

A Whiter Shade of Pale Turns into Some Green for Organist

On July 30, 2009, the House of Lords upheld a 2006 High Court ruling holding that the mere passage of time does not work to bar a claim to a share of copyright ownership. Despite a thirty-eight-year delay in bringing his claim for a share of copyright in the musical work *A Whiter Shade of Pale*, the equitable doctrines of estoppel and laches did not work to defeat Matthew Fisher's claim where the defendants, Gary Brooker and Onward Music Ltd. suffered no detriment. Rather, the House of Lords held that not only Mr. Fisher's claim was not defeated by the delay, but also that he is a co-author and

40% joint owner of the musical copyright in the song, and that the defendants' license to exploit his share was revoked as of May 31, 2005, when his claim was first brought.

Background

A Whiter Shade of Pale, a cult classic of the 1960s, was originally composed in 1967 by Gary Brooke, the lead singer and pianist of the British rock band Procol Harum, with lyrics written by Keith Reid, the band's manager. The band then

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Microsoft v. Mal-Ads—a Summary of Unfolding Action Against Internet Marketing Abusers

On September 17, 2009, Microsoft Corporation (Microsoft) filed five lawsuits in the Superior Court of King County, Washington, alleging that malicious online advertisements, "malvertisements," caused users of Microsoft products to purchase and download malicious software, or "scareware" onto their computers, resulting in damage to consumers as well as to Microsoft's business. Microsoft has requested relief in the form of damages and injunctive relief.

All five suits name anonymous defendants, as Microsoft has been unable to locate the true identities of the persons driving this alleged activity. Microsoft has, however, identified the individuals by the

fictitious business names believed to be used by the unknown individuals, namely, DirectAd Solutions, Soft Solutions Inc., Qiweroqw.com, ITmeter Inc., and ote2008.info, noting that Microsoft will amend the complaints once the true identities of the individuals behind the alleged activities are known. The discussion below is limited to the discussion of Microsoft's complaint against DirectAd Solutions.

Microsoft alleges in its complaint against one defendant, JOHN DOES 1-20, d/b/a DirectAd Solutions ("DirectAd"), that DirectAd posed as an ad agency working on behalf of Global Travel International, a legitimate company. DirectAd allegedly

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Swiss Trademark Special

The Swiss PTO has announced its plans to abolish fee reductions for electronic applications, which will effectively increase the filing fees by 60%. Starting January 1, 2010, official filing fee for a trademark in up to three classes will be CHF 550 instead of the current rate of CHF 350. The fee for each additional class will become CHF 100 instead of the current CHF 60. In light of these changes, brand owners considering applying for trademark protection

in Switzerland may wish to file their applications before the end of the year.

The current filing fees date back to 2002 when they had been lowered to encourage electronic filing. Because over 95% of new applications are now filed electronically, the Office feels that the incentive is no longer necessary and plans to use the additional revenue to finance further development of its electronic services.

FCC Proposes Rules That Support Net Neutrality

On September 21, the Federal Communications Commission (FCC) proposed new rules that would require internet service providers to treat all content equally in terms of transmission speed. More recently, an announcement came that the rules may have proponents in Congress—Sen. Byron L. Dorgan (D- North Dakota) and Sen. Olympia J. Snowe (R-Maine) have both announced a possible proposal for new legislation in line with the new rules proposed by the FCC.

The principle of net neutrality is ensuring that consumers have unhindered access to all legal content, regardless of actual subject matter, its source, or the amount of bandwidth it requires. The intent is to ensure that network operators allow access to all content equally, regardless of whether it is bandwidth-heavy (e.g., music or video streamed from YouTube), or , like an SMS text message, only requires minimal amounts of network resources to transmit. The proposed rules attempt to codify principles of openness, beyond the current regulations, which many find problematic because although these regulations require network service providers to enable access to all legal content, they do not mandate that a network operator could not impede certain traffic because of its heavy bandwidth usage.

The issue prominently came to light when Comcast was accused of slowing some peer-to-peer traffic, asserting that it monopolized a disproportionate amount of bandwidth. Comcast maintained that it was not violating any laws and was merely managing its network resources, but nonetheless did change its practice. The proposed rules aim to officially make such action impermissible, whether the access is being hampered on the basis of content or on the basis of bandwidth

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usage. Another aim is to prevent a network operator from blocking content provided by a competitor. For example, AT&T and Apple have attempted to prevent iPhone users from accessing competitor's VoIP services, blocking access to the internet phone service Skype, maintaining that its use only clogs the network for other users. If proposed rules pass, AT&T may be forced to open up access.

The proposed rules would not only be applicable to ISPs, but also to mobile phone service providers, affecting access to content using mobile phones and other wireless devices. Such new rules would be a boon to content providers like Google,

who owns YouTube, but would come under strong objections from network providers, like AT&T and Comcast, who view the proposed rules as a hindrance. Network providers are concerned that new rules may interfere with tiered pricing structures for faster connections and argue that there is no need for interference into how they manage their networks.

Wireless phone carriers are perhaps amongst the strongest objectors, as it often benefits them to slow or block data-heavy sites, so that their networks are not clogged or slowed when users are accessing sites that require a disproportionate amount of bandwidth, as compared to users accessing mobile-

specific sites or receiving text messages. For example, many iPhone users in areas with a significant concentration of iPhones are finding that their service is slowing, as the increased use of such devices drains the network resources. AT&T has attempted to approach this issue by blocking access to some bandwidth-heavy applications.

It remains to be seen whether these rules will be adopted. In the meantime, content providers and network operators will continue to debate how to balance unimpeded access against smooth network operation and the need to manage network traffic so as to avoid bottlenecks and slowdowns across the board.

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placed an ad with Microsoft for display on the MSN network of websites. Microsoft alleges that, according to information and belief, DirectAd has no affiliation to Global Travel International.

Microsoft alleges that DirectAd used this advertising space to direct consumers to a website which created the impression that the consumer's machine was being scanned for infection by Microsoft security software. The scan returned a list of "dangerous files" and urged consumers to purchase fake security software to eliminate them and protect against future problems. According to the complaint, Microsoft has determined that each scan was preprogrammed, and thus false, as was the furnished software. In addition, Microsoft alleges that DirectAd's website, where the false security software or "scareware" was made available, resembled the "look and feel" of Microsoft's Windows XP operating system, that the website generated a look-alike Windows Security pop-up alert and deceptively used Microsoft's trademarks. Microsoft alleges that these instances created the impression that this website, the warning, and the software available for purchase

were associated with Microsoft.

Microsoft's prayer for relief requests temporary and permanent injunctive relief against DirectAd, actual damages in amounts to be proven at trial, disgorgement of DirectAd's ill-gotten profits, statutory damages as available, enhanced damages in an amount to be proven at trial under Washington law, and attorneys' fees and costs. Microsoft's claims against DirectAd, which constitute the force behind Microsoft's prayer for relief, are summarized as follows:

1) Violation of §4 of Washington Computer Spyware Act, alleging that DirectAd induced consumers to install software, deceptively misrepresenting the extent to which the software was necessary. As a result, Microsoft has been adversely affected and is entitled to injunctive relief and actual or statutory damages (whichever is greater) in addition to attorneys fees.

2) Violation of the Washington Consumer Protection Act, alleging that DirectAd's activities in targeting Microsoft's programs and customers constitute deceptive practices affecting the public interest.

3) Breach of Contract, alleging that DirectAd entered into a contractual agreement with Microsoft in purchasing ad space, and that DirectAd's submission of a malvertisement breached numerous terms of the agreement and has damaged Microsoft.

4) Fraud, alleging that DirectAd knowingly and with intent to deceive made false and misleading representations, knowing that Microsoft would rely upon them.

5) Trademark Infringement under the Lanham Act 15 U.S.C. § 1114, alleging that DirectAd's use of Microsoft's trademarks was unauthorized and constituted counterfeits of Microsoft's trademarks to promote, market or sell products and services, thus damaging Microsoft.

6) False Designation of Origin under the Lanham Act – 15 U.S.C. §1125(a), alleging that DirectAd used Microsoft's trademarks in a manner that is likely to cause confusion, mistake or deception as to the origin, sponsorship or approval of such goods or services, thus damaging Microsoft.

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7) Unfair Competition/False Advertising under the Lanham Act – 15 U.S.C. §1125(a), alleging that DirectAd has used Microsoft's trademarks in connection with goods or services with false, misleading descriptions in commercial advertising, thereby misrepresenting the nature or qualities of their, or another person's goods or services.

8) Violation of the Federal Computer Fraud and Abuse Act – 18 U.S.C. §1030(a)(2), (4), and (5), alleging that DirectAd knowingly and with the intent to defraud accessed a protected computer without authorization, attempting to obtain value. Microsoft also alleges that DirectAd knowingly caused the transmission of a program or other information via computer with the intent to cause damage, resulting in loss of at least \$5000 to one or more persons during a one-year period.

9) Intentional Interference with Contractual Relationships and Business Expectancies, alleging that Microsoft has contractual relationships and business expectations based upon the programs, services and software it provides to consumers; that DirectAd knew of these relationships; that DirectAd promoted and sold scareware targeting Microsoft programs, knowing that this activity would interfere with Microsoft's existing and prospective contracts with consumers.

10) Unjust Enrichment, alleging that DirectAd's conduct constitutes unjust enrichment at Microsoft's expense in violation with Washington common law.

DirectAd's response, as well as the response from the other John Doe defendants has yet to be seen.

In addition to Microsoft's own battle against malvertisements and scareware, in the days before these actions were filed, the New York Times claimed that it

unintentionally ran an advertisement on its website for a supposedly legitimate company. This ad redirected consumers to a promotional website for anti-virus software, persuading them to purchase additional protection, much like the activity alleged in the Microsoft complaints.

It has been suggested by some that the incident with the New York Times and the instances involving Microsoft are linked. Whatever the case, these situations point to potential vulnerability in even the most trusted online sources, and raise an increased need for consumers' own skepticism in online marketing. Although safety in exposure to internet marketing has increased substantially, thanks to policing efforts by entities such as Microsoft and the New York Times, among others, if consumers operate with a heightened sense of awareness and responsibility, purveyors of malvertisement and scareware scams will see their profit base dissipate.

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signed a contract with Essex Music by which all of the copyrights to the words and music were assigned to Essex in exchange for a percentage of royalties generated from exploitation of the song. Shortly after the agreement was signed, Fisher joined the band as organist and composed the organ solo comprising the beginning of the song and organ melody which appears throughout the duration. After the song was recorded, the band members entered into a recording contract with Essex granting Essex rights to exploit any recording the band made. Mr. Fisher left the band two years later. In 1993, Essex assigned its rights to the song to Onward Music Ltd. In May 2005, Mr. Fisher brought suit to claim a share of the musical copyright in the song.

2006 High Court Ruling

After rejecting Brooker's claim that a fair

trial was impossible after such a delay, the High Court found that Fisher was a joint owner of the work. The Court looked at the circumstances under which the song was written, the philosophy of the band being that each musician made his own musical contributions, and specifically whether Mr. Fisher's contribution of the organ solo could be regarded as invention separate from the song as it was originally written. The court drew on the evidence from Mr. Fisher that the solo was inspired by "Wachet auf, ruft uns die Stimme" by J.S. Bach, a completely different work from the one the original song was inspired by, and Mr. Brooker's own admissions that the solo was a result of a "careful creative process on [Mr. Fisher's] part". Based on the facts, the Court found that Fisher had a copyright interest in the song, but that he had granted Brooker and Essex Music an implied license to exploit the copyright in the song, which the Court deemed was terminated when Fisher gave notice

to defendants of his intention to claim copyright ownership.

Next, the Court considered whether any equitable defenses might apply to bar Fisher's claim given the considerable delay in bringing it. Defendants asserted that the defenses of estoppel, acquiescence and laches were applicable in five instances: 1) Fisher's failure to assert his claim before the release of the Work in 1967; 2) Fisher's decision in 1967 not to pursue his claim so as to benefit from membership in Procol Harum; 3) the circumstances under which Fisher left Procol Harum in 1969; 4) Brooker's efforts in continuing to promote the Work, keeping it in the public eye; and 5) Fisher's delay in bringing his claims. The Court first noted that for estoppel to work, detriment to the defendant is an essential element. The Court rejected that Fisher's delay caused Essex to rely on the fact that he was

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foregoing his rights. The Court also found the second instance irrelevant as it relied on a statement in connection with advice Fisher sought at the time, and was only raised during these proceedings. Further there was no evidence to suggest that the defendants suffered detriment as a result of Fisher's failure to speak out. Finally, the Court found that not only was no detriment suffered by defendants by the delay, but rather the defendants benefited significantly in that they received all of the musical royalties to the Work over the years without having to pay Fisher. The Court found that delay itself is no defense to bringing a copyright claim under English law, especially where no equitable relief is sought. The court found that considering the case involved a "valuable property right" it would be "wholly unjust" to deprive Fisher for the remainder of his life and 70 years thereafter of his interest in the Work, when the defendants have enjoyed the fruits of the Work for years with no need to account to Fisher.

To assess what share was appropriate for Mr. Fisher's contribution, the Court first looked to evidence provided in Fisher's case in chief, finding that when Brooker was given a keyboard to play the song as it had been originally written without Fisher's contributions, there was "nothing akin to the flowing organ melody which is such a distinctive feature of the Work." The Court then went on to reject an argument made during the presentation of evidence suggesting that it is custom and practice in the music industry that where an arrangement is a result of collaborative effort from band members, because the skill and labor of each member relates to the musical elements of the arrangement of the original work, and not to creation of the original song itself, the persons contributing should not be entitled to any share in the copyright. The Court stated that it is well established under Copyright Law, despite what practice may or may not

be customary, that the fact that a musical work is an arrangement of an earlier work does not mean the arrangement cannot attract separate copyright. Considering that Fisher's pleaded claim was for a 50% share of the copyright and no positive case was advanced by the defendants against this result, the Court granted Fisher a 40% share, as his share was definitely substantial, but not as great as that of Mr. Brooker.

Court of Appeal

The Case was ultimately appealed to the Court of Appeal, which upheld that a fair trial was possible and that Fisher was a joint owner entitled to a 40% share of the copyright, but held that Fisher was not entitled to his share because it was either assigned to Essex under the terms of the recording contract, or in the alternative, if deemed an implied license rather than an assignment, that implied license was made irrevocable by virtue of acquiescence as a result of Fisher's "excessive and inexcusable delay" in bringing his claim. The Court of Appeal found it would be unjust to permit Fisher to succeed in his claim, and that Fisher's implied license to Essex Music was irrevocable due to acquiescence and laches.

Appeal to House of Lords

Fisher further appealed the decision to the House of Lords, the highest court for copyright infringement. Here, there were three matters left to be considered: 1) the implied license issue; 2) the recording contract issue, and 3) the laches, estoppel and acquiescence defenses.

Defendants' argument regarding the implied license was that Essex had taken an assignment of the copyright in the original song, and since it was intended by Essex and the members of the band that Essex would exploit the song as developed for the recording, it also took an assignment

of the copyright in the Work, as completed with Fisher's contribution. The House found this argument to be based on implication, meaning that for it to be successful, the elements of implication must be met, namely: 1) it would have to have been obvious to Fisher and Essex that Fisher's copyright was to be assigned, and 2) the commercial relationship between the parties could not sensibly have functioned without the assignment. The House rejected the argument finding it undermined by the fact that the agreement was reached between musicians in their early twenties on the one hand and the highly-experienced music-recording company, Essex, on the other. Further, the House found that an assignment of copyright was not necessary for Essex to exploit the recording; all that was needed was a license.

Turning to the recording contract issue, the House found that the High Court judge was right to reject the contention that the recordal contract worked as an assignment of copyright, finding that the contract operated as a provision licensing rights to Essex to exploit the Work.

The House then addressed the arguments based on laches, estoppel and acquiescence. First, the House noted that acquiescence does not really add anything beyond estoppel and laches. Turning to estoppel, the House noted that for the defense to be successful, defendants had to show that they have reasonably relied on Fisher having no claim, have acted on that reliance, and that it would now be unfair to permit Fisher to claim a share. The House noted that there was no evidence that the defendants would have acted any differently had Fisher brought his claim in 1967. Further, rather than suffer detriment, the House agreed that defendants had benefited considerably by his delay, collecting royalties for nearly 40 years without having to account for any part of them to Fisher. *continued on page 5*

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For laches, the House noted that there is no explicit requirement of detriment, but suggested that it was an immutable requirement and covered by the evaluation of the facts on equitable principles. Thus, something more than mere delay would be required. The House found that the laches defense fails in two ways. First, laches can only act to bar equitable relief, and a declaration as to ownership of a property right recognized by statute is not an equitable remedy. Second, the House found that defendants failed to demonstrate that the delay resulted in

an imbalance of justice justifying barring relief claimant would otherwise be entitled to.

Conclusion

While Fisher cannot recoup any royalties earned over previous years, he can now enjoy his share of the copyright in the song. He now also has a right to seek an injunction, although this would have to be decided by a trial judge on the merits.

For musicians and their lawyers, the decision is a victory. Musicians may

now be more confident to seek what they believe to be their fair share of the riches from exploitation of their songs over the years. The decision will not be felt as a victory for music companies, on the other hand, who are likely to now be more concerned about the risks of a claim due to old poorly-drafted agreements. In addition, music companies now may fear that the decision may open up the prospect of countless claims from musicians who feel their rights have been overlooked.