

Federal Court of Appeal



Cour d'appel fédérale

Date: 20210908

Docket: A-439-19

Citation: 2021 FCA 176

**CORAM: NADON J.A.
RENNIE J.A.
RIVOALEN J.A.**

BETWEEN:

**ROBERT SALNA, JAMES ROSE and
LORIDANA CERILLI, PROPOSED
REPRESENTATIVE RESPONDENTS ON
BEHALF OF A CLASS OF RESPONDENTS**

**Appellants/
Respondents on cross-appeal**

and

**VOLTAGE PICTURES, LLC, COBBLER
NEVADA, LLC, PTG NEVADA, LLC, CLEAR
SKIES NEVADA, LLC, GLACIER
ENTERTAINMENT S.A.R.L. OF
LUXEMBOURG, GLACIER FILMS 1, LLC,
AND FATHERS & DAUGHTERS NEVADA,
LLC**

**Respondents/
Appellants on cross-appeal**

and

**SAMUELSON-GLUSHKO CANADIAN
INTERNET POLICY
& PUBLIC INTEREST CLINIC**

Intervener

Heard by online video conference hosted by the Registry on April 28, 2021.

Judgment delivered at Ottawa, Ontario, on September 8, 2021.

REASONS FOR JUDGMENT BY:

RENNIE J.A.

CONCURRED IN BY:

NADON J.A.
RIVOALEN J.A.

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REASONS FOR JUDGMENT

RENNIE J.A.

[1] This is an appeal and cross-appeal from an order of the Federal Court (2019 FC 1412, per Boswell J.). There has been a modification to the style of cause in this matter to correct a clerical error. The appellants, Robert Salna, James Rose and Loridana Cerilli, appeal the Federal Court’s award of costs in a class proceeding certification motion. The respondents Voltage Pictures LLC, Cobbler Nevada, LLC, PTG Nevada, LLC, Clear Skies Nevada, LLC, Glacier Entertainment S.A.R.L. of Luxembourg, Glacier Films 1, LLC, and Fathers & Daughters Nevada, LLC (Voltage), cross-appeal the Federal Court’s dismissal of the motion to certify.

[2] Voltage sought certification of a respondent class proceeding alleging infringement of its copyright protected work by the appellants. Known colloquially as a “reverse class action”, Voltage targeted the online copyright infringement of five of its films: *The Cobbler*, *Pay the Ghost*, *Good Kill*, *Fathers and Daughters*, and *American Heist* (“the Works”).

[3] The factual foundation for the allegation of copyright infringement in this case is far removed from that which was before the Supreme Court in *CCH Canadian Ltd. v. Law Society of Upper Canada*, 2004 SCC 13, [2004] 1 S.C.R. 339 (*CCH*). There, articling students walked across the creaking and worn wooden floors of the Great Library at Osgoode Hall, placed a nickel in the single, often broken, photocopying machine and copied, page-by-page, law reports. Much has changed in the 17 years since the decision in *CCH*. The content and channels of artistic creation and expression have evolved in ways that were beyond contemplation in 2004.

To remain relevant, the law must adapt to the evolving digital environment, the channels through which artistic endeavour is expressed and the means by which copyright may be infringed.

[4] The proposed reverse class action tests the limits of what constitutes copyright infringement. It is also an innovative development in the means by which authors attempt to protect their work in a digital environment. The novelty of the proposed class action is not, contrary to what the Federal Court held, a reason to deny an application to certify the proceeding. The proposed class proceeding may ultimately flounder, for reasons which I will identify, but the judge erred in presuming that to be the case at so early a stage. The law must be allowed to evolve.

[5] I have reached the conclusion that the cross-appeal should be allowed in part. Before elaborating on the reasons as to why I have reached this conclusion, three observations are in order.

[6] First, the Federal Court erred in the application of the test of whether a reasonable cause of action was disclosed in the certification application.

[7] Second, if the Federal Court's reasoning prevailed, Voltage, and those similarly situated, would, in many cases, be without any remedy for violation of their copyright: a respondent class proceeding is not available and the joinder of thousands of individual actions simply not feasible.

[8] Third, I acknowledge that the proposed respondents have raised a number of substantive concerns as to whether the class proceeding is, in the end, legally and administratively viable. It was premature, however, to presume that they would materialize and be fatal to the certification application. There may be problems down the road and decertification always remains an option “if the conditions for certification are no longer satisfied with respect to the proceeding” (*Federal Courts Rules*, S.O.R./98-106, R. 334.19; *Tiller v. Canada*, 2019 FC 749, 2019 CarswellNat 2360 at para. 21).

I. Background

[9] I begin with the background to the infringement allegation described in the certification application.

[10] BitTorrent is a peer-to-peer file sharing protocol that enables the decentralized and simultaneous distribution of computer files over the internet. The decentralized nature of the protocol keeps individual expenses and bandwidth usage low (Appeal Book at p. 105 (Perino Affidavit at para. 2(j))).

[11] The users of each BitTorrent software are connected to each other. Once connected, each user downloads segments of the files available in small pieces, or data packets; the file may be analogized to a completed puzzle, and the packets, the pieces of the puzzle. Once downloaded, the data file can be uploaded for the download of other BitTorrent users, known as “peers” (Voltage Amended Notice of Application at para. 17). In this way, the peers can download data packets, or pieces of the puzzle, from various sources while simultaneously uploading that

content for download by others (Appeal Book at pp. 105 and 519-520 (Perino Affidavit at para. 2(h); Lethbridge Affidavit at para. 11)).

[12] Each data packet and file has its own unique and identifiable “hash” number, created using a mathematical algorithm (Voltage Amended Notice of Application at para. 18).

Ultimately, an entire file can be obtained by downloading all the required packets from various peers. The peers from whom the downloader received the file and/or packets are considered “uploaders”. A particular uploader may provide to the downloader anything from only a small portion of the entire file to the entire file (Appeal Book at p. 105 (Perino Affidavit at para. 2(h))). However, it is rare for a downloader to receive an entire file from a single uploader (Appeal Book at p. 105 (Perino Affidavit at para. 2(i))). Eventually, the entire file, puzzle, or in this case, film, is assembled, piece by piece, bit by bit, for viewing.

[13] In order for files to be added and become downloadable to other peers, at least one user who has a complete copy of the entire file in question must be connected. This user, or users, “seeds” the file for the rest of the peers (Voltage Amended Notice of Application at para. 17). Once a peer downloads an entire file, they can also become a seeder of that file for other users (Appeal Book at p. 105 (Perino Affidavit at para. 2(g))).

[14] Because BitTorrent is a file sharing protocol, once files are shared in the network, they are shared by all users. As such, uploading or offering to upload specific files or data packets can be done without a user’s knowledge and can occur whenever a BitTorrent user is connected to the internet.

[15] Forensic software deployed by Voltage identified the internet protocol (IP) addresses of BitTorrent users who downloaded any of the Works. The software also collected information on the BitTorrent users offering to upload these films. This included the IP address used by the uploader, the date and time the film was made available for upload in the form of a computer file and the file's metadata, including the name and size of the computer file containing the film and the BitTorrent hash number.

[16] An IP address allows data sent over the internet to be received by the intended recipient device. Every IP address in existence is assigned, in groups or blocks, to different Internet Service Providers (ISPs), such as Rogers, Telus or Bell. ISPs, in turn, allocate individual IP addresses to the internet-connecting devices of their customers, those contractually obligated to an ISP to pay for internet services (Internet Account Subscribers). An example of an internet-connecting device is an internet router. Although each internet-connecting device has its own IP address, that device can in turn connect to a variety of other internet using devices, such as computers, tablets, cellphones, etc. Multiple devices can thus simultaneously use an internet connection under the same IP address.

[17] Copyright owners who identify an IP address infringing their works can require ISPs to send a notice of an alleged infringement to the internet account subscriber associated with the IP address (*Copyright Act*, R.S.C. 1985, c. C-42, s. 41.25-41.26). This is known as “the notice and notice” regime. ISPs are required to retain records enabling the identification of these internet account holders for six months following the day on which the account holder received the notice of an alleged infringement (*Copyright Act* at para. 41.26(1)(b)). A copyright owner may

sue an internet account holder for copyright infringement following their receipt of the notice of alleged infringement. Though perhaps obvious, in order to identify the alleged infringer and potential defendant(s), a copyright owner must apply for a *Norwich* order requiring the ISPs to release the name(s) of the internet account holder(s).

[18] Later in these reasons, I will return to the implications of the six-month retention period on the question of the composition of the defendant class.

[19] Voltage triggered the notice and notice procedure under the *Copyright Act*. It assembled the IP addresses, the times of the alleged infringement and the ISPs associated with those IP addresses. It then requested the ISPs to send notices of the alleged infringement to the internet account subscribers associated with those IP addresses.

[20] Upon reviewing the IP addresses identified by the software, Voltage determined that one, 174.112.37.227, offered to upload all five of its films at various times. Voltage obtained a *Norwich* order compelling Rogers Communications Inc. to disclose the identity of the subscriber with this IP address. Following an appeal to the Supreme Court of Canada (*Voltage Pictures, LLC v. John Doe*, 2016 FC 881, 141 C.P.R. (4th) 136 at para. 14, *aff'd* 2018 SCC 38 (*Voltage-Norwich*); *Rogers Communications Inc. v. Voltage Pictures, LLC*, 2018 SCC 38, [2018] 2 S.C.R. 643 (*Rogers*)), Rogers Communications Inc. identified Robert Salna as the internet account subscriber.

[21] Voltage filed an application in the Federal Court against the internet account subscriber connected to that IP address, Mr. Salna, alleging that its copyrights had been infringed online. Voltage alleged three different acts of infringement: (i) making a film available for download by means of the BitTorrent network offering the file for uploading, or actually uploading a film; (ii) advertising by way of the BitTorrent protocol that a film is available for download; and (iii) authorizing the infringement by failing to take reasonable steps to ensure that the first and second unlawful acts did not take place in respect of an internet account controlled by an Internet Account Subscriber.

[22] Voltage classifies persons committing either (i) or (ii) as “Direct Infringers” and persons committing (iii) as “Authorizing Infringers”. Among Direct Infringers, Voltage claimed that those who committed (i) were primary infringers (persons who infringed their copyright in the Works pursuant to subsection 27(1) of the *Copyright Act*), and those who committed (ii) were secondary infringers (persons who infringed their copyright in the Works pursuant to subsection 27(2) of the *Copyright Act* and *CCH* at para. 81). These categories (direct infringer, authorizing infringer, primary infringer, and secondary infringer) have been used by Voltage to describe persons who commit various acts of infringement pursuant to the *Copyright Act*.

[23] Voltage then brought a motion for an order to certify its application against Mr. Salna as a respondent class proceeding (a so-called “reverse class application”) under Rules 334.14(2), 334.14(3), and 334.16 of the *Federal Courts Rules*. It is the appeal from the dismissal of that motion that is now before this Court.

[24] Mr. Salna is the owner of a rental property who provides internet access to his tenants at his rental property. He identified his tenants as James Rose and Lorida Cerilli, and claims it was they who performed the alleged unlawful activities. Mr. Rose and Ms. Cerilli in turn denied committing the unlawful acts Voltage alleged, further stating that they were unsure if Mr. Salna's internet connection had been compromised by other users, including family members, guests, and internet hackers.

[25] Voltage added Mr. Rose and Ms. Cerilli as proposed named representative respondents for the proposed class application. However, at the hearing of the motion, Voltage advised that the proposed class of respondents would only comprise Direct Infringers and/or Authorizing Infringers who are also internet account subscribers that had received a notice of certification from their ISP in the last six months. This amended class description excluded Mr. Rose and Ms. Cerilli as representative respondents.

II. Decision of the Federal Court

[26] The Federal Court began its analysis by noting the objectives behind reverse class proceedings: (i) facilitating access to justice; (ii) conserving judicial resources and private litigation costs; (iii) preventing re-litigation of the same issues; (iv) spreading expenses and resolving common issues over many defendants or respondents; and (v) modifying harmful behaviours (*Chippewas of Sarnia Band v. Canada (A.G.)*, 137 D.L.R. (4th) 239, [1996] OJ No. 2475 (QL) at para. 16 (*Chippewas*); *Western Canadian Shopping Centres Inc. v. Dutton*, 2001 SCC 46, [2001] 2 S.C.R. 534 at paras. 27 to 29 (*Dutton*); *Hollick v. Toronto (City)*, 2001 SCC 68, [2001] 3 S.C.R. 158 at paras. 15, 16 and 25 (*Hollick*)).

[27] The Federal Court then acknowledged that a certification motion is a procedural matter, the purpose of which is to determine how the litigation should proceed, not whether the litigation can succeed (*Sauer v. Canada (Minister of Agriculture)*, 2008 CanLII 43774 (ON SC), 169 A.C.W.S. (3d) 27 at para. 12) and that pursuant to Rule 334.16(1) of the *Federal Courts Rules*, five conjunctive criteria must be met to certify a class proceeding:

- (a) the pleadings disclose a reasonable cause of action;
- (b) there is an identifiable class of two or more persons;
- (c) the claims of the class members raise common questions of law or fact, whether or not those common questions predominate over questions affecting only individual members;
- (d) a class proceeding is the preferable procedure for the just and efficient resolution of the common questions of law or fact; and
- (e) there is a representative plaintiff or applicant who
 - (i) would fairly and adequately represent the interests of the class,
 - (ii) has prepared a plan for the proceeding that sets out a workable method of advancing the proceeding on behalf of the class and of notifying class members as to how the proceeding is progressing,
 - (iii) does not have, on the common questions of law or fact, an interest that is in conflict with the interests of other class members, and
 - (iv) provides a summary of any agreements respecting fees and disbursements between the representative plaintiff or applicant and the solicitor of record.

[28] The moving party has the onus to show an evidentiary basis for each certification requirement (*Buffalo v. Samson First Nation*, 2008 FC 1308, [2009] 4 F.C.R. 3 at para. 32, aff'd 2010 FCA 165), apart from the requirement that the pleadings must disclose a reasonable cause of action. That requirement is simply based on the pleadings themselves (*Hollick* at para. 25).

[29] The Federal Court concluded that Voltage had not met its onus in respect of any of the five criteria.

[30] On the first criteria, that the pleadings must disclose a reasonable cause of action, the Federal Court determined that Voltage had not proven its claims at this stage in respect of either Direct Infringers (neither primary nor secondary infringement) or Authorizing Infringers.

[31] Primary infringement had not been met as Voltage had not provided a description of how direct infringers may be identified (Federal Court reasons at paras. 68 and 77). Voltage had failed to identify a direct infringer who was also an internet account subscriber in its notice of application. This failure would prevent certification of a class as there was no representative primary infringer.

[32] The Federal Court similarly determined that secondary infringement had not been proven as the expert witness evidence showed that there was no difference between uploading and downloading a file on BitTorrent, and that file sharing can happen without a user's knowledge or consent. Instead, once a file is shared, it is shared by all. Further, "advertising a work" was not a cause of action recognized in the *Copyright Act*.

[33] On the final cause of action alleged by Voltage, the Federal Court determined that the claim relating to an "Authorizing Infringer" failed as it relied on an overly broad reading of *Society of Composers, Authors & Music Publishers of Canada v. Canadian Assn. of Internet Providers*, 2004 SCC 45, [2004] 2 S.C.R. 427 at paragraphs 127 and 128 (*SOCAN*) and the legal

obligations placed on an internet account subscriber under the notice and notice regime in the *Copyright Act*.

[34] On the second conjunctive requirement for certification, that there be some evidence of an identifiable class of two or more persons, the Federal Court noted that Voltage changed its description of the class in oral argument and excluded two of its named respondents, Mr. Rose and Ms. Cerilli, from its proposed class. That left Robert Salna as the only representative respondent. As he was not a Direct Infringer, there was no representative respondent for that cause of action. Although Voltage alluded, in a footnote, to thousands of other IP addresses, this alone did not amount to “some evidence” as it was only a “bare assertion” of other members of the class (*Canada v. John Doe*, 2016 FCA 191, 486 N.R. 223 at para. 33 (*John Doe*)). Relying on the expert witness affidavits, the Federal Court concluded that the determination of responsibility for infringement associated with each IP address will be a difficult technical exercise, and thus no clear class of two or more persons had been established.

[35] On the third conjunctive criteria, Voltage had alleged that its proposed class proceeding disclosed nine common questions of fact or law:

1. Is each of Voltage’s films an original cinematographic work in which copyright subsists?
2. Does the relevant applicant own the copyright in the appropriate films?
3. Do the unlawful actions alleged by Voltage constitute copyright infringement?
4. Do the unlawful actions alleged by Voltage constitute offering a film by telecommunication contrary to the provisions of the *Copyright Act*?
5. Did any of the respondents consent to or authorize any of the unlawful actions alleged by Voltage?

6. Did the Internet Account Subscribers:

- a) possess sufficient control over the use of their internet accounts and associated computers and internet devices such that they authorized, sanctioned, approved, or countenanced the infringements alleged by Voltage?
- b) require prior notice to be found liable for authorization, and if notice is necessary, is notice by way of an agreement with an ISP sufficient to engage their liability for the acts of Direct Infringers or is specific direct notice necessary?
- c) receive notice of infringement, and if they were provided with notice but ignored such notice, does that constitute authorization of copyright infringement and is willful blindness sufficient to constitute authorization of a copyright infringement?

7. Does the class have any available defences to copyright infringement, including any defence based on fair dealing?

8. What is an appropriate quantum of statutory damages available pursuant to section 38.1 of the *Copyright Act*?

9. Is this an appropriate case for an injunction?

[36] The Federal Court disagreed, finding that only the first two were common questions, as the outcomes of the other seven would be different depending on the factual circumstances of each respondent.

[37] On the fourth requirement, the Federal Court determined that Voltage's litigation plan was unmanageable. The proposed class action raised more individual issues than common issues within the class and judicial resources and economy would not be saved by certifying the class. Second, the proposed class proceeding inappropriately relied on using public resources as the proposed litigation plan would require ISPs to send continuous updates on the class proceeding via the *Copyright Act's* notice and notice regime. The Federal Court judge found this to run

contrary to Parliament's intention. Fourth, the proposed litigation plan specified that class members could "opt-out" of the class if they had unique issues to raise. However, if all class members opted-out, the class proceeding would evaporate.

[38] Finally, the Federal Court concluded there was no suitable representative respondent who had an interest in defending the application on behalf of a class. Although *Chippewas* specified that the consent or unwillingness of a proposed representative is not a barrier to certifying a class (at paras. 45-46), Voltage had not shown the proposed respondent in this case had the financial capacity and incentive to defend the application with diligence and vigour.

[39] For these four reasons, the Federal Court concluded that another strategy, the joinder of multiple individual actions, was preferable over certifying a class.

[40] Finding that the class action should not be certified, the Federal Court awarded the respondent costs. However, the Federal Court also refused to release the \$75,000.00 previously posted by Voltage as security for costs in the class action as Voltage had expressed its desire to continue with the application, although not in the form of a class proceeding. Although Mr. Salna had asked for costs on a solicitor-and-client basis, the Federal Court gave the parties 20 days to negotiate costs. If no agreement could be reached in that time, either party could request an assessment of costs in accordance with the *Federal Courts Rules*.

[41] There are two issues on appeal:

- 1) Did the Federal Court make a reviewable error in refusing to certify the class action?

- 2) Did the Federal Court err in its decision to award costs and refusal to release the security for costs?

III. Position of the Parties

A. *Cross-Appeal of the Decision not to Certify*

[42] Voltage cross-appeals the Federal Court's decision not to certify the class action, claiming the Federal Court made a reviewable error in each of the five criteria specified in Rule 334.16(1) of the *Federal Court Rules*.

[43] On the first criteria and whether the pleadings disclose a reasonable cause of action, Voltage claims the Federal Court erred in considering extraneous evidence. Whether the pleadings disclose a cause of action is to be based on the assumption that the pled facts are true (*Atlantic Lottery Corp. Inc. v. Babstock*, 2020 SCC 19, 447 D.L.R. (4th) 543 at para. 14; *Pro-Sys Consultants Ltd. v. Microsoft Corp.*, 2013 SCC 57, [2013] 3 S.C.R. 477 at para. 63 (*Pro-Sys*)). Voltage's statement of claim specified Mr. Salna and every other class member were primary infringers (see, *e.g.*, paras. 6 and 24 of the Amended Notice of Application). The Court was to take these statements as true without considering any other evidence or material, and in particular, Mr. Salna's claim that he is not a direct infringer.

[44] Voltage argues it was similarly inappropriate to consider the expert evidence on the differences between downloading and uploading on BitTorrent in concluding the elements for secondary infringement were doomed to fail. Voltage states that it pled the facts for the three criteria for secondary infringement as specified in *CCH* at paragraph 81. It argues:

(i) That primary infringement occurred is pled in paragraph 42 of the Amended Notice of Application and is supported by paragraphs 33-37, 6-12, 14, and 24;

42. ~~John Doe #1~~ Salna and each proposed Class Member is offering to upload at least one of the Works using the BitTorrent protocol. The Voltage Parties plead that such offering to upload is, *inter alia*, a communication to the public via telecommunication within the meaning of the *Copyright Act*, and as a result violates s. 27(1). Further, the act of offering to upload and the Unlawful Acts are a result of an unauthorized reproduction of the Works, and therefore, ~~John Doe #1~~ Salna and each proposed Class Member has unlawfully reproduced the Works and infringed the copyright in the Works in accordance with s. 27(1) of the *Copyright Act*.

(ii) That the secondary infringer knew or should have known that he or she was dealing with a product of infringement is found in paragraph 43, and supported by paragraph 24(c) of the Amended Notice of Application;

24. For the purposes of this proceeding, the following shall be referred to as the Unlawful Acts of each proposed Class member, including ~~John Doe #1~~ Salna:

[...]

(c) failing to take reasonable, or any, steps to ensure that a person downloading a Work was authorized to do so by law.

[...]

43. [...] ~~John Doe #1~~ Salna and each proposed Class Member knew or should have known that the making of a copy of such Work would infringe the copyright in such Work if it had been made in Canada by the person who made it, [...]

(iii) That the secondary infringer sold, distributed or exposed for sale the infringing good is set out in paragraph 43 and is supported by the description of the mass distribution of the films at issue by way of peer-to-peer software as set out in paragraphs 33–37 of the Amended Notice of Application;

37. Using [the forensic software] method, the Voltage Parties identified ~~John Doe #1~~ Salna as being one of the many users engaging in the Unlawful Acts by illegally offering to upload the Works by engaging in the Unlawful Acts.
[...]

[...]

43. The act of offering to upload a Work to any person who seeks to download such a Work further:

(a) distributes such Work to such an extent as to affect prejudicially the Voltage Parties;

(b) by way of trade distributes and exposes such Work; and

(c) possesses such work for the purposes of doing the acts set out in paragraphs (a) and (b) above.

[45] Voltage also argues that the “advertising a work for download” claim constitutes copyright infringement in accordance with paragraph 27(2)(c) of the *Copyright Act*. The terminology “advertising a work for download” is simply a shorthand and easy to understand analogy for exposing or offering a work for download to the public, just as “advertising” is an analogy for offering for sale – a recognised infringement according to subsection 27(2). The only difference is that rather than walking into a store and making a purchase, or dropping a nickel in a photocopier, the offer is accepted with the click of a mouse.

[46] Voltage further submits the claim relating to an “authorizing infringer” has statutory foundation in subsections 3(1) and 27(1) of the *Copyright Act*. As each proposed class member is an internet account subscriber, each is liable for the authorization of copyright infringements happening on their IP addresses. This theory is not doomed to fail, nor does *CCH* close the door on this cause of action, particularly in light of comments made in *SOCAN* at paragraphs 124 and 127.

[47] Finally, the Federal Court erred as the issue of the reasonableness of the cause of action had already been decided and was *res judicata*. The Court had already considered the reasonableness of the claims in deciding to grant the *Norwich* order that identified Mr. Salna.

[48] On the second criteria, Voltage acknowledges that its description of its proposed class changed to avoid unnecessary individual fact-finding. However, the Federal Court erred in not acknowledging that Voltage has evidence of thousands of other IP addresses that were used on BitTorrent to infringe Voltage's copyrights in its five films. Voltage asserts that the judge violated the established rule that a court is not, in assessing the reasonableness of a cause of action, to go behind the pleadings and into the evidence as it did and conclude that Mr. Salna is not, in fact, a direct infringer. That determination is for the merits of the application.

[49] On the third criteria, Voltage argues the judge made an error in law, pursuant to *Brake v. Canada (Attorney General)*, 2019 FCA 274, [2020] 2 FCR 638 at paragraphs 76-78 (*Brake*), in focussing on whether the answer to each question would be the same for each class member. Voltage claims that pursuant to *Brake*, the Federal Court should have instead examined whether the resolution of these questions was necessary to the resolution of each class member's claim. All that is necessary is that the class member claims must share a substantial common ingredient to justify certification.

[50] On the fourth criteria, Voltage submits the Federal Court erred in law in focussing on the potential number of individual issues and facts, rather than considering the test as expressed in *AIC Limited v. Fischer*, 2013 SCC 69, [2013] 3 S.C.R 949 (*Fischer*) and *Wenham v. Canada (Attorney General)*, 2018 FCA 199, 429 D.L.R. (4th) 166 (*Wenham*), (*Brake* at para. 87). What the Federal Court ought to have considered is described in the following paragraphs from *Brake*:

85 The governing principles for whether a class proceeding is the preferable procedure in a given case were set out in paragraph 77 of *Wenham* (relying on *Hollick* at paras. 27-31):

- (a) the preferability requirement has two concepts at its core:
 - (i) first, whether the class proceeding would be a fair, efficient and manageable method of advancing the claim; and
 - (ii) second, whether the class proceeding would be preferable to other reasonably available means of resolving the claims of class members;
- (b) this determination requires an examination of the common issues in their context, taking into account the importance of the common issues in relation to the claim as a whole; and
- (c) the preferability requirement can be met even where there are substantial individual issues; the common issues need not predominate over individual issues.

86 The preferability of a class proceeding must be “conducted through the lens of the three principal goals of class [proceedings], namely judicial economy, behaviour modification and access to justice”: *Fischer* at para. 22, cited by *Wenham* at para. 78.

[51] In addressing this test, Voltage argues there are numerous points in favour of a class action versus joinder. One solution to mass-copyright infringement is collective enforcement by creators (*York University v. Canadian Copyright Licencing Agency (Access Copyright)*, 2020 FCA 77, 448 D.L.R. (4th) 456 at para. 203, rev’d, but not on this point, 2021 SCC 32), another is for a single creator to pursue a large number of infringers. What is proposed by Voltage is, in essence, the inverse of an action by a collective. Class proceedings are an efficient way to tackle mass violation of copyright as they allow for the resolution of common questions and for interveners or Court-appointed *amicus curiae* to make submissions on a single application, rather than thousands.

[52] Further, Voltage argues its proposed litigation plan makes no use of public resources and that there are financing options available for Mr. Salna should a class proceeding be certified.

The Federal Court's proposed approach requires each individual to bear their own litigation defence costs. Even without financing options, having multiple respondents defended by a single counsel allows for cost sharing and a more efficient use of Court resources.

[53] Finally, there is no evidence that Voltage's proposed use of the notice and notice regime was inappropriate or that it would overwhelm ISPs. ISPs automatically send out 200,000-300,000 notices monthly (*Rogers* at para. 40). Voltage argues that it should be allowed to use this regime in new and novel ways, as the policy which underlies the notice and notice regime of the *Copyright Act* encourages the marketplace to develop non-legislative solutions to suppress copyright infringement.

[54] On the last criteria, Voltage argues Mr. Salna's disinterest in defending the application is not a bar to class certification (*Chippewas* at para. 45). Indeed, his affidavit stating his disinterest is premised on the false assumption that he would not have to defend an action brought against him alone, should certification fail. Should the certification application fail, Voltage intends to pursue Mr. Salna in an individual action for infringement. Mr. Salna will thus incur costs either way. But under the proposed reverse class action, the costs would be significantly distributed across the members of the class.

B. *Mr. Salna's Position on Cross-Appeal*

[55] On the second criteria, Mr. Salna reminds the Court that the burden is on the moving party to show some evidence of a class of two or more persons. Voltage's expert affidavit identified only one IP address that had allegedly made the Works available for upload, that of

Mr. Salna. Voltage's earlier claim, made in a footnote, that there are thousands of infringing IP addresses was overtaken by its acknowledgment that class actions must be limited in time (citing *Hollick* at para. 17) and that the proposed class was restricted to infringements within the last 6 months. Without that, the footnote in the pleadings is simply a bald assertion on the existence of other class members.

[56] Mr. Salna reiterates that apart from questions (1) and (2), the remaining seven questions of fact and law were not, in fact, common. Individual fact-finding would be required to determine type of infringement, if any, each internet account subscriber was guilty of, whether they had any individual defences beyond just fair dealing and the quantum of damages that might be appropriate given the criteria in subsection 38.1(5) of the *Copyright Act*.

[57] Mr. Salna defends the Federal Court's findings on the fourth criteria, that the class action would not be preferable. The Federal Court properly considered the purpose of a class action, and expressed concern over the highly individualised facts associated with each proposed respondent, the reliance on public resources, the overuse of the notice and notice regime and the possibility that every respondent may simply "opt-out" of the class action. The judge is entitled to deference in the weighing of these factors, and the respondent has failed to point to any palpable and overriding error.

[58] Finally, Mr. Salna points out that the Federal Court did consider that a respondent's unwillingness to defend an application is not a bar to certification. However, unlike in *Chippewas*, here there is a limit on the award of statutory damages of \$5,000.00 pursuant to

paragraph 38.1(1)(b) of the *Copyright Act*. This is a disincentive for him and any other class member to defend the action.

C. *Intervener's Position on Cross-Appeal*

[59] The intervener, the Samuelson-Glushko Canadian Internet Policy and Public Interest Clinic (CIPPIC), responded to Voltage's arguments on the reasonableness of the cause of action and on the proper interpretation of the *Copyright Act's* notice and notice regime.

[60] CIPPIC submits that the proper test is whether it is "plain and obvious", assuming the facts pled to be true, the pleadings disclose no reasonable cause of action (*John Doe* at para. 23). While the pled facts are assumed to be true, an applicant must do more than simply state bald assertions of conclusions. Further, the totality of the pled facts must make out each alleged cause of action.

[61] On direct infringement, the intervener submits that Voltage's statement of claim lacks the specificity required to make out a claim for infringement pursuant to sections 3 and 27 of the *Copyright Act*. Particularly, Voltage fails to specify how direct infringers will be identified from the group of internet account subscribers. Even taking Voltage's claim that Mr. Salna is a direct infringer to be true, Voltage's pleadings state that the internet account subscribers "should have" or "ought to have" known what their account was being used for. This does not relate to direct infringement.

[62] On secondary infringement, the intervener argues that Voltage has failed to plead facts relating to the elements for secondary infringement as set out in subsection 27(2) of the *Copyright Act*; in particular, Voltage has not pled any infringement occurred prior to the alleged infringement caught by the forensic software. Second, Voltage has not claimed the proposed class respondents knew they were dealing with the product of an infringement: indeed, they did not plead they notified the internet account subscribers of the alleged infringement. Finally, they have not pled any of the actions seen in the third element, such as selling or distributing for sale.

[63] On the “authorizing infringer” claim, the intervener agrees with the Federal Court that this cause of action relies too heavily on comments made in *SOCAN*, in which the Supreme Court of Canada opined about the possible liabilities associated with a notice and takedown regime. Actions for copyright infringement must instead be grounded in the *Copyright Act*, and post-*SOCAN* the Canadian legislature elected to adopt its notice and notice regime instead of the opined upon notice and takedown regime. Pursuant to the *Copyright Act*, any claim of authorization must take into account the factors and elements set out in subsection 27(2.3) and (2.4). Voltage has failed to plead facts in relation to these factors, most critically, that the internet account subscriber had any knowledge of the infringement prior to joining the application.

[64] Even if knowledge was pled, knowledge alone is insufficient to ground authorization. For that, the intervener argues something more is required, whether approval, acquiescence or encouragement; what is required is authorization of copyright infringement, not the authorization of the use of the technology (*CCH* at paras. 38, 42-43; *Century 21 Canada Limited Partnership v. Rogers Communications Inc.*, 2011 BCSC 1196, 338 D.L.R. (4th) 32 at para. 342 (*Century*

21); *Sirius Canada Inc. v. CMRRA/SODRAC Inc.*, 2010 FCA 348, [2012] 3 F.C.R. 717). Indeed, authorization may not be established even where a person has knowledge of the infringement and takes no steps to stop it (see, e.g., *Microsoft Corporation v. Liu*, 2016 FC 950, 140 C.P.R. (4th) 327).

[65] Further, the issue of the reasonableness of the pleadings is not *res judicata*. Prior to the certification motion, all motions before the Court that may have relied on the reasonableness of the pleadings were unopposed on this issue. In the alternative, even if the matter is *res judicata*, the Court should exercise its discretion to consider the merits of the issue to avoid unfairness to the proposed class members (*Danyluk v. Ainsworth Technologies Inc.*, 2001 SCC 44, [2001] 2 S.C.R. 460 (*Danyluk*)).

[66] On the issue of the *Copyright Act*'s notice and notice regime, the intervener argues that Voltage's proposed use of the regime to: (i) ground liability for copyright infringement; (ii) provide notice for certification of a class; and (iii) advise class members of hearings, etc. takes the regime outside its intended scope, upsetting the balance between copyright owners' rights, privacy rights, and the interests of ISPs.

IV. Analysis

[67] The objectives of class proceedings are well known: (i) facilitating access to justice through the distribution of legal fees across a large number of class members, (ii) conserving judicial resources by reducing unnecessary duplication in the fact-finding and legal-analysis process, and (iii) modifying harmful behaviours by ensuring that actual and potential wrongdoers

take into full account the harm they are causing or might cause (*Dutton* at paras. 27, 29; *Hollick* at paras. 15, 16, and 25). These advantages exist not only in a typical plaintiff class proceeding, but also in the case of a reverse class proceeding, where specific plaintiffs bring a proceeding against a class of defendants. Defendant/respondent class proceedings have been described “[...] as a means of providing plaintiffs with an enforceable remedy where it was otherwise impractical to secure the attendance of all potential defendants, while at the same time ensuring that those affected by the outcome of a lawsuit, although absent, were sufficiently protected” (*Chippewas* at paras. 16-17).

[68] Recognizing these advantages, the *Federal Courts Rules* allow for the certification of both plaintiff and defendant applicants (when the underlying proceeding is an action) and applicant and respondent applicants (when the underlying proceeding is an application) for class proceedings (Rules 334.14(2) and 334.14(3)).

[69] Regardless of the type of class proceeding, a judge must certify a proceeding if the criteria in Rule 334.16(1) are met. These criteria are:

- (a) the pleadings disclose a reasonable cause of action;
- (b) there is an identifiable class of two or more persons;
- (c) the claims of the class members raise common questions of law or fact, whether or not those common questions predominate over questions affecting only individual members;
- (d) a class proceeding is the preferable procedure for the just and efficient resolution of the common questions of law or fact; and
- (e) there is a representative plaintiff or applicant who
 - (i) would fairly and adequately represent the interests of the class,

(ii) has prepared a plan for the proceeding that sets out a workable method of advancing the proceeding on behalf of the class and of notifying class members as to how the proceeding is progressing,

(iii) does not have, on the common questions of law or fact, an interest that is in conflict with the interests of other class members, and

(iv) provides a summary of any agreements respecting fees and disbursements between the representative plaintiff or applicant and the solicitor of record.

[70] The Federal Court made reversible errors in relation to each conjunctive criteria. I propose to make the conclusions that the Federal Court should have made on the first three criteria under Rule 334.16(1)(a), (b) and (c). However, as the reasons of the Federal Court with respect to the fourth and fifth criteria (Rule 334.16(1)(d) and (e)) are insufficient to provide a basis for appellate review (*R. v. G.F.*, 2021 SCC 20, 2021 CarswellOnt 6892 at paras. 71 and 74 (*G.F.*)), the motion for certification is returned to the Federal Court for consideration of Rule 334.16(1)(d) and (e).

(1) *Whether the pleadings disclose a reasonable cause of action*

[71] As a preliminary observation, Voltage argues that the question of whether the proceeding discloses a reasonable cause of action is *res judicata* as the Federal Court had already determined that the pleadings disclosed a *bona fide* claim when the *Norwich* order identifying Mr. Salna was granted (*Voltage-Norwich* at para. 14). Further, the Supreme Court of Canada did not disturb that finding (*Rogers*). However, CIPICC is correct that the request for the *Norwich* order before the Federal Court was unopposed on this issue. In essence, CIPICC argues that the parties have not

engaged on the question. Accordingly, this Court will not treat the matter as *res judicata* but instead will exercise its discretion to consider the question (*Danyluk*).

[72] On the first criteria, the test is the same as it would be in any motion to strike: the pleadings must disclose a reasonable cause of action, assuming that the facts as pled are true (*Pro-Sys* at para. 63).

[73] The Federal Court erred in its application of the test. Rather than taking the facts pled to be true, in this case Voltage's pleading that Mr. Salna himself is a direct infringer, the Federal Court concluded that Voltage had not pled how it is that Internet Account Subscribers are direct infringers (Federal Court reasons at paras. 68 and 77). The pertinent part of this pleading can be seen in paragraph 42 of Voltage's Amended Notice of Application:

42. ~~John Doe #1~~ Salna and each proposed Class Member is offering to upload at least one of the Works using the BitTorrent protocol. The Voltage Parties plead that such offering to upload is, *inter alia*, a communication to the public via telecommunication within the meaning of the *Copyright Act*, and as a result violates s. 27(1).

[74] The Federal Court assessed the strength of the evidence underlying this plea and then made findings of mixed fact and law and drew conclusions with respect to the merits of the claim. This includes Mr. Salna's plea that he is not a direct infringer. This was an error of law as there is no burden on Voltage, at this stage, to prove that Mr. Salna is a direct infringer. Further, the pleadings do not fall into the category of bald assertions that would be screened out by the test on a motion to strike.

[75] The judge also accepted, as conclusive, expert evidence on the nature of the distinction between “uploading” and “downloading” on BitTorrent (Federal Court reasons at para. 80). This was an error of law affecting the Federal Court’s findings on both the Primary Infringement and Secondary Infringement causes of action. A judge should not engage in an assessment of expert evidence in assessing whether there is a reasonable cause of action.

[76] The Federal Court also erred in dismissing Voltage’s cause of action that the respondents authorized the infringement. The judge concluded that Voltage relied on an overly broad reading of Binnie J.’s *obiter* comment in *SOCAN* at paragraph 127. Binnie J. observed that the failure to take down infringing conduct after receiving notice “may in some circumstances lead to a finding of ‘authorization’” [emphasis added by the Federal Court judge] (*SOCAN* at para. 127; Federal Court reasons at para. 79).

[77] Here again, the judge delved into the merits of the argument, rather than considering whether Voltage should be precluded from advancing the argument. At this stage of a proceeding, it is not appropriate to engage in a detailed analysis of the argument, and more particularly, whether the proposed argument is good law (*Merck & Co., Inc. v. Apotex Inc.*, 2012 FC 454, 106 C.P.R. (4th) 325 at para. 28 (*Merck & Co.*)). Indeed, the careful use of the word “may” is an indication from the Court that the question is open for consideration.

[78] When combined, subsections 3(1) and 27(1) of the *Copyright Act* grant the right to authorize the reproduction of a Work. Voltage’s claim may push against the boundaries of a claim for authorizing infringement, but that is not the test on a motion to strike. Although the topic of “authorizing infringement” has been judicially considered, the Court in this case is faced

with a novel application of the doctrine. Specifically, this Court must consider the prohibition on authorizing infringement in the context of BitTorrent technology and the notice and notice regime.

[79] The key precedents, *CCH* and *SOCAN*, arose in distinct legal and factual contexts. *CCH* dealt with authorization in relation to photocopiers while *SOCAN* was decided prior to the enactment of the notice and notice regime. Accordingly, the extent to which these authorities provide the requisite guidance in this context to conclusively preclude allegations of direct and authorizing infringement at the certification stage is an arguable question.

[80] Mr. Salna made no submissions on the question of whether there was a reasonable cause of action; rather he adopted the argument of the intervener.

[81] CIPICC argues that cases like *CCH*, *SOCAN* and *Century 21* closed the door to the possibility that a party can be liable for authorizing infringement without explicitly authorizing infringement. In other words, the mere act of providing access to technology that allowed the infringement cannot on its own ground a claim for authorizing infringement.

[82] CIPICC asks the Court to definitively determine the question of whether, on the facts pled, a reasonable cause of action exists. That is not the role of a court in assessing the reasonableness of a cause of action.

[83] At this stage, all a Court should do is determine whether the moving party should be precluded from advancing their argument in front of a trial judge (*Merck & Co.* at para. 15). In determining this, “[...] the Court must be generous and err on the side of permitting a novel but arguable claim to proceed [...]” (*Assn. of Chartered Certified Accountants v. Canadian Institute of Chartered Accountants*, 2011 FC 1516, 2011 CarswellNat 5412 at para. 9; *Merck & Co.* at para. 24). Allowing novel but arguable claims to proceed is the “[o]nly [...] way can we be sure that the common law [...] will continue to evolve to meet the legal challenges that arise in our modern [...] society” (*Hunt v. Carey Canada Inc.*, [1990] 2 S.C.R. 959, 74 D.L.R. (4th) 321 at 990-991). In this instance, Voltage has shown it has a novel but arguable claim.

[84] Voltage has pled the necessary facts to support a claim for direct infringement. While CIPICC claims that Voltage has not connected internet account subscribers with the direct infringing activity taking place on BitTorrent, it is not necessary for Voltage to establish the facts of such a connection. It was sufficient for Voltage to plead that the internet account subscribers themselves committed these acts (see, *e.g.*, paras. 6 and 24 of the Amended Notice of Application). It is not for the court, at this stage, to assess the strength of the underlying evidence, in this case, the link between an ISP address, an internet account subscriber and the use of internet provided by an internet connecting device. At this stage, Voltage’s assertion that Mr. Salna and the other class members committed these acts is assumed to be true. It will be up to Voltage to prove this to be the case at the hearing on the merits.

[85] It is also clear that Voltage has pled the material facts necessary to support its claim based on a reasonable interpretation of authorizing infringement. For example, as seen in

paragraph 44 of the Amended Notice of Application, Voltage pleads that the proposed class members “possessed sufficient control over the use of his or her internet account and associated computers and internet devices such that they authorized, sanctioned, approved or countenanced the infringements particularized herein.”

[86] Despite my findings on the direct and authorizing infringement causes of action, Voltage has not successfully pled the material facts necessary to ground its claim to secondary infringement. While it does not affect the finding that Voltage’s pleadings disclose a “reasonable cause of action” with respect to direct and authorizing infringement, this deficiency deserves a brief mention as it may affect Voltage’s position moving forward.

[87] The test for secondary infringement is threefold: (i) primary infringement occurred; (ii) the secondary infringer knew or should have known that he or she was dealing with a product of infringement; and (iii) the secondary infringer sold, distributed or exposed for sale the infringing good (*CCH* at para. 81).

[88] While Voltage claims to have pled material facts in relation to each element of the test for secondary infringement, the pleading does not satisfy the test. As such, the exercise required in assessing the possibility of success cannot be properly conducted (*R. v. Imperial Tobacco Canada Ltd.*, 2011 SCC 42, [2011] 3 S.C.R. 45 at para. 22).

[89] In particular, Voltage has failed to plead the facts necessary to support the knowledge requirement. The second element in the secondary infringement test requires that the secondary

infringer knew or should have known that he or she was dealing with a product of infringement.

Put otherwise, the secondary infringer knew or should have known the copies of the Works in their possession were created by infringing the Works' copyright. In claiming it pled the material facts capable of meeting this element of the test, Voltage directed the Court to the following paragraphs in their Amended Notice of Application:

24. For the purposes of this proceeding, the following shall be referred to as the Unlawful Act of each proposed Class member, including ~~John Doe #1~~ Salna:

[...]

(c) failing to take reasonable, or any, steps to ensure that a person downloading a Work was authorized to do so by law.

[...]

43. [...] ~~John Doe #1~~ Salna and each proposed Class Member knew or should have known that the making of a copy of such Work would infringe the copyright in such Work if it had been made in Canada by the person who made it.

[90] Although these paragraphs reference an alleged infringer's knowledge, they speak of the infringer's knowledge that what they are doing would infringe Voltage's copyright. This is not the knowledge requirement for secondary infringement specified by the Supreme Court of Canada in *CCH* at paragraph 81 based on its interpretation of subsection 27(2) of the *Copyright Act*. The secondary infringer must know or should have known that he or she was dealing with a product of infringement. Although Voltage used language similar to that seen in the *Copyright Act* at subsection 27(2), particularly that the person "knows or should have known [the copy of a work] infringes copyright or would infringe copyright if it had been made in Canada by the person who made it", they connected that knowledge to the actions of the class member, and not to the Works in question.

[91] Accordingly, Voltage has failed to plead the facts necessary to support a secondary infringement cause of action.

[92] Despite this, as Voltage's pleadings disclose a reasonable cause of action with respect to the direct and authorizing infringement claims, Rule 334.16(1)(a) is satisfied.

(2) *There is an identifiable class of two or more persons*

[93] The standard applicable to the remaining four certification criteria is whether the party moving for certification has shown "some basis in fact" in support of the criteria (*Hollick* at para. 25). This is a purposely low standard, less than a balance of probabilities, as "[...] at the certification stage 'the court is ill-equipped to resolve conflicts in the evidence or to engage in the finely calibrated assessments of evidentiary weight'" (*Pro-Sys* at para. 102).

[94] In assessing whether this onus has been met, courts are to decide each case on its own facts. A court must be satisfied "[t]here [are] sufficient facts to satisfy [itself] that the conditions for certification have been met to a degree that should allow the matter to proceed on a class basis without foundering at the merits stage by reason of the requirements of [certification] not having been met" (*Pro-Sys* at para. 104). As it relates to the second certification criteria, this Court has previously articulated that "all that is required is 'some basis in fact' supporting an objective class definition that bears a rational connection to the common issues and that is not dependent on the outcome of the litigation" (*Brake* at para. 71).

[95] The Federal Court erred in its appreciation and application of the evidentiary standard applicable to this stage of the certification analysis. The judge substituted the “some basis in fact” of a class of two or more people with a requirement of evidence on a civil standard.

[96] The Federal Court correctly rejected Voltage’s claim to be in possession of “thousands of IP addresses that have allegedly infringed the copyrights in its films.” As the judge noted, this assertion was not evidence, but found solely in a footnote in its memorandum of fact and law.

[97] It is true that had Voltage brought forth evidence of other IP addresses and/or other names following a *Norwich* order, the existence of a class of “two or more persons” would have been conclusively established. The same can be said had Voltage’s experts provided an estimate on the number of IP addresses they had captured infringing the Works. However, the “some basis in fact” standard is not intended to be onerous: the identity and number of class members need not be known at the time of certification (*Dutton* at para. 38; *Jiang v. Peoples Trust Company*, 2017 BCCA 119, 408 D.L.R. (4th) 1 at para. 74). At the certification stage, there will often be ambiguity around the size of the class.

[98] Applying the correct test to the certification record before the Federal Court, the evidence was sufficient to show that the proceeding will not collapse for want of a “class of two or more persons.” In this instance, the evidence in the Perino affidavit and cross-examination indicates that Mr. Salna’s “IP address had been chosen” (Appeal Book at p. 588 (Perino Cross-Examination at question 95)). This suggests that more than one IP address was identified, meaning there was more than one internet account subscriber in the proposed class. While it is a

thin reed on which to stand, Voltage has nevertheless shown some basis in fact that there is a class of two or more persons. As I will explain, however, the paucity of evidence on the size of the class creates issues downstream in the preferability analysis in the choice of procedure.

(3) *There are common Questions of Fact and Law*

[99] This test asks a court to examine whether the resolution of a question is common to the proposed class members. It does not ask a court whether the outcome or answer to that question is common to the proposed class members (*Brake* at paras. 75-78).

[100] Contrary to the guidance of *Brake*, the Federal Court focussed on how the outcomes of the various questions may be different for various proposed class members (Federal Court reasons at paras. 117, 119, 121, 123, and 125). For example, on the topic of statutory damages, Mr. Salna argued that statutory damages pursuant to subsection 38.1(5) of the *Copyright Act* requires a Court to conduct a case-by-case analysis and thus the outcome for each individual may be different (Federal Court reasons at para. 123). However, the ability to establish sub-classes or different rules for the assessment of damages is expressly contemplated in class proceedings (Rules 334.16(3), 334.26(1), *Federal Courts Rules*). This consideration was not taken into account by the Federal Court.

[101] The only concern raised by Mr. Salna was the possibility that an ISP may misidentify the account associated with an IP address linked to the alleged copyright infringement. Mr. Salna argued that this would mean all but the first two questions need not be answered. The difficulty with that argument is that while finding that an ISP misidentified an individual subscriber's

account with an infringing IP address could be grounds for removing an individual from the proposed class, the hypothetical possibility of misidentification relates to the broader, common question of whether an individual has a valid defence (see *Voltage* question seven).

Misidentification is a valid defence.

[102] *Voltage* is correct in stating that even if the individual issues and facts outweigh the common issues, this is not a barrier to certification (*Wenham* at para. 77). The primary question to be answered is whether the class proceeding would be a fair, efficient, and manageable method of advancing the claim. While an overwhelmingly large number of individual fact assessments pose challenges to the management of a class action, these differences must be viewed through the lens of whether certifying the class will advance the three principal goals of class proceedings: judicial economy, behaviour modification, and access to justice (*Fischer* at para. 22). Resolving even a single issue among many may achieve these goals, for example, by both eliminating the inconsistencies that can occur when different judges are asked to answer the same question as well as by reducing the judicial resources spent in analysing that single issue.

[103] As such, I do not find speculative concern about misidentification or that there may be a number of potentially different factual scenarios persuasive. Second, flexibility is infused into the *Federal Courts Rules* class proceedings rules in that the *Rules* provide numerous avenues to resolve individual issues that may arise (*Brake* at para. 92). Options include the ability to create subclasses based on similar fact scenarios (Rule 334.16(3)) and the ability for a court-supervised individual assessment process (Rule 334.26). Additionally, if the class proceeding does become

unmanageable as it proceeds, the *Federal Courts Rules* allow for amendments to the pleadings or even decertification if the conditions for certification are no longer satisfied (Rule 334.19).

[104] The argument that the statutory remedies requested by Voltage will require an individual assessment (see Appellants’ Memorandum of Fact and Law in Response to the Cross-Appeal at subparas. 43(d) and (e)), receives the same answer. Rule 334.18(a) specifies that:

A judge shall not refuse to certify a proceeding as a class proceeding solely on one or more of the following grounds:

a) the relief claimed includes a claim for damages that would require an individual assessment after a determination of the common questions of law or fact;

[...]

Le juge ne peut invoquer uniquement un ou plusieurs des motifs ci-après pour refuser d’autoriser une instance comme recours collectif :

a) les réparations demandées comprennent une réclamation de dommages-intérêts qui exigerait, une fois les points de droit ou de fait communs tranchés, une évaluation individuelle;

[...]

(4) *A class proceeding is the preferable procedure for the just and efficient resolution of the common questions of law or fact*

[105] As previously discussed, an applicant for certification has the onus of showing that there is some basis in fact that a class action is the preferable procedure for resolving the common issues (*John Doe* at para. 61). Courts are to conduct this assessment “through the lens of the three principal goals of class actions, namely judicial economy, behaviour modification and access to justice” (*Fischer* at para. 22). Courts are to keep a sharp focus on the governing principles, as articulated in *Wenham* at paragraph 77, and cited in *Brake* at paragraph 85:

- (a) the preferability requirement has two concepts at its core:
 - (i) first, whether the class proceeding would be a fair, efficient and manageable method of advancing the claim; and
 - (ii) second, whether the class proceeding would be preferable to other reasonably available means of resolving the claims of class members;
- (b) this determination requires an examination of the common issues in their context, taking into account the importance of the common issues in relation to the claim as a whole; and
- (c) the preferability requirement can be met even where there are substantial individual issues; the common issues need not predominate over individual issues.

[106] In applying the governing principles to an individual case, all relevant matters should be considered. What is relevant will change depending on the facts of a case and the arguments raised by counsel, but can include the examples listed under Rule 334.16(2).

[107] The Federal Court did not conduct this analysis. The Federal Court directed its attention to Voltage's litigation plan after briefly mentioning a concern about the extent to which respondent class members potentially differed from each other. After an examination of the litigation plan, the Federal Court concluded that joinder was the preferable procedure. This conclusion cannot be sustained.

[108] It is an error of law to merge concerns with the litigation plan into the consideration of the preferability test. The preferability criteria is a higher level, macro consideration. The litigation plan is a specific, micro-level consideration. The former asks whether this is the best procedure for resolving the issues, the latter asks, if it is the preferable procedure, is there a workable organizational plan to advance the litigation.

[109] The preferability criteria is a conceptual analysis. It weighs the pros and cons of the different procedures to determine which, in light of the objectives of class proceedings, would be preferable to answer the questions of fact and/or law. Exceptionally, analysis of the proposed litigation plan under the fourth criteria may be appropriate if a specific detail of the plan becomes especially pertinent to the preferable procedure analysis, such as by speaking to one of the potentially relevant matters enunciated in Rule 334.16(2). In the end, however, there are two separate questions to be addressed.

[110] There was a second error in the stage four analysis. The judge simply stated that joinder of multiple actions commenced by statements of claim alleging infringement was the preferable procedure.

[111] It is unclear how this conclusion was reached.

[112] The evidence before the Court specified that Voltage had identified thousands of IP addresses infringing their copyright in the Works. Identification of internet account subscribers associated with those IP addresses may be a challenge. They may be excluded from the proposed class due to the 6-month time limit, as their identification is, absent a *Norwich* order, impossible. However, even a small percentage of those IP addresses could result in the identification of hundreds of potential infringers. However, no analysis was conducted as to the feasibility of joinder of this many individual claims. There was no consideration of the impact of issuing statements of claim in even a small percentage of those cases on the court administration, the

parties, judicial resources, the mechanics of joinder and the practicality or feasibility of enforcing default judgments, were that to be the case.

[113] The Federal Court also concluded, in its assessment of the litigation plan, that the ability to opt-out of the class proceeding was a further reason not to certify the proceeding.

[114] This was an error of law. The ability to opt-out is codified in the *Federal Courts Rules* (see, e.g., Rules 334.17(1)(f) and 334.21), and is not a reason to refuse certification (see, e.g., *Chippewas* at paras. 34 and 37; *Berry v. Pulley*, [2001] O.J. No. 911, [2001] O.T.C. 156 at para. 46). As argued by Voltage, if, in fact, every class member opts-out of the class proceeding, the class proceeding can be decertified. However, that is not a relevant concern at the point of certification. It was an error to presume that the option would be exercised by all potential class members.

[115] In circumstances such as these, where there are multiple respondents, each potentially liable for small amounts of money, a class action is a “fair, efficient and manageable method of advancing the claim” (*Wenham* at para. 77). Class actions reduce the financial implications of mounting a defence for each class member through the sharing of counsel, expert witnesses and fees. This reduced financial burden can also alleviate the pressure on class members to settle prior to a determination of the matter on its merits.

[116] Additionally, a class proceeding will allow for the resolution of at least some of the legal questions. Further, if the individual circumstances of various class members becomes

determinative of liability on a case-by-case basis, the *Federal Courts Rules* provide a mechanism for the determination of those individual, or smaller group, questions (Rules 334.26 and 334.27). A common resolution or framework for resolution, applicable to even some of the common questions of fact and law, will save judicial resources and reduce inconsistencies that can arise should similar, individual actions come before the Courts.

[117] I now return to the paucity of evidence in relation to the number of potential class members and its impact on the preferability analysis. As previously discussed, I concluded that there was a sufficient basis in fact to conclude there was more than one class member due to the evidence in the Perino Affidavit and cross-examination that Mr. Salna's IP address was "chosen" or selected. It was reasonable to infer, on this evidence, that there was more than one member of the class. However, beyond this, the only other evidence is that the corporation for whom Mr. Perino works monitors 100,000 instances of infringement each day at a minimum (Appeal Book at p. 588 (Perino Cross-Examination at question 95)). This number refers to the instances of infringement the company monitors for all its clients, not just Voltage and not just for these Works.

[118] There was, therefore, scant evidence of the approximate size and shape of the potential class. This is particularly so given the revolving and ever mutating nature of the class. On the arguments before us, it also appears that the proposed class mutates every day. Without some evidence as to how membership is to be determined and preserved, and the scale of membership, it is impossible to determine whether a class proceeding would be preferable over other reasonably available options. This has consequences for the preferability analysis.

[119] It is difficult, on this evidence, to do any meaningful analysis of whether a class proceeding is preferable to individual actions, or a single action with multiple defendants. The preferability analysis will differ depending on the size of the class. To be clear, a court does not need to know the exact number of class members, nor the ultimate boundaries of the class with precision. But there must be some evidence on which a court can conclude that a class proceeding is the preferred approach.

[120] In sum, this is not a situation where this Court can review the evidence and conduct the preferability analysis that the judge did not do.

(5) *There is a suitable representative respondent*

[121] The fifth criteria, a suitable representative class member, engages 4 sub-criteria: that the representative respondent (i) would fairly and adequately represent the interests of the class; (ii) has prepared a plan for the proceeding that sets out a workable method of advancing the proceeding on behalf of the class and of notifying class members as to how the proceeding is progressing; (iii) does not have, on the common questions of law or fact, an interest that is in conflict with the interests of other class member; and (iv) provides a summary of any agreements respecting fees and disbursements between the representative plaintiff or applicant and the solicitor of record.

[122] The paucity of analysis on these issues again presents challenges for this Court in its role of appellate review. The Federal Court determined Voltage did not meet the representative class member criteria on the basis that Voltage failed to show that Mr. Salna has an “incentive” to

defend the class application. Mr. Salna's worst day in court is statutorily capped at a low value of \$5,000.00, therefore he has no incentive to defend. Thus, there was no representative respondent who would fairly and adequately represent the interests of the class.

[123] The difficulty in the Federal Court's reasoning is that it leads to the conclusion that no respondent class proceedings would ever have a suitable representative respondent in circumstances where the monetary consequence for each class member is low. This logic butts against the *raison d'être* of class proceedings, where it is "precisely when individual damage awards may be low that a class action becomes the preferable, and sometimes the only mechanism that truly ensures access to justice" (*John Doe* at para. 65). Although this case, unlike the case of *John Doe*, concerns a respondent class, the principles that motivate class proceedings still apply. The principles work both ways.

[124] The Federal Court's conclusion also assumes that it would be less expensive for a respondent to defend the proceeding if it were not certified. It is unclear on what that assumption was based; indeed, given Voltage's intention to pursue the alleged infringers in any event, the conclusion reached by the judge is unsustainable. Mr. Salna will thus be responsible for his defence regardless of his incentive to do so. In contrast, class proceedings allow for the splitting of costs between the class members, lessening the financial burden of litigation on the individual plaintiffs or defendants.

[125] The existence of a litigation plan is one part of the analysis in the second sub-criteria. Not only must there be a litigation plan, the plan itself must set out a workable method of advancing

the proceeding on behalf of the class and of notifying class members as to how the proceeding is progressing.

[126] These questions are factually suffused and deserve careful attention. This is particularly so in light of concerns raised by Mr. Salna pertaining to the fee agreements and potential conflicts of interest and the use of the opt-out mechanism allowing other class members to evade their share of the bill. Given the error made by the Federal Court in its assessment of the litigation plan, and the close proximity of these concerns to issues of practice and procedure and the preferability criteria, consideration of the fifth criteria is referred back to the Federal Court for re-hearing.

(6) *Use of the Notice and Notice scheme*

[127] The Federal Court concluded that Voltage's proposed use of the notice and notice regime under section 41.26 of the *Copyright Act* overburdened ISPs and appropriated Parliament's intention to balance the rights of interested parties for its own purposes (Federal Court reasons at paras. 147-148).

[128] The Federal Court's analysis and conclusions in relation to the notice and notice regime and its potential use as a communication tool to support the administration of the proceeding cannot be sustained. The Federal Court did not conduct the statutory interpretation analysis required to answer this question. Even a cursory reference to the legislation itself, the legislative history and Hansard suggests that the question as to whether the effect of the notice and notice regime is limited to absolving ISPs for hosting infringing work, whether it is simply "moral

suasion” to educate the public of its responsibility not to infringe or whether Parliament intended the regime as a potential tool by which copyright holders could enforce their rights requires analysis; an analysis conducted according to the established principles of statutory interpretation (*Rizzo & Rizzo Shoes Ltd. (Re)*, [1998] 1 S.C.R. 27, 1998 CanLII 837 (SCC); *1704604 Ontario Ltd. v. Pointes Protection Association*, 2020 SCC 22, 449 D.L.R. (4th) 1).

[129] CIPICC is correct that the notice and notice regime is not intended to be a comprehensive framework under which all instances of online copyright infringement could be eliminated (*Rogers* at para. 24). But *Rogers* was decided prior to the amendments to section 41.26 in 2018 when Parliament specified that notices should not include an offer to settle, a request or demand for payment or personal information, or a reference to any such offer, request, or demand (Bill C-86, *The Budget Implementation Act, 2018, No. 2*, S.C. 2018, c. 27). At the same time, amendments which would confine the notice to a form prescribed by regulation were rejected on the basis that the scheme should be left open to develop “marketplace solutions” (*Order Fixing the Day that is Six Months after the Day on which this Order is published as the Day on which Certain Provision of the Copyright Act Come into Force*, SI/2014-58, Canada Gazette Part II, Vol. 148, No. 14, 2 July 2014, pp. 2121–22).

[130] CIPICC contends that the limitation on the content of the notice signifies Parliament’s intention that the regime not have any interface with civil remedies for copyright infringement. Voltage counters noting that if that is the case, the effect of section 41.26 of the *Copyright Act* is only to absolve ISPs of liability for infringement and does nothing to protect copyright holders.

[131] It is readily apparent that the question of the use to which Parliament intended section 41.26 to be put is an open question, one which requires full argument. It also requires a factual context. In the absence of specific proposed uses, the conclusion of the Federal Court that the use of section 41.26 notices was outside the legislative remit and would overburden the ISPs was premature and speculative. Questions of statutory interpretation that require an understanding of the context should not be decided in a factual vacuum.

[132] The decision in *R. v. Audet*, [1996] 2 S.C.R. 171, 1996 CanLII 198 (SCC), is instructive. There, the Supreme Court declined to interpret amendments to the *Criminal Code* noting that it was “difficult” if not “inappropriate” to do so in the absence of a factual context. Even though the amendments were accompanied by statutory definitions, “the precise delineation of their limits” could not be determined in a factual vacuum (at para. 37). The parallel with the case before us is exact. I would add that there has been scant judicial consideration of the ambit of section 41.26 and, importantly, insufficient detail as to the content and use to which the notice would be put.

[133] In conclusion, the Federal Court erred in its analysis of the conditions set out in Rule 334.16(1)(e). The judge also erred in concluding that the ISPs would be over-burdened and refuse to send notices. There was no evidence to support the conclusion. If the ISPs have a concern as to how the notice and notice regime is used, they can intervene and speak to the issue in the Federal Court. It was an error for the judge to assume that that would be the consequence of the proposed use of the regime.

[134] As with the disposition of the Rule 334.16(1)(d) criteria, this Court is not in a position to render the decision that ought to have been given. Given the Federal Court misdirected itself with respect to the notice and notice regime, the only reasonable remedy is to remit consideration of Rule 334.16(1)(e) back to the Federal Court.

V. Costs Appeal

[135] Both parties take issue with various aspects of the Federal Court's ruling on costs, arguing that the reasons given do not permit appellate review. I agree. As recently explained by the Supreme Court in *G.F.* at paragraphs 71 and 74, "[...] reasons must be both factually sufficient and legally sufficient. Factual sufficiency is concerned with what the trial judge decided and why." In contrast, "[l]egal sufficiency requires that the aggrieved party be able to meaningfully exercise their right of appeal: *Sheppard*, at paras. 64-66. Lawyers must be able to discern the viability of an appeal and appellate courts must be able to determine whether an error has occurred."

[136] In this instance the Federal Court awarded costs, contrary to the presumption that a class proceeding is a no-cost regime unless one of the circumstances in Rule 334.39 is met, without explaining why. This conclusion was both legally and factually deficient as this Court can neither understand why the decision was made nor whether an error has been committed (*G.F.* at paras. 71-73).

[137] On the issue of the refusal to release the \$75,000.00 set aside as security for costs, the Federal Court erred in ordering that it not be released following its decision not to certify the

class action. The security for costs was awarded “up to and including” the motion for certification (*Voltage Pictures, LLC v. Salna*, 2017 FC 130, 2017 CarswellNat 553, aff’d on this point 2017 FCA 221). Following the outcome of that motion, the funds should have been released: the amount owed to Mr. Salna going to him and any remainder returned to Voltage. However, in light of my conclusion that Voltage has succeeded on this appeal, this error is of no consequence. As the certification motion is being returned to the Federal Court, the question of security for costs will follow the outcome of the decision of the Federal Court on that motion.

VI. Conclusion

[138] I would therefore allow the appeal of the costs award and set aside the order. The question of costs of the certification motion and whether the order for security should be discharged remain in the full discretion of the Federal Court judge assigned to hear the continuation of the proceeding. I would make no order for costs in this Court.

[139] I would allow the cross-appeal in part and set aside the Federal Court Decision. The certification motion is returned to the Federal Court for consideration of Rule 334.16(1)(d) and Rule 334.16(1)(e) of the *Federal Courts Rules* in light of these reasons.

“Donald J. Rennie”

J.A.

“I agree.
M. Nadon J.A.”

“I agree.
Marianne Rivoalen J.A.”

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

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CONCURRED IN BY: NADON J.A.
RIVOALEN J.A.

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