

Goodmans^{LLP} Update

Federal Court Refuses to Certify “Reverse Class Action” Against Indeterminate Number of Canadians

Last week, the Federal Court of Canada dismissed an unusual “reverse class action” brought by a group of film production companies (collectively referred to as “**Voltage**”) against a potentially indeterminate number of Canadians in respect of alleged peer-to-peer file sharing of Voltage’s copyrighted films. The decision in *Voltage Pictures, LLC et al. v Robert Salna et al.*, signals an unwillingness to allow copyright holders to pursue unnamed individuals for alleged infringement without clear evidence they are properly named as defendants. The Court declined to rely on evidence of IP addresses allegedly used to share the films on the basis that a person holding an address may not be the one *using* it for the alleged infringement.

Background

In its application to certify the class action launched in 2016, Voltage alleged that its copyrights in five films – including *The Cobbler* and *American Heist* – had been infringed by the respondent class members’ illegal uploading and downloading of the films using peer-to-peer file-sharing networks.

The road to the Federal Court’s decision on certification involved a number of procedural steps, including a trip to the Supreme Court (see our October 30, 2018 Update, *Who Foots the Bill? Notice-and-Notice, Norwich Orders and Compliance Costs*). In 2015, Voltage used evidence identifying an IP address that uploaded the films to a “BitTorrent” sharing network, to obtain a Norwich order compelling Rogers Communications Inc. to disclose the internet subscriber’s identity using that IP address. The identified subscriber became the first representative respondent named in the class action. He denied having infringed Voltage’s copyrights and could not say whether the IP address in question had been compromised by other users.

Pursuant to the *Copyright Act*, copyright can be infringed through either primary infringement, by making use of a work in a way that only the owner has the right to, or secondary infringement, by selling, distributing, or exposing for sale an infringing good that the secondary infringer knows (or should know) infringes a copyrighted work.

The proposed class included all natural persons residing in Canada who were internet account subscribers whose IP addresses were detected by Voltage’s forensic software. The persons captured would be either a “direct infringer” (a person who was making the films available for download over a peer-to-peer network or advertising that they were available for download) or an “authorizing infringer” (a person who controlled an internet account and failed to take reasonable steps to prevent the actions of direct infringers, such as internet service providers (ISPs)).

Voltage alleged infringement of its copyrights by the direct and authorizing infringers in one of three ways:

1. offering films for download over peer-to-peer networks;
2. advertising the film as being available for download; or
3. failing to take reasonable steps to ensure that the first and second acts of direct infringement did not take place

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Voltage faced resistance from the representative respondents and from the intervening Canadian Internet Policy and Public Interest Clinic, who raised issues with the notion of identifying direct infringers based on IP addresses, given evidence that an internet user may not consciously decide to offer a file for download or advertise that it is available. They also argued the notion that ISPs and others who “control” internet accounts should be responsible for infringement by subscribers or those who use their IP addresses is flawed.

Federal Court’s Decision

To have its class action certified, Voltage was required to meet the five conditions set out by Rule 334.16 of the *Federal Court Rules*:

1. Its pleadings needed to disclose a reasonable cause of action.
2. There had to be an identifiable class of two or more people against whom the claim was brought.
3. Common questions of law or fact had to exist against those people.
4. A class action had to be the preferable procedure to resolve the common questions in a just and efficient way.
5. There needed to be a representative party who would fairly and adequately represent the interests of the class and have a plan for proceeding on behalf of other class members, among other things.

The Federal Court found Voltage failed to satisfy any of these conditions and thus its action could not proceed.

Among the Federal Court’s findings were the following:

- Voltage’s argument that a cause of action existed against ISPs for providing internet access to persons making copyrighted works available for download was an “overly broad reading” of the Supreme Court’s earlier comments about what it meant to “authorize” an infringement.
- Voltage’s assertion that it identified thousands of IP addresses used to allegedly infringe its copyrights was insufficient to constitute a basis for the existence of an identifiable class, since the nexus between an IP address and a person actually infringing copyright while using that IP address was a highly technical and uncertain determination.
- A class action was not the preferable procedure because Voltage’s forensic software was only capable of identifying IP addresses, but the determination of who was using the IP address at the given time was an individual – not common – issue. Further, relying on the notice-and-notice regime (designed for ISPs to notify users to cease infringing activity if detected) to facilitate a large-scale class proceeding would unfairly overburden ISPs and result in an unmanageable class procedure.
- There was no representative party or parties who would fairly and adequately represent the respondent class’ interests, given the lack of incentive to participate and the likelihood parties would simply exercise their right to opt out.

Future Cases

Despite Voltage’s unsuccessful certification attempt, there may be a place for reverse class actions where the cost of defending meritorious litigation can be spread across many small defendants. In the three reported reverse class actions that were successfully certified, the key feature (and one which distinguishes them from the Voltage claim) was the limited number of identified defendants and the existence of a claim against each of them, such that the claims were more efficiently adjudicated together. The disincentive for defendants to participate in the action is the inherent challenge in deploying the class vehicle in reverse, but in the proper case that disincentive might be moderated.

To discuss this or any other class action matter, please contact the authors or any member of our [Class Action Group](#). To discuss entertainment law matters more generally, please contact [David Zitzerman](#) or any member of our [Entertainment Law Group](#).

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