaintiffs.

#### Unfair Competition Claims

In addition to their intellectual property claims, the plaintiffs also brought unfair competition claims. The Court of Appeals held that, while the same set of facts can in some circumstances give rise to accumulated claims, such facts were not present in the case at bar. The Court explained that the Intellectual Property Law and the Unfair Competition Law have a complementary relationship, allowing for the accumulation of causes of action based upon the distinct interests being protected. The Intellectual Property Law protects the interests of the holders of the rights, while the Unfair Competition Law protects the interests present in the market (competitors, consumers and users) and competition itself, as an essential tool of a market economy. However, this accumulation of actions should never be automatic and undue, as is the case when the only interests harmed are those of the holders of the rights and not those of the public. As a result, the Court of Appeals upheld the Trial Court's dismissal of the unfair competition claims.

#### Final Sentence of the Court of Appeals

In its final sentence, the Court of Appeals declared that Mr. Waits' moral rights of authorship and Hans Kusters Music's copyright interests had been violated. The Court ordered Tandem and Volkswagen-Audi to abstain from using Mr. Waits' song, whether in whole or in part, and to refrain from transmitting the song in any way and across any medium. Tandem and Volkswagen-Audi were also ordered to destroy, and to have third parties within their control destroy, all elements necessary to reproduce Mr. Waits' song in the advertisement. Finally, Tandem and Volkswagen-Audi were held jointly and severally liable for money damages in the amount of 36,060.73 euros (for infringing Hans Kusters Music's copyright) and 30,000 euros (for infringing Mr. Waits' moral rights of authorship). All unfair competition claims were dismissed, as were all claims against Global Factory Music. As to costs, no costs were awarded as to the appeals brought by the plaintiffs. However, Tandem was ordered to pay the costs occasioned by the plaintiffs as a result of the Tandem appeals.

#### Summary of the Law

**Substantive Law.** Under Spain's Intellectual Property Law, the commercial use of an imitation song that is substantially similar to another musician's original work constitutes an infringement of the moral rights of authorship and copyrights associated with the original song. The author and/or copyright holder of the original song may maintain causes of action against the musician that developed the imitation song, the production company responsible for producing the imitation song, and the advertiser that knowingly benefited from the inclusion of the imitation song in its advertisements. The proper remedies include cease-and-desist orders and money judgments for both copyright and moral damages. When the public in general or the market as a whole has been harmed, the plaintiffs may also maintain additional actions based upon Spain's Law of Unfair Competition. However, such actions will be dismissed when only the musician and the copyright holder have been harmed.

**Evidence.** The specially prepared technical reports of organizations representing the commercial interests of artists and publishers may be used when determining whether one artist's song is "substantially similar" to another artist's song.

**Damages.** It is appropriate to rely upon the parties' prior licensing negotiations, if available, when determining the money damages for copyright infringement. When determining damages for infringement of moral rights of authorship, appropriate factors to consider include the circumstances of the infringement, the gravity of the harm and the degree of unauthorized transmission of the work.

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Gerhard W. Volz  
Abogado & Rechtsanwalt  
Partner  
SCHILLER LEXCONSULT Abogados  
Henri Dunant, 19  
28036 Madrid  
Spain

Tel : ++34. 914 179 780  
Fax: ++34. 915 971 266  
mail: [gwwolz@schillerlexconsult.es](mailto:gwwolz@schillerlexconsult.es)  
web site: [www.schillerlexconsult.com](http://www.schillerlexconsult.com)