Federal Court Cour fédérale

Date: 20151209

Docket: T-2058-12

Citation: 2015 FC 1364

Ottawa, Ontario, December 9, 2015

PRESENT: The Honourable Mr. Justice Annis

BETWEEN:

VOLTAGE PICTURES LLC

Plaintiff

and

JOHN DOE AND JANE DOE

Defendants

and

TEKSAVVY SOLUTIONS INC.

Responding Party

and

SAMUELSON-GLUSHKO CANADIAN INTERNET POLICY AND PUBLIC INTEREST CLINIC

Intervener

ORDER AND REASONS

I. Introduction

[1] This is an appeal of a Costs Order made by Prothonotary Aronovitch on March 17, 2015 [the Aronovitch Order]. The Aronovitch Order relates to a motion decided by Prothonotary Aalto on February 20, 2014 [The Aalto Order]. This motion, brought by the Plaintiff Voltage Pictures LLC [Voltage] under Rule 238 of the *Federal Courts Rules*, SOR/98-106 [Rules], was for an order to compel the Rule 238 Non-Party, TekSavvy Solutions Inc. [TekSavvy] to produce the names and addresses of subscribers associated with roughly 1140 Internet Protocol [IP] addresses, which Voltage had identified as engaging in the infringement of their copyrights. Prothonotary Aalto found that Voltage had met the test under Rule 238 and that the motion should be granted, with certain safeguards.

[2] The Aronovitch Order assessed the reasonable legal costs, administrative costs and disbursements incurred by TekSavvy in complying with the Aalto Order. Prothonotary Aronovitch ordered Voltage to pay TekSavvy its costs of $21,577.50 before TekSavvy would be required to release the requested information, and allocated no costs to the assessment itself, nor to the motion before Prothonotary Aalto.

[3] TekSavvy is seeking to have the Aronovitch Order varied to award it the costs claimed in its revised Bill of Reasonable Legal Costs, Administrative Costs and Disbursements. Alternatively, TekSavvy is seeking an order varying the Costs Order so as to award it such additional portion of its reasonable legal costs, administrative costs and disbursements as the

Court deems appropriate. TekSavvy further seeks an order awarding it its costs of the assessment, in addition to its costs of the present hearing. Voltage, seeks to have the application dismissed, and to be awarded the costs of the assessment and of the present hearing.

[4] For the reasons that follow, the appeal is allowed in part in that the Aronovitch Order is varied by awarding TekSavvy an additional amount of $11,822.50 in costs.

II. Background

[5] Voltage, a film production company, commenced the underlying action against unidentified "Doe" defendants alleging that they had engaged in illegal file sharing over the internet, and thereby infringed its rights in the Academy award-winning film *The Hurt Locker*. Voltage originally identified 4500 defendants by their IP addresses. It then approached their internet service provider [ISP], TekSavvy, to obtain their names and addresses in order to pursue the litigation. TekSavvy asked Voltage to first obtain a court order, but otherwise said it would not oppose the motion.

[6] Voltage subsequently brought a motion under Rule 238 of the Rules serving TekSavvy as a Rule 238 Non-Party for an order to compel it to provide the contact information associated with the roughly 2000 IP addresses that TekSavvy had subsequently identified. These orders are commonly referred to as *Norwich* Orders, named after the House of Lords decision which established the right of parties to have discovery of non-parties by means of an "equitable bill of discovery", if necessary to ascertain the identity of unknown defendants (*Norwich Pharmacal Co v Customs & Excise Commissioners*, [1974] AC 133 [*Norwich*]). Prothonotary Aalto heard and

disposed of the motion of February 20, 2014, ruling that Voltage's request should be granted, with certain safeguards.

[7] TekSavvy was of the view that it was appropriate and necessary that affected subscribers be given notice of the proceeding being brought by Voltage. TekSavvy therefore undertook the IP address correlation between November 14 and December 4, 2012 during which time Voltage provided a revised shortened list of 2114 IP addresses for correlation.

[8] Voltage did not consider that it was necessary for TekSavvy to give notice to its affected clients and advised TekSavvy that it was taking that step voluntarily. Voltage nevertheless agreed to an extension of time for its motion to allow TekSavvy to give notice to its affected subscribers on the condition that the notice be provided without prejudice to Voltage. The notice included a request from Voltage that affected clients not destroy any evidence of their online activities pending the disposition of the motion.

[9] TekSavvy indicated on or around December 7, 2012 that if it were to proceed to notify its customers of the Voltage motion, then it would not be opposing Voltage's motion.

[10] After TekSavvy provided a draft of the email that it intended to send to affected customers covering the notice of motion, Voltage requested that the link on TekSavvy's website to the Canadian Internet Policy and Public Interest Clinic [CIPPIC] be removed, as well as a link to an article that it considered to be speculative and potentially misleading about the state of the law with respect to its claim. TekSavvy refused this request.

[11] On December 10, 2012, the affected TekSavvy subscribers were provided notice of the pending proceeding. The notice indicated that they had a right to have their privacy safeguarded and to have an opportunity to defend themselves when a claim was made against them. It invited the subscribers to become familiar with their rights and obligations under copyright law and to contact TekSavvy if more information was required.

[12] TekSavvy states that as a result of the notice, it found that it had incorrectly notified 42 subscribers who should not have been notified, and failed to notify 92 subscribers who should have been notified.

[13] After the December 10, 2012 notice to its affected customers, TekSavvy received a high volume of inquiries which created a significant amount of administrative work (providing responses to the inquiries). As a result of the increased inquiries from clients, TekSavvy created an online portal for subscribers to confirm that they had been identified.

[14] TekSavvy also sent out a further email on December 13, 2012 to its more than 200,000 subscribers advising of the pending motion and the existence of the online portal for more information and for contacting TekSavvy.

[15] As a result of the notices, TekSavvy states that it received a high volume of calls and emails from customers and that the customer portal became overloaded, requiring extensive time for its staff to respond to these issues.

[16] In addition, on the evening of December 15, 2012 TekSavvy's website was attacked by hackers, causing disruption to the website and to office connectivity, which resulted in lost calls and lost employee hours.

[17] TekSavvy states that it incurred significant disbursements, paid to Arbor Networks, in implementing system upgrades and hardening in respect of its customer-facing systems to respond to the significantly increased inquiry volume received and to defend against the hackers' attacks.

[18] The motion scheduled for December 17, 2012 was adjourned in order to allow CIPPIC to intervene to oppose the Voltage motion and uphold subscribers' privacy rights. CIPPIC filed evidence by way of an affidavit and cross-examined the main deponent, who gave evidence on behalf of Voltage.

[19] Before Prothonotary Aalto, CIPPIC also filed extensive written representations. TekSavvy took no position on the motion. Prothonotary Aalto allowed Voltage's motion, requiring TekSavvy to provide the names and addresses associated with the requested IP addresses. He did not award costs against CIPPIC.

[20] In relation to TekSavvy's costs, Prothonotary Aalto ordered Voltage to pay TekSavvy "All reasonable legal costs, administrative costs and disbursements incurred by TekSavvy in abiding by this Order" (Aalto Order, para 3).

[21] He further ordered that the reasonable legal costs and disbursements of TekSavvy were to be paid prior to the release to Voltage of the subscriber contact information. The requested information has yet to be released by TekSavvy to Voltage due to the dispute over costs.

[22] The intended scope and amount of the reasonable costs incurred by TekSavvy in abiding by the Aalto Order was disputed by the parties and referred to Prothonotary Aronovitch, who was appointed case management Judge. Her decision of March 17, 2015 gave rise to this appeal.

III. Impugned Decision

[23] Following the Aalto Order, TekSavvy claimed recovery of a total of $347,480.68 (which amount was subsequently amended after the Aronovitch Order to $321,277 - with no effect on the issues on appeal). TekSavvy claimed these amounts on a full indemnity basis to make it whole for the costs it says it incurred as a result of Voltage's motion. Voltage took the opposite view, arguing that the effect of the Aalto Order was prospective and covered only those costs incurred following the issuance of the order to correlate the addresses. Based on its own calculations, Voltage argued that TekSavvy was entitled to no more than $884. Upon reviewing the parties' submissions and the jurisprudence, Prothonotary Aronovitch found that neither position was justifiable on the evidence or at law and awarded TekSavvy the total amount of $21,557.50 in costs.

[24] The costs awarded to TekSavvy of $21,557.50 comprised (a) $4,500 for legal advice regarding the implementation of Prothonotary Aalto's Order and (b) $17,057.50, being most of its contested claim for administrative information technology costs incurred in carrying out the

task of correlating the IP addresses to the clients' names and addresses. Voltage is not appealing this award. The exceptions for amounts not awarded for the correlation of information under this heading was for one half of what was described as "second check/QA verification" in the amount of $4,322.50, which is contested by TekSavvy, and which I conclude below it is entitled to recover.

[25] TekSavvy was also not awarded amounts for other items under the administrative information technology costs heading that did not relate to the task of correlating the IP addresses and the subscribers' contact information. These items were described as communications and sending of notices, public relations, and preparation of information for the court, in the amount of $5,712.50. TekSavvy is appealing the amounts deducted.

[26] In her *Reasons for Order*, Prothonotary Aronovitch concluded on the following points which are the subject matter of this appeal, which includes the items referred to above. They are referenced to amounts for items in TekSavvy's amended bill of costs:

a) defining the scope and application of the Aalto Order: rejecting TekSavvy's claim to be fully indemnified for any and all costs "but for" the motion, or incurred in connection with a motion for a *Norwich*-type order, instead indemnifying TekSavvy only for those costs reasonably incurred in abiding with the Order;

b) disallowing the communication and public relations costs of TekSavvy's notice to its customers and preparation of information for the court ($5,712.50, 4 items of

B.1, Appendix referred to above), on the basis that the notice was not necessary and did not serve to verify the correlation of IP addresses with names;

c) disallowing the operational costs ($81,524.18) relating to the consequences of sending out the notice(s) described as required to mitigate TekSavvy's reputational impact associated with the responses to notices, which the Prothonotary considered were costs of doing business;

d) disallowing the disbursement costs relating to the systems upgrade and hardening by Arbor Networks ($55,456.60) related to the attack by hackers which the Prothonotary considered were the costs of doing business and not contemplated in the costs of abiding by the Aalto Order;

e) disallowing the majority of Stikeman Elliott's fee account ($119,080.92) except for $4,500 as TekSavvy's legal costs, on the grounds that (i) it took no position on the motion, (ii) they were related to the motion before Prothonotary Aalto and TekSavvy failed to address the costs of the motion before Prothonotary Aalto, (iii) TekSavvy's bill of costs was not based on the tariff, and (iv) some of the costs of Stikeman Elliott that did not fall within the ambit of the order;

f) disallowing the costs for TekSavvy's corporate counsel ($54,240.) that did not fall within the ambit of the Aalto Oder and could not be identified or quantified on the evidence;

g) disallowing the costs of $4,222.50 for the "second check/QA verification of the correlation of IP addresses and names" on the basis that they were "not identified and supported by evidence";

h) disallowing any award of costs to either party due to the divided success and exaggeration of the parties' claims.

IV. Issues

[27] The following issues arise in this application:

1. Did Prothonotary Aronovitch err with respect to her conclusions a) to g) in the foregoing paragraph 26 in assessing TekSavvy's reasonable costs to be $21,557.50 in in accordance with the Aalto Order?

2. Did Prothonotary Aronovitch err in not ordering costs in respect of the assessment?

V. Standard of Review

[28] Inasmuch as it is common ground that there are no questions raised in this appeal that are vital to the final issue in this case, the parties agree that the Aronovitch Order is not reviewable *de novo*, and can only be disturbed by the motions judge on appeal if the order is clearly wrong

in the sense that it was based on a wrong principle or a misapprehension of the facts: *First Canadians' Constitution Draft Committee v Canada*, 2004 FCA 93, at para 4.

[29] There is also no issue of Prothonotary Aronovitch being accorded additional deference when acting as a case management Judge in this matter, as this was her first occasion to act in this capacity.

VI. Analysis

A. *Two Major Areas of Dispute*

[30] In reviewing the circumstances that gave rise to the rejection of the majority of TekSavvy's claim for costs, they appear to fall under two sets of factual circumstances. The first has to do with whether the costs associated with TekSavvy's decision to provide its subscribers with the two notices of Voltage's pending motion were reasonable costs falling within the scope of the Aalto Order. The significant cost claims depend upon the resolution of this issue.

[31] In addition to the costs of communicating the notices to its subscribers, TekSavvy claims that it was required to undertake administrative operational measures to respond to what it describes as a "massive increase in inquiries, comments and complaints". This includes a cost claim by TekSavvy on account of its need to augment the security of its website and operations. It engaged Arbor Networks to complete this work. TekSavvy claims these measures were required as a consequence of Voltage's motion for third-party information. Thus the total costs, excluding related legal costs, that followed upon TekSavvy's decision to provide notices to its

subscribers are those described in the above sub-paragraphs: 17(b) preparing and sending the communications ($5, 712.50), 17(c) administrative operational measures in responding to clients ($81,524.18), and 17(d) the Arbor Network disbursement ($55,456.60), in the total amount of $142,693.28.

[32] The second major area of dispute relates to the legal costs of TekSavvy. These costs were generated despite not opposing the motion. It managed nevertheless to incur disputed costs of its litigation counsel, Stikeman Elliott, of $119,080.92 and its corporate counsel of $54,240, in the total amount of $173,320.92 (subsequently amended down to $153,479.09).

B. *The Assessment of TekSavvy's Reasonable Costs in Relation to the Notices Provided its Customers*

(1) Costs limited to those incurred in abiding with the Aalto Order

[33] TekSavvy submits that Prothonotary Aronovitch erred in her analysis in regard to the cost of communicating the notices to its subscribers and the consequential actions it was required to take as a result of the events that followed. First, it submits that the Prothonotary erred in law and in principle by taking too narrow a view of the Aalto Order. Prothonotary Aronovitch found that the Aalto Order was intended to reimburse TekSavvy for its costs incurred in abiding by his Order. This consisted of TekSavvy's costs in correlating the IP addresses provided by Voltage and in providing the required contact information of the identified subscribers.

[34] TekSavvy argues that this was a misinterpretation of the language and intent of the Aalto Order. It submits that Prothonotary Aalto's language was expansive, suggesting that TekSavvy

should be reimbursed for all the costs associated with the Aalto Order. TekSavvy cites five examples in support of this interpretation, where Prothonotary Alto:

> (a) stated that "TekSavvy will be reimbursed for its reasonable costs in providing the information";
>
> (b) noted that cases in the US, UK and Canada have held that the "party enforcing the *Norwich* Order should pay the legal costs and disbursements of the innocent third party";
>
> (c) stated that the terms of the Order were designed so "production of such information will not…cause expense to TekSavvy or others";
>
> (d) referred to TekSavvy's request for "payment of its reasonable costs", leaving any dispute regarding "those costs" to be resolved by the Case Management Judge; and
>
> (e) stated that "[t]he reasonable legal costs, administrative costs and disbursements of TekSavvy in providing the information will be paid to TekSavvy prior to the information being provided."

[35] I disagree with TekSavvy's submission and find Prothonotary Aronovitch's interpretation of the Aalto Order reasonable in the circumstances. She emphasizes that "[h] e states in his reasons that, the 'production of such information [if ordered]' should not cause delay, inconvenience, or cost to TekSavvy, and that TekSavvy would be 'reimbursed for its reasonable costs in providing the information'" (at paras 135 and 46) [Emphasis added].

[36] I find that the Aalto Order, in light of his comments at the hearing, that he would "leave that [the issue of costs] for another day", is framed to provide the case management Judge with as much flexibility as possible in dealing with the issue of costs. In this regard, I agree therefore with Prothonotary Aronovitch's conclusion that the use of the terms "legal costs, the administrative costs, and the disbursements" in the Aalto Order appear to be recoverable only

insofar as they are directed to and incurred for the purposes of "abiding by this Order". In respect of her narrowly framing the Aalto Order's reference to legal costs in her direction, it should be noted that Prothonotary Aronovitch rejected TekSavvy's legal costs for the motion before Prothonotary Aalto, not because they were not recoverable, but because she found that they had not been claimed.

[37] I further find Prothonotary Aronovitch's review of the case law reasonable with respect to her conclusions on the principles that should apply in *Norwich*-type cases. In that regard, I find no error in her adopting the descriptions of the Federal Court and Federal Court of Appeal in *BMG Canada Inc. v John Doe*, 2005 FCA 193; 2004 FC 488 [BMG] as derived from *Norwich* and other cases. Justice Von Finkenstein at the Federal Court described the test for cost recovery at paragraphs 13d) and 35 as follows:

> 13 d) the person from whom discovery is sought must be reasonably compensated for his expenses arising out of compliance with the discovery order in addition to his legal costs;
>
> […]
>
> [35] Clearly the process that is sought to be imposed on the ISPs would be costly and would divert the resources from other tasks. Given that the ISPs are in no way involved in any alleged infringement, they would need to be reimbursed for their reasonable cost for furnishing the names of account holders, as well as the legal costs of responding to this motion.
>
> [Emphasis added]

[38] And to similar effect by the Court of Appeal at paragraph 35 as follows:

> [35] As to the other criteria for granting an equitable bill of discovery, I agree with the conclusions of the Motions Judge […] Also if an order for disclosure were granted, consideration would have to be given to the costs incurred by the respondents in assembling the information.
>
> [Emphasis added]

[39] Similarly, I find that the Prothonotary did not err in distinguishing *Alberta (Treasury Branches) v Leahy*, 2000 ABQB 575 at paragraph 106 (iv) in which the Alberta Queen's Bench referred to indemnification for costs "because of the disclosure", as opposed to responding to actions taken by TekSavvy to provide notice to its subscribers prior to the disclosure.

[40] In conclusion, I agree with Prothonotary Aronovitch's assessment that there is nothing in the jurisprudence or the Aalto Order that suggests that an innocent party must be made whole, fully indemnified or compensated on a "but for" damage -like causation basis for any and all costs incurred in connection with a motion for a *Norwich*-type order.

[41] However, this is not to say that although indemnification of costs incurred in a *Norwich*-type order are normally limited to those incurred in the motion and in abiding with the order, that greater indemnification cannot be awarded for the consequential costs arising as a result of the motion. If the circumstances warrant it, there is no fixed rule limiting costs to those incurred on the motion and in abiding with the order.

[42] I also find unsubstantiated TekSavvy's argument that Prothonotary Aronovitch failed to consider that it faced an exceptional circumstance due to the large number of subscribers identified for whom contact information was requested. She accepted the exceptional nature of

the request and the costs that were incurred in updating and automating the correlation identification process. In doing so, she rejected Voltage's expert evidence that the correlation between an IP address and contact information is built into most systems and can be provided at a nominal cost. This was the basis Voltage used to justify its suggested nominal cost award of less than $1,000 to provide the requested information. She also dismissed any notion of betterment of TekSavvy's technology by the enhancements to the system, and from the fact that ISPs were required to provide subscriber contact information under new legislation. As noted, Voltage is not appealing the award of $17,057.50 to TekSavvy in respect of these costs.

(2) The reasonableness of TekSavvy's notices to its subscribers

[43] On December 10, 2012, TekSavvy advised the approximately 1160 identified subscribers of the pending motion for disclosure of their identities. Three days later, it advised all 200,000 of its subscribers, who were unaffected by the pending motion.

[44] I find that TekSavvy's submissions speak almost entirely to the reasonableness of the first email notice to the affected subscribers. Prothonotary Aronovitch also directed her comments to TekSavvy's first notice to its subscribers. She rejected TekSavvy's submission that the notice was intended to provide for verification of the affected subscribers. She pointed out that no mention of this purpose was contained in the notice, or in the exchanges of counsel. She concluded that the objective of the notice was to inform TekSavvy's subscribers of the motion and to provide them with an opportunity to seek legal advice, or to appear on the return of the motion.

[45] With respect to the requirement to provide notice, the Prothonotary referred to brief comments by Justice Strathy, in the decision of *York University v Bell Canada Enterprises et al*, (2009) 99 OR (3d) 695 (SCJ) that "[i] t may be, that in an appropriate case, the Internet service provider should be required to give notice to its customer for the purpose of enabling the customer to make submissions as to whether the order should be granted." She also made reference to cases where parties, apparently on their own initiative, had done so.

[46] I agree that none of these cases are relevant to the Prothonotary's exercise of discretion regarding the reasonableness of the notices. She pointed out that the Rules did not require TekSavvy to provided notice of the motion to its affected clients, concluding that it did so voluntarily on its own initiative. She stated that whether it did so out of altruism or self-interest was irrelevant.

[47] TekSavvy could provide the Court with no persuasive reason as to why its subscribers needed to be provided with any greater protections against being named as defendants in a lawsuit where in order for the plaintiff to succeed, it was required to make a *prima facie* case of infringement and the subscribers would have an opportunity to defend against these allegations in the litigation that followed.

[48] There was no evidence to support TekSavvy's implied argument that Voltage was a "Copyright Troll", who was abusing the court process. This refers to cases in the United States where subscribers were compelled by embarrassment to pay exorbitant amounts claimed in demand letters for illegally downloading pornographic films. I accept Voltage's submission that

its litigation is legitimately intended to deter the illegal piracy of its Academy award-winning film, *The Hurt Locker,* and similar piracy of future copyrighted films.

[49] Moreover, in the circumstances, it would appear that there was little necessity to protect the subscriber's legal rights. All indications were that TekSavvy was aware that CIPPIC was considering intervening, and indeed, it sought an adjournment of the 238 motion a few days after the notices were sent out to allow CIPPIC to do so.

[50] Furthermore, TekSavvy has not provided any reasonable explanation for why it needed to advise the 200,000 unaffected subscribers three days after the first notice, when their interests were irrelevant to the motion. It appears to the Court that the second notice could only have resulted in stirring up controversy, where none was needed, and likely gave rise to most of the additional operational and technical costs incurred by TekSavvy.

[51] Because the parties addressed some of the policy issues with respect to these notices, I admit to being concerned by those said to justify TekSavvy's highly proactive intervention in Voltage's Rule 238 motion in respect to its notices and the requirement that Voltage pay for them and everything that followed.

[52] On the one hand, it appears that Voltage has a strong *prima facie* case establishing piracy of its copyright product by the fact that TekSavvy's subscribers are downloading its materials without any possible suggested colour of right. Piracy of copyrighted materials on the Internet is a serious issue in North America. The Court's general policy therefore, should be to support

measures that reasonably deter such illegal conduct, in which category I place Voltage's litigation, as it appears to be brought on a *bona fide* basis to deter such activity.

[53] But even if this were not so evidently the case, there seems little that could support an ISP becoming so actively engaged in what is fundamentally an issue between the copyright holder and the party charged with illegal download of the copyrighted product. I have always understood that ISPs are careful to ensure that they do not become responsible in any manner for the illegal or unlawful acts of their subscribers. It therefore seems difficult to reconcile this practice with TekSavvy's interventions to defend the *prima facie* illegal activities of its subscribers when its services were the means whereby the allegation of piracy was perpetrated.

[54] I also note Voltage's reference to the British case of *20C Fox v BT (No. 2)*, [2011] EWHC 2174 (Ch) wherein the ISP was required to bear the costs of providing the information as an entity that makes a profit from the provision of services which the operators and subscribers use to infringe copyright, as follows:

> Each side contends that the other should pay the costs of implementing the order. In my judgment the costs of implementing the order should be borne by BT. The Studios are enforcing their legal and proprietary rights as copyright owners and exclusive licensees, and more specifically their right to relief under Article 8(3). BT is a commercial enterprise which makes a profit from the provision of the services which the operators and users of Newzbin2 use to infringe the Studios' copyright. As such, the costs of implementing the order can be regarded as a cost of carrying on that business. It seems to me to be implicit in recital (59) of the Information Society Directive that the European legislature has chosen to impose that cost on the intermediary. Furthermore, that interpretation appears to be supported by the Court of Justice's statement in *L'Oréal v eBay* at [139] that such measures "must not be excessively costly". The cost of implementing the order is a factor that can be taken into account when assessing the

> proportionality of the injunction, and in the present case I have done so: see the main judgment at [200]. Indeed, my conclusion there that the cost to BT "would be modest and proportionate" is supported by the evidence subsequently filed by BT, which estimates the initial cost of implementation at about £5,000 and £100 for each subsequent notification.
>
> [Emphasis Added by Voltage]

[55] I am similarly concerned by the fact that Voltage has not been able to obtain the information that it was lawfully entitled to for more than two years after Prothonotary Aalto's Order. The failure to provide this information, on all accounts, appears to be due to TekSavvy's unwarranted and excessive cost claims in the amount now of $350,000, which makes providing security for the costs of abiding with the Order out of the question.

[56] These concerns are not diminished by the evidence that TekSavvy's subscriber base has not suffered as a result of these events, but rather increased significantly in the aftermath. Nevertheless, it would amount to speculation without further evidence to infer that TekSavvy profited by its intervention in Voltage's motion and the publicity accompanying it.

[57] But the background circumstantial results do not sit well with the Court. They confirm that the policy in these types of motions should normally be to facilitate the plaintiff's legitimate efforts to obtain the information from ISPs on the *prima facie* illegal activities of its subscribers. In my view, courts should be careful not to allow the ISP's intervention to unduly interfere in the copyright holder's efforts to pursue the subscribers, except where a good case is made out to do so. While it may be a practice to require prepayment of the ISP's costs of the motion, the court

must not let this issue delay unnecessarily the execution of the order to the extent possible. Reasonable security for costs may be preferable in some cases.

[58] I conclude that Prothonotary Aronovitch did not err in finding that the general principle enunciated in the jurisprudence on *Norwich* motions is that the administrative costs and disbursements should be limited to those incurred in abiding with the order, unless special circumstances arise which would not apply here. I similarly conclude that Prothonotary Aronovitch did not err in finding that TekSavvy had no reasonable basis to give notice of the pending motion to its subscribers. TekSavvy therefore has no reasonable basis to claim any of the costs that directly or indirectly flowed from providing the notices.

[59] Specifically, this includes Prothonotary Aronovitch's refusal of the costs claimed in responding to the increase in inquiries etc., and the additional technical costs, such as creating a new online portal, on the basis that this was "work relating to TekSavvy's reputational impact" (Aronovitch Order at para 120) and "marketing, promotion, and customer relations" (Aronovitch Order at para 120). Similarly TekSavvy's costs of "network hardening" in implementing upgrades to its customer-facing systems to respond to the increased inquiry volume and to defend against computer hacker attacks were reasonably refused by the Aronovitch Order for the reasons provided. The same principle also applies to reject most of TekSavvy's legal costs.

C. *TekSavvy's Legal Costs and Disbursements*

[60] TekSavvy claimed legal costs for the services of Stikeman Elliott and for the services of its corporate counsel, Christian Tacit. The Aronovitch Order rejected all the cost claims except

an amount of $4,500 for Stikeman Elliott's advice regarding the implementation of the Aalto Order.

[61] The Aronovitch Order outlined a number of reasons for rejecting the remainder of the legal costs claimed:

a) TekSavvy failed to address the issue of costs before Prothonotary Aalto and this oversight cannot be remedied by subsuming them within the legal costs of abiding by the Order;

b) the costs which do not fall within the ambit of the Order, which is to say not relating to its implementation, are not recoverable;

c) Stikeman Elliott conflated the legal costs of the motion with the legal costs of abiding by the Order;

d) TekSavvy inflated the claims on a full indemnity basis for two senior counsel (and travel disbursements) on a routine discovery motion in which it took no position;

e) the costs of the motion are not assessable on a solicitor-client or a full indemnity basis, and moreover because TekSavvy did not submit a bill of costs based on the ordinary Tariff items, the Court was unable to assess them;

f) corporate counsel's costs are not recoverable for several reasons: the costs were not within the ambit of the Order, including representing TekSavvy as co-counsel in the litigation, giving advice related to customer communications, IT issues, call-center issues, and privacy matters; all being not recoverable; and no bill of costs or timesheets were provided, without identification of specific tasks, times at which they were performed, or length of time required to complete them; and

g) TekSavvy's failure to address costs of the motion before Prothonotary Aalto.

[62] TekSavvy submits that Prothonotary Aronovitch was mistaken in finding that the costs of the motion were not addressed before Prothonotary Aalto, or that it was not the Prothonotary's intention to award legal costs of the motion. TekSavvy asserts that it did not have the opportunity to seek costs of the motion before Prothonotary Aalto. It submits that Prothonotary Aalto stated that he did not intend to address the costs component of his Order, but rather intended to "leave that for another day" (Aalto Hearing Transcript, TekSavvy Record, Tab B(19), at 106:12-108:4). According to TekSavvy, Prothonotary Aalto explicitly deferred all determination of costs to the case management judge, to be included by his reference to "all reasonable legal costs".

[63] In response to TekSavvy's submissions, Voltage argues that there was nothing at the hearing before Prothonotary Aalto to suggest that he intended that the legal costs of Voltage's motion would be dealt with in the Aronovitch Order. Voltage submits that TekSavvy is unable to identify a single excerpt from the Aalto Hearing that supports its position. Furthermore, as the

Federal Court of Appeal stated in *Exeter v Canada (Attorney General),* 2013 FCA 134 [*Exeter*] at para. 14:

> The general principle is that a court may not award costs when costs were not requested: see, for example, *Balogun v. R.*, 2005 FCA 350 (F.C.A.). To award costs in these circumstances would be a breach of the duty of fairness because it would subject the party against whom they are awarded to a liability when the party had had no notice or an opportunity to respond: see, for example, *Nova Scotia (Minister of Community Services) v. Elliott (Guardian ad litem of)* (1995), 141 N.S.R. (2d) 346 (N.S. S.C.) at para. 5.

[64] On the one hand, I am in agreement with Voltage that a fair reading of the transcript of proceedings before Prothonotary Aalto indicates that no mention was made of the costs of the motion. All of the discussion on the record by both counsel was with respect to TekSavvy's other costs. Most of the debate turned around whether the notices were required and "the fence posts" required in the Order to protect the subscriber's privacy. Prothonotary Aalto did not rule on the notice issue and his order speaks for itself in requiring the disclosure of subscribers contact information. However, when costs were raised both in terms of complying with the Order and those claimed by TekSavvy arising as a result of the notices to subscribers, Prothonotary Aalto indicated, and repeated later, that he would not be dealing with those costs because he had "bigger fish to fry", referring to the substantive issues in granting the motion before him.

[65] Having put off all discussion on the costs of implementing the order, which included reference to legal advice in respect of the notices, I would have to think that it was reasonably anticipated by all concerned that TekSavvy's legal costs on the motion would be presented at the same time as part of the package of costs. This is all the more reasonable where it would be

anticipated, as was the case here, that further legal costs would be generated in providing advice for the implementation of the order, which could require assessment by the Court.

[66] I find that this conclusion is supplemented by what appears to be an error on the part of Prothonotary Aronovitch in not accepting TekSavvy's invitation to consider the transcript of the proceedings before Prothonotary Aalto. The exchange on this issue is as follows:

> MR. MCHAFFIE**:** The question of not requesting costs, my friend said we did not request costs at the hearing. Again, I was surprised to see that what was said at the last hearing before Prothonotary Aalto is at issue now. The Court does have its record of it. I think we may even have filed a transcript, [un]official transcript, with the Court to the extent that it was a decision [This was incorrect]. There was direct discussion [of] costs, Madam Prothonotary. I took a look. I don't want to give evidence, but I think it's in the Court file. If I'm going too far, then please.
>
> PROTHONOTARY ARONOVITCH: You are, indeed, going too far.
>
> MR. MCHAFFIE: Okay.
>
> PROTHONOTARY ARONOVITCH: The question was there was certainly no order as to costs in the order, and that is plain from the order. However, what submissions were made with costs and whether he considered the costs of the motion, if there is evidence on that, it would have been germane and should have been in these motion records, and I'm not going to entertain that now. I'm going to take it that no submissions were made on costs of the motion.

[67] There is also no issue that under the *Norwich* principles, as adopted by the *BMG* cases referred to above, TekSavvy would be entitled to its reasonable legal costs in preparing for and attending the motion. There is no reason therefore to assume that experienced counsel would abandon these costs, or would need to specifically refer to them when the Aalto Order indicated that the cost issues would be deferred to a later date. This is particularly the case when costs

were to be dealt with in a future motion and the borders were unclear demarcating the legal costs of the motion from the other costs claimed by TekSavvy.

[68] I also think that the Court has to be somewhat more flexible in a situation where it is clear that TekSavvy came before the Court armed with a fulsome bill of costs and with the view to seek substantial costs on the motion, clearly with some understanding that it was entitled to do so. It is reasonable that this understanding was gained from the proceedings before Prothonotary Aalto on the basis that all cost claims would be deferred to the future because he had too much on his plate in dealing with the substantive issues of the motion. There is no doubt that the costs situation before Prothonotary Aalto, as it was being raised by TekSavvy, was complicated and it made sense therefore that assessing all costs would be deferred and considered at a later time.

[69] I am satisfied that it was not the intention of Prothonotary Aalto to deny TekSavvy the indemnification of the costs of the motion, where the jurisprudence clearly states that the innocent third party is entitled to claim them. His Order provides for recovery of "legal costs" without any indication that the meaning of legal costs in *Norwich*-type motions ordinarily refers to those recoverable on the motion. If such costs were not to be awarded, it would be more logical that they would be specifically excluded from the Order.

[70] I therefore conclude that Prothonotary Aronovitch erred in failing to award TekSavvy its costs of the motion on the basis that they had not been addressed before Prothonotary Aalto. Accordingly, I am required to consider TekSavvy's costs on the motion *de novo* on the basis of the evidence before the Prothonotary.

(1) TekSavvy's costs of the motion before Prothonotary Aalto

[71] Inasmuch as TekSavvy did not oppose the motion, I agree with Prothonotary Aronovitch that TekSavvy's legal costs relate only to the motion and are relatively minimal. Stikeman Elliott's only mandate was to ensure that it obtained security for its costs in abiding by the Order and otherwise to comment on the wording of the Order, where it affected TekSavvy. The security issue does not appear to have been contentious, while most of the administrative matters that could be foreseen in abiding by the Order would have been largely resolved by the fact that TekSavvy had already correlated the IP addresses with the contact information of the individuals involved.

[72] Furthermore, in reviewing the transcript I find that TekSavvy's submissions to the Court mostly related to issues outside of its mandate. Prothonotary Aalto commented on this after TekSavvy completed its argument. It attempted to engage the Court on whether the costs for the notice to the subscribers were reasonable and recoverable, which would have included TekSavvy's legal costs in providing advice on this issue. Similarly, TekSavvy addressed the privacy interests of its subscribers in the guise of submissions on the wording of the Order by inferring that the Order needed "fence posts" to protect subscriber interests.

[73] However, while TekSavvy's preparation costs for the motion are limited, I conclude that they would extend in the normal circumstances to the initial assessment of what stance to take in response to the motion. This would comprise whether TekSavvy had any responsibility to advise its subscribers of the motion. *Norwich* orders are not everyday events in the legal world and I

could see the necessity for both corporate counsel and Stikeman Elliott to assess the situation in order to be able to determine what strategy to adopt in respect of the motion and vis-à-vis TekSavvy's subscribers. In this respect therefore, in addition to the limited costs that I would attribute to the preparation and attendance at the motion, TekSavvy should recover some costs for its initial legal deliberations concerning the motion.

[74] TekSavvy is considered an innocent party by Prothonotary Aalto, even if Voltage does not agree. It was faced with an unprecedented situation in terms of the number of correlations of its subscribers that were requested. This affords it a somewhat broader basis to consider the issue of the appropriate response to Voltage's motion. In effect, it is confronted by a class action in reverse, where the plaintiff is attempting to make the same case against a number of defendants, who alone may not have the resources to protect their interests. TekSavvy decided not to oppose the motion so long as it provided notice to its subscribers of their legal rights. That was a decision that it voluntarily made, and as long as it accepts responsibility for the consequences of the decision, it cannot be faulted for having to reflect on these issues in order to arrive at an appropriate response to the motion.

[75] On the other hand, I reject TekSavvy's argument that the default position is that it is entitled to be fully indemnified on the Rule 238 motion for its costs. It remains a matter at the discretion of the Court to determine the extent of indemnification. While TekSavvy might be in a better position to convince the Court of a higher scale of costs in a *Norwich*-type motion, the onus remains with the ISP to convince the Court why Federal Court tariffs should not apply.

[76] TekSavvy has not met this onus in this matter. Its conduct complicated somewhat the motion before Prothonotary Aalto. As such, I am not prepared to fully indemnify it for its costs on the motion.

[77] TekSavvy's costs are not detailed sufficiently to permit a breakout of its proper costs as opposed to those incurred for matters on which it had no mandate to pursue. This should not prevent a reasonable estimate of such costs. Similarly, the lack of particulars and a bill of costs aligned with the Federal Court tariffs are not fatal to a cost award. Lump-sum assessments are in fact often to be preferred on motions to save everybody's time and effort.

[78] I would assess TekSavvy's costs globally attributable to the motion for preparation and attendance, inclusive of disbursements, in the amount of $7,500. The remainder of TekSavvy's legal costs do not relate to the motion. In addition, I find that Prothonotary Aronovitch's assessment of the post-order costs at $4500 to be reasonable.

D. *The operational costs of the "second check/QA verification"*

[79] There remains the cost issue identified in paragraph 26 (g) of TekSavvy's appeal of the Aronovitch Order rejecting its claim for one half of the cost of the "Second check/QA verification" in the amount of $4,322.50. Prothonotary Aronovitch indicated that these costs were "not identified and supported by the evidence" and nor was "QA verification" explained.

[80] I agree that Prothonotary Aronovitch erred in this regard and that these costs were sufficiently identified and supported by evidence in Mr. Gaudrault's affidavit, wherein he also

explained the term "QA verification". Inasmuch as Prothonotary Aronovitch indicated that these costs would be paid if sufficiently supported in the evidence, I find in the circumstances that TekSavvy is entitled to the additional amount of $4,322.50 as a reasonable cost of implementing the Aalto Order.

E. *Prothonotary Aronovitch's Ruling Not to Award Costs in Respect of the Assessment*

[81] Both the Applicant and Respondent submit that Prothonotary Aronovitch erred by denying each party its costs of the appearance before her. She noted that success was divided. She also concluded that both parties were intent on disparaging each other's business practices, leading them to provide evidence and make submissions on extraneous matters. In addition, she found that both parties grossly exaggerated their position in terms of the amounts claimed by TekSavvy and what Voltage was willing to pay.

[82] Voltage argues that TekSavvy faced no liability, nevertheless it managed to run up legal accounts of $177,820.98 on a motion on which it took no position, and where ultimately the costs awarded only amounted to $7,500. Moreover, by claiming exaggerated costs, TekSavvy effectively foreclosed any meaningful debate that Voltage could obtain an order to pay security for costs in order to obtain the contact information of TekSavvy's subscribers.

[83] In respect of Voltage's claim, TekSavvy is correct that even if unsuccessful on a *Norwich*-type motion, costs would often not be awarded against the innocent non-party. This, in addition to Prothonotary Aronovitch's findings regarding the inappropriate behaviour of both

parties for their conduct in exaggerated claims, I find precludes Voltage from an award of costs on the motion.

[84] Both parties cited case law indicating that costs should be assessed against all the factors in Rule 400: *African Cape (Ship) v Francosteel Canada Inc.*, 2003 FCA 119 at para. 20. That case involved a failure to consider a settlement offer in an assessment. This is an entirely different matter, given the importance that courts attach to offers in promoting the settlement of cases, which the Court seeks to encourage. In addition, decision-makers are accorded a wide discretion when it comes to awarding costs. Given the deference owed the Prothonotary, who is highly experienced in these matters, the Court assumes that she was aware of all the factors listed in Rule 400, and described only the essential points in her reasons justifying her cost award. I am satisfied that the Prothonotary's cost award is reasonable and should not be disturbed.

F. *Cost of this appeal motion*

[85] Unless there are offers outstanding with respect to this appeal motion, I conclude that neither party is entitled to its costs. TekSavvy's claim to entitlement for its costs based on its partial success is counterbalanced by the proportional lack of success measured against the amounts claimed.

VII. Conclusion

[86] I find that the Prothonotary Aronovitch erred in ruling that TekSavvy had not provided evidence supporting the task of the "second check/QA verification" undertaken, and similarly in

misconstruing the evidence to the effect that Prothonotary Aalto did not intend to include TekSavvy's legal costs in the motion to be a matter for her assessment. As a result, I order that Prothonotary Aronovitch's Order should be varied to award the Plaintiff further costs in the amount of $4,322.50 for the "second check/QA verification" task and legal costs of $7,500 on the motion before Prothonotary Aalto.

[87] Subject to being advised of any offers on the motion, no costs are awarded on this motion.

[88] TekSavvy is to forthwith fulfill the requirements of the Aalto Order to provide the contact information of its identified subscribers upon payment by Voltage of the amounts awarded by the Aronovitch Order and as increased by this Court, to the combined total amount of $33,380 all in, plus applicable taxes.

ORDER

THIS COURT ORDERS that:

1. TekSavvy's appeal is allowed and the Aronovitch Order is varied by awarding TekSavvy an additional amount of $7,500 in legal costs on the motion before Prothonotary Aalto, and an additional amount of $4,322.50 in costs for abiding with his Order.

2. Upon payment of the costs awarded to TekSavvy by the Aronovitch Order, as varied by this Order, TekSavvy shall forthwith comply with the Aalto Order.

3. Subject to no relevant offers to settle having been made, no costs are awarded on this motion.

"Peter Annis"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-2058-12
STYLE OF CAUSE:	VOLTAGE PICTURES LLC v JOHN DOE AND JANE DOE
PLACE OF HEARING:	OTTAWA, ONTARIO
DATE OF HEARING:	NOVEMBER 10, 2015
JUDGMENT AND REASONS:	ANNIS J.
DATED:	DECEMBER 9, 2015

APPEARANCES:

James Zibarras Adam Weissman	FOR THE PLAINTIFF
Nicholas McHaffie Bram Abramson	FOR THE RESPONDING PARTY

SOLICITORS OF RECORD:

Brauti Thorning Zibarras LLP Toronto, Ontario	FOR THE PLAINTIFF
Stikeman Elliott LLP Barristers & Solicitors Ottawa, Ontario	FOR THE RESPONDING PARTY