

## Copyright: 2023 Year in Review

Casey Chisick, Eric Mayzel, Jessica Zagar, Alexander De Pompa, Lina El Mugammar

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Join the Cassels Copyright team as we look back at some of the most notable Canadian copyright law decisions, legislative amendments, and other developments from 2023.

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## Consultation on Copyright in the Age of Generative AI

On October 12, 2023, the federal Department of Innovation, Science and Economic Development (ISED) launched a Consultation on Copyright in the Age of Generative Artificial Intelligence. The consultation sought comments and technical advice from stakeholders on copyright matters relating to generative AI. Among other things, it addresses text and data mining and the training of machine learning models, authorship, and ownership of copyright in AI-generated and AI-assisted works, and the commercialization of AI systems and the liability for any infringement that occurs. The deadline for stakeholder submissions was January 15, 2024, and a report from ISED is expected soon. For more information on the Consultation, see our Cassels Comment [here](#).

## Federal Court Guidance on the Use of AI in Proceedings

On December 20, 2023, the Federal Court of Canada published a Notice to the Parties and the Profession on the Use of Artificial Intelligence in Court Proceedings and Interim Principles and Guidelines on the Court's Use of Artificial Intelligence to provide guidance on the use of AI in court proceedings by parties, counsel, interveners, and the court itself. For more information regarding the Federal Court's guidance on those issues, please see our Cassels Comment [here](#).

## New Rules of Practice for Copyright Board of Canada Proceedings

On March 1, 2023, the Copyright Board of Canada published its final Rules of Practice and Procedure in the Canada Gazette. The Rules are now in effect as Regulation SOR/2023-24 under the *Copyright Act*. The Rules contain new or clarified requirements for Copyright Board proceedings with respect to the filing of proposed tariffs, conduct of proceedings, case management, evidence, and parties to proceedings. We discuss the Rules in detail in our Cassels Comment [here](#).

## The Online News Act Creates Compensation Requirements for Canadian News Businesses

The *Online News Act* received royal assent in June 2023 and established a mandatory bargaining process that requires "digital news intermediaries" (DNIs) to enter into commercial agreements with eligible Canadian news businesses. Under these agreements, DNIs will be required to compensate Canadian news

businesses for sharing their news content on the DNIs' platforms. The final regulations under the Act, the *Online News Act Application and Exemption Regulations*, officially came into force on December 19, 2023, and implement the results of negotiations between Google and the Canadian federal government in November 2023 and provide other clarifications related to how digital news intermediaries may be exempted from the *Online News Act's* mandatory bargaining requirement. For more on this legislation, see our Cassels Comments [here](#) and [here](#).

## **The Online Streaming Act: A New Era for Broadcasting Regulation**

The *Online Streaming Act* received Royal Assent on April 27, 2023, providing Canada's *Broadcasting Act* with its most expansive refresh in more than 30 years. As a result of the *Online Streaming Act*, online broadcasters—including online streaming platforms—are now regulated by the Canadian Radio-television and Telecommunications Commission (CRTC) and are required to contribute to the creation, production, and distribution of Canadian content. On November 14, 2023, the Department of Canadian Heritage released the final version of its directions to the CRTC on the implementation of the *Online Streaming Act* in advance of their formal publication in the Canada Gazette on November 22, 2023. Cassels has been closely monitoring the implementation of the *Online Streaming Act*. For more information, please see our most recent Cassels Comments [here](#) and [here](#).

## **Survey on Artists' Resale Rights**

On November 9, 2023, the federal Department of Canadian Heritage launched a survey to gather market data in pursuit of establishing a resale right for artists. The artist's resale right would allow a visual artist to receive a royalty from the sale of their work in secondary markets after the original sale of that work by the artist. Its purpose is to enable an artist to financially benefit from their growing reputation and secondary sales of their work as their career progresses. The survey, which closed on December 21, 2023, sought to gather information on the Canadian art market from the perspective of artists and buyers and sellers of art.

## **Authorization of Infringement Does Not Include “Third Party Authorization”: Voltage Holdings, LLC v. Doe #1, 2023 FCA 194**

The appellant, Voltage Holdings LLC, a movie production company, detected that Internet users at certain IP addresses were using BitTorrent software to make its film “Revolt” available without authorization. After sending warning notices to the Internet subscribers through the notice and notice regime, Voltage obtained Norwich orders requiring ISPs to provide it with information about the Internet subscribers' identities based on the IP addresses. Voltage then took action for copyright infringement against 110 anonymous defendants

identified only by their IP addresses. After no defences were filed, Voltage moved for default judgment against 30 of those subscribers, whom it described as the “worst of the worst.”

The Federal Court (2022 FC 827) dismissed Voltage’s motion. While it found that the respondents were in default, it determined that Voltage had not provided sufficient evidence to establish that the respondents were either direct infringers themselves or possessed sufficient control over those who posted “Revolt” to have authorized the infringement. It noted that the notice and notice regime in the *Copyright Act* was not an absolute liability framework and that infringement by Internet users must still be proven for the claim to succeed.

On appeal, the Federal Court of Appeal (FCA) upheld the Federal Court’s decision. The FCA declined to find direct infringement. A mere association with an offending IP address does not establish infringing activity on the part of the IP address holder. If it did, it would make subscribers strictly liable for all infringing activity associated with their account.

The FCA also rejected Voltage’s argument that the respondents were liable for authorizing infringement and that “authorization” under the *Copyright Act* includes “third party authorization,” which involves a subscriber’s consent to sharing access to their Internet account and indifference to the purposes for which it is used. The FCA held that “authorizing” infringement depends on the alleged authorizer’s control over the *person* who committed the resulting infringement, not on the alleged authorizer’s control over the supply of their technology. Merely allowing the use of equipment that could be used to infringe copyright is not an act of “authorization” under the *Copyright Act*.

In considering the burden of proof, the FCA acknowledged that inferences may be drawn where a plaintiff cannot reasonably be expected to prove every aspect of their inquiry. However, technological limitations do not reduce the burden of evidence necessary to establish a link between the Internet users and the infringing activity at issue. Since copyright law is statutory and both “infringement” and “authorization” are statutory terms whose scope and content have been judicially defined, a plaintiff is required to meet the minimum evidentiary requirements for a successful claim of infringement.

## **Defence of Misuse of Copyright Examined in the Context of the Notice and Notice Regime: Millennium Funding, Inc. v. Bell Canada, 2023 FC 764**

The Federal Court considered the novel defence of misuse of copyright in the first action of its kind against ISPs for failure to deliver notices of claimed infringement to potential defendants under the *Copyright Act*’s notice and notice regime.

Under section 41.26 of the *Copyright Act*, an ISP that receives a valid notice of claimed infringement must

forward the notice electronically to the person to whom the electronic location identified by the location data specified in the notice belongs and inform the claimant of its forwarding or the reason why it was not possible to forward it.

The plaintiffs, a group of film studios, alleged that Bell Canada and Bell Aliant failed to comply with those requirements with respect to almost 40,000 notices delivered by the plaintiffs, and sought approximately \$400 million in statutory damages.

In defence, Bell claimed that the plaintiffs abused the notice and notice regime and asserted that it had legitimate reasons for not delivering those notices. It also advanced a novel defence, alleging that the plaintiffs “misused their copyright” through their use of the Copyright Enforcement Program instituted by its external counsel. Bell alleged that the Copyright Enforcement Program sent out large numbers of unreliable and automatically generated notices to intimidate alleged infringers, extract unwarranted and disproportionate settlements, and obtain exorbitant statutory damages from ISPs.

The case management judge struck out portions of Bell’s defence and counterclaim, including all allegations of misuse of copyright and the claims against the plaintiffs’ external counsel.

The Federal Court dismissed Bell’s appeal from the order of the case management judge without leave to amend. With respect to the claim of misuse of copyright — which the Court defined as a developing US doctrine that provides an equitable defence when a copyright owner attempts to extend their copyright in a manner that violates law or public policy — the Court held that the case management judge erred in concluding that the doctrine could never extend to a section 41.26 action or that because Bell’s arguments involved matters of public policy they could not be asserted in support of a misuse of copyright defence.

However, the Court ultimately found that the case management judge did not err in finding that there was a lack of material facts to support the allegation of misuse of copyright. The Court held that Bell’s pleadings did not explain how the Copyright Enforcement Program was used to generate notices to those who are wrongfully accused of infringing, nor did it clarify the basis for asserting that the notices were unreliable and unlawful. It also held that Bell had not pled sufficient material facts to sustain its allegations that the plaintiffs’ external counsel abused the notice and notice regime and misused copyright through its administration of the Copyright Enforcement Program.

The Court also agreed with the case management judge that a breach of the notice and notice provisions of the *Copyright Act* does not give rise to an independent cause of action or permit parties to seek remedies outside the legislation.

This decision is currently under appeal to the Federal Court of Appeal.

## **Limits on Copyright and Moral Rights in the Design of a Functional Object: French v. Royal Canadian Legion, 2023 FC 749**

The plaintiff is the creator and registered owner of copyright in the “Poppy Puppy,” a stuffed dalmatian dog featuring poppies in lieu of spots. The plaintiff had initially supplied and licensed the Poppy Puppy to the Royal Canadian Legion in 2003, which purchased 150,000 of them.

In 2021, the plaintiff brought a simplified action, alleging that the Legion had infringed his copyright by switching suppliers for the Poppy Puppy and inducing the new supplier to create and supply Poppy Puppy toys. He also alleged that the Legion had infringed his moral rights by claiming to be the developer of the Poppy Puppy in advertisements promoting the toy, among other claims.

The Court considered section 64 of the *Copyright Act*, which limits the enforceability of copyright that subsists in a “design” that is applied to a “useful article” if the article has been reproduced in a quantity of more than 50 by, or under the authority of, the copyright owner. For the purposes of this section, “design” means certain features that “appeal to and are judged solely by the eye.” A “useful article” is an article that has a utilitarian function, meaning a function “other than merely serving as a substrate or carrier for artistic or literary matter,” and includes a model of any such article.

The Federal Court held that the Legion had not committed copyright or moral rights infringement because the Poppy Puppy was a “useful article” within the meaning of section 64 of the *Copyright Act* and had been produced in a quantity of more than 50.

The Court accepted that the Poppy Puppy was a useful article because, in addition to its aesthetic value, it had a functional and practical use in that it is a toy to be played with by children. The Court also found that certain carve-outs to the application of section 64, which appear in section 64(3), did not apply. Specifically, the Court held that the design of the Poppy Puppy toy “as a whole” was not a representation of a fictitious being applied to an article or a graphic representation applied to an article.

The decision serves as an important reminder for authors and owners of copyright to obtain timely industrial design registrations for any designs that are applied to mass-produced functional objects, to ensure that they benefit from protection under intellectual property legislation.

For more on this decision, read our Cassels Comment [here](#).

## **Sharing a Controlled Link to an Unlisted Video May be Publication: Linkletter v. Proctorio, Incorporated, 2023 BCCA 160**

The plaintiff, Proctorio, Incorporated, offered a software product designed to proctor students writing examinations on their computers at home. The defendant, Ian Linkletter, criticized Proctorio and its CEO and published the links to Proctorio's instructional YouTube videos to his Twitter account. Those videos were "unlisted," meaning that they could not be accessed other than by those that were provided with the correct link. Proctorio commenced an action against Linkletter for breach of confidence, copyright infringement, and circumventing technological protection measures contrary to the *Copyright Act*.

Linkletter brought an application to have Proctorio's action dismissed under British Columbia's anti-SLAPP legislation. The Supreme Court of British Columbia allowed the application in part (2022 BCSC 400) but largely found that Proctorio had met its burdens of showing that its claims had substantial merit and Linkletter had no valid defences.

The British Columbia Court of Appeal dismissed Linkletter's appeal. It agreed with the application judge that there were grounds to believe that Proctorio's breach of confidence claim had substantial merit given that the links to the videos were confidential and Linkletter appeared to be aware that the videos were intended to be kept confidential.

The Court of Appeal also agreed with the application judge that there were grounds to believe that Proctorio's claim that Linkletter infringed its copyright by communicating, reproducing, or publishing the videos had substantial merit. Linkletter relied on *Crookes v. Newton*, 2011 SCC 47, to argue that sharing the links to Proctorio's videos was nothing more than referencing publicly available works. However, the Court of Appeal held that whether sharing a controlled link to an unlisted video amounts to a publication of the video, rather than a mere direction or reference, is a novel question that should not be ruled at out at that early stage of the proceeding.

## **Contractual Interpretation Issues May Not Displace the Federal Court's Jurisdiction Over Intellectual Property Matters: Society of Composers, Authors and Music Publishers of Canada v. Vidéotron Ltée, 2023 FC 1385**

In this decision, the Federal Court refused a motion by Québecor Média Inc. and Vidéotron Ltée (together, Québecor) to strike SOCAN's statement of claim, or alternatively, to stay the action in favour of litigation in the Superior Court of Quebec.

The proceeding arose from a dispute over royalties payable for Québecor's use of works in SOCAN's repertoire in 2018. Although Québecor accepted that it owed royalties for that use, at the end of 2018, it deducted from its royalty payment amounts that it claimed to have overpaid in 2014 through 2018. According to Québecor, the overpayment stemmed from a 2018 agreement between SOCAN, Québecor, and other broadcasting distribution undertakings (BDUs) relating to certain obligations regarding copyright



tariffs. While SOCAN agreed that there had been an overpayment beginning in April 2018, it disputed that there was any overpayment between 2014 to March 2018 and disagreed that Québecor had the right to unilaterally set off any overpayment against amounts owing in 2018.

Québecor argued that it was plain and obvious that the Federal Court lacked jurisdiction over the proceeding because the dispute centred on the interpretation of the 2018 agreement and the essential character of SOCAN's claim therefore related to provincial law of contract and set-off, not copyright.

The Federal Court rejected Québecor's argument. It noted that SOCAN's claim sought to recover royalties, and asserted a right to collect those royalties, on behalf of copyright owners as a collective society under the *Copyright Act*. While the determination of the claim may require the interpretation of the 2018 Agreement, it was not plain and obvious that this changed the essential character of the claim as a copyright enforcement case or otherwise took it outside the jurisdiction conferred on the Federal Court by the *Copyright Act*. The Court confirmed that the Federal Court may be called upon to interpret agreements in exercising its jurisdiction in areas of federal competence, including intellectual property.

The Court also refused to stay the action in favour of litigation in the Superior Court of Quebec. While the *Federal Courts Act* permits the Court to stay proceedings in any matter where it is "in the interests of justice" to do so, the Court held that it was not clear that mere uncertainty as to the Federal Court's jurisdiction ought to be a material factor for considering a stay request.

## **Staying Proceedings in Favour of Arbitration: General Entertainment and Music Inc. v. Gold Line Telemanagement Inc., 2023 FCA 148**

The plaintiff, General Entertainment and Music Inc. (GEM), brought a copyright and trademark infringement claim against three related corporate defendants who collectively provide streaming services for television channels and video on demand services. One of the corporate defendants, Ava Telecom Inc., had entered into a licensing agreement with GEM under which it could offer its customers audio and video content produced or licensed by GEM. The licensing agreement permitted either party to terminate the agreement upon six months' notice and provided that any dispute was to be settled by arbitration in Bermuda.

In October 2015, GEM purported to terminate the licensing agreement effective immediately. Ava Telecom responded that it did not accept the notice because the licensing agreement required six months' notice of termination and an amount was still payable by GEM to Ava Telecom under the licensing agreement. Ava Telecom asserted that it would continue to broadcast GEM's content until the amount owed was paid. Ava Telecom's parent company, Gold Line Telemanagement Inc., continued to treat the licensing agreement as being in place until March 2019.



After GEM filed its statement of claim, Gold Line requested that GEM stay the proceeding in favour of arbitration in Bermuda. GEM refused, and Gold Line delivered its defence and counterclaim and then commenced arbitration in Bermuda. The defendants then brought a motion to stay the proceedings pending the arbitration in Bermuda.

The case management judge dismissed the motion to stay on the grounds that she was not satisfied that GEM was bound by the licensing agreement, the defendants had taken steps to advance the litigation, and the licensing agreement had been terminated, among other reasons. On appeal (2022 FC 418), the Federal Court granted a stay of the proceedings in favour of arbitration in Bermuda. The Court found that there were complex issues of mixed fact and law that must first be considered by the arbitrator and that the validity of the arbitration clause could not be determined on a superficial review of the record.

The Federal Court of Appeal dismissed GEM's appeal, finding that the Federal Court did not err in failing to consider and apply the case management judge's findings that GEM was not bound by the licensing agreement and that the agreement was terminated. Those issues could not be resolved by a superficial examination of the evidence given the complexity of the corporate arrangements among the various parties and the use of multiple names by the plaintiff, and therefore should not have been addressed by the case management judge.

The FCA also held that the Federal Court did not fail to consider whether Gold Line had waived its right to arbitration by delivering its defence and counterclaim before bringing the motion to stay. The FCA confirmed that the requirement that the party seeking the stay must not have taken any steps in the Court proceeding only applies where the parties identify an applicable statute that includes such a prerequisite, as many provincial arbitration statutes do. However, the parties in this case identified no applicable statute and the Court found no such requirement in the *Federal Courts Act* (or in the *United Nations Foreign Arbitral Awards Convention Act*, which has been declared to have the force of law in Canada). As a result, Gold Line's filing of a defence and counterclaim did not disentitle it to a stay of the Court proceedings.

For more on this decision, read our Cassels Comment [here](#).

## **Exemptions for Broadcasting Distribution Undertakings: Vidéotron Ltée v. Konek Technologies Inc., 2023 FC 741**

The plaintiffs operate several television channels, including TVA and TVA Sports. The defendants developed an integrated technological solution that allows the retransmission of television channels in hotel rooms. They set up as a broadcasting distribution undertaking (BDU) to benefit from the exemption set out in section 31 of the *Copyright Act*, which allows a BDU to retransmit certain television channels without the copyright owner's consent. In February 2021, the CRTC approved the exemption for their company

Coopérative de câblodistribution Hill Valley (Hill Valley).

The plaintiffs brought an action to stop the retransmission of their channels and obtain damages. The defendants argued that their retransmission of the plaintiff's channels was exempt under section 31 of the *Copyright Act*.

On a motion for summary trial (2022 FC 256), the Federal Court found that the defendants were entitled to rely on the exemption in section 31 of the *Copyright Act* for the TVA channels, after the CRTC added Hill Valley to the list of exempt BDUs in February 2021, but could not rely on the exemption for the TVA Sports channels.

At trial, the Federal Court granted an injunction prohibiting the retransmission of the TVA Sports channels and ordered \$553,000 in statutory damages against the defendants for the retransmission of the TVA Sports channels and the retransmission of the TVA channels before Hill Valley became an exempt BDU.

The Court, relying on presumptions in the *Copyright Act*, held that the plaintiffs were the owners of the copyright in the works at issue. The Court went on to clarify the distinction between mandatory channels, which all BDUs are required to distribute, and discretionary channels, for which each BDU must negotiate a licence with the broadcasters for the channels that it wants to distribute. The Court found that the TVA channels were mandatory, but that the TVA Sports channels were discretionary. Accordingly, the Court held that the plaintiffs did not have an obligation to license the TVA Sports channels for distribution to the defendants under the *Broadcasting Act* or its regulations.

The Court ordered a “wide injunction” prohibiting the plaintiffs from retransmitting the TVA Sports channels, rather than specific programs, under section 39.1 of the *Copyright Act*. The Court further awarded statutory damages of \$500 for each of the 1,090 TVA Sports programs that were retransmitted, for a total of \$545,000, and statutory damages of \$1 for each of the 8,000 TVA programs that were retransmitted before Hill Valley became an exempt BDU, for a total of \$8,000.

## **Action Estoppel in the Room Full of Spoons Saga: Wiseau Studio, LLC v. Harper, 2023 FC 354**

*Wiseau Studio, LLC v. Harper*, represents the latest decision in the *Room Full of Spoons* saga. The plaintiff, which claims to own copyright in the cult-classic movie called “The Room,” had previously brought an unsuccessful action for copyright infringement and other causes of action in the Ontario Superior Court of Justice against the producers of a documentary about the making of “The Room,” which contained footage from that movie. The plaintiff's attempts to vary and appeal the decision dismissing that action were also unsuccessful.

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Undeterred, the plaintiff commenced another action in the Ontario Superior Court of Justice alleging fraudulent misrepresentation and intentional infliction of mental suffering. The Court stayed that action for being an abuse of process.

At the same time, the plaintiff commenced yet another action, this time in the Federal Court, alleging a breach of section 41.1(1) of the *Copyright Act*, which deals with the circumvention of technological protection measures (TPMs). The plaintiff alleged that the defendants obtained the footage from “The Room” used in their documentary by circumventing TPMs installed on the Blu-ray discs containing the movie and downloading the footage from those discs.

The Federal Court struck the action on the grounds of cause of action estoppel. The Court held that the causes of action alleged by the plaintiff were not separate and distinct from those asserted by the plaintiff in the original action in the Ontario Superior Court of Justice. While the plaintiff was technically relying on a different provision of the *Copyright Act*, both actions were based on substantially the same facts: the same parties, the same original works, the same allegedly infringing work, and the same relief.

For more information on the decision, and the *Room Full of Spoons* saga generally, read our Cassels Comment [here](#).

## **Interim Injunction Refused Where Infringement is Not “Blatant” and There is No Irreparable Harm: Sheppard v. C S Design Inc., 2023 FC 413**

The plaintiffs, a Toronto-based architecture practice, and the defendant C S Design Inc., a Montreal-based architecture firm specialized in lighting design, collaborated to create an audio-visual art installation called “Impulse,” which was selected as the 2015 winner of the Luminothérapie competition. The work consisted of 30 specifically arranged illuminated seesaws, 80 distinct sounds, and curated video projections. Following the success of “Impulse”, the parties collaborated on another similar project titled “Wave-field.”

Later, the defendant created another installation called “WIP WAP,” using the same luminous seesaws, but with a different arrangement and using different sounds and luminous effects. The plaintiffs claimed copyright and moral rights infringement, alleging that “WIP WAP” constituted a substantial reproduction of “Impulse” and “Wave-field.” The plaintiffs moved for an interim injunction requiring the defendants to remove the exhibition of “WIP WAP.”

The Federal Court refused to grant the injunction. It rejected the plaintiff’s argument that the alleged copyright infringement was so “blatant” that it was not necessary to establish irreparable harm. It also found that the plaintiffs’ evidence was not sufficiently clear and compelling to demonstrate that any harm that they would suffer from the alleged copyright and moral rights infringement, including any alleged reputational

harm, would not be quantifiable and compensable in monetary damages. The Court concluded that the balance of convenience favoured the defendants as they could face significant financial losses if the relief sought by the plaintiff was granted.

## **Federal Court Grants Novel Injunctive Relief Against Counterfeiter: Burberry Limited and Chanel Limited et al v. Ward et al, 2023 FC 1257**

The Cassels team recently wrote about this decision, which marks a significant enhancement in the remedies available to rights-holders against purveyors of counterfeit goods.

The defendants imported, offered for sale, and sold a large number of counterfeit Burberry and Chanel goods over a two-year period through online channels, operating out of a residential location in Edmonton. Despite signing a cease-and-desist letter and relinquishing an early shipment of counterfeit goods to the Canada Border Services Agency (CBSA), the defendants continued to import counterfeit goods under their own names and fake names, often rerouting deliveries to alternative names and addresses to avoid detection and selling counterfeit merchandise through constantly changing Facebook accounts and livestream broadcasts.

The Federal Court granted default judgment against the defendants, finding them jointly and severally liable for trademark infringement, passing off, and in the case of Burberry, copyright infringement. Among other remedies, it granted injunctive relief tailored to the nature and scope of the defendants' activities, including an order restraining third parties with notice of the judgement from knowingly assisting the defendants and requiring such third parties to provide information regarding the defendant's infringing activities.

In addition, the Court granted a rolling injunction for future shipments, which allows additional names used by the defendants and shipments otherwise linked to the defendants to be included in the delivery up from the CBSA without a new signed relinquishment or further court order.

The Court awarded Burberry maximum statutory damages of \$20,000 per work infringed for copyright infringement, for a total of \$120,000, finding that the defendants acted in bad faith and with disrespect for the law by continuing their infringing activities and wilfully trying to evade detection by the plaintiffs and CBSA. Trademark damages of \$395,000 and \$394,000 were awarded to Burberry and Chanel, respectively.

*Karen MacDonald acted for Burberry and Chanel in this matter.*

## **Penalties for Contempt in Copyright Infringement Proceedings May Potentially Include Incarceration: Bell Canada v. Adwokat, 2023 FCA 106**

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In this decision, the Federal Court of Appeal dismissed a motion by the appellant broadcasting companies to adduce new evidence and their appeal from the sentence for contempt imposed by the Federal Court on the respondents.

The decision arose out of an action for copyright infringement brought by the appellant broadcasting companies against the respondents and other defendants for their offering of Internet Protocol Television (IPTV) services that provided unauthorized access to the appellants' programs. The Court issued an interlocutory injunction enjoining the respondents and other defendants from selling any devices or services that would enable users to access the appellants' programs without authorization. Subsequently, the Court imposed a fine of \$40,000 for civil contempt on the respondents for willfully violating the injunction.

The appellants brought a motion to introduce the banking records of one of the respondents, which suggested that the respondent may have violated the injunction by making \$600,000 in sales. The appellants sought to rely on this evidence to request an increase of the penalties imposed on the respondents.

The Court dismissed the motion, finding that the appellants failed to exercise due diligence in obtaining that evidence previously. The appellants could have sought an order to examine the respondents under the *Bankruptcy and Insolvency Act* or cross-examined the individual respondent on his affidavit. The Court concluded that there were no rare or exceptional circumstances that would warrant the Court exercising its discretion to admit the evidence.

With respect to the appeal to vary the fine for contempt, the Court noted that if the new evidence had been before the Federal Court, a stiffer penalty may have been appropriate, and may even have included a period of incarceration for the individual respondent. Nonetheless, the Court concluded that the fine of \$40,000 was not demonstrably unfit, considering the evidence that was before the Federal Court and similar cases imposing penalties for acts of contempt.

However, Justice Goyette dissented and would have imposed a sentence of 15 days' incarceration on the individual respondent. Considering that the respondents' conduct was evasive, defiant, and egregious, and that they continued to act in contempt even after the Federal Court found them guilty, she concluded that a monetary fine was meaningless, and the only fit sentence would be incarceration. The majority disagreed, finding that such a disposition would fundamentally violate the respondents' procedural fairness rights given that the appellants had not sought such a remedy and the parties had not made submissions on the issue.

**Anton Piller Orders in Copyright Infringement Proceedings: Bell Media Inc. v. Macciachera (Smoothstreams.tv) (2023 FC 801, 2023 FC 1698, and 2023 FCA 180)**

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The plaintiffs commenced a copyright infringement proceeding against the operators of the Smoothstreams.tv Internet Protocol Television service network (the SSTV Services). The action alleges that the SSTV Services provide subscribers with unauthorized access to a large number of motion pictures and live television channels that broadcast television programming for which the copyright in Canada is owned by the plaintiffs or other rights holders.

In 2022, the Court granted the plaintiffs a range of injunctive and other relief, including an Anton Piller order, which included extensive provisions for the search, seizure, and preservation of evidence and equipment related to the SSTV Services. The plaintiffs' efforts to execute the Anton Piller order against the defendants, including Antonio Macciachera, who is alleged to be one of the key individuals behind the SSTV Services, were unsuccessful.

The Federal Court subsequently issued a series of orders, including a charging order that required Macciachera to attend a hearing to hear proof of 10 acts of contempt with which he was charged, and related decisions, including a decision that the execution of the Anton Piller order was lawful.

In *Bell Media Inc. v. Macciachera (Smoothstreams.tv)*, 2023 FC 801, Chief Justice Crampton found Macciachera in civil contempt of four of 10 charges in the charging order. With respect to the other six charges, he held that the plaintiffs had not tendered oral evidence in the hearing before him to establish that Macciachera was in contempt. Although evidence had been tendered in *written* form in an earlier interlocutory proceeding, the Court had not specifically directed that such evidence could be considered in the later hearing before Chief Justice Crampton, under Rule 470 of the *Federal Courts Rules* (which requires oral evidence on a motion for a contempt order, unless the Court directs otherwise).

In *Bell Media Inc. v. Macciachera (Smoothstreams.tv)*, 2023 FC 1698, Chief Justice Crampton awarded lump sum costs, payable forthwith, in the amount of \$91,742.86 against Macciachera. Chief Justice Crampton noted that the Court has been trending towards granting lump sum awards in recent years, often as a percentage of actual costs incurred, and that in intellectual property law cases, those lump sum awards have been increasingly in excess of Tariff B of the *Federal Courts Rules*, typically in the range of 25% to 50% of actual fees, plus reasonable disbursements.

Finally, in *Macciachera (Smoothstreams.tv) v. Bell Media Inc.*, 2023 FCA 180, the Federal Court of Appeal denied a motion by the Samuelson-Glushko Canadian Internet Policy & Public Interest Clinic's (CIPPIC) for leave to intervene in the appeal of the Federal Court's decision that the execution of the Anton Piller order against the defendants was lawful. CIPPIC stated that, if its motion was granted, it would argue that the Federal Court should adopt a standard Anton Piller order model that provides explicit terms of Anton Piller orders, a roster of pre-approved independent supervising solicitors specializing in the execution of those orders, and a list of pre-approved solicitors available to defendants during execution.

Since the appellants were not arguing that the execution of the Anton Piller order was unlawful due to any



inability to retain counsel or due to unqualified independent supervising solicitors, the Court was not persuaded that CIPPIC's proposed arguments would assist in determining the factual and legal issues on appeal. The Court also expressed grave doubts that it was authorized to grant the remedies sought by CIPPIC and suggested that the issues raised by CIPPIC would be more appropriately raised before bodies such as the Intellectual Property Bar Liaison Committee of the Federal Court, the Intellectual Property Institute of Canada, or the legislative branch of government.

*Mark Davis served as the independent supervising solicitor to supervise the service and execution of the Anton Piller order against Macciachera.*

## **Notice and Notice Regime Not an Appropriate Mechanism to Notify Class Members of a Class Action: Voltage Pictures, LLC v. Salna, 2023 FC 893**

In this decision, Voltage sought to certify a reverse class proceeding against approximately 874 unknown class members whose IP addresses were allegedly used to upload and download films produced by Voltage, without authorization, thereby infringing Voltage's copyright in the films. Voltage obtained a Norwich order that compelled an Internet service provider (ISP) to disclose the identity of Robert Salna, the holder of an IP address that was allegedly used to upload certain Voltage works at the relevant times. Voltage named Salna as the class representative defendant and sought to certify the class action.

The Federal Court dismissed the applicants' first certification motion (2019 FC 1412) for failing to meet the test for certification under the *Federal Courts Rules*.

Voltage's appeal to the Federal Court of Appeal was allowed in part (2021 FCA 176). The FCA found that Voltage had satisfied the requirements of a reasonable cause of action, an identifiable class, and common issues. It directed that the certification motion be returned to the Federal Court for reconsideration of the elements of preferable procedure and suitable class representative.

On redetermination, the Federal Court again dismissed the motion for certification. The Court found that Voltage had demonstrated "some basis in fact" that a class action was the preferable procedure for resolving its claims of copyright infringement against hundreds of unidentified class members and that Salna was a suitable representative respondent. However, it held that Voltage's litigation plan was deficient and contrary to law. It concluded that Voltage's proposed use of the notice-and-notice regime under the *Copyright Act* to notify class members of the class action and subsequent steps in the proceeding was contrary to the purposes of the notice-and-notice regime, as described by the Supreme Court of Canada in *Rogers Communications Inc. v. Voltage Pictures, LLC*, 2018 SCC 38. Accordingly, the Court dismissed the certification motion, but granted Voltage leave to present a revised litigation plan.

# Cassels

*This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.*