

COPYRIGHT YEAR IN REVIEW - 2017

21 March 2018

This article highlights noteworthy Canadian copyright law decisions and developments from 2017.

Circumvention of Technological Protection Measures & Statutory Damages

Nintendo of America Inc v King, 2017 FC 246

The Federal Court awarded Nintendo \$12.76 million in statutory and punitive damages against Go Cyber Shopping for circumvention of technological protection measures ("TPMs") and copyright infringement. The case was notable not only for its heightened damages award, but also for being the first Canadian decision to address TPMs. Nintendo implemented TPMs on its consoles to limit unauthorized use of pirated videogames. Go Cyber Shopping sold and installed devices that allowed consumers to use pirated videogames on Nintendo's consoles and circumvent existing protection measures.

Nintendo used, inter alia, "header data" as a protection measure on each of its consoles to ensure that only an authorised videogame would be recognized and allowed to run on the consoles. Go Cyber sold pirated games and provided instructions on how to download "header data" on the packaging of those games. The Court found that by providing these instructions, Go Cyber had "authorized" reproduction of these works, which was sufficient to establish copyright infringement and awarded maximum statutory damages for each of the registered copyright works.

In reaching the conclusion that Go Cyber had circumvented Nintendo's TPMs, the Court noted the importance of TPMs in the creative industry and made the following points of law:

- i. The physical configurations of the consoles and the game cards were sufficiently "effective" to qualify as TPMs under the provisions of the Copyright Act;
- ii. The definition of the term "circumvention" is not limited to its literal meaning but is broadly interpreted; and
- iii. Mere existence of "homebrew" content is not sufficient to establish the "interoperability" defense under section 41.12 of the Copyright Act.

With respect to damages, the Court held that Nintendo was entitled to statutory damages for each of the copyrighted works (585 in total) to which Go Cyber's circumvention devices provided unauthorized access. Notably, the Court stated that in assessing statutory damages, evidence of actual infringement of each work was not necessary. The Court also found bad faith and misconduct on the part of Go Cyber and determined that there was a need to set a deterrence for future TPM circumventions, thus awarding Nintendo the maximum statutory damages. The Court further awarded \$1 million in punitive damages for Go Cyber's callous disregard for Nintendo's rights.

Information Location Tool Exemption & Statutory Damages

Trader Corporation v CarGurus, Inc, 2017 ONSC 1841

The Ontario Superior Court awarded statutory damages totaling \$305,064 against CarGurus for copyright infringement of 152,532 photographs owned by Trader Corporation. The infringement arose after CarGurus had "scraped" Trader Corporation's photographs without permission from dealer websites and posted them on its own website and mobile application. In the decision, Conway J considered three key aspects of the Copyright Act: the making-available rights, the fair-dealing defense, and the defense for "information-location tools".

With respect to the making-available right, the Court stated that posting the photographs amounted to making them available to the public by telecommunication, within the meaning of the Copyright Act, regardless of whether the photos were actually stored on CarGuru's server or on a third party's server.

On the issue of CarGuru's fair-dealing defence, the Court applied the two-part test for fair dealing established in *CCH Canadian Ltd v Law Society of Upper Canada*, 2004 SCC 13 ("CCH"). While the Court accepted that from the perspective of the user, the photos on CarGuru's website can be used for "researching" vehicles for sale, the Court was not

convinced that the use of the photographs was "fair". In arriving at this conclusion, Conway J focused on the fact that the use was strictly commercial and that the parties were in direct competition.

The Court also rejected CarGuru's defense that the website was being used as an "information-location tool" on the basis that CarGuru was not acting as an intermediary as contemplated by section 41.27(1) of the Copyright Act.

When assessing statutory damages, the Court exercised its discretion under section 38.1(3) to reduce the statutory damages from \$500 to \$2.00 per work, on the basis that the photos were in a single medium (i.e. CarGuru's website) and to ensure that the award was not grossly out of proportion to the infringement. The Court also factored in a lack of bad faith on CarGuru's part in reducing the damages.

Federal Court Considers Fair Dealing Defense

United Airlines, Inc v Cooperstock, 2017 FC 616

The Federal Court discussed the scope of the parody exception for the first time in *United Airlines, Inc. v Cooperstock*. *United Airlines* sought an injunction against the operator of a parody and criticism website (UNTIED.com), alleging that the Defendant violated its copyright by copying the site, its logo and its globe design. The Defendant argued that its website fell under the "fair dealing for the purpose of parody" exception to copyright infringement.

After concluding that the Defendant's website infringed the Plaintiff's trademarks and copyright, the Court turned to an analysis of whether the dealing was fair.

On the question of whether the dealing was for an allowable purpose, the Court considered "parody" under section 29 of the Copyright Act. Noting that the legislation is silent as to the content, meaning, or scope of parody, the Court turned to basic principles of statutory interpretation and discussions of parody in Quebec, the United States, and the European Union for guidance.

The Court concluded that parody should be understood as having two basic elements: the evocation of an existing work while exhibiting noticeable differences and the expression of mockery or humour. The Court further stated that the parody exception does not require a user to identify the source of the work being parodied or that the expression of mockery or humour be directed at the exact thing being parodied.

Applying this definition of parody, the Court found that the first stage of the fair dealing test had been met - UNTIED.com fell within the allowable purpose of parody because it evoked the United website, the United logo, and the globe design while also showing some differences and expressing criticism/mockery of the Plaintiff.

The Defendant failed, however, at the second stage on whether the dealing was "fair". The Court concluded that the real purpose or motive in appropriating the copyrighted works was to defame or punish the Plaintiff for its perceived wrongdoings, not to engage in genuine parody. Furthermore, in considering the effect of the dealing, the Court stated that it was not the effect on the market that ought to be considered, but rather the confusion caused by the similarity between UNTIED.com and the United website. The Court ultimately concluded that the amount of the dealing also weighed in favour of the conclusion that the dealing was not fair.

Canadian Copyright Licensing Agency v York University, 2017 FC 669

Fair dealing was also considered by the Federal Court in *Canadian Copyright Licensing Agency v York University*, where the Court dismissed the defence of fair dealing for the purposes of education, research, and private study.

In the main action, the Court found that the interim tariff issued by the Copyright Board was mandatory and enforceable. In the counterclaim, the Court found that York's Fair Dealing Guidelines were not "fair" and did not exempt the university from paying royalties under the tariff.

In applying the fair dealing framework, the Court held that while the copies made under the Guidelines were for an allowable purpose (specifically, education, research, and private study), neither the Guidelines nor their application were fair, based on the six non-exhaustive CCH factors for assessing fairness. For example, the Court found that while education for the end user was a principal goal, the goal of the dealing was also to preserve York's own self-interest in keeping enrolment up by keeping student costs down. Further, in the "character of the dealing" analysis, the wide-ranging, large volume copying weighed toward unfairness. The Court found that the amount of the dealing, lack of alternatives to the dealing, nature of the work, and effect of the dealing also weighed against a finding of fairness.

An additional consideration that appears to have been material to the Court's assessment

of "fairness" was that York made no real effort to review, audit, or enforce the Guidelines. The Court found that this lack of an effective compliance mechanism underscored the unfairness of the Guidelines

Substantial Similarity v Degree of Resemblance

Stork Market Inc. v 1736735 Ontario Inc. (Hello Pink Lawn Cards Inc.), 2017 FC 779

In this action for trademark infringement, passing off, and copyright infringement, the Federal Court held that while the Defendants had infringed the Plaintiffs' registered and common law trademark rights, the images at issue did not infringe the Plaintiffs' copyright.

The Court held that although the individual Defendant had access to the Stork Market Images before designing his Hello Pink Images, the Defendant's testimony as to how the idea of including a customizable baby resulted in the design choices underlying the development of his images was credible. While the degree of resemblance between the parties' stork images was sufficient to support the finding of trademark infringement, the Court did not regard the similarities between the images to be so substantial as to cause it to reject the Defendant's evidence or to otherwise support a finding of copyright infringement.

Copyright Board Decisions

Scope of Section 2.4(1.1) of the *Copyright Act* - Making Available, Copyright Board of Canada, CB-CDA 2017-085 (August 25, 2017)

In August 2017, the Copyright Board released its decision on the scope of section 2.4(1.1) of the Copyright Act. This section provides that communication to the public by telecommunication includes making it available to the public by telecommunication in a way that allows access to it from an individually chosen place and time.

This decision follows a request by the Society of Composers, Authors and Music Publishers (SOCAN) that the Board rule on the interface between the making available right in section 2.4(1.1) and the previous *Entertainment Software Association v Society of Composers, Authors and Music Publishers of Canada, 2012 SCC 34 (ESA)* case. In *ESA*, it was determined that musical works transmitted over the internet are not a

communication to the public by telecommunication when they are downloaded.

The Board held that section 2.4(1.1) applies to an act of making available that may result in streams, downloads or both. This interpretation was influenced by the Board's effort to comply with Canada's international treaty obligations and principles of technological neutrality. The Board further held that this determination does not have the effect of rendering moot the conclusion reached in ESA, as it is different from the issue in that decision concerning the meaning of the transmission component of communicating works to the public.

Online Music Services (CSI: 2011-2013; SOCAN: 2011-2013; SODRAC: 2010-2013), Copyright Board of Canada, CB-CDA 2017-086 (August 25, 2017)

In a companion decision released concurrently with the Board's interpretation of the scope of section 2.4(1.1), the Board certified new tariffs for the combined rates that internet services must pay for online music services.

The decision sets out a number of new activities not covered by previous tariffs. Royalty rates were set for activities including permanent downloads, limited downloads, non-interactive webcasts, semi-interactive or interactive webcasts, and hybrid webcasts. The Board found that the decision in ESA restricting royalties collectable by SOCAN for downloads extends to both permanent and limited downloads. Meanwhile, other SOCAN tariffs were held as applicable to non-interactive webcasts.

The Board concluded that there was insufficient evidence to set a tariff rate for the act of making available distinct from other acts of communication by telecommunication. It was also determined to be premature to certify a tariff that includes cloud-based storage services that allow users to store or retrieve music.

Applications for judicial review of these companion decisions were filed in September 2017.

SOCAN Tariff No. 22.D.1 - Internet - Online Audiovisual Services (2007-2013), Copyright Board of Canada, CB-CDA 2017-008 (January 27, 2017)

The Board had previously determined there was insufficient evidence to challenge the fairness of the minimum fee it had certified for online audiovisual services that offer free trials. Netflix filed an application for judicial review of this decision by the Federal Court, which granted the application and returned the matter to the Board for redetermination. In early 2017, the Board released its decision accepting a settlement proposal submitted by the parties. Tariff 22.D.1 (2007-2013) was certified with an additional minimum fee per subscriber as well as a new clause that allows any single 31-day free trial within a 12-month subscription to be royalty free.

Legislative Changes

Following the adoption of a motion put forward in December 2017, Parliament will undertake a review of the Copyright Act. This is consistent with the 2012 Copyright Modernization Act which mandated a parliamentary review of the Copyright Act every five years. The review will provide an opportunity to examine the legislation in support of parliamentary objectives to maintain a comprehensive copyright framework. The Government also held public consultations in August and September 2017 on the Copyright Board of Canada in consideration of reform options.

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