

Federal Court



Cour fédérale

**Date: 20121018**

**Docket: T-2055-11**

**Citation: 2012 FC 1219**

**Toronto, Ontario, October 18, 2012**

**PRESENT: The Honourable Mr. Justice Campbell**

**BETWEEN:**

**ADOBE SYSTEMS INCORPORATED,  
MICROSOFT CORPORATION, AND  
ROSETTA STONE LTD.**

**Plaintiffs**

**and**

**DALE THOMPSON DBA APPLETREE  
SOLUTIONS**

**Defendant**

**REASONS FOR JUDGMENT AND JUDGMENT**

[1] In the present action launched under the *Copyright Act*, RSC 1985, c C-42 (the *Act*) the Plaintiffs claim that the Defendant infringed their copyright in a number of works through the unauthorized reproduction and sale of counterfeit copies of the Plaintiffs' computer software products and the reproduction of cover art used on their software program packaging.

## **I. Summary Judgment**

[2] The Plaintiffs argue that summary judgment is appropriate for the following reasons: the evidence of the Defendant's infringing conduct is overwhelming; the Defendant's Statement of Defence has no substantive merit; and, apart from filing the Statement of Defence, the Defendant has not participated in the action, including not appearing for the hearing of the summary judgment motion although duly served with notice. I agree with this argument.

[3] On the uncontested evidence of copyright infringement on the record of the summary judgment motion, I find the following facts: the Plaintiffs are all well-known US companies and developers of popular software programs who own copyrights in various software programs, and license these rights to a wide range of licensees; the Defendant, a resident of Toronto, Ontario, engaged in unauthorized reproduction of the Plaintiffs' software programs and cover art and offered the counterfeit reproductions for sale on the internet under the name Appletree Solutions through the popular Kijiji and Craigslist websites since at least the spring of 2011; and the Defendant directly assisted purchasers of the pirated software by supplying detailed instructions and product keys for activating the counterfeit software programs. In my opinion, with respect to criteria for granting summary judgment pursuant to Rule 215 of the *Federal Courts Rules*, I find that in the present case there is no genuine issue for trial with respect to the claim or defence.

## **II. Deterrent Relief**

[4] The Plaintiffs argue that the Defendant's conduct warrants deterrent relief by way of an injunction, and orders for maximum statutory damages, punitive damages, prejudgment interest, post-judgment interest, and solicitor client costs. I also agree with this argument because I find that

the Defendant's infringing conduct, and his response to being held accountable for this conduct, is particularly egregious and requires a clear deterrent message to the Defendant, and anyone else of like mind.

[5] The Defendant has failed to acknowledge any wrongdoing, rather his reaction to the current proceedings has been to blame the Plaintiffs. In my opinion, the following statements made by the Defendant in the Statement of Defence discloses a misguided attitude of entitlement with respect to his infringing conduct: the Plaintiffs erred by not issuing a cease and desist letter before commencing the infringement action; the Plaintiffs are participants to a "network effect" which the Defendant describes as an economic practice by which the Plaintiffs establish market dominance and maximize their profits, while also allowing and tolerating copyright infringement and piracy; and copyright infringement and piracy actually lead to financial gains for the Plaintiffs, which is why they fail to install protective measures in their software. It appears that the Defendant's knowledge and attitude towards theft of intellectual property was gained in the course of working for a business law firm in downtown Toronto. In my opinion, the evidence of the Defendant's strong intention to infringe requires the application of the law to deliver strong deterrent measures.

#### ***A. Declaratory and Injunctive Relief***

[6] I find that the Plaintiffs are entitled to declarations regarding the subsistence of copyright in the identified software programs and cover art, the ownership of the copyright and the infringement of the copyright by the Defendant. An injunction is appropriate to issue to protect these rights from continuing infringement by the Defendant.

### ***B. Statutory Damages***

[7] Pursuant to s. 38.1 (1) of the *Act* statutory damages may be awarded “in a sum of not less than \$500 or more than \$20,000 as the court considers just”, with the proviso that, pursuant to s. 38.1 (3), even the minimum amount can be lowered on the basis of proportionality of damages to the infringing activity, “as the court considers just”. Pursuant to s. 38.1(5), the following factors are to be taken into consideration in awarding statutory damages: the good faith or bad faith of the defendant; the conduct of the parties before and during the proceedings; and the need to deter other infringements of the copyright in question.

[8] Given what I consider to be a bad faith attitude on the part of the Defendant, his conduct as recounted above, the need for deterrent relief as I have expressed, and given that no argument has been advanced by the Defendant on any these question, I find no reason not to award maximum statutory damages in the amount of \$340,000, being \$20,000 per work infringed for each of the three Plaintiffs.

### ***C. Punitive Damages***

[9] The Plaintiffs seek punitive damages in the amount of \$15,000 per Plaintiff for a total of \$45,000. Section 38.1(7) of the *Act* provides that an award of statutory damages does not preclude the Plaintiffs from punitive and exemplary damages. The leading case on punitive damages remains the Supreme Court of Canada’s decision in *Whiten v Pilot Insurance Co.*, 2002 SCC 18, [2002] 1 SCR 595 (SCC). The Court in *Whiten* ruled that punitive damages are appropriate when a party’s conduct has been malicious, oppressive and high-handed, offends the court’s sense of decency, and represents a marked departure from ordinary standards of decent behaviour (*Whiten v Pilot*

*Insurance Co.*, *supra* at para 36). Furthermore, punitive damages are to be awarded only when all other penalties have been taken into account and are deemed inadequate to accomplish the objectives of retribution, deterrence and denunciation (*Whiten v Pilot Insurance Co.*, *supra* at para 123).

[10] Judges have not shied away from awarding punitive damages in cases that present similar circumstances to those in the current action. In fact, in recent years punitive damages against individual defendants for copyright infringement have ranged from \$50,000 to \$200,000 (*Microsoft Corp. v PC Village Co.*, 2009 FC 401 (FC); *Louis Vuitton Malletier S.A. v Yang*, 2007 FC 1179 (FC), *Louis Vuitton Malletier S.A. v 486353 B.C. Ltd.* [2008] BCSC 799, [2008] BCWLD 5075 (BC SC [In Chambers])). It is worth noting that in *Louis Vuitton Malletier S.A. v Yang*, *supra* Justice Snider awarded \$100,000 in punitive damages on top of the maximum statutory damages award.

[11] It appears that if a defendant's conduct can be characterized as "outrageous", "highly unreasonable" or showing a callous disregard for the rights of the plaintiff, punitive damages will be warranted (*Louis Vuitton Malletier S.A. v Singga Enterprises (Canada) Inc.*, 2011 FC 776 (FC) at para 168). When assessing whether conduct can be characterized in such terms, the following factors are helpful to consider: (i) the scale and duration of the infringing activities; (ii) cooperation of the infringing party during court proceedings and willingness to admit wrongdoing; (iii) whether the infringing party's actions were knowing, planned and deliberate; (iv) whether the infringing party attempted to conceal and cover up wrongdoings; (v) whether the infringing party continues to infringe the copyright in question; and (vi) whether the conduct of the infringing party in the course

of the proceedings has resulted in the additional costs to the Plaintiffs (*Louis Vuitton Malletier S.A. v Singa Enterprises (Canada) Inc.*, *supra* at para 170-176).

[12] While there is no evidence of recidivist activity on the part of the Defendant, nevertheless, I am of the opinion that he is on the negative side of each of the other factors. Considering the quantum of punitive damage in the comparable cases, I find that the Defendant's conduct and attitude as described in paragraphs 4 to 6 of these reasons certainly qualify for an award of punitive damages. I find that the amount sought by the Plaintiffs is most reasonable.

#### ***D. Pre-judgment and Post-judgment Interest***

[13] Pursuant to s.128 (1) and s.129 (1) of the *Act*, I find that the Plaintiffs are entitled to both pre-judgment and post-judgment interest in accordance of the laws of Ontario being the locus of the pirating. The prescribed rate of pre-judgment interest is 1.3%, and the prescribed rate of post-judgment interest pursuant to s.127(2) of the Ontario *Courts of Justice Act*, as published by the Deputy Attorney General for orders issued in the fourth quarter of 2012, is 3.0% (see: <http://www.attorneygeneral.jus.gov.on.ca/english/courts/interestrates.asp>).

#### ***E. Costs***

[14] Finally, the Plaintiffs request an award of costs on a solicitor client basis within the Court's discretionary powers set out in Rule 400(1) of the *Federal Court Rules*. Such costs are appropriate where a party has acted in a reprehensible, scandalous or outrageous manner (*Louis Vuitton Malletier S.A. v Yang*, *supra*; *Young v Young*, [1993] 4 SCR 3 (SCC) at para 66; *Rice v. New Brunswick*, [2002] 1 SCR 405 (SCC) at para 86). In my opinion, this is such a case. In the course of oral argument in the hearing of the present action, Counsel for the Plaintiffs advised that the

Plaintiffs have suffered costs of at least \$60,000 to prosecute this action against the Defendant. In my opinion there is no reason why the Plaintiffs should bear any of these costs given the Defendant's conduct as detailed in these reasons. As a result I grant the Plaintiffs' request.

**JUDGMENT**

**ACCORDINGLY, THIS COURT’S JUDGMENT is that:**

**IT IS DECLARED that:**

1. Copyright subsists in the computer software programs and cover art identified in the evidence filed in support of the Plaintiffs’ motion, namely:
  - a. Adobe Acrobat X;
  - b. Microsoft Word for Mac 2011; Microsoft Excel for Mac 2011; Microsoft PowerPoint for Mac 2011; and Microsoft Outlook for Mac 2011 (hereinafter, collectively “Microsoft software”);
  - c. Rosetta Stone Japanese Level 1, 2, and 3;
  - d. nine unique works of cover art used with Adobe InDesign CS; Adobe Creative Suite 4 Master Collection; Adobe Creative Suite 5 Master Collection; Adobe Acrobat X; Adobe After Effects CS5; Adobe InCopy CS5; Adobe Lightroom 2; Adobe Lightroom 3; and Adobe Font Folio 11 (hereinafter, collectively “Adobe cover art”); and
  - e. two unique works of cover art used with Rosetta Stone Arabic Levels 1-3; Rosetta Stone Chinese Mandarin Levels 1-3; Rosetta Stone English (American) Levels 1-5; Rosetta Stone French Levels 1-3; Rosetta Stone German Levels 1-3; Rosetta Stone Greek Levels 1-3;



Rosetta Stone Hebrew Levels 1 & 2; Rosetta Stone Hindi Levels 1-3; Rosetta Stone Italian Levels 1-3; Rosetta Stone Japanese Levels 1-3; Rosetta Stone Korean Levels 1-3; Rosetta Stone Persian Levels 1-3; Rosetta Stone Portuguese Levels 1-3; Rosetta Stone Russian Levels 1-3; Rosetta Stone Spanish (Spain) Levels 1-3; and Rosetta Stone Spanish (Latin America) Levels 1-5 (hereinafter, collectively “Rosetta Stone cover art”);

2. the Plaintiff Adobe Systems Incorporated is the owner of copyright in the Adobe Acrobat X software and the Adobe cover art, the Plaintiff Microsoft Corporation is the owner of copyright in the Microsoft software, and the Plaintiff Rosetta Stone Ltd. is the owner of copyright in the Rosetta Stone Japanese Level 1, 2, 3 software and the Rosetta Stone cover art; and
3. the Defendant has infringed the Plaintiffs’ copyright in the Adobe Acrobat X software, the Adobe cover art, the Microsoft software, the Rosetta Stone Japanese Level 1, 2, 3 software, and the Rosetta Stone cover art, and has authorized, induced and procured infringement of the Plaintiffs’ copyright in the identified computer software programs by his customers.

**IT IS FURTHER ADJUDGED that:**

1. Permanent injunctions hereby issue to restrain the Defendant from:
  - a. infringing copyright in the software programs, cover art or any other works in which the Plaintiffs own copyright, and from authorizing or inducing and

procuring others to do so including, without limitation, from directly or indirectly:

- (i) reproducing or communicating to the public by telecommunication all or a substantial part of the computer software programs listed in Appendix A to the Statement of Claim, and Adobe or Rosetta Stone cover art identified in the evidence;
  - (ii) authorizing, directing, assisting, inducing and procuring others to infringe copyright in any of the computer software programs listed in Appendix A to the Statement of Claim;
- b. selling, distributing, exposing for sale, offering for sale or importing any infringing copies of any of the computer software programs listed in Appendix A to the Statement of Claim, or any other works in which the Plaintiffs own copyright; and
  - c. infringing copyright in works the Plaintiffs own copyright in, including any such works which come into existence after the commencement of these proceedings.

2. The Defendant is directed to forthwith pay to the Plaintiffs:

- a. statutory damages in the maximum amount prescribed by section 38.1 of the *Copyright Act* in respect of the infringement of copyright in the software programs and cover art, namely:

- (i) \$80,000 to the Plaintiff Microsoft Corporation;
  - (ii) \$200,000 to the Plaintiff Adobe Systems Incorporated; and
  - (iii) \$60,000 to the Plaintiff Rosetta Stone Ltd.
- b. punitive damages in the amount of \$15,000 to each of the Plaintiffs;
  - c. pre-judgment interest in the prescribed amount of 1.3% on the award of statutory damages calculated from April 8, 2011;
  - d. post-judgment interest in the prescribed amount of 3.0% on the award of statutory damages calculated from the date of judgment;
  - e. costs in the amount of \$60,000.

“Douglas R. Campbell”

---

Judge

Federal Court



Cour fédérale

**FEDERAL COURT**

**SOLICITORS OF RECORD**

**DOCKET:** T-2055-11

**STYLE OF CAUSE:** ADOBE SYSTEMS INCORPORATED, MICROSOFT CORPORATION, AND ROSETTA STONE LTD. V DALE THOMPSON DBA APPLETREE SOLUTIONS

**PLACE OF HEARING:** Toronto, Ontario

**DATE OF HEARING:** October 11, 2012

**REASONS FOR JUDGMENT AND JUDGMENT BY:** CAMPBELL J.

**DATED:** October 18, 2012

**APPEARANCES:**

Brian P. Isaac  
Vik Tenekjian  
FOR THE PLAINTIFFS

No appearance  
FOR THE DEFENDANT (on his own behalf)

**SOLICITORS OF RECORD:**

Smart & Biggar  
Barristers & Solicitors  
Toronto, Ontario  
FOR THE PLAINTIFFS

N/A  
FOR THE DEFENDANT (on his own behalf)

