

Federal Court of Appeal



Cour d'appel fédérale

Date: 20170509

Docket: A-278-16

Citation: 2017 FCA 97

**CORAM: STRATAS J.A.
GLEASON J.A.
WOODS J.A.**

BETWEEN:

**VOLTAGE PICTURES, LLC, COBBLER NEVADA, LLC,
PTG NEVADA, LLC, CLEAR SKIES NEVADA, LLC,
GLACIER ENTERTAINMENT S.A.R.L. OF LUXEMBOURG,
GLACIER FILMS 1, LLC and FATHERS & DAUGHTERS
NEVADA, LLC**

Appellants

and

**JOHN DOE #1, PROPOSED REPRESENTATIVE
RESPONDENT ON BEHALF OF A CLASS OF
RESPONDENTS and ROGERS COMMUNICATIONS INC.**

Respondents

Heard at Toronto, Ontario, on January 11, 2017.

Judgment delivered at Ottawa, Ontario, on May 9, 2017.

REASONS FOR JUDGMENT BY:

STRATAS J.A.

CONCURRED IN BY:

**GLEASON J.A.
WOODS J.A.**

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REASONS FOR JUDGMENT

STRATAS J.A.

[1] Under the cloak of anonymity on the internet, some can illegally copy, download, and distribute the intellectual property of others, such as movies, songs and writings. Unless the

cloak is lifted and identities are revealed, the illegal conduct can continue, unchecked and unpunished.

[2] The appellants say this has been happening to them. They are movie producers. They have launched proceedings—a proposed reverse class action—against those they say have been downloading their movies illegally. But the appellants face an obstacle: without knowing the identities of the persons they believe have been infringing their copyrights—persons I shall call “suspected infringers”—they cannot advance their proceedings any further.

[3] Parliament has intervened to assist those in the position of the appellants. Under a relatively new legislative regime, Parliament has allowed copyright owners, like the appellants, to seek information from internet service providers to lift the cloak of anonymity and reveal the identity of the suspected infringers so the copyright owners can act to protect their rights: *Copyright Act*, R.S.C. 1985, c. C-42, sections 41.25 to 41.27 (added by the *Copyright Modernization Act*, S.C. 2012, c. 20, s. 47). The legislative regime regulates a number of matters, including the fee that an internet service provider may charge for the work it does.

[4] Using the legislative regime, the appellants sought information identifying a suspected infringer, the respondent, John Doe #1, from an internet service provider, Rogers Communications Inc. Rogers has now assembled the identifying information.

[5] The appellants moved for an order in the Federal Court requiring the identifying information to be disclosed to them. Rogers was prepared to disclose it, but only if the appellants

paid a fee. The appellants contested the fee, alleging that the legislative regime precluded Rogers from charging anything and that in any event it was far too high and, thus, unreasonable.

[6] The Federal Court (*per* Boswell J.) interpreted the legislative regime and, in the end, agreed with Rogers: 2016 FC 881. It ordered that the identifying information concerning John Doe #1 be disclosed to the appellants but only after they paid Rogers' fee.

[7] The appellants appeal to this Court. At first glance, the fee Rogers proposes—\$100 per hour of work plus HST—might strike some as not much of an obstacle for movie producers to pay. But the appellants say there are tens of thousands of suspected infringers whose identifying information can now only be had at the same fee. They see Rogers' fee and the Federal Court's approval of it as a multi-million dollar barrier between them and the starting gate for their legal proceedings—proceedings they consider necessary to protect and vindicate their rights in the movies they make.

[8] The appellants submit that Rogers' fee cannot stand. In their view, the Federal Court erred in law in interpreting the legislative regime.

[9] For the following reasons, I agree with the appellants. The appeal must be allowed with costs.

A. Interpreting the legislative regime

[10] The outcome of this appeal turns on how we interpret this legislative regime. It must be interpreted in accordance with the text of the legislative provisions, their context, the purposes of the legislative regime and, more broadly, the purposes of the *Copyright Act*: see *Bell ExpressVu Limited Partnership v. Rex*, 2002 SCC 42, [2002] 2 S.C.R. 559; *Rizzo & Rizzo Shoes Ltd. (Re)*, [1998] 1 S.C.R. 27, 154 D.L.R. (4th) 193; *Canada Trustco Mortgage Co. v. Canada*, 2005 SCC 54, [2005] 2 S.C.R. 601. We must also regard this legislative regime as “remedial” and give it “such fair, large and liberal construction and interpretation as best ensures the attainment of its objects”: *Interpretation Act*, R.S.C. 1985, c. I-21, section 12.

[11] As mentioned above, the legislative regime consists of sections 41.25, 41.26 and 41.27 of the *Copyright Act*. Section 41.27 provides for injunctive relief against a provider of an information location tool that is found to have infringed copyright. As this part of the legislative regime is not in issue in this appeal and as it sheds light on neither the issues before us nor the proper interpretation of this legislative regime, it shall not be discussed further.

B. Legislative text

[12] Sections 41.25 and 41.26 of the *Copyright Act* provide as follows:

41.25. (1) An owner of the copyright in a work or other subject-matter may send a notice of claimed infringement to a person who provides

41.25. (1) Le titulaire d’un droit d’auteur sur une oeuvre ou tout autre objet du droit d’auteur peut envoyer un avis de prétendue violation à la personne qui fournit, selon le cas :

(a) the means, in the course of providing services related to the operation of the Internet or another digital network, of telecommunication through which the electronic location that is the subject of the claim of infringement is connected to the Internet or another digital network;

(b) for the purpose set out in subsection 31.1(4), the digital memory that is used for the electronic location to which the claim of infringement relates; or

(c) an information location tool as defined in subsection 41.27(5).

(2) A notice of claimed infringement shall be in writing in the form, if any, prescribed by regulation and shall

(a) state the claimant's name and address and any other particulars prescribed by regulation that enable communication with the claimant;

(b) identify the work or other subject-matter to which the claimed infringement relates;

(c) state the claimant's interest or right with respect to the copyright in the work or other subject-matter;

(d) specify the location data for the electronic location to which the claimed infringement relates;

a) dans le cadre de la prestation de services liés à l'exploitation d'Internet ou d'un autre réseau numérique, les moyens de télécommunication par lesquels l'emplacement électronique qui fait l'objet de la prétendue violation est connecté à Internet ou à tout autre réseau numérique;

b) en vue du stockage visé au paragraphe 31.1(4), la mémoire numérique qui est utilisée pour l'emplacement électronique en cause;

c) un outil de repérage au sens du paragraphe 41.27(5).

(2) L'avis de prétendue violation est établi par écrit, en la forme éventuellement prévue par règlement, et, en outre :

a) précise les nom et adresse du demandeur et contient tout autre renseignement prévu par règlement qui permet la communication avec lui;

b) identifie l'oeuvre ou l'autre objet du droit d'auteur auquel la prétendue violation se rapporte;

c) déclare les intérêts ou droits du demandeur à l'égard de l'oeuvre ou de l'autre objet visé;

d) précise les données de localisation de l'emplacement électronique qui fait l'objet de la prétendue violation;

(e) specify the infringement that is claimed;

e) précise la prétendue violation;

(f) specify the date and time of the commission of the claimed infringement; and

f) précise la date et l'heure de la commission de la prétendue violation;

(g) contain any other information that may be prescribed by regulation.

g) contient, le cas échéant, tout autre renseignement prévu par règlement

41.26. (1) A person described in paragraph 41.25(1)(a) or (b) who receives a notice of claimed infringement that complies with subsection 41.25(2) shall, on being paid any fee that the person has lawfully charged for doing so,

41.26. (1) La personne visée aux alinéas 41.25(1)a) ou b) qui reçoit un avis conforme au paragraphe 41.25(2) a l'obligation d'accomplir les actes ci-après, moyennant paiement des droits qu'elle peut exiger :

(a) as soon as feasible forward the notice electronically to the person to whom the electronic location identified by the location data specified in the notice belongs and inform the claimant of its forwarding or, if applicable, of the reason why it was not possible to forward it; and

a) transmettre dès que possible par voie électronique une copie de l'avis à la personne à qui appartient l'emplacement électronique identifié par les données de localisation qui sont précisées dans l'avis et informer dès que possible le demandeur de cette transmission ou, le cas échéant, des raisons pour lesquelles elle n'a pas pu l'effectuer;

(b) retain records that will allow the identity of the person to whom the electronic location belongs to be determined, and do so for six months beginning on the day on which the notice of claimed infringement is received or, if the claimant commences proceedings relating to the claimed infringement and so notifies the person before the end of those six months, for one year after the day on which the person receives the

b) conserver, pour une période de six mois à compter de la date de réception de l'avis de prétendue violation, un registre permettant d'identifier la personne à qui appartient l'emplacement électronique et, dans le cas où, avant la fin de cette période, une procédure est engagée par le titulaire du droit d'auteur à l'égard de la prétendue violation et qu'elle en a reçu avis, conserver le registre pour une période d'un an suivant la

notice of claimed infringement.

date de la réception de l'avis de
prétendue violation.

(2) The Minister may, by regulation, fix the maximum fee that a person may charge for performing his or her obligations under subsection (1). If no maximum is fixed by regulation, the person may not charge any amount under that subsection.

(2) Le ministre peut, par règlement, fixer le montant maximal des droits qui peuvent être exigés pour les actes prévus au paragraphe (1). À défaut de règlement à cet effet, le montant de ces droits est nul.

(3) A claimant's only remedy against a person who fails to perform his or her obligations under subsection (1) is statutory damages in an amount that the court considers just, but not less than \$5,000 and not more than \$10,000.

(3) Le seul recours dont dispose le demandeur contre la personne qui n'exécute pas les obligations que lui impose le paragraphe (1) est le recouvrement des dommages-intérêts préétablis dont le montant est, selon ce que le tribunal estime équitable en l'occurrence, d'au moins 5 000 \$ et d'au plus 10 000 \$.

(4) The Governor in Council may, by regulation, increase or decrease the minimum or maximum amount of statutory damages set out in subsection (3).

(4) Le gouverneur en conseil peut, par règlement, changer les montants minimal et maximal des dommages-intérêts préétablis visés au paragraphe (3).

C. The state of the law before the legislative regime was enacted

[13] The earlier state of the law sheds much light on the purposes of the legislative regime.

The legislative scheme was aimed at reducing the complexity and cumbersomeness under the earlier law so that copyright owners could better protect and vindicate their rights.

[14] We start with the problem mentioned at the start of these reasons. Copyright owners need information concerning the identities of suspected copyright infringers and internet service

providers hold that information. But internet service providers are understandably reluctant to disclose their customers' information.

[15] The same sort of problem happens in other contexts. Sometimes persons are wronged and intend to bring legal proceedings for the wrong but cannot: they do not know the identity of their wrongdoers. However, a third party does know or has the means of knowing.

[16] Over four decades ago, courts found a solution to this problem: the equitable bill of discovery. A party can use this mechanism to obtain a pre-litigation order against a third party compelling disclosure of identifying information and documents. Today, such an order is often called a *Norwich* order, named after the House of Lords decision that fashioned it: *Norwich Pharmacal Co. v. Customs & Excise Commissioners*, [1973] UKHL 6, [1974] A.C. 133.

[17] In the Federal Courts system, *Norwich* orders can be obtained under Rule 233 of the *Federal Courts Rules*, SOR/98-106: *BMG Canada Inc. v. Doe*, 2005 FCA 193, [2005] 4 F.C.R. 81.

[18] *Norwich* orders are by no means sure things to get. One must show a valid, *bona fide* or reasonable claim, the involvement of a third party in the impugned acts, necessity in the sense that the third party is the only practical source of the information, and desirability in the sense that the interests of justice favour the obtaining of disclosure from the third party.

[19] And that is not all. The court must balance the benefit to the applicant against the prejudice to the alleged wrongdoer in releasing the information. Factoring into the equation is the nature of the information sought, the degree of confidentiality associated with the information by the party against whom the order is sought, and the degree to which the requested order curtails the use to which the information can be put. Finally, the person from whom discovery is sought can be reasonably compensated for the expenses arising out of compliance with the discovery order. See generally *BMG Canada Inc.*, above; *Straka v. Humber River Regional Hospital* (2000), 51 O.R. (3d) 1; 193 D.L.R. (4th) 680 (C.A.); *1654776 Ontario Limited v. Stewart*, 2013 ONCA 184, 114 O.R. (3d) 745.

[20] In seeking a *Norwich* order, complications can arise. What sort of information and documents is the moving party entitled to receive? Does notice have to be sent to the suspected wrongdoers? If so, what is the content of the notice? What sort of compensation is the holder of information and documents entitled to receive? How long must that party retain the information and records? Many other questions can arise.

D. The purpose of the legislative regime

[21] The legislative regime is designed to reduce the complications and answer many of the questions that can arise when a *Norwich* order is sought. In this way, it makes the process more administrative in nature, more predictable, simpler and faster, to the benefit of all involved—but most of all to copyright owners who need to protect and vindicate their rights.

[22] As we shall see, the legislative regime protects and vindicates the rights of copyright owners in other ways, such as by putting suspected infringers on notice so that they may cease any further infringing conduct.

[23] The protection and vindication of the rights of copyright owners is no small thing. That is a central feature of the *Copyright Act*. It is also a central feature of the *Copyright Modernization Act*, the statute that added the legislative regime to the *Copyright Act*. These statutes don't just identify the purpose of protecting and vindicating the rights of copyright owners; they also tell us why this purpose matters.

[24] The preamble to the *Copyright Modernization Act* tells us, among other things, that it is to “update the rights and protections of copyright owners” and to “enhanc[e] the protection of copyright works or other subject-matter” in order to promote “culture and innovation, competition and investment in the Canadian economy.” Economic growth creates wealth and employment. The *Copyright Modernization Act* is needed because of “advancements in...information and communications technologies that...present...challenges that are global in scope.” Further, “the challenges and opportunities of the Internet” need to be addressed. The preamble to the *Copyright Modernization Act* also reminds us that the *Copyright Act* is “an important marketplace framework law and cultural policy instrument that, through clear, predictable and fair rules, supports creativity and innovation and affects many sectors of the knowledge economy.”

[25] The *Copyright Act* itself aims at “a balance between promoting the public interest in the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator”: *Théberge v. Galerie d'Art du Petit Champlain Inc.*, 2002 SCC 34, 2 S.C.R. 336 at para. 30. Or as the Supreme Court also put it, “to prevent someone other than the creator from appropriating whatever benefits may be generated”: *ibid.*; see also *CCH Canadian Ltd. v. Law Society of Upper Canada*, 2004 SCC 13, 1 S.C.R. 339 at para. 23.

[26] The overall aim, then, is to ensure that in the age of the internet, the balance between legitimate access to works and a just reward for creators is maintained. The internet must not become a collection of safe houses from which pirates, with impunity, can pilfer the products of others' dedication, creativity and industry. Allow that, and the incentive to create works would decline or the price for proper users to access works would increase, or both. Parliament's objectives would crumble. All the laudable aims of the *Copyright Act*—protecting creators' and makers' rights, fostering the fair dissemination of ideas and legitimate access to those ideas, promoting learning, advancing culture, encouraging innovation, competitiveness and investment, and enhancing the economy, wealth and employment—would be nullified.

[27] Thus, to the extent it can, the legislative regime must be interpreted to allow copyright owners to protect and vindicate their rights as quickly, easily and efficiently as possible while ensuring fair treatment of all.

E. Analyzing the legislative regime

[28] The holders of records who are subject to this legislative regime are defined with particularity under subsection 41.25(1). But for simplicity I shall refer to them in these reasons as internet service providers.

[29] The legislative regime imposes certain obligations upon internet service providers that have identifying information. The legislative regime also regulates the fee that internet service providers can seek from copyright owners for their efforts.

[30] Here's how the legislative regime works. Under section 41.25 of the Act, the owner of a copyright in a work or other subject-matter, such as the appellants, sends a notice of infringed copyright to an internet service provider like Rogers. The notice sets out certain information that allows the internet service provider to review its records and identify the suspected infringer: see subsection 41.25(2) of the Act.

[31] Subsection 41.26(1) of the Act sets out the obligations of the internet service provider upon receiving the notice of infringed copyright and upon the payment of any fee that can be "lawfully charged."

[32] The internet service provider has two sets of obligations: one set in paragraph 41.26(1)(a) and another set in paragraph 41.26(1)(b). Some obligations are express and are evident in the literal wording of these paragraphs. Other obligations are necessarily incidental to, implied from

or bound up in the express obligations. These other obligations must also exist—otherwise, the purposes underlying the legislative regime will be unfulfilled or, worse, frustrated.

(1) The obligations under paragraph 41.26(1)(a)

[33] The internet service provider must forward the notice of claimed infringement to “the person to whom the electronic location identified by the location data specified in the notice belongs,” namely the suspected infringer. This furthers the objective of fairness to suspected infringers online: among other things, they may be able to oppose any later disclosure order concerning their information and forestall trouble by contacting the copyright owners and offering any apologies, explanations or settlement proposals. They may also cease their infringing activities, capping both the damage to the copyright owner and their own potential liability.

[34] These objectives, the overall purposes of this legislative regime, and the broader purposes of the *Copyright Act* can only be met if the internet service provider maintains its records in a manner and form that allow it to identify suspected infringers quickly and efficiently, it has searched for and has located the relevant records, and it has done enough work analyzing the records to satisfy itself that it has identified the suspected infringers accurately.

[35] For the legislative regime to work, accuracy must be assured. Thus, to the extent the internet service provider must conduct verification activities to ensure accuracy, the verification activities must be part and parcel of the paragraph 41.26(1)(a) obligations.

[36] Finally, the internet service provider must notify the copyright owner that it has sent notices to the suspected infringers or must explain why it was not able to send them.

(2) The obligations under paragraph 41.26(1)(b)

[37] The internet service provider must “retain records” that “will allow the identity of the person to whom the electronic location belongs to be determined” by those who will use the records. The “records” are those the internet service provider has located and maintains in a manner and form usable by it to identify suspected infringers in accordance with its paragraph 41.26(1)(a) obligations. But the records may not be in a manner and form usable by those seeking to determine the identity of the suspected infringers. Who might those persons be? No doubt the copyright owner needs to know the identity of the suspected infringers so it can determine its options. And ultimately a court will need to know the identity of the suspected infringers so it can determine the issues of copyright infringement and remedy.

[38] Thus, bearing in mind the purposes of the legislative scheme and the broader purposes of the *Copyright Act*, Parliament must have intended that the records be in a manner and form that can be used by the copyright owner to determine its options and, ultimately, by the court to determine issues of copyright infringement and remedy.

[39] To the extent that the records are in a manner and form usable by the internet service provider to identify suspected infringers but are not in a manner and form usable by copyright owners and courts—in other words, to the extent they must be translated or modified in some

way—the internet service provider must perform that work as part of its 41.26(1)(b) obligations. An indecipherable jumble of randomly arranged records that copyright owners and courts cannot figure out will not, in the words of paragraph 41.26(1)(b), “allow [copyright holders and courts to determine] the identity of the person to whom the electronic location belongs.” The records must also be retained in a manner that can be disclosed promptly. Only the prompt provision of helpful, usable records to copyright owners and ultimately to the courts fulfils the purposes of the legislative regime and the broader purposes of the *Copyright Act*.

(3) A summary of the internet service provider’s obligations under subsection 41.26(1)

[40] Overall, putting the two sets of subsection 41.26(1) obligations together, the internet service provider must maintain records in a manner and form that allows it to identify suspected infringers, to locate the relevant records, to identify the suspected infringers, to verify the identification work it has done (if necessary), to send the notices to the suspected infringers and the copyright owner, to translate the records (if necessary) into a manner and form that allows them both to be disclosed promptly and to be used by copyright owners and later the courts to determine the identity of the suspected infringers, and, finally, to keep the records ready for prompt disclosure.

[41] These obligations arise only upon the internet service provider being paid a “lawfully charged” fee: see the opening words of subsection 41.26(1); see also subsection 41.26(2), which regulates the amount of the fee. What fee can an internet service provider charge? In this case, what fee can Rogers charge?

(4) The fee that the internet service provider can charge

[42] Under subsection 41.26(2), the responsible Minister, the Minister of Industry, may, by regulation, fix the maximum fee that an internet service provider like Rogers can charge for performing the subsection 41.26(1) obligations. But if no maximum fee is fixed by regulation, the internet service provider may not charge anything for performing the subsection 41.26(1) obligations.

[43] At present, no regulation has been passed. Thus, internet service providers such as Rogers cannot charge a fee for the discharge of their subsection 41.26(1) obligations, as significant as they are.

[44] In the abstract, some may query the policy wisdom of this. But when the text, context and purpose of the legislative regime and the broader purposes of the Copyright Act are kept front of mind and when a little bit of legislative history is taken into account, the query is answered.

[45] Before the enactment of this legislative regime, internet service providers were consulted on the issue of the fee and a number of other matters: see the explanatory note to the order that brought sections 41.25 and 41.26 into force (P.C. 2014-675): *Canada Gazette*, Part II, v. 148, no. 14, pp. 2121-2122. This gave internet service providers an opportunity to weigh in and express concerns about whether the obligations to be imposed on them were too onerous, impractical or expensive.

[46] Looking at the version of the legislative regime that was enacted after the consultations ended, one may surmise that uncertainty remained on the issue of the fee. Rather than specifying a particular amount or a particular formula by which a fee could be calculated, Parliament adopted a more flexible posture.

[47] Another way of putting this is that subsection 41.26(2) has been drafted in a way that makes “no fee” for the subsection 41.26(1) obligations the default position. Depending on everyone’s experience concerning the operation of the legislative regime, the Minister of Industry might later make a regulation setting a maximum fee. When in force, that regulation would displace the default position.

[48] The default position of “no regulation and, thus, no fee” for the 41.26(1) obligations is a legislative choice that, at least for the time being, prioritizes considerations of access to identifying information to allow copyright owners the ability to protect and vindicate their rights over the economic interests of internet service providers. This is no surprise given the purposes the legislative regime serves and the broader purposes of the *Copyright Act*.

[49] Inherent in this legislative choice is the view that leaving the cost of the subsection 41.26(1) obligations with internet service providers, at least for the time being, is not unfair. After all, depending on the elasticity of demand, the costs can be passed on to the subscribers of the products of internet service providers, some of whom are the suspected infringers.

[50] If subsection 41.26(2) were drafted differently and internet service providers were allowed to charge without restriction, the purposes behind this legislative regime and the larger purposes of the *Copyright Act* would be frustrated. Internet service providers could potentially charge a fee so large that copyright owners would be dissuaded from obtaining the information they need to protect and vindicate their rights. Parliament's aims of protecting the rights of copyright owners, fostering the wide dissemination of ideas and legitimate access to those ideas, promoting learning, advancing culture, encouraging innovation, competitiveness and investment, and enhancing the economy, wealth and employment would be thwarted. But the pirates' safe houses would thrive.

[51] Throughout the hearing before us, Rogers submitted that it ought to receive reasonable compensation for what it does and that it should not be forced to provide services for free. This may be so in a political, commercial or moral sense. But, as the foregoing analysis of this remedial legislative regime suggests, this is not so in a legal sense.

[52] At present, if the absence of a regulation and the attendant prohibition against charging a fee for the discharge of the subsection 41.26(1) obligations causes economic hardship for internet service providers like Rogers, one immediate recourse is to limit their costs of compliance with their obligations. For example, they can apply their advanced technological expertise to their systems to make their compliance with subsection 41.26(1) more automatic, more efficient and less expensive.

[53] Indeed, this was foreseen and was encouraged. Internet service providers were given six month's advance notice of the entry into force of the legislative regime so that they could "implement or modify their systems": see the explanatory note, above, published in the *Canada Gazette*, above at p. 2122.

[54] And now of course, with the benefit of experience under this new legislative regime and also with the benefit of this Court's interpretation of the legislative regime, the internet service providers can plead their economic case to the Minister and ask for a regulation that would allow them to charge a fee for their work in discharging their subsection 41.26(1) obligations.

F. What the legislative regime does not regulate

[55] After the internet service provider has performed its subsection 41.26(1) activities, it is holding records that are in a manner and form that can be disclosed promptly to copyright owners and that can be used by copyright owners and courts to determine the identity of suspected infringers. All that is left is the actual act of disclosure to the copyright owner. The legislative regime does not regulate this.

[56] As mentioned above, the legislative regime was enacted against the backdrop of the *Norwich* order process, a process that includes the act of disclosure. But by not regulating the act of disclosure, the legislative regime does not displace the *Norwich* order process entirely. The *Norwich* order process remains to govern disclosure.

[57] Thus, it appears that Parliament elected to keep the courts in charge of deciding whether disclosure should be made and, if so, on what conditions. Again, Parliament seems to have sought flexibility: to ensure that at the end of the process the courts can deal with any unfairness arising under this new legislative regime.

[58] Unless an internet service provider is willing to hand over the retained records voluntarily, the copyright owner must seek an order for disclosure. It is reasonable for an internet service provider to insist that a disclosure order be sought. The order can protect it against aggrieved customers whose information is being disclosed.

[59] What criteria govern the granting of that order? It must be recalled that *Norwich* orders emanate from the equitable bill of discovery and so all of the discretionary considerations that can affect equitable relief are live. Further, as *BMG Canada Inc.* tells us, *Norwich* orders can be sought in the Federal Courts system under Rule 233. And under Rule 53(1), the Federal Courts “may impose such conditions and give such directions as [they consider] just.”

[60] However, the court’s power to impose conditions and make directions is restricted in one major way. A court is bound by the law on the books, in this case sections 41.25 and 41.26 of the *Copyright Act*. As we have seen, in the absence of a regulation, subsection 41.26(2) forbids the charging of a fee for the internet service providers’ discharge of their obligations under subsection 41.26(1). A court cannot authorize the charging of fees that Parliament says cannot be charged.

G. The charging of a fee for the act of disclosure

[61] The internet service provider can charge a fee for the actual, reasonable and necessary costs associated with the act of disclosure. The act of disclosure does not fall within subsection 41.26(1) and, thus, is not subject to the “no regulation and, thus, no fee” default rule in subsection 41.26(2).

[62] What do we mean by the act of disclosure? It will be recalled that after the internet service provider has performed its subsection 41.26(1) activities, it is holding records that are in a manner and form that allows them to be used by copyright owners and courts to determine the identity of suspected infringers and in a manner and form that allows prompt disclosure. All that is left is the delivery or electronic transmission of these records by the internet service provider to the copyright owner and the internet service provider’s participation in the obtaining of a disclosure order from the Court.

[63] The actual, reasonable and necessary costs of delivery or electronic transmission of the records by the internet service provider are likely to be negligible.

[64] Similarly, the costs associated with a motion for a disclosure order are likely to be minimal. A single disclosure order can authorize the release of the identifying information of many suspected infringers, perhaps even thousands. Except in extraordinary cases, the motion for a disclosure order would proceed as a Rule 369 motion in writing on consent or unopposed, with standard material and a standard draft order placed before the Court. That standard draft

order could include a standard amount, likely nominal, to compensate the internet service provider for its disclosure activities, and nothing else.

H. Analysis of the Federal Court's decision

[65] In the case before us, the Federal Court made an order requiring Rogers to disclose the records it had retained. It was also minded to allow Rogers to charge a fee for its efforts. The issue before us is whether, in light of the principles discussed above, the Federal Court erred in setting the fee.

[66] In the Federal Court, Rogers was prepared to disclose the records if the appellants submitted a proposed form of order and paid a fee of \$100 per hour plus HST “to cover its costs associated with compiling such information”: Federal Court’s reasons at para. 18.

[67] As best as can be determined, Rogers completed its work to satisfy its subsection 41.26(1) obligations. But in response to the appellants’ request for disclosure, Rogers re-did some of its work, reviewing the information in its computer system to identify the suspected infringer. To do this, it used a completely different system, one used for law enforcement requests. Rogers says that it needed to do this additional work in order to verify its earlier work and ensure accuracy. Rogers’ \$100 per hour fee is based mainly on the cost of this additional work.

[68] The Federal Court approved the fee. According to the Federal Court, “the fee is what it is” and if the appellants want the information “they must pay the hourly fee”: Federal Court’s reasons at para. 21. The fee is to compensate Rogers for the work necessary to “assemble, verify and forward the Subscriber information to the [appellants]”: Federal Court’s reasons at para. 21.

[69] The Federal Court’s reasoning appears to have been that the legislative regime does not provide for disclosure of the information and it does not say that a fee cannot be charged for “complying with a disclosure order made in respect of that information” (at para. 8). Accordingly, in its view, the usual requirement of a *Norwich* order—that the copyright owner reimburse the internet service provider for its reasonable costs—remains unaffected by the legislation. As a result, the Federal Court concluded that it could allow a fee to be paid to Rogers to cover its costs of discharging the subsection 41.26(1) obligations.

[70] In my view, this holding was vitiated by legal error. Under the legislative regime, described and analyzed above, an internet service provider cannot charge a fee for the costs of discharging its subsection 41.26(1) obligations, enumerated and described in paragraph 40, above. Allowing an internet service provider at the point of disclosure to charge a fee for these costs would be an end run around the legislative decision that these activities should not be remunerated at this time.

[71] The additional work Rogers did was identification and verification work. Rogers should have completed this work as part of its subsection 41.26(1) obligations—matters for which it cannot charge a fee at this time. If an internet service provider like Rogers has discharged its

subsection 41.26(1) obligations properly, there should be no need to re-do the work. As mentioned above, the legislative regime contemplates that an internet service provider will discharge its subsection 41.26(1) obligations fully and accurately so that notices are sent only to the correct people and so the correct records can be used by copyright owners and courts if proceedings are later started.

[72] The appellants submit that the Federal Court also erred in saying that the “fee is what it is.” They submit that the Federal Court must always ensure that a fee is reasonable in the circumstances. I agree that the Federal Court did not assess the reasonableness of the fee and should have. While the Federal Court noted (at paragraph 19) that “Rogers has offered evidence as to how the \$100 per hour fee was established and why it is reasonable,” the Federal Court never explicitly assessed its reasonableness.

[73] For these reasons, paragraph 2 of the Federal Court’s order, which requires the appellants to pay Rogers a fee of \$100 per hour plus HST for its services, must be set aside.

I. What should this Court do in this case?

[74] It is open to us to examine the evidence and to make the order the Federal Court should have made: *Federal Courts Act*, R.S.C. 1985, c. F-7, para. 52(b)(i).

[75] As mentioned above, on a motion for a disclosure order, the Court may attach a condition to the order, allowing for compensation to be paid to the internet service provider provided this is

consistent with the legislation. It is for the internet service provider to adduce the evidence necessary to prove its actual, reasonable and necessary costs that can and should be compensated—in this case the costs associated with the act of disclosure. Rogers failed to adduce sufficient evidence on this. It has not satisfied its burden.

[76] The only evidence in the record suggests that Rogers' cost of disclosure in 2012 was, at most, \$0.50 per IP address: cross-examination of Ms. Jackson, QQ. 261-295; appeal book at pp. 118-121. But this evidence is not precise enough to be relied upon. The words "at most" mean that the cost in 2012 could have been less than \$0.50 per IP address, perhaps significantly less. As well, evidence from 2012 does not tell us much about the present cost of disclosure: as we have seen, the entry into force of the legislative regime was delayed in order for internet service providers to improve their systems. This may have happened and so the cost now may be less. We simply do not know.

[77] Rogers has incurred legal costs in relation to the disclosure order both in the Federal Court and this Court. However, in the circumstances of this case, costs must follow the event, and it will be Rogers that pays the appellants' costs, not *vice versa*. In any event, granting a condition on a disclosure order allowing for compensation is a matter of discretion, at least in part guided by equitable considerations. In light of the position taken by Rogers in this litigation, I would exercise my discretion against any compensation for its legal costs.

[78] None of the foregoing prevents Rogers in future cases from charging a fee, likely nominal, compensating it for the actual, reasonable and necessary costs associated with the act of disclosure as defined in paragraph 62 above.

[79] Again, if Rogers and other internet service providers consider this level of compensation for their work to be unfair, they can ask the Minister to pass a regulation setting a maximum fee. As explained, this would permit them to charge a fee not just for the act of delivery, but also for the discharge of their subsection 41.26(1) obligations.

J. Proposed disposition

[80] For the foregoing reasons, I would allow the appeal. I would set aside paragraph 2 of the Federal Court's order dated July 28, 2016 in file T-662-16. I would set aside the award of costs in paragraph 10 of that order and award the appellants their costs here and below payable by the respondent, Rogers Communications Inc.

“David Stratas”

J.A.

“I agree
Mary J.L. Gleason J.A.”

“I agree
Judith Woods J.A.”

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET:

A-278-16

**APPEAL FROM AN ORDER OF THE HONOURABLE MR. JUSTICE BOSWELL
DATED JULY 28, 2016, NO. T-662-16**

STYLE OF CAUSE:

VOLTAGE PICTURES, LLC *et al.*
v. JOHN DOE #1, PROPOSED
REPRESENTATIVE
RESPONDENT ON BEHALF OF A
CLASS OF RESPONDENTS AND
ROGERS COMMUNICATIONS
INC.

PLACE OF HEARING:

TORONTO, ONTARIO

DATE OF HEARING:

JANUARY 11, 2017

REASONS FOR JUDGMENT BY:

STRATAS J.A.

CONCURRED IN BY:

GLEASON J.A.
WOODS J.A.

DATED:

MAY 9, 2017

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