



# Intellectual Property Update

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## ***TV BOXES CROSS THE LINE: INDUCING COPYRIGHT IN- FRINGEMENT***

**O**n June 1, 2016, the Federal Court granted Bell, Rogers and Videotron an interlocutory injunction prohibiting the five named defendants from continuing to sell and promote the sale of “pre-loaded” set-top boxes.<sup>1</sup> The court also granted the plaintiffs the right to add defendants to the action and the injunction order as deemed necessary. Such additional defendants may, within 14 days after being served, apply to the court to vary the injunction order as it applies to them.

Otherwise known as “tv boxes”, the set-top boxes are electronic devices that can be connected to any standard television set in order to access content available via the Internet. The devices were originally developed for gaming applications and other lawful uses. However, the defendants had apparently preloaded software applications on their set-top boxes that directed users to content from sources available via the Internet that were not authorized by the copyright owners to distribute that content in Canada. In doing so, the defendants crossed the legal line and were found to have engaged in acts of *prima facie* copyright infringement.

### **What is a TV Box?**

Set-top boxes have two components, namely: (a) the hardware component which is the electronic device and; (b) the software component, namely the software application known as a “media player” which provides a user interface to operate the electronic device, to manage internal local media files and to navigate and to download/stream media of various types from the Internet.

In this case, there was no real dispute respecting the hardware component. The court’s attention was focused on the software component which was usually a free and open-source media player software application selected and preloaded on the set-top boxes by the defendants. As the court observed:

In my view, the only reason why many users have access to infringing content is because set-top boxes preloaded with KODI (and the proper add-ons), Showbox or a private IPTV service make it extremely easy to do so. While some consumers might have the desire and the technical knowledge to seek out and download such applications, many others might not. The Defendants market themselves to consumers specifically on the basis that their

“plug-and-play” set-top boxes make it easy to eliminate the need for a cable subscription.

### **What is Protected by Copyright?**

In Canada, the copyright owner has the “sole right to produce or reproduce the work or any substantial part thereof in any material form whatever”. This includes the sole right to “communicate the work to the public by telecommunication”.<sup>2</sup>

In a series of decisions released in 2012, the Supreme Court of Canada confirmed that content which is “streamed” to an individual consumer in a point-to-point fashion is a communication to the public by telecommunication within the meaning of the *Copyright Act*.<sup>3</sup> This finding has since been incorporated by an amendment to the *Copyright Act* which specifies that communication of a work to the public by telecommunication includes making it available to the public by telecommunication in a way that allows a member of the public to have access to it from a place and at a time individually chosen by that member of the public.<sup>4</sup>

### **What is Copyright Infringement?**

It is direct or primary infringement of copyright for any person to do, without the consent of the copyright owner, anything that only the copyright

owner has the right to do.<sup>5</sup>

It is secondary infringement of copyright for any person to, inter alia, “by way of trade distribute, expose ... a copy of a work...or of a communication signal that the person knows or should have known infringes copyright or would infringe copyright if it had been made in Canada by the person who made it”.<sup>6</sup>

Direct and secondary copyright infringement are separate and distinct causes of action which may lead to the liability of separate defendants without reference to the other.<sup>7</sup>

### What are the Available Remedies?

Where infringement is established, the infringing party may be required to disgorge its profits to the copyright owner as well as compensating the copyright owner for any other losses that it suffered. In the alternative, the copyright owner may elect to recover statutory damages which are fixed by the *Copyright Act* as “not less than \$500 and not more than \$20,000...for each work” if the infringement took place in a commercial setting, subject to the court’s discretion to reduce such a damage award if “grossly out of proportion to the infringement”.<sup>8</sup>

Where a plate has been used or is intended to be used for the production of infringing copies, the copyright owner may also commence legal proceeding to seize and destroy those plates. For the purpose of the *Copyright Act*, a plate includes “any matrix or other appliance used or intended to be used for making or reproducing sound recordings...or communication signals”.<sup>9</sup> In this case, the court may, after trial, order that the offending software applications be removed from the defendants’ inventory of set-top boxes.

### Is there any Defence Available?

The most relevant defence to such ac-

tivity may be section 2.4(1)(b) of the *Copyright Act* which provides that:

For the purposes of communication to the public by telecommunication, ... a person whose only act in respect of the communication of a work or other subject-matter to the public consists of providing the means of telecommunication necessary for another person to so communicate the work or other subject-matter does not communicate that work or other subject-matter to the public.<sup>10</sup>

This section is known as the “common carrier” exemption and it shields from liability the activities associated with providing the means for another person to communicate by telecommunication. Ironically, it was originally implemented to protect the operators of telecommunications networks, like

Bell Canada, with respect to content transmitted via telephone lines. With respect to the Internet, all entities who act as simple intermediaries for the transmission of content via the Internet will generally qualify for this exemption. In 2004, the Supreme Court of Canada found that the common carrier exemption applies to the passive activities of Internet Service Providers (ISP’s), including the automatic “caching” of data to accelerate searches.<sup>11</sup>

One of the defendants did, in fact, attempt to rely on this exemption by arguing that “set-top boxes are nothing more than a conduit with substantial non-infringing uses”. To support this defence, the defendant relied on the following factors:

- a. the hardware operates in the same manner as a tablet or computer;

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- b. the defendant did not “develop, produce, service or maintain” the preloaded software; and
- c. anyone can install the software applications which are freely available to the public via the Internet.

However, an intermediary is only entitled to claim the exemption so long as its role in respect of a given transmission is limited to:

- a. providing a “conduit” to allow data initiated by other persons to be transmitted via the Internet; and
- b. its ancillary services are content neutral and fall short of involving it in the act of communicating the work or authorizing its communication.

An intermediary may lose the benefit of the common carrier exemption where the courts infer that it did, in fact, “authorize” the infringing activity by either acts of commission or omission.<sup>12</sup> In 2004, the Supreme Court of Canada defined “authorize” with respect to copyright infringement in the following terms:

“Authorize” means to “sanc-

tion, approve, and countenance”: *Muzak Corp. v. Composers, Authors and Publishers Association of Canada Ltd.*, [1953] 2 S.C.R. 182 at p. 193, 19 C.P.R. 1; *de Tervagne v. Beloeil (Town)*, [1993] 3 F.C. 227, 50 C.P.R. (3d) 419 (F.C.T.D.). Countenance in the context of authorizing copyright infringement must be understood in its strongest dictionary meaning, namely, “give approval to, sanction, permit, favour, encourage”: see *The New Shorter Oxford English Dictionary* (1993), vol. 1, at p. 526. Authorization is a question of fact that depends on the circumstances of each particular case and can be inferred from acts that are less than direct and positive, including a sufficient degree of indifference: *CBS Inc. v. Ames Records & Tapes Ltd.*, [1981] 2 All E.R. 812 at pp. 823-24 (Ch. D.). However, a person does not authorize infringement by authorizing the mere use of equipment that could be used to infringe copyright. Courts should presume that a person who authorizes an activity does so only so far as it is in accordance with the law: *Muzak*, supra. This presumption may be

rebutted if it is shown that a certain relationship or degree of control existed between the alleged authorizer and the persons who committed the copyright infringement: *Muzak*, supra; *de Tervagne*, supra. See also, J.S. McKeown, *Fox Canadian Law of Copyright and Industrial Designs*, 4th ed. (looseleaf), at p. 21-104 and P.D. Hitchcock, “Home Copying and Authorization” (1983), 67 C.P.R. (2d) 17, at pp. 29-33.<sup>13</sup>

In this case, the court found that the statutory defence provided in section 2.4(1)(b) of the *Copyright Act* does not apply where the defendants “go above and beyond selling a simple ‘means of communication’”. In this regard, the court found that the defendants “deliberately encourage consumers and potential clients to circumvent authorized ways of accessing content... both in the manner in which they promote their business, and by offering tutorials in how to add and use applications which rely on illegally obtained content.” In the view of the Court, this activity constituted *prima facie* acts of copyright infringement.

## Conclusion

This case provides a good example of how an otherwise lawful electronic device may become unlawful through the addition of software. In addition to violating copyright, such a combination may also cause an otherwise lawful device to violate patents and industrial designs which protect user interfaces. As further demonstrated by this case, the fact that the offending software may be freely available to anyone via the Internet will not provide a defence. ■

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(Endnotes)

1 *Bell Canada et al. v. 1326030 Ontario Inc. dba ITVBOX.NET et al.* 2016, T-759-16 (FC)

2 *Copyright Act*, RSC 1985, C-42 (as amended), section 3

3 *Entertainment Software Assn. v. Society of Composers, Authors & Music Publishers of Canada* (2012), 102 C.P.R. (4th) 161 (S.C.C.)

4 *Copyright Act*, RSC 1985, C-42 (as amended), section 2.1(1.1)

5 *Copyright Act*, RSC 1985, C-42 (as amended), section 27(1)

6 *Copyright Act*, RSC 1985, C-42 (as amended), section 27(2)

7 *Compo Co. v. Blue Crest Music Inc.* (1976), 30 C.P.R. (2d) 14 (Fed. C.A.); affirmed (1979), [1980] 1 S.C.R. 357 at 373 (S.C.C.)

8 *Copyright Act*, RSC 1985, C-42 (as amended), section 35 & 38.1

9 *Copyright Act*, RSC 1985, C-42 (as amended), section 2 & 38

10 *Copyright Act*, RSC 1985, C-42 (as amended), section 2.4(1)(b)

11 *Society of Composers, Authors & Music Publishers of Canada v. Canadian Assn. of Internet Providers* (2004) 32 C.P.R. (4th) 1 (S.C.C.)

12 Ibid.

13 *CCH Canadian Limited v. The Law Society of Upper Canada*, [2004] SCC 13

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