

Date: 20050519

Docket: A-203-04

Citation: 2005 FCA 193

**CORAM: RICHARD C.J.
NOËL J. A.
SEXTON J.A.**

BETWEEN:

**BMG CANADA INC., EMI MUSIC CANADA, A DIVISION OF EMI GROUP CANADA
INC., SONY MUSIC ENTERTAINMENT (CANADA) INC.,
UNIVERSAL MUSIC CANADA INC., WARNER MUSIC CANADA LTD.,
BMG MUSIC, ARISTA RECORDS INC.,
ZOMBA RECORDING CORPORATION, EMI MUSIC SWEDEN AB,
CAPITOL RECORDS, INC., CHRYSALIS RECORDS LIMITED,
VIRGIN RECORDS LIMITED, SONY MUSIC ENTERTAINMENT INC.,
SONY MUSIC ENTERTAINMENT (UK) INC., UMG RECORDINGS, INC.,
MERCURY RECORDS LIMITED AND WEA INTERNATIONAL INC.**

**Appellants
(Plaintiffs)**

and

**JOHN DOE, JANE DOE AND ALL THOSE PERSONS WHO ARE INFRINGING
COPYRIGHT IN THE PLAINTIFFS' SOUND RECORDINGS**

Defendants

and

**SHAW COMMUNICATIONS INC., ROGER CABLE COMMUNICATIONS INC., BELL
CANADA, TELUS INC., AND VIDEOTRON LTEE.**

Third Party Respondents

Heard at Toronto, Ontario, on April 20 and 21, 2005.

Judgment delivered at Ottawa, Ontario, May 19, 2005.

REASONS FOR JUDGMENT BY:

SEXTON J.A.

CONCURRED IN BY:

RICHARD C.J.
NOËL J.A.

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REASONS FOR JUDGMENT

SEXTON J.A.

Introduction

[1] This case illustrates the tension existing between the privacy rights of those who use the Internet and those whose rights may be infringed or abused by anonymous Internet users.

[2] Canada's music producers and recording industry are very concerned about infringement of copyright in their musical works through the use of Internet file sharing. They maintain that the industry, including the creators of the musical works, lose millions of dollars every year in sales due to the unauthorized downloading of files. They wish to bring action against the infringers but do not have their identity. They allege that the only means of ascertaining the identity is through the Internet Service Providers (ISPs), who provide the internet service to the infringers.

[3] The ISPs, citing privacy concerns, have refused to provide the names of the Internet users, who are downloading files of the recording industry, without a court order.

[4] Citizens legitimately worry about encroachment upon their privacy rights. The potential for unwarranted intrusion into individual personal lives is now unparalleled. In an era where people perform many tasks over the Internet, it is possible to learn where one works, resides or shops, his or her financial information, the publications one reads and subscribes to and even specific newspaper articles he or she has browsed. This intrusion not only puts individuals at

great personal risk but also subjects their views and beliefs to untenable scrutiny. Privacy advocates maintain that if privacy is to be sacrificed, there must be a strong *prima facie* case against the individuals whose names are going to be released. Whether this is the correct test will be addressed in this decision.

[5] Ultimately the issue is whether the identity of persons who are alleged to infringe musical copyright can be revealed despite the fact that their right to privacy may be violated. Each side presents compelling arguments and the difficulty lies in reaching a balance between the competing interests.

Facts

[6] The plaintiffs consist of the largest musical providers in Canada and claim to collectively own the Canadian copyrights in more than 80% of the sound recordings sold to the public in Canada.

[7] The plaintiffs claim that 29 internet users have each downloaded more than 1000 songs (the Songs) over which the plaintiffs have copyright onto their home computers and, by means of what is called a “peer-to-peer” (P2P) file sharing program, are infringing the plaintiffs’ copyright by providing access to their files, thus reproducing or distributing the plaintiffs’ Songs to countless other Internet users. The persons are alleged to be using 29 distinct Internet locations (IP addresses) to carry out their infringing activities.

[8] The respondents are ISPs who administer the 29 IP addresses and are said to be the only entities who have information regarding the identity of the 29 persons.

[9] The plaintiffs are unable to determine the name, address or telephone number of any of the 29 internet users in question as they operate under pseudonyms associated with software which they use; e.g., Geekboy@KaZaA. However, they have conducted an investigation, through which, they submit, it was discovered that these individuals used IP addresses registered with the ISPs. The plaintiffs sought an order, pursuant to Rules 233 and 238 of the *Federal Court Rules, 1998*, SOR/98-106 (Rules), to compel the ISPs to disclose the names of the customers who used the 29 IP addresses at times material to these proceedings. The respondents had previously refused to provide the information voluntarily.

[10] The plaintiffs wish to pursue litigation against these 29 individuals but being unaware of their identities, they commenced this action against “John Doe, Jane Doe and all those persons who are infringing copyright in the plaintiffs’ sound recordings” and then brought this motion before the Federal Court to identify these 29 individuals.

[11] On the motion, the plaintiffs filed affidavits of Gary Millin, President of MediaSentry Inc. (MediaSentry), a company that provides online anti-piracy protection by specializing in automated detection of the unauthorized distribution of copyrighted materials on the Internet. The plaintiffs had retained MediaSentry to investigate file-sharing of the Songs.

[12] The affidavits explained that the plaintiffs provided a list of the Songs to MediaSentry. MediaSentry through its computer program then searched the Internet and identified 29 IP addresses as addresses from which large numbers of sound recordings, including the Songs, were being offered for copying. Screenshots were saved showing the numerous files being offered at these IP addresses. Copies of the files were then requested and received from these IP addresses. MediaSentry's program also matched each of the 29 IP addresses to the specific ISP who administered each IP address at the relevant time. MediaSentry provided the files it received to a representative of the plaintiffs who confirmed that the contents of these files corresponded with the Songs.

[13] The ISPs responded in different ways. Shaw, Bell and Telus argued that cross-examination showed that the affidavits were hearsay and not in compliance with Rule 81 of the Rules, maintaining *inter alia* that Mr. Millin had not done the investigation personally and had not revealed his sources of information and hence his evidence could not be accepted. Most importantly, they argued that because the evidence was hearsay, the plaintiffs had failed to establish any connection between the pseudonyms from which MediaSentry extracted the sound recordings on the Internet (i.e. Geekboy@KaZaA) and the IP addresses connected to the various respondent. Further, Shaw and Telus argued that under Rule 238 and the principles relating to equitable bills of discovery, that the plaintiffs had failed to establish a *prima facie* case of infringement and therefore no discovery could be ordered. They also argued that it would be burdensome and expensive to extract the information from their records. They along with the respondent, Rogers, maintained that the information would be stale dated and hence unreliable

due to the delay between the time they were being asked to provide the information and the time when MediaSentry did their investigation. This fed their concerns about protecting the privacy of their customers whom they were obliged to protect by virtue of the *Personal Information Protection and Electronic Documents Act, 2000, c. 5* (PIPEDA). Videotron agreed with the plaintiffs' submissions on copyright infringement and adopted them as its own. Finally, while Bell and Videotron had privacy concerns, they indicated they were able to produce the information requested without difficulty but would not do so without a court order in view of PIPEDA.

[14] The motion was dismissed by the Federal Court.

[15] The Motions Judge held that:

- a) Rule 233 was not applicable because it presupposes the existence of specified documents. Here, the documents that would reveal the identity of the 29 persons did not pre-exist. Rather, documents containing the information would have to be created by the respondents through the use of existing logs and tapes.

- b) The affidavits filed in support of the motion were deficient in that the evidence failed to satisfy the requirements of Rule 81 because "major portions of these affidavits are based upon information which Mr. Millin gained from his employees. Accordingly they consist largely of hearsay.... Mr. Millin gives no reason for his beliefs."

- c) Because of the conclusions in (a) and (b), there was no clear evidence that the requisite relationship between the IP addresses and the pseudonyms had been established.

- d) Although the plaintiffs brought the motion pursuant to Rule 238, the legal principles applicable to equitable bills of discovery should apply to applications under Rule 238.

- e) The test articulated by the Motions Judge for granting an equitable bill of discovery was as follows:

Equitable Bill of Discovery Requirements

- (a) the applicant must establish a *prima facie* case against the unknown alleged wrongdoer;

- (b) the person from whom discovery is sought must be in some way involved in the matter under dispute, he must be more than an innocent bystander;

- (c) the person from whom discovery is sought must be the only practical source of information available to the applicants;

- (d) the person from whom discovery is sought must be reasonably compensated for his expenses arising out of compliance with the discovery order in addition to his legal costs;

(e) the public interests in favour of disclosure must outweigh the legitimate privacy concerns.

- f) With respect to Criterion (a) of the equitable bill of discovery requirements, the Motions Judge found that the affidavits were also deficient in that they did not establish a *prima facie* case of infringement of copyright. In this connection the Motions Judge embarked upon a consideration of whether there had been an infringement of copyright. He said *inter alia*, at paragraphs 25 to 29:

Thus, downloading a song for personal use does not amount to infringement. See *Copyright Board of Canada, Private Copying 2003-2004 decision*, 12 December 2003 at page 20.

No evidence was presented that the alleged infringers either distributed or authorized the reproduction of sound recordings. They merely placed personal copies into their shared directories which were accessible by other computer users via a P2P service.

As far as authorization is concerned, the case of *CCH Canada Ltd. v. Law Society of Canada*, 2004 SCC 13, established that setting up the facilities that allow copying does not amount to authorizing infringement. I cannot see a real difference between a library that places a photocopy machine in a room full of copyrighted material and a computer user that places a personal copy on a shared directory linked to a P2P service. In either case the preconditions to copying and infringement are set up but the element of authorization is missing....

The mere fact of placing a copy on a shared directory in a computer where that copy can be accessed via a P2P service does not amount to distribution. Before it constitutes distribution, there must be a positive act by the owner of the shared directory, such as sending or the copies or advertising that they are available for copying. No such evidence was presented by the plaintiffs in this case. They merely presented evidence that the alleged infringers made copies available on their shared drives. The exclusive right to make available is included in the *World Intellectual Property Organization Performances and Phonograms Treaty*, (WPPT), 20/12/1996 (CRNR/DC/95, December 23, 1996), however that treaty has not yet been implemented in Canada and therefore does not form part of Canadian copyright law.

Lastly, while the plaintiffs allege that there was secondary infringement contrary to s. 27(2) of the *Copyright Act*, they presented no evidence of knowledge on the part of the infringer. Such evidence of knowledge is a necessary condition for establishing infringement under that section.

- g) The Motions Judge found that the plaintiffs met the requirements of Criterion (b) of the equitable bill of discovery principles relating to the involvement of the ISPs.
- h) With respect to Criterion (c), the Motions Judge found that he was not satisfied that the information could not have been obtained from the operators of the web sites named (i.e. KaZaA, *et al*).
- i) With respect to Criterion (d), the respondents would have to be compensated for their expenses if an order were granted.
- j) Finally, with respect to Criterion (e), because of the age of the data and its consequent unreliability, the privacy interests of the 29 persons outweighed the public interest concern in favour of disclosure.

ANALYSIS

Standard of Review

[16] The standard of review on questions of law, such as the correct tests to be applied with respect to the granting of equitable bills of discovery or the interpretation of the *Federal Court Rules*, is correctness. The standard of review with respect to findings of fact involves a

consideration of whether the judge made a palpable and overriding error. See *Housen v. Nikolaisen*, [2002] 2. S.C.R. 235 at 248, 252, and 256.

Rule 233

[17] I can find no palpable and overriding error in the conclusions of the Motions Judge with respect to Rule 233.

[18] Rule 233(1) states,

233. (1) On motion, the Court may order the production of any document that is in the possession of a person who is not a party to the action, if the document is relevant and its production could be compelled at trial.

233. (1) La Cour peut, sur requête, ordonner qu'un document en la possession d'une personne qui n'est pas une partie à l'action soit produit s'il est pertinent et si sa production pourrait être exigée lors de l'instruction.

[19] The information sought by the plaintiffs may be buried in logs and tapes but is not presently in a readable format. Since the documents in a readable format do not currently exist and would have to be created, Rule 233 has no application. The Rule contemplates the production of documents which are “in the possession of a person”. It cannot be said that documents which do not exist are in the possession of a person.

Rule 81

[20] I am of the view that the Motions Judge made no palpable and overriding error in concluding that the plaintiffs' material was deficient in that it failed to comply with Rule 81.

81. (1) Affidavits shall be confined to facts within the personal knowledge of the deponent, except on motions in which statements as to the deponent's belief, with the grounds therefor, may be included.

(2) Where an affidavit is made on belief, an adverse inference may be drawn from the failure of a party to provide evidence of persons having personal knowledge of material facts.

81. (1) Les affidavits se limitent aux faits dont le déclarant a une connaissance personnelle, sauf s'ils sont présentés à l'appui d'une requête, auquel cas ils peuvent contenir des déclarations fondées sur ce que le déclarant croit être les faits, avec motifs à l'appui.

(2) Lorsqu'un affidavit contient des déclarations fondées sur ce que croit le déclarant, le fait de ne pas offrir le témoignage de personnes ayant une connaissance personnelle des faits substantiels peut donner lieu à des conclusions défavorables.

[21] Much of the crucial evidence submitted by the plaintiffs was hearsay and no grounds are provided for accepting that hearsay evidence. In particular, the evidence purporting to connect the pseudonyms with the IP addresses was hearsay thus creating the risk that innocent persons might have their privacy invaded and also be named as defendants where it is not warranted. Without this evidence there is no basis upon which the motion can be granted and for this reason alone the appeal should be dismissed.

[22] However the reasons of the Motions Judge extend beyond merely dealing with the hearsay evidence issue. Rather the reasons address such matters as the appropriate procedure necessary to obtain the identities of the users, the proper test to be applied by the Court in granting orders compelling disclosure of the identities, and vital copyright infringement issues. It is therefore necessary to address these issues.

Rule 238

[23] In spite of the arguments of the respondents, I believe this proceeding could be brought pursuant to Rule 238 of the Rules.

238. (1) A party to an action may bring a motion for leave to examine for discovery any person not a party to the action, other than an expert witness for a party, who might have information on an issue in the action.

(2) On a motion under subsection (1), the notice of motion shall be served on the other parties and personally served on the person to be examined.

(3) The Court may, on a motion under subsection (1), grant leave to examine a person and determine the time and manner of conducting the examination, if it is satisfied that

(a) the person may have information on an issue in the action;

(b) the party has been unable to obtain the information informally from the person or from another source by any other reasonable means;

(c) it would be unfair not to allow the party an opportunity to question the person before trial; and

(d) the questioning will not cause undue delay, inconvenience or expense to the person or to the other parties.

238. (1) Une partie à une action peut, par voie de requête, demander l'autorisation de procéder à l'interrogatoire préalable d'une personne qui n'est pas une partie, autre qu'un témoin expert d'une partie, qui pourrait posséder des renseignements sur une question litigieuse soulevée dans l'action.

(2) L'avis de la requête visée au paragraphe (1) est signifié aux autres parties et, par voie de signification à personne, à la personne que la partie se propose d'interroger.

(3) Par suite de la requête visée au paragraphe (1), la Cour peut autoriser la partie à interroger une personne et fixer la date et l'heure de l'interrogatoire et la façon de procéder, si elle est convaincue, à la fois :

a) que la personne peut posséder des renseignements sur une question litigieuse soulevée dans l'action;

b) que la partie n'a pu obtenir ces renseignements de la personne de façon informelle ou d'une autre source par des moyens raisonnables;

c) qu'il serait injuste de ne pas permettre à la partie d'interroger la personne avant l'instruction;

d) que l'interrogatoire n'occasionnera pas de retards, d'inconvénients ou de frais déraisonnables à la personne ou aux autres parties.

[24] Rule 238(2) provides that notice of the motion must be served “on the other parties”. Since the identities of the other parties are presently unknown to the plaintiffs, service is not possible and the respondents argued, therefore, that Rule 238 does not provide a procedure to discover the identities. Furthermore, they argued that Rule 238 is contained in a section under the general heading “Examination for Discovery” and that one would not normally expect the identity of each defendant to be revealed for the first time on an examination for discovery.

[25] However, the plaintiffs argued that the main issue on the motion was the identity of each person who is committing infringement of the plaintiffs’ copyrights. I agree and find that because this issue inevitably falls within the words in Rule 238(1) as being “an issue in the action”, Rule 238 is broad enough to permit discovery in cases such as this.

[26] As to the respondent’s arguments, there is provision in the Rules to deal with the matter of service. Rule 136 allows the court to order substituted service or to dispense with service altogether. This Court has used the previously equivalent Rule to order substituted service where the persons whom the appellants sought to serve, had no address. The substituted service there consisted of providing notice of the appeal through newspaper publication (*Indian Manufacturing Ltd. et al. v. Lo et al* (1996), 68 C.P.R. (3d) 174 (F.C.A.)). Also, although it is true that examinations for discovery of a third party are not routinely ordered, and should not become common place, they nevertheless are clearly applicable and necessary in cases where the plaintiffs will be frustrated from pursuing their actions because they are unaware of the identity of the people they wish to sue. Furthermore, under Rule 238(3), the court may determine “the

manner of conducting the examination”. Thus a court could, in cases such as the present, limit the discovery to the submission of written questions which could be followed by written answers, limited to revealing only the identity of the users complained of, or such other limitations as the court might consider necessary.

[27] It is worth noting that in *Irwin Toy v. Doe*, [2000] O.J. No. 3318, the Ontario Superior Court of Justice indicated that rules 30.10 and 31.10 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, which are comparable to Rule 238, could be used to compel production of the identity of senders of e-mail from ISPs . There, the moving party successfully brought a motion to compel production of the identity of an individual who had sent an e-mail publication containing defamatory statements about the individual plaintiff. Similarly, in *Loblaw Companies Ltd. v. Aliant Telecom Inc.*, [2003] N.B.J. No 208, the New Brunswick Court of Queen’s Bench used Rule 32.12 of the *New Brunswick Rules of Court*, N.B. Reg. 82-73, also comparable to Rule 238, to compel production of the identity of an individual who had sent an e-mail containing confidential payroll information about a number of senior Loblaw employees to thirty-four other employees of Loblaw. Loblaw sought the identity of the person because spreading confidential information could have given rise to an action for damages or for an injunction against the individual who circulated the information.

Equitable Bills of Discovery

[28] An equitable bill of discovery is an equitable remedy that is discretionary in nature. In Lord Denning’s words in *British Steel Corp. v. Granada Television Ltd.*, [1981] 1 All E.R. 417

(C.R.) at p. 439, the bill of discovery “enables a person, who has been injured by wrongdoing, to bring an action to discover the name of the wrongdoer”.

[29] The concept has been accepted by this Court in *Glaxo Welcome PLC v. Canada (Minister of National Revenue)* (1998), 81 C.P.R. (3rd) 372 and was explained by Stone J.A. at paragraph 20:

The equitable bill of discovery is in essence a form of pre-action discovery... It is of ancient origin. It developed alongside the procedures for discovery which are ordinarily available in the course of litigation and which, it is worth noting, also originated in the courts of equity.... This remedy permits a court, acting through its equitable jurisdiction, to order discovery of a person against whom the applicant for the bill of discovery has no cause of action and who is not a party to contemplated litigation. While it appears that an independent action for discovery cannot be brought against a person who is in the position of a "mere witness" or bystander to the cause of action, the case law suggests that a bill of discovery may be issued against an individual who is in some way connected to or involved in the misconduct.

[30] The Motions Judge, while finding that the motion was brought pursuant to Rule 238, went on to hold that the criteria for determining whether an equitable bill of discovery should be issued, would be equally applicable to a proceeding brought under Rule 238. I agree. In my view, the plaintiffs could invoke either Rule 238 or equitable bills of discovery and in either case, the legal principles relating to equitable bills of discovery would be applicable. The same issues are at stake in both procedures and there would seem to be no reason for not applying the same legal principles.

[31] While I agree that the criteria relating to granting an equitable bill of discovery can be applied to a Rule 238 motion in cases such as this, I disagree with the description of the first

aspect of the test made by the Motions Judge. He said that the plaintiff has to provide evidence of a *prima facie* case. The plaintiffs argued that this was the wrong test and that the proper test should be whether the plaintiff has a *bona fide* claim against the proposed defendant. The respondents said that the plaintiffs had argued before the Motions Judge that the *prima facie* test was the correct one and that they should not be allowed to take a different position on appeal. If the respondents are correct as to what was argued before the Motions Judge, this might explain why he adopted the *prima facie* test. In any event, it is the duty of this Court to get the test right regardless of what was or is argued by counsel.

[32] I am of the view that the proper test is whether the plaintiff has a *bona fide* claim against the proposed defendant. This is the test enunciated by this Court in *Glaxo, supra*, on very similar facts, after it considered *Norwich Pharmacal Co. v. Customs and Excise Commissioners*, [1974] A.C. 133, where the test was reviewed by the House of Lords. In *Glaxo, supra*, the appellant sought disclosure of the names of individuals whose identity was unknown to Glaxo and who it was alleged had imported certain drugs into Canada, having the effect of infringing Glaxo's patent. Glaxo sought the names of the importers from Revenue Canada who were said to have the required information for the purposes of the *Customs Act*, R.S. 1985, c. 1 (2nd Supp.). An order was granted for disclosure. In his decision, Stone J.A. said at paragraphs 30 and 44:

It is of interest to note that several Canadian courts have adopted the Norwich Pharmacal approach to interpreting their own rules of civil procedure authorizing pre-action discovery.¹⁴ See for example Rule 18.02(c) of Nova Scotia's Civil Procedure Rules and Rule 18.02(1)(c) of Prince Edward Island's Rules of Civil Procedure.¹⁴ For instance, the Prince Edward Island Court of Appeal in *Re Johnston and Frank Johnston's Restaurants Limited* (1980), 33 Nfld. & P.E.I.R. 341 at pages 348, 351 and 353, specified three main criteria which an applicant must satisfy in order to be entitled to discover a third party before launching legal proceedings. The applicant must demonstrate that he or she has a *bona fide* claim.

The Court added that the applicant's claim must be likely to succeed at trial, which according to my reading of the decision in *Norwich Pharmacal* was not an invariable requirement enunciated by the House of Lords. In an action for the infringement of patent rights, quite apart from a general denial, a defence of invalidity is often raised on the ground of lack of novelty, obviousness, insufficiency of specification or claims or some other recognized basis.¹⁵ See R.T. Hughes and J.H. Woodley, *Hughes and Woodley on Patents* (Toronto: Butterworths, 1984) at paragraph 36.15 It seems to me to go too far to insist that with respect to this kind of anticipated litigation, an applicant for a bill of discovery must show that he or she is likely to succeed at trial. As we have already seen, Lord Cross of Chelsea required that "the strength of the applicant's case" be considered as a factor, while Lord Kilbrandon spoke only of disclosing the names of persons "whom the appellants *bona fide* believe to be infringing" their patent rights. Finally, the applicant must also establish that he or she shares some sort of relationship with the third party against whom discovery is sought (i.e. that the person is in some way involved in the wrongdoing), and that the third party is the only practicable source of information available. These three requirements were likewise endorsed by the Nova Scotia Supreme Court in *Comeau, Re* (1986), 77 N.S.R. (2d) 57 at pages 59-60, and in *Leahy v. Dr. A.B.* (1992), 113 N.S.R. (2d) 417 at page 419. (emphasis added)

...

The next task is to determine whether the appellant has satisfied the criteria for issuing a bill of discovery. To my mind, the principles articulated in *Norwich Pharmacal*, *supra*, have direct application to the circumstances of the present case. Turning now to those principles, in my view the appellant has satisfied the threshold requirement for a bill of discovery in that it has a *bona fide* or legitimate claim against those who are importing RHCL into the country.(emphasis added).

[33] The *bona fide* test was adopted by the Ontario Court of Appeal in *Straka v. Humber River Regional Hospital* (2000), 51 O.R. (3d) 1 (O.C.A) where the respondent sought to compel production of confidential reference letters that had resulted in the respondent's failure to obtain an employment position. The Prince Edward Island Court of Appeal in *Re Johnston and Frank Johnston's Restaurants Limited*, [1980] P.E.I.J. No. 34 also adopted the *bona fide* test in a situation where the plaintiffs claimed they did not know the identity of persons they wished to sue.

[34] In my view, it would make little sense to require proof of a *prima facie* case at the stage of the present proceeding. The plaintiffs do not know the identity of the persons they wish to sue, let alone the details of precisely what was done by each of them such as to actually prove infringement. Such facts would only be established after examination for discovery and trial. The plaintiffs would be effectively stripped of a remedy if the Courts were to impose upon them, at this stage, the burden of showing a *prima facie* case. It is sufficient if they show a *bona fide* claim, i.e. that they really do intend to bring an action for infringement of copyright based upon the information they obtain, and that there is no other improper purpose for seeking the identity of these persons.

Other Criteria relating to Equitable Bills of Discovery

[35] As to the other criteria for granting an equitable bill of discovery, I agree with the conclusions of the Motions Judge. There should be clear evidence to the effect that the information cannot be obtained from another source such as the operators of the named websites (KaZaA, *et al*). Also if an order for disclosure were granted, consideration would have to be given to the costs incurred by the respondents in assembling the information.

Privacy Issues

[36] I agree with the Motions Judge's characterization of the 5th criteria - that is - the public interest in favour of disclosure must outweigh the legitimate privacy concerns of the person sought to be identified if a disclosure order is made.

[37] All respondents raise the privacy issue. It is a an important consideration. Pursuant to PIPEDA, ISPs are not entitled to “voluntarily” disclose personal information such as the identities requested except with the customer’s consent or pursuant to a court order. Indeed, pursuant to subsections 7(3)(c), 8(8) and 28 of PIPEDA, any organization that receives a request for the release of personal information must “retain the information for as long as is necessary to allow the individual to exhaust any recourse” under PIPEDA. Failure to comply could result in the organization being found guilty of an offence punishable on summary conviction or an indictable offence.

7. (3) For the purpose of clause 4.3 of Schedule 1, and despite the note that accompanies that clause, an organization may disclose personal information without the knowledge or consent of the individual only if the disclosure is

...

(c) required to comply with a subpoena or warrant issued or an order made by a court, person or body with jurisdiction to compel the production of information, or to comply with rules of court relating to the production of records;

...

8. (8) Despite clause 4.5 of Schedule 1, an organization that has personal information that is the subject of a request shall retain the information for as long as is necessary to allow the individual to exhaust any recourse under this Part that they may have.

...

28. Every person who knowingly contravenes subsection 8(8) or 27.1(1) or who obstructs the Commissioner or

7. (3) Pour l'application de l'article 4.3 de l'annexe 1 et malgré la note afférente, l'organisation ne peut communiquer de renseignement personnel à l'insu de l'intéressé et sans son consentement que dans les cas suivants :

...

c) elle est exigée par assignation, mandat ou ordonnance d'un tribunal, d'une personne ou d'un organisme ayant le pouvoir de contraindre à la production de renseignements ou exigée par des règles de procédure se rapportant à la production de documents;

...

8(8) Malgré l'article 4.5 de l'annexe 1, l'organisation qui détient un renseignement faisant l'objet d'une demande doit le conserver le temps nécessaire pour permettre au demandeur d'épuiser ses recours.

...

28. Quiconque contrevient sciemment aux paragraphes 8(8) ou 27.1(1) ou entrave l'action du commissaire -- ou

<p>the Commissioner's delegate in the investigation of a complaint or in conducting an audit is guilty of</p> <p>(a) an offence punishable on summary conviction and liable to a fine not exceeding \$10,000; or</p> <p>(b) an indictable offence and liable to a fine not exceeding \$100,000.</p>	<p>de son délégué -- dans le cadre d'une vérification ou de l'examen d'une plainte commet une infraction et encourt, sur déclaration de culpabilité :</p> <p>a) par procédure sommaire, une amende maximale de 10 000 \$;</p> <p>b) par mise en accusation, une amende maximale de 100 000 \$.</p>
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[38] Privacy rights are significant and they must be protected. In order to achieve the appropriate balance between privacy rights and the public interest in favour of disclosure, PIPEDA provides protection over personal information that is collected, held and used by organizations and allows disclosure of such information only in certain circumstances, enumerated in subsection 7(3). The purpose of PIPEDA, which is the establishment of rules governing the “collection, use and disclosure of personal information”, is articulated in section 3, which specifically states,

<p>3. The purpose of this Part is to establish, in an era in which technology increasingly facilitates the circulation and exchange of information, rules to govern the collection, use and disclosure of personal information in a manner that recognizes the right of privacy of individuals with respect to their personal information and the need of organizations to collect, use or disclose personal information for purposes that a reasonable person would consider appropriate in the circumstances.</p>	<p>3. La présente partie a pour objet de fixer, dans une ère où la technologie facilite de plus en plus la circulation et l'échange de renseignements, des règles régissant la collecte, l'utilisation et la communication de renseignements personnels d'une manière qui tient compte du droit des individus à la vie privée à l'égard des renseignements personnels qui les concernent et du besoin des organisations de recueillir, d'utiliser ou de communiquer des renseignements personnels à des fins qu'une personne raisonnable estimerait acceptables dans les circonstances.</p>
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[39] The delicate balance between privacy interests and public interest has always been a concern of the court where confidential information is sought to be revealed. Although PIPEDA had not been enacted at the time of the *Glaxo* decision, Stone J.A. nonetheless noted at paragraph 62:

I am not persuaded that this is a sufficient justification for refusing to disclose the identity of the importers in the present case. While section 107 implies that information collected pursuant to the Act will be treated as confidential, section 108 indicates that it is susceptible to disclosure in certain situations. I am thus doubtful that importers have a high expectation of confidentiality regarding the information which they furnish to customs officials. More important, I am sceptical about the expectation and degree of confidentiality associated with the nature of the information which the appellant seeks. As the House of Lords observed in *Norwich Pharmacal, supra*, the names of the importers are likely to pass through many hands before reaching those of customs officials. It is therefore not reasonable to regard the identity of the importers as particularly sensitive information. In my opinion, in the circumstances of this case the public interest in ensuring that the appellant is able to pursue in the courts those who have allegedly violated its patent rights outweighs the public interest in maintaining the confidentiality of the importers' names.

He also approved, at paragraph 26, of the statement of Viscount Dilhorne in *Norwich* as follows:

Subject to the public interest in protecting the confidentiality of information given to Customs, in my opinion it is clearly in the public interest and right for protection of patent holders, where the validity of the patent is accepted and the infringement of it not disputed, that they should be able to obtain by discovery the names and addresses of the wrongdoers from someone involved but not a party to the wrongdoing.

[40] The reasoning in *Glaxo* and *Norwich* is compelling. Intellectual property laws originated in order to protect the promulgation of ideas. Copyright law provides incentives for innovators - artists, musicians, inventors, writers, performers and marketers - to create. It is designed to ensure that ideas are expressed and developed instead of remaining dormant. Individuals need to be encouraged to develop their own talents and personal expression of artistic ideas, including music. If they are robbed of the fruits of their efforts, their incentive to express their ideas in tangible form is diminished.

[41] Modern technology such as the Internet has provided extraordinary benefits for society, which include faster and more efficient means of communication to wider audiences. This technology must not be allowed to obliterate those personal property rights which society has deemed important. Although privacy concerns must also be considered, it seems to me that they must yield to public concerns for the protection of intellectual property rights in situations where infringement threatens to erode those rights.

[42] Thus, in my view, in cases where plaintiffs show that they have a *bona fide* claim that unknown persons are infringing their copyright, they have a right to have the identity revealed for the purpose of bringing action. However, caution must be exercised by the courts in ordering such disclosure, to make sure that privacy rights are invaded in the most minimal way.

[43] If there is a lengthy delay between the time the request for the identities is made by the plaintiffs and the time the plaintiffs collect their information, there is a risk that the information as to identity may be inaccurate. Apparently this is because an IP address may not be associated with the same individual for long periods of time. Therefore it is possible that the privacy rights of innocent persons would be infringed and legal proceedings against such persons would be without justification. Thus the greatest care should be taken to avoid delay between the investigation and the request for information. Failure to take such care might well justify a court in refusing to make a disclosure order.

[44] Also, as the intervener, Canadian Internet Policy and Public Interest Clinic, pointed out, plaintiffs should be careful not to extract private information unrelated to copyright infringement, in their investigation. If private information irrelevant to the copyright issues is extracted, and disclosure of the user's identity is made, the recipient of the information may then be in possession of highly confidential information about the user. If this information is unrelated to copyright infringement, this would be an unjustified intrusion into the rights of the user and might well amount to a breach of PIPEDA by the ISPs, leaving them open to prosecution. Thus in situations where the plaintiffs have failed in their investigation to limit the acquisition of information to the copyright infringement issues, a court might well be justified in declining to grant an order for disclosure of the user's identity.

[45] In any event, if a disclosure order is granted, specific directions should be given as to the type of information disclosed and the manner in which it can be used. In addition, it must be said that where there exists evidence of copyright infringement, privacy concerns may be met if the court orders that the user only be identified by initials, or makes a confidentiality order.

Infringement of Copyright

[46] As has been mentioned, the Motions Judge made a number of statements relating to what would or would not constitute infringement of copyright. (See para. 15(f)). Presumably he reached these conclusions because he felt that the plaintiff, in order to succeed in learning the identity of the users, must show a *prima facie* case of infringement.

[47] In my view, conclusions such as these should not have been made in the very preliminary stages of this action. They would require a consideration of the evidence as well as the law applicable to such evidence after it has been properly adduced. Such hard conclusions at a preliminary stage can be damaging to the parties if a trial takes place and should be avoided.

[48] The danger in reaching such conclusions at the preliminary stages of an action without the availability of evidence nor consideration of all applicable legal principles are obvious and I will give some examples.

[49] When the Motions Judge stated that, under subsection 80(1) of the *Copyright Act*, R.S. 1985, c. C-42, “downloading a song for personal use does not amount to infringement,” he gave no consideration to the possible application of subsection 80(2) and the circumstances in which the defence of “private use” will not be available, such as, *inter alia*, where the reproduction of a musical work embodied in a sound recording onto an audio recording medium is done for the sale, rental, distribution, communication by telecommunication or performance to the public.

80. (1) Subject to subsection (2), the act of reproducing all or any substantial part of

(a) a musical work embodied in a sound recording,

(b) a performer's performance of a musical work embodied in a sound recording, or

(c) a sound recording in which a musical work, or a performer's performance of a musical work, is embodied

80. (1) Sous réserve du paragraphe (2), ne constitue pas une violation du droit d'auteur protégeant tant l'enregistrement sonore que l'oeuvre musicale ou la prestation d'une oeuvre musicale qui le constituent, le fait de reproduire pour usage privé l'intégralité ou toute partie importante de cet enregistrement sonore, de cette oeuvre ou de cette prestation sur un support audio.

(2) Le paragraphe (1) ne s'applique pas à la reproduction de l'intégralité ou de toute partie importante d'un enregistrement sonore, ou de l'oeuvre

<p>onto an audio recording medium for the private use of the person who makes the copy does not constitute an infringement of the copyright in the musical work, the performer's performance or the sound recording.</p> <p>(2) Subsection (1) does not apply if the act described in that subsection is done for the purpose of doing any of the following in relation to any of the things referred to in paragraphs (1)(a) to (c):</p> <p>(a) selling or renting out, or by way of trade exposing or offering for sale or rental;</p> <p>(b) distributing, whether or not for the purpose of trade;</p> <p>(c) communicating to the public by telecommunication;</p> <p>...</p>	<p>musicale ou de la prestation d'une oeuvre musicale qui le constituent, sur un support audio pour les usages suivants :</p> <p>a) vente ou location, ou exposition commerciale;</p> <p>b) distribution dans un but commercial ou non;</p> <p>c) communication au public par télécommunication;</p> <p>...</p>
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[50] The Motions Judge also did not appear to consider whether all the requirements for the application of the exemption relating to personal use contained in subsection 80(1) of the *Copyright Act* were satisfied. For example, if the users were not using an “audio recording medium”, the defence of private copying would not be available. (See *Copyright Board, Private copying 2003-2004* (December 12, 2003) and *Canada (Canadian Private Copying Collective) v. Canadian Storage Media Alliance*, 2004 FCA 424.)

[51] The Motions Judge relied upon the case of *CCH Canada Ltd. v. Law Society of Canada*, 2004 SCC 13 to say that there is no “authorization” by the users of the plaintiffs’ sound recordings in the present case, when he had at the same time said the evidence as to infringement

was inadequate. Obviously, at the early stages of this case, it is premature to reach any conclusion as to the applicability of the *CCH* case. Nor did the Motions Judge consider whether the users' act of copying the Songs onto their shared directory could constitute authorization because it invited and permitted other persons with Internet access to have the musical works communicated to them and be copied by them.

[52] The Motions Judge similarly made findings that there had been no "distribution" within the meaning of the *Copyright Act* so as to constitute infringement. He said that to have distribution, there must be a "positive act by the owner of the shared directory", implying that making copies "available on their shared drives" is not a positive act. It is not clear that the legislation requires a "positive act" and no authority is cited in support of his conclusion

[53] The Motions Judge found no evidence of secondary infringement contrary to subsection 27(2) of the *Copyright Act* because there was "no evidence of knowledge on the part of the infringer." This ignores the possibility of finding infringement even without the infringer's actual knowledge, if indeed he or she "should have known" there would be infringement.

Copyright Act subsection 27(2):

(2) It is an infringement of copyright for any person to

...

(b) distribute to such an extent as to affect prejudicially the owner of the copyright,

...

(d) possess for the purpose of doing anything referred to in paragraphs (a) to (c)...

(2) Constitue une violation du droit d'auteur l'accomplissement de tout acte ci-après en ce qui a trait à l'exemplaire d'une oeuvre, d'une fixation d'une prestation, d'un enregistrement sonore ou d'une fixation d'un signal de communication alors que la personne qui accomplit l'acte sait ou devrait savoir que la production de l'exemplaire constitue une violation de ce droit, ou en constituerait une si

a copy of a work, sound recording or fixation of a performer's performance 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. (emphasis added)

l'exemplaire avait été produit au Canada par la personne qui l'a produit:
...
b) la mise en circulation de façon à porter préjudice au titulaire du droit d'auteur;
...
d) la possession en vue de l'un ou l'autre des actes visés aux alinéas a) à c);
(je souligne)

[54] Thus, the danger of making such findings at the early stages of this case can be seen. I make no such findings here and wish to make it clear that if this case proceeds further, it should be done on the basis that no findings to date on the issue of infringement have been made.

[55] In the result, the appeal will be dismissed without prejudice to the plaintiffs' right to commence a further application for disclosure of the identity of the "users" taking into account these reasons.

[56] Having regard to what must be considered as divided success on this appeal, there will be no order as to costs.

"J. Edgar Sexton"

J.A.

"I agree
J. Richard C.J."

"I agree
Marc Noël J.A."

FEDERAL COURT OF APPEAL
NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-203-04

APPEAL FROM AN ORDER OF THE FEDERAL COURT DATED MARCH 31, 2004,
FEDERAL COURT FILE NO. T-292-04

STYLE OF CAUSE:BMG CANADA INC., EMI MUSIC CANADA, A
DIVISION OF EMI GROUP CANADA INC., SONY
MUSIC ENTERTAINMENT (CANADA) INC.,
UNIVERSAL MUSIC CANADA INC., WARNER MUSIC
CANADA LTD., BMG MUSIC, ARISTA RECORDS INC.,
ZOMBA RECORDING CORPORATION, EMI MUSIC
SWEDEN AB, CAPITOL RECORDS, INC., CHRYSALIS
RECORDS LIMITED, VIRGIN RECORDS LIMITED,
SONY MUSIC ENTERTAINMENT INC., SONY MUSIC
ENTERTAINMENT (UK) INC., UMG RECORDINGS,
INC., MERCURY RECORDS LIMITED AND WEA
INTERNATIONAL INC.

Appellants
(Plaintiffs)

and

JOHN DOE, JANE DOE AND ALL THOSE PERSONS
WHO ARE INFRINGING COPYRIGHT IN THE
PLAINTIFFS' SOUND RECORDINGS

Defendants

and

SHAW COMMUNICATIONS INC., ROGER CABLE
COMMUNICATIONS INC., BELL CANADA, TELUS
INC., AND VIDEOTRON LTEE.

Third Party Respondents

PLACE OF HEARING: TORONTO, ONTARIO

DATES OF HEARING: APRIL 20 and 21, 2005

**REASONS FOR
JUDGMENT BY:** SEXTON J.A.

CONCURRED IN BY: RICHARD C.J.
NOËL J.A.

DATED:

MAY 19, 2005

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