

FEDERAL COURT OF CANADA INTERPRETS S. 38.1 COPYRIGHT ACT REGARDING STATUTORY DAMAGES

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For only the fourth time since the coming into force in 1999 of section 38.1 *Copyright Act*, (R.S.C. 1985 c. C-42) regarding statutory damages, the Federal Court of Canada was called upon to interpret this provision in order to decide on an award of such damages for infringement of the Plaintiffs' copyrights in various television programs and communications signals. (*Telewizja Polsat Canada Inc. v. Radiopol Inc.*, 2006 FC 584 (Lemieux J., May 10, 2006)).

The Facts

In August 2005, Telewizja Polsat S.A., a Polish television production company, and its exclusive Canadian licensee, Telewizja Polska Canada Inc., (hereinafter the "Plaintiffs"), initiated an action against a Canadian company, Radiopol Inc. and its president Jaroslaw Bucholc, (hereinafter the "Defendants"). The Defendants allegedly operated an Internet website which allowed subscribers to view television programs which were owned and produced by the Plaintiffs and were normally broadcast in an encrypted form via satellite. The evidence revealed that the Defendants had decoded the Plaintiffs' signals and reproduced and edited them in order to make individual episodes available to the public via the Internet.

Plaintiffs therefore claimed copyright infringement, as well as a breach of the Canadian *Radio Communications Act* (R.S.C. 1985 c. R-2), as well as passing off of the Plaintiffs' trade-mark and logo under section 7 *Trade-marks Act* (R.S.C. 1985 c. T-13). The Plaintiffs further claimed statutory damages pursuant to section 38.1 *Copyright Act*, as well as punitive damages.

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The Defendants systematically failed to appear before the Court in all preliminary and interlocutory stages of the proceedings. They did not even appear on the show-cause contempt of Court hearing which was scheduled after the Defendants breached an interlocutory injunction of the Court. In light of the Defendants' complete failure to defend the case against them, the Court granted the Plaintiffs' motion for default judgment. Upon rendering default judgment, the Plaintiffs elected statutory damages as compensation for the Defendants' acts of infringement. Justice Lemieux, who was seized of the file, directed a reference for the evaluation of the quantum of such statutory damages and notice of such reference was given to the Defendants in order to allow them to address this issue. Despite receiving the aforementioned notice, the Defendants once again failed to appear before the Court.

Section 38.1 Copyright Act

The relevant portions of the statute read as follows:

Statutory damages

38.1 (1) Subject to this section, a copyright owner may elect, at any time before final judgment is rendered, to recover, instead of damages and profits referred to in subsection 35(1), an award of statutory damages for all infringements involved in the proceedings, with respect to any one work or other subject-matter, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than \$500 or more than \$20,000 as the court considers just.

Where defendant unaware of infringement

(2) Where a copyright owner has made an election under subsection (1) and the defendant satisfies the court that the defendant was not aware and had no reasonable grounds to believe that the defendant had infringed copyright, the court may reduce the amount of the award to less than \$500, but not less than \$200.

Special case

(3) Where

- (a) there is more than one work or other subject-matter in a single medium, and
- (b) the awarding of even the minimum amount referred to in subsection (1) or (2) would result in a total award that, in the court's opinion, is grossly out of proportion to the infringement,

the court may award, with respect to each work or other subject-matter, such lower amount than \$500 or \$200, as the case may be, as the court considers just. (...)

Factors to consider

(5) In exercising its discretion under subsections (1) to (4), the court shall consider all relevant factors, including

- (a) the good faith or bad faith of the defendant;
- (b) the conduct of the parties before and during the proceedings; and
- (c) the need to deter other infringements of the copyright in question. (...)

Exemplary or punitive damages not affected

(7) An election under subsection (1) does not affect any right that the copyright owner may have to exemplary or punitive damages.

The Federal Court Judgement

The reference proceeded without any input whatsoever from the Defendants. Justice Lemieux heard *viva voce* evidence from two witnesses on behalf of the Plaintiffs. The Plaintiffs sought the maximum award of \$20,000.00 for each of the 2,009 programs illegally decoded from their signals and illegally reproduced, edited and made available to the public on the Defendants' website.

The reasoning behind statutory damages is that the actual damage to a plaintiff resulting from a violation of its copyright is often difficult, if not impossible, to prove, which often discourages copyright owners to enforce their rights. The availability of statutory damages should that can therefore induce a copyright owner to invest in the enforcement of its copyrights and the threat of statutory damages may deter possible infringers by preventing their unjust enrichment.

The Court noted that decisions interpreting section 38.1 *Copyright Act* were few and far between: since its enactment in 1999, only three judgements discussed the interpretation of said section. The Court therefore reverted to the language of section 38.1 *Copyright Act* in order to make its discretionary ruling.

Paragraph 38.1(5) *Copyright Act* states that in awarding statutory damages, the Court should consider all relevant factors, including the good faith or bad faith of the Defendants, the conduct of the parties before and during the proceedings and the need to deter other infringements of the copyright in question. Since awards of statutory damages can range between \$500.00 and \$20,000.00 per work for all acts of infringement, the Court is left with a wide array of possible awards. Unable to find any guidance from Canadian jurisprudence, the Court noted that there was a provision similar to section 38.1 *Copyright Act* in the corresponding United States legislation, but that the Plaintiffs failed to adduce the proper American case law and textbooks on the subject. According to Justice Lemieux, an analysis of the U.S. law would have been important for a proper appreciation of section 38.1 *Copyright Act*. Under the circumstances, Justice Lemieux had no alternative but to turn back to the wording of the statute itself to render his decision, which, he concluded, gave the Court a mandate to "(...) arrive at a reasonable assessment in all of the circumstances in order to yield a just result."

The evidence showed that the Plaintiffs' programming had not aired in Canada when the Defendants began decoding the signals and when they began offering the infringing programming to Canadian subscribers on the Internet. Justice Lemieux ruled that it would be inappropriate and out of proportion with not only with the actual infringing acts, but also with the injury suffered by the Plaintiffs, or a reasonable assessment of the profits earned by the Defendants, to award the maximum sought by the Plaintiffs. The Court therefore applied the adjustment factor of paragraph 38.1(3) *Copyright Act*. Taking into consideration the need for deterrence, the Defendants' bad faith and complete disregard for the Plaintiffs' litigation, their offers of settlement and to the Court process, the Justice Lemieux assessed statutory damages in the amount of \$150.00 per work. A total award of \$301,350.00 was therefore granted to the Plaintiffs for all 2,009 works infringed by the Defendants.

The Court concluded that there was no need for an award of punitive damages since the Defendants had already been found in contempt of court and fined, and Jaroslaw Bucholc, the president of Radiopol Inc, punished by imprisonment if Radiopol Inc.'s website is not dismantled. However, in light of the Defendants' reprehensible and unreasonable conduct throughout the proceedings, the Plaintiffs were awarded solicitor and client costs.

Conclusion

The Canadian *Copyright Act* purports to give copyright owners the security of knowing that even if they are unable to demonstrate their damages or prove the profits of the infringer, they can elect statutory damages at any time prior to final judgement, which will guarantee some compensation for the acts of infringement. It clearly appears from this decision, and from the other decisions considered by Justice Lemieux, that the quantum of statutory damages will be kept quite low in most circumstances, including where a copyright owner may not have actually suffered an important loss of revenue. One is left to wonder: under what circumstances will the Court make an award of statutory damages closer to the maximum allowable by law?

The Courts are sensitive to the difficulties that a copyright owner faces in proving damages, and in this regard, section 38.1 *Copyright Act* appears to be an invaluable tool for both the copyright owner and the Court; however, it remains to be seen if this provision will be used to its fullest potential.

