

Supreme Court Rules on Notice and Notice Obligations - Copyright Owners Have to Pay (Something) to Play

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On September 14, 2018, the Supreme Court of Canada released its anticipated decision in *Rogers Communications Inc. v. Voltage Pictures, LLC*.¹ As a result of this decision, it appears that copyright owners will be required to pay Internet service providers (ISPs) to get sufficient information to bring lawsuits against alleged copyright infringers, *i.e.*, the names and addresses of the account holders of Internet Protocol (IP) addresses associated with illegal file sharing of copyright-protected works.

In sum, the Court found that Rogers, as an ISP, is subject to both express and implicit obligations regarding accurate recordkeeping and electronically forwarding copyright notices under the “notice-and-notice” regime set out in sections 41.25 and 41.26 of Canada’s *Copyright Act*. ISPs cannot currently charge a fee for performing these obligations because the *Copyright Act* requires that a maximum fee be set before any fee may be charged, and to date there is no regulation setting a maximum fee. However, the Supreme Court found that the statutory obligations of ISPs do not include keeping records in a manner that permits them to actually identify a person that has been served with notice from a copyright owner, *i.e.*, the notice-and-notice regime doesn’t require ISPs to be able to readily identify alleged infringers to a copyright owner. Copyright owners must seek a *Norwich* order to compel ISPs to disclose the identities of IP account holders, and now the Supreme Court’s decision confirms that ISPs are entitled to recover their reasonable costs for identifying such persons in response. What constitutes reasonable costs has been left to be determined by trial judges based on evidence from ISPs, in light of the Court’s comments on the scope of section 41.26.

The *Rogers* decision is an important ruling on copyright enforcement and the role of ISPs in policing infringements. The matter involves a series of copyright infringement claims by Voltage Pictures, LLC and a number of other film production companies (collectively, “Voltage”) against individuals alleged to be illegally sharing digital files of Voltage’s films. By monitoring illegal file sharing websites, Voltage has identified IP addresses associated with the file sharing and alleges that approximately 55,000 persons in Canada have infringed Voltage’s copyrights. Voltage proposed to launch a “reverse” class action against these alleged infringers, using the IP address of a Rogers customer as the representative defendant in a mass claim by a single plaintiff against potentially thousands of defendants.

The issues before the Supreme Court arose from Voltage’s attempts to compel Rogers to disclose the identity of the customer selected as the representative defendant. Voltage initially attempted to seek disclosure under the notice-and-notice regime, but the Federal Court found

¹ 2018 SCC 38 [*Rogers*].

that sections 41.25 and 41.26 of the *Copyright Act* do not provide for such identification. Voltage then sought a *Norwich* order, which allows Canadian courts to grant discovery of information on third parties under certain circumstances.

The Federal Court issued a *Norwich* order requiring Rogers to identify the representative defendant but allowed Rogers' request for a \$100/hour fee for assembling, verifying, and forwarding the customer information. Litigation can be a costly process, and in a normal class action proceeding the fees are split amongst many plaintiffs; here the proposed "reverse" class action could mean significant fees for Voltage in the face of many defendants being pursued at once. While \$100/hour may not be significant when trying to identify a single alleged infringer, in a reverse class action against thousands of defendants, the fees add up. The trial judge found that it was reasonable for Rogers to charge for up to an hour of time to identify just the representative defendant John Doe, and with an alleged 55,000 infringers the resources cost for ISPs to identify so many customers are commensurately multiplied.

Voltage appealed to the Federal Court of Appeal on the issue of paying \$100/hour for the information on Rogers' customers and argued that Rogers was not permitted to charge a fee for discharging its statutory obligations under section 41.26(1) of the *Copyright Act* to (i) forward copyright notices to its customers, and (ii) retain records allowing the identity of those customers to be determined. Although section 41.26(2) provides that a fee may be set by regulation for performing these obligations, to date no fee has been set and so the default position is that Rogers "may not charge any amount". The Federal Court of Appeal agreed with Voltage and held that the trial court had erred in not assessing the reasonableness of Rogers' fees for complying with the *Norwich* order.

The Supreme Court's decision clarifies the scope of Rogers' (and other ISPs') obligations under section 41.26 and specifies that these obligations do not extend to being able to readily identify customers' identities in response to a *Norwich* order. The Supreme Court indicated that the notice-and-notice regime imposes certain express and implicit obligations on ISPs. Specifically, section 41.26(1) expressly requires that ISPs forward notices of claimed copyright infringement to their customers, and that ISPs retain records for a period of six months from the date of notice that would allow the identities of those allegedly infringing customers to be determined. The Supreme Court further held that ISPs are implicitly obligated to take any steps necessary to ensure the accuracy of their records to allow the identity of a customer to be determined, *i.e.*, ISPs are required under the *Copyright Act* to verify their records for accuracy. However, the Supreme Court distinguished between these express and implicit obligations under the notice-and-notice regime, and the obligations of an ISP to actually identify a person from its records pursuant to a *Norwich* order, stating:

... a copyright owner who wishes to sue a person alleged to have infringed copyright online must obtain a *Norwich* order to compel the ISP to disclose that

person's identity. The statutory notice and notice regime has not displaced this requirement, but operates in tandem with it.²

Although section 41.26 requires an ISP to keep records in a form and manner that allows the ISP to identify a person subject to a copyright notice, the provision “does not require that they be kept in a form and manner which would permit a copyright owner or a court to do so.”³ The Court found that requirement under a *Norwich* order for an ISP to provide customer identifying information falls outside the scope of an ISP's obligations under the notice-and-notice regime set out in the *Copyright Act*.

The Supreme Court's decision means that copyright owners seeking to enforce against illegal file sharing will have to pay the reasonable costs of ISPs to retrieve and share the identities of IP address account holders. In this case, the Court sent the matter back to a trial judge to hear evidence from Rogers as to its costs to identify its customers, and going forward it appears that motion judges will be left to assess evidence from ISPs as to their reasonable fees for compliance with *Norwich* orders. It will be interesting to see what factors will be considered in assessing what costs are “reasonable”, and whether Rogers' \$100/hour fee is ultimately upheld.

² *Rogers* at para. 24.

³ *Rogers* at para. 48.