

Goodmans^{LLP} Update

Who Foots the Bill? Notice-and-Notice, *Norwich* Orders and Compliance Costs

On September 14, 2018, the Supreme Court of Canada (SCC) rendered its decision in *Rogers Communications Inc. v Voltage Pictures, LLC*,¹ an appeal from the Federal Court of Appeal, affirming copyright owners must compensate Internet Service Providers (ISPs) for some – but not all – costs incurred by ISPs in identifying alleged online infringers.

Background

ISPs provide IP addresses (and network connectivity) to their customers. ISPs in Canada have contractual and legal duties of confidentiality that restrict the disclosure of their customers' information. Online infringement, however, remains a pervasive threat to copyright owners and presents significant obstacles for copyright owners attempting to enforce their rights. The relative anonymity of the Internet through ISPs shields piracy perpetrators, limiting critical information necessary for victims to initiate a lawsuit.

Many copyright owners monitor the Internet (particularly websites that use the BitTorrent protocol) for potential copyright infringement and seek to identify potential copyright infringers. However, while it is often possible to identify the ISPs which are being used by the alleged infringers and the alleged infringers' related IP addresses, determining the actual identities of the alleged infringers is much more difficult without the cooperation of the ISPs. Therefore, copyright owners have frequently availed themselves of the so-called "Notice-and Notice Regime" under the Canadian *Copyright Act* and also sought Canadian court orders to ascertain the identities of the alleged infringers. As discussed below, this has recently raised the issue of which parties- the ISPs, the copyright owners or a combination thereof - should bear the various costs of identifying the alleged infringers.

Notice-and-Notice Regime

The "Notice-and-Notice" provisions under the *Copyright Act*² (sections 41.25, 41.26 and 41.27(3)) came into force on January 2, 2015.

These provisions formalized a voluntary practice aimed at discouraging online copyright infringement. They impose obligations and potential liabilities on Internet intermediaries, such as ISPs, who receive a prescribed form of notice from a copyright owner that they are facilitating Internet-related copyright infringement. These provisions require infringement notices issued by copyright owners to be forwarded by the ISP to users. If an ISP receives a proper notice from a copyright owner, the ISP must forward the notice electronically to the user, and retain any identifying records that could be used against the user for a fixed period of time. ISPs that fail to do so may be liable for civil damages.

The Notice-and-Notice regime differs from the "notice and take down" regime used in the United States. "Notice and take down" requires an ISP upon receiving notice of a claimed copyright infringement, to respond expeditiously by removing or blocking access to the material that is the subject of the claimed infringement. While obviously better from the standpoint of copyright owners, the U.S. approach has been criticized by some for undermining the presumption of innocence, and unnecessarily limiting freedom of expression.³

Unlike in the U.S., under Canada's Notice-and-Notice regime, ISPs are not required to reveal the identity or any personal information of the alleged infringer to the copyright owner. If the copyright owner wants this information in order to take further legal action against the alleged infringer, the copyright owner must first obtain a court order, called a "*Norwich* order," which compels the ISP to disclose that information.

Norwich Orders

Norwich orders are a form of pre-trial discovery that compels third party intermediaries to disclose the identity of suspected copyright infringers so they can be named in an infringement action. To obtain a *Norwich* order, a plaintiff must fulfil specific criteria, including that the intermediary from which such disclosure is sought "must be reasonably compensated for his expenses arising out of compliance with the discovery order in addition to his legal costs."⁴

Though sometimes complementary, the *Norwich* orders and Notice-and-Notice regime create different compliance obligations for ISPs.

Online infringement, however, remains a pervasive threat to copyright and presents mounting obstacles for content owners attempting to enforce their rights. The relative anonymity of the Internet through ISPs shields piracy perpetrators, limiting critical information necessary for victims to initiate a lawsuit.

Rogers v. Voltage

In *Rogers v. Voltage*, a group of film production companies (collectively “**Voltage**”) sought to compel an ISP, Rogers Communications Inc., to disclose the identity and personal information of a number of unidentified persons who had allegedly infringed their copyrights by illegally sharing the films. Voltage ultimately sought to have a “reverse class action” certified against 55,000 unknown copyright infringers. Voltage initially attempted to seek disclosure under the Notice-and-Notice regime, but the Federal Court found sections 41.25 and 41.26 of the *Copyright Act* do not provide for such identification. Voltage then brought a motion for a *Norwich* order.

The Federal Court issued a *Norwich* order requiring Rogers to identify the representative defendant but allowed Rogers’ request to be paid a \$100/hour fee for assembling, verifying and forwarding the customer information.

Voltage appealed to the Federal Court of Appeal arguing Rogers was not permitted to charge a fee for discharging its statutory obligations under section 41.26(1) of the Act to: (a) forward copyright notices to its customers; and (b) retain records allowing the identity of those customers to be determined. Although section 41.26(2) provides a fee may be set for performing these obligations, no maximum fee or fee structure has yet been set by regulation. The Federal Court of Appeal agreed with Voltage and held the trial court erred in not assessing the reasonableness of Rogers’ fees for complying with the *Norwich* order. The key issue in this case centers on which of the ISP’s processes and related costs to identify, notify and reveal the alleged infringers falls under the Notice-and-Notice regime (thus exempt from cost recovery until a maximum fee is imposed by regulation) and which processes and related costs are separate obligations imposed by the *Norwich* order.

SCC Decision

The SCC clarified the respective obligations of an ISP under each of the Notice-and-Notice regime and *Norwich* orders. The SCC articulated that Rogers, as an ISP, is subject to both express and implicit obligations regarding accurate recording keeping and electronically forwarding copyright notices under the Notice-and-Notice regime. However, the Notice-and-Notice regime was not intended to provide a comprehensive framework to eliminate instances of copyright infringement in their totality. The SCC distinguished between these express and implicit statutory obligations, and the obligations of an ISP to actually identify a person from its records pursuant to a *Norwich* order, stating:

...a copyright owner who wishes to sue a person alleged to have infringed copyright online must obtain a *Norwich* order to compel the ISP to disclose that person’s identity. The statutory notice-and notice-regime has not displaced this requirement, but operates in tandem with it.⁵

The SCC also clarified the scope of an ISP’s obligations under section 41.26 of the Act by specifying these obligations do not require customers be readily identifiable (by name or physical address) where a notice is sent electronically in response to a *Norwich* order. Though the ISP must keep records that allow it to identify the recipient of a copyright notice, the Notice-and-Notice regime does not require the records be kept in a form and manner which would permit a copyright owner or a court to do the same.⁶

Regarding the key issue of costs, the SCC held an ISP cannot recover costs incurred, whether expressly or implicitly, in performing its statutory obligations under the Notice-and-Notice regime, nor when it takes those same express and implicit steps after having been served a *Norwich* order. There is a distinction between an ISP’s obligation under the Notice-and-Notice regime to ensure the accuracy of its records allow for the identification of a person, and an ISP’s obligation under a *Norwich* order to actually identify a person from its records. As such, ISPs are entitled to recover the costs of identifying individual alleged infringers as long as such costs are reasonable and in response to a *Norwich* order from a copyright owner. What constitutes “reasonable” costs was left by the SCC to be determined by a motion judge of the Federal Court based on evidence provided by the ISP, and in light of the SCC’s comments on the scope of section 41.26.

Implications

The SCC's decision in *Rogers v. Voltage* provides further clarity on the relationship between the Notice-and-Notice regime under the Act and *Norwich* orders and provides guidance to both ISPs and copyright owners on the interaction between these legal remedies and which parties are responsible for what costs. For ISPs, the decision confirms the common law right to "reasonable costs" for the steps they must take to comply with a *Norwich* order, provided those steps and associated costs are not covered under the express or implied statutory obligations of the Notice-and-Notice regime. For copyright owners, the decision clarifies which costs must be borne by ISPs and which costs they must bear in the course of tracking down the identities of alleged infringers in order to take legal action against them. It will be interesting to see the aftermath of the SCC decision, namely, the determination by the Federal Court of the "reasonable costs" the ISPs can recover in response to a *Norwich* order. For that, stay tuned!

For further information relating to this Update, please contact any member of our [Entertainment Group](#).

Author



David Zitzerman
dzitzerman@goodmans.ca
416.597.4172

¹ *Rogers Communications Inc. v. Voltage Pictures, LLC*, 2018 SCC 38 ("***Rogers v. Voltage***").

² R.S.C. 1985, c. C-42.

³ *Rogers v. Voltage*, para 26.

⁴ *Rogers v. Voltage*, para 18.

⁵ *Rogers v. Voltage*, para 24.

⁶ *Rogers v. Voltage*, para 48.

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