

Federal Court



Cour fédérale

Date: 20160819

Docket: T-797-15

Citation: 2016 FC 950

Ottawa, Ontario, August 19, 2016

PRESENT: The Honourable Mr. Justice Boswell

BETWEEN:

MICROSOFT CORPORATION

Applicant

and

**SHUFENG LIU A.K.A. ANDY LIU AND
2352273 ONTARIO INC. D.B.A. IFIX
COMPUTERS**

Respondents

JUDGMENT AND REASONS

[1] The Applicant has brought a Notice of Application pursuant to subsection 34(4) of the *Copyright Act*, RSC 1985 c. C-42 [the *Act*], requesting, among other things, a declaration that the Respondents have infringed the Applicant's copyright in nine computer programs, a permanent injunction restraining the Respondents from infringing the Applicant's copyright in such programs, and statutory and punitive damages for allegedly selling unlicensed copies of the Microsoft programs in a process known as "hard disk loading". The application has been

discontinued as against the corporate Respondent, 2352273 Ontario Inc. (d.b.a. iFix Computers), so the matter now involves the claims only as against Mr. Liu.

I. Background

[2] Prior to commencing the present Application, the Applicant and Mr. Liu settled two separate instances of copyright infringement, one in 2010 and the other in 2012. The 2012 settlement resulted in a judgment of this Court being issued on consent on July 20, 2012, pursuant to which Mr. Liu was permanently enjoined from infringing the Applicant's copyright in numerous Microsoft programs. A third instance of infringement by Mr. Liu allegedly occurred on or about August 20, 2012, following which the Applicant sent Mr. Liu a cease and desist letter.

[3] The circumstances underlying this application relate to two instances of alleged infringement by Mr. Liu, the first in October 2013 and the second in February 2015.

[4] On October 24, 2013, Simon McCullough, a private investigator retained by the Applicant, visited a retail computer store called "iFix Computers." A man at the store named Andy offered to sell Mr. McCullough a refurbished IBM computer which included a Windows 7 operating system. When Mr. McCullough inquired as to whether the copy of Windows 7 included a DVD or a license, Andy advised him that no license or DVD would be included for the operating system. After Mr. McCullough advised Andy that he required Microsoft Word, he was advised that the software program could be installed for \$20, although no license or DVD would be included. Mr. McCullough then stated he would purchase the computer, and Andy

proceeded to install Microsoft Office 2007 Standard from files on a USB memory stick he inserted into the computer. Andy informed Mr. McCullough that he had to pay cash for the computer and software, and that the stickers on the laptop and battery indicated the date of purchase and would be sufficient for a 90 day warranty. Prior to departing the store, Mr. McCullough obtained from Andy a business card which indicated his name was Andy Liu, the individual Respondent in this proceeding (who is also known as Shufeng Liu). Mr. McCullough subsequently sent data he collected from the computer to IP Services, Inc. [IPSI], a company engaged by the Applicant to identify and analyze counterfeit, infringing, and genuine Microsoft software, CD-ROMs, DVDs, certificates of authenticity, product keys, instruction manuals, packaging, and other software components.

[5] On February 2, 2015, Mr. McCullough was instructed to return to iFix Computers and purchase a refurbished computer. When he attended at the iFix Computers store on February 3, 2015, he met with a man named Henry, who had been present on October 24, 2013 when Mr. McCullough purchased the IBM computer from Mr. Liu. Mr. McCullough requested a price quote for a refurbished computer with the Windows 7 Professional operating system, anti-virus software, and Microsoft Office. Henry told Mr. McCullough he could provide a refurbished Lenovo computer with such an operating system for \$199.99 and that the anti-virus software would cost \$35 and Microsoft Office 2007 would cost \$40. Mr. McCullough observed Henry installing Office 2007 onto the computer from an external hard drive which had been handed to him by Mr. Liu. When Henry demonstrated to Mr. McCullough that the Windows 7 Professional operating system and Office 2007 software had been installed on the computer, he further observed that no certificate of authenticity was affixed to the computer; he later confirmed to

himself that no DVD or license was provided for the operating system or the software. Prior to departing the store, Henry stated to Mr. McCullough that Andy was the owner of the store, and Mr. McCullough obtained another business card with the name Andy Liu on it. Mr. McCullough subsequently collected preliminary data about the operating system and software installed on the Lenovo computer and sent it to IPSI for analysis.

[6] On February 25, 2015, Cindy Yard, a forensic analyst with IPSI, completed her analysis of the data collected by Mr. McCullough from the Lenovo computer. Ms. Yard found that there was no certificate of authenticity for the Windows 7 Professional operating system, nor was there any software media or hard disk based recovery image. She also determined that the Office Enterprise 7 software installed on the computer and the product key used for installation were authorized for use only by a Microsoft Volume License customer and that the Lenovo computer contained unauthorized copies of the Office software which had been installed without the required components or by hard disk loading. Ms. Yard also confirmed, based upon her review of the analysis conducted by another forensic investigator at IPSI in November 2013 that the IBM computer sold to Mr. McCullough on October 24, 2013 was hard disk loaded with Windows 7 Home Premium and Office Standard 2007 software.

[7] This application was first scheduled for a hearing before Justice McDonald on November 4, 2015, but that hearing was adjourned (with costs payable forthwith to the Applicant) to allow the Respondents to obtain legal counsel and a certified Mandarin translator for Mr. Liu; Justice McDonald also issued an injunction against the Respondents restraining them from infringing Microsoft's copyrights until final disposition of the matter. The hearing of

the application was adjourned again by Justice McDonald on December 10, 2015, to allow Mr. Liu time to file materials in response to the Applicant's application record; the costs associated with that adjournment remain to be determined. On January 20, 2016, Mr. Liu filed an affidavit explaining the circumstances of his sale of the corporate Respondent to a third party. The Applicant discontinued the application as against the corporate Respondent on January 25, 2016. A case management judge ordered on March 30, 2016, that Mr. Liu be given until April 4, 2016, to serve and file any additional affidavit evidence, and until May 4, 2016, to file a responding application record, and also that the new hearing date would be peremptory on Mr. Liu. Thus, the matter proceeded to a hearing on June 6, 2016, where Mr. Liu represented himself.

II. Issues

[8] The Applicant raises the following issues:

1. Has Mr. Liu infringed Microsoft's copyright in the Microsoft programs; and
2. If so, what remedies are to be granted to the Applicant?

III. Analysis

A. *Has Mr. Liu infringed Microsoft's copyright in the Microsoft programs?*

[9] There is no dispute that the Applicant owns the copyright in the nine computer programs listed in appendix "A" to its Notice of Application, namely, Microsoft Windows 7 Professional (registration no. 1074271), Microsoft Office Access 2007 (registration no. 1061087), Microsoft Office Excel 2007 (registration no. 1060929), Microsoft Office InfoPath 2007 (registration no. 1075220), Microsoft Office OneNote 2007 (registration no. 1075221), Microsoft Office Outlook

2007 (registration no. 1060931), Microsoft Office PowerPoint 2007 (registration no. 1061313), Microsoft Office Publisher 2007 (registration no. 1060932), and Microsoft Office Word 2007 (registration no. 1060933). Indeed, Mr. Liu has not put in issue either the existence of the copyright in the programs or the title of the Applicant to such copyright; but even if he had done so, section 34.1 of the *Act* stipulates that, unless the contrary is proved, copyright shall be presumed to exist in the programs and the Applicant shall be presumed to be the owner of the copyright.

[10] The Applicant relies upon section 3 and subsection 27(1) of the *Act*. Section 3 prohibits the reproduction of copyrighted works and protects a copyright owner's right to produce or reproduce the work and, for computer programs, the owner's right to rent out the program. Subsection 27(1) of the *Act* provides that: "It is an infringement of copyright for any person to do, without the consent of the owner of the copyright, anything that by this Act only the owner of the copyright has the right to do."

[11] There is convincing evidence in this case that establishes, on a balance of probabilities, that on both occasions when Mr. McCullough attended at the iFix Computers store he purchased and was sold unlicensed copies of the computer programs in which the Applicant has copyright. On October 24, 2013, Mr. Liu sold to Mr. McCullough unlicensed copies of the Applicant's programs; he personally handled and loaded the programs from a USB memory stick onto the IBM computer purchased by Mr. McCullough. I have no hesitation in finding on a balance of probabilities that, on this occasion, Mr. Liu reproduced and copied the Applicant's computer

programs and sold unlicensed copies of them to Mr. McCullough. Mr. Liu clearly infringed the Applicant's copyright in its computer programs on this occasion.

[12] However, the sale of unauthorized software to Mr. McCullough on February 3, 2015, is problematic and not as straightforward as that which occurred on October 24, 2013, because it was Mr. Liu's co-worker, Henry, who actually made the sale and installed the software onto the Lenovo computer. The Applicant contends that Mr. Liu is responsible for the infringement that occurred on this occasion because he was personally present and involved by providing the external hard drive from which the unlicensed programs were copied onto the computer. The Applicant says Mr. Liu authorized this infringement and, in this regard, refers to the Supreme Court's decision in *CCH Canadian Ltd. v. Law Society of Upper Canada*, 2004 SCC 13, [2004] 1 SCR 339 [*CCH*], where Chief Justice McLachlin stated:

38 "Authorize" means to "sanction, approve and countenance": *Muzak Corp. v. Composers, Authors and Publishers Association of Canada, Ltd.*, [1953] 2 S.C.R. 182, at p. 193; *De Tervagne v. Belœil (Town)*, [1993] 3 F.C. 227 (T.D.). Countenance in the context of authorizing copyright infringement must be understood in its strongest dictionary meaning, namely, "[g]ive 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 (Ch. D.), at pp. 823-24. 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. (loose-leaf)), at p. 21-

104, and P. D. Hitchcock, "Home Copying and Authorization" (1983), 67 C.P.R. (2d) 17, at pp. 29-33.

[13] The Applicant's argument that Mr. Liu authorized the infringement on February 3, 2015, and that he too violated the Applicant's copyright on that day, is not persuasive. The evidence as to the nature and extent of the relationship between Mr. Liu and Henry is not altogether clear. It is unclear, for example, whether Mr. Liu was directly or indirectly Henry's employer at the time, or whether Mr. Liu had sufficient control or direction over Henry's actions to establish vicarious or joint liability for the infringement on February 3, 2015. In any event, the evidence does show on a balance of probabilities that Mr. Liu's co-worker violated the Applicant's copyright in its computer programs on February 3, 2015. The question though is whether Mr. Liu did so as well on that date.

[14] Although Mr. Liu was present on February 3, 2015 and handed Henry an external hard drive from which the unauthorized programs were copied onto the Lenovo computer, the evidence shows that: Mr. Liu was not otherwise personally involved in copying the Applicant's programs; he did not make the sale to Mr. McCullough on February 3, 2015; he did not install the programs onto the Lenovo computer; he did not expressly direct or authorize Henry to copy the Applicant's programs; and there is no evidence whatsoever that Mr. Liu either owned the external hard drive or loaded it with unlicensed copies of the Applicant's programs. Even though Mr. Liu may have provided Henry with the external hard drive from which the programs were copied onto the computer, he, unlike his co-worker, did not actually engage in any infringing actions on February 3, 2015. In my view, someone who merely provides the equipment that could be used to infringe copyright is not liable or responsible for any subsequent violation of

copyright that might occur when that equipment is used by someone else to infringe a copyrighted work. Indeed, the external hard drive Mr. Liu handed to his co-worker on February 3, 2015, which in turn was utilized to infringe the Applicant's copyright, is akin to the self-service photocopiers made available to patrons of the library in *CCH* (see paras 42 to 46).

[15] In short, I find and declare that the Respondent, Mr. Liu, infringed the Applicant's copyright in the following five Microsoft programs on October 24, 2013: Windows 7 Home Premium; Office Excel 2007; Office Outlook 2007; Office PowerPoint 2007; and Office Word 2007. Although there is evidence that the Applicant's copyright in the other programs listed in appendix "A" to its Notice of Application was infringed on February 3, 2015, the evidence in this regard is such that it was not Mr. Liu who authorized or engaged in the infringing activities on that date.

B. *What Remedies are to be granted to the Applicant?*

[16] The Applicant requests a declaration that copyright subsists in the various computer programs listed in appendix "A" to its Notice of Application, that it is the owner of the copyright in such programs, and that Mr. Liu has infringed its copyright in these programs and has induced or authorized infringement by customers of iFix Computers. However, the requested declaration is overbroad because the evidence shows that Mr. Liu infringed only five of the Applicant's programs on October 24, 2013. Accordingly, a declaration will issue that copyright subsists in the various computer programs listed in appendix "A" to the Applicant's Notice of Application, that the Applicant is the owner of the copyright in such programs, and that Mr. Liu infringed the Applicant's copyright in five of the Applicant's computer programs on October 24, 2013,

namely, Microsoft Windows 7 Home Premium, Microsoft Office Excel 2007, Microsoft Office Outlook 2007, Microsoft Office PowerPoint 2007, and Microsoft Office Word 2007.

[17] The Applicant has also requested: (1) statutory damages pursuant to section 38.1 of the *Act* totalling \$180,000; (2) punitive and exemplary damages in the amount of \$250,000 as against Mr. Liu; (3) injunctive relief to restrain Mr. Liu from further infringing the Applicant's computer programs; (4) pre-judgment and post-judgment interest; and (5) its costs of this application on a solicitor and client scale plus applicable taxes. These requests will be addressed sequentially below.

(1) Statutory damages

[18] Subsection 38.1(1) of the *Act* provides as follows:

Statutory damages

38.1 (1) Subject to this section, a copyright owner may elect, at any time before final judgment is rendered, to recover, instead of damages and profits referred to in subsection 35(1), an award of statutory damages for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally,

**Dommages-intérêts
préétablis**

38.1 (1) Sous réserve des autres dispositions du présent article, le titulaire du droit d'auteur, en sa qualité de demandeur, peut, avant le jugement ou l'ordonnance qui met fin au litige, choisir de recouvrer, au lieu des dommages-intérêts et des profits visés au paragraphe 35(1), les dommages-intérêts préétablis ci-après pour les violations reprochées en l'instance à un même défendeur ou à plusieurs défendeurs solidairement responsables :

(a) in a sum of not less than \$500 and not more than \$20,000 that the court considers just, with respect to all infringements involved in the proceedings for each work or other subject-matter, if the infringements are for commercial purposes; and

(b) in a sum of not less than \$100 and not more than \$5,000 that the court considers just, with respect to all infringements involved in the proceedings for all works or other subject-matter, if the infringements are for non-commercial purposes.

a) dans le cas des violations commises à des fins commerciales, pour toutes les violations — relatives à une oeuvre donnée ou à un autre objet donné du droit d’auteur —, des dommages-intérêts dont le montant, d’au moins 500 \$ et d’au plus 20 000 \$, est déterminé selon ce que le tribunal estime équitable en l’occurrence;

b) dans le cas des violations commises à des fins non commerciales, pour toutes les violations — relatives à toutes les oeuvres données ou tous les autres objets donnés du droit d’auteur —, des dommages-intérêts, d’au moins 100 \$ et d’au plus 5 000 \$, dont le montant est déterminé selon ce que le tribunal estime équitable en l’occurrence.

[19] The Applicant has elected in its memorandum of fact and law to request statutory damages. According to the Applicant, the circumstances of this case are such that the maximum amount of statutory damages should be awarded for Mr. Liu’s infringement of each of the nine programs listed in appendix “A” to its Notice of Application. The Applicant thus seeks a total of \$180,000 as statutory damages under subsection 38.1(5) of the *Act*. However, in view of my finding above, that Mr. Liu has infringed only five of the Applicant’s programs, there shall be no award of statutory damages in respect of the infringements on February 3, 2015.

[20] Subsection 38.1(5) of the *Act* requires the Court to consider all relevant factors in assessing statutory damages. This subsection provides that:

Factors to consider	Facteurs
38.1 (5) In exercising its discretion under subsections (1) to (4), the court shall consider all relevant factors, including	38.1 (5) Lorsqu'il rend une décision relativement aux paragraphes (1) à (4), le tribunal tient compte notamment des facteurs suivants :
(a) the good faith or bad faith of the defendant;	a) la bonne ou mauvaise foi du défendeur;
(b) the conduct of the parties before and during the proceedings;	b) le comportement des parties avant l'instance et au cours de celle-ci;
(c) the need to deter other infringements of the copyright in question; and	c) la nécessité de créer un effet dissuasif à l'égard de violations éventuelles du droit d'auteur en question;
(d) in the case of infringements for non-commercial purposes, the need for an award to be proportionate to the infringements, in consideration of the hardship the award may cause to the defendant, whether the infringement was for private purposes or not, and the impact of the infringements on the plaintiff.	d) dans le cas d'une violation qui est commise à des fins non commerciales, la nécessité d'octroyer des dommages-intérêts dont le montant soit proportionnel à la violation et tienne compte des difficultés qui en résulteront pour le défendeur, du fait que la violation a été commise à des fins privées ou non et de son effet sur le demandeur.

[21] In considering the appropriate amount to award for statutory damages in this case, I note, firstly, that this is not a case of infringements for non-commercial purposes, and hence the fourth factor listed in subsection 38.1(5) is not relevant. I further note that there is no evidence as to Mr.

Liu's sales of unlicensed software or the amount of any profit generated by the infringing activity on October 24, 2013 or, for that matter, on any other date. Accordingly, the absence of such evidence distinguishes this case from cases such as *Microsoft Corporation v 9038-3746 Quebec Inc*, 2006 FC 1509, 305 FTR 69 [9038-3746 *Quebec*], and *Louis Vuitton Malletier SA v Yang*, 2007 FC 1179, 62 CPR (4th) 362 [*Yang*], where the maximum amount of statutory damages was awarded in respect of each infringement in view of the substantial profits garnered by the infringers in those cases. Lastly, as noted by this Court in *Telewizja Polsat SA v. Radiopol Inc*, 2006 FC 584, at para 37, [2007] 1 FCR 444: "...the over-arching mandate of a judge assessing statutory damages in lieu of damages and loss of profits is to arrive at a reasonable assessment in all of the circumstances in order to yield a just result."

[22] Although the three relevant factors listed in subsection 38.1(5) each weigh against Mr. Liu, this is not an appropriate case to award the Applicant the maximum amount of statutory damages for each instance of infringement for various reasons. First, the conduct of Mr. Liu before and during this proceeding was not as egregious as that of one of the personal defendants in *9038-3746 Quebec* (see paras 113-114). Second, the Applicant has established in this proceeding that Mr. Liu infringed its copyrights on only one occasion, albeit with respect to five of its computer programs. Lastly, awarding the maximum amount of statutory damages for each instance of infringement by Mr. Liu would be an aggregate amount of \$100,000, an amount which is out of proportion with any profit he may have made by the infringing activity on October 24, 2013.

[23] Nevertheless, where the infringer's conduct is dismissive of law and order and demonstrates a necessity for deterring future infringements (see: *9038-3746 Quebec*, at para 113; and *Yang*, at paras 21-25), there is sufficient reason to award an amount substantially more than the minimum amount of statutory damages. In this case, Mr. Liu failed to abide by the terms of the 2010 and 2012 settlement agreements, pursuant to which he paid the Applicant \$2,000 and \$7,000, respectively. He also failed to abide by this Court's order dated July 20, 2012, enjoining him from infringing the Applicant's copyright in its computer programs by installing, selling, or offering for sale unlicensed copies of the programs. There is a clear and compelling need to deter Mr. Liu from any future infringing activity vis-à-vis the Applicant's computer programs and a substantial amount of statutory damages needs to be awarded against him because of his infringement in this case.

[24] Having regard to all the circumstances of this matter, including Mr. Liu's prior infringing activities, and in view of the amount of statutory damages awarded by this Court in *Setanta Sports Canada Limited v 840341 Alberta Ltd (Bres'in Taphouse)*, 2011 FC 709, 396 FTR 1, and in *Microsoft Corporation v 1276916 Ontario Ltd*, 2009 FC 849, 347 FTR 248 [*Microsoft*], I assess and award statutory damages in the amount of \$10,000 for each infringement of the Applicant's computer programs which were unlawfully copied and distributed by Mr. Liu on October 24, 2013. Mr. Liu is therefore ordered to pay to the Applicant a total amount of \$50,000 as statutory damages under section 38.1 of the *Act*.

(2) Punitive Damages

[25] Subsection 38.1(7) of the *Act* provides that an election to recover statutory damages does not affect any right a copyright owner may have to exemplary or punitive damages. Punitive damages may be awarded in cases where a party's conduct has been malicious, oppressive and high-handed, offends the court's sense of decency, and represents a marked departure from ordinary standards of decent behaviour. The seminal case dealing with punitive damages is the Supreme Court's decision in *Whiten v Pilot Insurance Co*, 2002 SCC 18, [2002] 1 SCR 595 [*Whiten*], where Justice Binnie stated:

36 Punitive damages are awarded against a defendant in exceptional cases for "malicious, oppressive and high-handed" misconduct that "offends the court's sense of decency": *Hill v. Church of Scientology of Toronto*, [1995] 2 S.C.R. 1130, at para. 196. The test thus limits the award to misconduct that represents a marked departure from ordinary standards of decent behaviour. Because their objective is to punish the defendant rather than compensate a plaintiff (whose just compensation will already have been assessed), punitive damages straddle the frontier between civil law (compensation) and criminal law (punishment).

[26] Punitive damages should only be awarded, however, if all other penalties and damages have been taken into account and they are "found to be inadequate to accomplish the objectives of retribution, deterrence, and denunciation" (*Whiten*, at para 123).

[27] The relevant factors to be considered whether an award of punitive damages should be made were noted by this Court in *Yang*, where Justice Snider stated:

[47] ...As summarized by the Nova Scotia Supreme Court in *2703203 Manitoba Inc. v. Parks*, 47 C.P.R. (4th) 276 at para. 38 (rev'd in part 57 C.P.R. (4th) 391(N.S.C.A.)), the relevant factors to consider are as follows:

- Whether the conduct was planned and deliberate;
- The intent and motive of the defendant;
- Whether the defendant persisted in the outrageous conduct over a lengthy period of time;
- Whether the defendant concealed or attempted to cover up its misconduct;
- The defendant's awareness that what he or she was doing was wrong; and
- Whether the defendant profited from its misconduct.

[28] This Court in recent years has awarded punitive damages against individual defendants for copyright infringement in amounts ranging from \$15,000 up to \$100,000. For example, in *Mitchell Repair Information Company LLC v. Long*, 2014 FC 562, 456 FTR 206, \$15,000 was awarded as punitive damages; in *Adobe Systems Incorporated et al. v Dale Thompson DBA Appletree Solutions*, 2012 FC 1219 [Adobe Systems], \$15,000 was also awarded in favour of each of the three plaintiffs, for a total of \$45,000. In *Microsoft*, in *Louis Vuitton Malletier SA v Singa Enterprises (Canada) Inc*, 2011 FC 776, [2013] 1 FCR 413 [Louis Vuitton 2011], and also in *Microsoft Corporation v PC Village Co Ltd*, 2009 FC 401, 345 FTR 57, an amount of \$50,000 was awarded; and in *Yang* and in *9038-3746 Quebec*, \$100,000 was awarded as punitive damages against an individual defendant.

[29] The evidence shows that Mr. Liu continued his infringing activity even after the consent order issued by this Court on July 20, 2012. This disrespect and contempt for this Court and its processes cannot be tolerated or condoned, and on this basis alone an award of punitive and exemplary damages would be appropriate. Furthermore, the evidence shows that Mr. Liu's

actions were deliberate, and that he has engaged in what the Applicant characterizes as “a recidivist pattern of similar copyright infringement since at least 2009.” Although there is no evidence that Mr. Liu attempted to conceal or cover up his misconduct, it is more than likely that he knew his infringing activity on October 24, 2013, and in all likelihood on other occasions as well, was wrong and illegal, especially in view of the 2010 and 2012 settlement agreements, this Court’s order dated July 20, 2012, and his receipt of several cease and desist letters about his infringements of the Applicant’s copyright in its computer programs over the course of many years. Moreover, although there is no evidence as to the amount of any profit generated by Mr. Liu’s infringing activity on October 24, 2013 or on any other date, it is reasonable to infer that Mr. Liu has profited from his infringing activities, at least to some extent, because his computer business had been operational for some eight years when Mr. McCullough attended at the iFix Computers store for a second time in February 2015. All in all, the evidence shows that Mr. Liu has little regard for the legal process and has caused the Applicant to expend significant time and money to protect and enforce the copyright in its computer programs as against Mr. Liu.

[30] I find, therefore, that there are grounds for an award of punitive and exemplary damages in this case in view of Mr. Liu’s misconduct, the need for denunciation, and to deter Mr. Liu from any future infringement of the Applicant’s copyright in its computer programs. The Applicant requests punitive and exemplary damages in the amount of \$250,000 as against Mr. Liu. The Applicant says this amount is similar to punitive damages awards for copyright infringement in recent cases, and points to the amounts awarded for punitive damages in *Adobe Systems*, in 9038-3746 *Quebec*, in *Louis Vuitton 2011* and in *Louis Vuitton Malletier SA et al v 486353 BC Ltd. et al.*, 2008 BCSC 799, [2008] BCWLD 5075 [*Louis Vuitton 2008*].

[31] These cases, however, do not support the amount of punitive damages requested by the Applicant in this case. In *9038-3746 Quebec* and in *Louis Vuitton 2011*, the individual defendants, unlike Mr. Liu in this case, had engaged in large scale infringing activities; punitive damages in the amount of \$100,000 was awarded against an individual defendant in *9038-3746 Quebec* and \$50,000 was awarded against one of the individual defendants in *Louis Vuitton 2011*. In *Louis Vuitton 2008*, punitive damages in the amount of \$200,000 was awarded against one of the individual defendants, yet unlike the case here, the infringing activities in that case occurred at multiple retail outlets over several years despite an Anton Pillar order, the seizure of hundreds of counterfeit articles pursuant to that order, a judgment of this Court permanently restraining the defendants, and service of numerous cease and desist letters. The total amount of punitive damages awarded in *Adobe Systems* was \$45,000, an amount which is substantially less than the \$250,000 that the Applicant seeks in this case.

[32] It deserves note that the Federal Court of Appeal recently stated in *Kwan Lam v Chanel S de RL*, 2016 FCA 111, at para 25 [*Lam*], a case involving multiple infringements of Chanel's trade-marks, that "it is entirely possible that an award of punitive damages in the amount of \$250,000.00 might be a supportable remedy in a case like the present, even though the award is proportionally higher than the awards made in earlier cases." However, the Court of Appeal in *Lam* also cautioned (at para 23) that: "An award of this magnitude, one that outstrips awards made in some other cases, calls for an explanation founded upon the applicable legal tests and the specific facts of the case, an explanation more expansive than the trial judge gave." The trial judge's decision in *Lam* was set aside by the Court of Appeal and the summary trial motion

returned for re-determination, so it remains to be seen whether the \$250,000 awarded as punitive damages in *Lam* will stand.

[33] The Applicant's request for \$250,000 in punitive damages as against Mr. Liu is not reasonable and should not be granted because the amount outstrips the amounts awarded in other cases, such as those noted above, where the nature and extent of the misconduct by the individual defendants was more egregious than that of Mr. Liu in this case. Moreover, the Applicant offers little explanation or justification for why the amount of punitive damages should significantly exceed the amount of the statutory damages sought by the Applicant.

[34] As noted by the Court in *Louis Vuitton 2011* (at para 169): "An award of punitive and exemplary damages ought to be substantial enough to get the attention of the defendants." Having regard to all the circumstances of this matter, including the nature and extent of Mr. Liu's misconduct, the need for denunciation, and to deter Mr. Liu from any future infringement of the Applicant's copyright in its computer programs, and in view of the amount of punitive damages awarded by this Court in the cases noted above, I assess and award punitive and exemplary damages in the amount of \$50,000 as against the Respondent Mr. Liu. Mr. Liu is therefore ordered to pay to the Applicant the amount of \$50,000 as punitive and exemplary damages.

(3) Injunctive Relief

[35] The Respondent Mr. Liu infringed the Applicant's copyrights in certain of its computer programs on October 24, 2013, and it is therefore appropriate to make the interim injunction

issued by Justice McDonald permanent and to issue an injunction against him on the terms stated below to protect the copyright of the Applicant in its computer programs from any continuing or future infringement.

(4) Interest

[36] Pre-judgment and post-judgment interest is governed by sections 36 and 37 of the *Federal Courts Act*, RSC, 1985, c F-7. The cause of action and infringement in this matter arose and occurred in the province of Ontario, so the laws relating to pre-judgment and post-judgment interest in proceedings between subject and subject that are in force in Ontario apply to the calculation and awards of pre-judgment and post-judgment interest.

[37] Subsection 128(1) of the *Ontario Courts of Justice Act*, RSO 1990, c C.43, states that a person who is entitled to an order for the payment of money is entitled to claim and have included in the order an award of interest thereon at the pre-judgment interest rate, calculated from the date the cause of action arose to the date of the order. By virtue of subsection 128(4), however, pre-judgment interest cannot be awarded on exemplary or punitive damages, or on an award of costs, or on any accruing pre-judgment interest. Consequently, the Applicant is entitled to pre-judgment interest only on the \$50,000 awarded as statutory damages on and from October 24, 2013, to the date of this judgment.

[38] The table of interest rates published under Ontario Reg 339/07 shows that the pre-judgment interest rate was 1.3% on October 24, 2013 and remained at that rate until March 31, 2015, when it was reduced to 1.0%; it was further reduced to 0.8% on January 1, 2016. The 1.3%

rate was in effect for a period of 523 days on and from the date the cause of action arose in this matter; this entitles the Applicant to pre-judgment interest for this time frame in an amount of \$931.37. The 1.0% rate was in effect for a period of 275 days after March 31, 2015; this entitles the Applicant to pre-judgment interest for this time frame to an additional amount of \$376.71. The 0.8% rate has been in effect since January 1, 2016, and for the 232 days prior to the date of this judgment; this entitles the Applicant to pre-judgment interest for this time frame to an additional amount of \$253.55. In total, therefore, the Applicant is entitled to and shall be awarded pre-judgment interest in the amount of \$1,561.63.

[39] Subsection 129(1) of the *Ontario Courts of Justice Act* stipulates that money owing under an order, including costs fixed by the court, bears interest at the post-judgment interest rate, calculated from the date of the order. The table of interest rates published under Ontario Reg 339/07 shows that the current post-judgment interest rate is 2.0%. Accordingly, the Respondent Mr. Liu shall pay to the Applicant post-judgment interest on the amounts awarded above for statutory damages and for punitive and exemplary damages, and on the amount of costs assessed below, calculated from the date of this judgment at the current rate of 2.0% and at future post-judgment rates determined and published according to the *Courts of Justice Act* and O Reg 339/07.

(5) Costs

[40] The Applicant requests in its memorandum of fact and law an award of lump sum costs payable by Mr. Liu in the amount of \$30,000, to be supported by a bill of costs for an amount in excess of this amount. At the hearing of this matter, the Applicant submitted a draft bill of costs

which totalled \$71, 686.14, inclusive of fees amounting to \$64,393.40, disbursements of \$2,191.80, and HST. Although the draft bill of costs is of some assistance to the Court in assessing an appropriate amount for costs, awarding costs based on this draft bill would effectively be granting the Applicant its costs on a solicitor-client basis. Costs on this basis are appropriate where a party has acted in a reprehensible, scandalous or outrageous manner (see: *Yang*, at para 59; also see *Mackin v. New Brunswick (Minister of Finance)*; *Rice v New Brunswick*, 2002 SCC 13, at para 86, [2002] 1 SCR 405). In my view, this is not such a case. Accordingly, pursuant to Rule 400 of the *Federal Courts Rules*, SOR/98-106, I award costs to the Applicant in the fixed lump sum of \$40,000 (inclusive of any taxes, disbursements and other expenses); this amount includes the costs payable to the Applicant in respect of the adjournment of the hearing on December 10, 2015.

IV. Conclusion

[41] In conclusion, for the reasons stated above, the Applicant's application pursuant to subsection 34(4) of the *Act* is granted, in part.

JUDGMENT

THIS COURT'S JUDGMENT is that:

1. The Applicant's application is granted, in part.
2. Copyright subsists in the various computer programs listed in appendix "A" to the Applicant's Notice of Application, namely, Microsoft Windows 7 Professional (registration no. 1074271), Microsoft Office Access 2007 (registration no. 1061087), Microsoft Office Excel 2007 (registration no. 1060929), Microsoft Office InfoPath 2007 (registration no. 1075220), Microsoft Office OneNote 2007 (registration no. 1075221), Microsoft Office Outlook 2007 (registration no. 1060931), Microsoft Office PowerPoint 2007 (registration no. 1061313), Microsoft Office Publisher 2007 (registration no. 1060932), and Microsoft Office Word 2007 (registration no. 1060933) [collectively, the Microsoft Programs].
3. Microsoft Corporation is the owner of the copyright in the Microsoft Programs.
4. The Respondent Shufeng Liu, a.k.a. Andy Liu, infringed Microsoft Corporation's copyright in five of the Applicant's computer programs on October 24, 2013, namely, Microsoft Windows 7 Home Premium, Microsoft Office Excel 2007, Microsoft Office Outlook 2007, Microsoft Office PowerPoint 2007, and Microsoft Office Word 2007.
5. The Respondent Shufeng Liu, a.k.a. Andy Liu, shall forthwith pay to Microsoft Corporation the amount of \$50,000 as statutory damages under section 38.1 of the *Copyright Act*, RSC 1985 c. C-42.
6. The Respondent Shufeng Liu, a.k.a. Andy Liu, shall forthwith pay to Microsoft Corporation the amount of \$50,000 as exemplary and punitive damages.

7. The Respondent Shufeng Liu, a.k.a. Andy Liu, his servants, employees and agents and any corporation or business in which he now has or in the future has a direct or indirect controlling interest, or in which he now or in the future is an officer or director, as the case may be, and any person acting under the instructions of the foregoing, are each hereby permanently enjoined and restrained from directly or indirectly infringing Microsoft Corporation's rights, and from, without limitation:
- 1) directly or indirectly infringing Microsoft Corporation's copyrights in the Microsoft Programs or in any other computer programs in which Microsoft Corporation now or hereafter owns the copyright [collectively, the Programs];
 - 2) directly or indirectly producing or reproducing, or causing to be produced or reproduced, all or a substantial part of the Programs in any material form including, without limitation, installing or causing to be installed unlicensed copies of the Programs on computers or making unlicensed copies thereof;
 - 3) directly or indirectly selling, distributing, exposing for sale, or offering for sale (or possessing for the purposes of the foregoing), copies of any of the Programs and/or related components or materials which infringe Microsoft's copyrights;
 - 4) directly or indirectly importing into Canada copies of any of the Programs and/or related components or materials which infringe Microsoft's copyrights;

- 5) directly or indirectly selling, distributing, exposing for sale, or offering for sale (or possessing for the purposes of the foregoing), copies of any of the Programs and/or related components or materials in any manner which is contrary to limitations and/or licence terms appearing on or accompanying the Programs and/or related components or materials;
- 6) directly or indirectly selling, distributing, exposing for sale, offering for sale (or possessing for the purposes of the foregoing), or importing, any components and other materials associated with the Programs, including certificates of authenticity, certificate of authenticity labels, licence agreements (including end-user licence agreements), manuals and CD-ROMs or DVDs, on their own or in a manner not authorized by Microsoft Corporation;
- 7) directly or indirectly selling, distributing, exposing for sale, offering for sale (or possessing for the purposes of the foregoing), or importing, counterfeit components or other materials associated with the Programs which infringe Microsoft's copyrights, including certificates of authenticity, certificate of authenticity labels, licence agreements (including end-user licence agreements), manuals and CD-ROMs or DVDs;
- 8) using in any manner whatsoever the Programs, other than as authorized by Microsoft Corporation;
- 9) infringing in any manner whatsoever the Programs;

- 10) authorizing, directing, ordering, assisting, aiding or abetting others to do any of the foregoing; and
 - 11) infringing in any manner whatsoever the copyright in any other works in respect of which Microsoft Corporation owns copyright including, but not limited to, any works which come into existence after the commencement date of this proceeding.
8. The Respondent Shufeng Liu, a.k.a. Andy Liu, shall forthwith pay to the Microsoft Corporation the amount of \$1,561.63 in respect of pre-judgment interest.
 9. The Respondent Shufeng Liu, a.k.a. Andy Liu, shall forthwith pay to Microsoft Corporation costs in a fixed lump sum of \$40,000 (inclusive of any taxes, disbursements and other expenses).
 10. The Respondent Shufeng Liu, a.k.a. Andy Liu, shall forthwith pay to the Microsoft Corporation post-judgment interest on the amounts awarded above as damages under section 38.1 of the *Copyright Act*, punitive and exemplary damages, and costs, calculated from the date of this judgment at the current rate of 2.0% and at future rates determined in accordance with the *Ontario Courts of Justice Act*, RSO 1990, c C.43 and O Reg 339/07.

"Keith M. Boswell"

Judge

FEDERAL COURT

SOLICITORS OF RECORD

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STYLE OF CAUSE: MICROSOFT CORPORATION v SHUFENG LIU A.K.A.
ANDY LIU AND 2352273 ONTARIO INC. D.B.A. IFIX
COMPUTERS

PLACE OF HEARING: TORONTO, ONTARIO

DATE OF HEARING: JUNE 6, 2016

JUDGMENT AND REASONS: BOSWELL J.

DATED: AUGUST 19, 2016

APPEARANCES:

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FOR THE APPLICANT

Andy Liu through his interpreter
Sheena Ta-Kun Lee-Lo

FOR THE RESPONDENT
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(ON HIS OWN BEHALF)

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FOR THE APPLICANT