

COPYRIGHT AND INDUSTRIAL DESIGN DEVELOPMENTS – 2012

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1. INTRODUCTION

2012 was a banner year for copyright in Canada. On July 12, 2012 the Supreme Court of Canada issued its decisions in the pentology of copyrights cases heard in December 2011. In addition, after a number of attempts over a number of years Parliament passed copyright reform legislation. On November 7, 2012 the *Copyright Modernization Act* S.C. 2012, c. 20 was proclaimed into force bringing much needed amendments to the *Copyright Act* and paving the way for Canada to ratify the 1996 *WIPO Copyright Treaty* and *WIPO Performances and Phonograms Treaty*. Only a few provisions of the *Copyright Modernization Act* still remain to come into force.

The combination of the decisions of the Supreme Court of Canada and the *Copyright Modernization Act* has fundamentally changed copyright law in Canada. The full effect of those changes will not be fully understood until the courts and the Copyright Board have an opportunity to opine on the impact of the decisions and the amending legislation.

This paper is divided into four parts. The first part will briefly comment on the main amendments effected by the *Copyright Modernization Act*. A full analysis of the amending legislation is well beyond the scope of this paper. The second and third parts will discuss respectively the copyright and industrial design jurisprudence in Canada in 2012. The fourth part will review some of the significant copyright decisions of the courts in foreign jurisdictions. These decisions inform our understanding of the issues that may have to be addressed in Canada over the coming years and provide guidance for how the courts in Canada and the Copyright Board may rule on these issues.

2. THE COPYRIGHT MODERNIZATION ACT

The *Copyright Modernization Act* amended the *Copyright Act* in many significant respects. This paper can only mention the highlights of the amendments.

New exceptions to infringement have been added to the *Act* and existing exceptions have been extended. The new exceptions include an exception for user generated content (section 29.21),

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new educational exceptions, including exceptions to facilitate distance education. The existing fair dealing exception has been extended to include, within the exception, dealings for the purposes of education, parody and satire (section 29).

A number of amendments were required to enable Canada to ratify the *WIPO Copyright Treaty* and the *WIPO Performances and Phonograms Treaty*. These include a distribution right that enables the copyright owner to control the first distribution of his or her work or other subject matter in the form of a tangible object (sections 3(1)(j), 15(1.1)(e) and 18(1.1)(b)), protection against the circumvention of technological protection measures (section 41.1) and the protection against the alteration of rights management information (section 41.26).

As well, the rights of copyright in works and other subject matter have been extended to include the making available of works and other subject matter at a time and from a place selected by the user. This has been done in respect of works by including the making available right within the communication right (section 2.4(1.1)) and in respect of other subject matter by establishing separate exclusive rights for performers and makers and excluding that right from equitable remuneration (sections 15(1.1)(d), 18(1.1)(a), 19(1) and 19(1.1)).

Canadian copyright law will depart from that in the United States in now providing a more limited notice and notice regime for alleged copyright infringements posted to websites (section 41.26⁷), as opposed to the more extensive protection for copyright owners extended in the United States under that country's notice and take down regime.

3. CANADIAN COPYRIGHT JURISPRUDENCE

3.1 The Supreme Court Copyright Pentalogy

3.1.1 Fair Dealing

The use of 30 second previews of musical works streamed to users by online music services that sell downloads of digital files of musical works falls within the exception for fair dealing: *Society of Composers, Authors and Music Publishers of Canada v. Bell Canada*⁸. SOCAN sought remuneration for the use of previews of musical works by online music services that operate online music services. A preview is an extract of a recording of a musical work that is streamed to a user in a way that the user's computer does not store a permanent copy of the extract. Previews are used to determine whether the recording is to the user's taste or to verify that the recording is the one the user wants to buy. Although the Copyright Board held that SOCAN was entitled to collect royalties for the downloading of musical works, it was not entitled to remuneration for the use of previews because the use of previews was not an infringement of copyright as that use was fair dealing for the purpose of research under section 29 of the *Copyright Act*. No royalties were therefore payable to SOCAN for the use of previews. The Federal Court of Appeal upheld the Board's decision. SOCAN appealed to the Supreme Court of Canada.

Unanimous decision, per Abella J.:

⁷ Section 41.26 has yet to be proclaimed.

⁸ 2012 SCC 36.

Fair dealing is one of the tools employed to achieve the proper balance between the protection of the rights of copyright and the dissemination of, and access to, copyright works. The Court confirmed that, to maintain the proper balance, fair dealing must not be interpreted restrictively.

The test for fair dealing involves two steps. The first is whether the dealing is for an allowable purpose, in this case the purpose of research. The second is whether the dealing is fair. There is a relatively low threshold for the first step. The provider's purpose in making the previews available is not the relevant perspective at the first stage of a fair dealing analysis. The Board had properly considered the consumer's purpose of conducting research to identify which music to purchase under the first step.

Under the second step, whether a dealing is fair is a question of fact and depends on the facts of each case. The Court analysed the fairness of the dealing based on the six factors set out in the *CCH* case. The first factor is the purpose of the dealing, the real purpose or motive. In this case, the predominate purpose was that of the users of the previews. The purpose of providing previews was primarily to facilitate research purposes of consumers. The second factor is the character of the dealing. The previews were streamed not downloaded. Users did not get a permanent copy, and the streamed copies could not be duplicated or further disseminated. The third factor is the amount of the dealing. The amount means the quantity of the work taken. Since fair dealing is a user's right the third factor should be assessed based on the individual use, not the aggregate quantity of previews heard. The Board had characterized that the streaming of a preview was about 30 seconds, a modest dealing when compared with the whole work. The fourth factor is a consideration of the alternatives to the dealing. SOCAN proposed advertising and allowing returns as non-copyrighted equivalents to the use of previews. But allowing returns is expensive and technologically complicated, and none of the alternatives could demonstrate to a consumer what the musical work sounds like. The fifth factor is the nature of the work which examines whether the work should be widely disseminated. Although musical works may be widely available, that does not necessarily correlate with whether they are widely disseminated. A work will not be widely disseminated unless potential consumers can locate and identify the work. The final factor is the effect of the dealing on the work and whether the dealing affects or competes with the work. Because of their short duration and degraded quality, previews do not compete with downloads. And there is no negative impact on the work because the effect of a preview is to increase the sale and therefore dissemination of musical works.

The analysis of the fair dealing factors confirmed the Board's conclusion that previews satisfy the requirements of fair dealing and therefore do not infringe copyright.

The copying of short excerpts from textbooks for students on the initiative of a teacher with instructions for the students to read the material constitutes fair dealing and does not infringe copyright: *Alberta Education v. Canadian Copyright Licensing Agency (Access Copyright)*⁹. Access Copyright had filed a tariff for the copying of published works by K to 12 schools outside Quebec. Access Copyright and the objectors to the tariff had agreed on a study to determine the volume of copies made. One category of the works copied identified by the volume study was copies of short excerpts of textbooks made on the initiative of a teacher with instructions to students to read the material. The Board had held that although the copies were made for an allowable purpose, namely research or private study, applying the *CCH* fairness

⁹ 2012 SCC 37

factors, the copying did not constitute fair dealing. On judicial review the Federal Court of Appeal had found that the Board's finding on fair dealing was reasonable. The objectors appealed the issue of fair dealing to the Supreme Court of Canada.

Majority decision, per Abella J.:

There was no dispute that the copying of the short excerpts was for an allowable purpose, namely research or private study, under the first step of the *CCH* test.

With respect to the purpose of the dealing factor, the Board had concluded that, as the copies were not made as a result of a student request, they were no longer for research or private study under the second step of the *CCH* case. The Board therefore held that the real purpose or motive behind the copying was instruction, not private study. The jurisprudence on which the Board and the Federal Court of Appeal relied involved copying with demonstrably ulterior, i.e. commercial, purposes. The jurisprudence establishes that a copier cannot camouflage its own distinct purpose by conflating it with the research or study purposes of the ultimate user. Where the copier hides behind the shield of the user's purpose, the separate purpose of the copier will also be relevant in a fair dealing analysis. In this case there was no separate purpose on the part of the teacher in providing copies to students. The teachers were there to facilitate the student's research and private study. By focusing on the geography of classroom instruction rather than the concept of studying and concluding that the copying was for an unfair purpose, namely, non-private study, the Board artificially separated the teacher's instruction from student's studying.

With respect to the amount of the dealing factor, the Board was required to determine whether the proportion of each of the short excerpts in relation to the entire work was fair. Instead, the Board concluded the repeated copying by teachers of class sets shared by many students tended to make the dealing unfair. In focusing on the quantitative assessment based on aggregate use, the Board conflated the amount of the dealing factor with the character of the dealing factor.

With respect to the alternatives to the dealing, the Board concluded that the schools had an alternative to purchase books for the students or for placement in the library for consultation. In the circumstances, buying books is not however a realistic alternative to teachers copying short excerpts to supplement student textbooks and copying short excerpts is reasonably necessary to achieve the ultimate purpose of the students' research or private study.

The final problematic application of the fair dealing factors by the Board related to the effect of the dealing on the work. Although there was no evidence that the decline in textbooks sales was linked to the teacher's photocopying of short excerpts, the Board nonetheless concluded that the impact of the copying was sufficiently important to compete with the original texts to an extent that made the dealing unfair.

The question of whether a dealing is fair is a question of fact and a matter of impression. The Board's decision on fair dealing is therefore to be reviewed on the standard of reasonableness. As the Board's finding of unfairness was based upon a misapplication of the *CCH* factors, the

outcome was unreasonable. The appeal was therefore allowed and the matter remitted to the Board for reconsideration based on the Supreme Court's reasons.¹⁰

Dissent decision, per Rothstein J.:

The application of the *CCH* factors to the facts of each case should be treated with deference on judicial review.

With respect to whose purpose was relevant in the second step, it was not unreasonable for the Board to have considered that the teacher's purpose was relevant and predominate. The teacher has the purpose of utilizing the photocopied extracts in instructing and educating students. It was not unreasonable on the facts to conclude that the teacher's purpose predominated.

The Board did not err in equating instruction with non-private study. The term "private study" arguably refers to the situation of a student or scholar dealing with a work for his individual study. The Board's conclusion that the predominate purpose was instruction or private study is not unreasonable on the facts.

The amount of the dealing is concerned with the proportion between the excerpt copied and the entire work. The Board's reasons do not however indicate that it improperly considered the overall number of copies distributed to a whole class. From the Board's reasons, teachers would return to copy other excerpts from the same books and therefore, over time, the overall proportion copied would be unfair.

Buying books to distribute to all students does not seem to be a realistic option if the photocopies are only short excerpts. However, on the premise that the same sets of books will be subject to numerous requests for short excerpts, it was not unreasonable for the Board to conclude that schools had the option of buying more books to distribute to students or place in the library.

The dissent agreed with the majority on the effect of the dealing on the work. However, an unreasonable observation under one of the *CCH* factors is not sufficient to render the Board's overall assessment unreasonable. On a deferential view, where a tribunal's decision is complex, it would be unreasonable to seize upon a few arguable or intermediate statements to conclude that the entire decision was unreasonable.

3.1.2 Communication to the Public by Telecommunication

Streaming a musical work from an online music service is a communication of that work to the public by telecommunication: *Rogers Communications Inc. v. Society of Composers, Authors and Music Publishers of Canada*¹¹. SOCAN had proposed a tariff for the communication of musical works to the public over the Internet. The objectors offer permanent downloads, limited downloads and on-demand streams of files containing musical works. The objectors argued that a point-to-point transmission of a musical work is not a communication "to

¹⁰ The Copyright Board provided the parties an opportunity to address how the Board should apply the Supreme Court's decision in *Alberta v. Access Copyright*. In a Ruling of the Board dated September 19, 2012 the Board concluded that the category of copies considered by the Supreme Court constituted fair dealing and were non-compensable. The Board found that the certified royalty rates must be reduced accordingly.

¹¹ 2012 SCC 35.

the public”. The Board rejected that argument and certified SOCAN’s tariff for downloads and on-demand streaming of musical works. The Federal court of Appeal rejected the objectors’ application for judicial review. The objectors appealed to the Supreme Court of Canada.

The decision of the Court in *ESA v. SOCAN* (summarized below) rendered the issue of whether online music services offering downloads to members of the public engage the copyright right to communicate a work to the public by telecommunication. The remaining issue was therefore whether the communication of a protected work by streaming does not engage the right to communicate the work to the public because a point-to-point transmission from a website to an individual user is a private communication.

Majority decision, per Rothstein J.:

Although it is presumed that a decision of an administrative tribunal interpreting or applying its home statute is to be reviewed on a standard of reasonableness, the concurrent jurisdiction of the Copyright Board and a court at first instance interpreting the *Copyright Act* rebuts that presumption. The Board does not operate under a discrete administrative regime. Therefore the standard of review of determinations of law that could be made by both the Board and a court is correctness.

The objectors contend that the transmission of the same work to numerous different recipients might constitute communication to the public and infringe copyright only where the transmissions originate from a single act of the sender. Focusing however on each individual transmission loses site of the true character of the communication activity and makes copyright protection dependent on technicalities or business model of the alleged infringer’s method of operation. It is necessary to consider the broader context to determine whether a point-to-point communication constitutes a communication to the public to ensure that form does not prevail over substance.

A series of transmissions of the same musical work to numerous different recipients may be a communication to the public if the recipients constitute the public or a significant segment of the public. It matters little for purposes of copyright protection whether the members of the public receive the communication in the same or in different places or at the same or at different times, or whether the communication is at their own initiative or at the initiative of the sender. The scope of the communication to the public right is informed by the making available right under the WIPO Treaties.

Online music services provide catalogues of musical works to any customer who is willing to pay for a download or stream. The objective of such services is to achieve the highest possible number of online sales. Customers of such services are the public. Streams of musical works transmitted from an online service’s website to the customer’s computer, at the customer’s request, are therefore communications of such works to the public by telecommunication.

Dissent decision, per Abella J. (on the issue of standard of review):

The majority’s conclusion on the standard of review over complicates what should be a straight forward application of the reasonableness standard. Extracting the issue of whether a point-to-point transmission constitutes communication to the public as a question of law to be determined on a standard of correctness is an anomalous jurisprudential relapse. The Board, when

interpreting its home statute, in setting tariffs for the communication of new forms of digital media. Its decisions should be reviewed on the same standard as every other specialized tribunal, namely the reasonableness standard.

The download of video games sold over the Internet does not implicate the communication right: *Entertainment Software Association v. Society of Composers, Authors and Music Publishers of Canada*¹². SOCAN had proposed a tariff for the communication of musical works to the public by telecommunication that would cover the download of video games sold over the Internet. The Board had concluded that SOCAN was entitled to a tariff for the download of video games. The Board's decision was upheld by the Federal Court of Appeal on judicial review. ESA appealed to the Supreme Court of Canada.

Majority decision, per Abella and Moldaver JJ.:

In concluding that a separate tariff applies to downloading musical works, the Board violated the principle of technological neutrality which requires that the *Copyright Act* apply equally between traditional and more technological advanced forms of the same media. Delivery of a copy through the Internet would therefore be subject to both a communication fee and a reproduction fee while delivery of a copy through a retail store or the mail would only be subject to a reproduction fee.

The Board improperly concluded that Internet delivery of copies of video games constituted communicating works. This view is supported by the legislative history of the *Copyright Act* which shows that the communication right has been historically connected to the performance right and not to the reproduction right.

Historically, the international consensus was that, for copyright purposes, radio broadcasting should be treated as an extension of the performance right. Prior to the 1988 amendment to section 3(1)(f) of the *Copyright Act*, like a performance, communicating a work under the provision involved an acoustic representation of a work. A performance is impermanent in nature and does not leave the viewer or listener with a durable copy of a work. The 1988 amendment merely expanded the means of communicating a work from radio waves to cable and other technologies. The term “communicate” in section 3(1)(f), which has been historically linked to the performance right, should not be transformed by the use of the word “telecommunication” in a way that captures reproduction activities.

The Board erred in concluding that a download was indistinguishable from a stream. Although both are transmissions they are not both communications under the *Copyright Act*. Unlike a communication, a download creates a durable copy of the work downloaded.

Furthermore, the communication right in section 3(1)(f) is not a *sui generis* right in addition to the rights described in section 3(1). Section 3(1) defines what copyright “means”. That definition is exhaustive. The section concludes by stating that copyright “includes” several other rights listed in subsections (a) through (i). Those enumerated rights are simply illustrative of the general categories of performance, reproduction and publication.

Dissent decision, per Rothstein J.:

¹² 2012 SCC 34.

Copyright, a creature of statute, comprises a bundle of independent rights. The principal of technological neutrality relied upon by the majority is not a statutory requirement capable of overriding the language of the *Act*.

The word “communicate” is not defined in the *Act*. Based on dictionary definitions, “communicate” is an ordinary word that means to import or transmit.

While the use of the word “includes” in section 3(1) could indicate that the rights listed in subsections (a) to (i) are instances of one of the rights enumerated in section 3(1), the context however indicates otherwise. For example, subsection (i) establishes a rental right for sound recordings. It is difficult to see how this right could fit within the enumerated rights in section 3(1).

The historic relationship of section 3(1)(f) with broadcasting-type industries and hence performances does not support reading into the *Act* restrictions on the communication right that are inconsistent with the current wording of the *Act*.

Communicating works to the public by telecommunication is an independent and distinct right from the other rights of copyright. It is complete when the transmission is received, in this case, the download of a file containing a video game to the user’s computer.

3.1.3 Definition of “Sound Recording”

A tariff is not warranted for the inclusion of a sound recording embodied in a motion picture that is exhibited in a cinema or in a program broadcast by commercial over-the-air, pay, speciality or other television services: *Re:Sound v. Motion Picture Theatre Associations of Canada*¹³. *Re:Sound* had filed tariffs for the inclusion of a sound recording in a motion picture that is exhibited in a cinema and for the inclusion of a sound recording in a program broadcast by commercial over-the-air, pay, speciality or other television services. The Copyright Board had struck the tariffs from the proposed statement of royalties as published on grounds that no one was entitled to equitable remuneration under section 19 of the *Copyright Act* for that use of a sound recording. The Federal Court of Appeal had dismissed *Re:Sound*’s application for judicial review of the Board’s decision. *Re:Sound* appealed to the Supreme Court of Canada.

Unanimous decision, per LeBel J.:

Irrespective of the standard of review, the appeal was dismissed because the Board’s decision was correct. The right to collect equitable remuneration on behalf of performers and makers of sound recording under section 19 is dependent on the definition of “sound recording” in section 2. The definition provides:

In this *Act*,

“sound recording” means a recording, fixed in a material form, consisting of sounds, whether or not of a performance of a work, but excludes any soundtrack of a cinematographic work where it accompanies the cinematographic work.

¹³ 2012 SCC 38.

The term “soundtrack” is not defined in the *Act*. According to the definition of “sound recording” a “soundtrack” of a motion picture is a “sound recording” except when it accompanies the motion picture. The *Act* does not specify that a pre-existing sound recording that accompanies a motion picture cannot be a soundtrack. A pre-existing sound recording cannot be excluded from the meaning of soundtrack. Accordingly, the word “soundtrack” includes pre-existing sound recordings and such recordings are excluded from the definition of “sound recording” when they accompany a cinematographic work. This conclusion is supported by the legislature history and is consonant with Canada’s obligations under the Rome Convention.

3.2 Substance of Copyright

Copyright cannot subsist in a person’s name, however, even if copyright could subsist in the name, the copyright would vest in the name’s authors, the individual’s parents, and not the litigant: *Meads v. Meads*¹⁴. This case dealt with a divorce and matrimonial property action and the practice of Organized Pseudolegal Commercial Argument litigants (“OPCA litigants”). OPCA litigants are people that employ a collection of techniques and arguments promoted and sold by “gurus” to disrupt court operations and to attempt to frustrate the legal rights of governments, corporations, and individuals. These litigants frequently use unusual variations on personal names, for example adding dashes or colons, or using unusual capital and lower case character combinations. The defendant claims copyright or trade-mark in his own name and that anyone who uses “Dennis Larry Meads” (or variations of that) owes Dennis-Larry: Meads \$100 million per use. The Court found that there is no authority that a personal name can form an original work that would be subject to copyright. Alternatively, even if copyright in a name was possible, the copyright would subsist with its authors, Mr. Meads’ parents.

3.3 Ownership

Claim for a portion of revenues from DVD sales of a television series dismissed because the plaintiff was an author but not the owner of the works in question by virtue of section 13(3) of the *Copyright Act*: *Lachance c. Productions Marie Eykel inc.*¹⁵ The plaintiff claimed ownership in copyright in audiovisual works consisting of a television series titled *Passe-Partout* and sought a portion of revenues generated by sales of DVD boxed sets of the television series. The Court held that the *Passe-Partout* series constitutes an original work protected by the *Copyright Act* and that the evidence showed that *Passe-Partout* is a collective work with the plaintiff being but one of the authors. However, the plaintiff was held not to own copyright in the work by reason of the application of section 13(3) of the *Copyright Act*, which provides that the employer is the first owner of a work made by an employee in the course of their employment. Notwithstanding the fact that the plaintiff enjoyed great professional freedom in creating the *Passe-Partout* series, the series was created under an employment contract and the Court held that the defendants did not require the plaintiff’s consent to reproduce and market the *Passe-Partout* series on DVD. Consequently, the plaintiff was not entitled to any royalties from the sale of the DVD boxed sets.

¹⁴ 2012 ABQB 571.

¹⁵ 2012 QCCS 1012.

3.4 Infringement

3.4.1 Unauthorized Reproduction

Not all modifications to software code are “original”; a screen display is not a reproduction of the object code: *Harmony Consulting Ltd. v. G.A. Foss Transport Ltd.*¹⁶ The Federal Court of Appeal dismissed the appeal from the trial judge’s dismissal of Harmony Consulting Ltd.’s (“Harmony”) action for copyright infringement with regard to computer programs, produced by Harmony and licensed to G.A. Foss Transport (“Foss”). Harmony alleged that its program had been infringed as a result of certain modifications to the program including the removal of Harmony’s name from the start up screen, and the use of the program by a larger number of users than had been provided for in the licensing agreement. The Court was not persuaded that the trial judge’s finding that certain modifications made to the program after its installation at Foss did not satisfy the criteria of originality was a palpable and overriding error.

Harmony also argued that the trial judge misconstrued section 30.6(b) of the *Copyright Act*, finding that copies of the program made by Foss were not backup copies within the meaning of the license agreement, and that the trial judge failed to appreciate the “nature of copyrights in a screen within the context of software”. The Court agreed that section 30.6(b) of the *Act* had no application with respect to the backup copies. However, the Court was not persuaded that the trial judge was wrong in concluding that Harmony had provided consent for the copies as there were no limitations in the license agreements as to the number of backup copies Foss could make. With respect to unauthorized reproductions of the code by way of the screen display, the Court held that a screen display is not a reproduction of the object code, rather it is the result of the object code. In doing so, the court overruled *dicta* to the contrary in the trial judgement in the *Delrina Corp. v. Trident systems Inc.*¹⁷ case. Consequently, the Court held that Harmony had failed to adduce sufficient evidence to establish infringement of the code on a balance of probabilities.

Infringers cannot protect themselves from infringement actions by posting terms on their websites that preclude the use of the website by copyright holders, court enforces a foreign judgment with injunctive relief: *Blizzard Entertainment Inc. v. Simpson*¹⁸. The applicant sought to have a judgment of the United States District Court for the Central District of California recognized and enforced in Ontario. The judgment related to the respondent’s infringement of the applicant’s copyright and other rights in the computer game, StarCraft® II, through the online sale of unauthorized “map hacks” designed to alter the functionality of the game. The California Court ordered the respondent enjoined from infringing applicant’s copyright and from violating the applicable Terms of Use and End User License Agreement. The respondent did not defend the California action, nor appeal the judgment, and did not provide any evidence in the application. The respondent did however argue that the applicant had breached the user terms set forth in his website, which included agreeing that you are not an employee or know an employee of the applicant. The Court agreed with the position of the applicant that it would be an untenable position in IP law if infringers could protect themselves

¹⁶ 2012 FCA 226.

¹⁷ (1993), 47 C.P.R. (3d) 1.

¹⁸ 2012 ONSC 4312.

from infringement actions by posting terms on their websites. The court found that the respondent did not satisfy the onus of establishing any applicable defences to the enforcement of the California judgment, that the California Court properly assumed jurisdiction according to Canadian conflict of laws rules, and that the injunctive relief granted in the foreign judgment is enforceable in Canada.

3.4.2 Substantial Part of the Work

Red roof label cigarette packages not an infringement of copyright: *Philip Morris Products S.A. v. Marlboro Canada Ltd.*¹⁹ Philip Morris Products S.A. (“PM”) appealed the trial judge’s dismissal of its claim that Marlboro Canada Limited and Imperial Tobacco Canada (collectively “ITL”)’s Red Roof Label design infringed copyright in its Marlboro cigarette packaging. The Federal Court of Appeal was not persuaded that the trial judge applied the wrong test or a mistaken approach in determining that the ITL packages did not reproduce a substantial part of PM’s copyrighted work. Consequently, PM’s appeal on the issue was dismissed.

3.4.3 Translations

Automated format conversion is not a “translation”: *Keatley Surveying Ltd. v. Teranet Inc.*²⁰ A motion for certification of a proposed class by surveyors alleging infringement of copyright was dismissed. In the action Keatley Surveying Ltd. (“Keatley”) claims that Teranet Inc, the company that manages Ontario’s electronic land registry system for the Ontario Government, infringed copyright by making and distributing plans of survey in the course of those operations. The motion for certification was brought pursuant to section 5 of the *Class Proceedings Act* (CLA). The plaintiff was a professional corporation owned and operated by Gordon R. Keatley, a surveyor. Keatley allegedly owned thousands of drawings, maps, charts and plans of survey that Mr. Keatley created. Keatley brought the action on its own behalf and on behalf of all land surveyors in Ontario who created plans of survey.

The parties agreed that the plans of survey were “artistic works” under the *Copyright Act*. On the motion for certification, it was not contested that the individual’s plans were original and therefore capable of attracting copyright protection.

The Court considered two copyright issues raised by Teranet under section 5(1)(a) of the CLA. First, Teranet contended, *inter alia*, that, when individual plans of survey were deposited in land registry offices, copyright therein transferred to the Crown under section 12 of the *Copyright Act*. The court did not finally decide the matter, but concluded that “a compelling case can be made that copyright belongs to the Crown, based on section 12 of the *Copyright Act*”.

Second, the statement of claim alleged that Teranet infringed surveyors’ exclusive right under section 3(1)(a) of the *Act* by translating them into a digital format including PDF and TIFF formats. Section 3(1)(a) gives copyright owners the right to produce, reproduce, perform or publish any translation of a work. The court struck out this pleading holding it was plain and obvious that it could not succeed. According to the Court a “translation” is used in the *Act* in its “primary sense of the turning of something from one human language into another.” In order to

¹⁹ 2012 FCA 201.

²⁰ 2102 ONSC 7120.

constitute a “translation”, the resulting work must also be original. The statement of claim alleges that copies of the plans of survey “were translated into various digital formats, including Portable Document Folder (PDF) and Tagged Image File Format (TIFF)”. Following Apple, the court concluded that scanning the plans of survey to create a digital format is not a translation within the meaning of section 3(1)(a) of the *Copyright Act*. The resulting digital plan of survey is not an original work, as there is no “skill and judgment” involved in simply scanning the plans of survey.

3.5 Exceptions

3.5.1 Fair Dealing

Reproduction of copyright work found to be fair dealing for the purpose of news reporting where there were alternatives to the dealing: *Warman v. Fournier*²¹. The applicant alleged infringement of copyright in three works: the Warman Work, the Kay Work, and the Barrera Work. The respondents operated the website, www.freedominion.com (Free Dominion), an online political news discussion forum accessible to the public. The Warman Work was uploaded to the Free Dominion server, the Kay Work was uploaded and taken down but replaced with posted excerpts on the Free Dominion server, and the Barrera Work was never uploaded onto the Free Dominion server but communicated by a hyperlink to the applicant's own website.

With respect to the Warman Work, the Court found that the applicant was time-barred from raising copyright infringement because the proceeding was not brought within the limitation period prescribed by section 41(1) of the *Copyright Act*. The applicant argued that the limitation period was not applicable to an application for an injunction. The court found that even if section 41(1) does not preclude the granting of injunctive relief, it can inform the Court’s discretion to grant an injunction. The applicant did not show that an injunction was necessary to prevent further infringement of the Warman Work.

With respect to the Kay Work, the Court found the reproduction did not constitute a substantial part, and in the alternative, the reproduction fell within the scope of fair dealing for the purposes of news reporting. The reproduction was less than half the work and did not include most of the commentary or original thought expressed by the author, but instead included the facts on which the article was based and the opening “hook” of the article. The reproduction being mostly facts and the fact that the Kay Work was not published favoured a finding of fair dealing. The existence of alternatives such as summarizing the Kay Work and the wide distribution of the reproduction on the Internet was a factor against fair dealing. The Court found that, balancing these factors together, the reproduction fell within the fair dealing exception.

The Court also found that there was no infringement of the Barrera work because the applicant authorized communication of the Barrera Work by posting it on his website. The application was dismissed in respect of all three works.

²¹ 2012 FC 803.

3.6 Procedure

3.6.1 Examination for Discovery

Copyright in discovery transcripts does not excuse production obligations on discovery: *Hidasi v. Davie & Associates*²². In a complaint before the BC Human Rights Tribunal the respondents attempted to resist production to the complainant of a complete transcript of an examination for discovery of the complainant, in part on the grounds that the document was protected by copyright and that they had no authorization to reproduce it. The Tribunal accepted in principle that the document might have been protected by copyright. However the complainant unquestionably had a right to receive a copy. Consequently the respondents were ordered to ascertain the cost of obtaining a copy and to procure one for the complainant upon payment of the necessary cost.

3.6.2 Motion to Strike an Affidavit

Affidavits on judicial review generally cannot include evidence that was not before the Copyright Board: *Association of Universities and Colleges of Canada v. Canadian Copyright Licensing Agency*²³. The respondent, Access Copyright, moved to strike out an affidavit filed by the Association of Universities and Colleges of Canada (“AUCC”) in its application for judicial review of a decision of the Copyright Board that denied AUCC’s request that transactional licenses to reproduce published works in Access Copyright’s repertoire be issued to AUCC members. The Federal Court of Appeal granted Access Copyright’s motion, and struck out the affidavit from the record on grounds that, generally, the evidentiary record before the Court on judicial review is restricted to the evidentiary record that was before the Copyright Board. The Federal Court of Appeal concluded that the affidavit offered evidence that was not before the Copyright Board and that went to the merits of the matter before the Board.

3.6.3 Summary Judgment Motions

No triable issue for copyright infringement as a consequence of a lack of consent: *Aga Khan v. Tajdin*²⁴. On appeal to the Federal Court of Appeal the appellants sought to reverse a judgment that granted the respondent’s summary judgment motion declaring that the appellants infringed the respondent’s copyright in his literary works, and granting a permanent injunction precluding the publication of a book as well as accompanying MP3 audio bookmarks. The respondent, 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 impugned publication consisted of a book of the Aga Khan’s Farmans and Talikas.

On appeal, the appellants argued that they were granted consent to publish the work, either explicitly or implicitly, as a consequence of a ceremony that had taken place and with the adoption of a new spiritual constitution. The Court concluded that there was no genuine issue for trial with respect to consent as the new constitution and ceremony were not capable of

²² 2012 BCHRT 384.

²³ 2012 FCA 22.

²⁴ 2012 FCA 12.

constituting consent within the meaning of section 27 of the *Copyright Act* and that there was an insufficient factual basis to conclude the existence of a genuine issue. In giving reasons the court confirmed that the burden of proof of showing a lack of consent is on the Plaintiff. Where the defendant relies on implied consent, the defendant has an evidentiary burden to prove it.

Summary judgment was granted in respect of two actions for copyright infringement – there was no genuine issue for trial as the plaintiff was not the owner nor exclusive licensee of the works at issue and thus had no standing to sue: *Nautical Data International Inc. v. C-Map USA Inc.*²⁵ The defendants in two actions for copyright infringement brought motions for summary judgment on the basis that there is no genuine issue for trial because the plaintiff lacked the standing required by the *Copyright Act* to bring an action for infringement of the works at issue. The works at issue were hydrographic charts in paper format produced by a federal government agency called Canadian Hydrographic Service (CHS). The charts contained data owned by Canada and maintained by CHS. The parties agreed that CHS owned the copyright in the works at issue. The defendants argued that the plaintiff was not the exclusive licensee with respect to those works and thus did not have standing to enforce the copyright. The plaintiff argued that it was granted an interest in the copyright of the works at issue and was therefore entitled to the remedies sought. The Court found that the license agreement between CHS and the plaintiff did not satisfy the requirements of an exclusive licence in that CHS itself did not promise not to do any of the licensed acts. Furthermore, the plaintiff's right to sue under the license agreement is not exclusive. The license agreement specified that the plaintiff may bring suit in its own name only if CHS or another government authority did not institute an action for infringement. Evidence of the intention of the parties to the license agreement also supported the conclusion that the agreement was not an exclusive licence. Accordingly, the Court held that the plaintiff did not have a sufficient interest in the copyright to bring an action for copyright infringement. There was therefore no genuine issue for trial. The claims were dismissed in their entirety, with costs in favour of the defendants.

3.6.4 Class Actions

Motion for certification of a class action granted in copyright infringement action on behalf of private practice lawyers and paralegals against an operator of a court document electronic database service where all five criteria set out in section 5(1) of the *Class Proceedings Act, 1992* had been met: *Waldman v. Thomson Reuters Corp.*²⁶ The plaintiff brought a motion for certification of a proposed class action in a copyright infringement suit. The defendant copies court documents and reproduces them on an electronic database and search and retrieval service called “Litigator” offered through its legal publishing branch Carswell. The defendant did not seek permission to copy the court documents, but would remove documents from their database upon request. Documents authored by the plaintiff, an Ontario lawyer, were copied by the defendant without permission and made available on the Litigator service. In the proposed class action, the plaintiff alleged that the defendant infringed the copyright of the class members by making available, without permission and for a fee, copies of court documents authored by lawyers and law firms. In addition, the plaintiff alleged infringement of moral rights as a result of the defendant asserting ownership in the contents of the Litigator service. The

²⁵ 2012 FC 300.

²⁶ 2012 ONSC 1123, 99 C.P.R. (4th) 303.

defendant argued against certification on numerous grounds, including challenges to the commonality of the proposed common issues and procedural reasons which the defendant submitted would make the action unmanageable as a class proceeding. The defendant also raised a public policy argument and submitted that the proposed class action opposed the policies of an open court system and freedom of expression. The defendant asked the Court to exercise its gatekeeper function and not certify a class action that “has negative social utility and little interest from class members.”

In determining whether to certify the proposed class action, the Court analyzed each of the five certification criteria established by section 5(1) of the *Class Proceedings Act, 1992*. The defendant’s arguments against certification were rejected by the Court, which noted that such arguments failed to recognize that certification is a technical and procedural matter. Furthermore, the Court noted that its gatekeeper role was limited to ensuring that the technical and procedural elements of the five criteria test are satisfied. The Court held that all five elements of the test were met in the case at issue. Following some modifications to the class definition and to the common questions, the Court held that the action should be certified as a class action.

3.6.5 Setting Aside Default Judgment

A default judgment will not be set aside where there is no reasonable explanation for not filing a statement of defence or where the defendants were not properly named in the statement of claim, if the defendants were active in providing the incorrect information: *Canadian Copyright Licensing Agency v. Three Cent Copy Centre Ltd.*²⁷ The defendants were seeking a declaration that the default judgment against them should not be enforced, or, in the alternative, that the default judgment should be set aside on the basis that the proper corporate entity was not named in the statement of claim. The Court found that the submission that defendants, An Le and Anh Ly, should not be personally liable for the claims contained in the statement of claim was without merit as it was admitted that they have been at all times the principals behind the businesses undertaking the activities that are of concern. The Court also found there was simply no reasonable explanation for the defendants not to have filed a statement of defence. The Court found that the test to set aside the default judgment has not been met. The submission that the defendants were not properly named in the statement of claim was without merit because of their active participation in both providing the incorrect corporate name and failing to take any measures to correct this misleading and incorrect information.

3.7 Civil Remedies

3.7.1 Statutory Damages

Egregious nature of infringing conduct justifies the highest level of statutory damages, together with punitive damages and solicitor-client costs: *Adobe Systems Inc. v. Thompson*²⁸. The plaintiffs, owners of certain computer software products and cover art used on software packaging, brought a motion for summary judgment. The plaintiffs alleged that the defendant infringed their copyright through the unauthorized reproduction and sale of counterfeit copies of the plaintiffs’ software and the reproduction of cover art. The defendant did not acknowledge

²⁷ 2012 FC 866.

²⁸ 2012 FC 1219.

any wrong-doing instead he blamed the plaintiffs for not issuing a cease and desist letter, failing to install protective measures in their software and for participating in a “network effect”. The defendant describes the “network effect” as an economic practice by which the plaintiffs establish market dominance and maximize their profits, while also allowing and tolerating copyright infringement and piracy so that it makes their programs ubiquitous, leading to financial gains for the plaintiffs. The Court granted the motion and held that summary judgment was appropriate in this case. The Court found that the plaintiffs’ were entitled to declarations regarding the subsistence of copyright in the software programs and cover art, the plaintiffs’ ownership of the copyright, and the infringement of the copyright by the defendant. Furthermore, the Court found that the defendant’s strong intention to infringe required strong deterrent measures, ordering maximum statutory damages prescribed by section 38.1 of the *Copyright Act* and punitive damages, as well as costs on a solicitor client basis and pre-judgment and post-judgment interest.

Prejudgment interest may be awarded in respect of statutory damages: *Society of Composers, Authors and Music Publishers of Canada v. IIC Enterprises Ltd.*²⁹ At issue on appeal was whether a collective society that elects statutory damages under section 38.1(4) of the *Copyright Act* is entitled to prejudgment interest pursuant to section 1(1) of the *Court Order Interest Act*, R.S.B.C. 1996, c. 79 from the date on which tariff royalties were payable. The respondent IIC Enterprises Ltd. (“IIC”) was a licensee under SOCAN’s Tariff 3.C, operating a nightclub in Kelowna, British Columbia called “Cheetah’s Nightclub”. IIC was found liable for unpaid royalties to SOCAN totalling \$20,383.37, but the Prothonotary declined to award prejudgment interest as requested by SOCAN. The Federal Court of Appeal reversed the Prothonotary’s decision, and allowed the appeal holding that subsection 36(1) of the *Federal Courts Act* was within the scope of SOCAN’s cause of action, which when combined with BC’s provincial legislation, entitled SOCAN to prejudgment interest.

3.7.2 Interlocutory Injunctions

Motion for interlocutory injunctive relief restraining infringement of the plaintiff’s trade-mark and copyright dismissed, as the evidence showed that the infringing brochure was not created or distributed by the defendants, but by a third party sales agent: *Forensic Technology Inc. v. Pyramidal Technologies Ltd.*³⁰ The plaintiff and the defendants are direct competitors in the field of forensic ballistic analysis technologies. The plaintiff sought an interlocutory injunction to enjoin the defendants from: (i) making false and misleading statements about the plaintiff’s products and services, and (ii) infringing its intellectual property rights by allegedly circulating a promotional brochure containing unauthorized reproductions of the plaintiff’s registered trade-mark and a copyrighted photograph. The Court held that the plaintiff failed to meet the requirements of the test for an interlocutory injunction. With respect to the alleged acts of trade-mark and copyright infringement, the evidence showed that the promotional brochure at issue was not created or distributed by the defendants, but rather by a third party sales agent. There was no evidence that the defendants infringed the plaintiff’s trade-mark and copyright. The plaintiff argued that the defendants were vicariously liable under the terms of the parties’ agency agreement, but the Court rejected that argument because the terms of

²⁹ 2012 FCA 179.

³⁰ 2012 QCCS 2463.

the agency agreement did not support the plaintiff's assertion. Accordingly, the plaintiff had no clear right to the issuance of an interlocutory injunction restraining the defendants from infringing the plaintiff's intellectual property rights.

Interlocutory injunction granted to restrain infringement of copyright in Second Language (French) Evaluation Tests prepared by the Public Service Commission: *R. v. Rundle*³¹. The Attorney General of Canada sought an injunction preventing the respondent, Madeleine Rundle, carrying on business as Nec Plus Ultra, from continuing to use copies of the Public Service Commission's ("PSC") Second Language (French) Evaluation Tests ("SLE") to prepare her students for the SLE test. The PSC claimed copyright in the SLE tests created by it. The tests were all marked copyright protected. The defendant conceded that the PSC has copyright protection in the SLE tests. The test for an injunction requires: (1) there is a serious issue to be tried; (2) the applicant would suffer irreparable harm if the application were refused; and (3) an assessment as to which of the parties would suffer greater harm from the granting or refusal of the remedy pending a decision on the merits. The Court was satisfied that a serious issue existed to be tried because the Crown had copyright in the tests. The Court did not agree that the defendant would suffer irreparable harm if she is not allowed to continue to use a copy of the tests because she should not be permitted to copy and use the Crown's test materials for her own financial benefit. Also, the Court found if the defendant was permitted continue to use a copy of the official tests as practice materials, the PSC would be required to recreate the tests at great public expense and the integrity of public service staffing and the Government's official language obligations would be compromised causing the PSC irreparable harm and a large inconvenience. The injunction was granted. The Court allowed the defendant to continue to operate her teaching business but without using a copy of the official test questions or questions that was substantially similar.

3.7.3 Assessment and Quantum of Damages

Unauthorized use of photographs in a documentary broadcast on television attract damages: *Leuthold v. Canadian Broadcasting Corporation*³². The plaintiff, a photo journalist, claimed an amount of \$21,554,954.25 against the CBC and one of its Directors for copyright infringement in her photographs taken during the terrorist attacks on the World Trade Centre on September 11, 2001. The plaintiff and the CBC signed an agreement permitting the CBC to incorporate the photographs in a documentary and to broadcast these on Canadian television for one broadcast on CBC's Network & Regional TV stations, in return for compensation of US\$2,500.00. The documentary was subsequently broadcast in 2002 on CBC's Main Channel and on the same date on CBC's Newsworld channel. The plaintiff argued that "one broadcast" did not include all Canadian time zones and did not include CBC's Newsworld channel. The defendants admitted they had no authorization from the plaintiff for six specific broadcasts on its Newsworld channel, but argued all other broadcasts were covered by the agreement.

The Court held that the "one broadcast" under the agreement would include all Canadian time zones and that CBC's Newsworld channel would be included in the negotiated "one broadcast" based on the evidence. The Court found that copyright subsisted in the plaintiff's photographs,

³¹ 2012 ONSC 5185.

³² 2012 FC 748.

that the plaintiff was the owner of copyright in the photographs, and that the copyright in the photographs had been infringed by the CBC on six occasions through broadcasting the documentary which contained the photographs.

With respect to damages, the Court concluded that the important factor to consider is the number of occasions the infringing broadcasts could be seen by the public, and that the number of potential viewers bears some significance in terms of the value to be assigned to a license. The Court assessed the damages owed by the defendants at US\$3,200.00 for each of the six unauthorized communications of the photographs to the public (totalling US\$19,200.00), on the basis that the plaintiff could have negotiated a higher license fee than the initial \$2,500.00 and after considering the amount received by the plaintiff for publication of the photographs in other works.

The Court also awarded CA\$168.74 against the defendants for profits received by Newsworld from the unauthorized communication of the photographs to the public, as well as an order for the defendants to deliver up to the plaintiff all copies of video containing the photographs and for the CBC to erase all copies of the photographs from all purely electronic media.

Damages for inadvertent copyright infringement in a single photograph assessed on the basis of the reduction in the market value of the photograph using the cost for a single use licence: *Glanzmann Tours Ltd. v. Yukon Wide Adventures*.³³ The plaintiff and the defendant operate competing adventure and sightseeing tour agencies. The plaintiff is also a professional photographer, whose picture of the aurora borealis posted on the plaintiff's website also appeared on a website maintained by the defendant. The picture was immediately removed by the defendant at the request of the plaintiff. The plaintiff brought an action for copyright infringement. Infringement of the plaintiff's copyright, although inadvertent, was clearly established. The Court then turned to the issue of damages. The plaintiff originally claimed damages of \$5,000 and unsuccessfully sought to amend his claim to \$7,500 on the day of trial. The Court noted the inaccuracy of affidavit evidence filed by the plaintiff describing his revenues from sales of certain of his photographs. Additional evidence in support of the plaintiff's claim for damages included records showing the fees received following sales of his photographs by a third party licensing business. This evidence led the Court to conclude that the potential value of a particular photograph is difficult to predict. There was no evidence concerning the average market value of all of the plaintiff's photographs. The Court also rejected the plaintiff's assertion that the defendant's use had destroyed any and all commercial value in the photograph. Ultimately, the Court concluded that the only reasonable estimation of damages must be based on a reduction in the market value of the photograph and the Court assessed that value on the basis of the cost of a single use licence. The plaintiff's losses had not been proven to exceed \$1,000 and damages were set at that amount. The parties were to bear their own costs.

3.7.4 Costs

The Court exercised its discretion to award double costs where a settlement offer met the conditions under Federal Courts Rule 420(2): *Leuthold v. Canadian Broadcasting Corp.*³⁴ The defendants were seeking costs at double the assessment rate and to have costs assessed at the

³³ 2012 YKSM 3.

³⁴ 2012 FC 1257.

upper end of column IV of Tariff B. The costs assessment was brought about as a result of a judgment that held that copyright subsisted in the plaintiff's photographs, that the plaintiff was the owner of the photographs, and that the copyright in the photographs had been infringed by the defendant, CBC, on six occasions through broadcasts that retransmitted the photographs. The defendant, CBC, was ordered to pay \$19,200.00 USD for broadcasting distribution undertaking and \$168.74 CAD in generated revenues to the plaintiff. This award was far less than the defendant's offer to settle for \$37,500.00 USD plus interest served on the plaintiff more than six years before trial.

The Court found that the defendants were entitled to their costs at double the rate they are assessed at pursuant to Rule 420(2) because the defendants' offer complied with the conditions required: the plaintiff obtained a judgment less favourable than the offer and the offer was made at least fourteen days before the trial began. The plaintiff asserted that even where the conditions of Rule 420(2) are met, the Court has absolute discretion and is not required to award double costs. The Court indicated that discretion has been exercised where an offer was not a true compromise but that the plaintiff never argued that the defendants' offer was not a compromise. The Court also disagreed with the plaintiff that the importance of the issue meant that her decision to litigate the issue, in the face of the defendants' offer, was reasonable.

The Court found that the defendants were not entitled to costs assessed at the upper end of column IV of Tariff B. The defendants claimed the result of the proceedings, the amounts claimed and amounts recovered, and the importance and complexity of the issues justified having their costs assessed at the upper end of column IV of Tariff B. The Court found that while the case did raise some important issues they were not as complex as the defendants asserted. Additionally, despite the fact that intellectual property cases are often awarded on column IV these are often pharmaceutical patent litigation cases. The Court also failed to see how such a case can warrant granting costs for a second attorney since the plaintiff had only one attorney and the second defendant's attorney was only involved in the cross-examination of the plaintiff's expert witness.

3.8 Collective Administration of Copyright

3.8.1 Public Performance and Communication of Musical Works

Copyright Board recertified SOCAN's and CSI's online music tariffs: *Statements of Royalties to be Collected by SOCAN and CMRRA/SODRAC Inc. for the Communication to the Public by Telecommunication or the Reproduction, in Canada, of Musical Works (SOCAN Tariff 22.A (Internet – Online Music Services), 2007-2010 and CSI Online Music Services Tariff, 2008-2010)*³⁵. On October 5, 2012 the Copyright Board released its decision in the SOCAN 22.A and CSI Online Music Services tariffs. The tariffs establish rates for the reproduction and communication to the public by telecommunication of musical works by entities that offer the following types of online music services:

- Permanent downloads – a service that sells and distributes copies of sound recordings of musical works to a device such as a computer, cell phone, smartphone, or iPod. The person who receives the download can listen to it indefinitely.

³⁵ Copyright Board, October 5, 2012.

- Limited downloads – a subscription service that sells and distributes copies of sound recordings of musical works that can be listened to for as long as the subscription is paid. The tracks are protected by technological protection measures to ensure they are available only while the subscription is active.
- On-demand music streaming – a service that streams musical works to users where the user is prevented from copying the recording onto a recording medium or device.
- Video-clip (or music video) – a service that streams short movies that integrates specific sound recordings with imagery.

In view of the decision of the Supreme Court of Canada in *ESA v. SOCAN*, SOCAN was not entitled to a tariff for downloads because a download does not implicate the communication right.

The rates established by the Board are shown below.

	Royalties to be paid to CSI (2008-2010)	Royalties to be paid to SOCAN (2007-2010)
Permanent Downloads	9.9% of the amount paid by the consumer <i>Minimum Fee:</i> 3.92¢ per file in a bundle of 13 tracks or more 6.86¢ otherwise	N/A
Limited Downloads	9.9% of the amount paid by subscribers <i>Minimum Fee:</i> 99¢ per month per subscriber, if portable limited downloads are allowed 66¢ if not	N/A
On Demand Streams	5.18% of the amount paid by subscribers <i>Minimum Fee:</i> Free streaming: 99¢ per streamed file per visitor, up to a maximum of 34.53¢ per visitor per month otherwise 34.53¢ per subscriber per month	7.60% of the amount paid by subscribers <i>Minimum Fee:</i> Free streaming: 0.13¢ per streamed file per visitor, up to a maximum of 50.67¢ per visitor per month otherwise 50.67¢ per subscriber per month
Video Clips	N/A	5.02% of the amount paid by

	Royalties to be paid to CSI (2008-2010)	Royalties to be paid to SOCAN (2007-2010)
(2010 only)		subscribers
On Demand Streams	N/A	<i>Minimum Fee:</i> Free streaming: 0.13¢ per streamed file per visitor, up to a maximum of 50.67¢ per visitor per month otherwise 50.67¢ per subscriber per month

In addition to these amounts, online music services have to pay royalties to the record labels to clear the reproduction rights in the sound recordings. This is usually done directly through license agreements. The services must also pay equitable remuneration to Re:Sound, the collective that administers the neighbouring right of communication to the public for eligible sound recordings. The Copyright Board is currently considering Re:Sound Tariffs 8.A and 8.B to establish the rates for simulcasting and semi-interactive webcasting.

Copyright Board extends SOCAN Tariff 24 to cover ringbacks: *Statement of Royalties to be Collected by SOCAN for the Public Performance or the Communication to the Public by Telecommunication, in Canada, of Musical or Dramatico-Musical Works (SOCAN Tariffs 2.B, 2.C, 2.D, 3, 5.A, 6 - 16, 18 - 21, 23, 24).*³⁶ The Board re-certified a number of unopposed SOCAN tariffs and tariffs based on agreements, covering public performance of musical works in a variety of contexts. The most significant change, which ultimately proceeded without opposition, was to extend Tariff 24 to cover ringbacks (which are digital audio files heard by the calling party after dialing and before the call is completed) in addition to ringtones.

Interim tariff for online use of musical works denied: *Statement of royalties to be collected for the performance in public or the communication to the public by telecommunication, in Canada, of musical works (SOCAN Tariffs 22.4 (2007-2008) and 22.D (2009-2011) – Audiovisual Webcasts: SOCAN Tariffs 22.7 (2007-2008) and 22.G (2009-2011) – Audiovisual User-Generated Content).*³⁷ The Copyright Board denied a request for an interim tariff to cover the use of musical works in audiovisual webcasts and user-generated content transmitted over the Internet. This tariff would have applied to services like Netflix and YouTube.

The Board declined to order an interim tariff in what was an inaugural tariff proceeding. SOCAN's proposed interim tariff was significantly different in structure from the final tariff and it had offered no economic rationale for the rates it proposed. Furthermore, there were a number of significant issues about SOCAN's entitlement and the scope of the tariff remaining to be resolved in the main application; it would be inappropriate to grant an interim tariff without resolving those questions. Finally, there was no harm to SOCAN that could not be retroactively remedied in the final tariff.

³⁶ Copyright Board, June 29, 2012.

³⁷ Copyright Board, February 17, 2012.

3.8.2 Public Performance and Communication of Sound Recordings

Copyright Board certifies Re:Sound Tariff 6.B for the use of recorded music to accompany physical activities: *Statement of Royalties to be Collected for the Performance in the 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.B – Use of Recorded Music to Accompany Physical Activities, 2008-2012)*³⁸. In its consideration of Re:Sound Tariff 6.B for the use of recorded music to cover fitness activities the Board rejected the economic evidence and benchmarks proposed by the parties. It then considered adopting SOCAN Tariff 19 as a proxy for setting the Re:Sound royalties rates. The Board concluded that it could not use SOCAN Tariff 19 as a proxy because the tariff was confusing, and SOCAN does not devote substantial resources to monitoring or auditing Tariff 19. After rejecting other options for the Re:Sound tariff, the Board certified royalties for Tariff 6.B for the use of recorded music in connection with weight training, cardiovascular training, circuit training and other similar activities, other than during a fitness class, based upon the royalties determined pursuant to Re:Sound's Background Music Tariff, 2003-2009. With respect to fitness classes, the Board relied upon agreements between SOCAN and fitness centres as benchmarks to certify the use of recorded music in the amount of \$105.74 per year. Also relying on agreements between SOCAN and dance instruction venues as benchmarks, the Board certified royalties payable for the use of recorded music in connection with dance instruction in the amount of \$23.42 per year. With respect to skating, the Board adopted SOCAN Tariff 7 as a proxy to establish Re:Sound royalties at 0.44 per cent of admission revenue subject to an annual minimum of \$38.18, and for venues that do not charge admission the annual royalty was set at \$38.18.

In the decision, the Board ruled on the scope of Re:Sound's repertoire. The Board rejected Re:Sound's contention that, as the collective society authorized under Part VII of the *Copyright Act*, its repertoire consisted of all recordings eligible for remuneration under section 20 of the *Act*. The Board disagreed. Re:Sound is only entitled to collect equitable remuneration in respect of a recording that is eligible under section 20 for which the maker or performer has brought the recording into its repertoire.

Copyright Board certifies Re:Sound Tariff 5 for the public performance of sound recordings at live events; Re:Sound entitled to share information with SOCAN re collection of royalties and enforcement of tariffs: *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 5 – Use of Music to Accompany Live Events, 2008-2012 (Parts A to G))*.³⁹ The Board certified Re:Sound Tariff 5, covering the public performance of sound recordings at live events in a variety of contexts, including accompanying live entertainment, at receptions, conventions and assemblies, in karaoke bars, at festivals and exhibitions, circuses, parades, and in parks, streets and other public areas. The certified tariff was based on agreement between Re:Sound and the objectors. The tariff is structured to be consistent with the SOCAN tariffs applicable to musical works. Re:Sound will be entitled to share with SOCAN any

³⁸ Copyright Board, July 6, 2012.

³⁹ Copyright Board, May 25, 2012.

information that it collects pursuant to Tariff 5, in connection with the collection of royalties and the enforcement of a tariff.

Copyright Board declines to intervene in a collections dispute: *Re Collective Administration of Performing Rights and of Communication Rights.*⁴⁰ The owner of a dance club applied to the Board in a dispute arising from Re:Sound’s allegedly “aggressive” pursuit of royalty payments under Tariff 6.A. The applicant wanted to extend its payment of the amounts due for the period from 2008 to 2011 over one year, as well as certain other relief. The Board declined to intervene. Enforcement questions were for the courts, not the Board, to decide. If the applicant believed Re:Sound had incorrectly calculated the amounts claimed, it should submit to Re:Sound a different calculation. In any case, the amount at stake in the dispute (\$6,289.52) was too “trivial” to justify the Board’s intervention.

3.8.3 Reproduction of Musical Works

SODRAC’s Tariff 5 (2009-2012) for the reproduction of musical works in cinematographic works for private use or for theatrical exhibition was certified and two licences were issued for the reproduction of musical works in SODRAC’s repertoire by the CBC and Astral following a consolidated hearing of the tariff and both licence arbitration matters: *Society for Reproduction Rights of Authors, Composers and Publishers in Canada v. Canadian Broadcasting Corporation, and les Chaînes Télé Astral and Teletoon; Statement of Royalties to be Collected by SODRAC for the Reproduction, in Canada, of Musical Works Embodied into Cinematographic Works for the Purpose of Distribution of Copies of the Cinematographic Works for Private Use or of Theatrical Exhibition for the Years 2009 to 2012.*⁴¹ SODRAC filed its proposed Tariff 5 for the reproduction, in Canada, of musical works embedded into cinematographic works for private use or for theatrical exhibition for the years 2009 to 2012. SODRAC also separately asked the Copyright Board to set the terms and conditions of licences for the reproduction of musical works in its repertoire by the Canadian Broadcasting Corporation (“CBC”), and by the specialty television channels of *Les Chaînes Télé Astral* (other than *MusiquePlus* and *MusiMax*) and Teletoon Inc. (collectively, “Astral”) under section 70.2 of the *Copyright Act*. The tariff proceeding and the arbitration matters were consolidated by the Board and heard together.

The CBC licence arbitration concerned all reproductions of musical works made by CBC in its conventional and speciality television and radio operations, as well as some of its Internet operations. The Astral licence arbitration concerned only reproductions of musical works made in the group’s speciality television and Internet operations. Astral’s radio operations were not at issue. The Astral arbitration is the first time SODRAC sought to license Astral’s broadcast activities on television and on the Internet.

SODRAC proposed that royalties for broadcast-incidental and synchronization copies made by CBC and/or Astral be determined using ratios derived from earlier Board decisions and existing licensing contracts. For radio and television broadcast-incidental copies, SODRAC proposed a rate that was one-third of the corresponding SOCAN tariff using the ratio from commercial radio payments. The SODRAC proposed rate for synchronizing musical works into CBC productions

⁴⁰ Copyright Board, January 30, 2012.

⁴¹ Copyright Board, November 2, 2012 (2012 CarswellNat 4255).

was 1.9 times the rate for broadcast-incidental copies. There would be no synchronization rate for Astral as Astral does not produce or co-produce its own programming. SODRAC justified the 1.9 times multiplication factor by pointing to the fact that online music services pay 1.9 times more for copying musical works when delivering permanent downloads rather than on-demand streams. Separate calculations or top ups were applied for the Internet uses, third party sales and all other uses under the CBC and Astral licences proposed by SODRAC.

CBC and Astral argued that SODRAC's proposal would disrupt current licensing practices in the industry, which included producers of programming securing "through-to-the-user licences" when synchronizing music into their audiovisual works. When "through-to-the-user licences" are secured, then broadcasters do not need a licence for their broadcast-incidental copies. In their alternative arguments, CBC and Astral submitted that any royalties payable for broadcast-incidental copies should reflect the fact that they have little or no value and should not be tied to revenues since broadcast-incidental copies are never sold or rented, generate no revenues and do not increase audience share. CBC and Astral also challenged SODRAC's repertoire use evidence. Finally, CBC and Astral argued that their adoption of new broadcasting technologies should not trigger additional reproduction payments.

Astral made two additional arguments. First, that since Astral's Internet services did not generate profits there was no economic justification for ascribing a separate value to incidental copies of musical works. Second, Astral argued that the reporting obligations in the licence were burdensome, disproportionate and that it was unreasonable to require Astral to provide documents that it did not receive in the ordinary course of trade.

The Board held that, while the evidence showed that "through-to-the-user licences" did exist, their use was not prevalent in Canada. The Board also disagreed with CBC and Astral's position that the adoption of new broadcasting technologies should not trigger additional reproduction payments. These new technologies were necessary for CBC and Astral to remain relevant and allowed their services to be seen by the public. Accordingly, there were clear benefits arising from these technologies and since those technologies involved the use of additional copies, the remuneration must be adjusted to reflect those benefits.

In setting the applicable rates, the Board accepted SODRAC's ratio analysis proposal for broadcast-incidental copies made for CBC's radio and CBC and Astral's television operations. Rather than the one-third proposed by SODRAC, the Board preferred to use a prior agreement between the Canadian Musical Reproduction Rights Agency ("CMRRA") and CBC to validate its own use of the 3.2-to-1 ratio (31.25 per cent) from the recent *Commercial Radio (2010)* tariff. That ratio was then applied to the royalty amount recently set by the Board in the *SOCAN-Re:Sound CBC Radio (2011)* tariff, adjusted in this case for repertoire use. For television broadcast-incidental copies, the Board included a provision to allow broadcasters to discount royalties payable to SODRAC if the broadcaster could establish that the programming producer secured a "through-to-the-user licence" applicable in Canada. For synchronization copies, the Board adopted a "bottom-up approach" proposed by CBC which was transaction-based and relied on actual use of SODRAC's repertoire by CBC. Repertoire use was determined using exhaustive historical data filed in the proceeding by SODRAC and the applicable rates were determined following an examination of prior licenses issued by SODRAC and other rights holders.

For CBC's Internet audio and Internet television operations, SODRAC proposed using per cent royalty "top ups" from the prior CMRRA-CBC agreement. CBC did not propose a royalty amount and argued that Internet-related copies had little or no value, that its two Internet audio services (*Bande à part* and CBC Radio 3) used only music owned by persons who warrant that they are not members of any copyright collective, and that most CBC podcasts contained no music. The Board accepted SODRAC's proposal based on the prior CMRRA-CBC agreement after noting that the only other potentially reliable benchmark before the Board were the SOCAN Internet tariffs, which the Board acknowledged were set based on very little evidence.

For CBC's sales of programs to consumers for private use (e.g., DVD and downloads), the Board preferred to use existing applicable rates, adjusted for inflation, given the lack of evidence to support SODRAC's proposed increase. The existing applicable rates for sales of programs to consumers used a per-minute, per copy structure with different rates for feature music and background music. Finally, for the sale or licensing of CBC programs to third-party broadcasters and carriers, the Board applied a rate of 3 per cent of revenues that it had previously established for the same use in a prior licence arbitration between SODRAC and MusiquePlus.

The latter half of the decision dealt with the Board's certification of SODRAC's proposed Tariff 5.⁴² Tariff 5 concerns any copy of a musical work made when the audiovisual work on which it is embedded is copied for retail distribution (e.g., DVD sales and rentals) or exhibition (e.g., copies made onto a movie theatre's server). SODRAC had sought to extend Tariff 5 from past certified tariffs to include direct-to-video releases and to include the distribution revenues of movie distributors making theatrical copies.

For DVD copies made under the tariff, the parties agreed to use the per-minute, per copy rate structure set by the Board for CBC sales of programs to consumers rather than the rate structure initially proposed by SODRAC that was based on per cent of distribution revenues. The Board adopted the per-minute, per copy rate structure with two adjustments proposed by the distributors: (1) there would be no differentiation between foreground/feature music and background music; and (2) the rates would increase, not decrease, with the amount of music used. The Board also extended the tariff to cover direct-to-video releases.

For theatrical copies, the Board certified a nominal tariff covering theatrical copies, trailers and other distribution incidental copies of \$100 per year for each distributor. The Board provided four reasons for the nominal tariff: (1) that a price must be set for these copies; (2) SODRAC did not offer any evidence to support the proposed rate of 1.2 per cent of distribution revenues, which SODRAC imported from the DVD market and which was now being abandoned in favour of the per-minute, per copy structure; (3) the evidence before the Board tended to show that the standalone value of distribution incidental copies was low – the Board also noted that they failed to see why showing movie trailers should attract music royalties when listening to music previews does not; and (4) the vast majority of movies shown in Canadian cinemas are American films where the rights required to make distribution incidental copies are often cleared by producers.

⁴² On December 20, 2012 following an application by the Tariff 5 objector, Canadian Association of Film Distributors and Exporters, the Board issued an interim decision suspending its decision to certify SODRAC Tariff 5 (2009-2012). The previously applicable tariff for the years 2004-2008 replaces the 2009-2012 tariff on an interim basis. Reasons for the interim decision will be released in 2013.

Copyright Board sets interim tariff for use of SODRAC repertoire by CBC in public kiosks: *Society for Reproduction Rights of Authors, Composers and Publishers in Canada v. Canadian Broadcasting Corp.*⁴³ SODRAC had asked the Board to set terms and conditions for an interim and final licence for the reproduction of musical works in its repertoire by CBC in eight interactive kiosks that were installed throughout Canada, providing public access to musical moments, photos and videos from *Radio-Canada's* archives. The Board granted SODRAC's application for an interim licence.

Copyright Board sets interim tariff for use of SODRAC repertoire by ARTV based on a prior agreement between the parties: *Society for Reproduction Rights of Authors, Composers and Publishers in Canada v. ARTV.*⁴⁴ The Board granted and set rates for an interim licence to the ARTV for use of works in the SODRAC repertoire. The terms were set based on the former agreement which had expired on August 31, 2011.

3.8.4 Reproduction of Published Works

Crown immunity does not apply to remuneration obligations under the *Copyright Act*: *Statement of royalties to be collected by Access Copyright for the reprographic reproduction, in Canada, of works in its repertoire.*⁴⁵ Access Copyright filed a proposed tariff to cover reproduction of published works in its repertoire by employees of provincial and territorial governments, except Quebec. Certain provinces objected on the basis that Crown immunity exempted them from any obligation under the tariffs.

A crucial issue was the interpretation of the phrase “without prejudice to any rights or privileges of the Crown” in section 12 of the *Copyright Act*. The Board noted that this language has been the subject of a long-standing debate. The Board concluded that the “rights and privileges” in question were those related to Crown copyright and did not extend Crown immunity.

The Board noted that governments frequently assert and rely on the *Act* to enforce their copyrights. In this context, the Board concluded that the *Act* would make no sense unless it was binding on the Crown. In the alternative, the Board held that if Crown immunity applied, it had been waived by the Crown's conduct in invoking benefits under the *Act*.

3.9 Interface With Communications Law

Supreme Court of Canada rejects “value for signal” regime mandated by the CRTC: *Reference re Broadcasting Regulatory Policy CRTC 2010 167 and Broadcasting Order CRTC 2010 168.*⁴⁶ The Supreme Court of Canada decided that the CRTC did not have the power to implement its proposed “value for signal regime”. The decision is a significant one. First, because it limits the powers of the CRTC under the *Broadcasting Act*. Second, because it interprets section 89 of the *Copyright Act* in a way that, effectively, creates a pre-emption doctrine that restricts the power to create copyright like rights to Parliament.

⁴³ Copyright Board, April 30, 2012.

⁴⁴ Copyright Board, January 5, 2012.

⁴⁵ Copyright Board, March 15, 2012 (date of reasons).

⁴⁶ 2012 SCC 68.

The value for signal regime would have permitted local television station broadcasters to negotiate compensation for the retransmission of their signals by cable and satellite companies (BDUs). In substance, the regime would have granted individual broadcasters an exclusive right to require deletion of the programming to which they hold exclusive rights from all signals transmitted by BDUs, which right they could have used to leverage compensation from the BDUs.

In the decision, the 5 to 4 majority of the Court ruled that the CRTC did not have jurisdiction to implement the proposed value for signal regime. First, because a contextual reading of the provisions of the *Broadcasting Act* demonstrated that they were not meant to authorize the CRTC to create exclusive rights for broadcasters to control the exploitation of their signals or works by retransmission. Second, the proposed regime would conflict with specific provisions enacted by Parliament in the *Copyright Act*.

The *Broadcasting Act* grants the CRTC wide discretion to implement regulations and issue licences with a view to furthering Canadian broadcasting policy as set out in the *Broadcasting Act*. The Court ruled, however, in reasons that will have applicability beyond the facts of the case, that no provision of the *Broadcasting Act* expressly grants jurisdiction to the CRTC to implement the proposed regime, and it was not sufficient for the CRTC to find jurisdiction by referring in isolation to policy objectives in section 3 and deem that the proposed value for signal regime would be beneficial for the achievement of those objectives.

The Court went on to rule that, even if jurisdiction for the proposed value for signal regime could be found within the text of the *Broadcasting Act*, the proposed regime would conflict with specific provisions enacted by Parliament in the *Copyright Act*. The Court gave three reasons for this holding.

First, the value for signal regime conflicts with section 21(1) of the *Copyright Act* because it would grant broadcasters a retransmission authorization right against BDUs that was withheld by the scheme of the *Copyright Act*. A broadcaster's section 21(1)(c) exclusive right to authorize, or not authorize, another broadcaster to simultaneously retransmit its signals does not include a right to authorize or prohibit a BDU from retransmitting those communication signals. It would be incoherent for Parliament to set up carefully tailored broadcast signal rights in section 21(1), specifically excluding BDUs from the scope of the broadcasters' exclusive rights over the simultaneous retransmission of their signals, only to enable a subordinate legislative body to enact a functionally equivalent right through a related regime.

Second, a further conflict arises between the value for signal regime and the retransmission rights in section 31, which creates an exception to copyright infringement for the simultaneous retransmission by a BDU of a "work" carried in local signals.

Third, the value for signal regime would create a new right to authorize and prevent retransmission, in effect, amending the copyright conferred by section 21. Thus the value for signal regime would create a new type of copyright and would do so without the required statute of Parliament, contrary to section 89. Section 89 of the *Act* provides that "no person is entitled to copyright otherwise than under and in accordance with this *Act* or any other *Act* of Parliament, but nothing in this section shall be construed as abrogating any right or jurisdiction in respect of a breach of trust or confidence." According to the Court, section 89 effectively pre-empts an attempt by any legislative body other than Parliament from enacting a copyright like right.

4. INDUSTRIAL DESIGNS

4.1 Registrability

Industrial design application refused registration due to insufficient originality: *Victor Stanley Inc., Re.*⁴⁷ The applicant had filed for registration of an industrial design in his “trash can receptacle” comprised of a trash can having a generally cylindrical shape, with sides composed of spaced-apart bars. The main issue in dispute was the originality of the design. The Patent Appeal Board reiterated that the degree of originality required to register an original design is greater than that laid down by copyright legislation, but less than that required to obtain a patent. The applicant’s design had been refused five times by the Examiner, after several modifications to the design. After reviewing prior art, the Board determined that the design did not represent a new idea that did not previously exist, regardless of the differences identified by the applicant including bar width and texture. The Patent Appeal Board recommended that the Commissioner refuse to register the applicant’s design on the basis of insufficient originality. The Commissioner concurred and restricts the applicant’s application.

4.2 Infringement

A design for glasses more similar to the prior art than a registered industrial design did not infringe the registered design: *Bodum USA Inc. c. Trudeau Corp. (1889) Inc.*⁴⁸ The plaintiff, Bodum USA, Inc. (“Bodum”) commenced an action against Trudeau Corporation (1889) Inc. (“Trudeau”) for infringement of two Canadian industrial designs corresponding to Bodum’s double wall glasses marketed by Bodum. By way of counterclaim, Trudeau sought a declaration that the industrial designs in question were and have always been invalid.

On the issue of infringement, the Court noted that Bodum’s double wall glasses have a utilitarian function, that the utilitarian function was admitted by Bodum, but that the registrations claimed the design in its entirety as opposed to in part. The Court reiterated that industrial designs protect visual features, but not utilitarian function. After reviewing the prior art, the Court applied the legal test applicable to the comparative analysis, in that infringement would occur if the Trudeau glasses did not differ substantially from the industrial designs in question, from the point of view of how the informed consumer would see things. In answering this question, the Court concluded the Trudeau glasses were more similar in their lines with glasses in the prior art compared to the Bodum designs, and consequently did not infringe Bodum’s industrial designs.

On the issue of invalidity, the Court reiterated that, for a design to be registrable, it must be substantially different from the prior art; a simple variation is not sufficient. Consequently, by focusing on the lines of the glasses and by ignoring the manufacturing processes, materials used and colours, the Court found that Bodum’s designs did not vary substantially from the prior art and were ordered expunged from the register.

5. SIGNIFICANT FOREIGN DECISIONS

5.1 United States

⁴⁷ Canada Patent Appeal Board & Patents Commissioner, March 28, 2012.

⁴⁸ 2012 FC 1128.

Aereo Inc. plausibly lawful under the Cablevision standard: *American Broadcasting Companies, Inc. v. Aereo, Inc.*⁴⁹ On 11 July 2012, the District Court for the Southern District of New York denied a request for an interlocutory injunction ordering Aereo Inc. to stop streaming and/or recording broadcast television signals over the Internet through antennas and hard disks located at Aereo's facilities. The service is similar to that of a remote DVR service, except access to the program is over the Internet and not cable. The Court rejected the Plaintiffs' attempts to distinguish what it concluded was a binding authority in the *Cablevision* case, interpreting the scope of the "transmission" clause in the U.S. Copyright Act. Because each transmission by Aereo was a data stream created for, and only available to, a particular user, it was not a public performance (it was not transmitted to the public). Consequently the plaintiffs could not demonstrate a likelihood of success on the merits.

The Court also held that the balance of convenience did not swing decidedly in the plaintiff's favour. Where there was a plausible argument that the defendant's business was lawful, it would be disproportionate to impose an injunction that would likely put them out of business permanently.

For a contrary view, see *Fox Television Studios v BarryDriller Content Systems*, Case, No. CV-12-6921, (C.D.Cal. Dec 20, 2012).

Class certification granted in Google Books suit: *Authors Guild, Inc. v. Google, Inc.*⁵⁰ In the most recent episode in the on-going litigation over Google's book digitization project, the District Court for the Southern District of New York denied a motion to dismiss the claims of the "associational" plaintiffs for lack of standing and certified the case as a class action. The decision remarks on the apparent discord between Google's actions in treating copyright works indiscriminately in copying works en masse and its argument that rights holder should have to come forward separately to litigate their claims individually.

Digitizing university library holdings for search and archival and accessibility purposes was fair use: *Authors Guild, Inc. v. HathiTrust.*⁵¹ The same court a few months later granted summary judgment in favour of the defendants on another case on the basis that their unauthorized book digitization project was fair use. It is noteworthy that this project was confined to certain limited uses which include uses for the visually disabled. Moreover, the Court concluded that a copyright holder could not pre-empt a transformative market on the basis of "conjectural" potential licensing revenues that might be displaced.

Electronic Reserves is fair use: *Cambridge University Press v. Becker*⁵². This weighty decision considers a copyright infringement claim arising from the practices of Georgia State University in making unauthorized electronic copies of certain excerpts of works available to students through an "electronic reserves" system. The decision canvasses many issues, but the fair use analysis is of particular interest.

⁴⁹ 12 Civ. 1543 (AJN), 2012 U.S. Dist. LEXIS 70749 (S.D. N.Y. 2012).

⁵⁰ 770 F. Supp 2d 666 (S.D. N.Y. May 31, 2012).

⁵¹ 11 CV 6351 (HB), 2012 U.S. Dist. LEXIS 146169 (S.D. N.Y. October 10, 2012).

⁵² 863 F. Supp. 2d 1190 (N.D. Ga. 2102).

The court stressed that a non-profit, educational purpose of the use was not determinative of a fair use claim. The other factors remained important. A critical element of the court's analysis was to define a quantitative threshold for copying that could be considered fair use.

Under the amount and substantiality factor, the court held that a basic rule of thumb was that unpaid copying of no more than 10% of the pages of a book or, where a book had ten or more chapters, up to one chapter would be permissible. So long as the University abided by that rule, the third factor would favour their fair use defence.

Similarly, if the University limited its copying to this extent, these small excerpts would not substitute for the work. However it was relevant whether there was an authorized source for short excerpts. If there was, this copying would compete with it and consequently the effect on the market factor would weigh in favour of the plaintiffs. By contrast, if there was no such authorized source, the factor would weigh in favour of the defendants.

Ultimately, the court concluded that unlicensed copying of small excerpts, based on this threshold, would not discourage the creation of new works, would have no appreciable effect on the plaintiff's ability to publish scholarly works, and would promote the spread of knowledge. Therefore, it was consistent with the constitutional goals of copyright of promoting the progress of science and useful arts.

The case has been appealed by the publishers on multiple grounds.

Statutory damages for non-commercial infringement upheld as constitutional: *Capitol Records, Inc. v. Thomas-Rasset*.⁵³ After a five-day jury trial, the jury found that the defendant's infringement was willful as to each of the thirty sound recordings in issue, and returned a verdict within the US statutory range of \$22,500 per infringement, for a total damages award of \$675,000. After an appeal of the jury verdict, the Court was charged with the duty of determining whether the award was excessive under the common law remittitur doctrine and whether it violated due process.

Remittitur is appropriate if the award exceeds "any rational appraisal or estimate of the damages that could be based on the evidence before the jury". The Court concluded that the evidence before the jury could support a finding of willful infringement. The damages awards were at the low end of the range for willful infringement and, in fact, were below the maximum available for non-willful infringement. In these circumstances, there was no basis to interfere with the jury's award.

The court also rejected a due process challenge to the award. There was no constitutional requirement to measure statutory damages against actual damages, and the award was not disproportionate to the seriousness of the harm.

Summary judgment in favour of the defendant in a screen-scraping case: *CollegeSource, Inc. v. Academyone, Inc.*⁵⁴ Summary judgment was granted in favour of the defendant in a screen-scraping case, based on claims of breach of contract and some trademark/unfair

⁵³ 692 F.3d 899, 2012 U.S. App. LEXIS 19040 (8th Cir. 2012).

⁵⁴ Civil Action No. 10-3542, 2012 U.S. Dist. LEXIS 153197 (E.D. Penn. 2012).

competition claims. Note that this case did not involve a copyright infringement claim. However it is still of interest because of how it interprets a copyright notice on the website.

A “Copyright and Disclaimer” notice was not a binding contract: “It does not state what exactly is being offered; that users should agree to its terms in a particular manner; or that users will obtain any sort of consideration in exchange for their assent.” A reasonable party reading the document could conclude that it was merely a declaration of rights under the Copyright Act, rather than an agreement. Consequently no contract was formed.

A separate subscription agreement was interpreted as not applicable to publicly available material. From the subscriber’s point of view, the user would not necessarily even be aware that the material accessed via a third-party website came from the plaintiff’s site. In these circumstances it was difficult to imagine that the subscriber intended to bind him or herself to any restriction.

No contributory infringement without evidence of material contribution: *Flava Works, Inc. v. Gunter*.⁵⁵ In August, the U.S. Seventh Circuit Court of Appeals released its opinion in the *Flava Works* case. The central issue was whether Flava Works, the owner of copyrights in videos, was entitled to a preliminary injunction against the social video bookmarking service myVidster. The injunction which had been granted by the District Court was vacated.

The Court’s examination of the liability of myVidster’s users was restricted to their liability for uploading copies of videos to the myVidster website and for publicly performing the videos by uploading and bookmarking them.

The Court had little difficulty concluding that users who upload copies of Flava’s videos to the Internet without authorization infringe the exclusive right to make copies. The Court also ruled that myVidster’s users were liable for infringing the public performance right by uploading and bookmarking videos at the myVidster site. The Court ascribed three possible grounds for this liability. On the Court’s assessment of the facts and law it wasn’t necessary for the court to resolve the exact reasons for the users’ liability.

The Court also examined myVidster’s liability for copying videos uploaded to its web site as part of a backup service. The Court concluded that the backup service “infringed Flava’s copyrights directly”.

The Court also ruled that, on the facts of the case, if the public performance right was triggered when a video was uploaded and merely made available to be viewed, myVidster would not be liable for contributory infringement. This conclusion was based on the lack any admissible evidence “that myVidster is contributing to the decision of someone to upload a Flava video to the Internet, where it then becomes available to be book-marked on myVidster’s website.”

Furthermore, the Court also suggested that myVidster could have been liable for inducing infringement if it “invited people to post copyrighted videos on the Internet without authorization or to bookmark them on its website”. However, this theory wasn’t explored because “inducing infringement was not a ground of the preliminary injunction issued by the district judge in this case and anyway there is no proof that myVidster has issued any such invitations.”

⁵⁵ No. 11-3190, 2012 U.S. App. LEXIS 15977 (7th Cir. 2012).

Preliminary injunction against DVR service denied: *Fox Broad. Co. v. Dish Network, L.L.C.*⁵⁶ In this decision, and the District Court for the Central District of California denied a preliminary injunction against a network-based whole-home Digital Video Recorder service. Ultimately, the court concluded that there was no evidence of any direct infringement by users and consequently no possibility of secondary infringement.

The court considered two possible forms of direct infringement against Dish: reproduction and distribution. In the former case, the court noted that Dish chose the potential sources of copies (4 broadcast networks) and the time (prime time) and therefore it exercised more discretion over copying than was present in Cablevision. However, the default setting was for no copying; the user supplied the volitional conduct by choosing to activate the feature. Consequently, the plaintiff had not established a likelihood of success.

Furthermore, there could be no distribution unless a copy “changes hands”. This was not satisfied where the copies were at most disseminated within a single household. Consequently there was no evidence of any distribution by users.

However, the court rejected a claim that separate copies made by the defendants, rather than their users, to facilitate its AutoHop ad-skipping service were fair use. Although the service itself did not infringe the plaintiff’s copyright, it was intended to enhance the value of Dish’s service, relative to other authorized services like iTunes and Hulu. Consequently the unauthorized copy did have a negative effect on the market for the work.

But Fox had not shown irreparable harm: the only harm demonstrated was economic that could be compensated by money damages. Any harms attributable to ad-skipping itself were not a result of the allegedly unlawful copying and therefore not relevant.

Summary judgment on substantial similarity denied: *Games Workshop v. Chapterhouse Studios.*⁵⁷ This case involved copyright and trademark infringement claims arising from unauthorized accessories intended for use with figurines from the “Warhammer 40,000” game franchise. The decision considered a number of motions for summary judgment. Some were granted and others were denied. Of particular interest was the court’s treatment of the defendant’s motion for summary judgment on certain copyright infringement claims on the basis that the plaintiff could not show substantial similarity between its works and the defendants, once unprotectable elements were eliminated from the comparison.

The court noted that the *scènes a faire* doctrine did not bar an infringement claim merely because a work included unprotectable elements. Unprotectable elements can be used in original ways; infringement can be found from copying of those elements of a work which are not required by the unprotectable idea. Furthermore, the court held that the fantasy figurines were not utilitarian products ineligible for copyright protection merely because they had “working” parts. The court therefore denied the defendant’s motion to dismiss the claims.

⁵⁶ Case No. CV 12-04529 DMG (SHx), 2012 U.S. Dist. LEXIS 169112 (C.D. Cal. 2012).

⁵⁷ Case No. 10 C 8103, 2012 U.S. Dist. LEXIS 168360 (N.D. Ill. 2012).

However, the court also denied the plaintiff's motion for judgment on substantial similarity. The court concluded that summary judgment on the issue was not appropriate on the facts; a reasonable jury could find either way.

Royalty damages may be available for copyright claims; quantum to be based on fair market value: *Gaylord v. US*.⁵⁸ The Court of Appeals for the Federal Circuit rejected the conclusion that royalty damages were generally not available for copyright infringement and vacated an award of \$5,000 in damages for infringement of copyright in a statue by the US Postal Service. The USPS had licensed the photograph that it used to create the stamp in question, but did not have the authorization of the artist who created the statue.

In the Court of Appeals' view, royalty damages may be appropriate where there the plaintiff cannot show direct loss of sales or other provable losses. The quantum should be determined by reference to a hypothetical arms-length negotiation. It would be inappropriate to limit the quantum based on a policy not to pay royalties. An infringer cannot resist a damage award simply because he or she would not have agreed to pay the fair market value.

Restoring public domain works not unconstitutional: *Golan v. Holder*.⁵⁹ The Supreme Court of the United States ruled that restoring copyright protection to certain foreign works which had fallen into the public domain in the US, in compliance with treaty obligations, did not breach either the First Amendment or the Copyright and Patent Clause of the US Constitution.

Substantial similarity of song lyrics: *Hobbs v. John*.⁶⁰ The District Court for the Northern District of Illinois dismissed an infringement claim against Elton John and Bernie Taupin relating to the song "Nikita". Although the plaintiff's and defendant's songs were similar in a number of ways, the court traced all of these similarities to unprotectable elements. The theme of an impossible cold war love affair was merely a relatively common idea. Similarly, emphasis on events that never happened as a device was unprotectable. Furthermore, repetition of phrases "you'll never know," "you will never know," "to hold you," and "I need you" were common elements of song lyrics, and not appreciably original. The court concluded that, after filtering out the unprotectable elements, there was no remaining similarity. On the contrary, in the court's view, the songs told different stories in some significant respects.

Proof that works were first published outside of the United States: *Kernel Records Oy v. Mosley*.⁶¹ This case dealt with an infringement claim relating to a musical work. The plaintiff had previously litigated a similar claim involving the same works in Finland, and lost. The plaintiff then brought a claim in the United States. However the plaintiff offered no evidence that the copyright in the work had been registered in the U.S.

The plaintiff claimed that the work was a "foreign work" and consequently exempt from the registration requirement. However the plaintiff offered nothing but a bald declaration of this fact. Publication under the *Copyright Act* is a legal term of art. Proof of publication required

⁵⁸ 678 F. 3d 1339, (Fed Cir 2012).

⁵⁹ 132 S.Ct. 873 (2012).

⁶⁰ 12 C 3117, 2012 U.S. Dist. LEXIS 154452 (N.D. Ill. 2012).

⁶¹ 694 F. 3d 1294 (11th Cir. 2012).

evidence of the extent, purpose and terms of distribution. The plaintiff's conclusory declaration had no probative value. Since the plaintiff had failed to meet his onus to prove that he had satisfied the statutory requirement for standing, the claim was dismissed.

Joint authorship requires independently copyrightable contribution and mutual intention: *Marshall v. Marshall*.⁶² On 30 March 2012, the District Court for the Eastern District, New York issued a judgment that dealt with the question of when a collaboration qualifies as a work of joint authorship. The Court applied a two-pronged test: each co-author must make independently copyrightable contributions to the work and there must have been a mutual intention to be co-authors. On the facts, the Court held that the defendant had not satisfied the burden of proof on the latter point. The record indicated that only the plaintiff had a veto power over the works.

No infringement of a TV show treatment: no actual copying and no substantial similarity: *McGee v. André Benjamin 3000*.⁶³ On 20 March 2012, the District Court for the District of Massachusetts granted a motion to dismiss a claim that a TV show aired in 2006 infringed the copyright in a treatment that the plaintiff had pitched to the network in 1997. Similarities of "similarities of location, characters, content, format, and dramatis personae" were not enough to amount to actual copying: there was no copyright in the underlying ideas, plots, sub-plots or themes, or in settings that are actual locations, or stock characters. Neither were attributes and actions of characters that "extend naturally from their stereotyped characteristics". Moreover, there was no substantial similarity given that the shows had very different moods and tones, and conflicting themes. "[N]o ordinary observer would consider them substantially similar."

Publishing photographs of clandestine celebrity wedding in "gossip" magazine not fair use; no general exception for "news reporting" or "public interest": *Monge v. Maya Magazines, Inc.*⁶⁴ This case dealt with the publication of photographs of a clandestine celebrity wedding in a gossip magazine. The defendants argued that this was fair use for news reporting. The trial court agreed, but the Court of Appeals for the Ninth Circuit reversed. "News reporting" was not a blanket exemption from copyright. The publication of the photographs was not necessary to prove that the marriage had taken place. The defendants could have instead used a copy of the marriage licence, which was a public document. Moreover, the use of unpublished works completely usurped the potential market for "first publication".

The Court used the case to discuss the difficulties in applying the fair use factors saying:

"The fair use doctrine has been called "the most troublesome in the whole law of copyright." *Dellar v. Samuel Goldwyn, Inc.*, 104 F.2d 661, 662 (2d Cir. 1939) (per curiam). This affirmative defense presumes that unauthorized copying has occurred, and is instead aimed at whether the defendant's use was fair...

In the years following the 1976 Act, courts have decided countless cases involving the fair use doctrine. Some commentators have criticized the factors, labelling them "billowing white goo"

⁶² 08 CV 1420 (LB), 2012 U.S. Dist. LEXIS 45700 (E.D. N.Y.), affirmed, 2012 U.S. App. LEXIS 24846 (2d Cir. 2012).

⁶³ Civil Action No. 08-11818-DPW, 2012 U.S. Dist. LEXIS 37210 (D. Mass. 2012).

⁶⁴ No. 10-56710, No. 11-55483, 2012 U.S. App. LEXIS 16947 (9th Cir. 2012).

or “naught but a fairy tale,” echoing courts that threw up their hands because the doctrine is “so flexible as virtually to defy definition.” *Princeton Univ. Press v. Mich. Doc. Servs., Inc.*, 99 F.3d 1381, 1392 (6th Cir. 1996) (citation omitted). A leading treatise in this area notes that the statute provides “no guidance as to the relative weight to be ascribed to each of the listed factors,” and, in the end, “courts are left with almost complete discretion in determining whether any given factor is present in any particular use.” *Nimmer on Copyright* § 13.05[A] (footnotes omitted).

We acknowledge the porous nature of the factors but nonetheless recognize that we are obliged to make sense of the doctrine and its predicates...”

No copyright in APIs: *Oracle America, Inc. v. Google Inc.*⁶⁵ In May 2012, the jury in the *Oracle v. Google* case returned a verdict finding that Google infringed copyright. The jury failed, however, to reach any verdict on whether Google’s copying was protected by fair use. The jury verdict was premised on the relevant portion of the Java APIs being protected by copyright. On May 31, 2012, District Court Judge Alsup ruled that while specific code used to implement methods or to carry out API functions or specifications are capable of being protected by copyright, the methods, functions, declarations or method headers and the arrangement of methods among various classes is not. In rejecting Oracle’s claims, he stated “To accept Oracle’s claim would be to allow anyone to copyright one version of code to carry out a system of commands and thereby bar all others from writing their own different versions to carry out all or part of the same commands. No holding has ever endorsed such a sweeping proposition.”

Central to the Judge’s order were his findings about the scope of protection for computer programs under US copyright law. According to the judge, the case was controlled by the following principles:

Under the merger doctrine, when there is only one (or only a few) ways to express something, then no one can claim ownership of such expression by copyright.

Under the names doctrine, names and short phrases are not copyrightable.

Under Section 102(b), copyright protection never extends to any idea, procedure, process, system, method of operation or concept regardless of its form. Functional elements essential for interoperability are not copyrightable.

Under Feist, we should not yield to the temptation to find copyrightability merely to reward an investment made in a body of intellectual property.

Both Oracle and Google agreed that everyone is free to program in the Java language and that Google was free to use the Java language to write its own API. Google had written fresh line-by-line code implementations of the Java APIs. This accounted for about 97 percent of them. There was no issue that this code infringed copyright. The core issue in the case is whether the methods, functions, declarations and the arrangement of methods among various classes in the 37 packages in the Java API is protected by copyright.

Judge Alsup made a number of specific findings in ruling that the portion of the JAVA APIs copied by Google are not protected by copyright. First, he ruled that Java methods are not

⁶⁵ No. C 10-03561 WHA, 2012 U.S. Dist. LEXIS 75896 (N.D. Cal. May 31, 2012).

protected by copyright. He also ruled that a method specification is not protected because it is an uncopyrightable idea and is barred from protection under the merger (interoperability) and names and short phrases doctrines. He ruled that the same principles are applicable to copyright protection for Java classes.

Furthermore, relying on the First Circuit Court of Appeals decision in the *Lotus v Borland* case, Judge Asup held the overall arrangement of methods and classes to be not protectable as being “a command structure for a system or method of operation of the application programming interface.” He premised his legal conclusions in part on his ruling that copyright does not protect functional program elements essential for interoperability or compatibility.

Non-commercial Internet distribution of a translation of a religious text was not fair use: *Society of Holy Transfiguration v. Gregory*.⁶⁶ The Court of Appeals for the First Circuit affirmed a summary judgment of infringement relating to translations of a religious texts. The defendant conceded that his work was derived from the plaintiff’s translation rather than being an independent creation. On a review de novo, the Court of Appeals concluded that the two translations were substantially similar and that the defendant had not successfully identified any unprotected elements capable of defeating a finding of actual copying. Furthermore, the Court rejected the defendant’s claim that he should not be liable because he had not personally posted the work on the website. The defendant had authority and control over the content on the site and had known of and approved the posting of the texts to the site.

The Court therefore went on to consider, and reject, the defendant’s Fair Use defence. On the facts, the Court concluded that none of the statutory factors supported a Fair Use claim.

Under the “purpose and character of the use” factor, the Court found that the use was not transformative. Although transformation was not specifically required, here the derivative works served exactly the same purpose as the original works. Furthermore, even though the use was not strictly commercial, the defendant nonetheless “profited” from the use of the works by being able to offer them to followers and potential followers.

Under the nature of the work factor, the Court concluded that the works were closer to the creative end of the scale than the merely factual. Furthermore, some of the works were unpublished.

Under the amount and substantiality of the use factor, the Court was not particularly impressed by the defendant’s claim that the extracts copied were a small fraction of a larger body of work from which they originated. The copied passages were complete works, deserving of protection in their own rights separate from the larger composites. The defendant had made identical or near-identical reproductions of entire works.

Finally, under the effect on the market factor, the Court noted that the effect could not be reduced to strictly monetary terms. The Court stressed that giving a substitute work away for free will generally undermine the potential for commercial exploitation of the original work. The defendant offered the works as a substitute for the plaintiff’s works; this directly attacked the potential market for the original work, whether or not any money changed hands.

⁶⁶ 689 F. 3d 29 (1st Cir. 2012).

Visual elements of video games may be protected expression; scènes à faire doctrine has limited application where elements are not tied to any real world representation: *Tetris Holding, LLC v. Xio Interactive, Inc.*⁶⁷ On 30 May 2012, the District Court for the District of New Jersey granted summary judgment in favour of the plaintiff in a copyright infringement claim relating to the “Tetris” video game. The defendant had intended to copy the game as closely as it thought would be permissible. To this end, they asserted they had only copied unprotectable elements. However the court found that the defendant’s work substantially reproduced visual elements of the original game that were protected expression.

The original game was a purely fanciful creation which was not dictated by any real world representation. Consequently there was no “standard, stock or common” element involved and therefore the scènes à faire doctrine did not apply. Moreover, there were many examples of other games that implemented the same basic mechanics with entirely different visual presentations. Consequently the visual elements were not dictated by functional considerations.

Modifications to software owned by an employee, if done in the course of employment, may be works for hire owned by the employer: *US Auto Parts Network, Inc. v. Parts Geek, LLC.*⁶⁸ On 31 August 2012, the Court of Appeals for the Ninth Circuit vacated a summary judgment in favour of the Defendants on the basis that there was a genuine issue of material fact as to who owned the copyright in the software in question. Although originally the plaintiff was merely a licensee of software authored by one of the defendants, the author had continued to modify the work as an employee of the plaintiff. Later the defendants founded a new company. The suit alleges, among other things, that new software written for this new company infringed its copyright.

The trial court ruled that the plaintiff had no standing to sue for infringement because it did not own the copyright in the original software. But the Court of Appeals thought this was not so clear. Since there was no agreement to the contrary, the Plaintiff at least presumptively owned the copyright in any modifications produced by its employee, to the extent that these were independently copyrightable. The Court of Appeals remanded the case for reconsideration of the extent of that copyright and the question of infringement.

Willful blindness, inducement of infringement may defeat safe harbour claim under the DMCA: *Viacom Intern., Inc. v. YouTube, Inc.*⁶⁹ In this decision, the Court of Appeals for the Second Circuit vacated a summary judgment in favour of YouTube on the basis that there was evidence on the record from which a reasonable jury could find that YouTube had actual knowledge of infringement. In doing so, the Court also confirmed that, at least in some circumstances, willful blindness may satisfy the DMCA knowledge threshold to make the hosting exception unavailable.

In particular, the Court of Appeal concluded that specific knowledge of infringement was not necessarily required in order to find a right and ability to control. But a mere ability to block access to content was not enough to trigger vicarious liability. The Court described what was

⁶⁷ Civil Action No. 09-6115, 2012 U.S. Dist. LEXIS 74463 (D. N.J. 2012).

⁶⁸ 692 F.3d 1009, 2012 U.S. App. LEXIS 18505 (9th Cir. 2012).

⁶⁹ 676 F. 3d 19 (2d Cir, 2012).

required as “substantial influence on the activities of users.” Conduct amounting to inducement under the Grokster standard may be enough to disqualify a service provider from relying on the safe harbour under the DMCA.

Streaming broadcast television over the Internet not eligible for “cable system” compulsory licence: *WPIX, Inc. v. ivi, Inc.*⁷⁰ The Second Circuit Court of Appeals dismissed an appeal from a preliminary injunction prohibiting Ivi from continuing to stream television programming over the Internet. Ivi’s defense was that it was a cable system entitled to a compulsory licence under § 111 of the US Copyright Act. The US Second Circuit reviewed the statute’s legislative history, development, and purpose which indicated that Congress did not intend for § 111 licences to extend to Internet retransmissions. This was consistent with the view of US Copyright Office’s interpretation of § 111 that Internet retransmission services do not constitute cable systems under § 111. The Court accordingly concluded that “the district court did not abuse its discretion in finding that plaintiffs were likely to succeed on the merits of the case.”

The Court then turned to whether the district court abused its discretion in finding irreparable harm and that the injunction would be in the public interest. The Court found no error in the district court’s findings on irreparable harm. First, because ivi’s live retransmissions of plaintiffs’ copyrighted programming over the Internet were a public performance that would substantially diminish the value of the programming. Second, because the plaintiffs’ losses would be difficult to measure and monetary damages would be insufficient to remedy the harms. Third, ivi would be unable to pay damages should plaintiffs prevail.

The Court also emphasized that the public interest favored the grant of the injunction. Noting that copyright balances competing interests, it found that convenient access to TV programming did not outweigh the public interest in protecting exclusive rights since the latter encourages the production of creative works and ultimately serves the public’s interest. The Court also noted the important distinction between enabling broad public access to content and merely enabling easy access to the content. The injunction might affect only the latter, but not the former.

Territorial scope of US Copyright Act: *Yesh Music v. Lakewood Church.*⁷¹ This case considered the effect of the territorial scope of *Copyright Act* on cross-border infringement: the possibility that some of the infringing act occurred in the US was enough to survive a motion to dismiss. The question was one of fact and the pleadings alleging that Defendants induced infringement in the US and that the Defendants used the work in “global television broadcasts” was enough to state a claim.

5.2 The United Kingdom

Scope of copyright in an image of a red bus against a greyscale London background: *Temple Island Collections Ltd. v. New English Teas Ltd. & Anor.*⁷² The court was called upon to consider how the idea/expression dichotomy applied to two images of a red Routemaster double-decker bus against a greyscale view of the Houses of Parliament in London.

⁷⁰ Docket No. 11-788-cv, 2012 U.S. App. LEXIS 18155 (2d Cir. 2012).

⁷¹ Case No. 4:11-CV-03095, 2012 U.S. Dist. LEXIS 19030 (S.D. TX. 2012).

⁷² [2012] EWPC 1 (12 January 2012).

Although the defendant's image involved a different composition, it presented the same subject matter, in a similar way. The subject matter involved was iconic and therefore somewhat commonplace. The plaintiff had no monopoly on the idea of an iconic London scene, or even in an image of a red bus against a grey background. But the plaintiff's unique and original combination of otherwise unprotectable elements was reproduced in the defendant's images. What was reproduced was the specific combination of elements that made the plaintiff's image interesting. The differences between the images did not negative copying.

Co-authors needed each other's authorization to exploit a work of joint authorship: *Slater v. Wimmer*.⁷³ This case states two principles of law. First, under UK law, both the producer and principal director of a film will own copyright in the film, as joint owners. Second, as a general rule, implied assignments of copyright should be avoided where an implied licence would be sufficient to provide the benefit contemplated under an agreement.

On the facts of this case, copyright in the footage of a skydive over Mount Everest was in dispute between the person who shot the footage and the person who financed the venture. Birss J found that there was no express agreement about ownership of IP between the two. He further concluded that the plaintiff was the principal director of the film while the defendant was its producer. Consequently they were both co-owners of the copyright in the film. There were no circumstances to justify any implied assignment or exclusive licence in favour of the defendant. Consequently each needed the authorization of the other in order to exploit the work.

Copyright infringement of the design of a woven plaid fabric: *Abraham Moon & Sons Ltd. v. Thornber & Ors.*⁷⁴ On 5 October 2012, the Patents County Court issued a judgment finding that one woollen mill had infringed the copyright of another by producing and offering for sale a visually similar plaid fabric. In particular, Birss J found that there was copyright in the "ticket" or specification of the weave as a literary work, and that the defendants' ticket for their fabric infringed that copyright. There was no evidence of direct copying of the "ticket" and the two were not obviously similar, but Briss J viewed the defendants' "ticket" as an indirect copy or an adaptation of the plaintiff's on the basis that the resulting fabrics were similar. Briss J seemed to find that the defendants' ticket infringes because it represented the same information as the plaintiff's.

The case is unusual, because it also treated the "ticket", which consisted only of words and numbers, providing a set of instructions for the loom to produce the woven fabric, as an artistic work. The ticket had "visual significance" because an experienced fabric designer could read the instructions and imagine the fabric design that would emerge from the loom. Moreover Briss J found that the copyright in the ticket as an artistic work was infringed by the defendants' fabric even though the fabric did not resemble the instructions in the ticket in any way. The appearance of the fabrics were similar and the appearance of the plaintiff's fabric was "embodied" in the instructions on its ticket; thus the fabric itself infringed the copyright in the ticket as an artistic work.

⁷³ [2012] EWPC 7 (16 February 2012).

⁷⁴ [2012] EWPC 37 (05 October 2012).

Operating a link site in the UK justified extradition for prosecution in the US: *The Government of the United States v. O'Dwyer*.⁷⁵ This case dealt with a link site, operating as "TVShack.net". The US government successfully obtained a seizure order for the domain name, but this was ineffective to shut the site down. It immediately switched to an alternate domain name. Subsequently, the US government requested extradition of Richard O'Dwyer, the owner and operator of the site and a citizen of the UK, on criminal copyright infringement charges. The test under UK law for extradition required a dual criminality standard as well as a proportionality test.

Judge Purdy concluded that operating the site could amount to an offence under section 107(2A) of the *Copyright, Designs and Patents Act* 1988. Consequently the dual criminality standard was satisfied.

Furthermore, extradition for prosecution in the US would be proportionate in the circumstances. Enforcement of criminal justice was not lightly to be thwarted by attempting to remain outside the jurisdiction in which the effects of the conduct were felt.

O'Dwyer ultimately appeared in a New York Court on 6 December 2012 to accept a negotiated settlement agreement. He agreed to pay £20,000, said to be the profits generated by the site between December 2007 and November 2010, and no longer faces the prospect of extradition and prosecution.

Playing a television broadcast in a pub amounted to a communication to the public by electronic transmission: *Football Association Premier League Ltd. & Ors v QC Leisure & Ors*.⁷⁶ The court was asked to determine whether playing a satellite television broadcast in a pub in the UK could infringe the exclusive right to communicate a work to the public. The court ruled that it could. The provision was intended to implement the communication to the public right under EU law; the CJEU has ruled this right would be implicated by this action; and the statutory language admits an interpretation consistent with the CJEU jurisprudence. However the statutory exemption of films and sound recordings means what it says: authorized performance of a television broadcast does not infringe the copyright in any film or sound recording included in that broadcast. Consequently the defendants had not infringed the plaintiff's copyright in films of football matches.

The Court of Appeal upheld this ruling. Although the statutory exception appeared to go farther than was permissible under the EU Copyright Directive, there was no basis in principles of statutory interpretation to impose a limitation that the government had not contemplated.

Digital Economy Act upheld on appeal of judicial review: *British Telecommunications Plc, R (on the application of) v. Secretary of State for Culture, Olympics, Media and Sport*.⁷⁷ The Court of Appeal upheld a judgment below that notice and repeat offender provisions of the 2010 *Digital Economy Act* (DEA) on measures against online infringement are compatible with EU law. These provisions require ISPs to forward notices of infringement to subscribers, and to

⁷⁵ Westminster Magistrates' Court (13 January 2012).

⁷⁶ [2012] EWHC 108 (Ch) (03 February 2012), aff'd [2012] EWCA Civ 1708 (20 December 2012).

⁷⁷ [2012] EWCA Civ 232 (06 March 2012).

compile a list with information on reported subscribers that rightholders may access for litigation purposes, upon obtaining a court order; they also provide for the possibility of further technical obligations on ISPs to address infringement, including measures to limit access to repeat infringers through account suspension.

The Court of Appeal upheld the decision below on all points but one: the High Court had distinguished “case fees” from other “qualifying costs” incurred by the regulator or appellate body in carrying out their functions under the Act. The Court of Appeal did not find justification for this distinction. Consequently ISPs will not have to subsidize the operation of the appeal body, although they will still be required to bear their internal costs of processing notifications.

Broad Norwich Pharmacal disclosure order granted in P2P infringement case: *Golden Eye (International) Ltd. & Anor v. Telefonica UK Ltd.*⁷⁸ On 26 March 2012, the High Court issued a Norwich Pharmacal order requiring an ISP to disclose subscriber information in a Peer to Peer file-sharing suit. The judgment reviews the relevant law, including recent judgments setting aside such orders for abuse of process. The order was granted in this case in respect of works for which the two lead plaintiffs were either right holders or exclusive licensees. The Claimants’ interest in enforcing their copyrights outweighed the intended defendants’ privacy interests, provided that certain safeguards were in place to protect the intended defendants. In particular, the plaintiffs were not to be permitted to demand a specific lump sum in settlement of the claim.

However Arnold J declined to grant an order in respect of other works where the right holders had granted contract rights to the lead plaintiff to pursue any claims arising from infringement by peer to peer Internet file sharing. While he concluded that the agreements were not champertous because they did not jeopardize the proper administration of justice, Arnold J concluded that countenancing these agreements would be “tantamount to the court sanctioning the sale of the Intended Defendants’ privacy and data protection rights to the highest bidder.”

On 21 December, the Court of Appeal reversed this part of the decision. Notably, the Patten L.J. held that Norwich Pharmacal orders may issue even where the claimant has no intention of bringing legal proceedings. A mere intention to secure redress through extra-legal means was sufficient.

Moreover, he rejected Arnold J’s concern about the agreements between the right holders. If the agreements were not unlawful, there was no justifiable reason to deny relief that Arnold J himself had concluded was proportionate in the circumstances. The enforcement of IP rights justified the disclosure of information sought. Golden Eye was therefore entitled to obtain that disclosure for all of the alleged infringers, not merely the ones alleged to have works in which Golden Eye directly asserted property rights. In effect, this would extend the scope of the disclosure order from approximately 2,850 to 9,000 IP addresses.

Good faith belief in authorization no defence against infringement claim: *Hoffman v. Drug Abuse Resistance Education (UK) Ltd.*⁷⁹ This case involved a charitable organization which had used images taken from a government web site, which the defendant mistakenly believed to be subject to Crown copyright. The fact that the defendant incorrectly thought he had permission to

⁷⁸ [2012] EWHC 723 (Ch), reversed by [2012] EWCA Civ 1740 (21 December 2012).

⁷⁹ [2012] EWPC 2 (19 January 2012).

use the images was no defence to infringement. Furthermore, incorrect belief that use was authorized was not the same as (on the contrary, it was the opposite of) a good faith belief that no copyright subsisted in the work.

The court also considered the quantification of damages. It was relevant to consider that the user might value the work differently than the right holder. The proper sum to be awarded for damages is the amount that a willing photographer in the plaintiff's position and a willing charity in the defendant's position would have agreed to for the use. On the available evidence, the court concluded £10,000 was appropriate.

Online news clipping service required a licence: *Meltwater Holding BV v. The Newspaper Licensing Agency Limited*.⁸⁰ This case canvassed whether an online article clipping service can legally be operated in the UK without a licence. Both the UK High Court and the Court of Appeal held it could not. After the Court of Appeal held that copying headlines and short extracts in providing the clipping service infringed copyright, the UK Copyright Tribunal was tasked with fixing a tariff for the use of the portions of the publishers' articles that were copied.

In the course of the proceeding, Meltwater contended its business was similar to Google's Google News and Google Alert services which paid nothing to publishers. It argued that it should likewise have no obligation to make any payments. The tribunal rejected this argument and in the course of doing so strongly suggested that Google's services would also need to be licensed in order to be legally carried on in the UK.

In the course of the decision, the tribunal noted that the Newspaper Licensing Agency had a mandate to collect royalties from Google for its Google News and Google Alert Services by commercial users, although it had not yet done so.

Blocking injunction against The Pirate Bay: *Dramatico Entertainment Ltd. & Ors v British Sky Broadcasting Ltd. & Ors*.⁸¹ The court granted an order to require the defendant ISPs to block access to The Pirate Bay. Although the terms of the order had been negotiated, Arnold J nonetheless reviewed the proposed order to ensure that it was consistent with his previous reasoning on proportionality in *Twentieth Century Fox* and *Golden Eye*.

One particular concern was that if the target IP address was shared, IP address blocking would result in inappropriate overblocking. However, this problem did not arise because TPB's address was not shared. In the circumstances, IP blocking was desirable to avoid circumvention of a DNS-based filter.

In the course of rendering the decision, Arnold J ruled that users of The Pirate Bay infringed the making available right and that The Pirate Bay was liable for authorizing infringement and on the joint tortfeasor theory of common design.

Author of a photograph is the person who controls its making; implied assignments of copyright are to be avoided where an implied licence is sufficient to give effect to a

⁸⁰ UK Copyright Tribunal, 14 February, 2012.

⁸¹ [2012] EWHC 1152 (Ch).

contract: *Celebrity Pictures Ltd & Anor v. B Hannah Ltd.*⁸² On 19 July 2012, the Patents County Court issued a decision in a dispute about rights in a photograph. The photographer claimed for infringement; the defendants claimed that they had received assignment of the rights by contract. The Court found no evidence that the plaintiff had ever received or agreed to such a contract.

There were two interesting secondary issues. The defendants argued they were co-authors of the work because they had directed its making. The Court rejected this argument. Authorship of a photograph required more than merely setting the scene; it must involve control over the making of the image through the placement and settings of the camera and the timing of the exposure. Second, the Court also considered and rejected an argument for an implied assignment of the copyright. The agreement was for one-time print publication. There was no need to imply any term beyond a licence for that purpose to give effect to the intentions of the parties.

Proof of chain of title; proof of similarity of sound recordings; proof of downloads: *Naxos Rights International Ltd. v. Project Management (Borders) Ltd. & Anor.*⁸³ The plaintiff in this case claimed infringement of its sound recordings by a web site which purported to offer “royalty-free” recordings of classical music. The decision considered three main issues. First, the chain of title in the copyright was found to be good, despite a questionable assignment: no particular form is required for an assignment of copyright and the intention of the parties was clear. Second, the defendant’s recordings were found to reproduce the plaintiff’s works, based largely on a comparison of both audible and inaudible anomalies in the recordings. Third, the plaintiff’s documented procedure for handling the downloaded from the defendants’ website was accepted in the face of unsubstantiated claims from the defendants that what it had offered on its website was a completely different file. The defendants’ evidence on this point was simply not credible.

The effect of an assignment is a matter of construction: *Wilkinson v. London Strategic Health Authority.*⁸⁴ The effect of an assignment is a matter of construction. A contract to produce later works based on existing works granted an implied licence to use the existing works, but did not assign the copyright in those works. However, the implied licence must have been broad enough to permit the licensee to exploit its copyright in the derivative work, which was not limited by the agreement. Consequently the implied licence must have been irrevocable, royalty free and assignable.

5.3 Ireland

Graduated response scheme did not violate privacy law: *EMI Records (Ireland) Ltd. & Ors v. The Data Protection Commissioner & Anor.*⁸⁵ As a result of a settlement of a previous suit, an Irish ISP had entered into a voluntary graduated response scheme. The Irish Data Protection Commissioner issued an order that would have required it to abandon this scheme on the basis that it violated applicable privacy law. The High Court (Commercial) (Ireland) overturned the

⁸² [2012] EWPC 32.

⁸³ [2012] ScotCS CSOH_158.

⁸⁴ [2012] EWPC 48 (14 November 2012).

⁸⁵ [2012] IEHC 264.

order. Charleton J pointedly found no expectation of privacy in one's participation in a BitTorrent swarm.

5.4 Australia

Functionally incomplete units of software may be independently protected: *CA, Inc. v. ISI Pty Limited*.⁸⁶ Copyright in computer programs is not limited to complete works that stand alone. Discrete units of source code may be protectable as distinct computer programs, even if they rely on other components to produce their intended result. Computer macros can also be protected as computer programs.

The plaintiff has the onus to prove copying: *Ron Englehart Pty. Ltd. v. Enterprise Constructions (Aust) Pty. Ltd.*⁸⁷ In an infringement action the legal onus is always on the plaintiff to prove copying. Any discussion of "shifting onus" in the treatment of inferences of copying must be understood as merely describing a reasoning process based on inferences that can be drawn from evidence.

Where the plaintiff had introduced evidence to demonstrate objective similarity, but no evidence of direct copying, it was open to the trial judge to conclude that the legal onus to prove copying had not been satisfied. The common features between the two works were not especially distinctive and no evidence was offered that the defendant had access to the plaintiff's work. On the available record, the judge was entitled to reject an inference of copying.

No copyright in automatically generated HTML files: *Acohs Pty. Ltd. v. Ucorp Pty. Ltd.*⁸⁸ HTML source files which were automatically generated by software were not original works in which copyright subsisted. The computer generated works did not emanate from any human author.

Compulsory licensing not an expropriation: *Phonographic Performance Company of Australia Limited v. Commonwealth of Australia*.⁸⁹ The imposition of a statutory cap on compulsory licence fees was not an acquisition of a property right. Copyright is a creature of statute; no right exists beyond what is granted by the statute. It is open to the legislature to modify the scope of the right. The compulsory licensing regime completely replaced the previous exclusive right, which was extinguished. The cap is a legitimate part of that regime.

ISP not liable for authorizing infringement of its users: *Roadshow Films Pty. Ltd. v. iiNet Ltd.*⁹⁰ An ISP did not authorize infringement by its users merely by not taking any action when it received automated allegations that infringement was occurring. The ISP had no control over the actions of its users. Its only recourse would have been to terminate their accounts. This could

⁸⁶ [2012] FCA 35 (3 February 2012).

⁸⁷ [2012] FCAFC 4 (17 February 2012).

⁸⁸ [2012] FCAFC 16 (2 March 2012).

⁸⁹ [2012] HCA 8 (28 March 2012).

⁹⁰ [2012] HCA 16 (20 April 2012).

have exposed it to contractual liabilities. In such circumstances, it was not unreasonable for the ISP to take no action based on incomplete allegations of infringement.

Service provider liable for infringement through network DVR service: *National Rugby League Investments Pty. Limited v. Singtel Optus Pty. Ltd.*⁹¹ A service provider offering a network PVR was the maker of the copy of the broadcast, either alone or jointly with subscribers. The service provider designed and implemented the service and offered it to customers on a commercial basis. At all times, the service provider retained custody over the physical copies. No volitional conduct standard was required by the Australian Act. As a matter of policy, the person who designs and operates a wholly automated system for making copies ought to be held responsible for the copies made. The reasoning in the U.S. *Cablevision* case was not followed.

Furthermore the service provider could not rely on a private use exemption. That provision applied exclusively to private copying by consumers in their own homes. Outsourcing of that function on a commercial basis was not covered.

However, if the service provider was a joint maker of the copies with the consumer, the private use exception could be available to the consumer, with the ultimate effect that the service provider bore the exclusive liability for any infringement.

Absence of enforcement not enough to prove implied licence: *Apotex Pty. Ltd. v. Sanofi-Aventis Australia Pty. Ltd. (No 2)*.⁹² A generic drug manufacturer was accused of infringing the patent-holder's copyright in the Product Information Documentation (PID). The defendant argued that an implied licence to reproduce that material existed by long-standing practice of the industry. The Full Court upheld the trial court's finding that the defendants had not offered enough evidence to support the claim. While the ultimate onus was on the plaintiff to disprove the implied licence, the defendant had to establish an evidentiary foundation. A mere absence of enforcement efforts was not enough to establish a practice that was in any way binding on the participants.

Limitation of IP rights not an expropriation: *JT International SA v. Commonwealth of Australia*.⁹³ IP rights are negative in character: they grant the right to exclude others but not a specific right to exploit a work in any particular way. Consequently a restriction on exploitation (in this case, a tobacco labelling law) could not be an "acquisition" of a property right, subject to constitutional limitations on expropriation. No property was taken and, in no benefit of a proprietary character accrued to the state.

Internet simulcasting fell within the scope of broadcasting licence: *Phonographic Performance Company of Australia Ltd. v. Commercial Radio Australia Limited*.⁹⁴ The issue in this case was whether broadcasters owed royalties for their Internet transmissions of sound recordings. The court concluded they did not. On the facts, what the broadcasters offered was a

⁹¹ [2012] FCAFC 59 (27 April 2012).

⁹² [2012] FCAFC 102 (18 July 2012).

⁹³ [2012] HCA 43 (5 October 2012).

⁹⁴ [2012] FCA 93.

single service, transmitting the same programming, at essentially the same time, over both FM waves and the Internet. This service was a broadcasting service that fell within the scope of the existing broadcasting licences.

Copyright subsisted in an extract from a database: *Tonnex International Pty. Ltd. v. Dynamic Supplies Pty Ltd.*⁹⁵ The appeal in this case turned on the question of whether copyright subsisted in a CSV file containing compatibility data for printer and computer consumables. It was alleged that the file was a mere extract from a more general database and that consequently it did not embody any particular intellectual effort.

In analysing the question, it was important to distinguish between the skill and judgment required to create the original database and that required to create the chart itself. The trial judge found that there had been distinct skill and judgment involved in creating the extract, including making choices about what information would be useful to customers and how to present it. The Full Court upheld this finding, in a decision that was mainly about evidentiary issues.

5.5 European Union

Temporary reproductions during data capture which facilitated a press summary service did not require authorization of the right holders: *Infopaq International A/S v. Danske Dagblades Forening.*⁹⁶ The CJEU considered the scope of Art. 5(1) of Directive 2001/29, which exempts temporary reproductions which are integral to an otherwise-lawful technological process under certain conditions. The court considered that the conditions of the exemption must be considered cumulatively and strictly. The acts in question must be entirely contained within the technological process in question, but the process can involve human intervention. Data capture as input to a process may be included in the exemption, provided the limiting criteria are satisfied.

However, an unauthorized use which is not restricted by law (e.g. because it falls within an exception) is an eligible lawful use. Furthermore, the lawful use may have economic value. The limitation on independent economic value means value which can be separated or distinguished from the value of the lawful use. Where the sole function of the temporary reproduction is to facilitate the lawful use, this is within the scope of the exemption. What is not permitted is a situation where the temporary copies can be profitably exploited separately from the lawful use.

Finally, any use that satisfies the criteria of Art. 5(1) must be deemed to satisfy the three step test; there is no separate requirement to prove a lack of conflict with normal exploitation or the absence of undue prejudice to legitimate interests.

EU law requires vesting remuneration rights for cinematographic works in directors: *Martin Luksan v. Petrus van der Let.*⁹⁷ Where EU law has assigned rights to principal directors as authors of cinematographic works, it is no longer open to EU members to exercise the option

⁹⁵ [2012] FCAFC 162 (16 November 2012).

⁹⁶ CJEU Case C-302/10, 17 January 17 2012.

⁹⁷ CJEU Case C-277/10, 9 February 2012.

under *Berne* to vest those rights exclusively in producers instead. Directors are therefore entitled to the right of remuneration associated with the private copying exception.

It is open to member states to establish a presumption that rights transfer by contract from the principal director to the producer, provided that this presumption is rebuttable. However, this does not apply where the right in question may not be waived by the author.

National courts may not require comprehensive site preventative filtering: *SABAM v. Netlog*.⁹⁸ This decision considered whether an injunction requiring a hosting service or other Internet service provider to install proactive filtering systems to prevent infringement was compatible with EU law. The Court concluded that, at least in some circumstances, it is permissible, but there are limits.

While right holders had the right to seek injunctions against intermediaries, including operators of online social networking platforms, and national courts had jurisdiction to grant them, there were limits on what those injunctions could entail. The national authorities must strike a fair balance between intellectual property rights and other rights and freedoms. Specifically, the injunction could not require general monitoring of the content stored by a hosting service, which was prohibited under Article 15(1) of Directive 2000/31. Such monitoring could amount to a serious infringement of not only the service provider's right to conduct its business, but also the users' rights to protection of their personal data and their freedom to receive or impart information by indiscriminate overblocking.

Protection under the Database Directive concerns the 'structure' of the database, and does not extend to the data itself: *Football Dataco Ltd and Ors v. Yahoo! UK and Ors*.⁹⁹ The Plaintiffs attempted to claim *sui generis* rights in football schedules under Article 7 of the Database Directive. The defendants argued that, as a matter of law, there was no exclusive right in the contents of the lists. The CJEU held that protection under the Directive was limited to the structure of a database, not its content.

Mere labour or skill required to construct the database is not enough to acquire protection on the structure unless the selection and arrangement of data involves original choices that reflect the originality of the author. This standard would not be satisfied where the design of the database was dictated by technical considerations that left no room for creative input. Originality, if any, of the content of the database is irrelevant in this determination. The Court further held that member states were not entitled to extend protection to databases merely on the basis of skill and labour without originality.

Hotel operators which provide radios or televisions in guest rooms "communicate to the public" and are obliged to pay equitable remuneration: *Phonographic Performance (Ireland) Ltd. v. Ireland and Ors*.¹⁰⁰ This case considered whether an exception in Irish law permitting hotel operators to distribute sound recordings, broadcast or cable programs to guest rooms without authorization violated the obligation under EC Directive 2006/115 to protect the

⁹⁸ CJEU Case C-360/10, 16 February 2012.

⁹⁹ CJEU Case C-604/10, 1 March 2012.

¹⁰⁰ CJEU Case C-162/10, 15 March 2012.

exclusive right of communication to the public. The Court ruled that guests, taken collectively, were “persons in general” and not a private group. Direct facilitation of the distribution of a broadcast signal to a large and indeterminate group was communication to the public, within the meaning of the Directive. Furthermore, the communication had a commercial purpose, because it was intended to enhance the guest experience.

Moreover, no private use exception could apply under those circumstances. An unauthorized communication to the public cannot be saved by the fact that some recipients might potentially make a subsequent lawful private use of the communicated work. In any event, such an exception would cause an unjustifiable prejudice to the interests of right holders by negating the obligation to pay equitable remuneration.

A dental practice did not communicate to the public by playing radio broadcasts in its premises and was not required to pay equitable remuneration: *Società Consortile Fonografici (SCF) v. Marco Del Corso*.¹⁰¹ On the same day as the ruling in the Irish hotel case, the Court issued a separate judgment concerning the use of sound recordings in a dental practice. In contrast to the Phonographic Performance case, above, the Court found no communication to the public on the facts of this case. Unlike the guests of a hotel, the Court considered the dentist’s patients to form a more definite and limited group. They were specific individuals, not people in general. Significantly, the patients had no control over what they heard in the office. Furthermore the Court concluded that playing the music could not be said to contribute towards the dentist’s income. People do not visit a dentist to listen to music and the Court was not convinced that the office’s use of the recordings had any significant commercial effect.

Privacy and data protection does not preclude requiring ISPs to disclose subscriber information to right holders for enforcement of exclusive rights: *Bonnier Audio et al. v. Perfect Communication Sweden AB*.¹⁰² The case arose in connection with an infringement suit relating to audio books. Right holders sought disclosure of subscriber information from ISPs which opposed the order. The question referred to the CJEU was whether the Data Retention Directive 2006/24 permitted states to pass laws requiring disclosure of subscriber data.

The Court held that the Data Retention Directive 2006/24 applied only in a criminal context. In a civil context, the more general Directive on privacy and electronic communications 2002/58 applied. When interpreted in combination with the Enforcement directive 2004/48, the directives permitted states to require disclosure of personal information to right holders, subject to some limitations. The relevant legislation must strike a “fair balance” between fundamental rights the law must be interpreted in accordance with general principles of EU law, including the principle of proportionality. The Court suggested that a law which required clear evidence of an infringement, that the information was necessary for the investigation and a balance of harm test was likely, in principle, to strike the appropriate balance.

Third parties may rely on the broadcasters’ ephemeral recording exception, if they act on behalf of or under the responsibility of a broadcaster: *DR and TV2 Danmark v. NCB - Nordisk Copyright Bureau*.¹⁰³ This decision interpreted the scope of the ephemeral recording

¹⁰¹ CJEU Case C-135/10, 15 March 2012.

¹⁰² CJEU Case C-461/10, 19 April, 2012.

¹⁰³ CJEU Case C-510/10, 26 April, 2012.

exception for broadcasters in Directive 2001/29. The question was whether the exception applied to recordings that were commissioned by broadcasters, but actually created by third parties. The Court concluded that the language of the Directive requiring that the recording be produced “by means of their own facilities” must be given meaning. But the broadcaster’s “own facilities” could include facilities of third parties who acted “on behalf of or under the responsibility of” the broadcaster. However, this could only apply if the broadcaster was accountable for the acts and omissions of the third party.

Functionality of a computer program or programming language and data formats are not protectable expression; right to reverse engineer computer program: *SAS Institute Inc. v. World Programming Ltd.*¹⁰⁴ In this case, the CJEU considered the scope of protection for functional aspects of a software program. The first set of questions dealt with whether Article 1(2) of Directive 91/250 required that the functionality of a computer program and the programming language and the format of data files amounted to protected expression. The court answered this question in the negative, siding against protection in order to foster competition in compatible programs.

A second set of questions addressed whether Article 5(3) of Directive 91/250 must be interpreted as meaning that a person who has obtained a copy of a computer program under a licence is entitled, without the authorization of the owner of the copyright in that program, to observe, study or test the functioning of that program in order to determine the ideas and principles which underlie any element of the program, in the case where that person carries out acts covered by that licence with a purpose that goes beyond the framework established by the licence. The court reviewed the EU Directive and answered yes.

Criminal prohibition on distribution of infringing goods is a justifiable limitation on free movement of goods: *Re Titus Alexander Jochen Donner.*¹⁰⁵ Mr. Donner, a German national, was convicted in Germany of a criminal offence relating to commercial exploitation of infringing works. The works in question were replicas which were considered infringing in Germany, but were lawful in Italy where they were produced. Mr. Donner’s involvement was limited to transporting the goods from the Italian supplier to German customers. The Court concluded that criminal prohibitions on the distribution of infringing goods were justifiable and proportionate to protect the exclusive right of exploitation of the goods.

Furthermore, the Court ruled that relevant actions took place in Germany. Where the foreign supplier directs advertising at members of the public residing in a member state and establishes a distribution and payment system enabling those members to take delivery of the item, a “distribution to the public” takes place where the delivery takes place.

Moreover, the Court held that where a right holder had not authorized any sale, there could be no exhaustion of copyright based on mere disparities between laws of member states. Consequently the fact that the replicas were lawful in Italy was no defence to infringement in Germany.

¹⁰⁴ CJEU Case C-406/10, 2 May 2012.

¹⁰⁵ CJEU Case C-5/11, 21 June 2012.

Resale of “used” software licences found lawful: *UsedSoft GmbH v. Oracle International Corp.*¹⁰⁶ This case considered whether resale of “used” software licences was lawful. UsedSoft operated a resale market for “used” software licences, including some offered by Oracle. Oracle sued for copyright infringement in Germany. Oracle was successful at first instance, but UsedSoft appealed on a point of law arguing that the distribution right had been exhausted by a first sale. The German Federal Court of Justice referred the question to the CJEU.

The Court found that the permanent transfer of rights to the customer, for a fee, amounted to a sale, whether the software was provided on tangible media or via a direct download. The Court expressly rejected the argument that exhaustion did not apply to online distribution. Furthermore, the Court concluded that the exhaustion extended to the copy “as corrected and updated by the copyright holder”. The secondary purchaser was therefore not limited to the version of the software that was available at the time of the original sale. He or she was to entitled download and use the current software from Oracle, despite never having entered into a maintenance agreement with Oracle.

However unless the original copy was made “unusable”, the reseller would infringe the reproduction right. Furthermore, the exhaustion of the distribution right applied only to the software itself. It did not apply to a pure use right, such as the client access licence. Therefore that right could not be resold independently, even if the original purchaser did not need it.

Use of data takes place where it is accessed by users, if service provider intended to target users: *Football Dataco Ltd. v. Sportradar GmbH.*¹⁰⁷ The case involved an allegation that a web site based in Germany was copying and retransmitting data from a UK-based sports data service. The plaintiffs claimed damages in a UK court for breach of their *sui generis* database rights. The defendants argued that none of their actions took place within the jurisdiction of UK courts. The UK Court of Appeal referred the question of where the relevant acts took place to the CJEU.

The CJEU ruled that, in a cross-border web service scenario, re-utilization of data protected by the *sui generis* database right takes place, at least, in the state where the data is stored in memory or displayed on screen at the user’s request, provided there is evidence that the service provider intended to target users in that state.

5.6 Germany

Cyberlocker site ordered to take pro-active steps to block infringement: *GEMA v. Rapidshare AG.*¹⁰⁸ On 14 March 2012, the Higher Regional Court of Hamburg held that cyberlocker service Rapidshare was liable under the German principle of “Störerhaftung”, a kind of secondary liability that, if applicable, requires a service provider to take steps to stop infringements. The service is now required to take certain proactive measures, in respect of a specific list of works. In particular, it must systematically search for links to copies of those works on its own site and remove them. However the Higher Regional Court noted that uploading unauthorized content did not automatically infringe, since the copy could have been

¹⁰⁶ CJEU Case C-128/11, 3 July 2012.

¹⁰⁷ CJEU Case C-173/11, 18 October, 2012.

¹⁰⁸ Hamburg Regional Court, Case: 310 O 93/08.

lawfully made for private use. Consequently the decision placed the emphasis on policing link sites.

YouTube required to take steps to prevent future infringement in Germany, once notified of alleged infringing content: *GEMA v. YouTube LLC*.¹⁰⁹ YouTube was found liable for infringing content uploaded by users under the doctrine of “Störerhaftung”, a form of secondary liability peculiar to German law. Under this doctrine, anyone who deliberately contributes to an infringement of a protected right, if infringement occurs as a result, may be subject to injunctive relief, whether or not the person directly participated in the infringement and regardless of negligence or fault.

The scope of liability under this doctrine is based on a reasonable conduct standard. It would not be reasonable to expect an internet service provider to audit every content file prior to publishing it. However, YouTube was liable because it did not take all reasonable steps to prevent specific infringements once these had been brought to its attention. According to the court, when presented with a concrete allegation of infringement, YouTube’s duty is to immediately block the infringing content or, if it has any doubt as to the validity of the allegation, to inform the party claiming rights in the content of those doubts and to request appropriate evidence. To the extent that YouTube blocks the content, it must also take steps to prevent future infringement.

Specifically, YouTube was ordered to use its existing Content ID system to prevent future uploads of the same content. However, it was not required to search for existing infringing content that had not been reported.

Furthermore, YouTube was ordered to install a word filter based on song title and performing artist. To avoid false positives, the court stated that an attempted upload which triggered this filter, but which did not generate a Content ID match, should result in a warning to the user and the opportunity for the user to assert that the plaintiff’s rights were not infringed by the content. In this circumstance, the system should allow the upload, but automatically forward the URL to the right holder for review. This process would only apply where right holders had provided specific notice of an alleged infringement.

6. CONCLUSION

It is unlikely that there will be as many significant development in Canadian copyright as in 2012 for many years. 2013 will however bring some important contributions to Canadian copyright law. The Supreme Court of Canada will again decide a copyright case, *Cinar Corp. v. Robinson*¹¹⁰. This case, on appeal from the Quebec Court of Appeal, will be heard February 13, 2013. The case raises important issues including what is a substantial part of a work; how to assess substantial similarity, the use of expert evidence; and the assessment of damages for infringement. The Copyright Board will have an additional legal issue to decide arising out of its reconsideration of SOCAN Tariff 22.A as to whether the new making available right has rendered moot the decision of the Supreme Court of Canada in *ESA v. SOCAN*. The decision will likely address the scope of the new right and its application. Inevitably other issues will arise

¹⁰⁹ Hamburg Regional Court, Case: 310 O 461/10.

¹¹⁰ Supreme Court Docket 34466, 34467 and 34468.

regarding the implication of the Supreme Court pentalogy decisions and the application of the *Copyright Modernization Act*.