

Federal Court



Cour fédérale

Date: 20111201

Docket: T-308-11

Citation: 2011 FC 1399

Ottawa, Ontario, December 1, 2011

PRESENT: The Honourable Mr. Justice Lemieux

BETWEEN:

**SOCIETY OF COMPOSERS, AUTHORS AND
MUSIC PUBLISHERS OF CANADA**

Plaintiff

and

**IIC ENTERPRISES LTD. C.O.B. AS
CHEETAH'S NIGHTCLUB**

Defendant

REASONS FOR JUDGMENT AND JUDGMENT

I. Introduction and Background Facts

[1] The Society of Composers, Authors and Music Publishers of Canada (SOCAN) appeals, by *ex-parte* motion, pursuant to section 51 of the *Federal Courts Act* (R.S.C., 1985, c. F-7) (*the Act*), the September 21, 2011 Order of Prothonotary Lafrenière (the Prothonotary) who, on an *ex-parte* motion for default judgment, refused to grant the Plaintiff pre-judgement interest from the date on which the Plaintiff's cause of action arose, i.e. on February 1, 2005, in accordance with the *Court*

Order Interest Act, RSBC 1996 Chapter 79 (*BC Act*). The Prothonotary did award SOCAN pre-judgment interest from February 23, 2011, the date of the issuance of the Statement of Claim, to the date of judgment, September 11, 2011.

[2] Section 36 of *the Act* deals with which law governs matters related to pre-judgment interest. It contemplates two situations in Federal Courts proceedings where subject and subject parties are engaged (to the exclusion of the Crown where that matter is dealt with under the *Crown Liability and Proceedings Act* (R.S.C., 1985, c. C-50).

[3] The first situation is where the cause of action of a Federal Courts proceeding arises in a single province. As will be seen, the single province here is British Columbia. In such a case, subsection 36(1) tells us that, except as is provided in any other Act of Parliament and subject to subsection (2) the law relating to pre-judgment interest in force in that province applies.

[4] The second situation occurs where the cause of action arises outside a province or in respect of causes of action arising in more than one province. In such cases sub-sections 36(2) to 36(7) guide the Federal Courts how to award pre-judgment interest.

[5] The Prothonotary offered two reasons for not granting pre-judgment interest reaching back to the date the cause of action arose.

[6] First, SOCAN as a collective society under the *Copyright Act* (R.S.C., 1985, c. C-42) could and did elect to recover an amount statutory damages spelled out in subsection 38.1(4) of that Act in

a sum of not less than three or not more than ten times the amount of applicable royalties owing and this “in lieu of any other remedy of a monetary nature” provided for in the Copyright Act.

[7] Second, (a) SOCAN had failed to establish any contractual or statutory right to charge interest on outstanding licence fees; (b) SOCAN substantively delayed its efforts to recover outstanding license fees dating back to 2006; and (3) SOCAN had only elected for statutory damages when it commenced this action in February of this year.

[8] SOCAN claims the Prothonotary erred in not awarding it pre-judgment interest from the date the cause of action arose in 2005. It argues the Prothonotary had no discretion under the *BC Act* in granting or denying pre-judgment interest on a cause of action that arose in British Columbia and that such interest must be awarded from the date the cause of action arose.

[9] Section 1 of the *BC Act* reads:

(1) Subject to section 2, a court must add to a pecuniary judgment an amount of interest calculated on the amount ordered to be paid at a rate the court considers appropriate in the circumstances from the date on which the cause of action arose to the date of the order.

[Emphasis added]

[10] Section 2 of that Act reads:

The court must not award interest under section 1

...

(b) if there is an agreement about interest between the parties,

...

(d) if the creditor waives in writing the right to an award of interest, ...

[Emphasis added]

[11] As is well known, SOCAN is a collective society under section 67 of the *Copyright Act*; it is authorized to grant licences for the public performance in Canada of musical works and to collect, pursuant to such licences, royalties or fees sanctioned by the Copyright Board.

[12] The Defendant, IIC Enterprises Ltd., carries on the business of an adult entertainment club known as Cheetah's Nightclub in the city of Kelowna, British Columbia, where it presents to the public performances of musical works by means of recorded music. Since 2005, the Defendant has been licensed by SOCAN under Tariff 3C to publicly perform SOCAN's musical works at the nightclub.

[13] Tariff 3C requires a licensee to report applicable figures annually to SOCAN and authorizes SOCAN or its agent to examine the licensee's books and records at any time during normal hours to verify the fees payable by the licensee.

[14] The Defendant reported to SOCAN for the years 2005 and 2006 the estimated number of days the nightclub was open and its authorized seating and standing capacity, but has failed to report any data since. Based on the estimated data provided for these two years, the total amount of the provisional license fees owed by the Defendant for the years 2005 to 2011 is \$21,628.54 with GST/HST of which \$20,383.37 is outstanding. SOCAN's Statement of Claim was filed on February 23, 2011.

[15] In its prayer for relief, SOCAN claimed, as noted, without prejudice to any other remedies available to it, against the Defendant the amount of \$20,383.37, which represents the balance of the estimated royalties (license fees) due under Tariff 3C, a full and complete accounting of all such royalties due and any additional royalties found payable pursuant to the audit. In the alternative, SOCAN sought an award of statutory damages in respect of unpaid estimated royalties on any additional royalties found to be payable pursuant to the audit. It also specifically claimed pre-judgment interest and post-judgment interest. The claim for pre-judgment interest was \$8,858.22.

[16] In terms of the specific election for statutory damages, that election was made in paragraph 8 of SOCAN's notice of motion for default judgment dated August 12, 2011. Moreover, the specific amount of statutory damages claimed is contained in the draft judgment. In that document, SOCAN claimed the amount of \$142,683.52 which is seven times the provisional license fees of \$20,383.36 (including GST/HST) owed by the Defendant under Tariff 3C for the years 2005 through to 2011. That draft judgment also provided for the payment of statutory damages in the amount of seven times any additional license fees found payable after audit.

II. The Prothonotary's Decision

[17] The central findings made by the Prothonotary were:

1. Having been served personally, the Defendant was in default by failing to file a statement of defence.
2. On the balance of probabilities, the Defendant continued to operate its nightclub from 2005 to 2011 during which SOCAN's musical works were performed.

3. Based on SOCAN's reasonable assumptions, the Defendant owes SOCAN \$20,383.37 for outstanding unpaid provisional license fees.
4. Taking into account prescribed factors of: (a) the good or bad faith of the Defendant; (b) the conduct of the parties before and during the proceedings; (c) the need to deter other infringements of the copyright in question; and (d) no mitigating factors in favour of the Defendant, SOCAN was awarded statutory damages of six times the outstanding provisional license fees, namely, \$122,300.22 for the years 2006 to 2011.
5. He did not order a further audit to determine if there might be additional license fees payable during the period 2006 to 2011 inclusive and, as a consequence, did not order the payment of any additional statutory damages which might arise therefrom.
6. Specifically, he determined the amount of statutory damages were warranted at the level he set because of the Defendant's bad faith having (1) displayed a complete disregard for the terms of his license with the Plaintiff over an extended period of time, (2) he brazenly continued to advertise and publicly perform SOCAN's works, (3) he ignored and evaded service of documents; (4) he continued his activities after notice of the present action.

[18] The Prothonotary placed great weight on the need to deter other infringements of the copyright in question.

[19] As noted, he denied SOCAN's request for pre-judgment interest. He did so for the reasons expressed in paragraph 25 of his Reasons for Order. He wrote:

According to SOCAN, the cause of action for each year's license fees arose on February 1 of each year because the provisional license

fees for each year were due on January 31 of that year, but not paid. While that may be, statutory damages are awarded “in lieu of any other remedy of a monetary nature” provided by the *Copyright Act*. By electing statutory damages, SOCAN has essentially waived its right to pursue its claim for provisional license fees, and any interest that may have accrued. In short, SOCAN can’t have its cake and eat it too.

[Emphasis added]

[20] At paragraph 26 of his Reasons, he set out the second basis for denying pre-judgment interest from the time the cause of action arose. Those reasons have previously been recorded at paragraph 7 above.

III. Discussion and Conclusion

[21] This is an appeal from the Prothonotary’s decision. The standard of review in respect of discretionary orders of a Prothonotary is well settled (See paragraph 19 of Justice Décary’s decision in *Merck & Co., Inc. v Apotex Inc.*, 2003 FCA 488, [2004] 2 FCR 459).

[22] The question arises in this case if the Prothonotary’s decision was a discretionary decision where he had latitude to award pre-judgment interest from the date the cause of action arose or not or whether, as argued by counsel for SOCAN, he had no discretion but to award pre-judgment interest from the date the cause of action arose because the matter must be decided under British Columbia law and that law requires the award on that basis.

[23] In my view the central question is a question of law; the standard of review is correctness. See *Merck & Co. v Nu-Pharm Inc.*, 2006 FC 853 paras 26 – 34.

[24] I am prepared to accept that the caselaw in BC is to the effect that under the *BC Act* a judge must award pre-judgment interest from the date the cause of action arose.

[25] However, the proceeding at hand is in the Federal Court and is governed by the *Federal Courts Act*.

[26] While counsel for SOCAN is correct to say that under section 36(1) of the *Federal Courts Act*, Federal law provides that in the case where the cause of action arose in one province as it did here, the law of that province applies.

[27] However, Parliament was clear in section 36(1) of the Federal Courts Act in making that requirement subject to “Except as otherwise provided in any other Act of Parliament.”

[28] The *Copyright Act*, in terms of remedies, provides for a number of options including ordinary damages, statutory damages, account of profits, putative damages and interest. Section 38 of that Act has a number of provisions. One deals specifically with collectives such as SOCAN. It speaks to the award of statutory damages over a certain range geared to unpaid applicable royalties “in lieu of any other remedy of a monetary nature provided by this Act.”

[29] The Prothonotary reasoned that by electing for statutory damages SOCAN has elected not to pursue its claim for unpaid provincial license fees and, as a necessary consequence, pre-judgment interest on that sum. In my view, the Prothonotary’s reasoning is compelling and fits with the

purpose for which the election was granted by Parliament to collective societies. See *Telewizja Polsat S.A. v Radiopol Inc.*, 2006 FC 584, [2007] 1 FCR 444.

JUDGMENT

THIS COURT'S JUDGMENT is that this appeal is dismissed.

“François Lemieux”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-308-11

STYLE OF CAUSE: SOCIETY OF COMPOSERS, AUTHORS AND
MUSIC PUBLISHERS OF CANADA v. IIC
ENTERPRISES LTD. C.O.B. AS CHEETAH'S
NIGHTCLUB

PLACE OF HEARING: Vancouver

DATE OF HEARING: October 17, 2011

**REASONS FOR JUDGMENT
AND JUDGMENT:** LEMIEUX J.

DATED: December 1, 2011

APPEARANCES:

Mr. Christopher Wilson FOR THE PLAINTIFF

N/A FOR THE DEFENDANT

SOLICITORS OF RECORD:

Bull, Housser & Tupper LLP FOR THE PLAINTIFF
Vancouver, British Columbia

N/A FOR THE DEFENDANT