

FEDERAL COURT OF APPEAL

BETWEEN:

BMG CANADA INC., EMI MUSIC CANADA, A DIVISION OF EMI GROUP
CANADA INC., SONY MUSIC ENTERTAINMENT (CANADA) INC.,
UNIVERSAL MUSIC CANADA INC., WARNER MUSIC CANADA LTD.,
BMG MUSIC, ARISTA RECORDS INC.,
ZOMBA RECORDING CORPORATION, EMI MUSIC SWEDEN AB,
CAPITOL RECORDS, INC., CHRYSALIS RECORDS LIMITED,
VIRGIN RECORDS LIMITED, SONY MUSIC ENTERTAINMENT INC.,
SONY MUSIC ENTERTAINMENT (UK) INC., UMG RECORDINGS, INC.,
MERCURY RECORDS LIMITED AND WEA INTERNATIONAL INC.

Appellants
(Plaintiffs)

- and -

JOHN DOE, JANE DOE AND ALL THOSE PERSONS WHO ARE INFRINGING
COPYRIGHT IN THE PLAINTIFFS' SOUND RECORDINGS

(Defendants)

- and -

SHAW COMMUNICATIONS INC., ROGER CABLE COMMUNICATIONS INC., BELL
CANADA, TELUS COMMUNICATIONS INC., AND VIDEOTRON LTEE.

Respondents
(Third Party Respondents)

- and -

THE CANADIAN INTERNET POLICY AND PUBLIC INTEREST CLINIC

Intervener

**MEMORANDUM OF FACT AND LAW OF THIRD PARTY
RESPONDENT SHAW COMMUNICATIONS INC.**

OVERVIEW

1. This is an appeal by the Appellant music companies from the interlocutory order of the Honourable Mr. Justice von Finckenstein dated March 31, 2004.

2. In his Order, Mr. Justice von Finckenstein dismissed the Appellants' motion in which they sought to compel Shaw Communications Inc. ("Shaw"), a non-party respondent, to disclose certain personal information about certain of its account holders, as specified in the draft order set out in Schedule A to the Notice of Motion, to be used in some other action or proceeding (i.e., not the present action before this Court).

Notice of Motion for Shaw Communications Inc. dated February 10, 2004;
Appeal Book Vol. I, Tab 6, p. 70

3. Mr. Justice von Finckenstein's decision was made primarily on the basis of his findings of fact and his conclusion from the facts that the Appellants' had not presented sufficient admissible evidence on the motion to justify the order sought. In this regard, His Lordship made a number of findings with respect to the evidence given by Mr. Gary Millin of MediaSentry Inc. ("MediaSentry"), who was the main witness for the Appellants on the motion. Those findings of fact, quite apart from being correct, are entitled to considerable deference on appeal and this Honourable Court should not interfere with the decision below unless Mr. Justice von Finckenstein has made a palpable and overriding error or has misapprehended the evidentiary record. That is not the case here.

Reasons for Order of Mr. Justice von Finckenstein dated March 31, 2004;
Appeal Book, Vol. I, Tab 2, pp. 18-21

4. In addition to making these findings with respect to Mr. Millin's evidence on behalf of the Appellants, Mr. Justice von Finckenstein also went on to make certain findings, which were essentially *obiter dicta*, with respect to the issue of copyright infringement. Strictly speaking, those findings were not required in light of the Court's conclusion with respect to the evidentiary record, and therefore should not have an impact on this appeal.

Reasons for Order of Justice von Finckenstein dated March 31, 2004; Appeal Book, Vol. I, Tab 2, pp. 21-25

5. On the basis of the above, this Honourable Court should dismiss the appeal.

PART I - FACTS

6. Perhaps in an effort to address the very serious deficiencies in their evidentiary record, the Appellants have seriously misstated the evidence that was before Mr. Justice von Finckenstein in the Court below on a number of occasions in their Memorandum of Fact and Law. Most of these misstatements occur in the context of the Appellants' description of "peer-to-peer file sharing" and in their characterization of the evidence given by Mr. Millin with respect to the work that was performed by MediaSentry in this case. These misstatements are identified in more detail below.

7. The Appellants in this case have purported to sue 29 individuals whom they allege to be infringing copyrights owned by them. Throughout their Memorandum, the Appellants use colourful and conclusory language, for instance, the Appellants have referred to the John and Jane Doe Defendants as "infringers" and have characterized their activities as "rampant infringement". The use of this language is nothing more than invective on the part of the Appellants, and prejudices the matter by ignoring the fact that only the Court is in a position to determine whether there has been any infringement at all in this case.

Statement of Claim issued February 10, 2004; Appeal Book, Vol. I, Tab 3, pp. 41-51

8. The Defendants sued by the Appellants are actually identified only by their file-sharing pseudonyms. Shaw and the other Internet Service Providers ("ISP's") do not recognise or have any records that could identify any subscriber or account based on those pseudonyms.

Affidavit of Greg Pultz sworn February 13, 2004 (the "Pultz Affidavit"), para. 10; Appeal Book, Vol. IX, Tab 21, p. 2492

9. For this reason, the Appellants have purported to link the pseudonyms by which the Defendants identify themselves to IP addresses, which are used by ISP's to provide service to their customers. This was apparently the task entrusted to MediaSentry.

Affidavit of Gary Millin sworn February 6, 204 (re: Shaw) (the "Millin Affidavit") paras. 14-16; Appeal Book, Vol. VI, Tab 11, p. 1442

10. However, as correctly noted by Mr. Justice von Finckenstein, the Appellants provided no evidence as to how MediaSentry linked the file-sharing pseudonyms to the specific IP addresses for which the subscriber identity is being requested. On this point, Mr. Justice von Finckenstein stated this example:

"There is no evidence explaining how the pseudonym Geekboy@KaZaa was linked to IP address 24.84.179.98 in the first place. Without any evidence at all as to how IP address 24.84.179.98 has been traced to Geekboy@KaZaa, and without being satisfied that such evidence is reliable, it would be irresponsible for the Court to order the disclosure of the name of the account holder of IP address 24.84.179.98 and expose this individual to a lawsuit by the Plaintiffs."

Reasons for Order of Justice von Finckenstein dated March 31, 204; Appeal Book, Vol. I, Tab 2, p. 21

11. Mr. Justice von Finckenstein's reasoning in this regard was entirely consistent with the evidence presented by Shaw's deponent on the motion, Mr. Greg Pultz. Mr. Pultz testified that Shaw uses a system of "dynamic" allocation of IP addresses to its customers rather than the "static" system used by some other ISP's¹, and that even if Shaw were able to identify with any precision an account to which an IP address was associated in the past, there is no way that Shaw can identify what person or user was actually using the device and connecting to the internet or granting access to that device to others through the internet. Simply put, an account holder associated with a specific IP address may not be the user in question. Moreover, it was the evidence before Mr. Justice von Finckenstein that many institutional accounts use "routers", which are devices that allow many individual users, in effect, to share one IP address. Additionally, in the case of a wireless network, a user in a neighbouring house or business might be able to surreptitiously use a subscriber's IP address or a hacker may be able to access someone's PC and share files on it without the account holder ever knowing that this activity is taking place.

Pultz Affidavit, paras. 29-35; Appeal Book Vol. IX, Tab 21, pp. 2496-2497

12. After describing in detail how Shaw's system works with respect to the allocation of IP addresses and the maintenance of records in that regard, Mr. Pultz testified that Shaw cannot determine, to the degree required by the Appellants, which Shaw subscriber account

¹ Shaw uses an implementation of the Dynamic Host Configuration Protocol (DHCP) to centrally manage and assign IP Addresses throughout its network and for all devices attached to its system. As the name implies, this allocation system is "dynamic", meaning that the IP Addresses which it assigns are typically changeable, depending on circumstances, and are not fixed, permanent or "static". Since, each PC or other device attached through Shaw's system to the Internet needs a unique IP Address, Shaw's DHCP assigns IP Addresses automatically as those machines are connected to the Shaw system. When the device to which an IP Address has been assigned is disconnected from the Shaw system (or for other reasons), the IP Address may be re-assigned to another device which is totally unconnected to the device to which the IP Address in question was originally assigned.

was assigned the dynamic IP addresses referred to in the Notice of Motion on the days and at the times noted in those materials.

Pultz Affidavit, para. 34; Appeal Book, Vol. IX, Tab 21, p. 2497

13. It should be noted that Mr. Millin confirmed that merely knowing an IP address does not identify a "user". Moreover, Mr. Millin acknowledged that a wireless router could be accessed in certain circumstances by anyone with a wireless computer or a wireless adapter (even someone in another house or another office) and that externally all such users would appear to be using the same IP address. Further, even though Mr. Millin deposed in his affidavit that the ISP's disclosure of identities connected to the list of IP addresses in issue should be a "relatively straightforward task" (paragraph 39), it was made clear on cross-examination that this statement was simply an assumption on Mr. Millin's part, and was not based upon any personal knowledge of Shaw's systems and databases.

Transcript of the cross-examination of Gary Millin taken on March 4, 2004;
Appeal Book, Vol. IX, Tab 23, QQ. 116-120, 128-136, 155 and 164-168

14. Quite apart from these issues, there were other fundamental problems with the evidence presented by the Appellants in the court below. Most significantly, Mr. Millin made it clear on his cross-examination that his role as MediaSentry's President is "general oversight for the business and [in] particular strategy". Mr. Millin therefore had no personal knowledge of the matters he deposed to, which knowledge was apparently obtained from some unidentified persons. MediaSentry has both technical and operational employees who develop programs and monitor the programs that are run, respectively. They do the "hands-on" work. They report through managers to Mr. Millin and other executives. Mr. Millin did

not collect the data set out in his affidavit about the Defendants. He was not even in the office when the information supposedly reported in his affidavit about, for instance, "Geekboy@KaZaa" (Millin affidavit paragraphs 17-25) and Amanda@KaZaa (Millin affidavit paragraphs 26-34) was collected. He also did not send out any of the 694,000 "instant messages" referred to in paragraph 13 of his affidavit and did not know to what areas in Canada they were sent. No other affidavit evidence from anyone at MediaSentry was presented by the Appellants in the Court below.

Transcript of the cross-examination of Gary Millin taken on March 4, 2004;
Appeal Book, Vol. IX, Tab 23, QQ. 32, 42-45, 47-48, 109-115, 169-170, 174,
177 and 240-243

15. The Appellants now seek to blunt the impact of this deficiency in the evidence by alleging, for the very first time in their Memorandum on appeal, that the MediaSentry process was all "automated" and that Mr. Millin's evidence was "direct personal knowledge" based on computer-generated information. This is contrary to Mr. Millin's own evidence (as cited above) that there were technical and operational employees at MediaSentry who reported to him and who did the "hands on" work and managed the MediaSentry programs on a day-to-day basis. His evidence was that those people reported to managers who reported to him. He was not in the office when data was collected and he did not send out any messages to suspected infringers. It also defies logic to suggest that something can be completely automated, without any human input whatsoever. At the very least, the Appellants ought to have presented evidence as to how that automated process was alleged to work, which they did not do.

Appellants' Memorandum, paras. 46-48

Transcript of the cross-examination of Gary Millin taken on March 4, 2004;
Appeal Book, Vol. IX, Tab 23, QQ. 42-45 and 170-176

16. Mr. Millin never identified anyone who transmitted the information in question to him and his so-called evidence therefore did not comply with Rule 81 of the *Federal Court Rules*.

17. Moreover, in cross-examination, Mr. Millin acknowledged that MediaSentry provides a service called "Media Decoy", which is essentially a program that distributes bogus or inoperative files over the Internet, so that persons download them thinking, incorrectly, that they are music files. The files are made to look like real music files, but are inoperative. When he was asked to advise whether he could tell whether any of the files allegedly copied from the John and Jane Does were Media Decoy files, he said that he did not listen to any of the files copied from the alleged infringers and that listening to the files was not work that his firm was contracted to do or the "process that we set up with CRIA".

Transcript of the cross-examination of Gary Millin taken on March 4, 2004;
Appeal Book, Vol. IX, Tab 23, QQ. 104-108 and 189-196

18. Mr. Millin also testified that, from the file lists attached to his affidavit, one cannot tell whether the files listed really do contain the musical piece suggested by the title, or whether the files came from a CD, over the internet, or whether they were Media Decoy files. To make matters worse, Mr. Millin was unable to say whether any of the listed files had been downloaded by anyone other than MediaSentry itself.

Transcript of the cross-examination of Gary Millin taken on March 4, 2004;
Appeal Book, Vol. IX, Tab 23, QQ. 209-215 and 197

19. Also, Mr. Millin on cross-examination gave the following evidence about the KaZaA file-sharing software and how it operates:

- (a) From the main screen, a KaZaA user cannot “see” that transfers of his/her files are taking place from the user’s computer;
- (b) For many of the KaZaA software packages, the default condition is that file transfers are permitted and this feature must be specifically turned off to prevent transfers from the user’s computer;
- (c) Files available for transfer from a user on KaZaA can come from a CD or the Internet; and
- (d) Even when a user thinks he/she has shutdown KaZaA, the program may still be “running” on the user’s computer, thereby allowing others to copy files without the user’s knowledge.

Transcript of the cross-examination of Gary Millin taken on March 4, 2004;
Appeal Book, Vol. IX, Tab 23, QQ. 22, 200-211 and 216-219

20. The end result of this evidence is that many KaZaA users are likely unaware that they are allowing file-sharing, or even if so aware, which files are actually available for sharing. Moreover, even if a user intends to share files, it does not follow that any of those files may actually be downloaded by another user.

21. With this evidence in mind, it is clear that the Appellants have seriously misstated the evidence in their Memorandum as follows:

- (a) Contrary to paragraph 6, the Appellants have submitted nothing but hearsay evidence as to their ownership of copyright in the sound recordings in question. Indeed, one of the Appellants (Warner) is apparently not even an exclusive licensee of the sound recordings in question and therefore would not be entitled to sue under Canadian law;

Affidavit of Kathy Yonekura sworn February 10, 2004 (re: Shaw) (the "Yonekura Affidavit"), para. 9; Appeal Book, Vol. IX, Tab 17, p. 2429

- (b) Contrary to paragraphs 9 and 10, a user of a peer-to-peer file sharing service is not necessarily aware that downloaded files are automatically made available to others to download from that user's computer. Moreover, the file-sharing feature of KaZaA is automatic, and a user intervention is required in order to disable that feature.
- (c) Contrary to paragraph 12, there was no evidence in the Court below that any of the files of the Defendants were ever downloaded by anyone other than with MediaSentry, and even Mr. Millin's evidence is entirely hearsay on this point.
- (d) Contrary to paragraph 13, even though notices may have been sent out by MediaSentry (although this evidence is hearsay), there certainly was no evidence that any of the Defendants ever received those notices or saw them.
- (e) Contrary to paragraphs 11 and 14, there was no evidence in the Court below that anyone actually confirmed that the contents of the files downloaded by MediaSentry actually were the sound recordings in which the Appellants claim

to have copyright. Although the Appellants now purport to rely upon the affidavit of Ms. Yonekura in support of this statement, this is plainly not the case, as Mr. Justice von Finckenstein found. This erroneous allegation is repeated again at paragraph 53 of the Appellants' Memorandum. This time, the Appellants purport to rely upon hearsay evidence of Mr. Millin as to what he believed Ms. Yonekura had done. With respect, Mr. Millin's conjecture is not evidence. In the final analysis, Ms. Yonekura doesn't say in her affidavit that she listened to the downloaded files.

- (f) Contrary to paragraphs 12 and 63, there is no evidence in the record to suggest that the Defendants were "sharing hundreds or thousands of songs with millions of users". Indeed, as stated above, the only evidence before Mr. Justice von Finckenstein was that MediaSentry had downloaded files from the computers of the Defendants, but there is no evidence as to what those files actually were.

Yonekura Affidavit; Appeal Book, Vol. IX, Tab 17, pgs. 2427-2429

PART II – POINTS IN ISSUE

22. The issues to be determined on this appeal from Shaw's perspective are:
- (a) What is the appropriate standard of review?
 - (b) Did Mr. Justice von Finckenstein apply the appropriate legal test for motions under Rules 233 and 238 of the *Federal Court Rules* or in the case of an equitable bill of discovery?

- (c) Did Mr. Justice von Finckenstein make any reviewable error when he applied the appropriate test to the evidence in the record before him?

PART III – SUBMISSIONS

A. *Standard of Review*

23. The Appellants' motion in the Court below was based on Rules 233 and 238 of the *Federal Court Rules*. Those Rules grant the Court broad discretionary powers to order production of documents from, or permit examination for discovery of, a non-party.

Federal Court Rules, 1998, SOR/98-106 (the "Federal Court Rules"), Rules 233 and 238

24. In electing not to exercise his discretion in this case, Mr. Justice von Finckenstein was required to make a number of findings of fact on the basis of the evidentiary record before him. This evidentiary record was voluminous (constituting many volumes of evidence by way of affidavits and cross-examinations on those affidavits). The motion itself was heard over the course of two days, during which time Mr. Justice von Finckenstein was carefully taken through the evidence before him.

25. In the end, Mr. Justice von Finckenstein assessed the evidence (or the lack thereof) as a whole and elected to give very little weight to the evidence presented by the Appellants in light of the deficiencies as identified above. It is submitted that his findings are reviewable by this Honourable Court only on the basis of reasonableness. Even if this Honourable Court does not agree with Mr. Justice von Finckenstein's conclusions, as long as they were

reasonable based on the record before him, this Honourable Court ought not to interfere with his clear exercise of discretion.

Housen v. Nikolaisen, [2002] 2 S.C.R. 235 at 248, 252 and 256

Canada v. Olympia Interiors Ltd., [2004] F.C.J. No. 868, at paras. 8-9

Law Society of New Brunswick v. Ryan, [2003] 1 S.C.R. 247 at paras. 55-56

26. It is submitted that Mr. Justice von Finckenstein's reasons are comprehensive and carefully considered. The reasons reveal that Mr. Justice von Finckenstein was alive to all of the issues, and considered all of the evidence that was before him in arriving at his decision. It cannot be said that Mr. Justice von Finckenstein made any palpable or overriding error, or that he ignored any of the evidence before him. Accordingly, his decision ought to stand.

27. Quite apart from this, even if one adopts a correctness standard (as advocated by the Appellants), it is clear that Mr. Justice von Finckenstein correctly applied the law to this case (as described below), and his decision ought not to be interfered with.

Stevens v. Canada (Attorney General), 2002 F.C.T. 2

B. The Application of Rules 233 and 238 and the Law Relating to the Equitable Bill of Discovery

28. As stated above, Rules 233 and 238 provide the Court with the discretionary power to order disclosure of documents or order examination for discovery of non-parties to a proceeding.

29. The Appellants submit that Mr. Justice von Finckenstein incorrectly applied Rule 233, which provides that a party may apply to obtain the production of a document from a person who is not a party to an action if the document is relevant and can be compelled at trial.

Federal Court Rules, Rule 233

30. On this point, Mr. Justice von Finckenstein found that Rule 233 presupposes the existence of specific documents. His Honour further found that the definition of a “document” under Rule 222 of the *Federal Court Rules* is not broad enough to cover the creation of documents not normally held by a party or retrievable by a party through its computer systems used in the ordinary course of business.

Reasons for Order of Mr. Justice von Finckenstein dated March 31, 2004, para. 15; Appeal Book, Vol. I, Tab 2, p. 18

Federal Court Rules, Rule 222

31. It is submitted that Mr. Justice von Finckenstein was correct in his analysis. The evidence on this motion is clear that Shaw does not have documents which it retains in the ordinary course of its business which it could turn over to the Appellants in order to identify the account holder linked to the IP addresses in the Notices of Motion. Indeed, Mr. Pultz testified that compiling this information requires many hours of work and tremendous effort on Shaw’s part. Simply put, although it is perhaps arguable that Shaw could generate a record that might assist the Appellants after considerable effort on its part, there is no document that currently exists that would provide the link.

Pultz Affidavit, para. 40; Appeal Book, Vol. IX, Tab 21, p. 2498;

Transcript of the cross-examination of Greg Pultz taken on February 27, 2004; Appeal Book, Vol. X, Tab 26, p. 2723

32. The Appellants have not presented any law to suggest that a non-party can be compelled, by the use of Rule 233, to create documents that do not now exist. This would be a radical extension of the scope of Rule 233 and Mr. Justice von Finckenstein was correct in rejecting that argument.

33. Moreover, Rule 233 speaks to documents whose production could be compelled at trial. It is submitted that the reference to "at trial" requires that the document will be used in the case in which the motion is being brought, not in the trial of other possible actions or proceedings. In this case, there is no contemplation that the document produced under Rule 233 will be used at a trial in this action. It is clear that the approach the Appellants will use is similar to the approach that has been used by their counterparts in the United States -- namely, to obtain information through a court process and to then use that information in a separate action with a view to settling with the alleged infringers. This is clear both from the Notice of Motion, which refers to other future actions, and also by the fact that the Appellants asked for relief from the "implied undertaking" rule.

Notice of Motion for Shaw dated February 1, 2004, paras. 2(j) and Schedule A,
para. 3; Appeal Book, Vol. I, Tab 6, pp. 67 and 71

34. The Appellants also moved under Rule 238 and the principles governing equitable bills of discovery set out in the *Glaxo Wellcome PLC v. Canada* case. In the court below, the Appellants submitted that the criteria for granting an order under Rule 238 "generally mirror those for the equitable bill of discovery" (see paragraph 41 of the Appellants' Written Submissions before Mr. Justice von Finckenstein). Curiously, before this Court, the Appellants now take the position that Mr. Justice von Finckenstein erred in applying the

principles governing equitable bills of discovery instead of applying the principles applicable to motions under Rule 238.

Federal Court Rules, Rule 238

Glaxo Wellcome PLC v. Canada (1998), 81 C.P.R. (3d) 372 (F.C.A.)

35. The Appellants ought not to be permitted now to contradict themselves in this manner by making different submissions in this Court from those made in the Court below, especially when the motions judge essentially adopted the submission urged upon him by the Appellants in this regard (i.e., that the tests essentially mirror one another).

36. In any event, it is submitted that Mr. Justice von Finckenstein correctly applied the principles applicable to both Rule 238 and equitable bills of discovery. The Appellants' submission on this issue completely ignores the recognized privacy interests that exist in this case.

37. In modern society, retention of information about individuals is extremely important. Individuals go about their daily lives with the reasonable expectation that personal information about them will remain confidential unless they choose to disclose it. The Supreme Court of Canada has recognized that "privacy is essential for the well-being of the individual" and, for this reason, it is worthy of constitutional protection.

R. v. Dyment, [1988] 2 S.C.R. 417 at 427

38. In recognition of this fact, Parliament has recently enacted legislation that speaks to an individual's right to control the collection, use and disclosure of their personal information by

organizations in the course of commercial activities. Comparable legislation has also been enacted in several of the Provinces (Quebec, British Columbia and Alberta)

Personal Information Protection and Electronic Documents Act, ["PIPEDA"],
S.C. 2000, c. 5

39. Shaw became subject to *PIPEDA* on January 1, 2001. Disclosure by Shaw of information relating to "personal information" such as names, addresses, telephone numbers, etcetera of its customers is, in the absence of legal justification, a breach of Shaw's obligations under *PIPEDA* and could subject Shaw to legal sanctions at the hands of its customers or of the regulatory authority (the Federal Privacy Commissioner, etcetera).

40. Privacy has taken on even greater significance in the context of the Internet. As the Ontario Court held in *Irwin Toy Ltd. v. Doe*:

Implicit in the passage of information through the internet by utilization of an alias or a pseudonym is the mutual understanding that, to some degree, the identity of the source will be concealed. Generally speaking, it is understood that a person's internet protocol address will not be disclosed...

In keeping with the protocol or etiquette developed in the usage of the internet, some degree of privacy or confidentiality with respect to the identity of the internet protocol address of the originator of a message has significant safety value and is in keeping with what should be perceived as being good public policy.

Irwin Toy Ltd. v. Doe, [2000] O.J. No. 3318 (Ont. S.C.J.) at paras. 10-11

Society of Composers, Authors and Music Publishers of Canada v. Canadian Association of Internet Providers, 2004 S.C.C. 45 at para. 155

41. Although the statute contains provisions which allow the Court to authorize disclosure of protected personal information, a Court must be wary in permitting these recognized

privacy rights to be violated. Once private information about a person is disclosed and their anonymity is revealed, it can never be recovered. As a result, the threshold test that is applied by a Court prior to allowing disclosure of information that would identify a person is critical, and should properly balance the competing interests at stake. It should be noted that, in the Court below, the Appellants agreed that ISP account holders have an expectation that their identities will be kept private and confidential, which expectation is based both on the terms of their account agreements with the ISP's and Sections 3 and 5 of *PIPEDA*. This point was noted by Mr. Justice von Finckenstein at paragraph 9 of his Reasons for Decision but is nowhere referenced in the Appellants' Memorandum.

Reasons for Order of Justice von Finckenstein dated March 31, 2004, para. 9;
Appeal Book, Vol. I, Tab 2, p. 14

42. Bearing in mind these public policy considerations and the expectation of privacy on the part of ISP account holders, it is submitted that Mr. Justice von Finckenstein applied the correct legal principles in determining whether or not to exercise his discretion under Rule 238 or whether to grant the common law remedy of an equitable bill of discovery. At the heart of his analysis, Mr. Justice von Finckenstein found that the Appellants had to meet the following five criteria:

- (a) The applicant must establish a *prima facie* case against the unknown alleged wrongdoer;
- (b) The person from whom discovery is sought must in some way be involved in the matter under dispute and must be more than an innocent bystander;
- (c) The person from whom discovery is sought must be the only practical source of information available to the applicants;

- (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; and
- (e) The public interest in favour of disclosure must outweigh the legitimate privacy concerns.

Reasons for Order of Mr. Justice von Finckenstein dated March 31, 2004, para. 13; Appeal Book, Vol. I, Tab 2, p. 17

43. Although the Appellants now contend that Mr. Justice von Finckenstein erred in applying a *prima facie* test, it is noteworthy that this is in complete contradiction to the submissions made by the Appellants in the Court below. In paragraph 44 of their written submissions to Mr. Justice von Finckenstein, the Appellants argued for a *prima facie* test and said that the "*prima facie* test set out in *Irwin Toy* is appropriate". Once again, it is entirely inappropriate for the Appellants to make one submission in the Court below (which was accepted), only then to argue on appeal that the motions judge erred in adopting that submission. This practice ought to be discouraged by this Honourable Court.

44. Quite apart from the fact that the Appellants are now advancing a new position before this Honourable Court, Shaw submits that the *prima facie* test is the correct one in the circumstances. The *prima facie* test has been applied in other cases (such as injunctions) where there are far-reaching consequences for the affected party. Moreover, in *Irwin Toy*, the Ontario Court also applied the *prima facie* test in similar circumstances.

Irwin Toy, supra

45. The *Glaxo* and *Norwich* cases do not stand for the proposition that the threshold test is a subjective *bona fide* belief, as the Appellants now contend. Both *Glaxo* and *Norwich* establish, in deciding whether an equitable bill of discovery ought to be granted, that the Court: “would no doubt consider such matters as the strength of the applicants’ case against the unknown alleged wrongdoer...”

Norwich Pharmacal v. Customs and Excise Commissioners, [1974] A.C. 133 at 199 (H.L.)

Glaxo, supra, at para. 24

46. The Appellants, citing the reasons of Mr. Justice Stone in *Glaxo*, argue that they are not required to show that they would likely succeed at trial. Shaw does not take issue with this, but the submission misses the point. In adopting a *prima facie* test, the Court is not requiring that the Appellants demonstrate that they would likely succeed at trial.

Glaxo, supra, at paras. 390-391

47. Moreover, although the Appellants are correct that Rule 238 provides that a party moving for third party discovery need only establish that the responding party “might” have information on an issue in the action, this again does not address the unique circumstances of this case. Here, the information sought from the third parties is intended to reveal the very identity of the Defendants. As a result, the statutory and other privacy interests identified above are triggered and must be safeguarded. The Appellants completely ignore this aspect of the proceeding.

48. Even assuming that the *Glaxo* test only requires the establishment of the moving parties' *bona fides* (which is denied), then it is submitted that Mr. Justice von Finckenstein was correct in exercising his discretion in the circumstances of this case to apply a higher threshold test. The granting of equitable relief is discretionary, and the Court must assess each case individually. In the *Glaxo* and *Norwich* cases, there were clear causes of action asserted, the targets were identifiable, the names were readily available and the names sought were not particularly sensitive. Different circumstances exist in the present case.

Hill v. Church of Scientology of Toronto, [1995] 2 S.C.R. 1130 at para. 1169

Dagenais v. Canadian Broadcasting Corp., [1994] 3 S.C.R. 835 at para. 68

Glaxo, *supra* at paras. 44, 60 and 62

Norwich, *supra* at pp. 198-199

49. It would not be appropriate for this Court to apply only a subjective, "*bona fide* belief" standard in this case. There are fundamental privacy and public issues at stake which would make such a test inappropriate. Given the passage of *PIPEDA* and the legislative goals expressed therein, and given the other many judicial pronouncements in favour of protecting privacy rights, the Court is well within its power to require that an applicant seeking an order such as the one sought here meet a more stringent standard. Requiring that the applicant establish a *prima facie* case against an alleged wrongdoer prior to granting the relief sought strikes the appropriate balance.

R. v. Dymont, *supra* at pp. 427-430

R. v. O'Connor, [1995] 4 S.C.R. 411 at paras. 110-119

50. In sum, Shaw submits that Mr. Justice von Finckenstein applied the correct legal test in the case of a motion pursuant to Rule 238 of the *Federal Court Rules* or, in the alternative, for the granting of an equitable bill of discovery. There are no grounds for interfering with his decision in this regard. Furthermore, His Honour correctly found that Rule 233 does not apply to the present case.

C. Did Mr. Justice von Finckenstein make any reviewable error in applying the appropriate test to the evidence?

51. The Appellants argue that Mr. Justice von Finckenstein made a number of reviewable errors in his “application of settled evidentiary principles”.

52. First, the Appellants take issue with Mr. Justice von Finckenstein’s criticism of Mr. Millin’s affidavit as consisting largely of hearsay. However, Mr. Justice von Finckenstein was simply stating a fact that flowed directly from the evidence before him.

Reasons for Order of Mr. Justice von Finckenstein dated March 31, 2004, paras. 17-18; Appeal Book, Vol. I, Tab 2, pp. 18-20

53. Mr. Justice von Finckenstein was correct in his application of Rule 81(1) of the *Federal Court Rules*, which clearly provides that hearsay is admissible provided that the grounds for the belief are stated. Mr. Millin’s affidavit is entirely deficient in this regard. In cross-examination, it was revealed that Mr. Millin has general oversight for the business and strategic affairs of MediaSentry, but did not perform any of the work himself in this investigation. His affidavit does not reveal who did, even though in cross-examination he

acknowledged that his company has 20-25 employees who deal with the day-to-day operations.

Federal Court Rules, Rule 81(1) and 81(2)

Transcript of the cross-examination of Gary Millin taken on March 4, 2004;
Appeal Book, Vol. IX, Tab 23, Q. 32, 42-45, 47-48, 109-115, 169-170, 174, 177
and 240-243

54. The Appellants now seek to minimize this deficiency in Mr. Millin's evidence by stating that Mr. Millin has "direct, personal knowledge regarding the automated processes MediaSentry employed, the computer-generated results in such investigations and other matters" (paragraph 47 of their Memorandum). However, nowhere in Mr. Millin's affidavit is this alleged "automated" process mentioned, let alone described. That evidence was simply not before Mr. Justice von Finckenstein.

55. Moreover, as mentioned above, it is non-sensical to suggest that the MediaSentry process is entirely run by computers. As Mr. Millin made clear in his cross-examination, there are individuals at MediaSentry whose job it is to carry out these types of investigations, who report to managers who report to him and other executives. Mr. Justice von Finckenstein was correct in questioning why their direct evidence was not before the Court, and in drawing an adverse inference pursuant to Rule 81(2).

Reasons for Order of Mr. Justice von Finckenstein dated March 31, 2004, para.
18; Appeal Book, Vol. I, Tab 2, p. 19

Federal Court Rules, Rule 81(2)

56. Regardless of how the Appellants wish to characterize the issue, it is abundantly clear that Mr. Justice von Finckenstein was entitled to remark upon the quality of the Appellants' evidence. Indeed, that is precisely what parties ask judges to do everyday. Mr. Justice von Finckenstein did not exclude Mr. Millin's evidence; rather, he remarked upon its shortcomings in light of Rule 81 and ultimately chose to deny the relief sought based upon the lack of evidence on certain key issues. He was fully entitled to do so, and this Honourable Court should not interfere with his decision.

57. Most tellingly, the Appellants have not seriously questioned Mr. Justice von Finckenstein's conclusion that there was no evidence before him with respect to the connection between the pseudonyms and the IP addresses. This was a critical issue, and yet there was a complete lack of evidence on this point in the Court below. The Appellants' only response to this at paragraph 55 of their Memorandum is that Mr. Millin's evidence was "clear" and that nobody led contradictory evidence. Not only was Mr. Millin's evidence not "clear", but there was no evidence presented whatsoever on this point and *Browne v. Dunn* therefore has no application. To suggest that the Respondents were required to lead contradictory evidence is an unjustifiable shifting of the burden of proof from the Appellants to the Respondents. On this point alone, it is submitted, Mr. Justice von Finckenstein was correct in denying the relief sought. This is particularly so in view of the substantial privacy interests at play.

Browne v. Dunn (1984), 6 R. 67 at 70-71 (H.L.)

Reasons for Order of Mr. Justice von Finckenstein dated March 31, 2004, para. 20; Appeal Book, Vol. I, Tab 2, pp. 20-21

58. Apart from this, Mr. Justice von Finckenstein made other findings of fact which were well-founded and fatal to the Appellants' case. As stated above, Mr. Justice von Finckenstein found that there was no evidence that the files downloaded by MediaSentry actually contained copyrighted material because there was no evidence that anybody had listened to those files in order to ensure that they were what they purport to be or that they were not Media Decoy files. This finding was completely justified and supported on the evidence. The Appellants, in a weak attempt to challenge Mr. Justice von Finckenstein's finding, have pointed to Ms. Yonekura's affidavit. However, Ms. Yonekura never states in her affidavit that she listened to any of the files. Once again, it is the Appellants' burden of proof on this issue, and they have failed to meet it.

Yonekura Affidavit, paras. 1-9; Appeal Book, Vol. IX, Tab 17, pgs. 2427-2429

Reasons for Order of Mr. Justice von Finckenstein dated March 31, 2004, para. 19; Appeal Book, Vol. I, Tab 2, p. 20

59. The Appellants further argue that Mr. Justice von Finckenstein incorrectly applied that branch of the Rule 238 and *Glaxo* tests that require the applicant to establish that there exists no other practical source of the information sought. The Appellants contend that Mr. Millin gave evidence on this point, and that Mr. Justice von Finckenstein ought to have accepted this evidence. However, Mr. Millin did nothing more than provide a conclusory statement, without indicating why, in his view, the ISP's were the only practical source for this information. There was evidence before the Court that the information sought might be obtained from "KaZaA Plus" at first instance, and that this would be a preferable and more straightforward first step. The Appellants never responded to this evidence, though they had the opportunity to do so.

Millin Affidavit, para. 91; Appeal Book, Vol. VI, Tab 11, p. 1462

Affidavit of David Shrimpton sworn March 4, 2004; para. 14; Appeal Book, Vol. IX, Tab 22, pg. 2520

60. This was the record before Mr. Justice von Finckenstein when he made his finding. It is submitted that His Lordship was entitled to disregard Mr. Millin's bald statement and to require more of the Appellants in light of Mr. Shrimpton's evidence as to possible alternative sources for the information. A Court is fully entitled to weigh evidence that is presented to it, and to prefer the evidence of one deponent over the evidence of another. Interestingly, the Appellants complain that Mr. Shrimpton's evidence is merely "speculation", while ignoring the fact that Mr. Millin's statement is nothing more than a bald statement without explanation or support. Neither Mr. Millin nor Ms. Yonekura at any point mentioned who operates the KaZaA or iMesh websites, where they are located or whether the identity of the pseudonyms can be obtained from the operators of those websites.

Millin Affidavit, *supra*

Yonekura Affidavit, *supra*

Reasons for Order of Mr. Justice von Finckenstein dated March 31, 2004, paras. 21-29; Appeal Book, Vol. I, Tab 2, pp. 21-25

61. Finally, Mr. Justice von Finckenstein found that the Appellants had failed to provide sufficient evidence, even if it were all admissible, that the activities in question constituted copyright infringement. In this regard, Mr. Justice von Finckenstein found that there was no evidence presented by the Appellants that the alleged infringers either "distributed" or "authorized the reproduction" of sound recordings. Quite apart from being correct, his

findings in this regard are entitled to considerable deference and they certainly cannot be said to be “unreasonable” on the basis of this record.

62. This is particularly so in light of Mr. Millin’s own evidence in cross-examination that a KaZaA user might believe that he/she had shut down the software, but the software might still be running on the user’s computer, without the user’s knowledge. This, coupled with the fact that the KaZaA software, by default, is set to allow file-sharing and does not, on the main screen, advise the user that an upload is taking place, makes it quite probable that a user of KaZaA may not be aware that he/she is potentially engaging in any activity that infringes copyright simply by installing and opening the software.

Transcript of the cross-examination of Gary Millin taken on March 4, 2004;
Appeal Book, Vol. IX, Tab 23, QQ. 200-204

63. Moreover, even though the Appellants have strained to suggest otherwise in their Memorandum, the evidence in the Court below was clear that Mr. Millin had no knowledge of whether the files contained in the shared directories of the John and Jane Doe’s in this case had been downloaded by anyone other than MediaSentry itself.

Transcript of the cross-examination of Gary Millin taken on March 4, 2004;
Appeal Book, Vol. IX, Tab 23, QQ. 197

64. Although not strictly required in light of his findings with respect to the evidence before him, Mr. Justice von Finckenstein went on to make certain comments, arguably perhaps in *obiter dicta*, with respect to the legality of peer-to-peer file sharing under Canadian copyright law.

65. The Appellants', in their Memorandum, have simply put forward the unsupported conclusion that the Defendants were infringing the Appellants copyright, as if this were self-evident. That is simply not the case, particularly in view of the wording of section 80 of the *Copyright Act*, which is unique to Canadian copyright legislation, and which the Supreme Court of Canada has recently declared is not to be regarded as a loophole but rather as "an important element of the balance struck by the statutory copyright scheme".

SOCAN v. Canadian Association of Internet Providers, supra, at para. 89

Copyright Act, R.S.C. 1985, c. C. 42, as amended, s. 80(1)

Re: SOCAN Statement of Royalties, Public Performances of Musical Works 1996, 1997, 1998 (Tariff 22, Internet) (1999), 1 C.P.R. (4th) 417 (Copyright Board)

Compo Co. v. Blue Crest Music Inc., [1980] 1 S.C.R. 357 at 372-373

Private Copying 2003-224, Copyright Board of Canada December 12, 2003

66. In that same case, the Supreme Court of Canada also stated, as regards the meaning of the word "authorization", that:

The knowledge that someone might be using neutral technology to violate copyright (as with the photocopier in the CCH case) is not necessarily sufficient to constitute authorization, which requires a demonstration that the Defendant did [g]ive approval to; sanction, permit; favour, encourage (CCH paragraph 38) the infringing conduct.

SOCAN v. Canadian Association of Internet Providers, supra at para. 127

CCH Canadian Ltd. v. Law Society of Upper Canada (2004), 236 D.L.R. (4th) 395 (S.C.C.)

67. In light of the fact that there was no evidence before Mr. Justice von Finckenstein that any of the Defendants who allegedly used KaZaA or similar software were “authorizing” infringement, Mr. Justice von Finckenstein was justified in refusing to grant the relief sought, on the basis of the Supreme Court of Canada’s comments above.

Reasons for Order of Mr. Justice von Finckenstein dated March 31, 2004, para. 26-29; Appeal Book, Vol. I, Tab 2, pp. 23-25

68. With respect to the Appellants’ arguments, advanced for the first time on appeal, with respect to Mr. Justice von Finckenstein’s alleged failure to consider whether the downloaded files were copied to an “audio recording medium” or whether the Defendants’ copies were made for the purpose of “communicating to the public by telecommunication”, Shaw relies upon the arguments put forward by the intervener, the Canadian Internet Policy and Public Interest Clinic, in its Memorandum filed on appeal. Quite apart from the fact that these arguments are red herrings for the reasons set out by CIPIC, Shaw submits that these arguments ought not to be considered by this Honourable Court since they were never advanced before Mr. Justice von Finckenstein at first instance.

69. In sum, Mr. Justice von Finckenstein carefully considered all of the evidence before him, weighed it, and exercised his discretion in a manner that meets both the reasonableness test and the correctness test. His findings of fact are supported by the evidentiary record. The test that he applied was not only correct, but was in fact the one urged upon him by the Appellants (who have now made different submissions to this Honourable Court). His application of the test to the facts found by him was also carefully considered. Simply put, there is no basis for this Honourable Court to overturn the decision on appeal. Even if this

Honourable Court is convinced that it would have made different findings of fact, it ought not to interfere because it cannot be said that Mr. Justice von Finckenstein made any palpable or overriding errors or disregarded the evidentiary record.

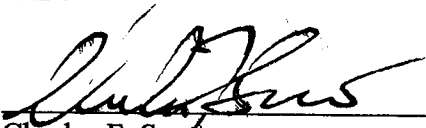
70. This is the first contested case of its kind since the introduction of *PIPEDA*. In light of this, Mr. Justice von Finckenstein was entirely correct in respecting the privacy interests of the unnamed Defendants, and in requiring the Appellants to present clear and cogent evidence prior to making the order sought. The Appellants have only themselves to blame in failing to do so.

PART IV – ORDER REQUESTED


71. For the above reasons, Shaw seeks an order dismissing this appeal with costs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

August 10, 2004



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PART V – AUTHORITIES

Regulations and Statutes

Federal Court Rules, 1998, SOR/98-106 (the “*Federal Court Rules*”), Rules 81(1), 81(2), 222, 233 and 238

Personal Information Protection and Electronic Documents Act, [“*PIPEDA*”], S.C. 2000, c. 5

Copyright Act, R.S.C. 1985, c. C. 42, as amended, s. 80(1)

Cases and Secondary Authorities

Housen v. Nikolaisen, [2002] 2 S.C.R. 235

Canada v. Olympia Interiors Ltd., [2004] F.C.J. No. 868

Law Society of New Brunswick v. Ryan, [2003] 1 S.C.R. 247

Stevens v. Canada (Attorney General), 2002 F.C.T. 2

Glaxo Wellcome PLC v. Canada (1998), 81 C.P.R. (3d) 372 (F.C.A.)

R. v. Dyment, [1988] 2 S.C.R. 417

Irwin Toy Ltd. v. Doe, [2000] O.J. No. 3318 (Ont. S.C.J.)

Society of Composers, Authors and Music Publishers of Canada v. Canadian Association of Internet Providers, 2004 S.C.C. 45

Norwich Pharmacal v. Customs and Excise Commissioners, [1974] A.C. 133 at 199 (H.L.)

Hill v. Church of Scientology of Toronto, [1995] 2 S.C.R. 1130

Dagenais v. Canadian Broadcasting Corp., [1994] 3 S.C.R. 835

R. v. O’Connor, [1995] 4 S.C.R. 411

Browne v. Dunn (1984), 6 R. 67 at 70-71 (H.L.)

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