

Federal Court



Cour fédérale

Date: 20240815

Docket: T-953-17

Citation: 2024 FC 1267

Ottawa, Ontario, August 15, 2024

**PRESENT:** The Honourable Madam Justice Furlanetto

**BETWEEN:**

**THE ESTATE OF VIVIAN MAIER**

**Plaintiff**

**and**

**STEPHEN M. BULGER AND STEPHEN M.  
BULGER PHOTOGRAPHY GALLERY INC.**

**Defendants**

**JUDGMENT AND REASONS**

**I. Overview**

[1] This is an action for copyright infringement arising from photographs taken by the late Vivian Maier [Maier]; an unknown photographer during her lifetime, whose works acquired fame posthumously.

[2] The Estate of Vivian Maier [Estate] is the Plaintiff in the present action and as admitted by the Defendants, is the owner of copyright in a variety of original works made by Maier, including those embodied in a collection of 15,172 black and white negatives [B&W Negatives] and 1,471 colour slides and transparencies [Colour Negatives].

[3] The individual Defendant, Stephen M. Bulger [Bulger], is a resident of Ontario and is the sole director of the corporate Defendant, Stephen M. Bulger Photography Gallery Inc. [Gallery], a Toronto-based art gallery.

[4] The Estate alleges that the Defendants have infringed copyright by commissioning, exhibiting, offering for sale, and/or selling prints made from the B&W Negatives; offering for sale, selling and/or exporting a hard drive made of scans of the positive images from the B&W Negatives to a Swiss company, Fine Art Invest Group AG [FAIG]; authorizing infringement through the sale and exportation of the B&W Negatives and the hard drive to FAIG; and making a copy of the hard drive and exporting the copy to FAIG for the purpose of offering for sale and selling the original hard drive. Although subject to a pleadings objection, the Estate also asserts infringement of copyright embodied in the Colour Negatives.

[5] The Estate seeks statutory damages of \$10-15 million CAD, punitive damages, and alleges personal liability against Bulger.

[6] Bulger denies any personal liability. The Defendants further deny authorization and knowledge to commit any of the secondary acts of infringement. In defence to certain of the

allegations of infringement, they also assert fair dealing, copyright misuse, and legitimate sale leading to copyright exhaustion. The Gallery admits liability and infringement with respect to commissioning prints made from 40 unique works embodied in the B&W Negatives.

[7] While I do not agree that the facts support a finding of personal liability against Bulger or an award of punitive damages, for the reasons set out below, it is my view that infringement by the Gallery has been established for 97 unique works such that statutory damages in the amount of \$194,000 CAD should be awarded.

## II. **Background**

[8] The background facts can largely be taken from the Agreed Statement of Facts of the parties.

[9] Maier was born in New York City in 1926. She was a citizen of the United States of America [USA] who worked as a nanny in the Chicago, Illinois area. She was also a photographer who took many thousands of film photographs, the vast majority of which were not printed during her lifetime. Maier stored the negatives from her photographs in five storage lockers located in Chicago, Illinois.

[10] In 2007, a Chicago auctioneer purchased photographic negatives and other photographic works made by Maier [Maier Works] from a storage company that had repossessed the materials for outstanding locker rental payments.

[11] The purchased works were subsequently divided into several lots and auctioned off to several individuals, including John Maloof [Maloof], a real estate agent and president of a local Chicago neighbourhood historical society [Maloof Collection]. Another portion of the Maier Works was subsequently acquired by Jeffrey Goldstein [Goldstein], an artist and art collector [Goldstein Collection].

[12] Maier died intestate on April 21, 2009 in Cook County, Illinois, USA and remained relatively unknown until after her death when her photographs rose to critical acclaim and international fame.

[13] By about mid-2009, Maloof began producing, exhibiting, and selling prints made from Maier's photographic negatives, including on the website VivianMaier.com. He also edited and published a hardcover book in 2011, and wrote, directed, and produced the Oscar-nominated documentary, "Finding Vivian Maier", which had its world premiere in 2013.

[14] By about early 2011, Goldstein began producing, exhibiting, and selling prints made from Maier's photographic negatives at public exhibitions throughout the USA through a business, called Vivian Maier Prints Inc. Goldstein was also involved in the publication of a separate hardcover book in 2012.

[15] Goldstein also collaborated with the Gallery in an effort to publicize Maier's works. In co-ordination with Goldstein, the Gallery hosted an exhibition in Toronto called *Photographs of Children* that ran from July 17, 2014 through September 13, 2014 in which prints made by

Goldstein from the B&W Negatives were exhibited, offered for sale, and subsequently sold until January 16, 2015.

[16] In December 2014, the Gallery entered into an agreement with Goldstein and his wife [Goldstein Agreement] and purchased the B&W Negatives and the hard drive, which was made by Goldstein and contained positive scans of the B&W Negatives [Goldstein HD]. The purchase price of the sale was \$5,000 USD.

[17] Subsequent to the purchase, in May 2016, the Gallery commissioned a printer, Bob Carnie/The Silver Shack Inc., to make prints from the B&W Negatives [Carnie Prints] which were exhibited between June 23, 2016 and September 10, 2016 (but not offered for sale, or sold) at an exhibition, titled *Meaning Without Context*.

[18] On or about June 9, 2016, the Gallery entered into an agreement with FAIG [FAIG Agreement]. The “Assets” conveyed included the B&W Negatives and the Goldstein HD. A second hard drive that was a watermarked, lower resolution copy of the Goldstein HD [Watermarked HD] was also made and sent to FAIG prior to the purchase as a preview. The purchase price of the sale was \$1.6 million USD.

[19] Both the Goldstein Agreement and the FAIG Agreement expressly excluded any transfer or assignment of copyright.

[20] In late October 2016, the Gallery exhibited and offered for sale prints made by FAIG [FAIG Prints] using the B&W Negatives at an art fair (*Art Toronto*). Carnie Prints and FAIG Prints were subsequently sold until mid-May 2017.

[21] Pursuant to a July 1, 2014 Order issued by the Circuit Court of Cook County (Probate Division), the Estate was opened and the Public Administrator for Cook County was appointed as the Supervised Administrator. The Supervised Administrator is responsible for the identification of an heir to the Estate and is empowered to bring legal action to enforce and protect the assets of the Estate, including any copyright interests. As of January 25, 2024, the Public Administrator for Cook County has not identified an heir entitled to the benefit of the Estate. The Estate remains the copyright owner of the Maier Works until an heir is identified.

### III. Issues

[22] A detailed joint statement of issues [JSI] was provided by the parties and can be summarized as follows:

- a) Have the Defendants infringed the copyright embodied in the B&W Negatives by:
  - i. Exhibiting, offering for sale, and selling prints at the *Photographs of Children* exhibition?
  - ii. Commissioning the Carnie Prints, and exhibiting the prints at the *Meaning Without Context* exhibition?
  - iii. Importing prints made by FAIG and exhibiting, offering for sale, and selling those prints and the Carnie Prints including at *Art Toronto*?

- b) Have the Defendants infringed copyright through the following activities relating to the Goldstein HD:
  - i. Offering for sale, selling and/or exporting to FAIG the Goldstein HD.  
Does legitimate sale/copyright exhaustion apply?
  - ii. Making a copy of the Goldstein HD (*i.e.*, the Watermarked HD) and exporting the copy to FAIG for the purpose of offering for sale and selling the Goldstein HD. Does the fair dealing defence apply?
- c) Have the Defendants authorized infringement by selling and exporting the B&W Negatives and the Goldstein HD to FAIG for the purpose of permitting others to infringe copyright?
- d) Has the Plaintiff properly pleaded infringement relating to the Colour Negatives and if so, have the Defendants infringed copyright through reproduction of the images on the Colour Negatives and exporting this content? Does the fair dealing defence apply?
- e) Is copyright misuse a viable defence to the non-admitted infringing acts?
- f) Is Bulger personally liable for the actions of the Gallery?
- g) What is the appropriate quantum of statutory damages that should be awarded?
- h) Should punitive damages be awarded?
- i) Which party is entitled to costs and on what scale?

IV. **Witnesses**

[23] The Plaintiff provided evidence from three expert witnesses and one fact witness.

[24] On agreement of the parties, expert reports were tendered from A. Charles Kogut, a lawyer from the firm Kogut & Associates and member of the Illinois bar, and Dr. Marshall A. Leaffer, a professor of intellectual property law at Indiana University. Mr. Kogut provided an overview of probate estate administration in Illinois, including the administrator's duty to collect the decedent's assets, determine the decedent's heirship, and distribute the decedent's assets. Dr. Leaffer opined on the scope of 17 USC §§201 and 202 of the *United States Copyright Act* and the application of those sections to the copyright embodied in the B&W Negatives after the auction and sale of the B&W Negatives during Vivian Maier's lifetime and upon her death. Neither Mr. Kogut nor Dr. Leaffer were cross-examined on their reports and the contents of their reports remained uncontested and largely immaterial in view of the admission by the Defendants before trial as to the Estate's ownership of the copyright in the Maier Works and its acceptance that a legitimate heir had not yet been identified under Illinois probate law.

[25] The Plaintiff's third expert, Christopher Gaillard, is a fine art appraiser with over 30 years experience. He was admitted as an expert in appraising, buying and selling fine art works, specializing in the field of 20<sup>th</sup> century fine art, including fine art photography. Mr. Gaillard provided two expert reports, neither of which were ultimately relied upon by the Plaintiff. The Defendants raised significant objections to Mr. Gaillard's reports, primarily as he opined on areas outside his expertise and mandate. His reports were accordingly of limited assistance to the Court.



[26] A single fact witness, Leah Jakubowski [Jakubowski], General Counsel for the Public Administrator for Cook County gave evidence on behalf of the Estate. She provided background regarding the Estate's formation and the role of the Estate in preserving its assets for the ultimate heir. She also testified as to the correspondence between the Estate and the Gallery and the arrangement between the Estate and Maloof. Jakubowski confirmed that the Estate makes no claim to the B&W Negatives themselves.

[27] The Defendants provided evidence from two expert witnesses (Ann Thomas and Kelly Juhasz) and four fact witnesses (Maloof, Bulger, Robyn Zolnai and Scott Poborsa).

[28] Ann Thomas [Thomas] is the former Senior Curator of Photographs for the National Gallery of Canada. She has over 30 years experience in the fine art photography market. Her expertise includes the history of photography from its pre-history up to its contemporary expression; technical processes used by photographers from 1839 onward; photograph acquisition, including due diligence and provenance determinations; curation of exhibitions relating to photography; and the international and Canadian (primary and secondary) markets for photographs, including factors impacting the price of photographic works and the role of dealers in the market.

[29] Thomas gave evidence as to the factors that can influence the selling price of photographic works. She also sought to provide character evidence relating to the Gallery and Bulger. While I have no doubt that her interactions with the Gallery were positive, I afford

limited weight to her opinions as to how the Gallery is perceived within Canada and more broadly, as such views were not substantiated within her report nor during her testimony.

[30] Kelly Juhasz [Juhasz] is a professional appraiser of fine art and archival collections, including photography. She is an Accredited Member of the International Society of Appraisers. Her expertise includes appraising photographic items, including vintage prints, limited editioned prints, and prints produced in various formats, sizes and conditions; appraising related photographic items, including negatives and digital images; and professional experience related to the sale of photographic works and items. I found her evidence to be straight-forward and direct. While the evidence given was limited, I found it useful for understanding how the Goldstein HD and Watermarked HD would be used in industry.

[31] Maloof provided background regarding the acquisition of the Maloof Collection and his activities relating to that collection. He also testified as to the steps taken to try to identify an heir to the Estate and to obtain copyright. He also gave evidence regarding his current arrangement with the Estate regarding the Maloof Collection.

[32] Stephen Bulger is the sole director of the Gallery. He testified as to the history of the Gallery, as well as its present operations and practices. He provided evidence about the activities of the Gallery relating to the Maier Works and the profits made, the Gallery's understanding of the copyright involving the Maier Works, and its interactions with the Estate. He also testified as to the impact of the litigation on the Gallery and on himself personally.

[33] Robyn Zolnai [Zolnai] is the Director of the Gallery and has been employed by the Gallery since 2012. Zolnai spoke to her responsibilities and gave evidence regarding the Gallery's standard practice for selling works of art, including invoicing. She testified that the Gallery exhibited, and/or sold prints made from 98 unique works.

[34] Scott Poborsa [Poborsa] was employed by the Gallery from 2014 to 2023. He started off as the Preparator, with his role evolving to Operations Manager by 2022. His responsibilities included packing, framing, shipping and installing artwork, as well as assisting the Gallery with their information technology [IT] needs. Poborsa testified about the Gallery's practices with respect to its IT systems. He gave evidence about the export of the Goldstein HD, the preparation of the Watermarked HD, and the facts around the receipt and return of the Colour Negatives.

## V. Analysis

### A. *General Legal Principles*

[35] Subsection 27(1) of the *Copyright Act*, RSC 1985, c C-42 [Act] describes what is known as "primary infringement" (*Euro-Excellence Inc v Kraft Canada Inc*, 2007 SCC 37 [*Euro-Excellence*] at para 17) or "direct infringement" of copyright. Primary infringement occurs when any person, without consent of the copyright owner, does anything that only the copyright owner has the right to do under the Act. Subsection 3(1) of the Act sets out the rights that a copyright owner possesses under the Act, which includes the right to produce or reproduce, perform, or publish the work. It also grants the sole right to authorize any such acts.

[36] Subsection 27(2) of the Act describes what is known as “secondary infringement” or “indirect infringement” of copyright. Pursuant to subsection 27(2):

**Secondary infringement**

(2) It is an infringement of copyright for any person to

- (a) sell or rent out,
- (b) distribute to such an extent as to affect prejudicially the owner of the copyright,
- (c) by way of trade distribute, expose or offer for sale or rental, or exhibit in public,
- (d) possess for the purpose of doing anything referred to in paragraphs (a) to (c), or
- (e) import into Canada for the purpose of doing anything referred to in paragraphs (a) to (c),

a copy of a work, sound recording or fixation of a performer’s performance or of

**Violation à une étape ultérieure**

(2) Constitue une violation du droit d’auteur l’accomplissement de tout acte ci-après en ce qui a trait à l’exemplaire d’une oeuvre, d’une fixation d’une prestation, d’un enregistrement sonore ou d’une fixation d’un signal de communication alors que la personne qui accomplit l’acte sait ou devrait savoir que la production de l’exemplaire constitue une violation de ce droit, ou en constituerait une si l’exemplaire avait été produit au Canada par la personne qui l’a produit :

- (a) la vente ou la location;
- (b) la mise en circulation de façon à porter préjudice au titulaire du droit d’auteur;
- (c) la mise en circulation, la mise ou l’offre en vente ou en location, ou l’exposition en public, dans un but commercial;
- (d) la possession en vue de l’un ou l’autre des actes visés aux alinéas (a) à (c);
- (e) l’importation au Canada en vue de l’un ou l’autre des actes visés aux alinéas (a) à (c).

a communication signal that the person knows or should have known infringes copyright or would infringe copyright if it had been made in Canada by the person who made it.

[37] Subsection 27(2.11) of the Act addresses secondary infringement by exportation and provides that:

(2.11) It is an infringement of copyright for any person, for the purpose of doing anything referred to in paragraphs (2)(a) to (c), to export or attempt to export a copy – of a work, sound recording or fixation of a performer’s performance or of a communication signal — that the person knows or should have known was made without the consent of the owner of the copyright in the country where the copy was made.

(2.11) Constitue une violation du droit d’auteur l’exportation ou la tentative d’exportation, en vue de l’un ou l’autre des actes visés aux alinéas (2)(a) à (c), de l’exemplaire d’une oeuvre, d’une fixation d’une prestation, d’un enregistrement sonore ou d’une fixation d’un signal de communication alors que la personne qui exporte ou tente d’exporter l’exemplaire sait ou devrait savoir que celui-ci a été produit sans le consentement du titulaire du droit d’auteur dans le pays où il a été produit.

[38] To establish secondary infringement, three elements must be satisfied: (i) the copy in question must be the product of primary infringement; (ii) the secondary infringer must, or should have known, that they were dealing with a product of infringement; and (iii) the secondary infringer must have sold, distributed, or exposed for sale the infringing good: *Salna v Voltage Pictures, LLC*, 2021 FCA 176 [*Salna*] at para 87; *CCH Canadian Ltd v Law Society of Upper Canada*, 2004 SCC 13 [*CCH*] at para 81; *Euro-Excellence* at para 19.

[39] Contrary to primary infringement, secondary infringement requires knowledge, on the part of the alleged infringer. The burden of proving such knowledge rests upon the plaintiff. This burden does not require proof that actual knowledge exists: *R v Jorgensen*, [1995] 4 SCR 55 [*Jorgensen*] at para 100; *Microsoft Corporation v 9038-3746 Quebec Inc*, 2006 FC 1509 [*Microsoft*] at para 78. Rather, knowledge may be established when the conduct of the defendant amounts to wilful blindness through a deliberate choice not to know something, despite being given reason to make further inquiry: *Jorgensen* at paras 100-103.

[40] As described in *Microsoft* at paragraphs 79-80, with reference in part to *Jorgensen*:

[79] The knowledge requirement can also be made out when the conduct of the defendants amounts to wilful blindness. In *R. v. Laurier Office Mart Inc.* (1994), 58 C.P.R. (3d) 403 (Ont. Ct. (Prov. Div.)), aff'd (1995), 63 C.P.R. (3d) 229 (Ont. Ct. (Gen. Div.)), a copyright infringement case regarding a photocopying service, the provincial court described wilful blindness as follows at page 412:

Wilful blindness arises when a person who has become aware of the need for inquiry, declines to make the inquiry because he does not wish to know the truth and would prefer to remain ignorant. In such a situation, he is fixed with knowledge and his belief in another state of facts is irrelevant. (See *R. v. Sansregret*, [1985] 1 S.C.R. 570; 58 N.R. 123; 35 Man. R. (2d) 1; 18 C.C.C. (3d) 223.)

[80] The above sentiment was echoed by the Supreme Court of Canada in *R. v. Jorgensen*, [1995] 4 S.C.R. 55, where Mr. Justice Sopinka stated, at paragraph 102, that “[d]eliberately choosing not to know something when given reason to believe further inquiry is necessary can satisfy the mental element of the offence.” It should be kept in mind that that was a criminal case with a higher standard of proof than the case at bar.

B. *Have the Defendants infringed the copyright embodied in the B&W Negatives?*

[41] The Plaintiff asserts that the Defendants have infringed the copyright embodied in the B&W Negatives through the exhibition, offering for sale and sale of prints at the *Photographs of Children* exhibition; commissioning prints to be made and exhibiting those prints at the *Meaning Without Context* exhibition; and importing, exhibiting, offering for sale and selling prints at *Art Toronto* and thereafter (*issues 1a, 1b and 1f of the JSI*).

[42] With respect to the *Photographs of Children* exhibition, the prints in issue were provided by Goldstein. Prints from a total of 44 unique works were exhibited, offered for sale or sold between July 15, 2014 and January 16, 2015 – prints from 40 unique works were exhibited between July 17, 2014 and September 13, 2014 and prints from 19 works were sold between July 15, 2014 and January 16, 2015. The Plaintiff asserts infringement for the prints exhibited under paragraph 27(2)(c) of the Act and for the prints sold under paragraph 27(2)(a) of the Act.

[43] For the *Meaning Without Context* exhibition, 40 unique works were printed by Bob Carnie and exhibited between June 23, 2016 and September 10, 2016, with prints from 6 of the works previously exhibited or sold at the *Photographs of Children* exhibition. The Plaintiff asserts primary infringement (under section 3 and subsection 27(1) of the Act) with respect to the prints themselves and secondary infringement under paragraph 27(2)(c) of the Act with respect to the exhibition of the prints.

[44] At *Art Toronto*, which ran between October 28 and 31, 2016, FAIG Prints were imported for the show, exhibited and offered for sale. Sales ran from October 30, 2016 to May 18, 2017

and included the FAIG Prints and Carnie Prints. Prints from a total of 59 unique works were imported, exhibited, offered for sale or sold, with prints from 5 of the works also exhibited and sold at the *Photographs of Children* exhibition. Thirty-one of the works were printed by Carnie and exhibited at the *Meaning Without Context* exhibition, and prints from 3 of the works were exhibited at both the *Photographs of Children* and *Meaning Without Context* exhibitions. The Plaintiff asserts infringement for the prints exhibited under paragraph 27(2)(c) of the Act, for the prints sold under paragraph 27(2)(a) of the Act, and for the prints imported under subsection 27(2)(e) of the Act.

[45] In total, the parties agree that the allegations cover 98 unique works for all three exhibitions/time periods.

[46] As set out earlier, the Gallery admits that it directly infringed copyright in the B&W Negatives by making the Carnie Prints and that there is liability associated with 40 unique works. As such, I agree with the Plaintiff, I need not go on to consider the secondary infringement allegations with respect to those same prints at the *Meaning Without Context* exhibition.

[47] For the *Photographs of Children* exhibition and *Art Toronto*, the Defendants do not deny that the prints made are unauthorized reproductions, but assert that at the time of the alleged infringing activities, they did not have an honestly held belief of infringement.

[48] As a preliminary matter, the Plaintiff asserts that counsel for the Defendants made an admission in her opening statement, which is sufficient to establish the knowledge requirement



for secondary infringement under paragraph 27(2)(a) of the Act. The impugned statement and its context reads as follows (TT, 39:11-19):

You will also hear from Mr. Bulger that he believed at the time that the gallery was permitted to exhibit and sell these prints. But now, having dealt with this litigation for the last seven years, he understands that the gallery did not have the requisite rights to do all that it did. The gallery, therefore, does admit liability relating to the sale of prints between July 2014 to May 2017.

[Emphasis added]

[49] As argued by the Plaintiff, this statement constitutes a formal admission of selling prints between July 2014 and May 2017 that the Defendants knew were infringing and to which liability should attach. As a consequence, the Plaintiff argues this is an admission of secondary infringement under paragraph 27(2)(a) of the Act with respect to the works embodied in those prints.

[50] The Defendants argue that the Estate has mischaracterized counsel's statement as an admission of knowledge, when it was not intended in this manner. Rather, they assert that the full passage characterizes Bulger's belief at the time as to his permissibility to do things that he now understands he was not entitled to do. As knowledge is only relevant at the time of the infringement, the Defendants assert that the knowledge requirement for subsection 27(2) of the Act has not been satisfied. The Defendants assert that if there was any doubt as to its intention with respect to the impugned statement this was clarified through a letter that was sent to counsel for the Plaintiff immediately after the first day of trial which confirmed that no formal admission as to secondary infringement was made.

[51] I agree with the Plaintiff that counsel for the Defendants' stated admission of liability with respect to the prints sold satisfies the evidentiary requirements for a formal admission (Sopinka et al, *The Law of Evidence in Canada*, 3rd ed (Markham: LexisNexis, 2009) [Sopinka] §19.2; *Marchand v The Public General Hospital Society of Chatham*, 2000 CanLII 16946 (ONCA) at para 77; *Apotex Inc v Astrazeneca Canada Inc*, 2012 FC 559 [*Astrazeneca*] at para 19, aff'd 2013 FCA 77), particularly when the statement is considered with further statements made by counsel during her opening that the number of unique works that should be considered for calculation of statutory damages is the number of unique works sold, which is 31 (TT, 39:27-40:6; TT, 50:7-10).

[52] As a formal admission, it can only be withdrawn with leave of the court or by consent of the party in whose favour it was made.

[53] The Plaintiff has not consented to the withdrawal of the admission. The question for the Court is therefore whether leave should be granted.

[54] As set out in Sopinka at §19.2 (see also *Astrazeneca* at para 19), in determining whether leave should be granted, consideration must be given to whether the admission was made clearly without authority, by mistake or under duress; there exists a triable issue concerning the admitted fact; and there will be no prejudice to the party in whose favour it was made. An inadvertent statement of fact by counsel in opening may be withdrawn if retracted before it has been acted upon.

[55] Although leave should not be granted lightly, in this case it is my view that upon consideration of all the surrounding circumstances, it should be granted. First, the admission is inconsistent with the first sentence of the quoted passage cited above, and the position otherwise taken by counsel for the Defendants and Bulger at trial that Bulger believed at the time that the Gallery was permitted to exhibit and sell the prints that were sold. Second, although the clarifying correspondence was not provided to the Court, counsel for the Plaintiff did not dispute the assertion by counsel for the Defendants that they wrote to the Plaintiff immediately following the first day of trial to clarify that they were not admitting to any acts of secondary infringement. Thus, there is no evidence of prejudice to the Plaintiff nor is there any evidence of positions taken by the Plaintiff because of the perceived admission.

[56] As set out further below, even without the admission, I agree with the Plaintiff that the requisite knowledge has been established to satisfy the test for secondary infringement for the majority of the alleged actions.

(1) Activities relating to the *Photographs of Children* exhibition

[57] As set out earlier, the *Photographs of Children* exhibition began on July 17, 2014. As acknowledged by the Estate, when the *Photographs of Children* exhibition began, the Gallery believed they were authorized to exhibit and sell the prints made for the exhibition.

[58] Indeed, prior to the *Photographs of Children* exhibition, in May 2013, the Gallery entered into a consignment contract with Vivian Maier Prints Inc. relating to another exhibition (“*Out of the Shadows*”). The contract included as one of its terms a warranty from Vivian Maier Prints

Inc. to the Gallery that Vivian Maier Prints Inc. was the “sole and exclusive owner of all rights” to the artwork (prints) that would be displayed and that the artwork “[did] not, in whole or in part, infringe upon any copyright.” Bulger testified to the Gallery’s agreement with Goldstein that the terms of the consignment contract carried over to the *Photographs of Children* exhibition such that when that exhibition began, there was a continued belief that there was no issue of copyright infringement.

[59] The Estate asserts, however, that this understanding should have reasonably changed shortly thereafter in view of correspondence sent to the Gallery by the Estate and the events that followed.

[60] The Plaintiff points to an August 19, 2014 “litigation hold” letter from counsel for the Estate to the Gallery sent shortly after the Estate was formed, in which the Estate advised the Gallery that they were “investigating the potential misuse and infringement of copyrighted works whose rights are held by the Estate” and indicated that the Gallery might “have documents or information ... relevant to [the] investigation with regard to third parties who could be liable to the [E]state.” The letter advised the Gallery of its obligation to preserve and retain documents that might be relevant to the investigation, while clarifying that it was “not the desire or anticipation” of the Estate to engage in any conflict with the Gallery.

[61] The Estate contends that this is akin to the situation that was before Justice Nadon in *Nell Wing v Ellie Van Velthuisen*, 2000 CarswellNat 2873, [2000] FCJ No 1940 (FCTD) [*Nell Wing*], and argues that any assertion by the Gallery that it did not understand the potential for

infringement as of August 19, 2014 amounts to wilful blindness. As stated by Justice Nadon at paragraphs 64-66 of *Nell Wing*:

[64] Moreover, the Respondent has admitted in her letter to the Applicants' counsel reproduced as Exhibit I to the Giuliani Affidavit that she has offered for sale and sold copies of the Diary. Consequently, although it might be possible for her to argue that she did not know of the infringement in the beginning, since there was no indication of the copyright on the unpublished Diary, it remains that the Respondent cannot claim that she had no knowledge of the infringement after receiving a letter dated March 1, 1999 to that effect from the Applicants' counsel (reproduced as Exhibit G to the Giuliani Affidavit) and after responding to that letter on March 31, 1999 (Exhibit H) and April 29, 1999 (Exhibit I). I should also add that the Respondent does not deny selling the remaining stock of the Diary in her possession to the Recovery Website after being put on notice by the Applicants' solicitor.

[65] In *Roy Export Co. Establishment v. Gauthier*, [1973] F.C.J. No. 401 (T.D.), the plaintiff had written to the defendant explaining that his actions constituted copyright infringement. The defendant responded, but continued to infringe the copyright. Walsh J. held, at para. 6, that:

It is apparent that while [the] defendant was in good faith when he purchased and first distributed the films in question in Canada he could not, following receipt of the letter of plaintiff's counsel dated January 24, 1972, claim ignorance that it was contended that this constituted an infringement of [the] plaintiff's copyright in Canada.

[66] Similarly, in my view, the Respondent in the case at bar cannot claim that she did not know that she might be infringing an existing copyright. Consequently, it is my opinion that the Respondent has infringed the Applicants' copyright pursuant to paragraphs 27(2)(a) and (c) of the Act.

[62] In my view, however, there are additional factors that must be considered in the context of this case.

[63] First, as highlighted by the Defendants the August 19, 2014 letter is not a cease and desist letter. Rather, the letter is a litigation hold letter that asked the Gallery to preserve documents, but does not point to any proposed infringement by the Gallery. Instead, it spoke to concerns of infringement by third parties and a desire not to engage in any conflict with the Gallery.

[64] Second, in and around this time, Bulger had also been advised by Goldstein of Maloof's efforts to locate Maier's closest living heir through searches conducted by genealogists and researchers. These efforts led to the identification of an individual in France, Sylvain Jaussaud, believed to be Vivian Maier's distant cousin and closest heir. On August 18, 2013, Maloof obtained what he believed was a valid assignment of copyright to all of the Maier Works from which he then assigned copyright to Goldstein for the Goldstein Collection. Bulger gave evidence that he relied on these efforts by Maloof and the assurances of Goldstein because he felt they had gone "above and beyond" what was required to ensure that the prints that had been provided for the *Photographs of Children* exhibition could be exhibited and sold.

[65] Within this context, and in light of the language of the letter itself, it is my view that as of August 19, 2014 at least, it was not unreasonable for the Gallery to have had a good faith belief that there was no infringement. However, by early September 2014, the landscape had changed such that knowledge of the possibility of infringement through continuation of the *Photographs of Children* exhibition and subsequent sale of prints should reasonably have been understood.

[66] On September 6, 2014, the Gallery received an email message from Goldstein advising that he was shutting down the Vivian Maier Prints Inc. office space over concerns relating to the

copyright in the Maier Works. The message referenced a New York Times article that reported on efforts by a commercial photographer and lawyer, David Deal, to petition the Estate and claim heirship. The article referred to the August 19, 2014 letter sent to the Gallery and the request of the Estate that the Gallery preserve all documents relating to the Maier Works and its sale. It also referenced a telephone interview in which Maloof stated that “he and those he works with to sell [Maier’s] work ... are now in limbo, waiting for the advice of lawyers about whether they can continue to sell it or provide it to museums and publishers.” The article stated that Goldstein had terminated his agreement with galleries selling prints of Maier’s works and that they would stop selling.

[67] Bulger testified to his understanding at the time that “...there was an investigation about misuse of copyright” and that Goldstein had told the Gallery they could wait until the exhibition was over, but as soon as it closed, he needed to return the prints (TT, 388:17-27).

[68] Consistent with an understanding that heirship had not yet been determined, on October 14, 2014, following the *Photographs of Children* exhibition, but prior to finalizing all print sales from the exhibition, the Gallery sent an email to clients that had purchased Maier prints from the Gallery to update them on information that was circulating and set out its perspective on the status of events. The letter referred to a statement posted by Vivian Maier Prints Inc. to their website on September 12, 2014 regarding “legal action with the State of Illinois” that would “ultimately determine the legal heirs of Vivian Maier.”

[69] Thus, while the Gallery began the *Photographs of Children* exhibition with a good faith belief that there was no infringement of copyright, before the exhibition closed and prior to the completion of its sales, when it received the September 6, 2014 email from Goldstein, the Gallery could no longer claim ignorance to the possibility of infringement. At that point, even with the earlier consignment agreement, the Gallery knew that the views of Goldstein had changed and that he had concerns about copyright and the heirship to the Estate. The actions of Goldstein, including his efforts to ensure that no further Maier reproductions would be made, along with the earlier statement by the Estate of it “investigating the potential misuse and infringement of copyrighted works whose rights *are held by the Estate*” [*emphasis added*], should have raised concern with the Gallery about infringement and continuing with the *Photographs of Children* exhibition and any related sales.

[70] As such, it is my view that the Gallery should not have continued with the exhibition after September 6, 2014. Once it did so, it became liable for infringement for the prints the Gallery continued to exhibit and all sales made after September 6, 2014. This included 43 unique works, excluding only one that was sold exclusively before September 6, 2014.

(2) Activities relating to *Art Toronto*

[71] As set out earlier, the Gallery sold the B&W Negatives to FAIG in June 2016. During the negotiations for the sale, the Gallery told FAIG that it was no longer making use of the B&W Negatives to make and sell prints. At the time, the Gallery knew it did not have copyright. Not only was copyright expressly excluded from the terms of the original Goldstein Agreement from 2014, but Bulger had publically made statements in the media and to galleries (*e.g.*, the Howard



Greenberg Gallery) demonstrating his knowledge that any prints made from the B&W Negatives would be infringing and that any further steps would require the permission of the Estate (Cook County), who was the copyright owner (Exhibit 19, readins, items 77, 78, BUL-287).

[72] The FAIG Agreement also included express representations from the Gallery that it did not have intellectual property rights relating to the B&W Negatives and that the agreement did not grant or convey to FAIG any intellectual property rights in, or relating to, the B&W Negatives.

[73] Despite knowing at the time of the FAIG Agreement (June 9, 2016) that FAIG did not have the right to make commercial use of the B&W Negatives or to give a license to the Gallery to exhibit and sell prints for a commission, the Defendants assert that from the autumn of 2016 to the summer 2017, the Gallery maintained a good faith belief that FAIG had at that point secured the rights necessary to do so. They assert that this good faith belief arose through two means. First, from representations made by FAIG at the time of negotiations that they would be able to deal with the copyright issue easily based on their resources and knowledge. Second, they refer to conversations with FAIG representatives regarding available options to secure copyright, including title insurance, to purchasing the Maloof Collection and working under his copyright agreement, and/or to the suggestion that FAIG would be looking into the differences between American and European copyright laws.

[74] Bulger testified that FAIG advised the Gallery in advance of *Art Toronto* that it was “good to go”, which he interpreted to mean that copyright had been obtained. Bulger testified

that it was not until spring of 2017 that the Gallery found out from FAIG's representatives that FAIG had not in fact secured copyright at which point the Gallery ceased any further sale of Maier prints.

[75] However, as acknowledged by Bulger, the Gallery was never provided with any formal assurances or documents indicating that FAIG had acquired consent to use the copyrighted works. Nor was there any direct correspondence relating to the issue.

[76] Indeed, while Bulger testified that the Gallery only learned that FAIG had not acquired copyright through correspondence in June 2017, the chain of correspondence between Bulger and FAIG's representative Oliver Roehl [Roehl] indicates that the Gallery already had knowledge that FAIG did not have the required authority at that time, as he was advising Roehl of Goldstein's belief that if FAIG "registered [the] images with a copyright office in Switzerland" it would have "full control over the copyright in the images [it] own[ed]", and was similarly reminding Roehl that title insurance could be sought. While Roehl confirmed in response that inquiries into title insurance were not successful, the full context of the exchange at Exhibit 35 indicates that knowledge that FAIG did not have the required authority relating to copyright was already known or should have been known at the time.

[77] In my view, there was no reasonable basis for the Gallery to conclude that the copyright issue had been resolved with respect to the FAIG Prints.

[78] As the Gallery has also admitted infringement with respect to the Carnie Prints, there would similarly be no reasonable basis for the Gallery to conclude that the copyright issue had been resolved with respect to those prints at that time.

[79] As such, it is my view that the Plaintiff has established that the Gallery has infringed copyright pursuant to paragraphs 27(2)(a), (c) and (e) of the Act with respect to the prints arising from all 59 unique works imported, exhibited and/or sold during this time period, including at *Art Toronto*.

(3) Conclusion regarding Infringement relating to prints

[80] As set out earlier, the activities of the Gallery constituted infringement of 43 unique works relating to the *Photographs of Children* exhibition. In addition to those 43 unique works, 40 works were also printed by Carnie for the *Meaning Without Context* exhibition. However, of those 40 works, prints from 6 were previously exhibited or sold at the *Photographs of Children* exhibition, thereby adding an additional 34 unique works to the count.

[81] Prints from an additional 59 works were imported, exhibited, offered for sale or sold between June 23, 2016 and September 10, 2016, with prints from 5 of the works also exhibited and sold at the *Photographs of Children* exhibition, 31 of the works were also printed by Carnie, and prints from 3 of the works were exhibited at both the *Photographs of Children* and *Meaning Without Context* exhibitions. Thus, the number of additional unique works reflected in the prints imported, exhibited, offered for sale or sold between June 23, 2016 and September 10, 2016 was 20.

[82] The total number of unique works infringed through the Gallery's activities relating to the importing, printing, exhibiting, offering for sale and selling of prints from the B&W Negatives is accordingly 97.

C. *Have the Defendants infringed copyright through activities relating to the Goldstein HD?*

[83] The Estate asserts that the number of unique works infringed include more than those embodied in the prints imported, made, exhibited and/or sold at the *Photographs of Children, Meaning Without Context* and *Art Toronto* exhibitions, but also includes all 15,172 positive images scanned from the B&W Negatives onto the Goldstein HD and reproduced from the Goldstein HD onto the Watermarked HD.

[84] It asserts that the Goldstein HD is an infringement and that the Gallery's offering for sale, selling and exporting of the Goldstein HD to FAIG constitutes secondary infringement under paragraphs 27(2)(a) and (c), and subsection 27(2.11) of the Act (*issue 1c of the JSI*). It further alleges that the reproduction of the scanned images from the Goldstein HD onto the Watermarked HD constitutes primary infringement under section 3 and subsection 27(1) of the Act, and the exportation of the Watermarked HD constitutes secondary infringement under subsection 27(2.11) of the Act (*issue 1d of the JSI*).

(1) Offering for sale, selling and/or exporting to FAIG the Goldstein HD

[85] As a preliminary matter, the Defendants do not concede that the Goldstein HD is an infringing reproduction of the copyrighted works. The Defendants admit the Estate owns the copyright in the works embodied in the B&W Negatives. They admit the Goldstein HD contains

digital scans of the positive images of the B&W Negatives and admit that the Goldstein HD was made without the authority of the Estate. However, they assert that as the timing and circumstances around the reproduction are not known, it cannot be determined whether factors such as authorization, limitation and/or fair dealing come into play, exempting the reproduction of the scans to make the Goldstein HD from infringement.

[86] The Defendants contend that the Goldstein HD was not offered for sale or sold as part of the FAIG Agreement. Rather, they assert it was incidental to the sale of the B&W Negatives. I do not find this latter argument persuasive.

[87] The fact that the Goldstein HD was included as part of the sale to FAIG was acknowledged in the Agreed Statement of Facts:

21. On or about June 9, 2016, Bulger Gallery entered into an agreement with FAIG (“**FAIG Agreement**”). The FAIG Agreement included the B&W Negatives and the Goldstein Hard Drive.

[88] While the FAIG Agreement did not include a separate purchase price for the Goldstein HD, it identified the Goldstein HD as one of the “Assets” that was part of the sale. As set out at page 1 of the FAIG Agreement:

**1. Object of Sale and Purchase**

The SELLER hereby sells to BUYER and the BUYER hereby purchases from the SELLER free from any lien whatsoever the following assets and related objects and documents (the “**OBJECT OF SALE AND PURCHASE**”):

**Assets:**

- Each and all of the total of 15,172 physical negatives (black & white) of Vivian Dorothea Maier (1.2.1926 – 21.4.2009) (hereinafter referred to as V. Maier) (the “**COLLECTION**”).
- All computer hard discs on which the original digital copies of the COLLECTION are stored as scans, together with a written confirmation by the professional service provider who has scanned the COLLECTION confirming i.e. that the COLLECTION has been duly and completely scanned and that no other copies or scans exist, except those explicitly disclosed and confirmed to the BUYER.

[89] Further, the Defendants specifically amended their Defence to expressly identify the Goldstein HD as being included in the sale under both the Goldstein Agreement and the FAIG Agreement:

- a) the Amended Defence identifies the Goldstein HD as part of the “Goldstein Collection” sold to the Gallery:

13. In 2014~~2~~, Goldstein sold the Goldstein Collection to the Bulger Gallery. The sale included a hard drive containing scanned images of the undeveloped Maier Negatives comprising the Goldstein Collection (the “Goldstein Hard Drive”).

- b) amendments were specifically added to recognize the Goldstein HD as being included in the chattel property purchased from Goldstein for value:

~~21~~22. Irrespective of whatever copyright may exist in association with the Maier Negatives (which is denied) both the Maier Negatives themselves and the Goldstein Hard Drive are chattel property. As a consequence, having been legitimately sold and purchased pursuant to *bona fide* purchases for value, there can be no illegal trafficking in them. Each and every sale of the Maier Negatives and the Goldstein Hard Drive is a legal act and is not actionable.

- c) the amendments expressly recognize the Goldstein HD as being part of the Goldstein Collection sold to FAIG:

**The Bulger Gallery’s subsequent sale of the Goldstein Collection**

~~22~~23. In June 2016, the Bulger Gallery sold the entirety of the Goldstein Collection including the Goldstein Hard Drive. Consequently, neither the Bulger Gallery nor Bulger has any copies of the Maier Negatives to deliver up. ...

[90] There is no doubt that the Goldstein HD was sold to FAIG.

[91] As established earlier, by the date of the FAIG Agreement (June 9, 2016), the Defendants knew that they did not own copyright relating to the B&W Negatives. This was an express term of the FAIG Agreement.

[92] Further, by December 2014 (the date of the Goldstein Agreement), the Gallery knew they could not make or sell prints from the B&W Negatives without the permission of the copyright owner.

[93] While the Estate argues that the Defendants should have known that restrictions also applied to the Goldstein HD, the Defendants contend that it was reasonable for the Gallery to have maintained a good faith belief that they could transfer the Goldstein HD to FAIG in the same way as the B&W Negatives they had purchased.

[94] At paragraph 22 of the Amended Defence (cited above), the Defendants allege that the Goldstein HD is not actionable because of copyright exhaustion. Like the B&W Negatives, the Defendants allege that the Goldstein HD is a chattel that can be transferred freely by its purchaser (*issue 4d of the JSI*). However, I agree with the Plaintiff, as an unauthorized reproduction, copyright exhaustion does not apply to the Goldstein HD as a matter of law. The general principle is that “[o]nce an authorized copy of a work is sold to a member of the public, it is generally for the purchaser, not the author, to determine what happens to it” [emphasis added]: *Théberge v Galerie d’Art du Petit Champlain Inc*, 2002 SCC 34 at para 31. The Goldstein HD is not an authorized reproduction. Thus, it cannot be freely conveyed in the same way.

[95] For secondary infringement, however, the Plaintiff must establish that the Defendants had knowledge that the Goldstein HD was infringing, or was wilfully blind to such knowledge. It is my view that the Plaintiff has not met this burden.

[96] Bulger's testimony was consistent: the Gallery did not understand the Goldstein HD to be infringing. It was the Gallery's understanding that Goldstein had the right to make the hard drive (TT, 417:9-18; 872:2-873:1). Further, the scanned images on the Goldstein HD were not used in the same way as the B&W Negatives. They did not have a resolution that could make prints (TT, 663:5-21), and those working in the field would not have expected the Goldstein HD to have this use. Rather, the scanned images were used primarily as a "contact sheet" (TT, 399:16-401:11) and only otherwise used for promotional purposes to make, for example, postcards, holiday cards, etc., but never to make fine prints (TT, 660:7-11; 662:25-28).

[97] The file sizes were not of sufficient resolution or size to make prints (TT, 663:5-21). As explained by Juhasz, the scanned images were "too low quality to make fine art prints" (TT, 723:6-7). "Other than a sales catalogue or an inventory list of the negatives ... they could be used for educational purposes, they could be used to study the work of the artist." (TT, 723:18-21).

[98] The Plaintiff contends the Defendants' argument that the Gallery did not have knowledge that the Goldstein HD was infringing is inconsistent with its own actions. It asserts that if the Goldstein HD was only for use as a contact sheet then there would be no reason to make a



second hard drive for the purpose of the FAIG purchase. Rather, the Goldstein HD could have simply been sent to FAIG to allow FAIG to preview the images before purchase.

[99] In the course of the negotiations with FAIG, FAIG advised the Gallery that it needed to see the images before deciding to purchase the B&W Negatives. To satisfy this request, the Gallery saved lower resolution and watermarked versions of the image files from the Goldstein HD to a second hard drive, the Watermarked HD, and sent the Watermarked HD to FAIG (TT, 664:7-20; 671:7-672:8). By marking the images with a watermark and reducing their resolution, the images on the Watermarked HD could not be used for any purpose other than to count and preview the images from the B&W Negatives (TT, 674:2-675:1).

[100] The Defendants assert that the Watermarked HD served a slightly different function than the Goldstein HD. While the Goldstein HD was used as an inventory of the negatives, as the Watermarked HD included a watermark on the images, it could not be used as a true inventory of the images. Rather, it could only be used to get a general sense of the negatives, as a crude preview for sale.

[101] As the Watermarked HD was made by the Gallery, the Gallery was also able to include additional safeguards on the Watermarked HD to ensure its use was even more restrictive than the Goldstein HD. In my view, the existence of the Watermarked HD is not inconsistent with the purported use of the Goldstein HD as a contact sheet.

[102] Thus, it is my opinion that the Plaintiff has not established that the export to FAIG of the Goldstein HD was an infringing activity.

(2) The Watermarked HD

[103] As set out earlier, the Estate asserts that making the Watermarked HD is an infringing reproduction contrary to subsection 3(1) and subsection 27(1) of the Act and that exporting the Watermarked HD to FAIG was for the purpose of offering for sale and selling the Goldstein HD and is contrary to subsection 27(2.11) of the Act (*issue 1d of the JSI*).

[104] The Defendants acknowledge that the Watermarked HD is a reproduction of the Goldstein HD that was made by the Gallery. However, they assert that this reproduction was a fair dealing and is not infringing (*issue 4b of the JSI*).

[105] Pursuant to section 29 of the Act, those who deal fairly with a work for the purpose of research do not infringe copyright.

[106] Fair dealing involves a two part assessment. The first part requires determination of whether the dealing falls within one of the allowable “fair dealing” purposes of the Act (*i.e.*, research, private study, education, parody, satire, criticism or review, or news reporting). The second part requires determination of whether the dealing is “fair”, bearing in mind the following six non-exhaustive factors: (i) purpose of the dealing; (ii) the character of the dealing; (iii) the amount of the dealing; (iv) alternatives to the dealing; (v) the nature of the work; and

(vi) the effect of the dealing on the work. (*York University v Canadian Copyright Licensing Agency (Access Copyright)*, 2021 SCC 32 [*York University*] at para 96; *CCH* at paras 50-53).

[107] In this instance, I agree with the Defendants that the reproduction of the scans of the Goldstein HD onto the Watermarked HD falls within fair dealing.

[108] The threshold for the first part of the test is low with “research” to be given a large and liberal meaning to ensure that user’s rights are not unduly constrained. It is not intended to be limited to non-commercial or private contexts: *CCH* at para 51. In the commercial context, providing an excerpt or preview of a musical work that allows a potential purchaser to decide whether to purchase the musical work was found to fall within the definition of research: *Society of Composers, Authors and Music Publishers of Canada v Bell Canada*, 2012 SCC 36 [*SOCAN*] at paras 36 and 49.

[109] Similar to this case, the preview provided by the Watermarked HD of the images on the B&W Negatives in my view satisfies the first part of the fair dealing test. While the Estate seeks to distinguish *SOCAN* on the basis that the previews here were to the entire collection of B&W Negatives and occurred after FAIG had expressed an interest in purchasing the B&W Negatives, I do not consider this difference to be material to this part of the test. Rather, I agree with the Defendants, as research is to be given a liberal interpretation, use of the Watermarked HD as research into whether or not to proceed with the deal is sufficient to satisfy section 29 of the Act.

[110] It is also my view that when the use of the Watermarked HD is considered under the factors of the second part of the test, the requirements of “fair” dealing have been met.

[111] Although the *purpose of the dealing* was for a commercial purpose (the sale to FAIG), in my view it was nonetheless fair as there were reasonable safeguards in place (watermarking and decreased resolution) to ensure that the Watermarked HD was being used for research: *SOCAN* at para 36. In addition to the watermarking and decreased resolution of the images on the Watermarked HD, the Gallery stipulated in correspondence with FAIG before transfer of the Watermarked HD that the transfer was conditional on the assurance that the Watermarked HD would not be shared and that only a restricted number of individuals who were key decision-makers would have access (three people). If the deal did not proceed, the Watermarked HD was also to be destroyed.

[112] With respect to the *character of the dealing*, only a single copy of each work was used to make the Watermarked HD with, as noted above, safeguards in place. The Gallery set out in writing that the Watermarked HD was not to be copied and the images were not to be shared with anyone but were to be kept confidential (Exhibit 33; TT, 412:27-414:25). Before the Watermarked HD was sent, FAIG confirmed that it had “no interest in spreading the images” from the Watermarked HD and that the preview would be limited to only a small number of individuals (Exhibit 33).

[113] While the Estate argues that the character of the dealing was not fair because it was part of an overall scheme to promote and exploit infringement, in my view that concern is misplaced

as it relates to the Watermarked HD. As set out earlier, the use of the Watermarked HD was for research and preview of the images on the B&W Negatives only.

[114] Although the *amount of the dealing* included all of the digital scans, in my view this was nonetheless fair in view of the type of works in issue (*CCH* at para 56), the safeguards in place and the assurances that no copies would be made of the Watermarked HD. The inclusion of all of the images on the Watermarked HD was necessary to provide a preview of the full scope of the images and the number of negatives.

[115] I agree with the Defendants there were no reasonable *alternatives to the dealing* to meet the objectives. The preview was done in a manner customary to industry practice. As the Goldstein HD was an asset included with the purchase, it was not yet in the hands of FAIG at the time of the preview. The Watermarked HD was necessary to conduct the preview.

[116] The *nature of the work* examines whether the work is of a type that should be “widely disseminated” (*SOCAN* at para 47). In this case, it cannot be disputed that it is desirable to sell and disseminate photographic works. As a matter of industry practice, in order to be disseminated photographic works are typically previewed through an electronic guide in the same manner used here. The goal of the dealing was to engage an entity who would continue to share Maier’s work with the public, and continue to recognize her as an artist.

[117] The *effect of the dealing* considers whether the reproduced work is likely to compete in the market with the original work: *CCH* at para 59. In this case, the safeguards that the Gallery

put in place eliminated the possibility that the images on the Watermarked HD would be used for any purpose other than as a preview. The Estate has not led any evidence that the Watermarked HD had any effect on the original works.

[118] As it is my view that the use of the Watermarked HD is a fair dealing, the reproduction to make the Watermarked HD is not an infringement. Without an act of primary infringement, I similarly conclude that there has been no secondary infringement under subsection 27(2.11) of the Act.

D. *Have the Defendants authorized infringement?*

[119] The Plaintiff asserts that the Defendants have authorized infringement by selling and exporting the B&W Negatives and the Goldstein HD to FAIG for the purpose of permitting others to reproduce, publish, offer for sale, sell and exhibit unauthorized and infringing copies of the Maier Works, contrary to section 3 and subsection 27(1) of the Act (*issue 1e of the JSI*).

[120] Authorization is a distinct right granted to copyright owners: *Society of Composers, Authors and Music Publishers of Canada v Entertainment Software Association*, 2022 SCC 30 [ESA] at para 105; *Salna* at para 78; *Voltage Holdings, LLC v Doe#1*, 2023 FCA 194 [Voltage] at para 22. A person infringes the authorization right where without the consent or a license from the copyright owner, they hold themselves out as capable of granting one of the copyright owner's exclusive rights: *Voltage* at paras 22-23.

[121] To “authorize” means to sanction, approve and countenance: *CCH* at para 38; *Voltage* at para 24.

[122] Whether a reproduction has been authorized is a question of fact that can be “inferred from acts that are less than direct or positive, including a sufficient degree of indifference”: *CCH* at para 38; *ESA* at para 104; *Voltage* at para 26.

[123] While authorization may be found where an individual provides equipment whose sole function is to make an infringing reproduction, an individual does not authorize infringement by merely providing the means or use of equipment that could be used to infringe: *CCH* at para 38. A degree of control must be established between the authorizer and the person who committed the copyright infringement: *CCH* at para 38; *Voltage* at paras 25 and 27. The authorizer must hold themselves out as capable of granting one of the copyright owner’s exclusive rights: *Voltage* at para 23.

[124] The Estate asserts that both the language of the FAIG Agreement and the circumstances around the negotiation with FAIG makes clear that the Defendants sanctioned, approved and countenanced unauthorized exploitation by FAIG of the B&W Negatives and the Goldstein HD.

[125] The Estate notes that while the FAIG Agreement stipulated that the Gallery had no intellectual property rights, and did not convey any intellectual property rights to the “Assets”, it nonetheless also contained representations and warranties from the Gallery that the “Assets” were not subject to any restrictions on use. It included clauses through which the parties

“agree[d] to cooperate in order to explore and develop” the collection of B&W Negatives wherein the Gallery would become FAIG’s exclusive representative for Canada for the exhibition and sale of photographic prints produced by FAIG from the B&W Negatives in exchange for a commission of 50% on net sales. None of the terms of the FAIG Agreement were conditional on FAIG acquiring copyright or a license from the Estate to use the “Assets” to make prints.

[126] The Estate asserts that it was clear from the negotiations with FAIG that FAIG was purchasing the B&W Negatives to profit from making prints (TT, 411:1-9; 516:19-28; Exhibit 25). It argues that the Gallery knowingly equipped FAIG with the tools necessary to reproduce and sell unauthorized reproductions of the Maier Works and gave guidance to Roehl and others to make prints directly from the negatives as step-wise limited-edition prints (TT, 510:11-511:22, 820:21-821:2; Exhibit 47).

[127] The Defendants raise two preliminary issues with the Estate’s argument. First, they assert that there is a jurisdiction issue as in order to make a claim under the Act, the authorized act (infringing act) must have occurred in Canada. Second, they argue that the Estate’s theory ignores the fact that the Gallery had the legitimate right to sell the B&W Negatives to FAIG under the principles of copyright exhaustion and legitimate sale.

[128] As set out in *Sirius Canada Inc v CMRRA/SODRAC Inc*, 2010 FCA 348 at paragraph 47: “the authorization of a particular act infringes copyright only if the authorized act is itself an act



of infringement.” Thus, the act of authorizing in Canada is not actionable under the Act where the primary infringement occurs outside Canada (at para 46).

[129] While the Plaintiff sought to argue that the concept of territoriality should be viewed flexibly, relying on the decision, *ABKCO Music & Records Inc v Music Collection International Limited and Another*, [1995] EMLR 449 [*ABKCO Music*], from the United Kingdom [UK], as noted by the Defendants that case does not support the Plaintiff’s proposition. In *ABKCO Music*, it was the act of authorization that took place out of country (in that case, in Denmark), while the infringing act occurred within the country (in the UK). As stated at page 453 of that decision:

In my view, the reason why section 16(2) places no limit upon the place of authorisation is that the requirements of territoriality are satisfied by the need for the act authorized to have been done within the United Kingdom.

[...]

As those are the rules of jurisdiction, I can see no reason why, on the grounds of international comity or the principle of territoriality, it is necessary to construe the substantive provision creating such a tort so as to require the preliminary act to have taken place in the United Kingdom. I think that a territorial limitation on the act of authorising would lead to anomalies. Anyone contemplating the grant of a licence to do an act restricted by copyright would be able to avoid liability simply by having the document executed abroad.

[130] In my view, the law is clear, there is a territorial limitation to the acts under subsection 3(1) of the Act, including authorization.

[131] The Plaintiff notes that authorization may be found without the reproduction actually having taken place: *ESA* at para 105. As the FAIG Agreement does not limit the territory for making prints from the B&W Negatives, it argues that territoriality should not apply as the

uncompleted act could occur anywhere. The Estate notes that Bulger had at one point discussed an arrangement with FAIG's affiliate KMS where prints would be made in Canada from the B&W Negatives that KMS was expected to own (Exhibit 19, readins, item 35, BUL-425, FC141).

[132] However, no such evidence was put to Bulger on cross-examination: *Browne v Dunn* (1893), 1893 CanLII 65 (FOREP), 6 R 67 (HL (Eng)). Nor does this evidence even if taken as read support a finding of unlawful authorization. Rather, the scenario proposes the possibility of Bulger authorizing FAIG to then authorize someone like Bob Carnie to make prints from the B&W Negatives in Canada. This is authorization to authorize, which is not actionable under the Act. As differentiated by the FCA in *Voltage* at paragraph 34:

[34] There is no question, based on *ESA*, that the person using the respondents' internet accounts to make the Work available for download via BitTorrent is authorizing infringement. This situation is the precise example of authorizing infringement described throughout *ESA* (*ESA* at paras. 8, 103, 106-108). However, the appellant's claim of authorizing infringement does not mirror this example, *ESA* says that an authorizer permits reproduction; the appellant says that an authorizer is someone who permits someone to permit reproduction. And, as Rowe J. observes, subsection 3(1) of the Act "exhaustively" sets out the scope of copyright interests (*ESA* at para 54).

[133] Moreover, I agree with the Defendants, the Estate has not established that the Gallery countenanced infringement and maintained control over the activities of FAIG with respect to the B&W Negatives as required for authorization. As highlighted by the Defendants, the Gallery had a legitimate right to sell the B&W Negatives. Although there were terms of the FAIG Agreement that contemplated the sale of prints in Canada by the Gallery from the B&W Negatives after they were sold to FAIG, those terms are not inconsistent with Bulger's evidence

that such co-operation was intended to happen once the copyright issue was dealt with and FAIG had received the necessary approvals.

[134] While I agree with the Estate that the Gallery did not ultimately receive the assurances it should have obtained before proceeding with *Art Toronto*, the terms of the FAIG Agreement are insufficient, in my view, to support a finding of the type of conduct and control necessary to establish authorization.

[135] Further, although transfer of the Goldstein HD is not considered under the principles of copyright exhaustion, as previously held, it is my view that the Plaintiff has similarly not established that sale of the Goldstein HD would satisfy the requirements of authorizing infringement as it has not shown that the Goldstein HD has or would be used by FAIG for any infringing act in Canada or otherwise. As set out earlier, the Goldstein HD was primarily used as a contact sheet. It did not include images in a resolution that could make fine prints. Like the B&W Negatives, the Plaintiff has not established the type of conduct and control necessary to establish authorization.

[136] Accordingly, it is my view that infringement by authorization has not been established.

E. *The Colour Negatives*

[137] The Estate argues that the Defendants made a copy of digital scans of the Colour Negatives contrary to section 3 and subsection 27(1) of the Act, and exported the copy from Canada for the purpose of offering the Colour Negatives for sale contrary to subsection 27(2.11)

of the Act. The Defendants raise a preliminary issue as to whether this allegation is properly pleaded and if so, whether the asserted acts constitute infringement of copyright or whether they can raise fair dealing and in substance, whether fair dealing exists (*issues 2 and 4c of the JSI*).

[138] In the autumn of 2016, Goldstein asked the Gallery if it could help him to sell the Colour Negatives to FAIG. Goldstein sent the Colour Negatives and a USB containing digital scans of those negatives to the Gallery. At Bulger's request, Poborsa copied the 1,471 colour images as low resolution files into Bulger's folder on the Gallery's file server, which were then uploaded onto a Dropbox folder.

[139] The Gallery then sent a link to the Dropbox folder to FAIG so that it could consider whether it wanted to purchase the Colour Negatives. Bulger offered to sell the Colour Negatives to FAIG for Goldstein's requested purchase price of \$300,000 USD. However, FAIG was not interested. Instead, they offered to enter into a consignment arrangement. However, this was not of interest to Goldstein (Exhibit 19 readins, item 119).

[140] This was the second time the Colour Negatives were sent to the Gallery. In the spring of 2016, the Colour Negatives were initially sent to the Gallery but shortly thereafter, Goldstein requested they be returned on the advice of his counsel. The Colour Negatives were returned within the week. In October 2016, a down-payment of \$50,000 USD was paid by the Gallery to Goldstein and the Colour Negatives were sent back to the Gallery in the autumn of 2016 (TT, 526:2-4, 666:20-23).

[141] The Estate asserts that the Colour Negatives are included in paragraph 10 of the Amended Statement of Claim [Claim] which defines the “Maier Works” as “photographs (including those embodied in undeveloped rolls of colour and black and white film, negatives, prints and contact sheets), audiovisual works, motion pictures, literary works (including letters and correspondence), sound recordings and other works of authorship.” It differentiates the definition of Maier Works that includes specific reference to colour materials from the reference to “black and white photographic negatives and slides”, which were then referred to as the “Maier Negatives” in the Claim and are referred to as the B&W Negatives in the JSI.

[142] The Estate asserts that there are allegations of infringement within paragraph 31 of the Claim that refer to the Maier Negatives (B&W Negatives), and others that relate to the Maier Works and could include the Colour Negatives. The Estate asserts that this differentiation of language was intentional.

[143] It argues moreover that there was no confusion by the Defendants with respect to the Claim as documents relating to colour materials were produced as part of the discovery process and there was oral examination for discovery on colour materials. Thus, there can be no issue that the Defendants had notice that the Colour Negatives were in play.

[144] As set out in *Mancuso v Canada (National Health and Welfare)*, 2015 FCA 227 [Mancuso] at paragraph 16, “[i]t is fundamental to the trial process that a plaintiff plead material facts in sufficient detail to support the claim and relief sought.” Indeed, it is the foundation of a proper pleading that it contain a concise statement of the material facts on which the party relies

(rule 174, *Federal Courts Rules*) and sufficient material facts to disclose a reasonable cause of action (*Carten v Canada*, 2009 FC 1233 at paras 35-36; aff'd 2010 FC 857; aff'd 2011 FCA 289, leave to appeal to SCC refused). A proper pleading is necessary for the defendant to prepare a statement of defence. It also frames the discovery and allows counsel to advise their clients, to prepare their case and trial strategy, and to establish the parameters of relevance of evidence: *Mancuso* at para 17.

[145] I agree with the Defendants, the Claim is devoid of material facts relating to the allegations in respect of the Colour Negatives. While the Plaintiff raises paragraph 31 of the Claim, this paragraph includes only allegations of infringement relating to the Maier Works. It does not provide material facts. Moreover, while the broad definition of “Maier Works” includes a reference to “colour” material, the Maier Works are thereafter described in association with the Goldstein HD:

21 In approximately December, 2014, Goldstein sold his entire collection of Maier Negatives, as well as a hard drive containing unauthorized reproductions of the Maier Works (the “Goldstein Hard Drive”), to the Defendants. The Defendants subsequently copied the contents of the Goldstein Hard Drive, including the unauthorized reproductions of the Maier Works, to another hard drive (the “Copied Goldstein Hard Drive”).

[146] There is no reference to the Maier Works including the Colour Negatives or of the Colour Negatives being scanned and exported to FAIG as was asserted at trial. Despite an amendment to the Claim made on January 14, 2022, the only scans referenced in the Claim relate to the Goldstein HD and the “Copied Goldstein Hard Drive”, which at trial was referred to as the Watermarked HD. I agree with the Defendants that this deficiency in the Claim impacts the notice function and the ability of the Defendants to properly plead in response and defend the

allegations relating to the Colour Negatives. Although some production was made of correspondence relating to the Maier Works that included colour materials, on which there was some discovery, I am not satisfied that this overcomes the Plaintiff's obligation to provide a proper pleading and notice of its allegations.

[147] However, even if the allegations were to be permitted at this stage, it is my view that infringement could not be found. Allowing such allegation, in my view, would open the door for the Defendants to assert fair dealing associated with the Colour Negatives and the scans made therefrom. As such, the same arguments could be made as were made for the Watermarked HD.

[148] While watermarks were not placed on the scans, Poborsa described the files uploaded to the Dropbox link as "low-res images" that were "smaller file sizes" of a "read-only link" so that "the client could view the files but not be able to download them ... they wouldn't be able to be reproduced for a saleable print." (TT, 660:16-25). They were intended for preview purposes, but not for production of prints.

[149] Further, even without the fair dealing defence, the Plaintiff has not established through sufficient evidence or legal authority that transfer of the Dropbox link alone, without more, is sufficient to establish infringement by exportation under subsection 27(2.11) of the Act.

[150] Thus, I am not satisfied that there is infringement relating to the Colour Negatives.

F. *Is copyright misuse a viable defence to the non-admitted infringing acts?*

[151] The Defendants assert copyright misuse as a defence to all of the non-admitted infringing acts (*issue 4a of the JSI*).

[152] The copyright misuse defence is a US doctrine that acts as an equitable defence when a copyright holder attempts to extend their exclusive rights in a manner that violates the public policy embodied in the grant of copyright: *Lasercomb America, Inc v Reynolds*, 911 F2d 970, 972 (4<sup>th</sup> Cir. 1990). While the doctrine has been discussed in Canadian jurisprudence (see for example, the recent discussion in *Millennium Funding, Inc v Bell Canada*, 2023 FC 764 at paras 30-48), it has yet to be adjudicated under Canadian law. In *Euro-Excellence*, the Supreme Court of Canada recognized misuse of copyright as a “developing doctrine” in the US but held that the question of whether the copyright misuse doctrine is good law in Canada was a matter “best left for another day” (at para 98).

[153] In this case, the Defendants assert that “the Estate is attempting to extend its copyright beyond the rights granted by law by suggesting that there is a cloud on title to the B&W Negatives to impugn their sale and attempting to extend copyright outside Canada” (paragraph 72 Defendants’ memorandum of fact and law). They contend that it was not until Jakubowski gave her evidence that the Defendants learned that the Estate was not claiming title to the B&W Negatives. Now that this is conceded, the Defendants assert that the Estate is improperly attempting to frame the Goldstein HD as the primary object of the sale to FAIG. They argue that asserting rights in connection with the sale to FAIG is an improper attempt to extend copyright beyond the proper limits provided by the Act.



[154] The Estate does not, however, dispute the Gallery's ownership and ability to sell the B&W Negatives in the JSI. Nor is there any evidence that the Estate ever attempted to seize the B&W Negatives from the Defendants. To the contrary, the evidence establishes that the Estate sought to enter into an agreement for purchase of the B&W Negatives from the Gallery. Such an agreement would have been counter-intuitive if the Estate was disputing the Gallery's ability to purchase and sell the B&W Negatives.

[155] The allegations of the Estate are directed at the copyright in the images embodied in the B&W Negatives and in the alleged unauthorized reproduction of those images as prints or as positive image scans, and secondary acts arising therefrom. The allegation associated with the sale of the B&W Negatives to FAIG is one of authorization of infringement. It is not limited to the sale of the B&W Negatives alone but calls into question other actions and surrounding circumstances, including those clauses of the FAIG Agreement that relate to co-operation between FAIG and the Gallery to sell Maier prints on a commission basis.

[156] In my view, an argument of copyright misuse is misplaced in the context of the facts of this case.

G. *Is Bulger personally liable for the actions of the Gallery?*

[157] The Estate alleges that Bulger is personally liable for the actions of the Gallery (*issue 3 of the JSI*). It argues that as sole director of the Gallery, he was its directing mind and that his actions demonstrated an indifference to the risk of copyright infringement.

[158] As set out in *Mentmore Manufacturing Co v National Merchandise Manufacturing Co Inc*, 1978 CanLII 2037; 89 DLR (3d) 195 (FCA) [*Mentmore*] at pp 204-205, to establish personal liability:

...there must be circumstances from which it is reasonable to conclude that the purpose of the director or officer was not the direction of the manufacturing and selling activity of the company in the ordinary course of his relationship to it but the deliberate, wilful and knowing pursuit of a course of conduct that was likely to constitute infringement or reflected an indifference to the risk of it.

[159] The mere fact that an individual is the sole shareholder or director of a company is not in and of itself enough: *Mentmore* at p 202; *Vachon Bakery Inc v Racioppo*, 2021 FC 308 at para 121. Personal liability will only attach when the actions of the director are such that the director's own behavior is tortious or exhibits a separate identity or interest from that of the corporation such as to make the acts or conduct complained of those of the individual: *Mentmore* at p 203. The degree and nature of participation of the individual must be considered; it is a question of fact to be determined on the circumstances of each case: *Mentmore* at p 203.

[160] In this case, the Plaintiff relies on the same evidence that it asserts establishes the knowledge component for the secondary infringement grounds relating to the Gallery for its personal liability allegations against Bulger. It asserts that Bulger's actions reflect an indifference to the risk of infringement in the way he directed the Gallery and its personnel.

[161] However, I agree with the Defendants, the evidence does not meet the high bar necessary to establish personal liability. Bulger's actions in respect of the Maier Works fall within his role as director of the Gallery and were conducted in this capacity. All prints made

from the B&W Negatives that were exhibited, offered for sale and/or sold at exhibitions were made, exhibited, offered for sale and/or sold on behalf of the Gallery and not Bulger personally. The Gallery issued invoices for those sales and all profits were made by the Gallery. Sales did not attribute to the benefit of Bulger personally.

[162] Likewise, both the Goldstein Agreement and the FAIG Agreement were negotiated and entered into on behalf of the Gallery and not Bulger personally. The payment made from the sale of the B&W Negatives and the Goldstein HD to FAIG was made to the Gallery and used for the Gallery's purposes.

[163] All of Bulger's actions were made in his role as the director of the Gallery and in the ordinary course of the Gallery's normal operations of buying, exhibiting, offering for sale and selling artistic works and prints. Unlike *Microsoft* and *Bell Canada v L3D Distributing Inc (INL3D)*, 2021 FC 832 cited by the Estate, the Estate has not established that Bulger abused the corporate form or his role as a director to enrich himself personally. Nor is there any evidence that the Gallery is a "sham" corporation with no separate functions aside from Bulger's actions involving the Maier Works and the B&W Negatives.

[164] The Plaintiff has not met its burden of establishing personal liability.

H. *What is the appropriate quantum of statutory damages that should be awarded?*

[165] Pursuant to section 38.1 of the Act, a copyright owner may elect recovery of statutory damages in *lieu* of damages and profits.

[166] If infringement is for commercial purposes, statutory damages may be awarded “in a sum of not less than \$500 and not more than \$20,000 that the court considers just, with respect to all infringements involved in the proceedings for each work” (subsection 38.1(1)(a) of the Act).

[167] If infringement is for non-commercial purposes, statutory damages may be awarded “in a sum of not less than \$100 and not more than \$5,000 that the court considers just, with respect to all infringements involved in the proceedings for all works” (subsection 38.1(1)(b) of the Act).

[168] The Court has discretion to lower the amount of statutory damages awarded per work for commercial purposes to less than \$500, but not less than \$200, if it is satisfied that “the defendant was not aware and had no reasonable grounds to believe that the defendant had infringed copyright” (subsection 38.1(2) of the Act). In special cases, the prescribed range per work for commercial purposes can be reduced even further where there is more than one work or other subject-matter in a single medium, and awarding the minimum amount per work would yield a total award that is grossly out of proportion to the infringement (subsection 38.1(3) of the Act).

[169] Determining the appropriate amount of statutory damages is not a precise science and is to be considered on a case-by-case basis. It involves consideration of all relevant circumstances, with the aim of yielding a just result: *Rallysport Direct LLC v 2424508 Ontario Ltd*, 2020 FC 794 [*Rallysport FC*] at para 6; aff'd 2022 FCA 24 [*Rallysport FCA*]; *Collett v Northland Art Company Canada Inc*, 2018 FC 269 at para 59, citing to *Telewizja Polsat SA v Radiopol Inc*, 2006 FC 584 at para 37.

[170] This includes consideration of the factors set out in subsection 38.1(5) of the Act, namely:

- |  |  |
|--|--|
| (a) the good faith or bad faith of the defendant;  | (a) la bonne ou mauvaise foi du défendeur;   |
| (b) the conduct of the parties before and during the proceedings;  | (b) le comportement des parties avant l’instance et au cours de celle-ci;  |
| (c) the need to deter other infringements of the copyright in question; and  | (c) la nécessité de créer un effet dissuasif à l’égard de violations éventuelles du droit d’auteur en question;  |
| (d) in the case of infringements for non-commercial purposes, the need for an award to be proportionate to the infringements, in consideration of the hardship the award may cause to the defendant, whether the infringement was for private purposes or not, and the impact of the infringements on the plaintiff. | (d) dans le cas d’une violation qui est commise à des fins non commerciales, la nécessité d’octroyer des dommages-intérêts dont le montant soit proportionnel à la violation et tienne compte des difficultés qui en résulteront pour le défendeur, du fait que la violation a été commise à des fins privées ou non et de son effet sur le demandeur. |

[171] Although statutory damages can be awarded even if no monetary damages exist and no business is lost (*Rallysport FCA* at para 29), where actual damages can be quantified, they are also a relevant factor in the analysis (*Vidéotron Ltée v Konek Technologies Inc.*, 2023 FC 741 [*Vidéotron*] at paras 80 and 84; *Rallysport FCA* at para 28). In order for there to be a just award, there must be some relationship between actual damages and statutory damages: *Pinto v Bronfman Jewish Education Centre*, 2013 FC 945 at para 195.

[172] The Defendants assert that the Carnie Prints were made for a non-commercial purpose and therefore should be attributed a lower amount of statutory damages. They also argue that subsection 38.1(3) of the Act applies as this is a single medium case and awarding even the minimum amount for commercial works would result in a total award that is grossly out of proportion to the infringement. They argue that the statutory damage amount should reflect the financial realities of the case – *i.e.*, that there was no actual damage suffered by the Estate, but that the potential hardship to the Gallery of an exorbitant damage award would be significant. They assert that this favours an award of statutory damages of no more than \$50,000 CAD.

[173] The Plaintiff asserts that all dealings were done in a commercial context and that subsection 38.1(3) does not apply; thus, the Court should apply the commercial range of statutory damages, from \$500 to \$20,000 per work. They assert that the factors under subsection 38.1(5) of the Act favour the Plaintiff and that balancing the harm and the value of the works, the maximum of the range should be applied, which for 97 unique works would amount to close to \$2,000,000 CAD.

[174] As a preliminary matter, the parties dispute whether commissioning the Carnie Prints constitutes infringement for commercial or non-commercial purposes. I agree with the Plaintiff that while the Carnie Prints were exhibited at a show (*Meaning Without Context*) where the prints were not for sale, as a commercial gallery the Gallery's ultimate goal was to sell the prints exhibited (TT, 657:28-657:7). Indeed, Bulger testified that the Gallery followed up with those customers who expressed an interest in the prints from the exhibition for the purpose of offering the prints for sale (see for example, Exhibit 46). Further, I note that the vast majority of the

unique works printed by Carnie were the same works reflected in prints exhibited, offered for sale or sold at the *Photographs of Children* exhibition or printed by FAIG (through KMS) and imported by the Gallery to be offered for sale under the FAIG Agreement (Appendix B to the Plaintiff's Closing Submissions). As noted earlier, I need only establish one act of infringement for each unique work. I thus consider the infringement relating to the unique works reflected in the Carnie Prints to have been made for a commercial purpose.

[175] I similarly find that subsection 38.1(3) of the Act (*i.e.*, the single medium provision) cannot be used to lower the statutory damage amount. The Defendants argue that “medium” as used elsewhere in the Act refers to a single category of medium (subsection 13(4) of the Act) as opposed to a single item. They assert that subsection 38.1(3) is not to be interpreted in a manner that is “too technical or mechanical”; nor one that would result in an “astronomical” damages award: *Vidéotron* at paras 85, 105. However, as noted by Justice Pallotta in *Patterned Concrete Mississauga Inc v Bomanite Toronto Ltd*, 2021 FC 314 [*Patterned Concrete*], “[i]t is the works, not the copies, that must be in a single medium in order for section 38.1(3) to apply” (at para 65). The provision was intended to apply to works like newspapers or anthologies, where multiple copyrights may exist in a single copied medium (*Nintendo of America Inc v King*, 2017 FC 246 [*Nintendo*] at para 148), or to works that exist in an electronic medium like a website (*Trader v CarGurus*, 2017 ONSC 1841 at paras 57-58).

[176] The situation is very different here. In this case, the works infringed are those embodied in the B&W Negatives. As set out in my earlier findings, the infringing acts do not extend to the hard drives. The images as contained in the negatives are each separate and may be separately

copied. They are not in a single medium where multiple copyrights are infringed through a single copy. Accordingly, it is my view that subsection 38.1(3) does not apply and that the appropriate quantum of statutory damages should fall within the range specified by the Act; that is, between \$500 and \$20,000 per work.

[177] To assess where in this range the award should fall, I must consider the surrounding circumstances. As set out earlier, this includes the factors under subsection 38.1(5) of the Act (*i.e.*, whether the Defendants acted in good or bad faith, the conduct of the parties in the proceedings and whether there is a need to deter further infringement), as well as the financial realities of the infringement.

[178] The first factor to consider under subsection 38.1(5) is whether the Gallery acted in good or bad faith. Bad faith has been referred to as “conduct that is contrary to community standards of honesty, reasonableness or fairness”: *Century 21 Canada Ltd Partnership v Rogers Communications Inc*, 2011 BCSC 1196 at para 405. It is contextual and may include deliberate acts that serve to complicate or aggravate the good faith intentions of a party to resolve matters: *Rallysport FC* at para 10.

[179] The Defendants assert that the Gallery did not act in bad faith as it held an honest, *albeit* mistaken belief that it had copyright. However, as set out earlier, it is my view that by September 6, 2014, the Gallery was acting with knowledge that it had not acquired copyright in the Goldstein Collection. Nonetheless, it commissioned the works to be printed (*i.e.*, Carnie



Prints), and continued to exhibit infringing prints and illicit sales for such prints with that knowledge.

[180] As highlighted by the Plaintiff, the infringing acts went on for years, and culminated in the Gallery's entering into the FAIG Agreement to sell the B&W Negatives and transfer the Goldstein HD to FAIG for significant commercial gain, while continuing to infringe the Maier Works by importing, exhibiting and selling the FAIG Prints in Canada.

[181] In addition to this, there were certain actions taken by the Gallery that served to exacerbate the efforts of the Estate to try to resolve any potential dispute with the Gallery. First, the Gallery initially ignored correspondence from Estate's counsel on the alleged basis that it was on the letterhead of a firm that Bulger did not take seriously (TT, 485:6-19). Second, Bulger intentionally withheld from the Estate the fact that he had sold the B&W Negatives to FAIG, instead choosing to continue to negotiate the sale of the B&W Negatives to the Estate at an increased price, even after the B&W Negatives had already been delivered to FAIG. While Bulger testified that this was because FAIG had not yet paid the full amount for the B&W Negatives, I did not find this aspect of Bulger's testimony credible. The vast majority of the purchase price had been paid and the B&W Negatives were delivered. There could be no question that the B&W Negatives were in the hands of FAIG and were subject to the FAIG Agreement. In correspondence with Goldstein, Bulger commented that he did not think that the Estate's counsel "saw it coming" (Exhibit 44), seemingly acknowledging that his actions were intended to catch the Estate off-guard as opposed to negotiating in a completely fair and open manner.

[182] As was highlighted in evidence, the Estate was able to come to an agreement with Maloof that recognized the Estate's ownership of the copyright in the Maier Works, while still allowing Maloof to continue to promote the Maloof Collection and obtain revenue. The failure of the Gallery to acknowledge the ownership of the copyright in the Maier Works and to openly and honestly negotiate with the Estate, in my view, added to the complexity of the surrounding circumstances and deterred the possibility of any early resolution between the parties.

[183] Although by the time of trial the Gallery had conceded the Estate's ownership rights, admitted to certain infringing activity, and consented to the delivery up of all infringing prints in their possession, these concessions came late in the proceedings. While the fact of these concessions serve to contrast this action from others where a high-end award of statutory damages is needed to punish a defendant that has not responded to a proceeding, is evasive, or is dismissive of the authority of the Court (*Vidéotron* at para 95), they do not explain or excuse the delay in the Defendants' conciliatory actions.

[184] Having said that, I agree with the Defendants that the evidence does not suggest a current need to deter future impending infringement. The B&W Negatives were sold to FAIG in 2016. The Gallery who was commissioned to effect sales in Canada of prints made by FAIG ceased all activity relating to the sale or exhibition of prints from the B&W Negatives in May 2017, with Bulger acknowledging in testimony that he now understands that the Gallery "did not have the rights to make prints or to show them to anyone, whether they were for sale or not" (TT, 402:21-23). While the Estate sent a letter to FAIG in 2017 asking about their intentions with respect to the B&W Negatives, which noted that the copyright in the Maier Works was

owned by the Estate (Exhibit 6), there is no evidence of correspondence with FAIG after this date; nor any evidence of pending proceedings involving FAIG. In my view, the evidence does not establish that deterrence plays a significant role in this case.

[185] The Plaintiff points to the value of the Maier Works as a factor that supports a higher award of statutory damages as it signifies the potential losses to the Estate. Bulger testified that the policy for selling the Maier prints was to sell the prints as stepped-price editions. For each work there would be 15 prints, with the first 5 prints selling for \$2,500 USD each, the next 5 prints for \$3,500 USD each, and the last 5 prints for \$7,500 USD each (TT, 411:18-27). The Plaintiff asserts that this accords with each unique work being valued at \$67,500 USD. As Bulger testified that there were 400 to 500 commercially suitable images, the Plaintiff asserts that the total value can be estimated at close to \$300 million USD. It also refers to Maloof's testimony of his making more than \$300,000 USD/year for his efforts promoting his collection of negatives through his arrangement with the Estate. However, as noted by the Defendants, this argument seems to be tied to the authorization issue. It does not reflect the actual profits lost by the Estate through the infringing acts in Canada.

[186] The evidence indicates that the profits actually made by the Gallery from the sale of prints was minimal. The Defendants provided evidence that the total revenue made from the three exhibitions (*Photographs of Children, Meaning Without Context, Art Toronto*) and subsequent sales was \$131,817.60 CAD, with the Gallery's profit at \$22,130.59 CAD. Although never finalized, they point to the proposed agreement and term sheet that the Estate proposed to the Galley in correspondence, which had the Estate receiving a royalty of 45% of the amount

received by the Gallery in connection with print sales, and the Estate bearing third-party printing costs up to \$200 per print (TT, 119:2-27). This would amount to less than \$60,000 CAD in revenue for the prints actually sold by the Gallery.

[187] The Defendants further assert that the Gallery has insufficient means available to pay an exuberant damages award as it operates on a “hand to mouth” basis. It provides “Profit and Loss” statements for the Gallery covering the years 2014-2019. The documents indicate an inconsistent income stream which peaked in 2016 and showed negative net income values for 2017, 2018 and 2019.

[188] The Plaintiff argues that the Gallery’s current revenue stream should not factor into the Court’s analysis. Rather, the Court should consider the \$1.6 million USD the Gallery made from the sale of the B&W Negatives to FAIG. While the Defendants argue that sale of the B&W Negatives is irrelevant, in my view, it cannot be ignored that the Gallery was able to sell the B&W Negatives at a significantly higher price as a result of the notoriety gained by the works from the infringing activities of the Gallery and others, and profited from this. I agree that this is an additional surrounding circumstance that bears some consideration when evaluating the appropriate statutory damages award.

[189] The Defendants assert that an award of \$20,000 CAD per work is out of step with the prior case law, which only awarded such high amounts where the infringer was a true “scofflaw”, whose conduct both before and during the proceedings was dismissive of law and order, and demonstrated a need for deterrence: *Microsoft* at paras 31, 113; *Louis Vuitton*

*Malletier SA v Yang*, 2007 FC 1179 [Yang] at paras 21-25; *Louis Vuitton Malletier SA v Singga Enterprises (Canada) Inc*, 2011 FC 776 at paras 157-159.

[190] While in my view, the conduct of the Defendants highlighted above supports an award of statutory damages that is above the minimum of \$500 per work, I agree that this extreme situation is not what we have here.

[191] Considering the actual profits made and financial situation of the Gallery, it is my view that a request for statutory damages at the maximum end of the range is neither proportionate nor practical in this circumstance.

[192] The Defendants argue that the Plaintiff should be sanctioned for requesting the maximum end of the statutory damages scale. They cite *Nicholas v Environmental Systems (International) Limited*, 2010 FC 741 [Nicholas] at paragraph 105 as support for their request. However, I do not consider *Nicholas* to be a direct parallel. The infringement here cannot be characterized as simply a technical breach as it was in *Nicholas*, where there was nothing more to the infringement other than reproducing the work on the defendant's website. While I agree that the amount requested by the Plaintiff should not be ordered, in my view the evidence does not support a finding that the claim was made to disparage Bulger and "ruin" the Gallery or that it was "an improper, vindictive attempt at intimidating the Defendants."

[193] Considering all of the factors under subsection 38.1(5) of the Act, the financial realities, the specific circumstances of this case, and the jurisprudence referenced in Appendix "E" to the

Defendants' submissions, it is my view that a just award would be more than the minimum amount per work, but a magnitude less than the maximum amount and should be set at \$2,000 CAD per work for a total of \$194,000 CAD in statutory damages.

I. *Should punitive damages be awarded?*

[194] While an election by the copyright owner to recover statutory damages does not affect any right the copyright owner might have to exemplary or punitive damages (subsection 38.1(7) of the Act), in my view this is not an appropriate case for a punitive damages award.

[195] Punitive damages are for exceptional cases where “malicious, oppressive and high-handed” misconduct represents a “marked departure from ordinary standards of decent behaviour” and offends the court’s sense of decency: *Whiten v Pilot Insurance Co*, 2002 SCC 18 [Whiten] at paras 36 and 94. Relevant factors include: whether the conduct was planned and deliberate; the intent and motive of the defendant; whether the defendant persisted in the outrageous conduct over a lengthy period of time; whether the defendant concealed or attempted to cover up the misconduct; the defendant’s awareness of the wrongdoing; and whether the defendant profited from the misconduct: *Yang* at para 47.

[196] However, punitive damages are only to be awarded if all other penalties and damages have been taken into account and they are found to be inadequate to accomplish the objectives of retribution, deterrence and denunciation: *Whiten* at para 123. Thus, where statutory damages include a significant punitive component, awarding punitive damages would be redundant: *Vidéotron* at para 117.

[197] For the reasons already stated, including my finding that specific deterrence is not necessary, I do not consider that the facts here justify an additional punitive damages award.

J. *Injunctive Relief*

[198] As noted earlier, without admitting any liability on behalf of Bulger personally, the Defendants have consented to a Judgment that includes injunctive relief and the delivery up of all unauthorized reproductions of the Maier Works as sought in the Amended Statement of Claim. A Judgment including provision for an injunction and delivery up shall be issued accordingly.

K. *Interest*

[199] As the Plaintiff did not request pre-judgment interest, none shall be awarded. Post-judgment interest shall be awarded at a rate of 5%, not compounded, on the award of statutory damages calculated from the date of the Judgment.

L. *Costs*

[200] In view of the admission of liability, the Plaintiff asserts that it has prevailed in the proceeding and should be entitled to costs. It requests a lump sum award calculated as a percentage of the actual costs reasonably incurred for the proceeding. As the parties have exchanged written settlement offers that may also trigger the application of Rule 420 of the *Federal Courts Rules*, the Plaintiff requests that costs be dealt with by separate order.

[201] The Defendants did not provide any written submissions on costs. In oral argument, counsel asserted that if costs were awarded against the Defendants that it should only be Tariff costs and echoed the request of the Plaintiff that costs be deferred in view of the parties' settlement offers.

[202] In view of the incomplete nature of the submissions made and the fact that the claim includes not just an action as against the Gallery but also a personal claim against Bulger, I will defer my judgment on costs until further submissions of the parties. A schedule for the submissions is accordingly included as part of my Judgment.



**JUDGMENT IN T-953-17**

**THIS COURT'S JUDGMENT is that:**

1. All claims as against the Defendant, Stephen M. Bulger, personally are dismissed.
2. The Defendant, Stephen M. Bulger Photography Gallery Inc. has reproduced unauthorized and infringing copies of the Maier Works from the B&W Negatives contrary to section 3(1) and subsection 27(1) of the Copyright Act, and infringed the copyright in the Maier Works, through the importation, exhibition, offering for sale and sale of prints made from the B&W Negatives, contrary to subsection 27(2) of the Copyright Act.
3. The Defendant Stephen M. Bulger Photography Gallery Inc. and its employees, servants, workers, agents, contractors and any other persons under its direction or control, are permanently restrained and enjoined from, directly or indirectly:
  - a. Infringing the Plaintiff's copyright in the Maier Works, including the copyright in the images embodied in the B&W Negatives;
  - b. Reproducing, causing to be reproduced and authorizing reproduction in Canada of photographs or any other images from the Maier Works, including from the B&W Negatives;

- c. Selling, distributing to such an extent as to affect prejudicially the owner of the copyright, by way of distributing, exposing or offering for sale, and exhibiting in public, unauthorized reproductions of the Maier Works, including in the B&W Negatives, and possessing such reproductions for such purposes; and
  - d. Offering for sale and selling unauthorized reproductions of the Maier Works to be used for the purpose of permitting others to reproduce, publish, offer for sale, sell and exhibit unauthorized and infringing copies of the Maier Works, including from the B&W Negatives.
4. Within thirty (30) days of this Judgment, the Defendant Stephen M. Bulger Photography Gallery Inc. shall, at its own expense, deliver up under oath to the Plaintiff all unauthorized reproductions of the Maier Works, including all unauthorized reproductions made from the B&W Negatives.
5. The Defendant Stephen M. Bulger Photography Gallery Inc. shall pay to the Plaintiff statutory damages in the amount of \$194,000 CAD.
6. The Defendant Stephen M. Bulger Photography Gallery Inc. shall pay the Plaintiff post-judgment interest of 5%, not compounded, on the award of statutory damages calculated from the date of this Judgment.

7. Should the parties be unable to agree on costs, they may make further submissions of no more than seven (7) pages each to the Court, with the Estate serving and filing their submissions within thirty (30) days of the date of this Judgment, followed by the Defendants serving and filing their submissions thirty (30) days thereafter. The Estate shall be permitted to serve and file a brief reply of no more than three (3) pages within fifteen (15) days of receiving the Defendants' responding submissions.

"Angela Furlanetto"

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Judge

**FEDERAL COURT**  
**SOLICITORS OF RECORD**

**DOCKET:** T-953-17

**STYLE OF CAUSE:** THE ESTATE OF VVIAN MAIER v STEPHEN M. BULGER AND STEPHEN M. BULGER PHOTOGRAPHY GALLERY INC.

**PLACE OF HEARING:** TORONTO, ONTARIO

**DATE OF HEARING:** FEBRUARY 26, MARCH 4, 6, 7, 8 AND 22, 2024

**JUDGMENT AND REASONS:** FURLANETTO J.

**DATED:** AUGUST 15, 2024

**APPEARANCES:**

Mark Biernacki FOR THE PLAINTIFF  
Graham Hood  
Ryan T. Evans

Sana Halwani FOR THE DEFENDANTS  
Margaret Robbins  
Alexis Vaughan  
Nikolas De Stefano

**SOLICITORS OF RECORD:**

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