

Federal Court of Appeal



Cour d'appel fédérale

Date: 20140627

Docket: A-330-12

Citation: 2014 FCA 173

**CORAM: PELLETIER J.A.
DE MONTIGNY J.A. (*ex officio*)
MAINVILLE J.A.**

BETWEEN:

CATHERINE LEUTHOLD

Appellant

and

**CANADIAN BROADCASTING
CORPORATION ET AL**

Respondent

Heard at Montréal, Quebec, on February 25, 2014.

Judgment delivered at Ottawa, Ontario, on June 27, 2014.

REASONS FOR JUDGMENT BY:

PELLETIER J.A.

CONCURRED IN BY:

**DE MONTIGNY J.A. (*ex officio*)
MAINVILLE J.A.**

Federal Court of Appeal



Cour d'appel fédérale

Date: 20140627

Docket: A-330-12

Citation: 2014 FCA 173

CORAM: PELLETIER J.A.
DE MONTIGNY J.A. (*ex officio*)
MAINVILLE J.A.

BETWEEN:

CATHERINE LEUTHOLD

Appellant

and

CANADIAN BROADCASTING
CORPORATION ET AL

Respondent

REASONS FOR JUDGMENT

PELLETIER J.A.

[1] Ms. Leuthold appeals from the judgment of the Federal Court, reported as *Leuthold v. Canadian Broadcasting Corporation*, 2007 FC 7, [2007] F.C.J. No. 57 (QL), in which she was awarded damages and other remedies against the Canadian Broadcasting Corporation as a result of the admitted infringement of her copyright in five images taken during the terrorist attack on the World Trade Center on September 11, 2001.

[2] Ms. Leuthold appeals because the Court awarded her damages of US \$20,000 when her claim was for \$22 million. The difference between these two numbers depends largely on the number of times Ms. Leuthold's copyright in the images was infringed which is the major issue in this appeal.

[3] For the reasons which follow, I would dismiss Ms. Leuthold's appeal.

I. THE FACTS AND THE DECISION UNDER APPEAL

[4] Ms. Leuthold, a professional photo-journalist, resides in New York City and was present in that city on September 11, 2001. As the events of that fateful day unfolded, Ms. Leuthold took a number of photographs which she later made available for licensing by news media and others. In the months following these events, the Canadian Broadcasting Corporation (the CBC) commissioned a documentary which was meant to show how the events of 9/11 were seen through the eyes of journalists, cameramen and photographers who covered the story as it happened.

[5] The CBC wished to use 5 of Ms. Leuthold's images (the images) and contacted her for her permission to do so. Negotiations took some time with the result that while the documentary was broadcast on March 17th 2002, Ms. Leuthold did not communicate her written consent to the use of the images until March 19th (the March 19th licence). An issue arose as to whether that consent also applied to the broadcast of the documentary the same day on Newsworld, the CBC's 24 hour specialty news channel.

[6] Following the initial broadcasts, the CBC continued to deal with Ms. Leuthold, first, to get her to sign a waiver with respect to the March 2002 broadcasts and later, to obtain a licence to broadcast the images in the documentary a second time in September 2002. On October 7, 2002, Ms. Leuthold entered into a second licensing agreement which was referred to in the Federal Court decision as the Stills Licence. In that licence, she granted the CBC “the right (but not the obligation) to broadcast the [images] on Canadian television for one broadcast on CBC’s Network & Regional TV stations.”

[7] The documentary was broadcast on the CBC network and on Newsworld on September 10, 2002 and again on Newsworld on September 11, 2002. Following this, an official at CBC directed that Ms. Leuthold’s images be removed from the documentary as it was known by then that Ms. Leuthold was not prepared to give the CBC unlimited rights to broadcast her images. For reasons unknown, the images were only removed from some versions of the documentary but not others. The documentary was rebroadcast in 2003 and 2004; as luck would have it, all but one of those broadcasts was of a version of the documentary which contained Ms. Leuthold’s images. At trial, CBC conceded that it had infringed Ms. Leuthold’s copyright on September 11, 2002, September 7, 2003, September 8, 2003, September 11, 2004, and twice on September 12, 2004, (collectively, the Relevant Dates) but disputed the amounts owed to Ms. Leuthold as a result of those infringing broadcasts.

[8] Ms. Leuthold’s argument at trial was that the March 19th licence did not extend to Newsworld so that even if the broadcast of the images on the CBC network was covered by the licence, the broadcast by Newsworld was not. The Trial Judge found that the March 19th licence

included the right to broadcast the images on Newsworld. This conclusion is not challenged on appeal.

[9] The Trial Judge also found that the Stills licence applied to the broadcast of the images by Newsworld. In particular, he found that the expression “One broadcast on CBC’s Network & Regional TV stations” included Newsworld for the following reasons:

- CBC’s practice was to always include Newsworld when it was clearing rights.
- It was not commercially sensible to conclude that CBC would have agreed to terms which ran counter to its normal usage.
- The *contra proferentem* rule does not apply because any ambiguity can be resolved by reference to industry practice.

[10] Ms. Leuthold argued that both licences authorized only a single over the air broadcast in a single time zone so that the broadcast of the documentary later in other time zones was an infringement by CBC. As a result, after the broadcast of the documentary in the Atlantic region, each subsequent broadcast in the same time slot in each time zone from east to west across the country was also an infringement. Finally, Ms. Leuthold also argued that each retransmission of the broadcast in the chain from the CBC studio to the consumer was in infringement so that each Broadcasting Distribution Undertaking or BDU (such as a cable companies or satellite distribution system) and each local affiliate was also an infringer with whom the CBC was jointly and severally liable.

[11] The Trial Judge found that the “one broadcast” contemplated by the Stills Licence included the right to one broadcast in each time zone on the ground that this was industry

practice; see Reasons at paragraphs 70-71. This is not challenged directly in this appeal but the issue is implicit in the calculation of the number of infringing acts.

[12] The CBC admitted that it was jointly and severally liable with the cable companies for the unauthorized broadcasts of the images on the Relevant Dates. It did not, however, concede that each retransmission by each cable company was an act of infringement.

[13] Having found that Newsworld was included in both licences, the Trial Judge went on to find that the unauthorized broadcasts on the Relevant Dates constituted 6 acts of infringement for which Ms. Leuthold was entitled to compensation. The Trial Judge accepted the CBC's argument based on the definition of "broadcasting" in subsection 2(1) of the *Broadcasting Act*, S.C. 1991, c. 11.

[14] The Trial Judge appears to have found that the expression "other means of telecommunication" included the cable systems so that a broadcast was a transmission from the CBC to the public: see Reasons, at paragraphs 98-100. In the Trial Judge's view, the broadcast of the documentary containing the images on each of the relevant dates amounted to a single act of infringement as there was, on each of the relevant dates, but one communication of the program to the Canadian public.

[15] The Trial Judge then turned to the issue of damages. He found that the technical means by which the documentary was communicated to the public ought not to be a factor in the calculation of damages. After reviewing the law of damages, the Trial Judge concluded that the

starting point was the price which would have been asked for broadcast licences, had they been sought in advance of the infringing broadcasts. He reviewed the evidence as to the prices paid for Ms. Leuthold's images in the past, noting that she was careful to limit the number of uses to be made of her images under each licence which she negotiated. The Court set the quantum of damages for each infringement at US \$3,200 for each of the 6 unauthorized broadcasts on the basis that Ms. Leuthold could have negotiated a higher fee than the US \$2,500 fee which she agreed to in the Stills Licence if she had known of the repeated use of the images. This amounts to US \$19,200 for the 6 infringing broadcasts.

[16] On the issue of recovery of profits, the Trial Judge refused to order an accounting of profits and calculated the amount due to Ms. Leuthold under this heading by dividing Newsworlds' gross revenue by the proportion of the entire broadcast taken up by the display of the images. This yielded an award for profits of \$66 for the 2003 broadcasts and \$102.73 for the 2004 broadcasts.

[17] Ms. Leuthold withdrew her claim for punitive damages against the CBC and one of its employees but pursued her claim for exemplary damages, arguing that they acted in a callous manner. The Trial Judge dismissed the claim for exemplary damages because he was satisfied that the infringing broadcasts were the result on an honest mistake, not a deliberate decision to infringe Ms. Leuthold's copyright.

[18] The Trial Judge dismissed Ms. Leuthold's claim for an injunction on the basis that there was no probability that CBC would broadcast the copies of the documentary containing Ms. Leuthold's images again.

[19] Finally, the Trial Judge asked for further submissions on the issue of costs. His award of costs is the subject of a separate appeal.

II. THE ISSUES

[20] Ms. Leuthold identified the following issues in this appeal:

- Was Newsworld covered by the Stills Licence?
- How many acts of infringement were there?
- What is the measure of damages for the acts of infringement?
- Should the Court order an accounting of profits of the cable companies which were generated by the infringing broadcasts?

[21] To this I would add the issue of the standard of review though it can be disposed of summarily. This is an appeal from the decision of a trial judge after a trial. Following *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235, the standard of review for findings of fact and findings of mixed fact and law is palpable and overriding error. The standard of review for questions of law (including extricable questions of law in a finding of mixed fact and law) is correctness.

III. WAS NEWSWORLD COVERED BY THE STILLS LICENCE?

[22] The operative words of the Stills Licence are:

Catherine J. Leuthold [...] hereby grants to CBC the non-exclusive and limited right to incorporate the Stills in the Production. CBC shall have the right (but not the obligation) to broadcast the Stills on Canadian television for one broadcast on CBC's Network & Regional TV stations.

[23] The issue is what is meant by the phrase "for one broadcast on CBC's Network & Regional TV stations." The Trial Judge approached the issue from the point of view of whether there was one communication to the public. Ms. Leuthold approaches it from the perspective of whether Newsworld is part of "CBC's Network & Regional Stations".

[24] Ms. Leuthold's evidence was that Newsworld meant nothing to her. She only learned of it later, that is, after the licence was granted: see Reasons at paragraph 52. To that extent, she could not have intended to grant rights for Newsworld since she ignored its existence. CBC's evidence, on the other hand, was that it routinely included Newsworld when it was clearing rights for broadcast.

[25] The evidence was that Newsworld is a separate entity from the CBC for regulatory purposes. It has its own CRTC licence as a Specialty Programming Undertaking. It is, from the point of view of the regulators, a separate undertaking. On the other hand, the fact that Ms. Leuthold seeks damages from the CBC for unauthorized broadcasts of the image by Newsworld suggests that she does not view Newsworld as a separate legal entity. If she did, she would sue Newsworld for its unauthorized broadcasts of the images.

[26] The Trial Judge came to the conclusion he did largely on the basis of evidence of industry practice. Ms. Leuthold seeks to counter this evidence by relying on the Ontario *International Sale of Goods Act* and by extension, the *United Nations Convention on Contracts for the International Sale of Goods*. This Act does not help her as it deals with the sale of goods. A contract for the sale of goods is defined at section 2 of the *Sale of Goods Act*, R.S.O.1990 c. S.1 as follows:

2.(1) A contract of sale of goods is a contract whereby the seller transfers or agrees to transfer the property in the goods to the buyer for a money consideration, called the price, and there may be a contract of sale between one part owner and another.

[27] A licence agreement is not a sale of goods; no property in goods is transferred as a result of a licence agreement. All that is conveyed is a right to use the property which is subject to the grantor's copyright in certain ways. Furthermore, an intangible such as an interest in copyright is not a good: see *R. v Cacciatore*, 161 OAC, [2002] O.J. No. 2366, at paragraph 14.

[28] Ms. Leuthold also argues that the Trial Judge erred in failing to apply the *contra proferentem* rule of construction to the Stills Licence. *Contra proferentem* is invoked in the case of contracts of adhesion such as insurance contracts (see *Zurich Life Insurance Co. of Canada v. Davies*, [1981] 2 S.C.R. 670 at p. 674) and in the case of unequal bargaining power (see *Jesuit Fathers of Upper Canada v. Guardian Insurance Co. of Canada*, 2006 SCC 21, [2006] 1 S.C.R. 744, at paragraph 28). Neither of those conditions is present here. While it is true that the CBC has more resources than Ms. Leuthold, the latter is the one with the power in the negotiations. She is the "vendor" and has the power to dictate terms, as she apparently did with respect to "one broadcast". The fact that the Stills Licence was drafted by the CBC is not a reason to invoke

contra proferentem because the clause at issue was one which was negotiated between the parties, as opposed to some of the other clauses which appear to be CBC boilerplate.

[29] Ms. Leuthold also argues that the Newsworld broadcast was not covered by the Stills Licence because it was in contravention of Newsworld's operating licence which prohibits the simultaneous broadcasting of programming on the CBC "regular" network and on Newsworld. I do not find this argument persuasive, as regulatory practices are not dispositive of copyright issues.

[30] I am nonetheless unable to accept the Trial Judge's reasoning to the extent that conclusions are drawn on the basis of what Ms. Leuthold failed to exclude from the Stills Licence. A licensee acquires only those rights which the licensor has granted it. The CBC acquired only those rights which are circumscribed by the phrase "to broadcast the Stills on Canadian Television for one broadcast on CBC's Network & Regional TV stations" No rights are acquired by virtue of Ms. Leuthold's failure to exclude Newsworld from this grant of a licence. The question is whether Ms. Leuthold included Newsworld in the grant of rights found in the Stills Licence.

[31] This question is one of mixed fact and law, reviewable on the standard of palpable and overriding error. Palpable and overriding error is found when there is an absence of evidence to support a given conclusion, or a factual finding that cannot be made rationally or as a matter of logic on the basis of the evidence in the record: see *Blank v. Canada (Minister of Justice)*, 2010 FCA 183, [2010] F.C.J. No. 897 (QL), at paragraph 33. That is not the case here. The Trial Judge

considered all the evidence before him and, based on that evidence, reached a conclusion that was reasonably open to him. His error with respect to the interpretation of the Stills Licence is not fatal to that conclusion. There is no palpable or overriding error warranting this Court's intervention.

[32] As a result, the broadcast of the images on Newsworld on September 10, 2002 was not an act of infringement of Ms. Leuthold's copyright.

IV. HOW MANY ACTS OF INFRINGEMENT WERE THERE?

[33] This issue is the heart of Ms. Leuthold's case. Her calculation of her damage claim is entirely a function of the large number of distinct acts of infringement which she saw in each broadcast of the documentary.

[34] There is some basis for Ms. Leuthold's approach to the issue.

[35] In *Bishop v. Stevens*, [1990] 2 S.C.R. 467, in the context of reproduction rights, the Supreme Court of Canada held that each reproduction of a protected work attracted royalties (or damages) even if the reproduction was simply an adjunct to another activity such as broadcasting. This Court applied *Bishop v. Stevens* in the context of technological change in *Canadian Broadcasting Corp. v. Sodrac 2003 Inc.*, 2014 FCA 84, [2014] F.C.J. No. 321 (QL). In that case, we held that reproductions made as a step in the use of digital content management software in the course of broadcasting were subject to the rights of the copyright holder. The result was that the royalties due to the reproduction rights holder increased substantially.

[36] Ms. Leuthold does not refer to this authority and instead relies on paragraph 2.4(1)(c) of the *Copyright Act*, R.S.C., 1985, c. C-42 (the Act) in support of her claim that each transmission to a BDU by the CBC is an infringement of copyright. Paragraph 2.4(1)(c) provides as follows:

2.4 (1) For the purposes of communication to the public by telecommunication,

...

(c) where a person, as part of

(i) a network, within the meaning of the Broadcasting Act, whose operations result in the communication of works or other subject-matter to the public, or

...

transmits by telecommunication a work or other subject-matter that is communicated to the public by another person who is not a retransmitter of a signal within the meaning of subsection 31(1), the transmission and communication of that work or other subject-matter by those persons constitute a single communication to the public for which those persons are jointly and severally liable.

2.4 (1) Les règles qui suivent s'appliquent dans les cas de communication au public par télécommunication :

...

c) toute transmission par une personne par télécommunication, communiquée au public par une autre — sauf le retransmetteur d'un signal, au sens du paragraphe 31(1) — constitue une communication unique au public, ces personnes étant en l'occurrence solidaires, dès lors qu'elle s'effectue par suite de l'exploitation même d'un réseau au sens de la Loi sur la radiodiffusion ou d'une entreprise de programmation.

[37] According to Ms. Leuthold, this result flows from the following reasoning:

This section means, by way of example, that where Newsworld make two such transmissions to two BDUs, there would be two infringements under Section 3(1)(f) of the Copyright Act because the second person that communicates the work to the public (the second BDU) is a different person from the first instance, even when such transmissions occur simultaneously.

Appellant's Memorandum of Fact and Law, at page 15, paragraph 47.

[38] It seems to me that the better view is that paragraph 2.4(1)(c) legislates that the distribution of a network signal incorporating a protected work to BDUs and the subsequent communication of that work to subscribers is but a single network-wide infringement in which each participating BDU is jointly and severally liable along with the network. In that way, all those who benefit from the communication of the work share in the liability for compensating the rights holder, subject to whatever arrangements may be in place between them.

[39] This reading of paragraph 2.4(1)(c) of the Act moves in the direction of technological neutrality in that the number of infringing acts does not vary according to the number of intermediaries in the transmission chain. This is consistent with the goal of technological neutrality which the Supreme Court articulated in *Entertainment Software Association v. Society of Composers, Authors and Music Publishers of Canada*, 2012 SCC 34, [2012] 2 S.C.R. 231, at paragraphs 5-10.

[40] There is one act of infringement whether the work is communicated to the public via one BDU or via hundreds of them. The measure of damages may depend upon the number of viewers of the work, which has a rational connection with compensation, unlike the number of intermediaries, which does not.

[41] Paragraph 2.4(1)(c) serves to distinguish this case from *Bishop v. Stevens* where, as noted, each unauthorized reproduction was found to be a violation of the copyright holder's rights. While that may have been the case for unauthorized communications to the public by

telecommunication prior to the passage of paragraph 2.4(1)(c) and its companion disposition subsection 31(2) of the Act, it is no longer the case now.

[42] I am of the view that paragraph 2.4(1)(c), properly interpreted, has the effect of making a network transmission of cable programming material to the public via BDUs a single infringement of a copyright holder's rights if the network has not properly cleared the rights with respect to that transmission. In this case, the six transmissions of the documentary containing Ms. Leuthold's images, in violation of her copyright, constituted six acts of infringement, as found by the Trial Judge.

[43] The Trial Judge also came to the conclusion that each of the six broadcasts on the Relevant Dates was a single communication to the public of the documentary containing Ms. Leuthold's images and thus a single act of infringement. He came to this conclusion on the basis that the technical means used to relay the infringing copies were not determinative of the damages: see Reasons, paragraph 128. Given that damages depended on the number of infringing broadcasts, the Trial Judge's comments are indicative of his view that each retransmission was not a separate act of infringement. In coming to that conclusion, he made no palpable and overriding error which would justify our intervention.

V. WHAT IS THE MEASURE OF DAMAGES FOR THE ACTS OF INFRINGEMENT?

[44] In her Memorandum of Fact and Law, Ms. Leuthold does not concede that the Trial Judge was correct in finding that there were only six acts of infringement but she adopts the judge's conclusion that the amount of damages flowing from an act of infringement is US

\$3,200. In those circumstances, Ms. Leuthold's argument on the amount of damages stands or falls on the correctness of her calculation of the number of infringing acts. Since I have concluded that the Trial Judge correctly found that there were only six acts of infringement, Ms. Leuthold's argument on the measure and amount of damages fails.

VI. SHOULD THE COURT ORDER AN ACCOUNTING OF PROFITS OF THE CABLE COMPANIES WHICH WERE GENERATED BY THE INFRINGING BROADCASTS?

[45] The CBC points out in its Memorandum of Fact and Law that Ms. Leuthold did not raise the issue of the accounting of profits from the BDUs in her Statement of Claim. She asked only for an accounting of profits from the CBC. As the latter points out, the BDUs are not party to this litigation and the Court has no jurisdiction to make an order against them. Furthermore, I agree with the CBC that it is not open to Ms. Leuthold, on appeal, to seek a remedy which she did not seek in the Federal Court. This ground of appeal fails as well.

[46] I would therefore dismiss the appeal with costs.

"J.D. Denis Pelletier"

J.A.

"I agree

Yves de Montigny J."

"I agree

Robert M. Mainville J.A."

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-330-12

STYLE OF CAUSE: CATHERINE LEUTHOLD v.
CANADIAN BROADCASTING
CORPORATION ET AL

PLACE OF HEARING: MONTRÉAL, QUÉBEC

DATE OF HEARING: FEBRUARY 25, 2014

REASONS FOR JUDGMENT BY: PELLETIER J.A.

CONCURRED IN BY: DE MONTIGNY J.A. (ex officio)
MAINVILLE J.A.

DATED: JUNE 27, 2014

APPEARANCES:

Daniel O'Connor FOR THE APPELLANT
CATHERINE LEUTHOLD

Christian Leblanc FOR THE RESPONDENT
CANADIAN BROADCASTING
CORPORATION ET AL

SOLICITORS OF RECORD:

Daniel O'Connor FOR THE APPELLANT
Pointe Claire, Québec CATHERINE LEUTHOLD

Fasken Martineau DuMoulin FOR THE RESPONDENT
Montréal, Québec CANADIAN BROADCASTING
CORPORATION ET AL