



MICROSOFT NOT SO “SOFT” ON COPYRIGHT INFRINGEMENT

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In a case opposing Microsoft Corporation and several corporate and individual Defendants, the Federal Court of Canada found in favour of Microsoft Corporation in some fifteen instances copyright infringement and therefore granted a permanent injunction, together with statutory and punitive damages, as well as solicitor/client costs. [*Microsoft Corporation v. 1445687 Ontario Limited et al.*, 2009 FC 401, April 22, 2009, Mandamin J.]

The Facts

Between the years 2000 and 2006, the Plaintiff Microsoft Corporation (“Micosoft”), investigated and attempted to curb the unauthorized sale by several corporate and individual Defendants, operating under the name “PC Village”, of copyrighted software bearing the MICROSOFT trade-marks. Notwithstanding demand letters, Court proceedings and negotiations, the Defendants continued to sell and install unauthorized copies of the Micosoft’s copyrighted software. The Defendants were represented by counsel early in the case, but counsel removed itself from the record after the Defendants failed to follow through on an agreement in principle that had been reached between the parties. Thereafter, the Defendants did not file a defence, and so Microsoft moved for default judgment.

The Federal Court Judgment

The Court began by reiterating the well known requirements for obtaining default judgement. The requirements are the following:

- a) Where no Statement of Defence has been filed, every allegation in the Statement of Claim must be treated as denied.

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- b) The plaintiff must also prove that the defendants were served with the Statement of Claim.
- c) The plaintiff must demonstrate that the defendants have not filed a defence within the time specified in the *Federal Courts Rules*.
- d) The plaintiff must adduce evidence that will enable the Court to conclude, on a balance of probabilities, that there is infringement.

After reviewing the evidence, Justice Mandamin was satisfied that the Statement of Claim had duly been served upon each of the Defendants and that each Defendant had failed to file a Statement of Defence within the time provided for in the *Federal Courts Rules*.

Turning to the issue of copyright infringement, the Court noted that the evidence showed that investigators had attended at the premises of the Defendants on thirteen different occasions between the years 2000 and 2006. The circumstances of the computer purchases made by these investigators at the Defendants' premises, including the fact of the absence of an official CD-ROM and certificate of authenticity label of the software installed on the computers, the conversations that the investigators had with the individual Defendants, as all of these facts established that the computer software sold by the Defendants was unauthorized by Microsoft. The Court was satisfied that fifteen clear cases of copyright infringement had occurred.

Having found the Defendants liable for copyright infringement, the Court then turned to section 38.1 of the Canadian *Copyright Act* which permits a plaintiff to elect an award of statutory damages, no less than \$500 and no more than \$20,000 CAD as the Court considers just, per infringed work. Section 38.1(5) of the *Copyright Act* also provides the list of relevant factors for the Court to consider in exercising its discretion to grant an award of statutory damages, namely:

- a) the good or bad faith of the Defendants;
- b) the conduct of the parties before and during the proceedings; and
- c) the need to deter further infringement of the copyrighted works.

Justice Mandamin found that the Defendants had knowingly infringed Microsoft's rights as the facts revealed that the Defendants had been put on notice to cease their activities on several occasions: they had received several "cease and desist" letters, had consented to judgment in another matter and had voluntarily entered into settlement discussions with Microsoft. Under these circumstances, the Court concluded that the Defendants were well aware that their conduct was illegal. In addition, the Court found that despite entering into an agreement in principal, they abandoned the settlement agreement and dissolved some of the corporations that had carried out infringing activities. The Court concluded that the Defendants showed a total disregard for Microsoft's rights and for the Court process. The Court stated that the amount of statutory damages must compensate Microsoft not only for the bad faith of the Defendants and their disregard for Microsoft's rights, but also to deter

the Defendants from continuing their infringing activities. To meet these objectives, the Court granted statutory damages in the amount of \$10,000 per copyrighted work, for a total of \$150,000 CAD, as requested by Microsoft.

Regarding punitive and exemplary damages, the Court reiterated that the Defendants were well aware of the illegality of their actions, but nonetheless actively promoted their activities by providing unauthorized copies of the software at a little or no cost, as part of the computer system they were selling. The Court agreed with Microsoft that significant punitive damages should be granted and that the requested amount of \$50,000 was appropriate under the circumstances.

Finally, the Court issued a permanent injunction against all of the Defendants and ordered the payment of a lump sum of \$50,000 representing solicitor/client costs and disbursements.

Conclusion

Although some may perceive Canadian law as being soft on punishing violations of copyrights and trade-mark rights, the present case shows that the Courts will not hesitate to order the full extent of the remedies available by law to compensate, punish and deter.

One of the major hurdles in enforcing intellectual property rights in Canada and abroad is that many defendants have little or no respect for intellectual property rights or for the Court process. Ultimately, the problem lies not so much on territorial laws being lax, or the Courts being overly tolerant, but rather with the fact that the sale of infringing or counterfeit products is so lucrative that individuals and corporations will not hesitate to pursue these illegal activities despite being ordered to stop. Until the consumer demand for cheap copies is curbed, intellectual property rights owner will have to continue to be vigilant and persistent in protecting their valuable assets.



