

Federal Court



Cour fédérale

Date: 20200724

Docket: T-458-17

Citation: 2020 FC 794

Ottawa, Ontario, July 24, 2020

PRESENT: The Honourable Madam Justice Fuhrer

BETWEEN:

RALLYSPORT DIRECT LLC

Plaintiff

And

**2424508 ONTARIO LTD., SYLVAIN CAYER,
GENEVIEVE-ANN CAYER, and 2590579
ONTARIO LTD. now carrying on business as
“SubieDepot” and “SubieDepot.ca”**

Defendants

ORDER AND REASONS

I. Overview

[1] On the Defendants’ motion for summary judgment (or summary trial), I found in favour of the Plaintiff in *Rallysport Direct LLC v 2424508 Ontario Ltd*, 2019 FC 1524. In the Summary Judgment, I held that: copyright subsisted in RSD’s Works comprised of 112 Photographs, 1318 Photographs, and 3 Product Descriptions; the Defendants infringed RSD’s copyright by

unlawfully electronically reproducing and displaying RSD's Works on the website www.subiedepot.ca; and the Defendants were jointly and severally liable for such infringement. I then bifurcated the matter by ordering that damages and costs would be the subject of a subsequent order.

[2] The parties and I agreed at a case management conference that the issue of damages could be determined in writing on the motion's evidentiary record before the Court, without the need for a summary trial. We also agreed that the question of costs would be addressed separately. The parties served and filed written submissions regarding damages further to the order issued following the case management conference.

[3] RSD elected statutory damages at \$500 per work, pursuant to section 38.1(1)(a) of the *Copyright Act*, RSC 1985, c C-42. There is no dispute that the RSD Works were reproduced in a single medium, namely a website: *Trader v CarGurus*, 2017 ONSC 1841 [*Trader*] at para 57. There also is no question that the infringements were for a commercial purpose, namely to promote the sale of and sell aftermarket automotive components and accessories. The defence of being an unaware infringer, per *Copyright Act* s 38.1(2), is not available to the Defendants in this case. The issues left to be determined therefore are: 1. whether the Defendants have justified the reduction of statutory damages to an amount lower than \$500 per work under *Copyright Act* s 38.1(3), and if yes, what amount is just; and 2. whether RSD is entitled to exemplary, punitive and aggravated damages, and if yes, what amount is appropriate? See the attached Annex for the relevant aspects of *Copyright Act* s 38.1.

[4] Having considered the parties' submissions and applicable case law, for the reasons that follow I award RSD a total amount of CAD \$357,500 in statutory damages for infringement of RSD's Works (calculated at \$250/work x 1430 works), prejudgment interest on the statutory damages, and an additional CAD \$50,000 in punitive damages.

II. Analysis

1. *Is a statutory damages award lower than \$500 per work justified and if yes, what amount is just?*

[5] Exercising my discretion under *Copyright Act* s 38.1(3), I find a statutory damages award of \$250 per work for 1430 of the RSD Works is just in the circumstances. Because the focus of these proceedings has been the 1430 photos and not the 3 product descriptions, I find that any damages related to the product descriptions are sufficiently covered in the overall award of statutory damages. My analysis begins with (a) a summary of the applicable principles, followed by (b) a preliminary admissibility issue concerning the expert evidence of RSD's affiant, Mark Graves, (c) a summary of the parties' respective positions, and (d) an assessment of the appropriate quantum of statutory damages, including the factors enumerated in *Copyright Act* s 38.1(5).

(a) *Applicable Principles*

[6] Statutory damages recognize that actual damages often are difficult to prove; they incentivize copyright owners to invest and enforce their copyright on the one hand, and deter infringers by preventing their unjust enrichment on the other: *Telewizja Polsat SA v Radiopol*

Inc, 2006 FC 584 [*Telewizja*] at para 40. Determining a quantum of damages is not a precise science: *Century 21 Canada Limited Partnership v Rogers Communications Inc*, 2011 BCSC 1196 [*Century 21*] at para 387, citing *Pinewood Recording Studios Ltd v City Tower Development Corp* (1996), 31 CLR (2d) 1. Rather, statutory damages involve a case by case assessment of all relevant circumstances in order to achieve a just result: *1422986 Ontario Limited v 1833326 Ontario Limited*, 2020 ONSC 1041 [*1422986 Ontario*] at para 100; *Young v Thakur*, 2019 FC 835 [*Young*] at para 46; *Collett v Northland Art Company Canada Inc*, 2018 FC 269 [*Collett*] at para 59. Evidence demonstrating the ease with which copyright infringement can be accomplished using modern technology may compel the need to deter further infringements: *Collett*, above at para 63.

[7] The prescribed range of \$500 minimum to \$20,000 maximum per work for commercial infringements can be reduced “where there is more than one work in a single medium **and** where awarding the minimum per work would yield a total award that is grossly out of proportion to the infringement” [emphasis added]: *Telewizja*, above at para 39. On a plain reading of *Copyright Act* s 38.1(3), this two-part test is conjunctive. Any suggestion to the contrary in the Summary Judgment at para 65 was unintended.

[8] Some cases suggest that statutory damages should be tied to actual or probable damages, even though *Copyright Act* s 38.1 is not limited in this manner: *Telewizja*, above at paras 41-45; *Trader*, above at para 56; *Pinto v Bronfman Jewish Education Centre*, 2013 FC 945 at para 195. I agree with the principle, however, that “probable damages [are] not determinative and the use of such estimates in determining statutory damages is [but] one means of ensuring that any

damages award is fair and proportionate”: Ronald Dimock, *Intellectual Property Disputes: Resolutions & Remedies* (Toronto: Thomson Reuters Canada, 2016) (loose-leaf revision 5), ch 3 at p 3-38, as cited in *Young*, above at para 57, and *Royal Conservatory of Music v Macintosh (Novus Via Music Group Inc)*, 2016 FC 929 [*Royal Conservatory*] at para 120. I find this principle consistent with *Copyright Act* s 38.1(5), which provides that in exercising its discretion (i.e. to reduce the minimum amount of the statutory damages award per work), the Court must consider all relevant factors, including the good or bad faith of the defendant, the parties’ conduct before and during the proceedings, and the need to deter future copyright infringements.

[9] Actual and statutory damages should not be conflated. Statutory damages are not intended to be 1:1 proportional with provable “but-for” losses; rather, they can encompass both provable economic losses and additional factors such as deterrence: *Young*, above at paras 54-55; *Royal Conservatory*, above at paras 118-122.

[10] What constitutes bad faith is contextual and may include the following: (i) ignoring a cease and desist letter (*Microsoft Corporation v PC Village Co Ltd*, 2009 FC 401 [*PC Village*] at paras 33-35; *Century 21* at para 416); (ii) repeatedly infringing different products (*Twentieth Century Fox Film Corp v Hernandez*, 2013 CarswellNat 6160); (iii) scraping or copying photos directly from a website (*Trader*, above at para 61); (iv) ignoring offers not to litigate if they cease infringement (*Telewizja*, above at para 50); and (v) using a false name to avoid being detected (*Collett*, above at para 64).

[11] There is no bad faith, however, in instances where a defendant: (i) entered a new market without appreciation for industry and community standards, and the infringement was relatively short (*Century 21*, above at paras 410 and 421); and (ii) failed to conduct sufficient due diligence regarding copyright ownership, assuming its US business model would be acceptable in Canada, but realized only modest revenues, with no profits, from their infringement (*Trader*, above at para 67).

[12] The Defendants have the burden of establishing that a total award of \$716,500 (\$500 x 1433 works) would be “grossly out of proportion to the infringement”: *Nintendo of America Inc v King*, 2017 FC 246 at paras 146 and 149. There is little discussion in copyright jurisprudence about what constitutes “grossly out of proportion”. In one case, the Federal Court considered whether awarding less than the statutory maximum “would be grossly out of proportion in the sense that it would be far too low”: *Microsoft Corporation v 9038-3746 Quebec Inc*, 2006 FC 1509 at para 110. In light of RSD’s election of the statutory minimum and the number of works involved, the converse applies in the case before me; that is, would such an award be far too high?

[13] A similar concept, “grossly disproportionate”, has been considered extensively in connection with section 7 of the *Canadian Charter of Rights and Freedoms*. “The modern test requires the Court to identify the legislative objective/purpose underlying the scheme, compare this purpose against the law’s effects, and adopt a personalized analysis to determine whether the law is grossly disproportionate, overbroad or arbitrary”: *Revell v Canada (Citizenship and Immigration)*, 2019 FCA 262 [*Revell*] at para 83. In other words, it is an “individualized

analysis” dependent on the facts of each case: *Revell*, above at para 97. I find it helpful to consider “grossly out of proportion” in a similar manner.

(b) *Admissibility of Mark Graves’ Expert Evidence*

[14] As a preliminary matter, RSD seeks to rely on, and the Defendants object to, expert evidence from Mark Graves, former Vice President of Sales and Marketing for Eckler Industries Inc. (“Eckler”), regarding (1) e-commerce marketing in the aftermarket auto-parts industry; and (2) the impact on organically-generated web traffic and sales of competitors using scraped images. For the reasons that follow, I find Mr. Graves’ evidence admissible, except for his disputation of the Defendants’ evidence regarding significantly lower estimated production costs.

[15] In summary, Mr. Graves opines that the “reasonable and accurate [acquisition] costs” necessary to produce 1436 images are in the range of USD \$224,055.05-\$240,058.98, while the attendant labour costs are USD \$164,438.33, for a total in the range of USD \$388,493.38-\$404,497.31, as estimated by RSD employees/affiants. This range does not include, however, other incidental costs such as shipping, warehousing, and cataloguing. Mr. Graves further attests, regarding the estimated loss sustained by RSD, that “...what **can** be said with certainty is that organic web traffic to Rallysport’s e-commerce website was reduced [because of the photographic images scraped from RSD’s website and used on the Defendants’ website] and thus such e-commerce retailer will have lost the opportunity of making a sale to a number of potential customers, the total quantity and number of which cannot be determined with precision [emphasis in the original]”. Finally, Mr. Graves disputes the Defendants’ expert evidence of significantly lower estimated costs for producing the images.

[16] The Defendants submit that Mr. Graves' expert evidence should be excluded because of his undisclosed professional relationship with RSD's CEO, Matt Jordan, and another RSD employee, which came to light during Mr. Jordan's cross-examination; all three of them were employed by Eckler at one time. Mr. Jordan recommended Mr. Graves as an expert witness, and Mr. Graves' testimony was provided in support of the Plaintiff's position.

[17] A properly qualified expert is someone "who is shown to have acquired special or peculiar knowledge through study or experience in respect of the matters on which he or she undertakes to testify": *R v Mohan*, [1994] 2 SCR 9 [*Mohan*] at para 31. They also must provide an impartial, independent, and unbiased opinion (in other words, they must not advocate for a particular party): *White Burgess Langille Inman v Abbot and Haliburton Co*, 2015 SCC 23 [*White Burgess*] at paras 32, 54. Concerns related to the independence and impartiality of an expert therefore speak to whether the expert is properly qualified; such concerns can diminish the weight of the expert's evidence, and in some extreme cases justify excluding it: *Mohan*, above at para 31; *White Burgess*, above at paras 2, 40, 45, 48-49.

[18] The admissibility threshold, however, is "not particularly onerous" and is met by the otherwise-qualified expert testifying under oath that they recognize and accept their duty to the Court: *White Burgess*, above at paras 47-49. I note that Mr. Graves attested in his affidavit that he read, signed (the attendant certificate), and agreed to be bound by the "Code of Conduct for Expert Witnesses" stipulated in Rule 52.2 of the *Federal Courts Rules*, SOR/98-106. When cross-examined on this issue, Mr. Graves indicated that he understood his role was to be

impartial, independent, and not to take sides: “I am here on behalf of RallySport Direct, but I don’t know that I’m necessarily advocating for them[;] I am advocating for the facts”.

[19] In assessing the Defendants’ concern, the Court must consider the nature and extent of the expert’s connection with the litigation or the party, not just whether a relationship exists; expert testimony must have more than a simple appearance of bias to be inadmissible: *White Burgess, above* at paras 47-49, 36. “The acid test is whether the expert's opinion would not change regardless of which party retained him or her”: *White Burgess, above* at para 32.

[20] There is a limitation applicable to summary judgment motions. It is not the role of the judge to weigh the evidence; rather, the motions judge, as gatekeeper, must determine the admissibility of expert evidence but otherwise refrain from conducting a cost-benefit analysis or assigning weight: *White Burgess, above* para 55. Though Nova Scotia rules and jurisprudence were applicable in *White Burgess*, similar considerations are found in Federal Courts jurisprudence: *Milano Pizza Ltd v 6034799 Canada Inc*, 2018 FC 1112 [*Milano Pizza*] at para 38; *MacNeil Estate v Canada (Department of Indian and Northern Affairs)*, 2004 FCA 50 at para 38. Further, the appearance of conflicting evidence in itself does not preclude summary judgment; judges must take a hard look at the merits of the case: *Milano Pizza, above* at para 39.

[21] I find Mr. Graves’ evidence would not have changed had he represented the Defendants instead. For example, he explains how his former position with Eckler informed his opinion about the value of experienced in-house staff in staging and taking photographs, versus 3rd party experienced photographers who work with the staff. Further, though Mr. Graves reported at one

time to RSD’s CEO while they both worked at Eckler, there is no evidence suggesting that Mr. Graves has any ongoing professional or personal interest with Eckler or Mr. Jordan, let alone with RSD. The Defendants have not provided evidence of any other relationship outside this context. There also is no evidence that Mr. Graves has acted as an advocate for any of the relevant parties in another context. I find, however, that Mr. Graves’ disputation of the Defendants’ evidence regarding significantly lower estimated costs for producing the images crosses the impartiality boundary and is therefore inadmissible.

(c) *Summary of Parties’ Positions*

[22] RSD maintains that the statutory minimum prescribed by *Copyright Act* s 38.1(1)(a) of CAD \$500/work is appropriate. That said, should the Court find that the matter is a “special case” per *Copyright Act* s 38.1(3), RSD submits that the appropriate sum is at least CAD \$250/infringement, for a total sum of CAD \$359,750 (based on 1436 applicable works, rather than 1430 photographic images plus 3 product descriptions). RSD submits this sum considers all relevant factors, including this Court’s previous judgments (summarized below) and the Defendants’ conduct (a factor not present in all circumstances, particularly *Trader*):

Decision	# and Types of Works	Amount/Work	Total Award
<i>Telewizja Polsat SA v Radiopol Inc</i> , 2006 FC 584	2009 TV Shows	\$150	\$301,350
<i>Trader v CarGurus</i> , 2017 ONSC 1841	152,532 Car Photos	\$2	\$305,064
<i>Collett v Northland Art Company Canada Inc</i> , 2018 FC 269	6 Photos and the Website home page	\$7500	\$45,000
<i>Century 21 Canada Limited Partnership v Rogers Communications Inc</i> , 2011 BCSC 1196	99 Photographs, 29 Real Property Descriptions	\$250	\$32,000
<i>Ritchie v Sawmill Creek Golf</i>	9 Photographs, 5	\$200	\$2,800

<i>& Country Club Ltd</i> , 2003 CanLII 24511	Enlargements		
<i>Royal Conservatory of Music v Macintosh (Novus Via Music Group Inc)</i> , 2016 FC 929	21 Musical Works	\$500	\$10,500
<i>Thomson v Afterlife Network Inc</i> , 2019 FC 545	1,141,790 Obituaries	\$8.76	\$10,000,000
<i>Young v Thakur</i> , 2019 FC 835	2 Songs	\$1,000	\$2,000

[23] The Defendants argue that a damages award can be based on three factors: actual damages, lost profits, or lost licensing fees. The Defendants maintain that RSD has not demonstrated harm in the form of actual damages or lost profits, and seek instead a windfall profit based on a “technical breach”: *Nicholas v Environmental Systems (International) Limited*, 2010 FC 741 [*Nicholas*] at para 105. In particular, they submit that RSD is not entitled to recover acquisition costs, such as shipping, storage, and associated labour costs, as these are not covered by the *Copyright Act*. The Defendants note Mr. Jordan’s admission that the “technology does not exist” to determine the alleged harm from the infringement. Thus they assert that empty claims of sustaining damage are insufficient and that such “[s]peculative and unproven damages must be deleted from the [damages] calculation”: *Sadhu Singh Hamdard Trust v Navsun Holdings Ltd*, 2018 FC 1039 at para 58. The Defendants argue therefore that lost licensing fees are the most appropriate factor to consider. They suggest, in the alternative, that if production costs are used, they should be a nominal \$2/photo (having regard to *Trader*) or at the very most USD \$114.2 (having regard to the evidence of RSD’s affiant, Jasmin Topalovic, on labour costs).

(d) *Appropriate Quantum of Statutory Damages*

[24] In arriving at the total award of CAD \$357,500 (CAD \$250/work x 1430 works) I have taken into account RSD's labour costs based on the following points, as well as deterrence and the other *Copyright Act* s 38.1(5) factors, discussed below:

- copyright economic loss considers the market value of the image actually created;
- market value is not limited to lost licensing fees, and can encompass production costs;
- production costs can include labour costs; and
- evidentiary gaps are not necessarily fatal.

[25] The parties disagree regarding the evidence needed to demonstrate that the statutory minimum is grossly out of proportion to the infringement, including the scope of the relevant factors. The *Copyright Act* protects an owner's right to profit economically from their work by controlling the right to reproduction and other attendant rights once the work has been created in fixed form. In other words, the *Copyright Act* protects the (original) expression of ideas, rather than the process, including costs, of creating the work itself. I agree with the Defendants that the metric of economic loss thus encompasses the market value of the works themselves, including lost sales (if they were resold) and/or lost licensing fees (if they were licensed), and not necessarily the associated production costs.

[26] That said, I find that production costs are a relevant factor when determining whether the statutory minimum is grossly disproportionate in the e-commerce context. There is nothing to prevent a copyright owner from capturing some or even all of their creation costs in the sale price, and any licensing fees, for their works. This was recognized implicitly in *Trader*, where the court based its statutory award assessment in part on a rough per-work estimate of the labour costs involved in producing those photos: *Trader* at para 67. The total award was \$305,064 or \$2

per work x 152,532 works for which Trader could establish ownership. The damages award took into account primarily labour costs of \$118,864 (for producing 196,740 photos, the number of works alleged by Trader to have been infringed) and added a deterrence factor, notwithstanding a finding of no bad faith, to reflect CarGuru's insufficient due diligence to ascertain copyright ownership.

[27] I note that the Ontario Superior Court also took into account the loss of Trader's licensing fees. The Defendants in the case before me submit such fees are within the ambit of protectable interests under the *Copyright Act*, and thus represent an appropriate basis for estimating loss. I find, however, that unlike in *Trader*, there is no evidence that RSD ever licensed, or considered licensing, its photos to other parties. As I noted in the Summary Judgment, above at para 49, the *Copyright Act* protects the right of copyright owners to control who uses their works. Accordingly, any actions that infringe this right, resulting in an unquantifiable loss of control, are best addressed in the context of deterrence, rather than in estimated license fees that RSD did not pursue.

[28] When copyright is infringed in respect of works that are created to sell another product, and not to be sold themselves, I find the Ontario Superior Court's approach of looking to the associated production costs to determine the quantum of damages is appropriate. First, production costs could be seen as the approximation of some 'profit' to the infringer because the infringer, like the creator/owner, then uses the works to promote and sell a product, but unlike the creator/owner, without those associated costs. The infringer thus may be able to realize a higher relative profit from a sale of the same item as they would have no associated production

costs to 'recoup,' although I recognize they could have other costs impacting their overall profit. Second, Mr. Graves' attests that RSD "lost the opportunity of making a sale to a number of potential customers, the total quantity and number of which cannot be determined with precision [emphasis in original]" because of the loss of organically-generated web-traffic. There is no other reliable way to calculate the damages RSD suffered, however: RSD's CEO Matt Jordan admits that the "technology does not exist" to determine such alleged harm from the infringement.

[29] Looking therefore at RSD's production costs, Mr. Topalovic, RSD's Marketing Director, estimates RSD spent USD \$164,438.33 on the labour costs associated with producing the 1436 (1430 + 6) photos. Subtracting the labour costs of \$410.88 attributable to the 6 photos not included in the RSD Works results in the sum of USD \$164,027.45. Mr. Topalovic's calculations included an estimated per photo cost for each of the years 2009-2016. Because the years 2009 and 2010 involved a negligible amount of photos, I find the average per photo cost, based on the costs for the years 2011-2016, is USD \$109.44 or CAD \$146.93 as of the date of this Order, using a USD/CAD exchange rate of 1.34. I therefore find total labour costs are CAD \$210,109.90.

[30] In addition to labour costs, Mr. Graves explains that production costs in the e-commerce aftermarket auto parts industry also include initial product acquisition costs, among others. Justin Smith, RSD's IT Director, cross-referenced RSD's Works against company records and estimated RSD's acquisition costs for the products depicted in RSD's Works ranged from USD \$224,055.05 - \$240,058.98. When added to the labour costs, this brings the estimate of RSD's

total production costs to a range of USD \$388,493.88 to \$404,479.31. I note these costs do not factor in the shipping, warehousing, and cataloguing costs Mr. Graves also identified as relevant.

[31] I find, however, that the entire product acquisition cost estimated by Mr. Smith cannot be factored precisely into the assessment of RSD's actual damages for several reasons. First, not all items acquired for photographing became 'dead stock' or involved 'sunk costs'; RSD admitted that these products were intended to be resold afterward (either at a mark-up, a discount, or later exchanged). RSD did not provide a dead stock report nor conversely a report of the resold components and kits. Second, RSD did not provide evidence showing that it did not use, ceased using, or retook the photos because of the Defendants' infringement, notwithstanding Mr. Graves' evidence to the effect that there was an unquantifiable loss of organically-generated web-traffic (i.e. RSD's lost opportunity cost). I therefore find it would be grossly out of proportion or not 'fair and proportionate' to take into account RSD's total estimated product acquisition cost; rather I find the issue can be addressed under the rubric of deterrence.

[32] The Defendants assert that if production costs are a relevant factor, that the market value production of RSD's works falls anywhere between CAD \$5,303.80 on the low end to CAD \$41,855.00 plus HST on the high end based on quotes solicited by Mr. Cayer from third-party photographers. These quotes, however, do not take into account acquisition costs and other related costs. In addition, Mr. Graves attested that even when third-party photographers were used by Eckler, they needed to be supervised to photograph the desired angles and, in the case of kits, to assemble them correctly. I accept that in an industry where specific parts matter, one needs industry-experience to know how to stage the products. This requires either a specialized

photographer or direction from a knowledgeable employee. This level of supervision was not accounted for in the third-party quotes. Finally, I note that none of the quotes solicited by Mr. Cayer factor in the correct sum of images; the closest was for a flat rate up to 2000 images. Thus, I find Mr. Topalovic's labour cost estimates are the more accurate reflection of RSD's provable production costs.

[33] Finally, RSD submits that the Defendants were required to demonstrate that they did not profit from their actions and, by not leading this evidence for 259 Ontario in particular, thus are unable to demonstrate a "special case" warranting reduction of the statutory minimum. (The Defendants produced sales figures for 242 Ontario showing increased sales from \$803,775 in 2015 to \$1,201,951 in 2016 and to \$1,863,045 in 2017. While there were operating losses in 2017, subtracting legal costs would have resulted in a profit.) The Defendants disagree, arguing that this turns the law of remedies—which is fundamentally compensatory—on its head. I note that whether the infringer realized losses has been accepted as a relevant factor in assessing the quantum of statutory damages, but that failing to lead evidence of such losses is not fatal to a claim for a "special case" under *Copyright Act* s 38.1(3): *Telewizja*, above at para 47; *Trader*, above at para 67; *Microsoft Corporation v Liu*, 2016 FC 950 [*Liu*], above at para 22; *Young*, above at paras 50, 63; *Nicholas*, above at paras 21, 105; *1422986 Ontario*, above at para 100. Similarly, the evidentiary omissions by both parties (RSD's recouped acquisition costs through resale on the one hand, and 259 Ontario's revenues/losses on the other hand) make it more difficult for the Court to arrive at a fair and proportionate award, but are not fatal to either party's position.

[34] I consider next the *Copyright Act* s 38.1(5) factors of: (i) the good or bad faith of the defendant; (ii) the parties' conduct before and during the proceedings; and (iii) the need to deter future infringements.

(i) Good or Bad Faith of the Defendant

[35] The most relevant allegations are that Mr. Cayer personally directed third-party contractors to scrape the images, failed to conduct necessary due diligence regarding copyright in the scraped images, and indicated falsely that he had removed all infringing images on multiple occasions after receiving RSD's cease and desist letter. I find that Mr. Cayer's explanations regarding these actions were not made in good faith because they evolved throughout this matter. In addition, the Defendants argue that they cannot be found to have acted in bad faith because their conduct benefitted RSD, and because they conceded liability. I disagree with both of these submissions.

[36] Regarding the evolving explanations, Mr. Cayer first asserted that he scrubbed all images off his website after RSD's cease and desist letter and that the infringing works reappeared because third-party contractors he retained re-added them. He later clarified that the images never reappeared at all, but were always online and simply discovered at various stages RSD's lack of diligence in identifying the Defendants' infringements. He also explained he conducted spot-checks on the website and, absent direct links to infringing material, this is all that was required.

[37] Regardless of whether the images were uploaded on one or several occasions, the Defendants were aware, by virtue of RSD's cease and desist letter, that works on their website potentially breached RSD's copyright. "[N]otice alerts them to a potential claim which may or may not be proven valid at a future date[; t]o ignore a claim however is to run the risk of potential liability if breach of [] ownership of copyright and its infringement is eventually proven": *Century 21*, above at para 416. From receipt of the cease and desist letter in 2016, the Defendants had ample time to remove those works and any others, especially given that Mr. Cayer admitted he was able to do so himself. For more than two years, however, the Defendants continued to display at least 42 infringing works. It was the Defendants' onus to ensure that they did not infringe RSD's copyright, not RSD's to bring additional infringements to the Defendants' attention once it was clear there were numerous instances. The Defendants either were deliberate, or at the very least negligent, in relying on the work of third-party contractors to promote and sell their stock, given that they knew these contractors had scraped the images.

[38] The Defendants also submitted that their actions benefitted RSD because they resulted in promoting RSD's products. I note that in *Century 21*, the defendant's indexed link led to the plaintiff's listing (at para 414); in the matter before me, the Defendants were promoting and selling stock they previously had acquired, without any direct (electronic) link to RSD. The only benefit RSD may have derived would have been from increased online exposure for the aftermarket automotive products; because potential customers were not directed to RSD's retail website, however, I find this so-called 'benefit' is negligible.

[39] Regarding the Defendants' concession of liability, the Defendants brought their motion for summary judgment on the basis of a question of law concerning the scope of the interest protected by the *Copyright Act*; only if this question were answered in RSD's favour were the Defendants willing to concede liability.

(ii) The Conduct of the Parties

[40] I find this factor neutral. I note that 242 Ontario did not abide by Court-appointed deadlines for discoveries on the main action, a factor this Court has held against infringers in the past: *Collett*, above at para 62. Further, the Defendants brought this motion for summary judgment prior to undergoing discoveries on the individual named Defendants and 259 Ontario. That said, Sylvain Cayer, now an individual named Defendant, provided an affidavit on behalf of 242 Ontario and was cross-examined on it.

[41] Overall, I find that both parties have advocated their positions vigorously during the proceedings but not in such a manner that crosses a boundary and warrants being taken into account in the assessment of damages.

(iii) The Need to Deter Infringement

[42] The Defendants maintain deterrence is unnecessary because their infringement was merely a "technical breach". I disagree. Both parties used the same photos to promote and sell the same goods in the same online marketplace, and competed for clients in the process. That RSD's 'lost opportunity' cost cannot be quantified "with precision" is irrelevant for the purposes

of deterrence. Deterrence ensures misconduct does not go unpunished simply because but-for causation cannot be proven for each image. Statutory damages “must be sufficiently high to serve a salutary message and deter future infringements on the part of the named Defendants and other parties”: *PC Village*, above at para 39. This is especially so where technology makes it easy to infringe: *Collett*, above at para 63. Because the Defendants continued to infringe RSD’s Works for at least two years despite repeated warnings to cease and desist, I find there is a need to deter not only the Defendants’ infringements, but also those of others in similar circumstances.

[43] I therefore award RSD statutory damages in the amount of CAD \$250/work x 1430 works, for a total amount of CAD \$357,500. In my view, this is a fair and proportionate or just award taking into account: RSD’s labour costs of USD \$109.44 or CAD \$146.93 per work; the Defendants’ bad faith; and the need to deter the Defendants and others from infringing RSD’s Works. I further award RSD prejudgment interest on the statutory damages in accordance with Federal Courts Act, RSC 1985, c F-7, s 36. While the photos were available online and hence viewable to anyone in Canada, I find it appropriate to apply the Ontario rules because this is the province where all the Defendants are located. Having regard therefore to the Courts of Justice Act, RSO 1990 c C43 s 128(1), prejudgment interest shall be calculated in accordance with the Ontario prejudgment interest rates as of December 29, 2016, being the date of RSD’s cease and desist letter and thus the date when it made the Defendants aware of their infringements. Although the cause of action technically may have arisen sooner, in my view the date of the cease and desist letter provides greater certainty as the baseline for the prejudgment interest calculation.

2. *What amount of exemplary, punitive, and aggravated damages, if any, are appropriate?*

[44] Having regard to *Copyright Act* s 38.1(7), I find punitive damages in the amount of \$50,000 are appropriate in this case, while aggravated damages are not warranted. My analysis begins with a summary of the applicable principles, followed by a discussion of the factors that favoured this finding.

[45] The applicable principle regarding punitive damages (also known as exemplary damages) is that they “should only be awarded where the evidence shows that there has been high-handed, malicious, arbitrary or highly reprehensible conduct that departs to a marked degree from the ordinary standards of decent behaviour[;] [t]his is a high threshold”: *Bauer Hockey Corp v Sport Maska Inc (Reebok-CCM Hockey)*, 2014 FCA 158 [*Bauer Hockey*] at para 26. Aggravated damages, on the other hand, aim to compensate for intangible injury such as distress and humiliation: *Nicholas*, above at para 113. “[I]t is questionable whether aggravated damages based on humiliation and distress may be claimed by a corporation”: *Bauer Hockey*, above at para 23.

[46] I agree with the Defendants that aggravated damages are not warranted in this matter. Competition in a niche market is not equivalent to inflicting humiliation, anxiety, or stress on individuals, as occurred in *Thompson v Afterlife Network Inc*, 2019 FC 545, where the infringement involved obituaries commercialized for unrelated purposes. Further, RSD has led no evidence that it suffered reputational harm in this niche market by virtue of the Defendants’ actions.

[47] On the other hand, punitive damages are an exceptional remedy warranted only “where a party’s conduct has been malicious, oppressive and highhanded and offends the court’s sense of

decency and where other remedies are not sufficient to accomplish the objectives of retribution, deterrence, and denunciation”: *Young*, above at para 52, citing *Whiten v Pilot Insurance Co*, 2002 SCC 18 at paras 36, 123. Whether this threshold is met requires the Court consider (a) whether the conduct was planned and deliberate; (b) the intent and motive of the defendant; (c) whether the defendant persisted in the outrageous conduct over a lengthy period of time; (d) whether the defendant concealed or attempted to cover up its misconduct; (e) the defendant’s awareness that what it was doing was wrong; and (f) whether the defendant profited from its misconduct: *Collett*, above at para 72.

[48] Section 38.1(7) of the *Copyright Act* permits parties to seek punitive or exemplary damages in addition to an election for statutory damages. I therefore find punitive damages are warranted by reason of the Defendants’ efforts to judgment-proof their actions, by creating 259 Ontario, transferring the www.subiedepot.ca domain rights and website content to 242 Ontario, and putting the latter company into bankruptcy. The applicable timeline is summarized below:

Date	Event
July 31, 2017	Prothonotary Tabib allows RSD to bring a motion to amend its Statement of Claim against 242 Ontario to include an additional 1321 works [1318 images and 3 monographs or product descriptions].
August 2, 2017	Mr. and Mrs. Cayer incorporate 259 Ontario.
September 26, 2017	Prothonotary Tabib allows RSD’s motion to amend its Statement of Claim.
September 28, 2017	RSD files its Amended Statement of Claim.
October 31, 2017	242 Ontario files its Amended Statement of Defence and Counterclaim.
October 31, 2017	Mr. Cayer halts 242 Ontario’s lease of www.subiedepot.ca and purchases the website content.
November 1, 2017	259 Ontario assumes management of the domain www.subiedepot.ca and

	of the website content after paying for the right to do so in shareholder debt.
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[49] Mr. Cayer asserts his conveyance from 242 Ontario to 259 Ontario was not done fraudulently, and explains that he shut down 242 Ontario's online arm because of litigation costs and sold the website rights to 259 Ontario at fair market value. I find, however, it is reasonable to infer that the Defendants' intent when transferring these assets was to judgment-proof their actions. I found the Defendants' explanation as to why they needed to transfer the www.subiedepot.ca domain and contents from 242 Ontario to Mr. Cayer unconvincing.

[50] In addition, despite being aware of infringement concerns with the website content, Mr. Cayer purchased and subsequently transferred the domain and content without taking positive steps to ensure that the alleged infringements did not continue after the transfer. As a result, the named Defendants continued to benefit from the infringements by virtue of 259 Ontario's operations, although the benefit is unquantified. Had RSD not sought and been granted the motion to add 259 Ontario as a Defendant, and the individual named Defendants, they all would have avoided liability. I find these actions satisfy at least the above factors (a), (b), (d) and (e).

[51] Previous punitive damage awards range roughly from \$10,000 to \$100,000 based on the particular circumstances: *Liu*, above at para 28; *Entral Group International Inc v MCUE Enterprises Corp (Di Da Di Karaoke Company)*, 2010 FC 606 [*Entral*] at para 55; *Young*, above at para 48.

[52] I find the Defendants' actions, particularly the efforts to judgment-proof them, were high-handed and tantamount to "stonewall[ing] while they continued to exploit the Plaintiffs' rights": *Entral*, above at para 53. I therefore also award RSD exemplary and punitive damages in the amount of CAD \$50,000, having regard to *Federal Courts Act* s 36(4)(a).

III. Conclusion

[53] In sum, taking into account RSD's labour costs, the Defendants' bad faith and the need for deterrence, I award RSD statutory damages in the total amount of CAD \$357,500 for infringement of RSD's Works (calculated at \$250/work x 1430 works), prejudgment interest on the statutory damages, and an additional CAD \$50,000 in punitive damages having regard to the Defendants' efforts to judgment-proof their actions.

THIS COURT ORDERS that:

- 1) The Defendants, jointly and severally, shall pay statutory damages pursuant to *Copyright Act* s. 38.1, to the Plaintiff for infringement of copyright in the RSD Works in the total amount CAD \$357,500, calculated on the basis of CAD \$250 per each of the 1430 works infringed;
- 2) The Defendants, jointly and severally, shall pay to the Plaintiff prejudgment interest on the statutory damages, calculated in accordance with the Ontario prejudgment interest rates as of December 29, 2016;
- 3) The Defendants, jointly and severally, shall pay to the Plaintiff exemplary and punitive damages in the amount of CAD \$50,000; and
- 4) The parties have thirty (30) days from the date of this Order to agree on costs and inform the Court of their agreement or to serve and file representations, **not exceeding ten (10) pages**, regarding costs of the motion for summary judgment or summary trial.

“Janet M. Fuhrer”

Judge

Annex

<p><i>Copyright Act, RSC 1985, c C-42</i></p>	<p><i>Loi sur le droit d'auteur, LRC (1985), ch C-42</i></p>
<p>Statutory damages</p>	<p>Dommmages-intérêts préétablis</p>
<p>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,</p> <p>(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</p> <p>(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.</p>	<p>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 :</p> <p>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;</p> <p>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.</p>
<p>...</p>	<p>...</p>
<p>If defendant unaware of infringement</p>	<p>Cas particuliers</p>

<p>(2) If a copyright owner has made an election under subsection (1) and the defendant satisfies the court that the defendant was not aware and had no reasonable grounds to believe that the defendant had infringed copyright, the court may reduce the amount of the award under paragraph (1)(a) to less than \$500, but not less than \$200.</p>	<p>(2) Dans les cas où le défendeur convainc le tribunal qu’il ne savait pas et n’avait aucun motif raisonnable de croire qu’il avait violé le droit d’auteur, le tribunal peut réduire le montant des dommages-intérêts visés à l’alinéa (1)a jusqu’à 200 \$.</p>
<p>Special case</p>	<p>Cas particuliers</p>
<p>(3) In awarding statutory damages under paragraph (1)(a) or subsection (2), the court may award, with respect to each work or other subject-matter, a lower amount than \$500 or \$200, as the case may be, that the court considers just, if</p>	<p>(3) Dans les cas où plus d’une oeuvre ou d’un autre objet du droit d’auteur sont incorporés dans un même support matériel ou dans le cas où seule la violation visée au paragraphe 27(2.3) donne ouverture aux dommages-intérêts préétablis, le tribunal peut, selon ce qu’il estime équitable en l’occurrence, réduire, à l’égard de chaque oeuvre ou autre objet du droit d’auteur, le montant minimal visé à l’alinéa (1)a ou au paragraphe (2), selon le cas, s’il est d’avis que même s’il accordait le montant minimal de dommages-intérêts préétablis le montant total de ces dommages-intérêts serait extrêmement disproportionné à la violation.</p>
<p>(a) either</p> <ul style="list-style-type: none"> (i) there is more than one work or other subject-matter in a single medium, or (ii) the award relates only to one or more infringements under subsection 27(2.3); and <p>(b) the awarding of even the minimum amount referred to in that paragraph or that subsection would result in a total award that, in the court’s opinion, is grossly out of proportion to the infringement.</p>	
<p>...</p>	<p>...</p>

Factors to consider	Facteurs
<p>(5) In exercising its discretion under subsections (1) to (4), the court shall consider all relevant factors, including</p> <p>(a) the good faith or bad faith of the defendant;</p> <p>(b) the conduct of the parties before and during the proceedings;</p> <p>(c) the need to deter other infringements of the copyright in question; and</p> <p>(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.</p>	<p>(5) Lorsqu'il rend une décision relativement aux paragraphes (1) à (4), le tribunal tient compte notamment des facteurs suivants :</p> <p>a) la bonne ou mauvaise foi du défendeur;</p> <p>b) le comportement des parties avant l'instance et au cours de celle-ci;</p> <p>c) la nécessité de créer un effet dissuasif à l'égard de violations éventuelles du droit d'auteur en question;</p> <p>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.</p>
...	
Exemplary or punitive damages not affected	Dommages-intérêts exemplaires
<p>(7) An election under subsection (1) does not affect any right that the copyright owner may have to exemplary or punitive damages</p>	<p>(7) Le choix fait par le demandeur en vertu du paragraphe (1) n'a pas pour effet de supprimer le droit de celui-ci, le cas échéant, à des dommages-intérêts exemplaires ou punitifs.</p>

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-458-17

STYLE OF CAUSE: RALLYSPORT DIRECT LLC v 2424508 ONTARIO LTD

**MOTION IN WRITING CONSIDERED AT OTTAWA, ONTARIO PURSUANT TO
RULE 369 OF THE *FEDERAL COURTS RULES***

ORDER AND REASONS: FUHRER J.

DATED: JULY 24, 2020

APPEARANCES:

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FOR THE PLAINTIFF

Bayo Odutola

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