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Recent Copyright Law Developments: More Reform?

David Vaver*

This paper discusses the implications on Canadian copyright law of some recent case law, mainly dealing with joint authorship, legal and equitable ownership, time bars, infringement and cross-border activities, and remedies, particularly injunctions and statutory damages. Some of the cases present cautionary tales for practitioners. Others show the law to be in much need of reform.

Cet article traite des effets de la jurisprudence récente sur le droit canadien du droit d'auteur et se concentre surtout sur les œuvres de collaboration indivise, le droit de propriété en common law et le droit de propriété en équité, les délais, la violation du droit d'auteur, les activités transfrontalières, les recours, surtout, les injonctions et les dommages légaux. Certaines causes peuvent servir d'avertissements pour les praticiens. D'autres démontrent à quel point le droit a besoin de réforme.

This paper discusses the implications on Canadian copyright law of some recent case law, mainly dealing with joint authorship, legal and equitable ownership, time bars, infringement and cross-border activities, and remedies, particularly injunctions and statutory damages. Some of the cases present cautionary tales for practitioners. Others show the law to be in much need of reform. Unfortunately, current obsessions with non-binding international treaties and the impact of the internet on copyright have meant the neglect of arguably more serious structural aspects of the law that may cause injustice. The matters discussed in this paper are examples of a drift into which much of copyright law has fallen in recent years.

1. JOINT AUTHORSHIP

Many copyright works are produced through collaboration, so the question often arises of what contribution qualifies as joint authorship.¹ The issue affects not just the parties and those they deal with, but also the public; for, if a work is jointly authored, its copyright continues to run in Canada until 50 years after the last joint author dies.² Aging authors and artists may find it worthwhile to get risk-averse

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¹ *Copyright Act*, R.S.C. 1985, c. C-30, s. 2: "'work of joint authorship' means a work produced by the collaboration of two or more authors in which the contribution of one author is not distinct from the contribution of the other author or authors."

² *Ibid.*, s. 9. In Europe, the U.S. and some other countries, the term is now 70 years after the death of the last-to-die author.

youngsters to make even a small contribution to their work, for the estates of both (or their assignees) may benefit if the youngster outlives the mentor.

Acquirers or licensees of copyright are always at risk of not dealing with the relevant owners.³ The former are usually far removed from the circumstances in which the work was produced. Wherever collaborations occur, co-workers should agree beforehand in writing on whether one, both or all will own the copyright, and in what shares. The employer or co-worker who ignores a plausible claim of co-authorship is creating a problem that may resurface to his disadvantage, perhaps decades later. Registration does not eliminate the difficulty since the copyright register is not conclusive evidence and often does not reflect current or even historical ownership. Three recent cases illustrate some of the pitfalls to be avoided.

The first case, from Canada, involved a defendant who wrote a book on the life of a Holocaust survivor at his instigation. The defendant organized and rewrote the disjointed story he had taped for the defendant and added background material of her own to round it out. The survivor later disputed her claim of joint authorship, although he knew of it before the book came out and during promotional events where the defendant held herself out in his presence as joint author. Unsurprisingly, the Federal Court rejected the assertion that the survivor was the sole author and the actual writer was a mere editor.⁴ The book's expression was wholly the defendant's, and her claim was supported by the parties' post-publication conduct.

The court went on to disapprove an earlier B.C. decision that required, as a precondition of joint authorship, evidence of the parties' joint intent to create a joint work.⁵ The court pointed out that this was a requirement not of Canadian or U.K. law, but of U.S. law, which defines joint authorship differently. Under both Canadian and U.K. law, all that is needed to create a work of joint authorship is (i) collaboration by the authors in furtherance of a common design to create the work, (ii) from each a significant original contribution to the expression of the work that is "not distinct" (or in the UK, is "separate") from the other's contribution.⁶ The B.C. decision also seemed to suggest that each author's work had to be "independently copyrightable",⁷ but the Federal Court said nothing on this and the point seems wrong in principle. Were it correct, a work that is just original enough if made by one author would be unprotected if it was made jointly by two or more,

³ This risk arises in other cases too. See, e.g., *Gahel c. Corp. Xprima.com*, EYB 2008-135480, 2008 CarswellQue 5975, 68 C.P.R. (4th) 423, 2008 QCCA 1264, [2008] R.J.Q. 1592 (Que. C.A.), discussed further below at text accompanying notes 30 ff., where the defendant was held liable for dealing with the owner of an online magazine instead of with the freelancer who had contributed entries to the magazine's website.

⁴ *Neugebauer v. Labieniec*, 2009 CarswellNat 1908, 2009 CarswellNat 5383, 2009 FC 666, 75 C.P.R. (4th) 364, 2009 CF 666, 349 F.T.R. 53 (Eng.) (F.C.).

⁵ *Neudorf v. Netzwerk Productions Ltd.* (1999), 1999 CarswellBC 2774, [1999] B.C.J. No. 2831, 3 C.P.R. (4th) 129, 71 B.C.L.R. (3d) 290, [2000] 3 W.W.R. 522 (B.C. S.C.); additional reasons at [2000] B.C.J. No. 1705, 2000 CarswellBC 1711, 48 C.P.C. (4th) 140, 2000 BCSC 1257, 8 C.P.R. (4th) 154 (B.C. S.C.).

⁶ *Neugebauer*, above note 4 at [45]; *Beckingham v. Hodgens*, [2000] EMLR 45, ¶[43]–[48] (Ch); affd [2003] EWCA Civ 143, specifically rejecting *Neudorf*, previous note.

⁷ *Neugebauer*, above note 4 at [50].

since no author could have contributed the minimum required. Neither statute nor policy mandates that result.

The second case concerned an Arizona art gallery which had in 2003 bought sculptures and casts by the famous French impressionist artist Pierre-Auguste Renoir from his great grandson. Since Pierre-Auguste had died 84 years earlier in 1919, the gallery reasonably thought copyright was no problem. But it was. The difficulty came in the shape of a corporation representing the estate of Pierre-Auguste and one of his assistants who had died in 1973, but not before a French court had declared the latter the joint author of the sculptures and entitled to a half interest in their copyright. So, if the French law on joint authorship applied or was relevantly the same as U.S. law, the sculptures were protected until 2043 in the U.S. and Europe (2023 in Canada). The corporation got a judgment from the U.S. courts for \$125,000 against the gallery and the great grandson jointly for making and selling reproductions of the sculptures without authority.⁸ One assumes that the gallery had taken an appropriate warranty from Pierre-Auguste's relation and could recover its share of the judgment and legal costs from him.

The third case is from England. A member of the 1960s band, Procol Harum, sought a declaration of copyright co-authorship and co-ownership in the organ riff that he had contributed to the hit song "A Whiter Shade of Pale". The plaintiff got his declaration even though his claim came nearly 40 years after the song was composed.⁹ He had apparently nursed his grievance ever since the band leader first denied his status in 1967. Since equity is equality, joint authors usually share 50:50, which is what the plaintiff asked for. On the other hand, his eight-bar organ riff, repeated three times, took up only a third of the song's 74 bars. The defendant's expert, when pressed, thought that the plaintiff's contribution was worth quantitatively and qualitatively 37.5%. The judge however said he could do as well as any expert on this "highly subjective" question and awarded a 40% share, saying little beyond: "His contribution to the overall work was on any view substantial but not, in my judgment, as substantial as that of [his co-author]." The award was affirmed on appeal, even though in the end the defendant's net share was only 30% of the royalties because he had assigned half his interest under the recording contract for the song.¹⁰ The expert evidence and reasoning in this case may be tainted by hindsight: one suspects the parties would have agreed upon a lower share in 1967 since the initial composition was the defendant's and the organ riff was merely its finishing touch. But when courts fix shares in copyright cases, they do tend to resolve doubts in the plaintiff's favour.¹¹

⁸ *SC Succession Guino v. Renoir*, 549 F 3d 1182 (9th Cir 2008).

⁹ *Fisher v. Brooker*, [2006] EWHC 3239 (Ch); revd [2008] EWCA Civ 287; revd [2009] UKHL 41.

¹⁰ *Ibid.*, [2006] EWHC at [98]; affd on this point [2008] EWCA at [44]; "rightly" not appealed [2009] UKHL at [41].

¹¹ The award must "by no possibility" be too small; "[i]t is not our best guess that must prevail, but a figure which will favor the plaintiffs in every reasonable chance of error": *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F 2d 45, 51, by Learned Hand J. (1st Cir 1938); affd 309 US 390 (1940).

2. TITLE

Knowing the state of one's title is a good idea for anyone possessing property, and copyright is no exception, especially if legal proceedings are contemplated. Since only an owner or exclusive licensee may sue for infringement,¹² title should be clarified at least before proceedings are filed. Fresh or confirmatory documents can then be drawn up and signed to clear up any obscurity. If the plaintiff's name is on the work, she can rely on statutory presumptions that she is its author and owner.¹³ Otherwise, registration may be worthwhile, although relying simply on a registration made just before suit is risky: the presumption that the copyright register correctly reflects title is then weakest.

Copyright claimants continue, to their cost, to overlook these elementary points. Sometimes the neglect arises because the copyright originates abroad, and the parties assume that foreign and Canadian title will be the same. A recent decision takes this view, but it is only first instance and conflicts with earlier decisions of equal authority.¹⁴ Other times, title is murky because everything has been done informally or without addressing copyright at all. For example, for work produced by a director or shareholder of a small business (neither of whom may be technically an employee), title could be in the corporation, the producer(s), or both; most times, nobody thinks or bothers to distinguish. Typically, however, the corporation holds copyright title to material the director or shareholder produces for the business, but this title may be only equitable and a formal assignment may be needed to

¹² The exclusive licensee must usually join the owner as a party and has lesser rights in at least one other respect: he cannot prevent the importation or distribution of non-copyright products by claiming copyright in their packaging: *Kraft Canada Inc. v. Euro Excellence Inc.*, 2007 CarswellNat 2087, 2007 CarswellNat 2088, 59 C.P.R. (4th) 353, 2007 SCC 37, 282 D.L.R. (4th) 577, 365 N.R. 332, [2007] 3 S.C.R. 20 (S.C.C.); see D. Vaver, "Chocolate, Copyright, Confusion: Intellectual Property and the Supreme Court of Canada" (2008), 1 Osg Hall Rev L Pol'y 5, 20 ff.

¹³ *Koslowski v. Courier*, CarswellNat 2902, 2009 CarswellNat 5343, 2009 CF 883, 2009 FC 883, ¶[22] (F.C.).

¹⁴ *Kraft Canada Inc. v. Euro Excellence Inc.*, 2004 CarswellNat 1371, [2004] F.C.J. No. 804, 2004 CarswellNat 5579, 2004 FC 652, 2004 CF 652, 33 C.P.R. (4th) 246, 252 F.T.R. 50, [2004] 4 F.C.R. 410, ¶[24]-[25] (F.C.); reversed [2005] F.C.J. No. 2082, 2005 CarswellNat 4619, [2005] A.C.F. No. 2082, 2005 CarswellNat 4933, 47 C.P.R. (4th) 113, 2005 CAF 427, 346 N.R. 104, 2005 FCA 427, 265 D.L.R. (4th) 555, [2006] 3 F.C.R. 91 (F.C.A.); leave to appeal allowed (2006), 2006 CarswellNat 1226, 2006 CarswellNat 1227, [2006] C.S.C.R. No. 47, 356 N.R. 391 (note) (S.C.C.); reversed 2007 CarswellNat 2087, 2007 CarswellNat 2088, 59 C.P.R. (4th) 353, 2007 SCC 37, 282 D.L.R. (4th) 577, 365 N.R. 332, [2007] 3 S.C.R. 20, ¶[24]-[25] (S.C.C.) (Canadian conflict rules let foreign law allocate title to a work originating abroad and involving only foreign parties); not appealed further on this point, see *Euro-Excellence* (SCC), above note 12. Cf. *Frank Brunckhorst Co. v. Gainers Inc.* (1993), [1993] F.C.J. No. 148, 1993 CarswellNat 1943, 47 C.P.R. (3d) 222 (Fed. T.D.) (Canadian substantive law governs).

give the corporation the full legal title it needs to take a case through to final judgment.¹⁵

An undocumented position on title may nevertheless not be enough for a third party defendant to get summary judgment simply on the assertion that he does not know who — corporation or sole shareholder — holds title. In such a case, the Federal Court said, fairly enough, that the puzzle could be solved during trial.¹⁶ One wonders why, in that case, three years of skirmishes that had run up six figures in costs on one side alone had still not pushed the plaintiffs into clarifying this obvious point more simply and cheaply.

(a) Oral Transactions and Equitable Title

A lack of documentary evidence of title is not necessarily fatal. It is commonly assumed that assignments and exclusive licences in Canada are ineffective unless there is some writing signed by the assignor. That is, after all, what the *Copyright Act* says,¹⁷ but of course neither it nor the identical or similar statutory provisions in other jurisdictions mean it.¹⁸

Two situations need to be distinguished: (1) where the dispute is between the immediate parties, i.e., author *versus* employer or someone who ordered the work from the author; (2) where the dispute is between an alleged copyright owner and a third party, e.g., in an infringement suit.

In case (1), if the immediate parties dispute who owns copyright in work the author has created, the court will ascertain and give effect to their actual or presumed intention, even though no written agreement exists. Of course, the absence of a signed writing may undermine any claim that the parties intended to allocate ownership differently from the *Copyright Act's* default rules: one might expect a writing to this effect when a long-term right such as copyright is dealt with.¹⁹ So, in one English case, a firm that orally commissioned and paid for computer software to a third party's specifications asked for a declaration that the agreement contained an express or implied assignment of copyright to it from the software

¹⁵ E.g., *Vitof Ltd. v. Altoft*, [2006] EWHC 1678, ¶[147] (Ch) (source code developed by a company director).

¹⁶ *Jules Jordan Video Inc v. Elmaleh*, 2009 CarswellNat 1337, 2009 FC 488 (F.C.).

¹⁷ *Copyright Act*, s. 13(4).

¹⁸ See, e.g., *Webb & Knapp (Canada) Ltd. v. Edmonton (City)*, 1970 CarswellAlta 141, 1970 CarswellAlta 67, 72 W.W.R. 500, 44 Fox Pat. C. 141, 11 D.L.R. (3d) 544, 63 C.P.R. 21, [1970] S.C.R. 588 (S.C.C.), where Abbott and Ritchie J.J.'s dissent (citing Fox's copyright text) recognizes, without any demur from the majority judges, that equitable interests in copyright may be created and may pass despite no writing; *Performing Right Society Ltd. v. London Theatre of Varieties Ltd.*, [1924] AC 1 (HL); *Griggs Group Ltd. v. Evans*, [2005] EWCA 11; aff'ing [2004] FSR 673 (Ch); D. Vaver, "Reforming Intellectual Property Law: An Obvious and Not-so-Obvious Agenda: The Stephen Stewart Lecture for 2008", [2009] IPQ (No 2) 143, 149-150, www.iposgoode.ca/events-archive/.

¹⁹ Cf. *Robertson v. Thomson Corp.*, 2006 CarswellOnt 6182, 2006 CarswellOnt 6183, 2006 SCC 43, 353 N.R. 104, 274 D.L.R. (4th) 138, 52 C.P.R. (4th) 417, 217 O.A.C. 332, [2006] 2 S.C.R. 363 (S.C.C.) at [54]–[56] [S.C.R.].

writer. The court rejected the claim on the conflicting oral evidence and declared the writer, as author, to be the legal and equitable owner of the copyright.²⁰ Had the court found oral proof of the alleged agreement, it would have declared the plaintiff the copyright owner and ordered the defendant to sign a legal assignment in his favour. In default, the court could have authorized a court registrar to sign the document as the defendant's agent.²¹

In case (2), the defendant is entitled to written proof of the plaintiff's legal title so that he is not sued twice over by the real copyright owner if the plaintiff is not that person.²² The signed writing need not be formal: it will work as an assignment of copyright even if copyright is mentioned only cryptically or not at all, so long as an intention to assign the right can be discerned or implied.²³ Yet not having a writing in one's favour does not mean one has no title: a plaintiff may have a good less-than-legal title, i.e., an equitable title. Equitable interests arise in copyright, as elsewhere.²⁴ An oral contract to assign copyright may pass equitable title to the buyer. The seller retains legal title and may pass it clear to a second good faith buyer without notice; till then, the first buyer, as equitable owner, can deal with his interest and get at least interlocutory relief against infringers. He can, if he has fulfilled his part of the bargain also compel the seller to sign and deliver the necessary written assignment.²⁵

These basic points have occasionally been overlooked in past Canadian decisions, for example, by the court which disqualified an oral exclusive copyright licensee from even being a co-plaintiff in an infringement action, and by the court which was prepared to grant summary judgment against an equitable owner without allowing it an opportunity to perfect its title. Such decisions are "inequitable" in all senses of the word.²⁶

(b) Time Limitations

Once it has arisen, copyright title neither dies nor fades away until the copyright term expires. That was vividly demonstrated in the *Procol Harum* case, where a declaration of joint ownership was granted on a claim made nearly 40 years after the copyright arose.²⁷ The U.K. limitation provision, similar to Canada's except in

²⁰ *Meridian International Services Ltd. v. Richardson*, [2008] EWCA Civ 609.

²¹ Vaver, note 12 above, at 16-17.

²² Even then, if the writing is lost, secondary evidence of it may be given.

²³ *Batey v. Jewson Ltd.*, [2008] EWCA Civ 18, ¶[3] & [30]-[31] (general principle stated in non-copyright case).

²⁴ *Jules Jordan*, above note 16 at [18], *dictum*; see also authorities in note 18 above.

²⁵ See authorities in above notes 16 & 18.

²⁶ *Jeffrey Rogers Knitwear Productions Ltd. v. R.D. International Style Collections Ltd.* (1986), 1986 CarswellNat 124, 19 C.P.R. (3d) 217, 18 F.T.R. 142 (Fed. T.D.); *Masterfile Corp. v. World Internett Corp.*, 2001 CarswellNat 2966, 2001 FCT 1416, 215 F.T.R. 266, 16 C.P.R. (4th) 139 (Fed. T.D.). Scottish courts applying the civil law rely on comparable principles to reach the same result as English common law courts in copyright cases: *Tayplan Ltd. v. D & A Contracts*, [2005] CSOH 17 at [19] ff.

²⁷ Above note 9.

its bar of six rather than three years,²⁸ stopped the co-author from getting damages only for past infringements. The Court of Appeal had barred all his claims on equitable grounds because of the extraordinary delay, but the House of Lords restored the trial judge's declaration that he was entitled to an interest in the copyright and his share of future royalties. This result was said not to be unconscionable: any prejudice to the defendants was outweighed by the 40 years of benefits they had received from the neglected co-owner's share.

This decision contrasts with a recent judgment of the Federal Court of Canada, which dismissed an injunction claim against future infringement. It thought the limitation act barred the claim because over three years had run since the copyright owner should have become aware of the infringement.²⁹ This result cannot be right in law. Any back claim for damages beyond the three years is barred but infringement is a continuing wrong: each unauthorized act raises a new cause of action. No time bar applies to infringements that occurred within three years, or to future infringements. Damages should have been awarded for those past acts, and future infringements should have been enjoined.

Whether or not it is good policy to allow stale claims of ownership to be resurrected decades later, as in the *Procol Harum* case, is another matter. Copyright law is treated as a form of property but whether it may in law be abandoned is unclear. Copyright lacks a doctrine like the one in land law, under which an adverse possessor acquires title against the true owner after a period such as (in Ontario) 10 years. A case can certainly be made to introduce a doctrine of abandonment or adverse possession for copyright, or at least to amend the limitation statute to make it apply generally and not just to infringement actions. Otherwise disputed assertions of ownership can be resurrected and validated after lying dormant for decades, putting intermediate deals at risk and disrupting long settled reasonable expectations.

3. INFRINGEMENT

(a) Dealing with the Wrong Person

It is standard law that defendants are liable for infringement even if they act innocently and in good faith, and that plaintiffs may still sue for infringement even if their post-infringement behaviour leaves much to be desired. The Quebec Court of Appeal reaffirmed these principles in a case where the defendant had uploaded articles from a motoring magazine on to its website.³⁰ The defendant thought it was authorized because it had concluded an agreement with the magazine owners allowing uploading.

²⁸ The Canadian *Copyright Act*, ss. 41(1)(a) & (b), provides, subject to certain qualifications, that "a court may not award a remedy in relation to an infringement unless . . . the proceedings for infringement are commenced within three years after the infringement occurred." Compare *Limitation Act* 1980 (UK), s. 2: "An action founded on tort shall not be brought after the expiration of six years from the date on which the cause of action accrued." Copyright infringement is treated in England as a tort for this purpose.

²⁹ *Drolet v. Stiftung Gralsbotschaft*, 2009 CarswellNat 1563, 2009 CarswellNat 16, 2009 FC 17, 341 F.T.R. 44 (Eng.), 2009 FC 17 (F.C.) at [22] & [265]–[270] [F.C.].

³⁰ *Gahel*, above note 3 at [25]–[26].

Unfortunately, both the defendant and the magazine made a wrong assumption: the freelance writer of the articles still owned their copyright and complained of the infringement. The articles were immediately removed but the defendant's attempts to meet the writer to settle things amicably were met with a writ from him, demanding some \$200,000 general and punitive damages. The trial judge was as unimpressed with the plaintiff's behaviour as he was impressed with the defendant's. Saying that courts had discretion in deciding copyright cases,³¹ he dismissed the action and, for good measure, found the plaintiff had suffered no loss.

The Quebec Court of Appeal reversed. It accepted that courts had some latitude in what relief they could grant for infringement,³² but infringement was a question of fact and law that involved no discretion. The defendant had indeed infringed copyright by reproducing the articles, so the plaintiff was entitled to \$12,500 in damages, in light of the number of hits the articles had received on the website. Whether the defendant could be indemnified by the magazine is unclear. Lawyers acting for licensees invariably recommend the insertion of a clause warranting the licensor's title; without it, indemnity is unclear.

(b) Substantial Infringement

Reproduction includes either taking the whole or taking a substantial part of a protected work. Claims that every sentence in a book is a substantial part of it are obvious nonsense.³³ But context may be all-important. The European Court of Justice has said that an 11-word extract taken from a newspaper article could, in law, be a "reproduction in part" of the article; national courts would have to decide whether it was so on the facts.³⁴ The copying occurred as part of an electronic clipping service, where whole newspapers were digitally fed into a database and then scanned by search word for extracts relevant to the needs of subscribers to the service. The Court said that:

the data capture process used by [the defendant service] allows for the reproduction of multiple extracts of protected works. . . . [It] increases the likelihood that [the service] will make reproductions in part within the meaning of [the EC Information Society Directive of 2001] because the cumulative effect of those extracts may lead to the reconstitution of lengthy fragments which are liable to reflect the originality of the work in question,

³¹ *Ibid.* at [25], citing from the trial judgment: « Le tribunal rappelle qu'en matière de droit d'auteur la discrétion judiciaire guide la décision que le tribunal doit prendre. »

³² E.g., plaintiffs who reject reasonable offers of settlement or alternative dispute resolution may find a cool reception in court if they later seek any form of discretionary relief: *Point Solutions Ltd. v. Focus Business Solutions Ltd.*, [2007] EWCA Civ 14, ¶[45].

³³ *JHP Ltd. v. BBC World Wide Ltd.*, [2008] EWHC 757, ¶[49]-[50] (Ch); *Campbell v. Devon County Council*, [2008] EWPCC 2, ¶[57]-[58] (Pat Co Ct).

³⁴ *Infopaq International (Intellectual property)*, [2009] EUECJ C-5/08_O, (www.bailii.org/eu/cases/EUECJ/2009/C508_O.html), interpreting arts. 2(a) & 5 of *Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society* (OJ 2001 L 167, p. 10).

with the result that they contain a number of elements which are such as to express the intellectual creation of the author of that work.³⁵

The result of this obscure concatenation of words is a test that is more severe than what has prevailed till now elsewhere, certainly in the Commonwealth. In Canada, the absence of the word “substantial” before “part” in the European law may be critical. Here it has saved the buffering and internet streaming of satellite radio programming from being infringements of the reproduction right.³⁶ The Copyright Board said of the buffering that:

at no time can we line up all of the fragmented copies amounting to one complete copy of a musical work. At no point in time can one extract from the RAM of the receiver more than 4 to 6 seconds of a song (or more accurately of a signal). .. It is not a substantial part of the protected work.³⁷

The same reasoning applied to internet streaming, where segments of a musical recording are temporarily stored for up to 10 seconds before becoming sequentially available for download.³⁸

(c) Cross-Border Activities and Private International Law

The question of which country’s copyright law applies where a work crosses borders continues to present problems. Copyright law is territorial, so in principle only one country’s law should apply to a single act, and users should not be liable to overlapping national laws. But just as tortious acts can affect victims on either side of a border, so may copyright infringements. The Supreme Court so held in finding that internet use can occur wherever a site is accessed, regardless of its physical location: the use was “both here and there.”³⁹

³⁵ *Ibid.* at [49]-[50]; cf. D. Vaver, “Clipping Services and Copyright” (1994) 8 IPJ 379. On this theory, the suggestion that “the immortal words of the Bard’s introduction to Hamlet’s soliloquy” might be a substantial part of *Hamlet (Breakthrough Films & Television’s Licence Appn*, Cop’r Bd, No 2004-UO/TI-33, March 6 2006, 16, dissent), depends on the context of their use.

³⁶ Letting users take advantage of the extended buffer feature on receivers to time-shift was, however, held to authorize infringement by the satellite service providers.

³⁷ *Statement of Royalties to be Collected by SOCAN, NRCC and CSI in respect of Multi-channel Subscription Satellite Radio Services: SOCAN(2005–2009), NRCC (2007–2010), CSI (2006–2009)*, Cop’r Bd decision of April 8 2009 (corrected May 6 2009) at [97]-[98], www.cb-cda.gc.ca/decisions/2009/20090408-m-b.pdf.

³⁸ *Ibid.* at [108].

³⁹ *Society of Composers, Authors and Music Publishers of Canada v. Canadian Assn. of Internet Providers*, [2004] S.C.J. No. 44, 2004 CarswellNat 1919, 2004 CarswellNat 1920, REJB 2004-66511, (sub nom. *SOCAN v. Canadian Assn. of Internet Providers*) 240 D.L.R. (4th) 193, 322 N.R. 306, (sub nom. *Socan v. Canadian Assn. of Internet Providers*) [2004] 2 S.C.R. 427, (sub nom. *SOCAN v. Canadian Assn. of Internet Providers*) 32 C.P.R. (4th) 1, 2004 SCC 45 (S.C.C.) at [58]-[59], applying LaForest J.’s memorable phrase in *R. v. Libman*, [1985] S.C.J. No. 56, 1985 CarswellOnt 951, 1985 CarswellOnt 951F, 62 N.R. 161, 21 C.C.C. (3d) 206, 12 O.A.C. 33, 21 D.L.R. (4th) 174, [1985] 2 S.C.R. 178 (S.C.C.), 208, where a criminal fraud was held able to be prosecuted in Canada where perpetrated on US residents from a “boiler-room” telephone operation located in Canada.

The issue arose in the Copyright Board's *Satellite Radio Services Tariff* decision, just noted,⁴⁰ dealing with the Canadian reception of satellite radio programming originating in the US. The right of SOCAN and NRCC (the Neighbouring Rights Copyright Collective) to collect royalties for the owners of copyrights and neighbouring rights was undisputed; not so the right of collectives representing the mechanical rights owners (CMRRA/SODRAC Inc) to collect for the copying of sound recordings. At issue were copies made in the U.S. for transmission to Canada, some at the instance of the U.S. service, others at the instance of the Canadian service providers.

The Board held that both sets of copying came under the US, rather than the Canadian, *Copyright Act* and that it therefore had no jurisdiction to set a tariff. The law of the territory where reproduction occurred governed, and no reproduction occurred in Canada. The Canadian services were not liable, either, for "authorizing" the U.S. copying: only authorizers of reproductions that occurred in Canada were liable under Canadian law.⁴¹

These decisions raise questions about how copyright and private international law should interact, a question that is currently in flux. In 2008 the American Law Institute favoured giving local courts power to adjudicate cases involving foreign copyright law, but its view was sharply rejected by the English Court of Appeal the following year.⁴² The English court refused to try a U.S. copyright infringement case against an English website operator who had filled U.S. orders for goods that were alleged to infringe U.S. copyright. It said that enforcing U.S. copyright law was "a local matter involving local policies and local public interest" and so "a matter for local judges."⁴³ The court also refused to enforce a U.S. default judgment for \$10 million in punitive damages and \$10 million in "compensatory" damages for under \$15,000 worth of infringing sales off the website, since the defendant was neither resident in the U.S. nor had otherwise subjected himself to the U.S. court's jurisdiction.⁴⁴

These views do not quite square with how Canadian law is developing. The Supreme Court has said that "[i]nternational comity and the prevalence of international cross-border transactions and movement call for a modernization of private

⁴⁰ *Satellite Radio Services*, above note 37.

⁴¹ The Board did not comment on the converse situation, whether a foreign authorizer of a local infringement infringed local law, as a U.K. court held on the differently worded 1988 U.K. legislation (*Abkco Music & Records Inc v. Music Collection Int'l Ltd.*, [1995] RPC 657 (CA)). The point was not in issue.

⁴² *Lucasfilm Ltd. v. Ainsworth*, [2009] EWCA Civ 1328 at [173], referring to American Law Institute, *Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes* (St. Paul, MN: American Law Institute, 2008).

⁴³ *Ibid.* at [175], rev'ing on this point [2008] EWHC 1878 at [265] ff & [276]-[277] (Ch) (which had found a US copyright infringement), and distinguishing *Pearce v. Ove Arup Ltd.*, [2000] Ch 403 (CA) (Dutch copyright and moral rights; case eventually dismissed for no copying: [2001] EWHC 481 (Ch)); *R. Griggs Group Ltd. v. Evans (No 2)*, [2004] EWHC 1088 (Ch) (worldwide copyrights).

⁴⁴ *Lucasfilm*, above note 42.

international law.”⁴⁵ Canadian and other courts have thus expanded jurisdiction over foreign IP cases. They have shown themselves willing to deal with IP-related activity that has a real and substantial connection with their territory if the court is a convenient forum, whether or not the defendant accepts jurisdiction or is present within it.⁴⁶ Any resulting judgment is normally recognized throughout Canada, even if the case could have been handled by another court. Internet uploads and downloads that occur in Canada, and servers located in Canada or accessible to Canadians, may also attract Canadian liability if the relevant wording of the *Copyright Act* is apt to cover the activities involved.⁴⁷ Similarly, foreign judgments for infringement or cybersquatting against Canadian residents running websites that sell or offer infringing goods or material for download abroad may be enforced in Canada.⁴⁸ A U.S. court has been willing to try foreign copyright infringement cases

⁴⁵ *Beals v. Saldanha*, *Beals v. Saldanha*, [2003] S.C.J. No. 77, REJB 2003-51513, 2003 CarswellOnt 5101, 2003 CarswellOnt 5102, 314 N.R. 209, 182 O.A.C. 201, 70 O.R. (3d) 94 (note), 113 C.R.R. (2d) 189, 39 B.L.R. (3d) 1, 39 C.P.C. (5th) 1, 2003 SCC 72, 234 D.L.R. (4th) 1, [2003] 3 S.C.R. 416, ¶[28] (S.C.C.).

⁴⁶ E.g., *Litcubes, LLC v. Northern Light Products, Inc.*, 2009 CarswellBC 350, 2009 BCSC 181 (B.C. S.C. [In Chambers]); additional reasons at 2009 CarswellBC 802, 2009 BCSC 427, 94 B.C.L.R. (4th) 158, [2009] 10 W.W.R. 567 (B.C. S.C.) (U.S. judgment enforced for cross-border copyright and patent infringement by defendant who submitted to jurisdiction and defended); *Wang v. Columbia Pictures Industries Inc.*, 2007 CarswellSask 648, 2007 SKCA 133, 49 C.P.C. (6th) 1, 304 Sask. R. 161, 413 W.A.C. 161 (Sask. C.A.) (U.S. contract with Saskatchewan resident over prequels to *Crouching Tiger, Hidden Dragon* film; justiciable locally); *GRI Simulations Inc. v. Oceaneering International Inc.*, 2005 CarswellNfld 256, 2005 NLTD 157, 17 C.P.C. (6th) 97, 250 Nfld. & P.E.I.R. 204, 746 A.P.R. 204 (N.L. T.D.) (US corporation liable for Canadian employee breaches of copyright and confidence); compare *Mackie v. Askew*, [2009] ScotSC 28 (Sheriff Ct) (copyright jurisdiction based on both upload and download). Cf. *R. v. Stucky*, 2009 CarswellOnt 745, 256 O.A.C. 4, 65 C.R. (6th) 46, 56 B.L.R. (4th) 1, 303 D.L.R. (4th) 1, 240 C.C.C. (3d) 141 (Ont. C.A.); 2009 ONCA 151, ¶[32] (Ont. C.A.) (false advertising statute applies to Canadian activities targeting foreigners); *Van Breda v. Village Resorts Ltd.*, [2010] O.J. No. 402, 2010 CarswellOnt 549, 98 O.R. (3d) 721, 71 C.C.L.T. (3d) 161, 81 C.P.C. (6th) 219, 2010 ONCA 84 (Ont. C.A.); additional reasons at 2010 CarswellOnt 1751, 81 C.P.C. (6th) 269, 2010 ONCA 232 (Ont. C.A.) (Cuban non-IP case).

⁴⁷ *SOCAN*, above note 39; *Mackie* and *GRI*, previous note (copyright and confidence); cf. *Research in Motion Ltd. v. Visto Corp* (2008), 93 OR (3d) 593 (SC) (action under s. 7(b) of the *Trade-marks Act* for allegedly false statements on internet by U.S. company against Canadian company).

⁴⁸ *Disney Enterprises Inc. v. Click Enterprises Inc.* (2006), [2006] O.J. No. 1308, 2006 CarswellOnt 2045, 267 D.L.R. (4th) 291, 49 C.P.R. (4th) 87 (Ont. S.C.J.) (default copyright judgment enforced); *MGM Mirage v. Marchildon* (2005), 2005 CarswellOnt 10490, 73 C.P.R. (4th) 11 (Ont. S.C.J.) (Nevada judgment for damages for cybersquatting). Cf. *Pro Swing Inc. v. ELTA Golf Inc.*, [2006] S.C.J. No. 52, 2006 CarswellOnt 7203, 2006 CarswellOnt 7204, 52 C.P.R. (4th) 321, [2006] 2 S.C.R. 612, 2006 SCC 52, 354 N.R. 201, 218 O.A.C. 339, 273 D.L.R. (4th) 663, 41 C.P.C. (6th) 1 (S.C.C.) (discretionary jurisdiction to enforce trade-mark injunction not exercised because order unclear).

where it has jurisdiction over the parties, and an Ontario court has said much the same.⁴⁹

This expansion in jurisdiction over foreign IP cases and recognition of foreign IP judgments must be matched by similar expansion and flexibility of defences and controls if injustice is to be avoided. Domestic fairness should not be subordinated to international comity.⁵⁰ Although local courts are reluctant to retry foreign cases, any more than they expect foreign courts to retry a local judgment, they must take care not to render or enforce judgments that would be unfair to defendants or otherwise against Canadian public policy. To the usual examples of judgments that are penal, fraudulent or offensive to natural justice,⁵¹ may be added ones that offend the Canadian *Charter of Rights and Freedoms* or its provincial counterparts;⁵² but the list must be non-exhaustive and become more flexible than may have been the case until now.

Refusals to enforce foreign judgments do not come easily. A foreign law may be harsh, and yet a foreign judgment on it may be enforceable. So a U.S. judgment that stripped a defendant of U.S. revenues from an infringing business was enforced in Canada, even though domestic law might have let a comparable defendant off with just net profits and a modest sum in punitive damages.⁵³

At some point, however, a result becomes “so extravagant and exorbitant” that enforcement would be unfair or against public policy.⁵⁴ There are many ways for a non-American observer to describe a U.S. default judgment of \$10 million in punitive damages and \$10 million in “compensatory” damages for selling less than \$15,000 worth of infringing toys from an offshore website: “extravagant and exorbitant” seems a modest enough description. It is hard to fault a court’s refusal to enforce a foreign judgment like that, even if a real and substantial connection between the U.S. jurisdiction and the defendant’s website activities were found to exist.⁵⁵ Canadian and other courts have enforced punitive and even treble damages awards,⁵⁶ but international comity does not require recognition of a judgment that

⁴⁹ *Boosey & Hawkes Music Pubs. v. Walt Disney Co.*, 145 F 3d 481 (2d Cir 1998); *Research in Motion Ltd. v. Atari Inc.* (2007), [2007] O.J. No. 3146, 2007 CarswellOnt 5261, 61 C.P.R. (4th) 193 (Ont. S.C.J.); leave to appeal refused (2007), 2007 Carswell-Ont 7087 (Ont. Div. Ct.) (declaration of non-infringement of U.S. copyrights not struck out).

⁵⁰ Cf. *Pro Swing*, note 48 above, at [18]–[20].

⁵¹ Cf. *ibid.* at [89]–[90]; *Beals*, note 45 above.

⁵² *Pro Swing*, note 48 above at [59]–[61] (privacy); compare *Beals*, note 45 above at [78]. So a French judgment for copyright infringement that would, under U.S. law, have been constitutionally exempt as a fair use may not be enforced in the US: *SARL Louis Feraud Int’l v. Viewfinder, Inc.*, 406 F Supp 2d 274 (SDNY 2005); rev’d on other grounds 490 F 3d 474 (2d Cir 2007).

⁵³ *Disney*, above note 48 (US default judgment).

⁵⁴ *Jones v. Krok*, 1996 (1) SA 504 at 517 (Transvaal Prov Div), refusing to enforce the double damages part of a punitive California award for fraud.

⁵⁵ *Lucasfilm*, above note 42.

⁵⁶ *Beals*, above note 45 at [76]–[77], enforcing a Florida default judgment for \$210,000 compensation and \$50,000 (with interest, \$800,000 by the time of trial) on an abortive

purports to award “compensation” of a thousand or more times anything that a claimant could conceivably have lost from the commission of a wrong.

4. INJUNCTIONS AND DAMAGES

(a) Interlocutory Injunctions

Statutes on interlocutory injunctions typically grant power to award the remedy where it appears “just and convenient” to the judge and “on such terms as are considered just.”⁵⁷ Courts are thus given flexibility and a wide discretion to do individual justice when asked to stop possible infringements pending trial. Yet an enormous amount of case law has accumulated over the years guiding courts on the exercise of this discretion: *American Cyanamid Co v. Ethicon Ltd.*⁵⁸ and *RJR-MacDonald Inc v Canada (A-G)*⁵⁹ and the progeny they have spawned are familiar to all litigators.

British courts have been cautiously retreating from *American Cyanamid* by treating it and other precedents as providing a framework and guidelines, but not a fetter on the judge’s statutory obligation to do what appears to him just and convenient, as long as he acts in a principled way. Whatever course risks causing the least injustice if the court’s order turns out at trial to have been wrongly granted is usually treated as the most just and convenient option.⁶⁰

\$8,000 land sale, and rejecting the trial court’s “judicial sniff” test (*ibid.* at [12]) to weed out “egregious” cases; *Old North State Brewing Co. v. Newlands Services Inc.* (1998), [1998] B.C.J. No. 2474, 1998 CarswellBC 2294, [1999] 4 W.W.R. 573, 41 B.L.R. (2d) 191, 58 B.C.L.R. (3d) 144, 23 C.P.C. (4th) 217, 113 B.C.A.C. 186, 184 W.A.C. 186 (B.C. C.A.) (enforcing treble damages and punitive damages award of \$1.2 million for infringing state unfair trade practices statute); *Eliades v. Lewis*, [2003] EWCA Civ 1758, ¶[50] (punitive damages not “penal”); *Benefit Strategies Group Inc v. Prider*, [2005] SASC 194 at [60] ff (Sth Aust Full Ct) (\$13m punitive damages on \$2.6m compensatory damages on California default judgment for fraud *prima facie* recoverable, *obiter*); cf. *Pro Swing*, above note 48 at [59], where the court of its own accord raised public policy reasons against enforcing a foreign judgment on a trademark injunction.

⁵⁷ E.g., *Courts of Justice Act*, R.S.O. c. C-43, ss. 101(1) & (2).

⁵⁸ [1975] 2 W.L.R. 316, 119 Sol. Jo. 136, [1975] 1 All E.R. 504, [1975] F.S.R. 101, [1975] R.P.C. 531, [1975] A.C. 396, 1975 UKHL 1 (U.K. H.L.).

⁵⁹ EYB 1994-28671, 1994 CarswellQue 120F, 1994 CarswellQue 120, [1994] S.C.J. No. 17, [1994] 1 S.C.R. 311, 54 C.P.R. (3d) 114, (sub nom. *RJR-MacDonald Inc. c. Canada (Procureur général)*) 164 N.R. 1, (sub nom. *RJR-MacDonald Inc. c. Canada (Procureur général)*) 60 Q.A.C. 241, 111 D.L.R. (4th) 385 (S.C.C.).

⁶⁰ *Gujadhur v. Gujadhur*, [2007] UKPC 54, ¶[16]; *National Commercial Bank Jamaica Ltd. v. Olint Corp Ltd.*, [2009] UKPC 16, ¶[17]; *Sabmiller Africa BV v. Tanzania Breweries Ltd.*, [2009] EWHC 2140, ¶[48]-[49] (QB, Comm Ct).

Sir Robin Jacob of the English Court of Appeal, who has unrivalled experience in copyright and other IP cases, very recently issued an extrajudicial broadside at *American Cyanamid*:

I have long thought this decision was wrong and harmful. The apparent logic is itself deeply flawed. Here are some of my objections:

(1) It makes no sense to withhold an injunction “however strong the plaintiff’s claim appears to be.”

(2) The whole exercise gives neither side much of a basis to settle the case since the court is going out of its way not to give a clue as to who it thinks has the better case.

(3) The question of whether damages would be an adequate remedy or whether the undertaking as to damages would be adequate, are themselves difficult to assess. The court is led into considering a whole lot of “what if” scenarios.

(4) Likewise, investigations about whether a party has enough money to pay involve both speculations as to how much would be involved and as to the financial standing of the party concerned. There can be and often is a mini-trial about this.

(5) The test is apt to tilt things in favour of plaintiffs, particularly rich ones — to get past the first hurdle is relatively easy and then you are mainly into questions of money rather than legal merits.

(6) You can tilt things back in favour of defendants by taking a wide view of what is meant by damages being an “adequate remedy”. Some judges have taken that to mean “capable of assessment” in the sense that the court could come up with a figure. But in reality assessment of damages is apt to be a complicated and to some extent broad-brush exercise. Trying to put someone back in the financial position they would have been but for an infringement, or but for the fact they were “wrongly” enjoined, is a task to be avoided if one can.⁶¹

Jacob L.J. went on to say that “*Cyanamid* has not taken root in any common law country.”⁶² Alas, it has, in Canada. Getting interlocutory injunctions in clear cases of copyright infringement is more difficult here than it should be without the pervasive lingering influence of *American Cyanamid*. Canadian courts have made grant even more difficult by demanding proof, not mere speculation, of irreparable injury to the plaintiff, even where the infringement is clear and the copyright has been uncontroversially registered.⁶³ It is time for the Supreme Court to reconsider the law on the grant of interlocutory injunctions in these and other cases.

⁶¹ R. Jacob, “Intellectual Property”, in L. Blom-Cooper, B. Dickson & G. Drewry, *The Judicial House of Lords 1876–2009* (OUP, 2009), 719.

⁶² *Ibid.*

⁶³ E.g., *Western Steel & Tube Ltd. v. Erickson Manufacturing Ltd.*, 2009 CarswellNat 2535, 2009 FC 791 (F.C.) at [10]–[11], although the court found the infringement case anyway not to be clear-cut. Apparently an agreement not to insist on irreparable injury if an injunction is brought may be enforced: *Delta-T Corp. v. Terra Grain Fuels Inc.*, 2009 CarswellSask 145, 330 Sask. R. 123, 2009 SKQB 92, ¶[31]–[35] (Sask. Q.B.). The insistence of irreparable injury as a threshold requirement has been criticized in N.

(b) Final Injunctions

The same “just and convenient” principles for granting final injunctions apply to copyrights as to other rights.⁶⁴ A successful copyright claimant usually gets an injunction where infringement would likely continue without a court order. But since the jurisdiction is, as it is with interlocutory injunctions, equitable and discretionary, no injunction will be granted where it would be inequitable to do so. What sort of case is that?

One shibboleth should be immediately dispelled. Some say refusing an injunction is like expropriation or granting a compulsory licence over another’s property. Perhaps so, but injunctions are not granted or denied to advance some abstract legal or economic theory about the inviolate nature of property or the importance of incentives, but to do justice between individuals. Courts have shied away from handing over defendants “bound hand and foot, in order to be made subject to any extortionate demand that [the plaintiff] may by possibility make”.⁶⁵ Courts may not regularly trumpet the fact that an IP holder’s choice to license or not can be eliminated simply by paying money; but, if pushed, they will say precisely that, perhaps more soothingly — as the Supreme Court did when it replaced an injunction in a trade secrets case with a damages award: “one’s indignation in this case [i.e., that refusing the injunction amounted to a forced sale of the secret] has to be tempered by an appreciation of the equities between the parties at the date of the trial.”⁶⁶

The question of when damages should be preferred over an injunction has recently arisen in the highest courts in the U.S. and the UK. Three years ago, the U.S. Supreme Court rejected the idea that only exceptional circumstances would negate an injunction against patent infringement, and said that copyright infringements were no different.⁶⁷ In both situations, the plaintiff had to show (1) irreparable injury; (2) inadequacy of damages to compensate it; (3) the balance of hardships between the parties in favour of an injunction; and (4) no contrary public interest.

The point also arose in 2009 in England in the *Procol Harum* case, albeit obliquely.⁶⁸ The issue of whether the newly declared co-owner of “A Whiter Shade of Pale” could get an injunction to control the song’s future exploitation was not directly before the House of Lords, because he had not appealed the trial court’s refusal to grant him one. The judges nevertheless did say something on the point because it had clouded the Court of Appeal’s decision to reject the co-owner’s claim outright. The Lords confirmed the approach taken from late Victorian times,

Siebrasse, “Interlocutory Injunctions and Irreparable Harm in the Federal Courts” (2010) — CBR — .

⁶⁴ *Copyright Act*, s. 34(1).

⁶⁵ *Isenberg v. East India House Estate Co Ltd.* (1863), 3 De GJ & SM 263, 273, approved in *Jaggard v. Sawyer*, [1994] EWCA Civ 1, ¶[54], [1995] 1 WLR 269.

⁶⁶ (1999), [1999] S.C.J. No. 6, 1999 CarswellBC 77, 1999 CarswellBC 78, 235 N.R. 30, 83 C.P.R. (3d) 289, 42 B.L.R. (2d) 159, 117 B.C.A.C. 161, 191 W.A.C. 161, 59 B.C.L.R. (3d) 1, [1999] 5 W.W.R. 751, [2000] F.S.R. 491, 167 D.L.R. (4th) 577, [1999] 1 S.C.R. 142, ¶[86], Binnie J. (S.C.C.).

⁶⁷ *eBay Inc. v. MercExchange, LLC*, 126 S. Ct. 1837 (2006).

⁶⁸ *Fisher*, above note 10.

and still followed in Canada,⁶⁹ which starts at the other end of the spectrum from U.S. law: a plaintiff who asks for an injunction to restrain an unlawful act will be *refused* one only in exceptional circumstances, at least once any defence of estoppel, delay or acquiescence is overcome.

The current breadth of those exceptional circumstances is, however, unclear. In the *Procol Harum* case, one judge said the defendant had to show an injunction would be oppressive to him; another said oppression was one of the possibilities;⁷⁰ and the other three judges agreed with them both. Authority for either position — that oppression is “the” or “a” prerequisite for damages instead of injunction — exists in the Court of Appeal, sometimes in the same case;⁷¹ but what oppression means is left open-ended. In the most recent IP case, the Court of Appeal asked if refusal would be “grossly disproportionate” to the right protected. To it, the only relevant question was how long the injunction should be delayed to take into account the result of the defendant’s application for leave to appeal the case to the U.K. Supreme Court.⁷²

Analyzed schematically, the English principles contrast starkly with the U.S. approach. In England:

- (a) The plaintiff is prima facie entitled to an injunction against the commission of a wrongful act.
- (b) The court will not condone the defendant’s wrong by letting him buy the claimant out through damages award.
- (c) The court can award damages instead of an injunction even for a continuing wrong.
- (d) The discretion to do so should be exercised in a principled way, but should deprive a claimant of his prima facie right only in exceptional (some say “very exceptional”) circumstances.

⁶⁹ *Shelfer v. City of London Electric Lighting Co.*, [1895] 1 Ch 287 (CA); foll’d in *Bellini Custom Cabinetry Ltd. v. Delight Textiles Ltd.*, 2007 CarswellOnt 3532, 56 R.P.R. (4th) 1, 2007 ONCA 413, 47 C.C.L.T. (3d) 165, 225 O.A.C. 375, ¶¶[39]–[45] (Ont. C.A.); leave to appeal refused (2007), 2007 CarswellOnt 7853, 2007 CarswellOnt 7854, 383 N.R. 396 (note), 248 O.A.C. 398 (note) (S.C.C.); *Carriere v. Bourre* (2009), 2009 CarswellOnt 4268, [2009] O.J. No. 3051, 44 C.E.L.R. (3d) 287 (Ont. S.C.J.) at [14]–[17], both nuisance cases (as was *Shelfer*), but clearly not confined to them.

⁷⁰ *Fisher*, above note 10 at [74] (Lord Neuberger) (only oppression); *ibid.* at [18] (Lord Walker) (“there are cases in which that rule is relaxed, particularly where it would be oppressive”).

⁷¹ E.g., *Jaggard*, above note 65 at [43]: “It is important to bear in mind that *the* test is one of oppression” (by Bingham MR); “[t]he outcome of any particular case *usually* turns on the question: would it in all the circumstances be oppressive” (*ibid.* at [57], Millett L.J.) — my emphasis. *Jaggard* was cited approvingly by Lord Walker in *Fisher*, above note 10.

⁷² *Virgin Atlantic v. Premium Aircraft*, [2009] EWCA Civ 1513 at [25] ff.

(e) The court should not simply “slide into application of a general balance of convenience test,”⁷³ nor should the fact the defendant is somehow benefiting the public swing the case.⁷⁴

(f) The defendant carries the burden of proving that his case is exceptional. The position is examined as at date of trial.

(g) Among the relevant questions are the following:

- is the injury to the claimant’s legal rights small?
- can it be estimated in money?
- can it be adequately compensated by a (small?) money payment?
- would it be oppressive or somehow disproportionate to the defendant to grant an injunction?
- has the claimant shown he wanted only money?
- has the claimant’s conduct made it unjust to give him more than money?
- are there other circumstances, such as (in a marginal case) the public interest,⁷⁵ justifying refusal of an injunction?⁷⁶

Canadian courts may eventually be asked to prefer one or other approach. How will they likely react? Binnie, J. has signalled that it is desirable that “comparable jurisdictions with comparable intellectual property legislation arrive (to the extent permitted by the specifics of their own laws) at similar legal results”.⁷⁷ What if the key common law jurisdictions differ among themselves? Then one suspects Canadian courts may adopt the approach of neither and instead do something in-between, as they did when defining the originality criterion for copyright.⁷⁸

The U.S. approach may be rejected as being too close to the current Canadian test on pre-trial injunctions: Canada has long distinguished between how pre-trial

⁷³ *Jaggard*, above note 65 at [43]; *Virgin Atlantic*, above note 72 at [23]–[25].

⁷⁴ *Watson v. Croft Promo-Sport Ltd.*, [2009] EWCA Civ 15, ¶[44].

⁷⁵ *Ibid.* at [51].

⁷⁶ Drawn largely from *Regan v. Paul Properties Ltd.*, [2006] EWCA Civ 1391 at [36], approved in *Watson*, above note 74 at [46], with a few changes and additions; and slightly modified in the light of *Virgin Atlantic*, above note 72.

⁷⁷ *Harvard College v. Canada (Commissioner of Patents)*, 2002 CarswellNat 3434, 2002 CarswellNat 3435, [2002] S.C.J. No. 77, REJB 2002-35973, 219 D.L.R. (4th) 577, 21 C.P.R. (4th) 417, 296 N.R. 1, [2002] 4 S.C.R. 45, 235 F.T.R. 214 (note), 2002 SCC 76, ¶[13] (S.C.C.) (dissent); similarly, *Sanofi-Synthelabo Canada Inc. v. Apotex Inc.* (2008), 2008 CarswellNat 3844, 2008 CarswellNat 3845, [2008] S.C.J. No. 63, 2008 SCC 61, [2008] 3 S.C.R. 265, [2009] F.S.R. 7, 69 C.P.R. (4th) 251, 381 N.R. 125, 298 D.L.R. (4th) 385 (S.C.C.), overruling prior Canadian case law to include, following US and UK authority, an “obvious to try” test of obviousness in patent law.

⁷⁸ *CCH Canadian Ltd. v. Law Society of Upper Canada*, [2004] S.C.J. No. 12, 2004 CarswellNat 446, 2004 CarswellNat 447, REJB 2004-54747, 236 D.L.R. (4th) 395, 317 N.R. 107, 30 C.P.R. (4th) 1, 2004 SCC 13, [2004] 1 S.C.R. 339, 247 F.T.R. 318 (note), [2004] 3 F.C.R. 241 at 244 (S.C.C.).

and final injunctions are granted, and it is rational to do so. On the other hand, while Canada has usually followed U.K. law on injunctive relief, the U.K. approach on the “damages instead of injunction” question is opaque. In that situation, Canadian courts will likely continue to treat the injunction as the standard remedy, and the debate will focus on what will be unusual enough to let a defendant off only with damages.

If the matter is considered in principle, ultimately courts must ask if an injunction is a more “just and convenient” remedy than mere money. Injunctions are serious and disruptive remedies that should be reserved for serious cases. Forcing the defendant to show oppression or gross disproportion as the only escape-hatches seems inconsistent with the flexibility that should be hallmark of the “just and convenient” formula. That phrase normally requires all the relevant circumstances of a case to be considered. If, for example, a copyright injunction risks being an act of censorship, damages may be awarded as better promoting *Charter* free speech ideals.⁷⁹ In other cases, the disadvantage or hardship the plaintiff will suffer if relief were refused should be weighed against the disadvantage or hardship that would be caused to the defendant, third parties, and the public generally if relief were granted. He who has lost or would lose little deserves an injunction less than he who has lost or would lose much. That approach reflects the undogmatic way the Supreme Court decided the trade secret case already mentioned, where it refused an injunction because the harm that remedy would inflict was “disproportionate to the legitimate interest” of the right holder, and money would adequately compensate him.⁸⁰ Keeping a sense of proportion is a good mindset with which to mull questions of equity. Weighing its “grossness”, whatever that may mean, adds nothing to rational thought.

(c) Damages

The copyright owner is entitled to recover the damages he has suffered from an infringement, as well as such part of the infringer’s profits from the infringement that were not taken into account in calculating damages, as the court thinks just.⁸¹ A striking recent example of these provisions in action is the Quebec Superior Court’s decision in *Robinson c. Les Films Cinar inc.*⁸² The defendants’ children’s television cartoon series *Robinson Sucroë* was held to infringe copyright in the characters and plots of the plaintiff’s children’s cartoon series *Les Aventures de Robinson Curiosité* to which the defendants had had prior access as consultants. The court found that defendants had behaved badly in surreptitiously exploiting the plaintiff’s work and stonewalling for years. It awarded, besides \$1.5m in costs, damages and profits of over \$3.7 million. These broke down into compensatory damages of some \$600,000, mental distress damages of \$400,000, exemplary damages of \$1 million, and \$1.7million as the defendant’s profits.

⁷⁹ Cf. *Ashdown v. Telegraph Group Ltd.*, [2002] Ch 149 (CA).

⁸⁰ *Cadbury*, above note 66 at [86]–[89].

⁸¹ *Copyright Act*, s. 35(1), emphasis added.

⁸² 2009 CarswellQue 8380, EYB 2009-163010, 2009 QCCS 3793, [2009] R.J.Q. 2261, [2009] R.R.A. 1135 (Que. S.C.).

Two points are worth noting. First, in copyright cases, unlike others, both the plaintiff's loss and the defendant's gain from the infringement may be awarded, but not twice over: the *Copyright Act* allows recovery only of "such additional part of the profits . . . that were not taken into account in calculating the damages" as the court considers just.⁸³ The court quoted and relied on an earlier version of that provision that omits the italicized words.⁸⁴ Second, stripping a defendant of all its net infringement profits sends it and the world a clear enough message that infringement does not pay. Compensatory damages of \$1 million on top concentrates the mind even more. Was \$1 million in punitive damages (the full sum the plaintiff claimed) really required as additional deterrence, given that such damages are awardable only where general damages are "insufficient for punishment and deterrent purposes"?⁸⁵

These astonishing figures invite comparison with other classes of cases. Consider, for example, a recent case from British Columbia, where a 36-year old woman claimed damages for repeated sexual molestation by her mother's ex-boyfriend when she was just 4 to 6 years old. After he left the mother, the defendant continued to stalk the child to and from school. He was eventually convicted of indecent assaulting both her and her sister, and sentenced to two consecutive four-year jail sentences. The plaintiff's life was utterly ruined. She dropped out of school, never held a job, had a marriage breakdown, and could not let her children out of her sight for fear that they too might be abused by someone. The court gave her general and punitive damages of just under \$370,000 — a tenth of the award in *Cinar*. That included general and aggravated damages of \$175,000 for the physical and psychological harm done to her, \$150,000 for present and future lost earning capacity, and punitive damages of \$25,000 (half what she claimed).⁸⁶

⁸³ *Copyright Act*, s. 35(1).

⁸⁴ 2009 QCCS at [1008].

⁸⁵ Cf. *Lubrizol Corp. v. Imperial Oil Ltd.*, 1996 CarswellNat 2572, [1996] F.C.J. No. 454, 1996 CarswellNat 651, 67 C.P.R. (3d) 1, 112 F.T.R. 264 (note), [1996] 3 F.C. 40, 197 N.R. 241 (Fed. C.A.).

⁸⁶ *T. (A.E.) v. R. (S.)*, 2007 CarswellBC 142, 2007 BCSC 104 (B.C. S.C. [In Chambers]). This is no isolated case of such an award: see, e.g., *G. (E.D.) v. Hammer* (1998), [1998] B.C.J. No. 992, 1998 CarswellBC 902, 53 B.C.L.R. (3d) 89 (B.C. S.C.); affirmed 2001 CarswellBC 721, [2001] B.C.J. No. 585, 86 B.C.L.R. (3d) 191, 151 B.C.A.C. 34, 249 W.A.C. 34, 2001 BCCA 226, 4 C.C.L.T. (3d) 204, [2001] 5 W.W.R. 70, 197 D.L.R. (4th) 454 (B.C. C.A.); leave to appeal allowed (2001), 2001 CarswellBC 2756, 2001 CarswellBC 2757, 285 N.R. 400 (note), 169 B.C.A.C. 242 (note), 276 W.A.C. 242 (note), 310 N.R. 1 (S.C.C.); affirmed 2003 CarswellBC 2407, 2003 CarswellBC 2408, [2003] S.C.J. No. 52, REJB 2003-48043, 2003 SCC 52, 18 B.C.L.R. (4th) 42, 187 B.C.A.C. 193, 307 W.A.C. 193, 310 N.R. 1, [2003] R.R.A. 1069, [2003] 2 S.C.R. 459, 230 D.L.R. (4th) 554, [2003] 11 W.W.R. 244, 19 C.C.L.T. (3d) 38, 2004 C.L.L.C. 210-011 (S.C.C.) (school janitor sexually abused schoolchild between 8–10 years old, ruining her life: \$150,000 general damages plus \$62,000 for special damages, loss of earning and cost of future care); *Blackwater v. Plint* (2005), [2005] S.C.J. No. 59, 2005 CarswellBC 2358, 2005 CarswellBC 2359, 216 B.C.A.C. 24, 356 W.A.C. 24, 48 B.C.L.R. (4th) 1, 258 D.L.R. (4th) 275, [2005] R.R.A. 1021, [2006] 3 W.W.R. 401, 2005 SCC 58, 35 C.C.L.T. (3d) 161, 46 C.C.E.L. (3d) 165, 339 N.R. 355, [2005] 3

Equating 10 irretrievably ruined lives caused by a pattern of repeated criminal assaults with one (not irretrievably) damaged life affected by the unauthorized taking of one's creative work demonstrates a set of values that is upside down, where intangible economic loss and its consequent distress is measured much more highly than personal harm and its soul-destroying effects. Life without culture may be undesirable, but culture without life is simply irrelevant.

(d) Statutory Damages

Statutory damages are the remedy *du jour* in Canadian copyright law. Loosely modelled on the U.S. scheme, the Canadian provisions have been around only for the last decade. They let claimants elect, instead of actual damages or an account of profits, statutory damages of between \$500 to \$20,000 maximum, as set by the court, to cover all infringements of any one work in the litigation.⁸⁷ Many claimants are electing statutory damages unless the provable sums are, as in the *Cinar* case,⁸⁸ truly huge. They will probably be better off at the lower end too: the trivial infringement where a foolish infringer candidly admits his folly and repents still usually attracts the minimum \$500 tariff.⁸⁹ The higher end of the \$20,000 range will apply to the deliberate commercial infringer of more valuable rights, especially a deep-pocketed one who tries to wear a claimant down through obstruction.

Perhaps taking their cue from their U.S. counterparts, Canadian courts are now exercising their powers under these provisions with vigour. The main beneficiaries to date have been producers of luxury brand goods and computer programs, who have been fighting worldwide to protect their markets. In Canada, Louis Vuitton has been chasing sellers of "knock-offs" of their products: the copyright lever is the artistic work comprising the LV monogrammed print.⁹⁰ Microsoft has going been after retailers who sell computers with preinstalled unauthorized copies of Microsoft programs. Note that in neither case is any consumer likely fooled. The purchase price and the sort of outlet at which she shops tells her that the LV knock-off is fake.⁹¹ The Microsoft programs are not fake but rather unauthorized copies

S.C.R. 3, ¶[89] (S.C.C.) (dormitory supervisor repeatedly sexually assaulted residential schoolchild with permanent "dreadful physiological and psychological effect": \$125,000 general damages, \$20,000 aggravated damages, \$25,000 punitive damages). Thanks to Professor Joan Gilmour for alerting me to these additional cases.

⁸⁷ *Copyright Act*, ss. 38.1 ff. The \$500 can be reduced, if the court feels like it, down to \$200 for innocent non-negligent infringement: *ibid.*, s. 38.1(2).

⁸⁸ Above note 82; see also *Market Traders Institute Inc v. Mahmood*, 2008 CanLII 65770 (Ont. SC) (\$1 mil. compensatory plus \$50,000 punitive damages against taker of training manuals).

⁸⁹ *Dufour v. Langlois*, 2001 CanLII 16628 (Que. S.C.). See also *Don Hammond Photography Ltd. v. Consignment Studio Inc.*, 2008 CarswellAlta 21, 2008 ABPC 9 (Alta. Prov. Ct.) (\$500 statutory damages added to unpaid photography bill of \$1,431).

⁹⁰ Presumably relying on one of paragraphs (a) to (c) of *Copyright Act*, s. 64.1(3).

⁹¹ I prefer the term "fake" to "counterfeit". "Counterfeit", the term used by industry, falsely equates fake goods with fake money, but the wrongs involved are very different in nature and effect. The public interest against counterfeit money is strong; against fake goods, much weaker. Nobody wants to receive counterfeit money; many are pre-

that are ineligible for Microsoft support or updates, something the buyer may or may not have guessed. The courts seem unconcerned by such nuances.

As a group the Canadian judgments are unsatisfactory precedents. The cases are largely uncontested or else the defendant is unrepresented — hardly a recipe for well-considered reasoning. Since statutory damages are often punitive, it is left to the court to protect the defendant’s rights and ensure that both the award and its level are justified. The provision that statutory damages replaced — which fictionally deemed infringing copies to be the copyright owner’s property — was construed strictly precisely because it was punitive.⁹² Its replacement warrants the same approach.

This is not what that courts are currently doing. Take the award a British Columbia court made in *Louis Vuitton’s* favour against related companies and employees who had been selling LV knock-off goods: the maximum tariff jointly and severally for infringement of things described as a black and white “multicolour monogram copyrighted work[s]”.⁹³ The court was plainly exasperated with the defendants, and little can be said in their favour: they kept on selling despite agreeing not to, ignoring court orders and stop-infringing letters. Still, *les absents n’ont toujours pas tort* and an award of over \$1 million in damages, plus costs, for copyright and trade-mark infringement, partly under statutory provisions that have not been rigorously or authoritatively interpreted, might have warranted at least the appointment of an *amicus curiae* to ensure the court stayed on track. In reasoning its way to judgment after hearing one side only, the court glossed over many troublesome points the plaintiff needed to prove before it could hold the defendants liable. For example:

- It is hard to divine from the judgment what exactly the work was: if it was the LV design applied to different works (bags, scarves, shoes and purses), is each new application a new copyright work? Can the plaintiff divide what is effectively one work, the LV monogram, into as many works as it chooses, so long as it can point to some minor variation in the monogram or the work to which it is applied? (Microsoft has been successfully claiming that Microsoft Office comprises seven separate programs and is thus multiplying its statutory damages by seven.)⁹⁴

pared to buy fake goods. Unlike counterfeit money, fake goods do not shake public confidence in the state coinage, and are usually known by the consumer to be fake. Fake money, on the other hand, is intended to be passed off as real to the unwary. Its use immediately harms the other party to the transaction. Fake goods defraud no-one, not even the brand owner, although they may have an impact on the value of his brand. They are sometimes used to give their user a false cachet, but not always: nobody would boast of having been passed false money, while one might well boast of having picked up a fake Rolex for \$50, especially if it’s still working.

⁹² D. Vaver, *Copyright Law* (Irwin Law, 2000), 271-2.

⁹³ *Louis Vuitton Malletier S.A. v. 486353 B.C. Ltd.*, 2008 CarswellBC 1273, 2008 BCSC 799 (B.C. S.C. [In Chambers]); additional reasons at 2008 CarswellBC 2521, 2008 BCSC 1418 (B.C. S.C.).

⁹⁴ *Microsoft Corp v. PC Village*, 2009 CarswellNat 1074, 75 C.P.R. (4th) 21, 345 F.T.R. 57 (Eng.), 2009 FC 401 (F.C.) at [17] & [19] [F.C.].

- Is just changing the LV from black to white enough to create a new “original” work?
- Are the works “useful” articles that get only industrial design protection on registration, and no copyright protection, once LV makes more than 50 copies of them?⁹⁵
- The related defendants were selling through three outlets; so the court awarded the tariff three times over, twice for the “white” LV monogram. Is this consistent with the requirement that there is only one maximum “for *all* infringements involved in the proceedings”?⁹⁶
- One of the defendants was additionally given twice the maximum tariff for (a) importing and (b) distributing the black and white works. Can the plaintiff multiply the tariff by choosing which defendants to sue jointly and severally, and which to sue personally? Can he further multiply the tariff by claiming different unauthorized acts as separate infringements? Again, does this not offend the requirement that only one maximum tariff be given “for *all* infringements involved in the proceedings”?
- Was there any overlap between the damages of some \$580,000 for trade-mark infringement (which the court bizarrely called “nominal” even though they were also intended to be “punitive”),⁹⁷ the statutory damages for copyright infringement (which also included a punitive element), and the \$300,000 expressly punitive damages awarded presumably for both copyright and trade-mark infringement against the multiple defendants?

A review of these cases reveals no need to prove any specific loss. Rather claimants tend to produce the following sorts of evidence:

- public relations puffs about how important they and their IP rights (not merely their copyrights) are;
- a purchase or two of an infringing product by a private investigator on different occasions; • shilly-shallying behaviour by the defendant and its employees after the cease-and-desist letter was sent and after court proceedings were started;
- everyone seemingly continuing to conduct business as usual;
- anything that tends to show the defendant and its employees are rascals;
- citation of other *ex parte* decisions as precedents for awarding damages in the thousands or tens of thousands of dollars for infringing the copyright in goods retailing in the hundreds or less.

This task is easier, more effective and less embarrassing than having to bring in the accountants to show the claimant’s net loss or the defendant’s net gain from infringement. It is for victims of other economic wrongs (including patent, design

⁹⁵ See, e.g., *Pyrrha Design Inc. v. 623735 Saskatchewan Ltd.*, [2004] F.C.J. No. 2084, 2004 CarswellNat 5920, 2004 CarswellNat 4660, 2004 CAF 423, 2004 FCA 423, 36 C.P.R. (4th) 432, 247 D.L.R. (4th) 485, 328 N.R. 187 (F.C.A.).

⁹⁶ *Copyright Act*, s 38.1(1).

⁹⁷ 2008 CarswellBC 1273, 2008 BCSC 799, ¶[72] (B.C. S.C. [In Chambers]); additional reasons at 2008 CarswellBC 2521, 2008 BCSC 1418 (B.C. S.C.). at [72] [B.C.S.C.].

and trademark infringements and misappropriation of trade secrets) to be stuck with the apparently inadequate sums that net lost profits, a reasonable licence fee, or a defendant's net gains represent, augmented by solicitor-client costs and punitive damages against the truly despicable. Copyright has become the law's favoured child. Siblings may well wonder why.

5. CONCLUSION

Some problems highlighted in this paper may be cured through greater diligence by legal practitioners. Other doctrinal problems may be cured by the courts. One might say this of the law on equitable ownership, except that common law notions of equity are not part of Quebec law and are not well understood by many Canadian common lawyers. Legislation clearly setting out the consequences of informal transactions not only for copyright but for other IP rights may be the solution. The law relating to limitation of actions, remedies, jurisdiction over cross-border activities and the recognition of foreign judgments also deserves closer study and reform, even though such subjects may not be the current darlings of copyright lobbyists. The latter may no doubt approve of the swinging awards that are currently being made in infringement cases but it is surely time to reconsider the rationality of a legal system that values mere corporate economic loss over personal trauma.