

Federal Court



Cour fédérale

Date: 20160601

Docket: T-759-16

Citation: 2016 FC 612

Ottawa, Ontario, June 1, 2016

PRESENT: The Honourable Madam Justice Tremblay-Lamer

BETWEEN:

**BELL CANADA
BELL EXPRESSVU LIMITED
PARTNERSHIP
BELL MEDIA INC.
VIDÉOTRON S.E.N.C.
GROUPE TVA INC.
ROGERS COMMUNICATIONS CANADA INC.
ROGERS MEDIA INC.**

Plaintiffs

and

**1326030 ONTARIO INC. dba ITVBOX.NET
2368120 ONTARIO INC. dba MY
ELECTRONICS
ANDROID BROS INC.
WATCHNSAVENOW INC.
VINCENT WESLEY dba MTLFREETV.COM**

Defendants

REASONS FOR ORDER AND ORDER

I. Preliminary Issue

[1] A preliminary issue arose as to whether the May 25, 2016 hearing in Ottawa was on the motion for an interim injunction pursuant to Rule 374 of the *Federal Courts Rules*, SOR/98-106, or for an interlocutory injunction pursuant to Rule 373. The Court held that proceedings would continue on the issue of the interlocutory injunction, as this motion was neither urgent nor *ex parte*.

II. Nature of the Matter

[2] The Plaintiffs are seeking an interlocutory injunction primarily to restrain the Defendants from:

- a) communicating works for which the copyright is owned by the Plaintiffs [the Programs];
- b) manufacturing, importing, distributing, leasing, offering for sale, selling, installing, modifying, operating or possessing pre-loaded set-top boxes that are used or intended to be used to receive the Plaintiffs' subscription programming signal after it has been decoded without authorization from the Plaintiffs;
- c) inducing or authorizing anyone to initiate acts of infringement of the Plaintiffs' rights to communicate their own programs to the public or reproduce the programs or communication signal on which the programs are carried, including by configuring, advertising or selling pre-loaded set-top boxes including set-top boxes that permit users to permanently download the content they access;

- d) advertising, offering for sale or selling subscriptions to Private Internet Protocol Television [IPTV] Services.

III. Facts

[3] The Plaintiffs Bell Media Inc., Rogers Media Inc., and Groupe TVA Inc. [collectively the Media Plaintiffs] are well-known Canadian broadcasters that own and operate a number of television stations throughout Canada broadcasting a variety of television programs, for which they own the Canadian rights.

[4] The Plaintiffs Bell Canada, Bell Expressvu Limited Partnership, Rogers Communications Canada Inc. and Vidéotron s.e.n.c. [collectively the Distribution Plaintiffs] are broadcast distribution undertakings, which receive broadcasts from a number of television stations and retransmit them to subscribers by various means of telecommunication.

[5] The Defendants are individuals and businesses which sell set-top boxes, electronic devices that can be connected to any standard television set in order to provide additional functionalities to that television, on which they have previously installed and configured a set of applications. This distinguishes the Defendants' "pre-loaded" set-top boxes from those generally found in retail stores, which do not contain any pre-loaded applications, or contain only basic applications, such that the user must actively seek out and install the applications he or she wishes to use.

[6] Around April 2015, the Bell Plaintiffs became aware that pre-loaded set-top boxes were an emerging trend and began investigating them. Vidéotron also became aware of the trend sometime in 2015 and the Rogers Plaintiffs began their own investigation in 2016.

[7] Between April 2015 and April 2016, the Plaintiffs' experts on fraud, piracy and technology investigated the trend and tested the Defendants' products. They found that the devices sold by the Defendants could be used to access protected content produced and/or retransmitted by the Plaintiffs using online streaming websites, and that the Defendants advertised their products as a way to access free television content and avoid cable bills. They also noticed a significant increase in the prominence of pre-loaded set-top boxes, the product appearing at trade shows and sold at dedicated brick-and-mortar locations.

[8] The Plaintiffs specifically identified three types of pre-installed applications which they submit could be used to access copyrighted content:

- A. KODI: with the proper add-on(s), the open-source media player KODI could be used to access online streaming websites;
- B. Showbox: the media player software Showbox could be used to access online streaming websites and permanently download content such as television programming or motion pictures; and
- C. Private IPTV Services: these are private Internet servers which re-transmit television broadcasts over the Internet, usually for a monthly fee.

IV. Issue

[9] Should an interlocutory injunction be issued?

V. Submissions of the PartiesA. *The Plaintiffs*

[10] The Plaintiffs submit that there is a serious issue to be tried because they have made out a strong *prima facie* case for copyright infringement by the Defendants. The Defendants' products enable and facilitate unauthorized access to the Media Plaintiffs' programs through applications which seed them from illegal streaming sites and allow the consumers to view and/or download them on their own device, thus infringing their copyright as understood per section 27 of the *Copyright Act*, RSC 1985, c C-42. Because the Defendants are directly engaged in the selection of the content to which users will have access, they are not shielded from liability by section 2.4 of the *Copyright Act*.

[11] The Plaintiffs also contend there is a strong *prima facie* case that the sale of pre-loaded set-top boxes constitutes the sale of equipment or devices intended to be used to receive illegally-decrypted programming, contrary to paragraph 10(1)(b) of the *Radiocommunication Act*, RSC 1985, c R-2. This would be the case, for instance, where users access streaming sites that rebroadcast the Distribution Plaintiffs' programming without authorization. Both the Media Plaintiffs and Distribution Plaintiffs allege significant loss and damages as a result.

[12] The Plaintiffs further submit that in cases of blatant copyright infringement such as this one, they do not need to show irreparable harm in order to obtain an interlocutory injunction. A strong case on one of the three factors can also lower the threshold for the remaining factors (*Geophysical Service Incorporated v Canada-Nova-Scotia Offshore Petroleum Board*, 2014 FC 450 at para 36 [*Geophysical Service Inc*]). Nevertheless, the Plaintiffs argue that they will suffer irreparable harm if the injunction is not granted because pre-loaded set-top boxes represent an existential threat to the Plaintiffs' line of business as piracy is one of the top causes for declining subscriptions for television services in Canada and leads to annual decreases in revenue. It is also unlikely that the Defendants or any defendant who may be added to the action would have the financial resources to compensate the Plaintiffs by way of damages for the prejudice that they suffer as a result of lost subscribers and the vast amount of infringement caused by the use of pre-loaded set-top boxes.

[13] On the balance of convenience issue the Plaintiffs submit that whereas the sale of pre-loaded top-set boxes pose a significant existential threat to their operations and erodes their business, the Defendants would not suffer harm from being enjoined to cease their illegal activities. Moreover, their otherwise lawful activities will be unaffected by the issuance of an interlocutory injunction.

[14] The Plaintiffs further submit that an injunction is necessary in light of the growing number of lost customers due to the pre-loaded set-top boxes sold by the Defendants. The injunction would also have a dissuasive effect on other individuals or business currently engaged

in the same illegal activities as the Defendants, and would dissuade others from engaging in these activities.

VI. The Defendants

[15] Of the five Defendants only Mr. Vincent Wesley doing business as MtlFreeTV.com, filed a record and appeared at the injunction hearing.

[16] Mr. Wesley submits that there is no serious question to be tried because the Plaintiffs have not made a *prima facie* case for copyright infringement. He argues that pre-loaded set-top boxes are a piece of hardware, operating in the same manner as a tablet or a computer, on which anyone can install applications which are freely available to the public through the Apple Store, Google Play or the Internet. He does not develop, produce, service or maintain the software that is pre-loaded on the set-top boxes. Set-top boxes are nothing more than a conduit with substantial non-infringing uses. Moreover, he argues that the inducement doctrine has not been recognized in Canadian copyright law.

[17] On the issue of irreparable harm, Mr. Wesley contends that the Plaintiffs have not demonstrated in any way that any decrease in subscriptions to the services they offer is due to the sale of pre-loaded set-top boxes. The Plaintiffs merely refer to piracy as a whole. The jurisprudence makes it clear that irreparable harm must be clear and not simply rest on conjecture.

[18] Finally, he submits that the balance of convenience rests in his favour because set-top boxes have substantial legal uses and constitute the only source of his business revenue.

VII. Analysis

[19] It is trite law that for an interlocutory injunction to be granted three conditions must be reunited: (a) there must be a serious question to be tried; (b) there must be irreparable harm; and (c) the balance of convenience must weigh in the favour of the person requesting the injunction (*RJR-MacDonald Inc v Canada (Attorney General)*, [1994] 1 SCR 311, 54 CPR (3d) 114).

A. *Serious Issue*

[20] In the present case, I am satisfied that the Plaintiffs have demonstrated that there is a serious issue to be tried.

[21] Sections 2.4, 3 and 21 of the *Copyright Act* give the Plaintiffs the exclusive rights to communicate their programs to the public by telecommunication via television broadcast, including the right to make these programs available in a way that allows a member of the public to access them at a time and place chosen by him or her, the right to reproduce the programs or any substantial of the programs, and the right to authorize such acts. The Plaintiffs also have the sole right to fix their communication signals and to reproduce any fixation thereof.

[22] The devices marketed, sold and programmed by the Defendants enable consumers to obtain unauthorized access to content for which the Plaintiffs own the copyright. This is not a

case where the Defendants merely serve as the conduit, as was argued by Mr. Wesley. Rather, they deliberately encourage consumers and potential clients to circumvent authorized ways of accessing content – say, by a cable subscription or by streaming content from the Plaintiffs’ websites – both in the manner in which they promote their business, and by offering tutorials in how to add and use applications which rely on illegally obtained content. The statutory defence provided in paragraph 2.4(1)(b) of the *Copyright Act* does not apply to the Defendants who go above and beyond selling a simple “means of telecommunication”. They also engage in acts related to the content of the infringed communications (*Society of Composers, Authors and Music Publishers of Canada v Canadian Assn of Internet Providers*, 2004 SCC 45 at para 92). Consumers can consequently stream or download the Plaintiffs’ programs and store them on their device without authorization from the Plaintiffs. This constitutes *prima facie* copyright infringement pursuant to section 27 of the *Copyright Act*.

[23] The Plaintiffs claim that the Defendants induce and authorize consumers to infringe their copyright constituting an additional serious issue to be tried. The Defendant Mr. Wesley argues that the test for inducement in *MacLennan v Produits Gilbert Inc*, 2006 FCA 204 on which the Plaintiffs rely, only applies in patent cases.

[24] This is an issue to be determined at trial and not at this interlocutory stage. In my view, the only reason why many users have access to infringing content is because set-top boxes pre-loaded with KODI (and the proper add-ons), Showbox or a private IPTV service make it extremely easy to do so. While some consumers might have the desire and technical knowledge to seek out and download such applications, many others might not. The Defendants market

themselves to consumers specifically on the basis that their “plug-and-play” set-top boxes make it easy to eliminate the need for a cable subscription:

- A. The iTVBox Defendant declares itself to be the “Original Cable Killer” and provides detailed instructions to users on how to access copyright infringing content;
- B. The Android Bros Defendant assures users that they can “cancel cable today” and still watch all of their television programs for free;
- C. The WatchNSaveNow Defendant declares itself to be an expert in helping users cut their cable dependency;
- D. The My Electronics Defendant advertises its pre-loaded set-top boxes as providing free on-demand access to international channels and television programming;
- E. The MtlFreeTV Defendant advertises its pre-loaded set-top boxes as providing access to “Every Movie Ever Made”, “Every TV Show Ever Made” and “Live Sports and Events” and operates a YouTube channel on which it shares video tutorials instructing users on how to use its set-top boxes and the applications installed thereon.

[25] For the above reasons, I am satisfied that the allegations of inducement constitute a serious issue.

[26] Similarly, with regard to the issue of authorization, many consumers may not realize that the content they are accessing infringes copyright law. The Plaintiffs make a strong *prima facie*

case that the Defendants, through their products and advertising, sanction and encourage accessing copyrighted content through streaming sites or private IPTV services.

[27] I also find that the Plaintiffs have made a strong *prima facie* case that the devices sold by the Defendants are used to access content that may contravene paragraph 9(1)(c) of the *Radiocommunication Act*. Streaming sites that rebroadcast the Distribution Plaintiffs' programming are not authorized to communicate those works to the public. A user who accesses these works might also contravene the *Radiocommunication Act*.

B. *Irreparable Harm*

[28] The jurisprudence recognizes that allegations of copyright infringement demand special consideration and that if substantial or complete copying is established, the Plaintiffs should succeed both at the interlocutory stage and at trial (*Somerville House Books Ltd v Tormont Publications Inc* (1993), 50 CPR (3d) 390 (FCTD)).

[29] Contrarily to what the Plaintiffs submit relying on *Gianni Versace SPA v 1154979 Ontario Ltd*, 2003 FC 1015 at para 28 [*Versace*], this special consideration does not relieve them from the burden of establishing that they would suffer irreparable harm that could not be compensated with damages. In *Versace*, Prothonotary Lafrenière adopted the reasoning of Justice Nadon in *Diamant Toys Ltd v Jouets Bo-Jeux Toys Inc*, 2002 FCT 384 [*Diamant Toys*]. *Diamant Toys* has subsequently been read by this Court as being restricted to cases where there is a finding of blatant copyright infringement (*Geophysical Service Inc* at para 34; *Western Steel and Tube Ltd v Erickson Manufacturing Ltd*, 2009 FC 791 at paras 11-12).

[30] That being said, I agree with the statement by Justice Annis in *Geophysical Service Inc* that a strong finding on one prong of the tripartite injunction test – as is the case here – may lower the threshold on the other two prongs:

[35] Moreover, the three prongs of the interlocutory injunction test are to some degree to be treated together and not as separate silos: Robert J. Sharpe, *Injunctions and Specific Performance*, loose-leaf (Aurora: Canada Law Book, 2010 at para 2.600) as quoted in *Morguard Corporation v InnVest Properties Ottawa GP Ltd*, 2012 ONSC 80 at para 12:

The terms 'irreparable harm', 'status quo' and 'balance of convenience' do not have a precise meaning. They are more properly seen as guides which take colour and definition in the circumstances of each case. More importantly, they ought not to be seen as separate, water-tight categories. These factors relate to each other, and strength on one part of the test ought to be permitted to compensate for weaknesses on another.

[36] There exist situations where the applicant's case is sufficiently strong that the threshold for meeting the other two factors can be set so low as to be irrelevant. I believe that this may have been the approach underlying the statement in *Diamant Toys*, above, that it was not necessary to establish irreparable harm where copying is blatant.

[31] I find that the Plaintiffs have established that they would suffer irreparable harm if this injunction were not granted. The market for pre-loaded set-top boxes is rapidly and steadily growing, in a way that cannot be precisely quantified at the moment. The continuing sale of pre-loaded set-top boxes will “place devices in the hands of consumers which the plaintiffs, even if successful at trial, will not be able, in most cases, to locate or to effectively restrain” from accessing copyrighted content (*Titan Linkabit Corp v SEE See Electronic Engineering Inc*, [1993] FCJ No 208, 48 CPR (3d) 62 at 78-79 (FCTD)). Each user who purchases a pre-loaded set-top box has an incentive to permanently cancel his or her subscription to a distribution

service such as those offered by the Distribution Plaintiffs. The loss of actual and potential customers constitutes irreparable harm, as recognized in *Telewizja Polsat SA v Radiopol Inc*, 2005 FC 1179 at para 22.

[32] The market for pre-loaded set-top boxes will keep growing if left unchecked and the Defendants, or any defendant that may be added to the present claim, are unlikely to have the financial resources required to compensate the Plaintiffs for their losses should the latter succeed on the merits. I am therefore satisfied that they have established that they will suffer irreparable harm.

C. *Balance of Convenience*

[33] On the question of balance of convenience, I take note of the fact that the Defendants' products display numerous legal applications and generally have the effect of turning a standard television set into a "smart TV". However, given the *prima facie* copyright infringement case made out by the Plaintiffs, I find that in this case the balance of convenience favours the Plaintiffs and the Defendants' businesses will not unduly suffer from being restricted to selling and advertising only legal, non-copyright-infringing applications until this Court's decision on the merits.

[34] Finally, I note that all Plaintiffs have provided undertakings to abide by any damage award made by this Court arising out of any improper execution of the requested orders.

VIII. Additional Defendants

[35] The Plaintiffs request that the interlocutory injunction apply not only to the known Defendants, but also to any other individuals or businesses that advertise, offer for sale or sell pre-loaded set-top boxes. They contend this is necessary given the steadily growing number of individuals or businesses selling pre-loaded set-top boxes [Packagers] and their ever-evolving activities.

[36] The Plaintiffs cite the Supreme Court of Canada's decision in *MacMillan Bloedel Ltd v Simpson*, [1996] 2 SCR 1048 [*MacMillan Bloedel*], as authority that non-parties can be bound to respect injunctions on pain of being held in contempt of court. That case involved an injunction which specifically enjoined "all persons having notice of th[e] Order" from impeding MacMillan Bloedel's logging operations (*MacMillan Bloedel* at para 5).

[37] However, the circumstances in the present case are quite different. The Court is not being asked to "restrain large-scale public action violative of private rights" or a "mass obstruction" of property (*MacMillan Bloedel* at paras 33, 11). Thus, I believe an injunction of the type approved in *MacMillan Bloedel* would be overbroad in this case. The injunction will only enjoin parties which the Plaintiffs have identified as Defendants. Any new co-Defendants will have fourteen (14) days from the moment they are added as co-Defendants to bring a motion to the Court to challenge the issuance of the interlocutory injunction as it applies against them.

IX. Conclusion

[38] This is a motion for injunctive relief with respect to an emerging phenomenon in the Canadian market, that of pre-loaded “plug-and-play” set-top boxes. These boxes have several uses for consumers, some of which are perfectly legal and some which skirt around the fringes of copyright law. This is not the first time a new technology has been alleged to violate copyright law, nor will it be the last. These are questions for the Court to resolve at trial rather than at this interlocutory stage. For the time being, I am satisfied that the Plaintiffs have established a strong *prima facie* case of copyright infringement and that an injunction would prevent irreparable harm without unduly inconveniencing the Defendants.

[39] The Plaintiffs having met each part of the three-prong test, I grant the Plaintiff’s motion for an interlocutory injunction until the final disposition of the case. The injunction will be issued with different terms than those sought by the Plaintiffs for the reasons stated above. Costs shall be in the cause.

ORDER

THIS COURT ORDERS that:

1. The motion for an interlocutory injunction order valid until such time as this Court renders a final Judgment on the merits is granted;
2. The Defendants, their agents, employees, associates, and representatives, are enjoined and restrained from directly or indirectly:

- a. Communicating works for which the copyright is owned by the Plaintiffs [the Plaintiffs' Programs] to the public by telecommunication, including by configuring, advertising, offering for sale or selling set-top boxes that are adapted to provide users with unauthorized access to the Plaintiffs' Programs [Pre-loaded Set-top Boxes];
- b. Manufacturing, importing, distributing, leasing, offering for sale, selling, installing, modifying, operating or possessing Pre-loaded Set-top Boxes that are used or intended to be used to receive the Plaintiffs' subscription programming signal after it has been decoded otherwise than under and in accordance with an authorization from the Plaintiffs;
- c. Inducing or authorizing anyone to infringe the Plaintiffs' rights to communicate the Plaintiffs' Programs to the public by telecommunication, including by configuring, advertising, offering for sale or selling Pre-loaded Set-top Boxes;
- d. Inducing or authorizing anyone to infringe the Plaintiffs' rights to reproduce the Plaintiffs' Programs or the communication signal on which the Plaintiffs Programs are carried, including by configuring, advertising, offering for sale or selling Pre-loaded Set-top Boxes that permit users to permanently download the content to which they have access;
- e. Advertising, offering for sale or selling subscriptions to Private Internet Protocol Television [IPTV] Services, as described in these Reasons for Order and Order, including by advertising, offering for sale or selling of

Pre-loaded Set-top Boxes that permit users to access Private IPTV Services;

- f. As more particularly applicable to the Defendant 1326030 Ontario Inc. dba iTVBox.net, configuring, advertising, offering for sale or selling any Pre-loaded Set-top Box having the characteristics listed at paragraphs 2(a) to 2(e), including the iTVBox Premium Edition Pre-loaded Set-top Box;
- g. As more particularly applicable to the Defendant 2368120 Ontario Inc. dba My Electronics, configuring, advertising, offering for sale or selling any Pre-loaded Set-top Box having the characteristics listed at paragraphs 2(a) to 2(e), including the BTV Box, the HiMedia Q3, the M8 Android Box, the MXIII Android Box, the Shava Box, the Jadoo4, the Himedia H8, the MXQ Amlogic S805 Quad-Core TV Box, and the Zoomtak T8 Pre-loaded Set-top Boxes;
- h. As more particularly applicable to the Defendant Android Bros Inc., configuring, advertising, offering for sale or selling any Pre-loaded Set-top Box having the characteristics listed at paragraphs 2(a) to 2(e), including the ABX6 and ABX7 TV Pre-loaded Set-top Boxes;
- i. As more particularly applicable to the Defendant WatchNSaveNow Inc., configuring, advertising, offering for sale or selling any Pre-loaded Set-top Box having the characteristics listed at paragraphs 2(a) to 2(e), including the AVOV TVOnline IPTV Set-top BoxV2, the Zoomtak T8 Plus Quadcore Android Box, the Zoomtak K5 Quadcore 4.4 Android Box, and the OTT M8S Quad Core 4K 4.4 Android Box Pre-loaded Set-top Boxes;

- j. As more particularly applicable to the Defendant Vincent Wesley dba MtlFreeTV.com, configuring, advertising, offering for sale or selling any Pre-loaded Set-top Box having the characteristics listed at paragraphs 2(a) to 2(e), including the MXQ, MXIII and Minix X8-H Plus Pre-loaded Set-top Boxes.
3. Should the Plaintiffs identify additional individuals or businesses selling Pre-loaded Set-top Boxes having the characteristics listed at paragraphs 2(a) to 2(e), they may serve this Order upon these individuals or businesses;
 4. Should the Plaintiffs serve this Order upon additional individuals or businesses pursuant to paragraph 3, they may amend their pleadings to include these individuals or businesses as co-Defendants within ten (10) days of such service.
 5. Any individuals or businesses who have been added as a co-Defendants pursuant to paragraph 4 of this Order may bring a motion before the Court to seek any variation of this Order as it applies against them, if they so choose, within fourteen (14) days of being added as a co-Defendants; and
 6. Costs shall be payable in the cause.

"Danièle Tremblay-Lamer"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET: T-759-16

STYLE OF CAUSE: BELL CANADA, BELL EXPRESSVU LIMITED
PARTNERSHIP, BELL MEDIA INC., VIDÉOTRON
S.E.N.C., GROUPE TVA INC., ROGERS
COMMUNICATIONS CANADA INC., ROGERS
MEDIA INC. v 1326030 ONTARIO INC. DBA
ITVBOX.NET, 2368120 ONTARIO INC. DBA MY
ELECTRONICS, ANDROID BROS INC.,
WATCHNSAVENOW INC., VINCENT WESLEY DBA
MTLFREETV.COM

PLACE OF HEARING: OTTAWA, ONTARIO

DATE OF HEARING: MAY 25, 2016

**REASONS FOR ORDER AND
ORDER:** TREMBLAY-LAMER J.

DATED: JUNE 1, 2016

APPEARANCES:

Mr. Francois Guay
Mr. Guillaume Lavoie Ste-Marie

FOR THE PLAINTIFFS

Mr. Constantin Kyritsis
Mr. Brian L. Phaneuf

FOR THE DEFENDANT
VINCENT WESLEY DBA MTLFREETV.COM

SOLICITORS OF RECORD:

Smart & Biggar
Barristers and Solicitors
Montréal, Quebec

FOR THE PLAINTIFFS

Wagman, Sherkin
Barristers and Solicitors
Toronto, Ontario

FOR THE DEFENDANTS
1326030 ONTARIO INC. DBA ITVBOX.NET