

COURTS MAY COMPEL THE DISCLOSURE OF THE IDENTITY OF INTERNET USERS IN COPYRIGHT INFRINGEMENT CASES

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The Federal Court of Appeal recently dismissed an appeal of a decision of the Federal Court relating to the disclosure by Internet Service Providers (ISPs) of the identity Internet users who had downloaded and made available an important number of copyrighted music files. Both instances agreed that the ISPs had presented insufficient and inadequate evidence. However, the Court of Appeal held that the principles relating to Equitable Bills of Discovery were applicable in a case as this and therefore, ISPs could be compelled to disclose the identity of their customers. (*BMG Canada Inc. v. Jane Doe*, 2005 FCA 193 , Richard, Noël, Sexton JJ.A., May 19, 2005)

THE FACTS

Several well-known music providers and copyright owners were attempting to uncover the identity of 29 Internet users who had downloaded and made available through a peer-to-peer (P2P) file sharing program over 29,000 copyrighted songs. The identity of the music providers was of course necessary for a copyright infringement action to be initiated by the music providers. The ISPs had previously refused to voluntarily disclose any information concerning their customers. The music providers therefore petitioned the Federal Court for an order compelling the ISPs to disclose the names of the 29 customers who had allegedly committed acts of copyright infringement.

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THE FEDERAL COURT JUDGEMENT

The Federal Court Judge seized of the Plaintiffs' motion ruled that the procedure relating to the discovery of third party documents, (Rule 233 *Federal Courts Rules*), did not apply in this particular case because the documents that Plaintiffs sought to obtain, i.e. the identity of the 29 customers, did not already exist as the ISPs would have to create a list of their customers from their logs and tapes. However, the Judge confirmed that the proper way to bring such a motion for disclosure was through a combined application of the procedural rules relating to the oral discovery of third parties, (Rule 238 *Federal Courts Rules*), and the principles relating to Equitable Bills of Discovery¹.

The Motions Judge formulated the following legal test:

“Equitable Bill of Discovery Requirements

- (a) the applicant must establish a *prima facie* case against the unknown alleged wrongdoer;
- (b) the person from whom discovery is sought must be in some way involved in the matter under dispute, he must be more than an innocent bystander;
- (c) the person from whom discovery is sought must be the only practical source of information available to the applicants;
- (d) the person from whom discovery is sought must be reasonably compensated for his expenses arising out of compliance with the discovery order in addition to his legal costs;
- (e) the public interests in favour of disclosure must outweigh the legitimate privacy concerns.”

The Federal Court concluded that in light of the evidence adduced before it that:

- (a) the Plaintiffs had not established a *prima facie* case of infringement;
- (b) the affidavits filed in support of the motion constituted hearsay evidence and were therefore unreliable;
- (c) the Plaintiffs did not satisfy the Court that there was no other reliable source of information concerning the identity of the Internet users;

¹ The principles set out in the English cases of *Norwich Pharmacal Co. v. Customs and Excise Commissioners*, [1974] A.C. 133 (H.L.) and *British Steel Corp. v. Granada Television Ltd*, [1981] 1 All E.R. 417 (C.R.) were accepted in Canadian Law in *Glaxo Wellcome PLC v. Canada (Minister of National Revenue)* (1998), 81 C.P.R. (3rd) 372 (F.C.A.)

- (d) ISPs would have needed to be compensated if the Motion had been granted; and
- (e) in any event, and relying on the provisions of the *Personal Information Protection and Electronic Documents Act, 2000, c. 5* (PIPEDA), the privacy interests of the Internet users outweighed the public interest concerns in favour of disclosure.

THE FEDERAL COURT OF APPEAL JUDGEMENT

The Federal Court of Appeal agreed that the affidavit evidence submitted by the Plaintiffs was insufficient and therefore that Motions Judge had not committed any overriding and palpable error in his assessment of the facts. On this ground alone, the Court would have dismissed the appeal. However, since the Judge had gone over and beyond discussing simple procedural and evidentiary issues, the Court proceeded to review the other grounds of the Federal Court judgement.

The Federal Court of Appeal agreed with the Motions Judge's enunciation of the requirements for an Equitable Bills of Discovery, except for the first criterion, namely that the Plaintiffs were required to make out a *prima facie* case of copyright infringement. The Court of Appeal stated that the proper test was whether the Plaintiffs had a *bona fide* case against the Internet users. Having reviewed the case law emanating from various provincial jurisdictions in relation to Equitable Bills of Discovery, the Court of Appeal ruled that a *prima facie* requirement was too onerous of a burden for the Plaintiffs at this early stage of the proceedings, as they are still in the midst of building up their case. The Plaintiffs needed to show only that they intend to bring an action for infringement of copyright based on, amongst others, the evidence they would obtain from the ISPs and that the information will not be used for any improper purpose. Since the affidavit evidence of the Plaintiffs was deemed unreliable from the outset, the Federal Court of Appeal maintained that that the Plaintiffs had not met the lower threshold of a *bona fide* case of copyright infringement against the Internet users.

The Federal Court of Appeal also admonished the Motions Judge for having reached a conclusion of copyright infringement most likely due to the his (incorrect) requirement that the Plaintiffs make out a *prima facie* case of infringement. In the Court's view, the Motions Judge should not have made this finding since it could potentially be damaging to the parties if a trial were to take place in the future and moreover, the Motions Judge had inadequate evidence and was not seized of the merits of the case.

The Court of Appeal went on to give examples of where the Motions Judge had erred in his finding of copyright infringement:

- 1) the Judge had ruled that under section 80(1) *Copyright Act*, (R.S.C. 1985 c. C-42), reproduction of a music work for private use does not amount to infringement. However, the Federal Court of Appeal noted that the learned Motions Judge had failed to consider the possibility where a defence of private use is not available, such as when a musical recording is reproduced for sale, rental, distribution, communication by telecommunication or performance to the public;
- 2) the Judge did not consider whether the requirements for a defence of private use were in fact satisfied in this case;
- 3) the Judge prematurely ruled that there was no authorisation by the Internet users for others to download the music files which were available on-line. However, the Court of Appeal noted that making the music files available on the Internet in and of itself may constitute authorisation since the files are readily available to be communicated and copied by others;
- 4) the Judge found that there had been no distribution pursuant to the *Copyright Act*, since distribution requires a “positive” action. The Federal Court of Appeal noted that the *Copyright Act* is silent as to whether or not distribution requires a positive action on the part of the infringer;
- 5) the Judge found no evidence of secondary infringement pursuant to section 27(2) *Copyright Act* as he deemed that there was no evidence that the Internet users knew that they were infringing the Plaintiffs’ copyrights. However, the Court of Appeal pointed out that secondary infringement occurs if the infringers knew “or should have known” that their actions constituted copyright infringement.

The Federal Court of Appeal therefore reiterated that, at this early stage of the proceedings, there could be no finding of infringement. The Court therefore dismissed the appeal, without prejudice to the Plaintiffs’ right to commence a further application for disclosure of the identity of the Internet users.

CONCLUSION

This case is prime example of the new challenges facing the Courts in dealing with the protection of both intellectual property rights and the rights of persons to privacy in this new era of Internet communications and

technology. Intellectual property laws are required to protect the promulgation of ideas; if intellectual property rights are not enforced, there is a reduced incentive for innovators to express themselves freely and to make their expression of ideas public. On the other hand, privacy concerns must be addressed since the investigation of the identity of persons suspected of infringing intellectual property rights may lead to the disclosure of private information concerning innocent bystanders. There must therefore be safeguards in these types of proceedings so that the rights of the persons under investigation will be invaded in a minimal way.

If the music providers are eventually successful in their quest to obtain the identity of Internet users suspected of breaching copyright laws, this will send a strong message to all Internet users of the responsibility, care and caution we must all take in using this new communications tool.

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