

Federal Court



Cour fédérale

Date: 20100603

Docket: T-1009-04

Citation: 2010 FC 606

Ottawa, Ontario, June 3, 2010

PRESENT: The Honourable Mr. Justice Russell

BETWEEN:

**ENTRAL GROUP INTERNATIONAL INC.,
TC WORLDWIDE LTD.,
UNIVERSAL MUSIC LIMITED,
EMI GROUP HONG KONG LIMITED,
EMPEROR ENTERTAINMENT (HONG KONG) LIMITED,
GO EAST ENTERTAINMENT COMPANY LIMITED and its subsidiary
WHAT'S MUSIC INTERNATIONAL (HONG KONG) LIMITED,
CINEPOLY RECORD CO.,
WARNER MUSIC HONG KONG LTD.**

Plaintiffs

and

**MCUE ENTERPRISE CORP.,
d/b/a/ DI DA DI KARAOKE COMPANY,
VITUS WAI-KWAN LEE, YUK SHI (TOM) LO**

Defendants

AND BETWEEN:

**MCUE ENTERPRISE CORP.,
d/b/a/ DI DA DI KARAOKE COMPANY,**

Plaintiff by Counterclaim

and

**ENTRAL GROUP INTERNATIONAL INC.,
TC WORLDWIDE LTD.,
UNIVERSAL MUSIC LIMITED,
EMI GROUP HONG KONG LIMITED,**

**EMPEROR ENTERTAINMENT (HONG KONG) LIMITED,
GO EAST ENTERTAINMENT COMPANY LIMITED and its subsidiary
WHAT'S MUSIC INTERNATIONAL (HONG KONG) LIMITED,
CINEPOLY RECORD CO.,
WARNER MUSIC HONG KONG LTD.**

Defendants by Counterclaim

REASONS FOR JUDGMENT AND JUDGMENT

[1] The Plaintiffs seek Summary Judgment against the Defendants for declaratory and injunctive relief, damages, as well as the dismissal of the Counterclaim of Mcue Enterprise Corp., d/b/a/ Di Da Di Karaoke Company.

BACKGROUND

[2] Each of the Plaintiffs, with the exception of TC Worldwide Limited (TCW) and Entral Group International Inc. (EGI-Canada) is the owner of copyright in the Works, including, but not limited to the following:

Registration #	Title
1015859	Loving You While Walking
1015848	Kite and Wind (Karaoke Version)
1015846	The Next Stop: Tin Hau (Karaoke Version)
1015839	1874 (Karaoke Version)

1015831 Marriage Will Follow After Many Years
(Karaoke Version)

1015183 Hero (Karaoke Version)

Chinese Title

English Translation

戀上你的床

Falling In Love With Your Bed

[3] TCW entered into License Agreements with each of Universal Music Limited, EMI Group Hong Kong Limited, Emperor Entertainment (Hong Kong) Limited, Go East Entertainment Company Limited and its subsidiary What's Music International (Hong Kong) Limited, Cinepoly Record Co., and Warner Music Hong Kong Ltd., (Record Labels) in which TCW was given exclusive rights respecting reproduction, distribution, use and authorization of third parties to reproduce and commercially use the Works and to collect license fees in respect of such reproduction and use.

[4] With the consent of each of the Record Labels, TCW entered into a License Agreement with EGI-Canada by which TCW granted EGI-Canada the rights in Canada for the exploitation of TCW's rights, including TCW's rights in the Works.

[5] The Defendant, Mcue Enterprise Corp., (Mcue) is a commercial entity engaged in the business of providing karaoke entertainment services to the public under the business name Di da Di Karaoke Company. The Defendant Vitus Wai-Kwan Lee was at all material times a Director of

Mcue. The Defendant Yuk Shi (Tom) Lo was at all material times the President, Secretary and a Director of Mcue.

[6] Without the consent, authorization or license from the Plaintiffs, the Defendants acquired copies of the Works and reproduced them by installing copies on to a specialized computer system. The Defendants' computer system was designed to enable customers to publicly perform audio-visual works. In exchange for a fee, the Defendants authorized and permitted customers to select and publicly perform the Works.

[7] In June, 2003, EGI-Canada's former counsel sent correspondence to several karaoke bars in the Richmond, British Columbia area. This letter outlined EGI-Canada's rights in the Works and invited negotiations for the authorized use of the Works in the recipients' business establishments. This letter also advised that the unauthorized use of the Works in public places violated the *Copyright Act*, R.S.C. 1985, c. C-42. Such a letter was sent to the business operating as Di Da Di Karaoke.

[8] No response to this letter was received from the Defendants. A second letter was sent by registered mail in September, 2003.

[9] In October, 2003, EGI-Canada received a letter from counsel for Mcue, advising that they were in the process of reviewing the matter and would respond as soon as possible.

[10] EGI-Canada's counsel acknowledged receipt of this letter, and provided Mcue's counsel with EGI-Canada's current Canadian pricing structure.

[11] Mcue's counsel responded by way of correspondence dated October 31, 2003 requesting further particulars.

[12] By letter dated November 4, 2003, EGI-Canada's counsel replied and provided Mcue's counsel with a list of the works comprising EGI-Canada's "control catalogue."

[13] Mcue's counsel did not respond to the invitation to review a form of license agreement; nor did Mcue take any further steps to commence negotiations to enter into a license respecting reproduction and public performance of the Works.

[14] On or about December 5, 2003 EGI-Canada's counsel sent a letter enclosing a form of licensing agreement and advising that Mcue's continued use of the Works without license may result in litigation.

[15] Mcue's counsel did not respond to the December 5, 2003 letter. The Defendants continued to use the Works without authorization and license.

[16] On April 27, 2004, fresh cease and desist letters were sent via registered mail to Mcue and its principals, Lo and Lee.

[17] On May 11, 2004, following renewed contact by counsel for Mcue, EGI-Canada's counsel provided a redacted version of an executed license agreement and demanded either a satisfactory license arrangement or a written acknowledgment that the Defendants had ceased using the Works.

[18] By letter dated May 13, 2004, Mcue's counsel indicated that their client was in the process of reviewing the licensing terms. By letter dated May 14, 2004 Plaintiffs' counsel acknowledged receipt of the May 14, 2004 letter and extended the deadline to respond to May 19, 2004.

[19] No reply was received, and this lawsuit was commenced in May, 2004

[20] The Defendants continued their unauthorized use of the Works. The Plaintiffs have elected to seek statutory damages and other ancillary relief.

ISSUES

[21] The Plaintiffs submit the following issues on this motion:

1. Is there a genuine issue for trial with respect to the Defendants' liability to the Plaintiffs or the sustainability of Mcue's Counterclaim against the Plaintiffs?
2. What damages and other relief are appropriate in the circumstances?

STATUTORY PROVISIONS

[22] The following provisions of the *Copyright Act*, above, are applicable in these proceedings:

3. (1) For the purposes of this Act, “copyright”, in relation to a work, means the sole right to produce or reproduce the work or any substantial part thereof in any material form whatever, to perform the work or any substantial part thereof in public or, if the work is unpublished, to publish the work or any substantial part thereof, and includes the sole right

(a) to produce, reproduce, perform or publish any translation of the work,

(b) in the case of a dramatic work, to convert it into a novel or other non-dramatic work,

(c) in the case of a novel or other non-dramatic work, or of an artistic work, to convert it into a dramatic work, by way of performance in public or otherwise,

(d) in the case of a literary, dramatic or musical work, to make any sound recording,

3. (1) Le droit d’auteur sur l’oeuvre comporte le droit exclusif de produire ou reproduire la totalité ou une partie importante de l’oeuvre, sous une forme matérielle quelconque, d’en exécuter ou d’en représenter la totalité ou une partie importante en public et, si l’oeuvre n’est pas publiée, d’en publier la totalité ou une partie importante; ce droit comporte, en outre, le droit exclusif :

a) de produire, reproduire, représenter ou publier une traduction de l’oeuvre;

b) s’il s’agit d’une oeuvre dramatique, de la transformer en un roman ou en une autre oeuvre non dramatique;

c) s’il s’agit d’un roman ou d’une autre oeuvre non dramatique, ou d’une oeuvre artistique, de transformer cette oeuvre en une oeuvre dramatique, par voie de représentation publique ou autrement;

d) s’il s’agit d’une oeuvre littéraire, dramatique ou musicale, d’en faire un

cinematograph film or other contrivance by means of which the work may be mechanically reproduced or performed,	enregistrement sonore, film cinématographique ou autre support, à l'aide desquels l'oeuvre peut être reproduite, représentée ou exécutée mécaniquement;
(e) in the case of any literary, dramatic, musical or artistic work, to reproduce, adapt and publicly present the work as a cinematographic work,	e) s'il s'agit d'une oeuvre littéraire, dramatique, musicale ou artistique, de reproduire, d'adapter et de présenter publiquement l'oeuvre en tant qu'oeuvre cinématographique;
(f) in the case of any literary, dramatic, musical or artistic work, to communicate the work to the public by telecommunication,	f) de communiquer au public, par télécommunication, une oeuvre littéraire, dramatique, musicale ou artistique;
(g) to present at a public exhibition, for a purpose other than sale or hire, an artistic work created after June 7, 1988, other than a map, chart or plan,	g) de présenter au public lors d'une exposition, à des fins autres que la vente ou la location, une oeuvre artistique — autre qu'une carte géographique ou marine, un plan ou un graphique — créée après le 7 juin 1988;
(h) in the case of a computer program that can be reproduced in the ordinary course of its use, other than by a reproduction during its execution in conjunction with a machine, device or computer, to rent out the computer program, and	h) de louer un programme d'ordinateur qui peut être reproduit dans le cadre normal de son utilisation, sauf la reproduction effectuée pendant son exécution avec un ordinateur ou autre machine ou appareil;
(i) in the case of a musical work, to rent out a sound recording in which the work is embodied, and to authorize any such acts	i) s'il s'agit d'une oeuvre musicale, d'en louer tout enregistrement sonore. Est inclus dans la présente définition le droit exclusif

d'autoriser ces actes.

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27. (1) It is an infringement of copyright for any person to do, without the consent of the owner of the copyright, anything that by this Act only the owner of the copyright has the right to do.

27. (1) Constitue une violation du droit d'auteur l'accomplissement, sans le consentement du titulaire de ce droit, d'un acte qu'en vertu de la présente loi seul ce titulaire a la faculté d'accomplir.

Secondary infringement

Violation à une étape ultérieure

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

(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) sell or rent out,

a) la vente ou la location;

(b) distribute to such an extent as to affect prejudicially the owner of the copyright,

b) la mise en circulation de façon à porter préjudice au titulaire du droit d'auteur;

(c) by way of trade distribute, expose or offer for sale or rental, or exhibit in public,

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) possess for the purpose of doing anything referred to in paragraphs (a) to (c), or

d) la possession en vue de l'un ou l'autre des actes visés aux alinéas a) à c);

(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 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.

e) l'importation au Canada en vue de l'un ou l'autre des actes visés aux alinéas a) à c).

Copyright

Droit d'auteur

34. (1) Where copyright has been infringed, the owner of the copyright is, subject to this Act, entitled to all remedies by way of injunction, damages, accounts, delivery up and otherwise that are or may be conferred by law for the infringement of a right.

34. (1) En cas de violation d'un droit d'auteur, le titulaire du droit est admis, sous réserve des autres dispositions de la présente loi, à exercer tous les recours — en vue notamment d'une injonction, de dommages-intérêts, d'une reddition de compte ou d'une remise — que la loi accorde ou peut accorder pour la violation d'un droit.

Moral rights

Droits moraux

(2) In any proceedings for an infringement of a moral right of an author, the court may grant to the author or to the person who holds the moral rights by virtue of subsection 14.2(2) or (3), as the case may be, all remedies by way of

(2) Le tribunal, saisi d'un recours en violation des droits moraux, peut accorder à l'auteur ou au titulaire des droits moraux visé au paragraphe 14.2(2) ou (3), selon le cas, les réparations qu'il pourrait accorder, par

injunction, damages, accounts, delivery up and otherwise that are or may be conferred by law for the infringement of a right.

voie d'injonction, de dommages-intérêts, de reddition de compte, de remise ou autrement, et que la loi prévoit ou peut prévoir pour la violation d'un droit.

Costs

Frais

(3) The costs of all parties in any proceedings in respect of the infringement of a right conferred by this Act shall be in the discretion of the court.

(3) Les frais de toutes les parties à des procédures relatives à la violation d'un droit prévu par la présente loi sont à la discrétion du tribunal.

Summary proceedings

Requête ou action

(4) The following proceedings may be commenced or proceeded with by way of application or action and shall, in the case of an application, be heard and determined without delay and in a summary way:

(4) Les procédures suivantes peuvent être engagées ou continuées par une requête ou une action :

(a) proceedings for infringement of copyright or moral rights;

a) les procédures pour violation du droit d'auteur ou des droits moraux;

(b) proceedings taken under section 44.1, 44.2 or 44.4; and

b) les procédures visées aux articles 44.1, 44.2 ou 44.4;

(c) proceedings taken in respect of
(i) a tariff certified by the Board under Part VII or VIII, or
(ii) agreements referred to in section 70.12.

c) les procédures relatives aux tarifs homologués par la Commission en vertu des parties VII et VIII ou aux ententes visées à l'article 70.12.
Le tribunal statue sur les requêtes sans délai et suivant une procédure sommaire.

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Liability for infringement

35. (1) Where a person infringes copyright, the person is liable to pay such damages to the owner of the copyright as the owner has suffered due to the infringement and, in addition to those damages, such part of the profits that the infringer has made from the infringement and that were not taken into account in calculating the damages as the court considers just.

Proof of profits

(2) In proving profits,
(a) the plaintiff shall be required to prove only receipts or revenues derived from the infringement; and
(b) the defendant shall be required to prove every element of cost that the defendant claims.

Statutory damages

38.1 (1) Subject to this section, a copyright owner may elect, at any time before final judgment is rendered, to recover, instead of damages and profits referred to in subsection 35(1), an award of statutory damages for all infringements involved in the proceedings, with respect to any one work or other subject-matter, for which any one

Violation du droit d'auteur : responsabilité

35. (1) Quiconque viole le droit d'auteur est passible de payer, au titulaire du droit qui a été violé, des dommages-intérêts et, en sus, la proportion, que le tribunal peut juger équitable, des profits qu'il a réalisés en commettant cette violation et qui n'ont pas été pris en compte pour la fixation des dommages-intérêts.

Détermination des profits

(2) Dans la détermination des profits, le demandeur n'est tenu d'établir que ceux provenant de la violation et le défendeur doit prouver chaque élément du coût qu'il allègue.

Dommages-intérêts préétablis

38.1 (1) Sous réserve du présent article, le titulaire du droit d'auteur, en sa qualité de demandeur, peut, avant le jugement ou l'ordonnance qui met fin au litige, choisir de recouvrer, au lieu des dommages-intérêts et des profits visés au paragraphe 35(1), des dommages-intérêts préétablis dont le montant, d'au

infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than \$500 or more than \$20,000 as the court considers just.

moins 500 \$ et d'au plus 20 000 \$, est déterminé selon ce que le tribunal estime équitable en l'occurrence, pour toutes les violations — relatives à une oeuvre donnée ou à un autre objet donné du droit d'auteur — reprochées en l'instance à un même défendeur ou à plusieurs défendeurs solidairement responsables.

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Factors to consider

Facteurs

(5) In exercising its discretion under subsections (1) to (4), the court shall consider all relevant factors, including

(5) Lorsqu'il rend une décision relativement aux paragraphes (1) à (4), le tribunal tient compte notamment des facteurs suivants :

(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; and

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.

c) la nécessité de créer un effet dissuasif à l'égard de violations éventuelles du droit d'auteur en question.

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Exemplary or punitive damages not affected

Dommages-intérêts exemplaires

(7) An election under subsection (1) does not affect any right that the copyright owner may have to exemplary or punitive damages.

(7) Le choix fait par le demandeur en vertu du paragraphe (1) n'a pas pour effet de supprimer le droit de celui-ci, le cas échéant, à des

dommages-intérêts exemplaires
ou punitifs.

PLAINTIFFS' ARGUMENTS

[23] The Plaintiffs submit that no genuine issue for trial has been presented in this case.

[24] Section 3(1) of the *Copyright Act* states that the copyright holder has exclusive rights to reproduce or perform a work, or to authorize others to do so. Accordingly, it is an infringement of copyright for any person (other than the copyright holder) to undertake such activities without consent of the owner.

[25] The unauthorized presentation of a work in a commercial establishment is an infringement of the copyright holder's right to perform the work in public. See *Interbox Promotion Corp. v. 9012-4314 Quebec Inc.*, 2003 FC 1254, [2003] F.C.J. No. 1581 and *NFL Enterprises L.P. v. 1019491 Ontario Ltd. (c.o.b. Wrigley's Field Sports Bar & Grill)*, [1998] F.C.J. No. 1063, 85 C.P.R. (3d) 328.

[26] In this case, the Defendants have – intentionally, and for profit – violated the Plaintiffs' copyright interests. The Plaintiffs submit that the Defendants have

wilfully and deliberately imported or otherwise acquired, produced, reproduced, publicly performed, published, communicated, exhibited, distributed or otherwise commercially exploited the Works... and purported to authorize, license and permit the exhibition and public performance of the Works...by the customers of Mcue.

[27] Furthermore, the Defendants continued to perform these acts, without the Plaintiffs' authorization, despite the express notice given by the Plaintiffs with regard to their exclusive copyright interests in the Works. The Defendants' actions violate sections 3(1) and 27 of the *Copyright Act*.

[28] The Plaintiffs submit that the Defendants were advised of the Plaintiffs' copyright rights and recognized the need for their infringing activity to be licensed. Nonetheless, the Defendants refused to enter into a license agreement with the Plaintiffs or to remove the Works from their karaoke system.

[29] Both individual Defendants in this instance, Lee and Lo, authorized and directed these infringing acts. As such, they are personally liable for the copyright infringements that have occurred. See *Microsoft Corp. v. 1276916 Ontario Ltd.*, 2009 FC 849, [2009] F.C.J. No. 1023 at paragraph 50.

[30] The Defendants have economically benefited from the infringement of the Plaintiffs' copyright interests. The Plaintiffs contend that the Defendants are in possession of records which inform of the "precise amount of money the Defendants have received as a result of their unauthorized importation, distribution, reproduction, publication, exhibition, performance and/or other commercial exploitation of the Works."

[31] Recent Federal Court decisions concerning copyright infringement arising from the sale of counterfeit products have resulted in the Court awarding significant sums. In some cases, damages at the highest end of the scale per copyright infringed have been awarded (\$20,000). For examples of awards granted by the Court, see *Microsoft Corporation v. 9038-3746 Quebec Inc.*, 2006 FC 1509, [2006] F.C.J. No. 1965, at paragraphs 105-115 (*9038-3746 Quebec*)(where the Court awarded \$20,000 for each of the twenty-five copyrights infringed), *L.S. Entertainment Group Inc. v. Formosa Video (Canada) Ltd.*, 2005 FC 1347, [2005] F.C.J. No. 1643 (*Formosa*) (where the Court awarded \$1,000 for each of the fourteen films seized), *Film City Entertainment Ltd. v. Golden Formosa Entertainment Ltd.*, 2006 FC 1149, [2006] F.C.J. No. 1514, (*Film City*) (where the Court awarded \$5,000 for infringement of copyright in one movie), and *Telewizja Polsat S.A. v. Radiopol Inc.*, 2006 FC 584, [2006] F.C.J. No. 738 (*Radiopol*) (where the Court awarded \$150.00 for each of the two-thousand-and-nine copies).

[32] The Plaintiffs submit that the fact that the same defendant is exposed to multiple judgments for minimum damages does not change each Plaintiffs' entitlement to judgment for the appropriate minimum amount. Indeed, the Plaintiffs contend that "the increased exposure is a result of the Defendant's conduct, not the Plaintiff[s]". See, for example, *Oakley, Inc. v. Jane Doe*, [2000] F.C.J. No. 1388, 193 F.T.R. 42 at paragraph 13.

[33] Section 38.1(7) authorizes an award of punitive or exemplary damages in situations where statutory damages have been elected. See *1276916 Ontario Ltd.*, above, at paragraphs 45-49.

[34] The Federal Court has taken, in the words of the Plaintiffs, “a very dim view” of defendants who continue to infringe intellectual property rights once they have been notified of the infringement. See, for example, *Louis Vuitton Malletier S.A. v. Lin*, 2007 FC 1179, [2007] F.C.J. No. 1528 at paragraphs 45-53, (*Louis Vuitton*) and *1276916 Ontario Ltd.*, above, at paragraphs 44-49.

[35] Exemplary damages may be appropriate to punish a defendant and deter similar conduct in the future where the defendant flagrantly disregards the plaintiff’s intellectual property rights despite express notice of such rights. See, for example, *Profekta International Inc. v. Lee*, [1997] F.C.J. No. 527, 214 N.R. 309 and *Louis Vuitton Malletier S.A. v. 486353 B.C. Ltd.*, 2008 BCSC 799, [2008] B.C.J. No. 1158 at paragraphs 89-91 (*486353 B.C. Ltd.*).

[36] Furthermore, the Plaintiffs submit that costs on a solicitor-client scale are warranted where such “blatant illegal activities,” such as those in the case at hand, are present. See, for example, *Microsoft Corp v. 9038-3746 Quebec Inc.*, 2007 FC 659, [2007] F.C.J. No. 896 and *486353 B.C. Ltd.*, above, at paragraphs 92-95.

[37] Accordingly, the Plaintiffs submit that summary judgment against the Defendants should be granted for statutory damages, punitive and exemplary damages, injunctive relief as well as solicitor-client costs.

ANALYSIS

[38] The Defendants have provided no materials in response to this motion. At the hearing itself on March 30, 2010, Mr. Vitus Wai-Kwan Lee appeared at the hearing but, in the absence of a Defendant's record, was not able to render the Court any meaningful assistance or refute the evidence and arguments advanced by the Plaintiffs. Consequently, there is nothing before me that calls into question the accuracy or truthfulness of the account of this dispute found in the Plaintiffs' materials.

[39] The Plaintiffs have clearly established a case for summary judgment under the Rules and the Defendants have not demonstrated that there is any genuine issue for trial. In fact, the Defendants have not even attempted to establish a genuine issue for trial.

[40] The evidence shows clear copyright ownership in the Works by the Plaintiff Record Labels, and a clear line of licencing rights between the Plaintiff Record Labels, TCW and EGI-Canada for the exploitation of the Works in Canada. The evidence also establishes both primary and secondary infringement by all of the Defendants by way of reproduction, performance, importation and authorization. The only matter that requires deliberation by the Court in this instance is the relief sought by the Plaintiffs.

[41] The declaratory and injunctive relief sought is unexceptional and clearly appropriate on the facts of this case. The Plaintiffs, however, are also claiming statutory damages, punitive and exemplary damages, as well as costs and disbursements.

STATUTORY DAMAGES

[42] The Plaintiffs have elected to seek statutory damages on the basis of \$20,000 for each title infringed for a total of \$140,000.00.

[43] The Plaintiffs have established a right to statutory damages under section 38.1 of the *Copyright Act* for each of the Works. This section authorizes the Court to award statutory damages “in a sum of not less than \$500 or more than \$20,000 as the Court considers just”

[44] In exercising its discretion to award appropriate statutory damages, subsection 38.1(5) of the *Copyright Act* directs the Court to consider “all relevant factors,” including the following:

- i. the good faith or bad faith of the defendant;
- ii. the conduct of the parties before and during the proceedings; and
- iii. the need to deter other infringements of the copyright in question.

[45] In deciding the appropriate level of statutory damages to award in this case, I believe the following facts to be relevant and highly material:

- i. The evidence clearly establishes both primary and secondary infringement of the Works on an ongoing basis;
- ii. There is also clear evidence that the Defendants knew they were infringing. They were provided with at least six cease and desist letters and they had the benefit of legal advice from qualified counsel;
- iii. The Defendants were first contacted in 2003. The Plaintiffs' rights and the nature of the problem were clearly explained to them. Notwithstanding repeated efforts by the Plaintiffs to have the Defendants either cease their infringing activities or enter into typical licence agreements for the use of the Works, the Defendants have simply continued their infringing activities. There is nothing to suggest that they have ceased this conduct at the time of the hearing in 2010. So, there has been a continuing pattern of infringement and a knowing abuse of the Plaintiffs' rights over a considerable period of time during which lawyers have been involved and the Defendants cannot have been in any doubt as to the legal implications of what they were doing;
- iv. As well as the Works that have been identified and used as an efficient way to bring this action and deal with the problem caused by the Defendants' infringing conduct, there is also evidence of much more widespread infringement by the Defendants and abuse of the Plaintiffs' rights in hundreds of other works;
- v. Although the Defendants denied the Plaintiffs' ownership of copyright in the Works, and denied infringement in their Statement of Defense and Counterclaim, there were no real grounds for such a denial. In effect, knowing full well what they have been

doing in terms of infringement, the Defendants have simply stonewalled and have put the Plaintiffs to a significant amount of trouble and expense in asserting their rights in a situation where there was no real doubt that infringement was taking place. In fact, the Defendants have not even bothered to file a record for this summary judgment motion, and the Court can only assume that they have nothing to say by way of defence or mitigation for their continuing conduct in knowingly infringing the Plaintiffs' rights;

vi. There was no compulsion on the Defendants to enter into a license arrangement they could not afford. There is nothing before the Court to suggest that the Defendants could not afford the appropriate license fee. In any event, if they did not wish to enter into licensing arrangements, all the Defendants had to do was cease the infringing activity. What the Defendants chose to do, instead, with a full knowledge of the legal implications of their conduct, was to resist licencing arrangements and continue their infringing activity. And they have done this repeatedly over a significant number of years. The Plaintiffs have also repeatedly attempted in good faith to resolve the problem to avoid unnecessary legal costs for both sides by putting forward reasonable licencing arrangements and asking the Defendants to stop their infringing activity. The Defendants have simply insisted upon having the best of both worlds: they have knowingly infringed the Plaintiffs' rights in making money in their business and have refused to pay a licencing fee.

[46] The above facts demonstrate extreme bad faith on the part of the Defendants, inexcusable conduct by the Defendants both before and during the proceedings, and a need for the Court to impose a significant sanction to both deter the Defendants and anyone else who might attempt to make money by ignoring and discounting clearly established rights in copyrighted works. The Defendants have knowingly engaged in a course of conduct that has left the Plaintiffs with no alternative but to expend significant time and resources to assert their rights in the Works. The Defendants have offered no acceptable justification for their conduct in this matter. Their approach has been to put the Plaintiffs to as much trouble and expense as possible so that the Defendants can continue to use the Plaintiffs' works and rights in their business for as long as possible without any payment for that use. This is deplorable conduct and a deplorable attitude towards the rights of others for purposes of economic gain. It has to be deterred in no uncertain terms.

[47] As the recent case law cited by the Plaintiffs shows, this Court has been willing to award significant sums by way of summary damages in order to compensate the Plaintiffs and sanction the kind of conduct evident on the facts of the present case. In assessing the appropriate level of damages in this case, I have paid particular attention to the following decisions: *9038-3746 Quebec*, above, *Formosa*, above, *Film City*, above, *Radiopol*, above, *Louis Vuitton*, above, *1276916 Ontario Ltd.*, above, *Microsoft v. P.C. Village Co. Ltd.*, 2009 FC 401, [2009] F.C.J. No. 495.

[48] The one factor that deters me from awarding the maximum \$20,000 per work on the present facts is that, unlike Justice Harrington's decision in *9038-3746 Quebec*, above, and Justice Snider's decision in *Louis Vuitton*, above, there have been no previous Court orders that the Defendants have

disregarded and the Plaintiffs have been able to establish their case by summary judgment. On the other hand, the Defendants have knowingly traded on the Plaintiffs' rights for years and have shown a cavalier and contemptuous attitude in face of the Plaintiffs' good faith efforts to assert their rights and legitimize the Defendants' conduct. My feeling is that \$15,000 per infringed Work for a total statutory damages award of \$105,000.00 is the appropriate sum in the context of this case.

Punitive and Exemplary Damages

[49] There is no statutory impediment to assessing and awarding exemplary or punitive damages in addition to statutory damages and, as the case law already referred to makes clear, this Court has been willing to award such damages where the facts warrant such an award.

[50] As Justice Snider pointed out in *Louis Vuitton*:

46 The leading case on punitive damages is the Supreme Court decision in *Whiten v. Pilot Insurance Co.*, [2002] 1 S.C.R. 595. As stated by Justice Binnie, punitive damages will be awarded against a defendant... in exceptional cases for "malicious, oppressive and high-handed" misconduct that "offends the court's sense of decency": *Hill v. Church of Scientology of Toronto*, [1995] 2 S.C.R. 1130, at para. 196. The test thus limits the award to misconduct that represents a marked departure from ordinary standards of decent behaviour. Because their objective is to punish the defendant rather than compensate a plaintiff (whose just compensation will already have been assessed), punitive damages straddle the frontier between civil law (compensation) and criminal law (punishment) (*Whiten*, above at para. 36).

47 Justice Binnie also developed general principles in *Whiten* relating to punitive damages. As summarized by the Nova Scotia Supreme Court in *2703203 Manitoba Inc. v. Parks*, 47 C.P.R. (4th)

276 at para. 38 (rev'd in part 57 C.P.R. (4th) 391 (N.S.C.A.)), the relevant factors to consider are as follows:

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 its misconduct;

The defendant's awareness that what he or she was doing was wrong; and

Whether the defendant profited from its misconduct.

[51] On the evidence before me in this motion, the following facts are evident:

- i. The conduct of the Defendants in exploiting the Plaintiffs' copyright interests in the Works for gain was planned and deliberate;
- ii. The intent of the Defendants was to make money from the exploitation of the Plaintiffs' rights in the course of their business without having to pay an appropriate licence fee for the right to do so;
- iii. The Defendants have cavalierly persisted in such conduct over a lengthy period of time in face of the Plaintiffs' good faith efforts to resolve the problem;
- iv. Concealment has occurred and the Plaintiffs have been forced to initiate clandestine investigations to ascertain the nature and extent of the infringing activity;
- v. The Defendants have known that what they were doing was both wrong and a breach of the Plaintiffs' rights as shown in the correspondence between lawyers and attempts at

resolution that the Defendants have ostensibly entertained while, in fact, ignoring the problem and continuing with the infringing activity;

vi. The Defendants have deliberately refrained from filing materials that will show the extent of the profit they have made from their infringing activities. The Court must draw a negative inference from this fact, and it must be assumed that there could be no reason for the Defendants continued use and exploitation of the Plaintiffs' rights in the conduct of their business over a number of years if they were not making a profit.

[52] All in all, I think the facts clearly establish a malicious and high-handed disregard of the Plaintiffs' rights over a significant period of time and that an award of punitive damages is justified.

[53] As Justice Binnie pointed out in *Whiten*, above, an award of punitive damages must be proportionate to the end sought to be achieved. The high-handed disregard for the Plaintiffs' rights over a significant period of time warrants a significant punitive award in this case. After initially denying the Plaintiffs' rights and infringement in their Statement of Defence and Counterclaim, the Defendants were educated to the full extent of the situation but continued to force the Plaintiffs to assert their rights in Court. The Defendants have provided nothing by way of acceptable materials and proof to explain, justify, or mitigate the malicious nature of their conduct. They have failed to put their best foot forward in this motion and have simply continued to force upon the Plaintiffs the trouble and expense of asserting rights in Court that were demonstrated to the Plaintiffs long ago.

The only apparent reason for such a course of conduct was to stonewall while they continued to exploit the Plaintiffs' rights in their business without the payment of a licence fee.

[54] As Justice Snider observed in *Louis Vuitton* in awarding \$100,000 in punitive damages, "an award of \$100,000 is well within the range awarded in the post-*Whiten* cases of *Evocation Publishing Corp. v. Hamilton* (2002), 24 C.P.R. (4th) 52 (B.C.S.C.) and *Microsoft Corp 1*."

[55] I regard the sum of \$100,000 for punitive or exemplary damages as being justified on the record before me.

Solicitor-Client Costs

[56] The Plaintiffs are seeking solicitor-client costs for the action and this motion on a lump-sum basis.

[57] Rule 400(1) of the *Federal Courts Rules* gives the Court a discretionary power to award solicitor-client costs where a party has displayed reprehensible, scandalous and outrageous conduct. See *Louis Vuitton*, above, at paragraphs 54-55.

[58] As I have already discussed, the evidence before me suggests that the Defendants have knowingly and intentionally infringed the Plaintiffs' intellectual property rights over a long period of time and have, for no acceptable reason, forced the Plaintiffs to undertake the action and this

motion simply to forestall having to pay a licence fee for the right to exploit the Plaintiffs' intellectual property rights in their business. This conduct requires rebuke and, in my view, is reprehensible, scandalous and outrageous.

[59] I also note that the Plaintiffs provided the Defendants with an all-inclusive offer to settle this matter for \$70,000 back in August of 2005. The Defendants refused the offer and have continued their infringing conduct. \$70,000 is significantly less than the damages I have decided are appropriate on this motion.

[60] In short, I am satisfied that a lump-sum award of solicitor-client costs is warranted in this case together with disbursements.

JUDGMENT

THIS COURT ORDERS AND ADJUDGES that

1. **THIS MOTION** made by the Plaintiffs/Defendants by Counterclaim for Summary Judgment against the Defendants/Plaintiffs by Counterclaim was heard at 180 Queen Street West, Toronto, Ontario;
2. **ON READING** the Plaintiffs' Motion Record, (volumes I, II and III), the Plaintiffs' Supplementary Motion Record, Memorandum of Fact and Law and Authorities, and on hearing submissions of the lawyer for the Plaintiffs, and none of the Defendants having filed responding Motion materials, although the Defendant, Vitus Wai-Kwan Lee, appeared in person and made submissions, and no one appearing for the Defendants, Mcue Enterprise Corp., d/b/a/ Di Da Di Karaoke Company and Yuk Shi (Tom) Lo, although properly served as appears from the Affidavit of Sandra Napier, filed,

THIS COURT ORDERS AND DECLARES that the Defendants' (including where applicable, their officers, directors, servants, employees or agents) reproduction, publishing, performing publicly and/or authorizing the reproduction, duplication, publication or public performance for profit of one or more of the copyrighted audio-visual works listed in Schedules

“A” and “B” to the Amended Statement of Claim incorporated herein by reference (the “Works”) without the Plaintiffs’ authorization constitutes an infringement of the Plaintiffs’ copyright rights in the Works;

THIS COURT ORDERS AND ADJUDGES that the Defendants (including where applicable, their officers, directors, servants, employees or agents) be and are permanently restrained and enjoined from directly or indirectly reproducing or duplicating, publishing, publicly performing and/or authorizing the reproduction, duplication, publication or public performance of any one or more of the Works without the Plaintiffs’ authorization;

THIS COURT ORDERS AND ADJUDGES that the Defendants, jointly and severally, be and are hereby required to destroy all copies of the Works in their possession, custody, power or control in whatever form maintained and deliver up all related materials in their possession, custody, power or control in whatever form maintained within seven (7) days of the date of this Order and file with this Court, with a copy of the Plaintiffs’ counsel, a sworn Affidavit evidencing compliance with this paragraph;

THIS COURT ORDERS AND ADJUDGES that the Defendants, jointly and severally, shall pay statutory damages pursuant to section 38.1 of the *Copyright Act*, to the Plaintiffs for infringement of copyright in the following Works:

Registration #	Title
1015859	Loving You While Walking

1015848	Kite and Wind (Karaoke Version)
1015846	The Next Stop: Tin Hau (Karaoke Version)
1015839	1874 (Karaoke Version)
1015831	Marriage Will Follow After Many Years (Karaoke Version)
1015183	Hero (Karaoke Version)

Chinese Title

English Translation

戀上你的床

Falling In Love With Your Bed

in the total amount of \$105,000.00, calculated on the basis of statutory damages of \$15,000.00 per work infringed;

THIS COURT ORDERS AND ADJUDGES that the Defendants, jointly and severally, shall pay to the Plaintiffs punitive and exemplary damages in the amount of \$100,000.00;

THIS COURT ORDERS AND ADJUDGES that the Defendants' Counterclaim be and is hereby dismissed;

THIS COURT ORDERS AND ADJUDGES that the Defendants, jointly and severally, shall pay the Plaintiffs' costs of this motion and the action on a substantial indemnity basis fixed in the amount of \$53,000.00 plus G.S.T. in the amount of \$2,650.00 for a total of \$55,650.00, and

disbursements in the amount of \$2,548.93, plus G.S.T. in the amount of \$107.57 for a total of \$2,655.50 for disbursements.

THIS JUDGMENT shall bear interest at the rate of 2.0% per annum.

“James Russell”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1009-04

STYLE OF CAUSE: ENTRAL GROUP INTERNATIONAL INC., TC WORLDWIDE LTD., UNIVERSAL MUSIC LIMITED, EMI GROUP HONG KONG LIMITED, EMPEROR ENTERTAINMENT (HONG KONG) LIMITED, GO EAST ENTERTAINMENT COMPANY LIMITED and its subsidiary WHAT'S MUSIC INTERNATIONAL (HONG KONG) LIMITED, CINEPOLY RECORD CO., WARNER MUSIC HONG KONG LTD.

Plaintiffs

and

MCUE ENTERPRISE CORP., d/b/a/ DI DA DI KARAOKE COMPANY, VITUS WAI-KWAN LEE, YUK SHI (TOM) LO

Defendants

AND BETWEEN:

MCUE ENTERPRISE CORP., d/b/a/ DI DA DI KARAOKE COMPANY,

Plaintiff by Counterclaim

and

ENTRAL GROUP INTERNATIONAL INC., TC WORLDWIDE LTD., UNIVERSAL MUSIC LIMITED, EMI GROUP HONG KONG LIMITED, EMPEROR ENTERTAINMENT (HONG KONG) LIMITED, GO EAST ENTERTAINMENT COMPANY LIMITED and its subsidiary WHAT'S MUSIC INTERNATIONAL (HONG KONG) LIMITED, CINEPOLY RECORD CO., WARNER MUSIC HONG KONG LTD.

Defendants by Counterclaim

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: March 30, 2010

**REASONS FOR
Judgment and Judgment:**

RUSSELL J.

DATED:

June 3, 2010

APPEARANCES:

Thomas M. Slahta

FOR THE PLAINTIFFS

Vitus Wai-Kwan Lee

FOR THE DEFENDANTS

SOLICITORS OF RECORD:

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Toronto, ON

FOR THE PLAINTIFFS

Vitus Wai-Kwan Lee
Burnaby, British Columbia

FOR THE DEFENDANTS