

**CANADIAN COPYRIGHT, DESIGN AND RELATED LEGISLATION AND  
JURISPRUDENCE – 2011**

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## CANADIAN COPYRIGHT, DESIGN AND RELATED LEGISLATION AND JURISPRUDENCE – 2009

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Presented by Glen Bloom and Barry Sookman

### INTRODUCTION

The two main developments in copyright in Canada in 2011 neither confirmed nor changed Canadian copyright law. The impact of these developments will lie in the future.

The first development was the introduction into Parliament on September 29, 2011 of Bill C-11, the *Copyright Modernization Act*. The bill is identical to Bill C-32 that was introduced into Parliament in 2010 and that died on the order paper when the 2011 federal election was called. Bill C-11 remains at second reading. It has yet to be sent to committee. Now that Canada has a majority government, we can expect that Bill C-11 will pass. It remains to be seen whether the current government is prepared to accept any substantive amendments to the bill. This paper will not discuss Bill C-11 as the provisions of the bill could be amended during the legislative process.

The second development largely flows from a number of the judicial review decisions of the Federal Court of Appeal that we discussed in our Copyright Update 2010. The Supreme Court of Canada granted leave to appeal, and on December 6 and 7, 2011 heard, five appeals from decisions of the Federal Court of Appeal in applications for judicial review of decisions of the Copyright Board of Canada. These five appeals will likely have significant impact on Canadian copyright law, particularly on the scope of the communication right and the scope of the fair dealing exception. The five appeals, and the main issues in the appeals, are as follows:

1. *Entertainment Software Association v. SOCAN, Supreme Court of Canada Docket No.33921*. This appeal raised the issue of whether the download of a video game involved a communication of the video game.
2. *Rogers Communications Inc. v. SOCAN, Supreme Court of Canada Docket No. 33922*. This appeal raised the issue of whether a download of a musical work constituted a communication of the work to the public.
3. *SOCAN v. Bell Canada, Supreme Court of Canada Docket No. 33800*. This appeal raised the issue of whether the download of a preview of a sound recording of a musical work

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constituted fair dealing for the purpose of research and therefore was exempt from infringement of copyright.

4. *Province of Alberta as represented by the Minister of Education v. Canadian Copyright Licensing Agency Operating as "Access Copyright", Supreme Court of Canada Docket No. 33888.* This appeal raised the issue of whether the copying of a published work by a teacher to give to a student in a classroom constituted fair dealing for the purpose of research or private study and therefore was exempt from infringement of copyright.

5. *Re:Sound v. Motion Picture Theatre Associations of Canada, Supreme Court of Canada Docket No. 34210.* This appeal raised the issue of whether performers and makers of sound recordings were entitled to equitable remuneration for the public performance or communication to the public by telecommunication of sound recordings that are part of soundtracks of motion pictures exhibited in cinemas or are part of soundtracks of television programs broadcast by television stations.

The decisions of the Supreme Court of Canada in these appeals will be the highlight of the Law Society's copyright update for 2012.

This paper also summarizes leading developments in copyright internationally in 2011. In the U.S., there were significant new cases which address the growing copyright problems associated with cyberlockers and social networking sites. The cases canvass liability for direct and contributory infringement as well as the applicability of DMCA safe harbours. These cases include *Flava Works, Inc, v Gunter dba myVidster, Perfect 10, Inc v Megaupload Limited, Disney Enterprises, Inc v Hotfile*, and *UMG Recordings v Shelter Capital Partners LLC (Veoh Networks)*. There were also several cases dealing with Internet jurisdiction including *Penguin Group (USA) Inc. v. American Buddha* and *Kernal Records Oy v. Mosley*.

There were also some very significant Commonwealth decisions. These include the decision of the UK Supreme Court in the *Lucasfilm* case which examined the meaning of the term sculpture and also the justiciability of foreign copyright claims in the UK. There is also a description of the Australia Full Court decision in the *iiNet* case. There were also some important decisions of the European Court of Justice including decisions in the *Premier League Football, Scarlet Extended SA v SABAM*, and *Stichting de Thuiskopie v. Opus* cases.

This paper follows the format of the Law Society's copyright updates in prior years, and consistent with our Copyright Update 2010, includes decisions of the Board.

## 1 – INTERNET

**A hyperlink to a defamatory statement is not itself publication of the defamatory statement:** *Crookes v. Newton*<sup>8</sup>. The Supreme Court of Canada, in a defamation case with significant implications for copyright law, held that a web site which refers to the existence and/or location of defamatory content by hyperlink, without more, is not a publication of that content. The majority of the Supreme Court observed that: “[o]nly when a hyperlinker presents

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<sup>8</sup> 2011 SCC 47

content from the hyperlinked site in a way that actually repeats the defamatory content, should that content be considered to be ‘published’ by the hyperlinker”. As a consequence, providing a hyperlink and directing others to read the material would not amount to publication by the person providing the hyperlink. This should apply equally, as a matter of principle, in the area of copyright law such that providing a hyperlink to a publication which itself infringes will not expose the person who provided the hyperlink to copyright infringement. However, the Supreme Court was quick to caution that other modalities of referencing material on the internet, such as links that automatically display other content, may amount to publication. The court cautioned, that due to the “inherent and inexorable fluidity of evolving technologies” it would be unwise to attempt to anticipate, let alone comprehensively address, the legal implications of the varieties of links that are or may become available.

## 2 – ORIGINALITY

**Training materials in which the plaintiff used her knowledge, experience, expertise, pedagogical sense, judgment, and ability to conceive are original and therefore protected by copyright:** *Formation et gestion Pro-Santé MR inc. c. Sampietro (Centre de formation St-Michel)*<sup>9</sup>. The court held that modules of a training program in business administration and secretarial dentistry include substantial characteristics which confer originality upon the entirety of the work and allows it to benefit from copyright protection. The plaintiff used her knowledge, experience, expertise, pedagogical sense, judgment and ability to create the documents. With serious, precise and concordant presumption, the court concluded that the defendant copied the plaintiff’s work. The court granted the plaintiff the amount of \$54,900 for lost profits and \$5,000 for punitive damages as the defendant intentionally infringed the copyright. Finally, the court granted an injunction against the defendant to cease all publication and distribution of the relevant documents.

## 3 – PROTECTED SUBJECT MATTER

**A fence is not a work capable of protection under the *Copyright Act* as it did not employ any materials, building techniques or design features which would either make it a necessary component to a home or qualify it as an independent work:** *59077-6204 Québec Inc. c. Blanchard*<sup>10</sup>. The plaintiffs were respectively a general contractor specializing in high-quality custom homes and a contractor specializing in custom fencing. They claimed that the defendants, who were neighbours of the owner of one of the plaintiffs’ homes, copied the design of the plaintiff’s fence resulting in a significant loss of value. The court concluded that a fence cannot be protected as an architectural work and that the fence itself did not otherwise constitute an original work capable of protection by copyright.

**Copyright resides in a menu:** *1429539 Ontario Limited v. Café Mirage Inc.*<sup>11</sup>. The new owners of several restaurants retained the appearance, trade dress, trade-marks and menus of a small chain of café/restaurants which had previously belonged to a franchise group (The Symposium Café). The new owners changed the name of the café. The former franchisors sued the new owners of the café, including for infringement of copyright in the Symposium Café menus. The trial judge held that although menus are fairly standardized, copyright subsisted in the menu as their creation involved the exercise of the requisite skill and judgment, as evidenced by a “*de*

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<sup>9</sup> 2011 QCCS 4256

<sup>10</sup> 2011 QCCQ 205

<sup>11</sup> 2011 FC 1290

*minimis* level of intellectual effort”. The trial judge held there to be copying of a substantial portion of the menu on the basis that the new café owners made small changes to the description of the menu items, used a similar layout of text and pictures, and adorned the menu with artwork similar to the artwork on the plaintiff’s menu. The Federal Court awarded \$7,500 in damages for copyright infringement.

## 4 – INFRINGEMENT

### 4.1 Authorization of Infringement

**All claims against the parent company of a defendant operating a real estate search engine website were dismissed since the parent company did no more than authorize the use of equipment which could have been used to infringe copyright:** *Century 21 Canada Limited Partnership v. Rogers Communications Inc.*<sup>12</sup>. See section 4.4 ‘Infringement – Substantial Part of Work’.

### 4.2 Counterfeiting

**Proof that intention to sell that is concomitant or co-existent with the actual act of reproduction is required to be found guilty of counterfeiting under section 42(1)(a):** *R. c. Fiset*<sup>13</sup>. Fiset was charged with counterfeiting, with a view to sale, of nine artistic works (paintings and canvases) under section 42(1)(a) of the *Copyright Act*. She was acquitted. Section 42(1)(a) creates an offense requiring specific intent. The Crown must prove that the alleged counterfeiter intended to sell the copies at the time the alleged counterfeiter created the counterfeit copy. The evidence did not show that at the time she made the copies Fiset intended to sell them. When she decided to sell the copies they had already been made. There was no evidence that the intention to sell was concomitant or co-existent with the actual act of reproduction. Fiset was able to benefit from a reasonable doubt on this element of the offence and was therefore acquitted of the charge.

**Principles of criminal sentencing apply in cases of pre-planned and repeated offences under the *Copyright Act*:** *R. c. Gravel*<sup>14</sup>. The accused was charged with attempting to sell 120 counterfeit DVDs in a tavern in Gatineau, Quebec. The accused was charged under sections 42(1)(b), 42(1)(c) and 42(2) of the *Copyright Act*. The accused plead guilty to all charges. The court ordered a three month suspended sentence to be served under house arrest, a fine of \$600 payable to the CAVAC (Centre d’aide aux victimes des actes criminels) and to be placed under probation for two years, which included the seeking of psychological assistance in order to reduce the risk of recidivism.

The court specifically noted that, in cases of crimes involving protected works, when the act is pre-planned and repeated, the principles of criminal sentencing highlighted in section 718 of the *Criminal Code* are to apply. These are denouncing criminal behaviour; specific and general deterrence; separating of the offender from society; and, providing reparation to the community.

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<sup>12</sup> 2011 BCSC 1196.

<sup>13</sup> 2011 QCCQ 1344

<sup>14</sup> 2011 QCCQ 2517

### 4.3 Inferred Infringement

**In law, it is not permitted to infer copyright infringement from collateral facts:** *France Animation, s.a. c. Robinson*<sup>15</sup>. See section 4.5 ‘Infringement – Damages’.

### 4.4 Substantial Part of a Work

**Copyright subsisted in property descriptions and photographs used in real property listings displayed on a publicly accessible website:** *Century 21 Canada Limited Partnership v. Rogers Communications Inc.*<sup>16</sup>. The plaintiffs, Century 21 and real estate salespersons Bilash and Walton, claimed an injunction and damages for copyright infringement against Rogers Communication and its wholly owned subsidiary, Zoocasa. The plaintiff Century 21 operated a website featuring real property listings (the “Century 21 Website”) of Century 21 brokers and agents, including Bilash and Walton.

Bilash and Walton claimed copyright in property listings and photographs of properties they listed for sale on the Century 21 Website (the “Works”). Century 21 also claimed copyright protection in the Works pursuant to an agreement with Bilash and Walton. The court held that the Assignment was in fact merely a licence to use the Works and dismissed the claim of Century 21 for copyright infringement. The court then considered the claims for copyright infringement of Bilash and Walton.

Zoocasa developed a website that indexed property listings from a number of real estate websites, operating much like a search engine (the “Zoocasa Website”). The Zoocasa Website included reproductions and replications of the Works that were copied onto Zoocasa servers, without the permission of the plaintiffs and in violation of the terms of use of the Century 21 Website (giving rise to breach of contract claims by Century 21). Century 21 advised Rogers Communications numerous times that it did not consent to Zoocasa downloading or copying any materials from the Century 21 Website.

A total of 128 Works, consisting of 29 property descriptions (24 owned by Bilash and 5 owned by Walton) and 99 photographs (all of which were owned by Bilash) were at issue. The real property descriptions were the product of skill and judgment and thus met the threshold of originality for copyright protection. Furthermore, the property descriptions were a substantial portion of each real estate listing page on the Century 21 Website, not only with respect to quantity but also in their overall significance respecting the property listings themselves. The copying of an entire property description onto the Zoocasa server was an infringement of copyright, as was the copying of entire photographs of properties. Zoocasa attempted to rely on a defence of fair dealing for the purpose of research. The court considered the two-part test for fair dealing along with each of the *CCH* factors enumerated by the Supreme Court of Canada, and concluded that the actions of Zoocasa during the time that they copied and displayed the whole of the property descriptions and photographs on the Zoocasa Website were not fair. In reaching this conclusion the court stated that the transformative conduct by Zoocasa was not a factor militating in its favour

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<sup>15</sup> 2011 QCCA 1361

<sup>16</sup> 2011 BCSC 1196

The court held that Rogers Communications, in providing the means by which to establish the Zoocasa Website and search engine, did no more than authorize the use of equipment which could have been used to infringe copyright. There was no evidence that Rogers Communications exercised specific control over the manner in which the Zoocasa-developed tool was operated. Zoocasa functioned independently and the plaintiffs failed to establish that a certain relationship or degree of control existed between Rogers Communications and Zoocasa that would rebut the presumption that Rogers Communications only authorized Zoocasa to use the Zoocasa Website in accordance with the law. All claims against Rogers Communications were therefore dismissed.

Under section 38.1 of the *Copyright Act*, Bilash and Walton elected statutory damages for copyright infringement for each individual Work, submitting that \$500 per infringement was appropriate. The plaintiffs argued that the defendants had not acted in good faith and accordingly, a significant award of damages was appropriate. The court was not satisfied that Zoocasa acted in bad faith in committing the infringements, but rather that it had entered into a new business with a new business model without a lack of appreciation of the legal issues. The failure to act in good faith did not necessarily imply that a party had acted in bad faith. Given that Zoocasa's copyright infringement was unintentional, damages were reduced to \$250 per infringement resulting in a total statutory damage award of \$32,000. The conduct of Zoocasa, while deliberate, did not warrant an award of punitive damages.

**Opening software, making modifications, and then saving the file does not count as a reproduction under section 3 of the *Copyright Act*: *Harmony Consulting Ltd. v. G.A. Foss Transport Ltd.*<sup>17</sup>.** The plaintiff, a software development company, claimed copyright infringement against a former client. The defendant had engaged the plaintiff to develop and implement a specialized electronic dispatch and invoicing system. This required the creation of new applications and the modification of existing applications. After installation, a perpetual licence agreement was entered into with the defendant paying a licensing fee. Additionally the parties entered into an application service provider agreement pursuant to which a weekly fee was paid to the plaintiff in exchange for software maintenance. In 2004, after a disagreement between the parties, the plaintiff unilaterally doubled the weekly fee. The defendant refused to pay and subsequently the plaintiff put two "time bombs" in the software which prevented their use. This terminated the relationship between the parties. The defendant then hired a contractor to fix the time bombs and continued to use the software for a number of years making modifications and fixes to the software from time to time. The plaintiff argued that making modifications and copying the software for purposes of making the modifications infringed its copyright.

The court held that the defendant's actions did not amount to copyright infringement. Opening a file, making modifications and then saving that file does not make a reproduction within the scope of section 3 of the *Copyright Act*. With respect to making a backup copy for the purposes of modification, the court held that making a copy could constitute an infringement of copyright, but making a single copy for the purposes of modifying the software is not equivalent to the concept of multiplication. Furthermore, the court held that due to the licensing agreement between the parties the defendants had consent to backup and modify the software. Finally, the

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<sup>17</sup> [2011] FCJ No 451

court held that decompiling a Microsoft Access program was not the same as decompiling a computer program and therefore not copyright infringement.

Note: this case must be read with caution as a number of its copyright rulings are likely incorrect.

## 5 – EXCEPTION AND DEFENCES TO INFRINGEMENT

### 5.1 Fair Dealing

**Defendant operating a real estate search engine website that copied real property listings, descriptions and photographs unsuccessfully sought to rely on fair dealing for the purpose of research: *Century 21 Canada Limited Partnership v. Rogers Communications Inc.***<sup>18</sup>. See section 4.4 ‘Infringement – Substantial Part of Work’.

## 6 – REGISTRATION

### 6.1 Amendment

**Amendment to the copyright register to add a co-authors’ name and to substitute an address of the author’s solicitor for her home address was permitted: *Suttie v. Canada (Attorney General)***<sup>19</sup>. The applicant brought a motion to amend the copyright register in respect of a book she co-authored with her son; the motion to amend was unopposed. The applicant first sought to have her son’s name, which was originally omitted, added to the register. The court granted this request based on an author’s (or co-author’s) right to be associated with his or her work. The court also granted the applicant’s request to have her home address replaced on the registry with her solicitor’s address due to privacy concerns. The court found that the requirement to provide one’s address when registering copyright simply requires an address for the purposes of correspondence, and this need not be one’s home address. The court concluded that, given the applicant’s desire for privacy, the registry contained a correctable “error or defect”.

## 7 – PROCEDURE

### 7.1 Improper Pleadings

**A pleading must identify the specific photographs or videos that the plaintiff alleged had been improperly used by the defendant: *Flow Films v. Global Wealth Trade Corp.***<sup>20</sup>. In a pleadings motion, the plaintiff film production and marketing partnership alleged that the corporate defendant (and its individual director) had infringed its copyright in a number of photos, videos, and other media advertising. The court struck out this portion of the plaintiff’s claim due to the failure to plead any specific sections of the *Copyright Act*, and the lack of any effort to specify which photos or videos had been improperly used by the defendant. The court

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<sup>18</sup> 2011 BCSC 1196

<sup>19</sup> 2011 FC 119

<sup>20</sup> [2011] O.J. No. 674

noted that the individual defendant could very well be liable for copyright infringement (if properly pleaded) if he had personally directed it.

## 7.2 Default Judgment

**Default judgment granted in an action to recover unpaid royalties under SOCAN Tariff 3C (Adult Entertainment Clubs):** *Society of Composers, Authors, and Music Publishers of Canada v. IIC Enterprises Ltd. (c.o.b. as Cheetah's Nightclub)*<sup>21</sup>. SOCAN brought an *ex parte* motion for default judgment in an action commenced to recover unpaid royalties for unlicensed use of musical works in an adult entertainment club operated by the defendant. The court was satisfied that the defendant was in default, having failed to file a statement of defence, or request an extension of time, in response to SOCAN's statement of claim which was personally served on the defendant. SOCAN established that the defendant remained open for business during the relevant period in which royalties were claimed. Throughout the claim period, the defendant presented, authorized and permitted performances in public of musical works in SOCAN's repertoire by means of recorded music and failed to pay provisional licence fees under SOCAN Tariff 3C (Adult Entertainment Clubs). The outstanding provisional licence fees amounted to \$20,383.36. Under section 38.1(4) of the *Copyright Act*, SOCAN elected statutory damages. The court held that the defendant's conduct clearly demonstrated bad faith both before and during the proceeding. An award of statutory damages of six times the outstanding licence fees was made.

## 7.3 Summary Judgment Motions

**Egregious nature of infringing conduct justifies highest level of statutory damages, together with punitive and exemplary damages:** *Louis Vuitton Malletier S.A. v. Singga Enterprises (Canada) Inc.*<sup>22</sup>. The plaintiffs, owners of certain trade-marks and copyrighted works brought a motion for summary judgment. They alleged that each of the defendants had manufactured, imported, advertised and/or offered for sale and sold counterfeit and infringing fashion accessories such as handbags. The court granted the motion and held that summary judgment was appropriate in this case. The court awarded the highest level of statutory damages available, \$20,000 for each of the copyrighted works due to the ongoing infringement by the defendants, who knowingly and wilfully carried out their counterfeit activities on a large scale. The court also awarded punitive and exemplary damages due to the egregious nature of the defendants' activities as well as a permanent injunction against the defendants to prevent any further use of the trade-marks and copyright works.

**Since consent was never given to the defendants to publish the copyrighted works, summary judgment was granted against the defendants for copyright infringement:** *Aga Khan v. Tajdin*<sup>23</sup>. The plaintiff moved for summary judgment of its copyright claim and the defendants brought a cross-motion for summary judgment dismissing the action. The plaintiff, as the spiritual leader of the Shia Imani Ismaili Muslims, gave advice to his followers through Farmans (addresses given to audiences and recorded) and Talikas (written messages). The defendants published a book of the Aga Khan's Farmans and Talikas. They acknowledged that

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<sup>21</sup> 2011 FC 1088

<sup>22</sup> 2011 FC 247

<sup>23</sup> 2011 FC 14

the works were authored and owed by the plaintiff but asserted that they had his consent to publish them. The defendants contended that the burden of proof that there was no consent was on the plaintiff. The court held that an author does not need to prove that he did not consent to the allegedly infringing activity. Consent is a defence for the defendant to prove. The court allowed the plaintiffs motion and dismissed the cross-motion. The defendants were prohibited from publishing and distributing their book and a reference on damages was ordered.

**Summary Judgment for copyright infringement allowed when the defendant failed to respond to the plaintiff, comply with an injunction, or submit evidence:** *Setanta Sports Canada Limited v. 840341 Alberta Ltd. (Bres'in Taphouse)*<sup>24</sup>. A motion for summary judgment was granted in a suit for breach of copyright in a closed circuit pay per view broadcast of intercepted signals of Ultimate Fighting Championship (“UFC”) events, with an award of \$20,000 in costs.

#### 7.4 Motion to Set Aside an Anton Piller Order

**An Anton Piller order was set aside as the plaintiffs had failed to show that there was a real possibility that the defendants possessed infringing materials and that the defendants might destroy evidence before the end of the discovery process:** *Velsoft Training Materials Inc. v. Global Courseware Inc.*<sup>25</sup>. The court reviewed the allegations but made no finding with respect to copyright infringement. He found that the plaintiffs made out a strong *prima facie* case on at least some aspects of their claim; in particular, that the defendants took steps to compete with their employer while still employed by the plaintiffs. The Anton Piller order was set aside because, despite the strong *prima facie* case, the plaintiffs failed to show that there was a real possibility that the defendants were in possession of incriminating materials or that they might destroy evidence before the end of the discovery process.

#### 7.5 Motion for Stay of Proceedings

**A motion for a stay of proceedings, based on abuse of process, the same claim being made in another jurisdiction and forum non-conveniens, was dismissed:** *Perfect 10, Inc. v. Google, Inc.*<sup>26</sup>. The defendant appealed from an order of a prothonotary dismissing a motion to strike an action as an abuse of process, or in the alternative, stay the action. The action was a claim for copyright and trade-mark infringement in relation to the defendant's actions and services in Canada. A parallel action regarding the defendant's actions and services in the United States was ongoing. The defendant moved that the action in Canada be struck or stayed because of the action in the United States.

The motion was dismissed by the prothonotary because a) the copyright claims were proceeding under different national legislative schemes, b) the rights invoked in different jurisdictions may be different, c) separate copyright infringement actions alone are not an abuse of process, d) it

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<sup>24</sup> 2011 FC 709

<sup>25</sup> 2011 NSSC 274

<sup>26</sup> [2011] FCJ No 458

was premature to consider the potential for extra-territorial enforcement or other practical effects, and e) the claims were not identical in both actions. Furthermore, *forum non conveniens* would not apply as there was an absence of geographical overlap of the two actions, different defences were available, and there was no request to the U.S. court for relief in respect of the activities in Canada.

The court dismissed the appeal. Regarding the abuse of process findings, the court held that the issue was one of mixed fact and law and that there was no error in principle or misapprehension of fact. Regarding the stay of proceedings, the court noted that two matters must be considered according to section 50(1) of the *Federal Courts Act*: (1) is the claim before another court or jurisdiction; and (2) is it in the interests of justice to stay the proceeding. *Forum non conveniens* is considered under the second branch of the analysis. The court agreed with the prothonotary that the claim was not before another court or jurisdiction. The prothonotary held that she did not have to engage in an “interest of justice” analysis because the claim was not before another court or jurisdiction. The court held that this was an error and that the interests of justice branch were an alternative test for staying an action, not a second part of a single test. The court therefore conducted the interests of justice analysis *de novo* and concluded that the Canadian action should not be stayed.

## 7.6 Motion to Strike the Statement of Defence

**Motion to note defendant in default granted where the defendant's conduct demonstrated disregard for the court process:** *Louis Vuitton Malletier S.A. v. Singga Enterprises (Canada) Inc.*<sup>27</sup>. The plaintiff brought a motion to strike the statement of defence of the defendant and to have the defendant noted in default. The main action arose when the plaintiffs alleged that the defendants imported, distributed, ordered for sale and sold in Canada counterfeit Louis Vuitton and Burberry merchandise, infringing upon the exclusive rights of the plaintiff with respect to various trade-marks and copyrights. The motion was granted, the defendant was noted in default, and the statement of defence was struck. The court noted that the defendant’s conduct demonstrated a disregard for the court process due to: their delay in proper documentary discovery; failure to provide evidence in a previous motion; and failure to ensure that a new solicitor was appointed as required by a court order.

## 7.7 Jurisdiction

**The Quebec Superior Court is a court of competent jurisdiction to decide a claim of copyright infringement:** *Layette Minimôme inc. c. Jarrar*<sup>28</sup>. The plaintiff claimed that the defendant was liable under the *Copyright Act* for the reproduction of counterfeit clothing made in China and imported into Canada. The defendant corporation made samples of the clothing at its premises in Montreal and transmitted the sample to the manufacturers in China under a contract governed by Quebec law. The plaintiffs suffered damages in Quebec and there was a real and substantial connection to Canada. The Quebec court therefore had jurisdiction in the action for copyright infringement.

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<sup>27</sup> 2011 FC 776

<sup>28</sup> 2011 QCCS 1743

## 7.8 Statute Barred Proceedings

**A totally unfounded claim of copyright infringement barred by a limitation period was dismissed with costs awarded against the plaintiff:** *Fabrikant v. Swamy*<sup>29</sup>. The plaintiff was a mass murderer claiming damages against a group of defendant scientists for allegedly forcing him to include their names on scientific papers published in the 1980s. The plaintiff failed to establish fault on the part of any of the defendants' because his claims was statute barred, his testimony was completely incredible, and there was a total lack of any evidence that the defendants' forced him to include their names on any publication. Furthermore, the plaintiff failed to prove any damages as the publications in question identified him as the primary author and the evidence established that the defendants' all contributed to the articles in some way with the knowledge and consent of the plaintiff. The court concluded that the proceedings were "totally unfounded and abusive" and awarded costs against the plaintiff.

## 8 – CIVIL REMEDIES

### 8.1 Statutory Damages

**Statutory damages of six times the outstanding licences fees owed under SOCAN Tariff 3C awarded where the defendant, an adult entertainment club, acted in bad faith:** *Society of Composers, Authors, and Music Publishers of Canada v. IIC Enterprises Ltd. (c.o.b. as Cheetah's Nightclub)*<sup>30</sup>. See section 7.2 'Procedure – Default Judgment'.

**Plaintiff sought an award of statutory damages in the amount of \$500 per infringement, arguing that a significant award of damages was appropriate since the defendant did not act in good faith; failure to act in good faith did not necessarily imply that a party acted in bad faith and statutory damages in the amount of \$250 per infringement were awarded:** *Century 21 Canada Limited Partnership v. Rogers Communications Inc.*<sup>31</sup>. See section 4.4 'Infringement – Substantial Part of Work'.

### 8.2 Damages for Infringement of Copyright and Moral Rights, Accounting Profits and Punitive Damages

**A trial judge's award of damages for copyright infringement, profits and damages for moral rights infringement was significantly reduced on appeal:** *France Animation, s.a. c. Robinson*<sup>32</sup>. The Quebec Court of Appeal granted in part an appeal from a judgment in favour of the plaintiff in a claim for copyright infringement. The court did not see any palpable or overriding error regarding the trial judge's analysis and his conclusions regarding infringement of the original work *Robinson Curiosité*. There was no error in the judge's adoption of parts of the expert testimony. Indeed, he reasonably explained his conclusions and his methodology.

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<sup>29</sup> [2011] QJ No 2826

<sup>30</sup> 2011 FC 1088

<sup>31</sup> 2011 BCSC 1196

<sup>32</sup> 2011 QCCA 1361

The court overturned the decision regarding the liability of one of the defendants, Davin. The court is not permitted to infer copyright infringement from collateral facts. The court concluded that the evidence did not support the conclusion that Davin was personally liable because the presumptions were not serious, precise and concordant. For the others defendants, their responsibilities were maintained; no palpable and overriding error was demonstrated.

The court ruled that section 35 of *Copyright Act* clearly provides that an infringer who makes profits as a result of copyright infringement is responsible for his profits realised. An infringer cannot be ordered to pay more than the profits that he himself made from the infringement of copyright.

The court modified the damages awarded by the trial judge. The judge committed a calculation error (\$607,489 to \$604,489) and an error in determining the profits. With regard to profits, the court erred in awarding profits in respect of an investment, a disbursement and for an unrelated musical work. The profits were therefore reduced from \$1,716,804 to \$260,577.

The court reduced the trial judge's award of damages for infringement of moral rights and psychological prejudice from \$400,000 to \$121,350.

The court concluded that punitive damages could be awarded because the intentional infringement of copyright was also an infringement of peaceful enjoyment and free disposition of property contrary to Articles 6 and 49 of the Quebec *Charter of Rights and Freedoms*.

## 9 – COLLECTIVE ADMINISTRATION OF COPYRIGHT

### 9.1 Reprographic Reproduction

**An interim decision in the form of an interim tariff was issued to preserve the status quo of license agreements that existed prior to the filing of an inaugural tariff:** *Interim Statement of Royalties to be Collected by Access Copyright for the Reprographic Reproduction, in Canada, of Works in its Repertoire (Post-Secondary, Educational Institutions, 2011-2013)*<sup>33</sup>. Access Copyright ("Access") had filed an inaugural proposed tariff for the reprographic reproduction of works in its repertoire by post-secondary educational institutions for the period 2011-2013. A licensing regime allowing those institutions to use the Access repertoire had been in place since 1994. Access applied, pursuant to section 66.51 of the *Copyright Act*, for an interim decision for the period January 1, 2011 to the date the Board certifies the proposed tariff. The Board granted the application and issued an interim decision in the form of an interim tariff which tracked the pre-existing licensing regime to the extent possible. An interim decision dealing in an interlocutory manner with issues that remain to be decided in a final decision may be granted to relieve the applicant from the deleterious effects caused by the length of the proceedings. The applicant must merely establish that its main application is not plainly without merit. The interim decision prevented a legal void caused by institutions using Access' repertoire without authorization pending certification of the proposed tariff. Granting the interim decision provided certainty to enable institutions to avail themselves of Access' repertoire pending certification of the proposed tariff, if they wished to do so. The balance of convenience favoured granting the interim decision to maintain Access' infrastructure to administer the license and retain key

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<sup>33</sup> (2011), 92 CPR (4<sup>th</sup>) 434 (Copyright Board, March 16, 2011)

personnel. One of the objectives of the *Act* of ensuring that rights holders get paid for protected uses of their works would be met by granting the interim decision.

**Amendments were made to an interim tariff for the reprographic reproduction of works by post-secondary educational institutions:** *Interim Statement of Royalties to be Collected by Access Copyright for the Reprographic Reproduction, in Canada, or Works in its Repertoire (Post-Secondary Educational Institutions, 2011-2013) – Decision of the Board (Amendment)*<sup>34</sup>. On December 23, 2010, the Copyright Board issued an interim decision in the form of an interim tariff in proceedings for an inaugural tariff of Access Copyright (“Access”) for the reprographic reproduction of works in its repertoire by post-secondary educational institutions. Parties to the proceeding were invited to suggest changes to the interim tariff that may prove useful or necessary, and numerous changes were proposed.

Among the amendments to the interim tariff made by the Board were the following: (1) a section was added to state explicitly that any agreements between the parties would prevail over the terms of the interim tariff (section 3); (2) the definition of full-time equivalent (FTE) was amended to allow for individual agreements and to ensure that the language of paragraph (B) tracked the language of paragraph (A); (3) the terms of copying set out in schedules C and D were amended to account for the fact that the interim tariff did not allow copying of print music; (4) section 12 was amended to remove the reporting requirements for alternate format copies and microforms; (5) section 10, which required institutions to keep Access informed of communications mentioning Access, was deleted; (6) the interim tariff was amended to reflect that the proposed tariff increased the amount of a work that users can copy in coursepacks from 15 to 20 per cent; and (7) all payments and reporting requirements for digital copies were removed.

In addition, Access requested the option to provide either a repertoire lookup tool or a list of excluded works (“exclusions list”). The Board agreed with Access, since the exclusions list and the repertoire lookup tool did not serve the same purpose. The exclusions list was needed when an indemnity was offered; the repertoire lookup tool was helpful when the opposite was true. When both scenarios arose, one could not replace the other.

**Amendments were made to an interim tariff for the reprographic reproduction of works by post-secondary educational institutions to align the interim tariff to the academic year, rather than the calendar year:** *Interim Statement of Royalties to be Collected by Access Copyright for the Reprographic Reproduction, in Canada, or Works in its Repertoire (Post-Secondary Educational Institutions, 2011-2013) – Decision of the Board (Application to Vary: Academic Year)*<sup>35</sup>. Access Copyright (“Access”) filed a request to the Copyright Board, asking the Board to clarify that the Access Copyright Interim Post-Secondary Educational Institution Tariff, 2011-2013, and the royalties payable pursuant to the interim tariff were linked to the calendar year and to direct the objector associations to advise their members accordingly. The interim tariff was issued to maintain the *status quo* of the now expired licence agreements

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<sup>34</sup> Copyright Board Canada, April 7, 2011 [Indexed as *Reprographic Reproduction 2011-2013, Interim Statement of Royalties to be Collected by Access Copyright (Post-Secondary Educational Institutions) (Re)* (2011), 93 C.P.R. (4th) 429].

<sup>35</sup> Copyright Board Canada, June 28, 2011 [Indexed as *Collective Administration in relation to rights under sections 3, 15, 18 and 21 (Re)*, [2011] C.B.D. No. 2].

between Access Copyright and post-secondary educational institutions. Part of the royalty payments under the interim tariff consisted of an annual royalty calculated by multiplying the FTE (i.e. the number of full-time equivalent students) by an amount. The concept of FTE is inherently linked to the academic year, whereas the *Copyright Act* provides that proposed tariffs must be filed for one or more calendar years.

The Board held that, even if a certified tariff must be valid for one or more calendar years, the payment formula and dates for opting in or out can be anything the Board decides. Under the previous licences that were in effect until the interim tariff was certified, the duration of those licences was linked to the academic year. Accordingly, the Board opted to maintain the *status quo* and align the interim tariff to the academic year. The interim tariff was to be amended and the Board asked that the General Counsel of the Board and the parties attempt to agree on the wording of the required amendments.

**An application to amend a blanket interim tariff to require Access Copyright to issue licenses for the single use of a single work was refused:** *Interim Statement of Royalties to be Collected by Access Copyright for the Reprographic Reproduction, in Canada, of Works in its Repertoire*<sup>36</sup>. The Copyright Board had certified an interim tariff for the reproduction of published works by post-secondary educational institutions. The interim tariff, reflecting pre-existing license agreements with such institutions, required payment of a set amount of money per full-time equivalent student ("FTE") for the making of certain copies and a per page rate for making course pack copies. An objector applied to amend the interim tariff to require Access Copyright to license the single use of a single work through a transactional license for institutions that did not avail themselves of the FTE license. Under pre-existing FTE licenses between Access Copyright and the institutions, Access Copyright granted transactional licenses but only to institutions that held transactional licenses and only for uses that were not allowed by the licenses. The Board refused the application. The interim tariff reflected the pre-existing licenses which were "take it or leave it" licenses. Adding a transactional license for institutions that did not hold an FTE license would change the status quo. Access Copyright was entitled to rely upon the interim tariff and let the regulatory process run its course. Its refusal to deal with users outside the interim tariff did not constitute misconduct. Furthermore transactional licenses for making digital copies inherently raise monitoring issues in a decentralized setting such as within the institutions. A digital transaction license model would not ensure that rights holders get paid for uses of their works.

## 9.2 Public Performance of Musical Works and Sound Recordings

**Tariffs for the use of musical works and published sound recordings on CBC radio were certified at an increased rate:** *Statement of Royalties to be Collected for the Communication to the Public by Telecommunication, in Canada, of Musical Works and of Published Sound Recordings Embodying Musical Works and Performers' Performances of Such Works (SOCAN and Re:Sound Tariffs I.C (CBC – Radio 2006-2011)*<sup>37</sup>. In 1991 the Copyright Board had set CBC's radio royalties payable to SOCAN based upon a formula comprising three elements:

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<sup>36</sup> [2011] C.B.D. No. 6 (Copyright Board, September 23, 2011)

<sup>37</sup> [2011] C.B.D. No. 3 (Copyright Board, July 8, 2011)

royalties commercial radio stations paid to CBC; CBC radio's use of the SOCAN repertoire compared to commercial radio; and CBC radio's audience share as compared to commercial radio. The CBC radio royalties payable to SOCAN were set by agreement between 1992 and 2005. The Copyright Board had to determine the royalty rates and related terms and conditions for CBC radio's use of SOCAN's repertoire of musical works for 2006-2011 and its use of Re:Sound's repertoire of published sound recordings for 2006-2011. The parties agreed that Re:Sound's royalty rates be the same as SOCAN's rates, adjusted for repertoire use. SOCAN's commercial radio royalty rate was 3.2 per cent from 1991-2002 and was increased to 4.2 per cent in 2003. There were three reasons for the increase: music use by commercial radio was worth more than the Board previously thought; commercial radio used more music than in the past; and commercial radio used music more efficiently than in the past. Although the CBC's mandate is unique, CBC does not necessary need to be treated differently from commercial radio for the purpose of public performance tariffs. The Board could not however use the 1991 formula for setting the SOCAN royalty rate for CBC because the first and third reasons for the increase in the commercial radio rate was not relevant for CBC radio. Instead the Board used the 1991 SOCAN rate as a starting point and adjusted that rate to taken into account inflation and CBC radio's audience and music use. Although neither SOCAN nor Re:Sound sought to address CBC radio's simulcasting in the tariffs before the Board, both SOCAN and Re:Sound had filed other tariffs that included CBC radio's simulcasting. The Board was therefore free to set the CBC simulcast tariff as it wished as long as it treated the collectives and CBC fairly. The royalty rates were increased to take into account CBC radio's simulcasting based on the proportion of the peak simulcasting audience to the peak audience of over-the-air radio. The result was an increase of CBC royalties in 2006 of 5.3 per cent and 26.4 per cent payable to SOCAN and Re:Sound respectively.

**An inaugural tariff was certified for the public performance of published sound recordings for dancing:** *Statement of Royalties to be Collected for the Performance in Public or the Communication to the Public by Telecommunication in Canada, of Published Sound Recordings Embodying Musical Works and Performers' Performances of Such Works (Re:Sound Tariff No. 6.A – Use of Recorded Music to Accompany Dance, 2008-2012)*<sup>38</sup>. Re:Sound filed an inaugural tariff for the public performance of published sound recordings at fitness centres and dance venues. The Copyright Board certified a tariff for the use of recorded music to accompany dance and decided to address the use of recorded music to accompany fitness at a later date. Re:Sound contended that its proposed tariff for fitness centres be a benchmark for the tariff for dance venues because the value of recorded music for dance venues is substantially greater than the value to fitness centres. In using a benchmark an independent analysis of the sector to which the proposed tariff applies must be conducted including a consideration of the similarity of that section to the benchmark sector. There were several key differences between the dance and fitness sectors. The business models were different with fitness centres having members while dance venues having patrons. In addition, the use of music was different. Music is ubiquitous and necessary for dance venues but only optional for fitness centres. As a benchmark for the use of recorded music to accompany dancing the Board adopted SOCAN Tariff 18 last certified for 2004-2010. SOCAN Tariff 18 dealt with the same uses of music in the same industry. The Board based the Re:Sound tariff on SOCAN Tariff 18 and adjusted the royalty rates for inflation and the agreed upon 50 per cent repertoire discount.

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<sup>38</sup> [2011] C.B.D. No. 4 (Copyright Board, July 15, 2011)

### 9.3 Judicial Review of Copyright Board Decisions

**The Board made no error in interpreting the definition of “sound recording” in section 2 of the *Copyright Act*: *Re: Sound v. Motion Picture Theatre Associations of Canada*<sup>39</sup>.** Re:Sound sought judicial review of a decision of the Copyright Board which answered the following question in the negative: Is anyone entitled to equitable remuneration pursuant to section 19 of the *Copyright Act*, when a published sound recording is part of the soundtrack that accompanies a motion picture that is performed in public or a television program that is communicated to the public by telecommunication?

The Board’s decision relied heavily on the definition of “sound recording” in section 2 of the *Copyright Act*. The court held that the Board made no error in interpreting that section. Adopting the interpretation of the *Act* advanced by Re:Sound would have required reading a word into the definition.

The court commented more specifically on three arguments: (1) concerns about the impact of the Board’s decision on the rights of performers and makers of sound recordings to prevent the extracting of sound recordings from a soundtrack of a motion picture on a DVD; (2) a comparative law argument; and (3) incompatibility with Article 10 of the *Rome Convention*. With respect to the first argument, the court held that the concerns were “ill founded” as once a recording is extracted it again attracts protection under the *Copyright Act*. With respect to the second argument, the court held that the Australian and UK legislative schemes were “fundamentally different” and as such the jurisprudence from those jurisdictions was of no assistance. With respect to the third argument, the court held that the *Rome Convention* applies only to a fixation of sounds, not a fixation of images and sounds.

## 10 – INTERFACE WITH COMMUNICATIONS LAW

**Nothing in the *Copyright Act* precludes the CRTC from implementing the value for signal regime as between local TV stations and broadcasters as the objectives of the *Broadcasting Act* rank ahead of broadcasters’ retransmission rights under the *Copyright Act*: *Reference re Broadcasting Act (Can.)*<sup>40</sup>.** In this reference case, the Federal Court of Appeal was asked whether the CRTC had the power to implement a new “value for signal” regime as between local television stations and broadcast distribution undertakings. The television stations were largely in favour of the proposed regime, which would allow them to negotiate fair compensation from broadcasters in exchange for the distribution of their programs.

Broadcasters largely opposed the proposed regime on the basis of the *Copyright Act*, arguing that local stations were precluded from seeking royalties for the right to retransmit the stations’ programs. The court found that the regime was necessary to fulfill objectives of the *Broadcasting Act*, and that these objectives trumped the broadcaster's retransmission rights under the *Copyright Act*.

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<sup>39</sup> [2011] FCJ No 292

<sup>40</sup> 2011 FCA 70

## 11 - INTERFACE WITH FREEDOM OF INFORMATION

**Access to information under the *Municipal Freedom of Information and Protection of Privacy Act* cannot be denied solely on the basis of copyright:** *Order MO-2635; Toronto (City)*<sup>41</sup>. A request was made under the *Municipal Freedom of Information and Protection of Privacy Act* for access to any plans, drawings or paperwork submitted to the City respecting the lobby of a specified condominium building. The Ontario Information and Privacy Commissioner held that information contained in the records requested may be subject to copyright, and while it may suggest some measure of ownership, it does not, in and of itself, provide a basis to deny access to the information under the *Municipal Freedom of Information and Protection of Privacy Act*.

## 12 - SIGNIFICANT FOREIGN DECISIONS

### 12.1 India

**Suits for infringement may be filed in the forum where the plaintiff resides or carries on business. Intermediaries must exercise active due diligence to prevent the communication of infringing works to the public:** *Super Cassettes Industries v. MySpace Inc.*<sup>42</sup>. The plaintiff, Super Cassettes, a film and music producer and distributor, alleged copyright infringement against the defendant, MySpace. The plaintiff alleged that the defendant infringed its copyright in various songs and films by communicating these works to the public and by providing a platform for users of the MySpace website to store and share infringing copies.

The High Court of Delhi ruled that it had jurisdiction over MySpace, an American website, since India's *Copyright Act* allows suits for infringement to be filed in the forum where the plaintiff resides or carries on business.

In a lengthy decision, the court granted interlocutory relief to the plaintiff, and ordered MySpace to delete works of the plaintiff from its website. The basis of the court's decision was its rejection of the "safe harbour" defence. Section 79 of India's Information Technology Act, like similar provisions in the United States and elsewhere, exempts intermediaries from liability for copyright infringement if the intermediary removes infringing content that is brought to its attention.

The court found, however, that section 79 did not apply in light of section 81 of the same *Act*, which provides that nothing in the Act shall restrict any person from exercising any right conferred under the *Copyright Act* or the *Patent Act*. The court ruled that it is not enough for an intermediary to remove infringing content when it is brought to its attention; instead intermediaries such as MySpace must exercise due diligence to prevent the communication of infringing works to the public.

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<sup>41</sup> [2011] O.I.P.C. No. 86,; Order No. MO-2635; Appeal No. MA10-43

<sup>42</sup> High Court of Delhi, judgment pronounced on 29/07/2011

## 12.2 Australia

**Reasonable to require ISPs to implement a graduated response system to prevent illegal file sharing, including sending out notices of claimed copyright infringement to subscribers and terminating accounts of repeat offenders:** *Roadshow Films Pty Limited v. iiNet Limited*<sup>43</sup>. The Australian appeals court by majority dismissed the appeal from the decision of the primary judge who had held that iiNet, an ISP in Australia that had not acted on any information provided to it by copyright owners, was not liable for authorizing the copyright infringement of its subscribers who had used its facilities to engage in unlicensed peer to peer file sharing.

A main issue in the appeal was whether iiNet had an obligation to have and implement a policy to transmit notices of claimed infringement to its subscribers and to terminate the accounts of repeat infringers who used its systems and services to engage in file sharing.

All three judges were of the opinion that iiNet could have established and implemented a policy to forward notices of claimed copyright infringement to subscribers that could have included suspending and terminating the accounts of repeat infringers to avoid being liable for authorizing copyright infringement under Australia's copyright laws. All three judges also held that iiNet's obligation to act was premised on copyright holders providing cogent evidence of the alleged primary acts of infringement which took place using its services. The main disagreement between the judges was whether iiNet had been provided with sufficient information to trigger the obligation to act. Jagot J. was of the opinion that iiNet was given everything required and in any event would not have acted irrespective of the information provided to it. Emmett and Nicholas JJ expressed the opinion that sufficient information had not been supplied. Nicholas J found that the fact that iiNet may not have acted irrespective of the information was "not to the point".

The court canvassed the effectiveness of sending out notices of claimed infringement with warnings of potential account terminations and found they would be effective in reducing online file sharing. They also reviewed the reasonableness and practicality of requiring ISPs to implement a graduated response system including sending out these types of notices and adopting and implementing a process to terminate accounts of repeat infringers. They found such a process reasonable and workable.

**Simplicity does not deprive a chart, one that was created with skill and intellectual effort of its originality for copyright purposes:** *Dynamic Supplies Pty Limited v. Tonnex International*<sup>44</sup>. The plaintiff created a compatibility chart for printer and computer consumables, and claimed copyright infringement against the Defendant, who published a similar chart.

The court found that copyright subsisted in the chart, since intellectual effort and skill went into its compilation. The simplicity of the chart did not deprive it of originality for copyright purposes. The court also found that the Defendant infringed this copyright, since its own compatibility chart contained many of the same idiosyncrasies (such as information entered inconsistently in alphabetical order).

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<sup>43</sup> [2011] FCAFC 23 (Federal Court of Australia)

<sup>44</sup> 2011 FCA 362 (Federal Court of Australia)

### 12.3 United Kingdom

**Copyright claims by a person that is (at best) a licensee require permission of the copyright owner to proceed:** *Media CAT v. Adams*<sup>45</sup>. The dispute concerned actions commenced against a number of individuals who were allegedly infringing copyright in pornographic films by downloading them using file sharing software. The claimant, Media CAT, asserted that it was entitled to bring the proceedings in its own name by virtue of agreements with the owners of the copyright in these films. Its agents had monitored the “unauthorized” use of the various copyrighted films and had compiled a list of IP addresses linked to P2P file-sharing software. It then applied under the Norwich Pharmacal jurisdiction for orders seeking the names and addresses of the persons who were associated with those IP addresses from various internet service providers. Media CAT received a list of around 10,000 names and – through its lawyers ACS: Law – sent letters to many of these individuals asserting its claims and demanding payment of £495 in compensation. Media CAT’s lawyers then applied for default judgments in several of these cases under Part 12 of the Civil Procedure Rules (an administrative procedure enabling a claimant to enter judgment without the need for judicial intervention if the defendant is in default of certain procedural steps). They also tried to discontinue 27 of the cases and vacate the hearing that was scheduled to commence before Judge Birss. The latter, however, refused to accede to these requests and ordered that the hearing take place.

Among the issues which the Patents County Court considered in its February 8, 2011 ruling were: (i) the standing of Media CAT to maintain these various actions in its own name, (ii) whether the facts pleaded were sufficient to establish that the various defendants were guilty of infringement of copyright, (iii) whether Media CAT was entitled to discontinue the actions unilaterally, (iv) the use of the Norwich Pharmacal procedure. After giving detailed consideration to the various issues, Judge Birss found various shortcomings regarding Media CAT’s claims and held that the notices of discontinuance should be set aside.

In a further judgment dated 18 April 2011, the court ruled on the defendants’ applications against Media CAT’s solicitors for a wasted costs order and also for an order under section 51 of the Senior Courts Act 1981 that those solicitors should be liable for the costs of the action as de facto funders of the litigation. Judge Birss made a stage one wasted costs order, but only in relation to the revenue sharing arrangements between Media CAT and their lawyers ACS: Law and the attempted discontinuance. On the section 51 claim, the court held that there is a good arguable case that the solicitors for the claimant (ACS: Law and Mr. Cossley) should be liable for the costs of the case and added them as party to the action for that purpose.

**UK Court of Appeal refers questions regarding inter-jurisdictional database transmissions to European Court of Justice:** *Football Dataco Ltd v. Yahoo! UK Limited*<sup>46</sup>. The claimants in this case (including Football Dataco) own a database called “Football Live”, which compiles data (“fixture lists”) about European football matches in progress. The defendants offer a similar “live score” service through their various websites, and it is alleged that the data for this service is copied from the claimants’ database.

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<sup>45</sup> 2011 EWPC 6 and 2011 EWPC 10 (Patents County Court)

<sup>46</sup> 2011 EWCA Civ 330 (UK Court of Appeal)

In separate 2010 decisions, the High Court rejected the defendants' application for an order declaring that there was no jurisdiction to entertain the claim against them,<sup>47</sup> and found that the fixture lists were protected by database copyright under the EU's Database Directive.<sup>48</sup>

This 2011 decision of the Court of Appeal follows from the High Court's decision regarding jurisdiction. It does little but summarizes the arguments of both parties and then refers the following question to the ECJ:

Where a party uploads data from a database protected by sui generis right under Directive 96/9/EC ("the Database Directive") onto that party's webserver located in member state A and in response to requests from a user in another member state B the webserver sends such data to the user's computer so that the data is stored in the memory of that computer and displayed on its screen

- (a) is the act of sending the data an act of "extraction" or "reutilisation" by that party?
- (b) does any act of extraction and/or re-utilisation by that party occur (i) in A only (ii) in B only; or (iii) in both A and B?

**Database can be protected by copyright, but only if it is an original intellectual creation of the author. Copyright protection of the database does not extend to "the phase in which the data are created, but only the phase in which they are collected, verified and presented":** *Football Dataco Ltd v. Yahoo! UK Limited*<sup>49</sup>. The 2010 decision regarding copyright protection under the EU Database Directive was appealed to the Court of Appeal,<sup>50</sup> which subsequently referred the matter to the European Court of Justice. The following questions were put to the ECJ:

1. In Article 3(1) of Directive 96/9/EC on the legal protection of databases what is meant by "databases which, by reason of the selection or arrangement of their contents, constitute the author's own intellectual creation" and in particular:

- (a) should the intellectual effort and skill of creating data be excluded?
- (b) does "selection or arrangement" include adding important significance to a pre-existing item of data (as in fixing the date of a football match);
- (c) does "author's own intellectual creation" require more than significant labour and skill from the author, if so what?

2. Does the Directive preclude national rights in the nature of copyright in databases other than those provided for by the Directive?

The Advocate General of the ECJ delivered his opinion and answered the above questions as follows:

- (1) A database can be protected by copyright, for the purposes of [the Database Directive] only if it is an original intellectual creation of its author. For the purpose of that assessment, the activities involved in the creation of the data cannot be taken into account. In the case of a football fixture list, the

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<sup>47</sup> 2010 EWHC 2911

<sup>48</sup> 2010 EWHC 841

<sup>49</sup> Case C-604/10 (Opinion of Advocate General of the European Court of Justice)

<sup>50</sup> 2010 EWCA Civ 1380

determination of all the elements relating to each single match is a data creation activity.

(2) [The Directive] precludes national law from conferring copyright protection upon a database which does not meet the requirements laid down in [...] the Directive itself.

If the ECJ should accept the AG's opinion, it would point to a sharp distinction between data and the database. Copyright protection of the database does not extend to "the phase in which the data are created, but only the phase in which they are collected, verified and presented".

**ISPs may be required to block foreign websites in order to prevent their facilities from being used for illegal file sharing:** *Twentieth Century Fox & Ors v. British Telecommunications Plc*<sup>51</sup>. This case raised the question as to whether a UK court could grant an injunction requiring a UK ISP (BT) to block a foreign website in order to stop the ISP's facilities from being used by third parties engaged in unauthorized online file sharing. The court ruled that making such an order would be a proportionate remedy to counter illegal online file sharing and one which it could make.

The High Court accepted "that online copyright infringement is a serious problem for copyright owners such as the Studios and the other rightholders who support this application" even though it is one whose impact is difficult to quantify. The court also noted that other courts in the EU had made similar orders including orders requiring ISPs to block well know file sharing sites such as The Pirate Bay.

BT had actual knowledge of one or more persons using its service to infringe copyright even though it was not proven that BT had actual knowledge of a specific infringement of a specific copyright work by a specific individual.

The blocking order asked for by the studios required BT to implement an existing technical solution which BT already employed to block child pornography. According to the Court, the order asked for was reasonable: "implementing that solution is accepted by BT to be technically feasible; the cost is not suggested by BT to be excessive; and provision has been made to enable the order to be varied or discharged in the event of a future change in circumstances."

**Internet live-streaming of TV programmes is a communication to the public:** *ITV Broadcasting v. TV Catchup*<sup>52</sup>. The TV Catchup Limited ("TVC") operates an internet based live streaming service of broadcast television programmes, including films, in which the claimants own the copyright. The questions in the case are whether, in providing its live service, TVC communicate the broadcasts and underlying films to the public or reproduces them through buffer copying.

The UK High Court made several important holdings or provisional holdings including the following:

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<sup>51</sup> 2011 EWHC 1981

<sup>52</sup> 2011 EWHC 1874

- TVC communicate the films and broadcasts to the public (the court stated its intention to refer the question to the EU Court of Justice (the CJEU)).
- TVC reproduces a substantial part of the films in the buffers and on the computer screens in which they are viewed.
- There is no reproduction of a substantial part of a broadcast in the buffers or on the screens (the court stated its intention to refer the question to the CJEU).

**Copyright may subsist in the headlines to various articles published by an online article clipping service:** *The Newspaper Licensing Agency v. Meltwater Holding BV*<sup>53</sup>. The Meltwater decision of the UK Court of Appeals canvassed several questions related to whether an online article clipping service can legally be operated in the UK. Justice Proudman of the UK High Court had ruled that it could not. Her reasons for that conclusion included the following holdings summarised by the Court of Appeal:

- “(1) The headlines to the various articles reproduced in Meltwater News are capable of being literary works independently of the article to which they relate.  
(2) The extracts from the articles reproduced in Meltwater News with or without the headline to that article are capable of being a substantial part of the literary work consisting of the article as a whole.  
(3) Accordingly the copies made by the end-user’s computer of (a) Meltwater News (i) on receipt of the email from Meltwater, (ii) opening that email, (iii) accessing the Meltwater website by clicking on the link to the article and (b) of the article itself when (iv) clicking on the link indicated by Meltwater News are and each of them is, prima facie, an infringement of the Publishers’ copyright.  
(4) No such copies are permitted (a) by s.28A CDPA dealing with temporary copies, or (b) as fair dealing within s.30 CDPA, or (c) by the Database Regulations.  
(5) Accordingly, the end-user requires a licence in order lawfully to receive and use the Meltwater News Service.”

The Court of Appeal agreed with the decision of the trial judge on all of the canvassed issues.

**UK courts have jurisdiction to try claims for infringement of foreign copyright laws. Utilitarian designs in artefacts such as helmets can not be protected by copyright:** *Lucas Film Limited v. Ainsworth & Anor*<sup>54</sup>. This decision of the UK Supreme Court decided two issues. The first addressed the definition of “sculpture” in the *Copyright, Designs and Patents Act 1988* (the CDPA), and, in particular, the correct approach to three-dimensional objects that have both an artistic purpose and a utilitarian function. The appeal was concerned with copyright in various artefacts made for use in the first Star Wars movie including the Imperial Stormtrooper helmet. The Supreme Court held that the helmets were not sculptures. The helmet was utilitarian and could not be protected by copyright.

In giving its reasons the court recognized that the CDPA’s protection for artistic works such as sculptures should be construed to be separate and distinct from copyright in utilitarian unregistered designs.

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<sup>53</sup> 2011 EWCA 890

<sup>54</sup> 2011 UKSC 39

The second issue addressed by the UK Supreme Court is whether a claim against a defendant domiciled in England for infringement of a foreign copyright is justiciable in the UK. Both the UK High Court and the Court of Appeal held they were not. The Supreme Court came to the opposite conclusion. After canvassing the UK and other Commonwealth cases on the issue and applicable legal and policy arguments, the Court reversed the judgement in the *Tyburn Productions Ltd. v. Conan Doyle*, [1990] 1 All E.R. 909 (Ch.D.) case and ruled that English Courts have the jurisdiction to try claims for infringement of foreign copyright laws.

**A mere accretion of data in the most obvious and basic possible arrangement will not attract copyright protection, but it can be protected under the EU's Database right:** *Forensic Telecommunications Services Ltd v Chief Constable of West Yorkshire*<sup>55</sup>. The plaintiff, a forensic services company, extracts data from mobile phones in the course of criminal investigations, and uses this data to build a list of “permanent memory absolute addresses” (PM Abs addresses). The defendants were alleged to have extracted and re-utilized this data.

Under the *Copyright, Designs and Patents Act*, the issue was first whether any copyright subsisted in the addresses themselves. The court found there was no copyright: although some skill and labour was used in ascertaining the addresses, it was not of the right kind; it did not go to devising the *form of expression* of the addresses.

The court then considered whether there was any copyright in the list of addresses. The list constituted a simple database, but was not a true compilation, since there was no underlying design. The arrangement of the list was the most obvious and basic one possible; it was merely an accretion of data over time that did not attract copyright protection.

The court did find, however, that the PM Abs list could benefit from the “Database right” under the EU's Database Directive. Under section 13(1) of the Directive, “A property right (‘database right’) subsists [...] in a database if there has been a substantial investment in obtaining, verifying or presenting the contents of the database”. The Database right is also explicitly independent of any copyright in the work (or lack thereof). So although the court found that the work put into the creation of the database was not of the right kind to attract copyright, it accepted the argument that such work counted towards subsistence of the database right. The defendants infringed this Database right when they extracted and re-utilised substantial portions of the PM Abs list.

**UK Digital Economy Act is not inconsistent with EU privacy and data protection Directives:** *R (on the application of British Telecommunications plc and another) v. The Secretary of State for Business, Innovation and Skills*<sup>56</sup>. In this unsuccessful application for judicial review, two of Britain's largest ISPs sought to establish that certain provisions of the Digital Economy Act 2010 (DEA) were in breach of various EU laws. These provisions of the DEA are aimed at reducing copyright infringement over the Internet. The impugned provisions created a reporting and notification scheme that would give copyright owners some ability to learn, through their ISPs, the identity of Internet subscribers who had infringed their copyright.

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<sup>55</sup> 2011 EWHC 2892 (Ch)

<sup>56</sup> 2011 EWHC 1021 (Admin)

The court rejected the ISPs' argument that these provisions were inconsistent with any EU privacy and data protection directives.

The ISPs also argued that provisions of the DEA which imposed any liability on ISPs were inconsistent with the EU's E-Commerce Directive, which conferred immunity on ISPs when acting as "mere conduits" for "information transmitted" on their networks. The court held that any liabilities imposed under the DEA were not connected to the "information transmitted", but arose instead as part of a separate regulatory regime.

## 12.4 European Court of Justice

**Balance must be struck between protection of IP rights and rights of those affected by copyright protection measures. Proposed monitoring and blocking of content by ISPs would protect copyright holders, but would violate other fundamental rights of ISPs: *Scarlet Extended (Intellectual Property)*<sup>57</sup>.** SABAM is a management company which represents authors, composers and editors of musical works in authorizing the use of their copyright-protected works by third parties. Scarlet is an ISP, providing access to the internet for its customers. SABAM had concluded that internet users using Scarlet's services were downloading copyrighted material from the SABAM catalogue without paying royalties via a P2P network.

SABAM sought declaratory relief that the material being traded was copyrighted and was infringed. SABAM also sought an order seeking to block such infringement by making it impossible for customers to send or receive files containing copyrighted material using a P2P network without the permission of the rights-holder.

In first instance the Belgian courts granted the relief sought by SABAM. Scarlet appealed saying that it lacked the technical capacity to actually block the transfer of the infringing content. Further, it argued that even if it were possible, such action would be in violation of EU law because it would *de facto* impose on Scarlet a general obligation to monitor communication on its network.

The Cour d'appel de Bruxelles stayed the case and referred it to the ECJ for a preliminary ruling. The ECJ concluded that a number of EU Directives dealing with e-commerce, privacy, and IP rights, when read together and construed in the light of the requirements stemming from the protection of the applicable fundamental rights, must be interpreted as precluding an injunction made against an ISP which requires it to install a system for filtering all electronic communications passing via its network. The ECJ was particularly concerned about the preventive, indiscriminate nature of the proposed measures, and that they would be aimed at all customers for unlimited periods of time.

The ECJ emphasized that when considering measures aimed at protecting copyright holders, a balance must be struck between the protection of IP rights and the rights of those who are otherwise affected by such measures. In this case, it was found that the proposed monitoring and blocking would constitute a serious infringement of the freedom of ISPs in the conduct of their businesses.

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<sup>57</sup> [2011] EUECJ C-70/10

**Sporting matches do not attract copyright protection, since they are not the intellectual creation of an author:** *Football Association Premier League & Ors (Freedom to provide services)*<sup>58</sup>. This was a reference from the High Court of Justice (Chancery Division) for clarification of EU Law regarding the practice of broadcasting content via foreign decoding devices in Public Houses.

The Football Association Premier League (FAPL) concludes agreements with EU broadcasters to carry FAPL content. The agreements provide that each broadcaster will be the exclusive provider of FAPL matches and other content within a certain terrestrial territory (most often covering a single EU member state).

In the United Kingdom, certain restaurants and bars began using foreign decoding devices to access (FAPL) matches. They would buy a card and decoder box from a dealer which allowed them to receive satellite transmissions broadcast in another member state.

The court ruled that national legislation which prohibits the import and use of these decoding devices is inconsistent with the freedom to provide services guaranteed under EU law. The court held that such legislation could not be justified on the basis of protecting intellectual property rights; FAPL matches do not attract copyright, since they are merely sporting matches and not an “author’s own intellectual creation”.

The court allowed, however, that certain elements within FAPL matches, such as the opening video sequence, the highlight reels showing recent matches, and various graphics, could attract copyright protection.

The court found that transmitting FAPL matches containing these protected elements in a pub constitutes a “communication to the public”, and as such, authorisation of the author was necessary.

The court also held that reproduction right extends to transient fragments of the works within the memory of a satellite decoder and on a television screen, provided that those fragments contain elements which are the expression of the authors’ own intellectual creation, and the unit composed of the fragments reproduced simultaneously must be examined in order to determine whether it contains such elements. Also, acts of reproduction, which are performed within the memory of a satellite decoder and on a television screen, fulfil the conditions laid down in Article 5(1) of Directive 2001/29 and may be carried out without the authorisation of the copyright holders concerned.

## 12.5 United States

**Proposed class action settlement may not place a burden on copyright holders to come forward and protect their rights. Issue of how to deal with orphaned works is not a matter to be addressed in a class action settlement, but should be left to Congress:** *The Authors*

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<sup>58</sup> [2011] EUECJ C-403/08

*Guild et al v. Google Inc.*<sup>59</sup>. Following agreements with major research libraries, Google digitized millions of books and made them available online. Many of these books, however, were still under copyright, and Google never obtained permission to scan and reproduce them. A class action was brought by authors and publishers alleging copyright infringement against Google, which led to a proposed settlement in 2008. In this decision, the District Court for the Southern District of New York rejected the settlement as not being “fair, adequate, and reasonable”.

The settlement reached between Google and the plaintiffs effectively had two parts: the first released Google from liability for past copyright infringement in respect of its digital book library. The second part granted certain rights to Google in the scope of an ongoing business arrangement, which included the sharing of future proceeds, and also released Google from liability for specific future conduct.

The court rejected the proposed settlement on a number of grounds. First, it found that the second, forward-looking part of the settlement agreement went beyond what the court could authorize in class action proceedings. In particular, the agreement would have created a system to deal with rights arising out of orphan books, and the court held that this was a matter better left to Congress. Also, the settlement’s reliance on opt-out provisions would have allowed Google to effectively expropriate the rights of copyright holders who sat back and did nothing. The court found that this would have inappropriately placed the burden on copyright holders to “come forward and protect their rights when Google copied their works without first seeking their permission”.

The court also cited antitrust concerns, based on objections from Amazon and Microsoft. These parties successfully argued that the settlement agreement would have granted Google a monopoly over unclaimed works. The court concluded by noting that many of the shortcomings of the settlement agreement could have been corrected if it were converted from an opt-out to an opt-in framework.

**Posting photos to Twitter does not grant a licence for use and reproduction to third-parties. The DMCA prohibits altering copyright management information (CMI), even when it is not located directly on a photograph:** *Agence France Presse v. Morel*<sup>60</sup>. Photojournalist Daniel Morel brought claims of copyright infringement against Agence France Presse (AFP) and several broadcasters and photo licensing companies. The court denied AFP’s motion to have these claims dismissed.

Morel took a series of photographs at the outset of the Haiti earthquake, which he then uploaded to his Twitter account (through the Twitpic service). The photos were subsequently copied and re-tweeted by another individual, and these copied photos were then picked up and distributed by AFP and the other defendants.

Under Twitter’s terms of service, in uploading the photographs Morel granted a broad license to Twitter for the use and reproduction of his work. AFP argued that they too were the recipients of a license under the terms of service, which “encourage and permit broad re-use of Content”. AFP also argued in the alternative that they were third-party beneficiaries of the license enjoyed by

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<sup>59</sup> 770 F.Supp.2d 666 (S.D.N.Y. 2011)

<sup>60</sup> 769 F.Supp.2d 295 (S.D.N.Y.2011)

Twitter. The court rejected both of these arguments, based on the wording of the Twitter and Twitpic terms of service. “By their express language, Twitter's terms grant a license to use content only to Twitter and its partners. Similarly, Twitpic's terms grant a license to use photographs only to “Twitpic.com or affiliated sites.” AFP and TBS do not claim they are partners of Twitter or affiliates of Twitpic licensed under the terms of service. Moreover, the provision that Twitter “encourage[s] and permit[s] broad re-use of Content” does not clearly confer a right on other users to re-use copyrighted postings... Twitter's terms of service do not meet that standard. Accordingly, AFP and TBS do not meet their burden to establish that they had a license to use Morel's photographs.”

Morel also claimed that under the DMCA, the defendants knowingly distributed false copyright management information (CMI) when they altered credit lines he had placed next to his images on his Twitter account. AFP argued that the DMCA only dealt with CMI located on the image itself, but the court rejected this interpretation and held that the claim could not be resolved on a motion to dismiss.

**Viewing source code and subsequently designing copies of the software could constitute copyright infringement. Debugging a piece of software and modifying it to support existing functions falls under the “essential step” defence to copyright infringement: *Softech Worldwide LLC v. Internet Technology Broadcasting Corp.*<sup>61</sup>.** The plaintiff, Softech, moved for a preliminary injunction in this case to prevent the defendants from infringing copyright in Softech’s software. The District Court for the Eastern District of Virginia denied the motion.

Softech produced software for the Department of Veteran Affairs, which in turn authorized one of the defendants to maintain and modify that software. The defendants relied on the “essential step” defence, which provides that there is no copyright infringement where software is modified with the authorization of an owner of a copy as an essential step in the utilization of that software.

The court accepted the essential step defence. The Department of Veteran Affairs owned a copy of Softech’s software, and authorized the defendants’ efforts to debug and modify it to support existing functions.

Softech also alleged that the defendants had viewed the source code for some of its programs, and that they intended to design their own copies of the software for the benefit of the Department of Veteran Affairs. The court accepted that this could form the basis of a legally cognizable claim, but that there was no evidence of any actual copying based on previously viewed source code.

**“Long-arm jurisdiction” is determined based on the location of the copyright holder, not based on the location where impugned works were copied and uploaded: *Penguin Group (USA) Inc. v. American Buddha*<sup>62</sup>.** The US District Court dismissed Penguin’s copyright infringement claim against website operator American Buddha on the basis of lack of personal

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<sup>61</sup> 761 F.Supp.2d 367 (E.D.Vir.2011)

<sup>62</sup> 16 N.Y. 3d 295 (Court of Appeals of New York)

jurisdiction. The District Court found that Penguin had been injured in Oregon or Arizona, where American Buddha copied and uploaded the impugned works.

In this decision, the New York Court of Appeals answered a certified question put to it by the Federal Second Circuit Court of Appeals, and held that in copyright infringement cases involving the uploading of a copyrighted printed literary work onto the Internet, the injury suffered by the uploading takes place at the location of the copyright holder.

The Court of Appeals noted that unlike in traditional commercial tort cases where the injury is linked to the place where sales are lost, the location of the copyright infringement in online cases is largely irrelevant. Even the lack of evidence that the impugned works had been downloaded in New York was not fatal to Penguin's claim.

**Ownership of the exclusive right to reproduce is required to bring a claim for copyright infringement. Where assigned rights are qualified by restrictions and rights of reversion, the assignee will not have the exclusive right to reproduce:** *Righthaven LLC v. Hoehn*<sup>63</sup>. This case is one of many involving Righthaven LLC, a company described as a "copyright litigation factory". Righthaven brought suit against the defendant, Wayne Hoehn, alleging copyright infringement and seeking statutory damages.

Hoehn had posted an article on a third-party website which he credited to the Las Vegas Review Journal, where it was originally published. Rights to the article were held by Stephens Media, which in turn had a "Strategic Alliance Agreement" (SAA) with Righthaven governing the assignment of various copyrights.

In this decision, the District Court for Nevada dismissed the infringement claim, finding that Righthaven lacked standing to pursue the action, and that in any event, Hoehn's posting of the article was fair use.

On the jurisdiction issue, the court held that ownership of the exclusive right to reproduce a copyrighted work is required to bring a claim for infringement based on that work. Separate from the underlying SAA, Stephens Media executed a broadly worded assignment of its rights in the impugned article to Righthaven. The court found, however, that the assignment had to be read in harmony with the SAA, which qualified the assignment with restrictions and rights of reversion. As a result, the court found that Righthaven did not have the necessary exclusive rights. The court also found that Hoehn's posting of the article met the test for fair use. In particular, the court noted that Hoehn did not and could not profit from posting the work, that the work itself was not a pure "creative work", and that there was no evidence that Hoehn's non-commercial use had any negative impact on the market of potential readers.

**Claim of contributory copyright infringement allowed to proceed where sufficient facts are plead to allow an inference that the defendant knew or ought to have known of infringement occurring on their website:** *Flava Works v. Gunter*<sup>64</sup> The plaintiff, Flava Works,

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<sup>63</sup> 792 F.Supp.2d 1138 (District Court for Nevada)

<sup>64</sup> *Flava Works, Inc, v Gunter dba myVidster* , 2011 WL 1791557 (N.D.Ill.May 10, 2011), *Flava Works, Inc, v Gunter dba myVidster* 2011 WL 3205399 (N.D.Ill. July 27, 2011), *Flava Works, Inc, v Gunter dba myVidster* , 2011 WL 3876910 (N.D.Ill. Sep. 1, 2011)

is a producer and distributor of adult entertainment media. The defendants are collectively responsible for a website where members can store, bookmark, and post links to online videos. The plaintiff alleged that a number of its videos were posted on the defendants' website. The plaintiff brought various claims for copyright infringement, and the defendants moved to have these claims dismissed. In this decision, the District Court for the Northern District of Illinois granted the motion in part and dismissed some of the plaintiff's claims.

The court dismissed the claim of direct copyright infringement as there was no evidence that the defendants engaged in volitional conduct that caused a copy to be made. The court denied the motion to dismiss the claim of contributory copyright infringement. The court was satisfied that the plaintiff plead sufficient facts to allow an inference that the defendants knew or ought to have known of copyright infringement occurring on their website. In particular, the court noted that the plaintiff had sent seven DMCA notices over a seven month period, identifying specific infringing files and users. myVidster had no filters or identifiers in place to prevent repeat infringers and it took no action to stop or ban the repeat infringers who allegedly posted plaintiff's copyrighted works. The site was not entitled to rely on the DMCA safe harbours because it did not have or implement a policy to deal with repeat infringers.

The court also expressed the opinion that an entity can be liable for inline linking even if the content is stored on a third part website. It stated: "To the extent that *Perfect 10* can be read to stand for the proposition that inline linking can never cause a display of images or videos that would give rise to a claim of direct copyright infringement, we respectfully disagree. In our view, a website's servers need not actually store a copy of a work in order to "display" it. The fact that the majority of the videos displayed on myVidster reside on a third-party server does not mean that myVidster users are not causing a "display" to be made by bookmarking those videos. The display of a video on myVidster can be initiated by going to a myVidster URL and clicking "play"; that is the point of bookmarking videos on myVidster—a user can navigate to a collection of myVidster videos and does not have to go to each separate source site to view them."

**Making a music file available on a website in Australia is tantamount to global and simultaneous publication of the work:** *Kernal Records v. Mosley*<sup>65</sup>. Is a work published worldwide for copyright purposes when it is posted on a publically available internet web site? That issue was just canvassed by a US District Court in this case. The court ruled that making a music file available on a website in Australia was an act tantamount to global and simultaneous publication of the work which brought the work within the definition of a "United States work" under § 101(1)(C) of the US *Copyright Act*. The effect of the holding was that the copyright infringement suit brought in the US was dismissed for failure to meet that legislation's registration requirement for a "United States work".

**Constitutional principle of due process is violated by excessive jury award for copyright infringement, even where the award is within statutory limits:** *Capitol Records Inc v. Jammie Thomas-Rasset*<sup>66</sup> In a string of previous decisions, statutory damages of \$1.5 million dollars were awarded by a jury to Capitol Records, the Plaintiff, against Jammie Thomas-Rasset,

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<sup>65</sup> 794 F.Supp.2d 1355 (S.D.Fla. 2011)

<sup>66</sup> 2011 WL 3211362 (District Court for Minnesota)

the Defendant, who was found to have infringed copyright by making 24 sound recordings available for download on a peer-to-peer network.

In this decision, the District Court for Minnesota reduced it to a total of \$54,000. Although the original damages were within the limits set under the *Copyright Act*, the court came to this decision on constitutional grounds, finding that the jury award violated principles of due process.

The court recognized that statutory damages were justified in order to protect the public's interest in enforceable copyright, to deter future copyright infringers, and to compensate the plaintiff. However the court found the jury's award to be unconstitutionally severe and oppressive since the defendant was a mere individual that did not benefit commercially from the infringement. The court also emphasized that the plaintiff's actual damages were very low, and that one of the purposes of statutory damages under the *Copyright Act* is to serve as a substitute for actual damages when these are difficult to calculate. Ultimately, the court relied on its finding that the award was "obviously unreasonable".

**Tort of "hot news" misappropriation is pre-empted by federal copyright law:** *Barclays Capital Inc et al v Theflyonthewall.com Inc.*<sup>67</sup>. At trial, Barclays and other major financial institutions (the Plaintiffs) alleged that the Theflyonthewall.com (the Defendant) had infringed their copyright in numerous financial research reports. In particular, Theflyonthewall.com made a business out of taking the summary recommendations from these reports and disseminating them to its own subscribers. At trial, the court found in favour of the Plaintiffs on the basis of copyright infringement, and for having committed the tort (under New York state law) of "hot news" misappropriation. As a remedy for the "hot news" misappropriation, the court permanently enjoined Theflyonthewall.com from disseminating the financial recommendations until 30 minutes after the opening of the New York Stock Exchange.

In this decision, the Court of Appeals for the Second Circuit reversed the judgment of the trial judge on the "hot news" misappropriation issue, finding that such a claim was pre-empted by federal copyright law. The court found that financial reports produced by the Plaintiffs fell squarely within the scope of the *Copyright Act*.

Furthermore, the court concluded that Flyonthewall.com was not "free-riding" in the sense required to make out a hot-news misappropriation claim. To succeed, the Plaintiffs would have had to show that news material which they gathered was taken by the Defendant and disseminated as its own. But here, the court found that the recommendations contained within the reports were not "news" that the Plaintiffs acquired through reporting, but rather creations of their expertise and experience. Theflyonthewall.com was then merely "breaking" the underlying news that the Plaintiffs had made these recommendations, and it did so with explicit attribution to the issuing financial firm.

**Online music storage locker liable for allowing users to store and access songs listed in valid copyright takedown notices:** *Capitol Records Inc v. MP3 Tunes LLC*<sup>68</sup>. In this case, the court ruled that MP3Tunes was liable for contributory infringement by providing storage locker services to its users when it knew that they had unlawfully downloaded copyright protected

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<sup>67</sup> Court of Appeals for the Second Circuit, judgment dated 06/20/2011

<sup>68</sup> 101 U.S.P.Q.2d 1093 (S.D.N.Y.2011)

materials into the lockers. MP3Tunes was found liable because it allowed users to continue to store and access songs listed in valid copyright takedown notices. In the summary judgment motions ruled on, the court also held that MP3Tunes was not liable for allowing users to continue to store and access songs it was not required to remove under the DMCA.

**Merely hosting copyrightable content with knowledge that one's online services can be used to share infringing material will not cause a loss of immunity under the DMCA:** *UMG v. Shelter Capital Partners, Veoh Networks*<sup>69</sup>. In affirming the decision of the District Court, the Ninth Circuit made three important rulings in this case with respect to the scope of the DMCA hosting safe harbor:

- The safe harbor can cover use by service providers of an automated process for transcoding and making files accessible.
- Merely hosting copyrightable content with the general knowledge that one's services could be used to share infringing material is insufficient to meet the DMCA knowledge requirements that can lead to a loss of immunity if steps are not taken to takedown or disable access to infringing content.
- A service provider does not lose its eligibility for the hosting safe harbor merely because it has a general right and ability to remove materials from its systems.

Veoh Networks (Veoh) was the operator of a publicly accessible website that enabled users to share videos with other users. (It is now out of business.) It was sued by Universal Music Group (UMG) for direct, vicarious and contributory copyright infringement, and for inducing infringement. A California District dismissed the claims holding that Veoh was entitled to immunity under the DMCA.

### 13 – INDUSTRIAL DESIGNS

There were no judicial decisions in 2011 relating to industrial designs.

### CONCLUSION

The trend in recent years of an increase in the number of decisions of the courts in Canada on copyright matters and decisions of the Copyright Board continued in 2011. There were however no landmark decisions in 2011. The landmark developments will take place in 2012 with the release by the Supreme Court of Canada of its decisions in the five copyright appeals and the anticipated passage by Parliament of Bill C-11.

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<sup>69</sup> 101 U.S.P.Q.2d 1001 (9<sup>th</sup>. Cir. 2011)