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Voltage Pictures, LLC, Cobbler Nevada, LLC, PTG Nevada, LLC, Clear Skies Nevada, LLC, Glacier Entertainment S.A.R.L. of Luxembourg, Glacier Films 1, LLC, and Fathers & Daughters Nevada, LLC (*Applicants*)

v.

Robert Salna, James Rose and Loredana Cerilli, Proposed Representative Respondents on Behalf of a Class of Respondents (*Respondents*)

and

Samuelson-Glushko Canadian Internet Policy & Public Interest Clinic, Bell Canada, Cogeco Connexion Inc., Rogers Communications Canada Inc., SaskTel, Telus Communications Inc., Videotron Ltd., and Xplore Inc. (*Interveners*)

INDEXED AS: VOLTAGE PICTURES, LLC v. SALNA

Federal Court, Fothergill, J.—Toronto, April 20–21; Ottawa, June 26, 2023.

Practice — Class proceedings — Motion seeking certification of “reverse” class proceeding against 874 unknown class members whose Internet Protocol (IP) addresses were allegedly used to upload, download films produced by applicants without authorization — Applicants alleging copyright infringement with respect to five films — Obtained Norwich order revealing that proposed representative respondent’s IP address was used to upload all five works — Federal Court dismissed applicants’ first motion for certification of class proceeding, finding that applicants failed to meet any part of conjunctive test for certification — Federal Court of Appeal allowed applicants’ appeal of that decision in part, finding that applicants met first three parts of certification test, i.e. reasonable cause of action, identifiable class of two or more persons, common issues — Directed that certification motion be returned to Federal Court for reconsideration of preferable procedure, suitable class representative — Applicants brought second certification motion — Proposed representative respondent objected to being named representative respondent — Argued no incentive for him to defend proceeding on behalf of all respondent class members, no mechanism to ensure payment of class counsel’s fees, disbursements — Noted that class members may opt out in sufficient numbers to undermine viability of class proceeding altogether — Interveners maintained, inter alia, that applicants’ proposed use of notice-and-notice regime in Copyright Act to require Internet service providers (ISPs) to inform class members of class action, subsequent steps in proceeding not authorized by statute, therefore illegal — Whether proposed class action preferable procedure; whether proposed representative respondent suitable — Applicants demonstrated “some basis in fact” for conclusion that class proceeding preferable procedure — Class proceeding

*alleviating risk of inconsistent judgments — Permitting determination of common issues based upon single set of pleadings — Enabling respondent class members to pool resources to fund defence, advance coordinated position with assistance of class counsel — Allowing respondents to benefit from higher degree of anonymity — Any settlement in reverse class proceeding having to be approved by Court — This being important safeguard against “copyright trolling” — Speculative concerns about potential for different fact scenarios not outweighing benefits of reverse class action herein — Class proceeding may be adjusted or ultimately decertified pursuant to Federal Courts Rules (Rules), r. 334.19 if unmanageable — Subject to reasonable assurance of funding for class counsel, representative respondent suitable — Fact that funding of class counsel not sufficiently addressed in litigation plan not in itself barrier to appointing reluctant representative respondent shown to be capable of vigorously, fairly defending interests of class as whole — Risk that class members may opt out in sufficient numbers to undermine viability of proceeding speculative — Little scope for Federal Court to refuse certification on ground that respondent class may be too small to be viable — Federal Court of Appeal in *Salna v. Voltage Pictures, LLC* noting that ability to opt-out of class proceeding codified in Rules, rr. 334.17(1)(f), 334.21, not reason to refuse certification — Such concerns may be addressed through case management as they arise — That said, Applicants’ proposed use of notice-and-notice regime to notify class members was contrary to Copyright Act, s. 41.25(3), rendering litigation plan unworkable — Litigation plan not setting out workable method of advancing proceeding on behalf of class and of notifying class Members of how proceeding progressing — Notice-and-notice regime under Copyright Act cannot be used to notify ISPs’ subscribers of certification of class action or subsequent steps in proceeding — Cannot be used to provide subscribers opportunity to opt out of proceeding in exchange for proof of ceasing to infringe or mitigating damages — Proposed class action could thus not be certified — Applicants remaining at liberty to present revised litigation plan addressing principal deficiencies identified herein, namely funding of class counsel, method of identifying, communicating with respondent class members — Motion dismissed with leave to amend.*

*Copyright — Practice — Certification of “reverse” class proceeding sought against unknown class members whose Internet Protocol (IP) addresses were allegedly used to upload, download films produced by applicants without authorization — Applicants alleging copyright infringement with respect to five films — Proposed representative respondent’s IP address was used to upload all five works — Applicants brought motion for certification of class proceeding — Interveners maintained, inter alia, that applicants’ proposed use of notice-and-notice regime in Copyright Act to require Internet service providers (ISPs) to inform class members of class action, subsequent steps in proceeding not authorized by statute, therefore illegal — Notice-and-notice regime under Copyright Act cannot be used to notify ISPs’ subscribers of certification of class action or subsequent steps in proceeding — Cannot be used to provide subscribers opportunity to opt out of proceeding in exchange for proof of ceasing to infringe or mitigating damages — Applicants’ proposed use of notice-and-notice regime contrary to Copyright Act, s. 41.25(3) — Proposed “Certification Notice” containing prohibited text that cannot be sent pursuant to notice-and-notice regime — “Notice of claimed infringement” in Copyright Act must be given limited meaning — Copyright Act, s. 41.25(2) prescribing what information notice must contain, while s. 41.26(1) drawing clear distinction between anonymized notice of alleged infringement, subsequent litigation — Data retention required only to create record that “could be used if court proceedings were to follow at some time in the future” — Notice-and-notice provisions of Copyright Act not imposing duty on ISPs to take active steps to stop or limit acts of copyright infringement — If Parliament had intended ISPs to do so, or for notices to include information about legal proceedings, or for notices to attach legal process or court documents, then it would have done so explicitly — Applicants’ proposed use of notice-and-notice scheme as litigation support tool representing departure from two purposes identified by Supreme Court in *Rogers Communications Inc v. Voltage Pictures, LLC*, i.e. to deter online copyright infringement, to balance rights of interested parties — Applicants’ litigation plan changing deterrence function to one of enforcement, thereby disrupting regime’s balance — Supreme Court’s language mandatory: copyright owner wishing to sue person alleged to have infringed copyright online must obtain Norwich order to compel ISP to disclose that person’s identity — Statutory notice-and-notice regime not displacing this requirement.*

STATUTES AND REGULATIONS CITED

Canada Labour Code, R.S.C., 1985, c. L-2.

Copyright Act, R.S.C., 1985, c. C-42, ss. 41.25, 41.26.

Federal Courts Rules, SOR/98-106, rr. 3, 334.16, 334.17(1)(f), 334.19, 334.21, 334.39, 400(4).

CASES CITED

DISTINGUISHED:

Friends of the Oldman River Society v. Canada (Minister of Transport), [1992] 1 S.C.R. 3.

CONSIDERED:

Salna v. Voltage Pictures, LLC, 2021 FCA 176, [2022] 1 F.C.R. 452; *Rogers Communications Inc. v. Voltage Pictures, LLC*, 2018 SCC 38, [2018] 2 S.C.R. 643; *Voltage Pictures, LLC v. Salna*, 2019 FC 1412, [2021] 1 F.C.R. D-13; *Chippewas of Sarnia Band v. Canada (Attorney General)* (1996), 137 D.L.R. (4th) 239, 29 O.R. (3d) 549 (Ont. C.A.); *Berry v. Pulley* (2001), 197 D.L.R. (4th) 317 (Ont. S.C.); *Sutherland v. Hudson's Bay Co.* (2005), 74 O.R. (3d) 608 (Ont. S.C.); *Bernlohr v. Former Employees of Aveos Fleet Performance Inc.*, 2019 FC 837; *Bernlohr v. Former Employees of Aveos Fleet Performance Inc.*, 2021 FC 113; *Marcinkiewicz v. General Motors of Canada Co.*, 2022 ONSC 2180 (CanLII); *AIC Limited v. Fischer*, 2013 SCC 69, [2013] 3 S.C.R. 949; *Wenham v. Canada (Attorney General)*, 2018 FCA 199, 429 D.L.R. (4th) 166; *Brake v. Canada (Attorney General)*, 2019 FCA 274, [2020] 2 F.C.R. 638; *ME2 Productions, Inc. v. Doe*, 2019 FC 214, 164 C.P.R. (4th) 401; *Condon v. Canada*, 2018 FC 522; *Voltage Holdings, LLC v. Doe#1*, 2022 FC 827; *Campbell v. Canada (Attorney General)*, 2012 FCA 45, [2013] 4 F.C.R. 234; *Voltage Pictures, LLC v. Salna*, 2017 FCA 221, [2018] 3 F.C.R. D-18, affg 2017 FC 130; *Mcewing v. Canada (Attorney General)*, 2013 FC 953, 439 F.T.R. 149; *British Columbia (Minister of Forests) v. Okanagan Indian Band*, 2003 SCC 71, [2003] 3 S.C.R. 371; *Roseau River Anishinabe First Nation v. Nelson*, 2013 FC 180, 428 F.T.R. 136; *Nova Chemicals Corporation v. Dow Chemical Company*, 2017 FCA 25.

REFERRED TO:

Norwich Pharmacal Co. v. Customs and Excise Commissioners, [1974] A.C. 133 (H.L.); *Buffalo v. Samson Cree Nation (Chief And Council)*, 2010 FCA 165, 320 D.L.R. (4th) 629, [2010] 3 F.C.R. D-15; *Drover v. BCE Inc.*, 2013 BCSC 50 (CanLII); *Samson Cree Nation v. Samson Cree Nation (Chief and Council)*, 2008 FC 1308, [2009] 4 F.C.R. 3; *Samos Investments Inc. v. Pattison*, 2002 BCCA 442 (CanLII), 216 D.L.R. (4th) 646; *Apotex Inc. v. Shire LLC*, 2021 FCA 54.

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Innovation, Science and Economic Development Canada. *Frequently asked questions: Legislative Amendments to Copyright Act (Notice and Notice)*, online: <<https://ised-isde.canada.ca/site/strategic-policy-sector/en/marketplace-framework-policy/copyright-policy/frequently-asked-questions-legislative-amendments-copyright-act-notice-and-notice>>.

McNally, William E. and Barbara E. Cotton. "Guiding Principles Regarding the Constitution of a Representative Defendant and a Defendant Class in a Class Actions Proceeding" (2003), 27 *Advocates' Quarterly* 114.

MOTION for certification of a “reverse” class proceeding against 874 unknown class members whose Internet Protocol addresses were allegedly used to upload and download five films produced by the applicants without authorization. Motion dismissed.

APPEARANCES

Ken Clark, Lawrence Veregin and Patrick Copeland for applicants.

Sean N. Zeitz and Ian Klaiman for respondents.

David Fewer for intervener Samuelson-Glushko Canadian Internet Policy & Public Interest Clinic.

Karl Ferland for intervener Videotron Ltd.

Barry B. Sookman, Steve Mason, Richard Lizius and Kendra Levasseur for interveners Bell Canada, Cogeco Connexion Inc., Rogers Communications Canada Inc., SaskTel, Telus Communications Inc., and Xplore Inc.

SOLICITORS OF RECORD

Aird & Berlis LLP, Toronto, for applicants.

Lipman, Zener & Waxman LLP, Toronto, for respondents.

Samuelson-Glushko Canadian Internet Policy & Public Interest Clinic, Ottawa, for intervener Samuelson-Glushko Canadian Internet Policy & Public Interest Clinic.

Québecor Média Inc., Montréal, for intervener Videotron Ltd.

McCarthy Tétrault LLP, Toronto, for interveners Bell Canada, Cogeco Connexion Inc., Rogers Communications Canada Inc., SaskTel, Telus Communications Inc. and Xplore Inc.

The following are the reasons for order and order rendered in English by

FOTHERGILL J.:

I. Overview

[1] The Applicants Voltage Pictures, LLC, Cobbler Nevada, LLC, PTG Nevada, LLC, Clear Skies Nevada, LLC, Glacier Entertainment S.A.R.L. of Luxembourg, Glacier Films 1, LLC, and Fathers & Daughters Nevada, LLC (collectively Voltage) are motion picture production companies that form a part of the Voltage film studio. Voltage asks this Court to certify a class proceeding against approximately 874 unknown Class Members whose Internet Protocol (IP) addresses were allegedly used to upload and download films produced by Voltage without authorization, thereby infringing Voltage’s copyright in the films.

[2] The proposed Representative Respondent, Robert Salna, opposes certification of the proposed class action. He says that a class action is not the preferable procedure for resolving Voltage’s claims, and he is not a suitable Representative Respondent.

[3] The Interveners, Samuelson-Glushko Canadian Internet Policy & Public Interest Clinic (CIPPIC), Bell Canada, Cogeco Connexion Inc., Rogers Communications Canada Inc. (Rogers), SaskTel, Telus Communications Inc., Videotron Ltd., and Xplore Inc. (collectively the Interveners) agree that a class action is not the preferable procedure. They also take the position that Voltage’s litigation plan is deficient. Mr. Salna endorses the Interveners’ opposition to Voltage’s proposed use of the notice-and-notice regime under the *Copyright Act*, R.S.C., 1985, c. C-42, to notify Class Members of the class proceeding and subsequent steps in the proceeding.

[4] For the reasons that follow, Voltage has discharged its onus of demonstrating “some basis in fact” for the conclusion that a class action is the preferable procedure for resolving its claims of copyright infringement against hundreds of unidentified Class Members. Subject to a reasonable assurance of funding for Class Counsel, Mr. Salna is a suitable Representative Respondent. The risk that Class Members may opt out in sufficient numbers to undermine the viability of the proceeding is speculative, and can be addressed through case management as the proceeding unfolds.

[5] The notice-and-notice regime under the *Copyright Act* cannot be used to notify Class Members of the class action or subsequent steps in the proceeding. Nor can it be used to give Class Members an opportunity to opt out of the proceeding in exchange for proof of ceasing to infringe or mitigating damages.

[6] Given the deficiencies in the litigation plan, the proposed class proceeding cannot be certified at this time. Voltage remains at liberty to present a revised litigation plan that does not depend on the notice-and-notice regime in the *Copyright Act* to identify and communicate with Class Members, and that makes adequate provision for the funding of Class Counsel.

[7] In the exceptional circumstances of this case, costs of the motion are awarded to Mr. Salna.

II. Background

[8] Voltage commenced this application in 2016. The proceeding has been ongoing for over six years. Aspects have been elevated to the Federal Court of Appeal (F.C.A.) three times and to the Supreme Court of Canada once. This is the second hearing of the certification motion.

[9] Voltage alleges copyright infringement with respect to five films: *The Cobbler*, *Pay the Ghost*, *Good Kill*, *Fathers and Daughters*, and *American Heist* (collectively the Works). In *Salna v. Voltage Pictures, LLC*, 2021 FCA 176, [2022] 1 F.C.R. 452 (*Salna*), the F.C.A. described the circumstances of the alleged copyright infringement as follows (at paragraphs 15–16):

Forensic software deployed by Voltage identified the Internet protocol (IP) addresses of BitTorrent users who downloaded any of the Works. The software also collected information on the BitTorrent users offering to upload these films. This included the IP address used by the uploader, the date and time the film was made available for upload in the form of a computer file and the file’s metadata, including the name and size of the computer file containing the film and the BitTorrent hash number.

An IP address allows data sent over the Internet to be received by the intended recipient device. Every IP address in existence is assigned, in groups or blocks, to different Internet service providers (ISPs), such as Rogers, Telus or Bell. ISPs, in turn, allocate individual IP addresses to the Internet-connecting devices of their customers, those contractually obligated to an ISP to pay for Internet services (Internet account subscribers). An example of an Internet-connecting device is an Internet router. Although each Internet-connecting device has its own IP address, that device can in turn connect to a variety of other Internet using devices, such as computers, tablets, cellphones, etc. Multiple devices can thus simultaneously use an Internet connection under the same IP address.

[10] Following a review of the IP addresses identified by the forensic software, Voltage determined that one had been used to upload all five Works. Voltage obtained a *Norwich* order (named after *Norwich Pharmacal Co. v. Customs and Excise Commissioners*, [1974] A.C. 133 (HL)) to compel Rogers to disclose the identity of the subscriber who had been assigned this IP address at the relevant times. Following an appeal to the Supreme Court of Canada (*Rogers Communications Inc. v. Voltage Pictures, LLC*, 2018 SCC 38, [2018] 2 S.C.R. 643 (*Rogers*)), Rogers identified Robert Salna as the Internet account subscriber (*Salna*, at paragraph 20).

[11] Voltage alleges that the Respondent Class Members have committed one or more of three unlawful acts: (a) making a film available for download by means of the BitTorrent network, offering the file for uploading, or actually uploading a film; (b) advertising by way of the BitTorrent protocol that a film is available for download; and (c) authorizing copyright infringement by failing to take reasonable steps to ensure the first and second unlawful acts did not take place in respect of an Internet account controlled by a subscriber. The F.C.A. determined in *Salna* that Voltage's application discloses reasonable causes of action for the purposes of a certification motion (*Salna*, at paragraph 92).

[12] Mr. Salna owns several rental properties. He provides Internet access to his tenants. He says that his tenants must be responsible for the alleged copyright infringement, but the tenants deny this. Voltage added the tenants as proposed named Representative Respondents, but then discontinued the proceeding against them. The proposed Respondent Class Members are currently limited to Internet account subscribers who received notice from their Internet service provider (ISP) within a specified time period.

[13] On November 12, 2019, Justice Keith Boswell dismissed Voltage's motion for certification of the class proceeding, finding that Voltage had failed to meet any part of the conjunctive test for certification (*Voltage Pictures, LLC v. Salna*, 2019 FC 1412, [2021] 1 F.C.R. D-13 (*Voltage*); *Federal Courts Rules*, SOR/98-106, rule 334.16).

[14] On September 8, 2021, the F.C.A. allowed Voltage's appeal in part. It set aside this Court's decision, and found in Voltage's favour with respect to the first three parts of the certification test, namely: (a) reasonable cause of action, (b) identifiable class of two or more persons, and (c) common issues. The F.C.A. directed that the certification motion be returned to this Court for reconsideration of parts (d) and (e) of the test, namely preferable procedure and suitable class representative.

[15] The F.C.A. was unable to decide whether a class action was the preferable procedure for the just and efficient resolution of the claims advanced by Voltage. The F.C.A. found that evidence regarding the size and shape of the class was weak, and

some of Justice Boswell’s conclusions lacked sufficient explanation. The F.C.A. acknowledged that Respondent Class Members could opt out and reduce the class to a miniscule size. Conversely, the F.C.A. hypothesized that a class action might be preferable, because it could allow Class Members to share the costs of their defence and reduce the pressure on them to settle. If every member opted out, then the proceeding could be decertified. The F.C.A. therefore found concerns about the size of the class to be premature.

[16] Justice Boswell held that Mr. Salna lacked “the necessary incentive to defend the application with diligence and vigor” because he would at most be liable for \$5,000 in statutory damages (*Voltage*, at paragraph 155; *Salna*, at paragraph 122). The F.C.A. rejected this reasoning, because it would lead to the conclusion that reverse class proceedings would never have a suitable representative respondent where the monetary consequence for each class member was low. This would be incompatible with the purpose of class actions, which is to allow recovery for claims that are non-viable individually (*Salna*, at paragraphs 123–126).

III. Reverse Class Actions: Guiding Principles

[17] The *Federal Courts Rules* [Rules] allow for the certification of both plaintiff/applicant and defendant/respondent class proceedings. In conventional class actions, a representative plaintiff voluntarily sues a defendant on behalf of a class of similarly situated persons. In “reverse” class actions, a plaintiff sues a group of defendants who are alleged to have engaged in similar wrongful conduct, and names one or more defendants to serve as representative(s) for the defendant class.

[18] Reverse class actions are rare in Canada. Examples of cases in which certification of a reverse class action has been sought include the following:

- (a) by an Indigenous Band asserting ownership of disputed lands against a proposed class of government and corporate entities holding legal title to the lands (*Chippewas of Sarnia Band v. Canada (Attorney General)* (1996), 137 D.L.R. (4th) 239, 29 O.R. (3d) 549 (Ont. C.A.) (*Chippewas*));
- (b) to contest the seniority between the pilots of two merging airlines (*Berry v. Pulley* (2001), 197 D.L.R. (4th) 317 (Ont. S.C.) (*Berry*));
- (c) by a proposed class of employees against their employers for failing to make contributions to their trust funds (*Sutherland v. Hudson’s Bay Co.* (2005), 74 OR (3d) 608 (Ont. S.C.));
- (d) by the former directors of a bankrupt aircraft maintenance company against 1,691 former employees respecting an award made pursuant to the *Canada Labour Code*, R.S.C., 1985, c. L-2 (*Bernlohr v. Former Employees of Aveos Fleet Performance Inc.*, 2019 FC 837 and 2021 FC 113); and
- (e) by a proposed class of automobile purchasers against a proposed class of automobile dealers and parts manufacturers for selling vehicles equipped with a “defeat device” to circumvent government emissions tests (*Marcinkiewicz v. General Motors of Canada Co.*, 2022 ONSC 2180 (CanLII) (*Marcinkiewicz*)).

[19] In *Salna*, the F.C.A. confirmed that the objectives of plaintiff or applicant class proceedings apply equally to reverse class proceedings (at paragraph 67):

The objectives of class proceedings are well known: (i) facilitating access to justice through the distribution of legal fees across a large number of class members, (ii) conserving judicial resources by reducing unnecessary duplication in the fact-finding and legal-analysis process, and (iii) modifying harmful behaviours by ensuring that actual and potential wrongdoers take into full account the harm they are causing or might cause (*Dutton*, at paragraphs 27 and 29; *Hollick*, at paragraphs 15, 16, and 25). These advantages exist not only in a typical plaintiff class proceeding, but also in the case of a reverse class proceeding, where specific plaintiffs bring a proceeding against a class of defendants. Defendant/respondent class proceedings have been described “as a means of providing plaintiffs with an enforceable remedy where it was otherwise impractical to secure the attendance of all potential defendants, while at the same time ensuring that those affected by the outcome of a lawsuit, although absent, were sufficiently protected” (*Chippewas*, at paragraphs 16–17).

[20] Conventional class actions are intended to level the playing field between vulnerable individual plaintiffs and well-resourced corporate entities. By contrast, reverse class actions allow powerful corporations to pursue compensation from those much less powerful. Nevertheless, reverse class action may advance judicial economy by reducing “the financial implications of mounting a defence for each class member” and alleviating the pressure on class members to settle (*Salna*, at paragraph 115).

[21] In *Marcinkiewicz*, Justice Paul Perell of the Ontario Superior Court of Justice endorsed five guiding principles for determining when a reverse class action is appropriate (at paragraph 186, citing William E. McNally and Barbara E. Cotton, “Guiding Principles Regarding the Constitution of a Representative Defendant and a Defendant Class in a Class Actions Proceeding” (2003), *27 Advocates’ Quarterly* 114):

(1) In assessing whether a representative defendant and a defendant class action should be constituted, the court should primarily ascertain whether the proposed class of defendants has any *common interest*.

(2) Further, where there is a possibility of different defences, a class action binding prospective defendants is inappropriate.

(3) In assessing whether a representative defendant and a defendant class action should be constituted, the court should primarily ascertain whether the representative defendant would likely defend the action in a vigorous manner. This is most frequently expressed as a requirement that the court ascertain whether the representative defendant could be said to “fairly and honestly try the right.”

(4) The guidance in *John v. Rees and Others* [[1914] 2 K.B. 930 (C.A.)] that the constitution of a representative action is primarily for the benefit of the convenient administration of justice is overarching. It is a fundamental tenet that guides the courts.

(5) An objective [*sic*] of a named defendant to acting in a representative capacity is to be given only token weight if the court is satisfied that the defendant will vigorously defend.

[22] A significant challenge in reverse class actions arises from the fact that the representative defendant or respondent is chosen by the plaintiff or applicant to represent the class, often against the representative’s will. However, while the absence of a consenting or willing representative may be fatal to certification of plaintiff class actions, this impediment does not arise in reverse class actions so long as the

representative vigorously defends the common interests of the proposed class (*Chippewas*, at paragraphs 45–46).

[23] There is a risk that all respondent class members may opt out, reducing the class size to zero. However, it cannot be assumed that every class member will opt out, even if there is a good chance this may happen. Decertification is one possible option, although going through a contested certification motion that is later decertified would be a waste of court and litigant resources—the very problem reverse class actions purport to address (*Salna*, at paragraph 114).

IV. Issues

[24] The sole issues referred to this Court for determination by the F.C.A. in *Salna* are (a) whether the proposed class action is the preferable procedure and (b) whether Mr. Salna is a suitable Representative Respondent.

V. Analysis

[25] The test for certification of a proposed class action is found in subsection 334.16(1) [of the Rules]:

334.16 (1) Subject to subsection (3), a judge shall, by order, certify a proceeding as a class proceeding if

- (a) the pleadings disclose a reasonable cause of action;
- (b) there is an identifiable class of two or more persons;
- (c) the claims of the class members raise common questions of law or fact, whether or not those common questions predominate over questions affecting only individual members;
- (d) a class proceeding is the preferable procedure for the just and efficient resolution of the common questions of law or fact; and
- (e) there is a representative plaintiff or applicant who
 - (i) would fairly and adequately represent the interests of the class,
 - (ii) has prepared a plan for the proceeding that sets out a workable method of advancing the proceeding on behalf of the class and of notifying class members as to how the proceeding is progressing,
 - (iii) does not have, on the common questions of law or fact, an interest that is in conflict with the interests of other class members, and
 - (iv) provides a summary of any agreements respecting fees and disbursements between the representative plaintiff or applicant and the solicitor of record.

A. *Preferable Procedure*

[26] An applicant seeking certification must demonstrate some basis in fact for the conclusion that a class action is the preferable procedure for resolving the common issues. Courts are to conduct the assessment “through the lens of the three principal goals of class actions, namely judicial economy, behaviour modification and access to

justice” (*Salna*, at paragraph 105, citing *AIC Limited v. Fischer*, 2013 SCC 69, [2013] 3 S.C.R. 949, at paragraph 22).

[27] The preferability requirement has two concepts at its core: (a) whether the class proceeding would be a fair, efficient and manageable method of advancing the claim; and (b) whether the class proceeding would be preferable to other reasonably available means of resolving the claims of class members. This determination requires an examination of the common issues in their context, taking into account the importance of the common issues in relation to the claim as a whole. The preferability requirement can be met even where there are substantial individual issues; the common issues need not predominate over individual issues (*Salna*, at paragraph 105, citing *Wenham v. Canada (Attorney General)*, 2018 FCA 199, 429 D.L.R. (4th) 166 (*Wenham*), at paragraph 77 and *Brake v. Canada (Attorney General)*, 2019 FCA 274, [2020] 2 F.C.R. 638, at paragraph 85).

[28] It is an error of law to merge concerns with the litigation plan into the consideration of the preferability test. The preferability criteria entails a higher-level macro analysis that asks whether a class proceeding is the best procedure for resolving the issues. By contrast, the litigation plan is a specific micro-level consideration that asks, if a class proceeding is the preferable procedure, whether there is a workable organizational plan to advance the litigation (*Salna*, at paragraph 108).

[29] The preferability analysis involves a weighing of the pros and cons of different procedures to determine which, in light of the objectives of class proceedings, would be preferable to answer the questions of fact and/or law. Exceptionally, analysis of the proposed litigation plan may be appropriate if a specific detail of the plan becomes especially pertinent to the preferable procedure analysis, for example, by addressing one of the potentially relevant matters enunciated in subsection 334.16(2) [of the Rules] (*Salna*, at paragraph 109).

[30] Voltage has identified numerous IP addresses that were allegedly used to infringe its copyright in the Works. In *Salna*, the F.C.A. acknowledged that identification of the Internet account subscribers associated with those IP addresses could present a challenge. Many potential members may be excluded from the proposed class due to the six-month time limit for the retention of data by ISPs. However, even a small percentage of the IP addresses could result in the identification of hundreds of potential infringers (*Salna*, at paragraph 112).

[31] In conducting the preferability analysis, it is important to consider the feasibility of joinder of a large number of individual claims, and the implications for the administration of justice of issuing statements of claim in even a small percentage of those cases, including the impact on court administration, judicial resources, and the resources of the parties. The mechanics and feasibility of enforcing default judgments must also be considered (*Salna*, at paragraph 112).

[32] The F.C.A. has previously determined that “[i]n circumstances such as these, where there are multiple respondents, each potentially liable for small amounts of money, a class action is a ‘fair, efficient and manageable method of advancing the claim’” (*Salna*, at paragraphs 115–116, citing *Wenham*, at paragraph 77):

.... Class actions reduce the financial implications of mounting a defence for each class member through the sharing of counsel, expert witnesses and fees. This reduced financial burden can also alleviate the pressure on class members to settle prior to a determination of the matter on its merits.

Additionally, a class proceeding will allow for the resolution of at least some of the legal questions. Further, if the individual circumstances of various class members becomes determinative of liability on a case-by-case basis, the *Federal Courts Rules* provide a mechanism for the determination of those individual, or smaller group, questions (rules 334.26 and 334.27). A common resolution or framework for resolution, applicable to even some of the common questions of fact and law, will save judicial resources and reduce inconsistencies that can arise should similar, individual actions come before the courts.

[33] There was scant evidence before Justice Boswell in the first certification motion, and subsequently before the F.C.A., regarding the approximate size and shape of the potential class, particularly given its “revolving and ever mutating nature” (*Salna*, at paragraph 118). Without evidence of how membership was to be determined and preserved, and the scale of membership, the F.C.A. was unable to determine whether a class proceeding would be preferable over other reasonably available options. This is because the preferability analysis differs depending on the size of the class. The Court does not need to know the exact number of class members nor the ultimate boundaries of the class with precision. However, there must be some evidence on which the Court can conclude that a class proceeding is the preferred approach (*Salna*, at paragraphs 118–119).

[34] As of September 16, 2022, there were fewer than 1,000 potential Class Members, *i.e.*, Internet account subscribers who had allegedly infringed Voltage’s copyright in the Works during the prior six-month period. According to Voltage, if this certification motion had been determined sooner, then the number of potential infringers, and the size of the respondent class, could have been in the tens of thousands. At one time, Voltage asserted a class size of more than 55,000 individuals.

[35] Voltage therefore argues that its case for certification should not be limited to a Respondent Class of under 1,000 persons, but should encompass a much larger class size “given the precedential nature of this motion and to be fair to the Court and the other parties (such as the ISP Interveners) who would need to deal with a much larger class size”.

[36] Even if the Respondent Class is estimated to comprise 874 members, I am satisfied that Voltage has demonstrated “some basis in fact” for the conclusion that a class proceeding is the preferable procedure.

[37] A class proceeding will permit the determination of common issues based upon a single set of pleadings. The common issues will be decided on the basis of common evidence, including expert evidence. Respondent Class Members may pool resources to fund the defence, and may advance a coordinated position with the assistance of Class Counsel. This in turn alleviates the risk of inconsistent judgments.

[38] A class proceeding may permit Respondents to benefit from a higher degree of anonymity. They may choose to identify themselves only to Class Counsel. By contrast, individual applications, including those commenced against multiple respondents, will require identification of each respondent by name unless the Court grants a confidentiality order.

[39] Another major advantage of a reverse class proceeding is that any settlement must be approved by the Court. This is an important safeguard against “copyright trolling”, where respondents are pressured to settle unmeritorious claims under threat of significant litigation costs.

[40] Mr. Salna cautions that the myriad individual issues will inevitably overwhelm the common issues and render a class proceeding unworkable. The Interveners maintain that the common issues will likely be limited to the subsistence of Voltage’s copyright in the Works and whether the methodology used to detect unauthorized uploading and downloading is reliable. Individual assessments will be required to establish the culpability of each Respondent, including the possibility of misidentification, and any damages payable.

[41] Mr. Salna and the Interveners note that one of the guiding principles endorsed by Justice Perell in *Marcinkiewicz* is: “where there is a possibility of different defences, a class action binding prospective defendants is inappropriate” (at paragraphs 186 and 188).

[42] This must be tempered by the observations of the F.C.A. in *Salna* (at paragraphs 102–104):

.... While an overwhelmingly large number of individual fact assessments pose challenges to the management of a class action, these differences must be viewed through the lens of whether certifying the class will advance the three principal goals of class proceedings: judicial economy, behaviour modification, and access to justice (*Fischer*, at paragraph 22). Resolving even a single issue among many may achieve these goals, for example, by both eliminating the inconsistencies that can occur when different judges are asked to answer the same question as well as by reducing the judicial resources spent in analysing that single issue.

As such, I do not find speculative concern about misidentification or that there may be a number of potentially different factual scenarios persuasive. Second, flexibility is infused into the *Federal Courts Rules* class proceedings rules in that the Rules provide numerous avenues to resolve individual issues that may arise (*Brake*, at paragraph 92). Options include the ability to create subclasses based on similar fact scenarios (subsection 334.16(3)) and the ability for a court-supervised individual assessment process (rule 334.26). Additionally, if the class proceeding does become unmanageable as it proceeds, the *Federal Courts Rules* allow for amendments to the pleadings or even decertification if the conditions for certification are no longer satisfied (rule 334.19).

The argument that the statutory remedies requested by Voltage will require an individual assessment (see appellants’ memorandum of fact and law in response to the cross-appeal, at subparagraphs 43(d) and (e)), receives the same answer [citing paragraph 334.18(a) [of the Rules]].

[43] In light of the guidance provided by the F.C.A. in *Salna*, I am persuaded that speculative concerns about the potential for different fact scenarios do not outweigh the benefits of a reverse class action in these circumstances. If the class proceeding becomes unmanageable, then it may be adjusted or ultimately decertified (rule 334.19). At this stage in the proceeding, Voltage has met its burden of demonstrating “some basis in fact” for the conclusion that a reverse class proceeding is a preferable procedure to the alternatives of individual actions or joinder.

[44] Mr. Salna proposed site-blocking orders as another alternative to a reverse class proceeding. Voltage acknowledged that this may be an avenue worth exploring, but none of the parties addressed this possibility in depth. Site-blocking orders would not permit Voltage to recover damages, and it is therefore doubtful (although not impossible) that this would be a viable alternative to a class proceeding for the purposes of the preferability analysis under paragraph 334.16(1)(d) [of the Rules]. In any event, this potential alternative mode of proceeding was not sufficiently canvassed by the parties to permit the Court to conclude that site-blocking orders present a preferable procedure to a reverse class action in the present circumstances.

B. *Representative Respondent*

[45] Mr. Salna objects to being named as the Representative Respondent on a number of grounds. He argues that he has no incentive to defend the proceeding on behalf of all Respondent Class Members, and there is no mechanism to ensure the payment of Class Counsel's fees and disbursements. He cautions that this may give rise to conflicts of interest between himself and other Class Members.

[46] Mr. Salna notes that Class Members may opt out in sufficient numbers to undermine the viability of a class proceeding altogether, and there will be no opportunity for him to seek contribution or indemnity for his legal costs.

[47] The Interveners say that complying with Voltage's litigation plan will force them to redesign their systems, which will be both expensive and disruptive to their relationships with their subscribers. They also maintain that Voltage's proposed use of the notice-and-notice regime in the *Copyright Act* to require ISPs to inform Class Members of the class action and subsequent steps in the proceeding is not authorized by the statute, and is therefore illegal.

(1) Class Counsel Fees and Conflicts of Interest

[48] According to Mr. Salna, if he is ultimately found to be liable for copyright infringement, then his "worst day in court" is a requirement to pay damages in the range of a "parking ticket". There is nothing in the litigation plan to assure him of any meaningful cost sharing among Class Members, or anything to lessen the financial burden of litigation on him personally. He says it would be manifestly unfair and legally untenable for this Court to compel him to bear the entire cost of a vigorous defence on behalf of the Respondent Class.

[49] The costs of defending against Voltage's allegations may be considerable, and may include:

- (a) retaining one or more experts to assess the reliability of Voltage's forensic software;
- (b) advancing legal or factual positions on the common issues trial that may not pertain to Mr. Salna's personal circumstances for the benefit of the class (for example, Voltage's proposed "common issue" of whether fair dealing is a defence); and

- (c) retaining and paying Respondent Class Counsel to manage and oversee class-related matters as they arise, including: (i) supervising the class website proposed by Voltage, (ii) fielding questions, marshalling evidence, or taking instructions from interested Class Members before trial, (iii) managing and tracking opt-outs, and (iv) case management on behalf of the class, e.g., implementing the litigation plan, establishing subclasses if appropriate, or moving to decertify the proceeding if too many Class Members opt-out.

[50] Mr. Salna says it would be better for him to defend himself against Voltage's claims without retaining counsel, or raise no opposition to a common issues trial and risk suffering the proverbial "parking ticket". Either approach would preclude any vigorous defence, or any meaningful representation of the Respondent Class. Indeed, the latter option would create a conflict of interest between Mr. Salna and other Class Members.

[51] Voltage argues that Mr. Salna's alleged lack of motivation is not a barrier to certification. Mr. Salna has proven himself to be anything but disinterested in this proceeding, and has been very litigious throughout. He appealed the costs order in the first certification motion before Voltage commenced its appeal of the merits, with the result that Voltage was a Cross-Appellant in *Salna*. Mr. Salna also brought an unsuccessful motion for reconsideration of the F.C.A.'s decision. He sought to obtain leave to appeal *Salna* to the Supreme Court of Canada, but this was refused. Mr. Salna has taken a keen interest in this proceeding since its inception, and has mounted a formidable defence.

[52] In *Salna*, the F.C.A. disagreed with Justice Boswell's conclusion that certification must be refused because Mr. Salna lacked any financial incentive to defend the class action on behalf of the class. The F.C.A. held that this would effectively foreclose any representative being found suitable in any reverse class action when the monetary consequences are low.

[53] To date, Mr. Salna has shown himself to be adept at defending against this proposed reverse class proceeding in a vigorous manner. Should this change in the future, then it may be necessary to identify alternative class representatives.

[54] The funding of class counsel is of paramount importance. If this is not sufficiently addressed in the litigation plan, then this may ultimately prove fatal to certification. However, this is not in itself a barrier to appointing a reluctant representative respondent who has shown himself to be capable of vigorously and fairly defending the interests of the class as a whole.

(2) Use of the Opt-Out Mechanism

[55] In *Salna*, the F.C.A. noted that the ability to opt-out of the class proceeding is codified in paragraph 334.17(1)(f) and rule 334.21 [of the Rules], and is not a reason to refuse certification (at paragraph 114, citing *Chippewas*, at paragraphs 34 and 37 and *Berry*, at paragraph 46). In light of this observation, there is little scope for this Court to refuse certification on the ground that the Respondent Class may ultimately be too small to be viable.

[56] Concerns of this nature may be addressed through case management as and when they arise. If the Respondent Class size is ultimately too small, then decertification is an option.

(3) Cost and Inconvenience to ISPs

[57] The evidence adduced by the Interveners is broadly consistent, and was not challenged by Voltage in cross-examination. Voltage nevertheless urges this Court to be circumspect in accepting general statements regarding the cost and inconvenience to the ISPs of complying with the litigation plan.

[58] According to the affidavit evidence adduced by the ISPs, their systems have been designed to forward only notices of claimed infringement that comply with the *Copyright Act*. Each system is different, and not all systems are automated, but in general the ISPs' systems are designed to:

- (a) receive the notice of claimed infringement as defined by the *Copyright Act*;
- (b) ingest that information and perform initial validation steps;
- (c) use the IP address provided in the notice to look up the email address on file for the relevant account holder at the relevant time;
- (d) forward the notice of claimed infringement to the account holder;
- (e) advise the sender of the notice that the notice was forwarded or the reason it could not be forwarded; and
- (f) store specified records for six months or one year.

[59] The Interveners object that Voltage's litigation plan would require them to deliver a class action "Certification Notice". The litigation plan also contemplates that Voltage may instruct the ISPs to "retain data on identities of their subscribers until following final determination of the hearing on the merits (including any appeals)". In oral submissions, counsel for Voltage acknowledged that retention of subscriber data for any periods beyond those prescribed by the *Copyright Act* would necessitate a court order.

[60] Voltage's litigation plan also contemplates that ISPs will forward "Order Notices" when asked to do so. Respondent Class Members who do not respond to an Order Notice will then be identified by the ISP pursuant to a *Norwich* order. Voltage accepts that it will have to reimburse the ISPs for the reasonable costs of responding to such requests, but it has not undertaken to pay any other expenses that may be incurred by ISPs as the class action unfolds.

[61] According to the Interveners, if they are required to retain subscriber data for this and other class proceedings, then they will have to: (a) store all data for all customers for years, which is an unrealistic proposition; (b) redesign their complex software systems and related databases to automatically preserve only data retroactively selected by Voltage; or (c) manually save data for potentially tens of thousands of customers. Purchasing the necessary redundant and reliable storage will be expensive and time consuming, as will be redesigning the complex software.

[62] Specifically, to comply with Voltage’s litigation plan, ISPs will have to redesign their systems to handle:

- (a) additional text: the Sample Certification Notice includes two pages of introductory text, as well as the entire text of the proposed certification order;
- (b) reference numbers: every communication to an ISP account holder must incorporate a unique reference number that is then shared with Voltage; and
- (c) attachments: if legal documents are to be attached to the notices, this will necessitate extensive re-design and may have the effect of undermining measures to prevent the forwarding of spam or malicious software.

[63] The Interveners also raise concerns about ongoing communications with subscribers about “how the proceeding is progressing”, and say this clearly falls outside the scope of the notice-and-notice regime. Account holders who receive “Certification Notices” may believe that ISPs are wrongly accusing them of infringement, or taking the side of copyright owners against their own customers. Many will call their ISPs to complain, or to seek advice or information. This will lead to increased call volumes requiring more customer service agents, and the need for more complex training to deal with legally sensitive discussions. None of the resulting costs is addressed in Voltage’s litigation plan.

[64] The Interveners say that Voltage’s litigation plan, if approved, may cause customers to change service providers, or submit unusable contact information to avoid legal liability. Unusable contact information will prevent ISPs from contacting their customers about their accounts or additional service offerings, jeopardizing the ISPs’ businesses.

[65] If it were possible to use the notice-and-notice regime under the *Copyright Act* in the manner proposed by Voltage, then it is conceivable that the ISPs’ concerns regarding cost and inconvenience could be addressed in a revised litigation plan. To the extent that the expenses incurred by the ISPs exceed those that necessarily result from compliance with the notice-and-notice regime, they would be recoverable from Voltage (*Rogers*, at paragraphs 52–53). However, as I discuss below, Voltage’s proposed use of the notice-and-notice regime to advance this class proceeding is inconsistent with the *Copyright Act*, and is contrary to law. It is therefore unnecessary to reach definitive conclusions regarding the ISPs’ concerns about cost, inconvenience and the potential disruption of their relationships with their subscribers.

(4) Use of the Notice-and-Notice Regime

[66] The *Copyright Act* provides in section 41.25:

Notice of claimed infringement

41.25 (1) An owner of the copyright in a work or other subject-matter may send a notice of claimed infringement to a person who provides

- (a) the means, in the course of providing services related to the operation of the Internet or another digital network, of telecommunication through which the electronic location that is the subject of the claim of infringement is connected to

the Internet or another digital network;

(b) for the purpose set out in subsection 31.1(4), the digital memory that is used for the electronic location to which the claim of infringement relates; or

(c) an information location tool as defined in subsection 41.27(5).

Form and content of notice

(2) A notice of claimed infringement shall be in writing in the form, if any, prescribed by regulation and shall

(a) state the claimant's name and address and any other particulars prescribed by regulation that enable communication with the claimant;

(b) identify the work or other subject-matter to which the claimed infringement relates;

(c) state the claimant's interest or right with respect to the copyright in the work or other subject-matter;

(d) specify the location data for the electronic location to which the claimed infringement relates;

(e) specify the infringement that is claimed;

(f) specify the date and time of the commission of the claimed infringement; and

(g) contain any other information that may be prescribed by regulation.

Prohibited content

(3) A notice of claimed infringement shall not contain

(a) an offer to settle the claimed infringement;

(b) a request or demand, made in relation to the claimed infringement, for payment or for personal information;

(c) a reference, including by way of hyperlink, to such an offer, request or demand; and

(d) any other information that may be prescribed by regulation.

[67] Pursuant to subsection 41.25(2) of the *Copyright Act*, copyright owners may prepare "notices of claimed infringement" with prescribed content. ISPs must forward valid notices to their subscribers and retain records identifying the intended recipient for a period of six months. If the copyright owner commences legal proceedings and notifies the ISP within six months, then the data retention period is extended to one year. The copyright owner may then seek a *Norwich* order to identify the recipient (*Rogers*, at paragraph 24).

[68] In *Voltage*, Justice Boswell held that Voltage's proposed use of the notice-and-notice regime "overburdened ISPs and appropriated Parliament's intention to balance the rights of interested parties for its own purposes" (*Salna*, at paragraph 127, citing

Voltage, at paragraphs 147–148). The F.C.A. found this conclusion to be “premature and speculative”, holding as follows (at paragraph 128):

.... The Federal Court did not conduct the statutory interpretation analysis required to answer this question. Even a cursory reference to the legislation itself, the legislative history and Hansard suggests that the question as to whether the effect of the notice and notice regime is limited to absolving ISPs for hosting infringing work, whether it is simply “moral suasion” to educate the public of its responsibility not to infringe or whether Parliament intended the regime as a potential tool by which copyright holders could enforce their rights requires analysis; an analysis conducted according to the established principles of statutory interpretation (*Rizzo & Rizzo Shoes Ltd. (Re)*, [1998] 1 S.C.R. 27, (1998), 154 D.L.R. (4th) 193, 1998 CanLII 837; *1704604 Ontario Ltd. v. Pointes Protection Association*, 2020 SCC 22, 449 D.L.R. (4th) 1).

[69] The F.C.A. accepted that the notice-and-notice regime is not intended to be a comprehensive framework under which all instances of online copyright infringement can be eliminated (*Salna*, at paragraph 129, citing *Rogers*, at paragraph 24). The F.C.A. continued at paragraphs 129 to 131:

.... But *Rogers* was decided prior to the amendments to section 41.26 in 2018 [S.C. 2018, c. 27 s. 244] when Parliament specified that notices should not include an offer to settle, a request or demand for payment or personal information, or a reference to any such offer, request, or demand (Bill C-86, *Budget Implementation Act*, 2018, No. 2, S.C. 2018, c. 27, [s. 244]). At the same time, amendments which would confine the notice to a form prescribed by regulation were rejected on the basis that the scheme should be left open to develop “marketplace solutions” (*Order Fixing the Day that is Six Months after the Day on which this Order is published as the Day on which Certain Provisions of the Copyright Act Come into Force*, SI/2014-58, *C. Gaz.* 2014 II 2121 (proclaimed in force 2 July 2014), at pages 2121–2122).

CIPICC contends that the limitation on the content of the notice signifies Parliament’s intention that the regime not have any interface with civil remedies for copyright infringement. *Voltage* counters noting that if that is the case, the effect of section 41.26 of the *Copyright Act* is only to absolve ISPs of liability for infringement and does nothing to protect copyright holders.

It is readily apparent that the question of the use to which Parliament intended section 41.26 to be put is an open question, one which requires full argument. It also requires a factual context. In the absence of specific proposed uses, the conclusion of the Federal Court that the use of section 41.26 notices was outside the legislative remit and would overburden the ISPs was premature and speculative. Questions of statutory interpretation that require an understanding of the context should not be decided in a factual vacuum.

[70] The F.C.A. remarked that there had been scant judicial consideration of the ambit of section 41.26 of the *Copyright Act*, and there was insufficient specificity regarding the content and use to which the notice would be put. The F.C.A. found that any concerns on the part of ISPs regarding how the notice-and-notice regime might be used was best addressed by their participation as Interveners in these proceedings (*Salna*, at paragraphs 132–133).

[71] *Voltage*’s litigation plan relies heavily on the notice-and-notice regime to facilitate service and advance the prosecution of its class proceeding. The Interveners dispute that *Voltage* may use the notice-and-notice regime in the *Copyright Act* to require ISPs to effect service on its behalf and at the ISPs’ expense.

[72] In 2018, Parliament amended the *Copyright Act* to prohibit a notice from containing certain information. The Interveners say that the amendments were intended to:

- (a) prevent abuse of the regime to make demands for settlement (“Bill C-86: A second Act to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures” (Bill C-86), 2nd reading, *House of Commons Debates*, 42nd Parl., 1st Sess., Vol. 148, No. 350 (6 November 2018), at 23351 (David Lametti); Bill C-86, Report Stage, *House of Commons Debates*, 42nd Parl., 1st Sess., Vol. 148, No. 359 (27 November 2018), at 24020 (David Lametti));
- (b) prevent “circumvent[ing] the established court process for the disclosure of subscriber information in the context of copyright infringement lawsuits” (*Frequently asked questions: Legislative Amendments to Copyright Act (Notice and Notice)* (31 October 2018), online: Innovation, Science and Economic Development Canada <<https://ised-isde.canada.ca/site/strategic-policy-sector/en/marketplace-framework-policy/copyright-policy/frequently-asked-questions-legislative-amendments-copyright-act-notice-and-notice>>); and
- (c) standardize the form of notices and thus reduce ISPs’ costs in complying with the Regime (Bill C-86, Report Stage, *House of Commons Debates*, 42nd Parl., 1st Sess., Vol. 148, No. 359 (27 November 2018), at 24020 (David Lametti); Bill C-86, 2nd reading, *House of Commons Debates*, 42nd Parl., 1st Sess., Vol. 148, No. 350 (6 November 2018), at 23351 (David Lametti)).

[73] The Interveners complain that Voltage’s litigation plan requires ISPs to forward court documents that are not authorized by the *Copyright Act*, and to retain subscriber information for longer periods than prescribed by statute. The statute refers specifically to “a notice of claimed infringement” that alerts the recipient that a copyright owner has detected activity that may be infringing (at subsection 41.26(1)). A certification order serves a different purpose. It defines the nature of the dispute, and addresses the procedural rights of the parties.

[74] The Interveners therefore take the position that Voltage must seek *Norwich* orders and serve Respondent Class Members in the normal course. According to the Interveners, the text, context, and legislative history of sections 41.25 and 41.26 of the *Copyright Act* establish that ISPs are only obliged to transmit notices of claimed infringement to alert and educate subscribers that their Internet accounts have been linked to allegedly infringing activities. The notice-and-notice regime plays no part in any subsequent actions that copyright owners may take to enforce their rights before the courts.

[75] In response, Voltage asserts that its proposed use of the notice-and-notice regime to send certification notices is consistent with Parliament’s desire for “marketplace solutions”, and imposes no obligations on ISPs beyond those that currently exist in law. Voltage relies on paragraph 53 of the F.C.A.’s decision in *Salna*:

Finally, there is no evidence that Voltage’s proposed use of the notice and notice regime was inappropriate or that it would overwhelm ISPs. ISPs automatically send out 200,000–300,000 notices monthly (*Rogers*, at paragraph 40). Voltage argues that it should be

allowed to use this regime in new and novel ways, as the policy which underlies the notice and notice regime of the *Copyright Act* encourages the marketplace to develop non-legislative solutions to suppress copyright infringement.

[76] Voltage maintains that the ISPs' automated systems will be unable to distinguish between a notice that relates to an alleged infringement or the commencement of, and subsequent steps in, a class action respecting that infringement. All notices will be treated in the same manner: they will be forwarded directly to a subscriber in accordance with the requirements of section 41.26 of the *Copyright Act*, or produce a "negative" result, *i.e.*, confirmation that the notice was not forwarded. Only "positive" notices will be used to define the Class.

[77] According to Voltage, Parliament intended copyright owners to have significant freedom to choose what message to convey to alleged infringers. It did not impose restrictions on the form of copyright infringement notices under the notice-and-notice regime, despite the submissions of ISPs. It is clear from the data retention obligations that Parliament intended the notice-and-notice regime to work in conjunction with litigation. Voltage therefore regards a certification notice as a "natural fit" with the existing notice-and-notice procedure.

[78] I disagree. In my view, a "notice of claimed infringement" in the *Copyright Act* must be given a limited meaning. Subsection 41.25(2) prescribes what information a notice must contain, while subsection 41.26(1) draws a clear distinction between an anonymized notice of alleged infringement and subsequent litigation. Data retention is required only to create a record that "could be used if court proceedings were to follow at some time in the future" ("Bill C-11: An Act to amend the Copyright Act", 2nd reading, *House of Commons Debates*, 41st Parl., 1st Sess., Vol. 146, No. 78 (10 February 2012), at 5127 (Scott Armstrong)).

[79] The notice-and-notice provisions of the *Copyright Act* do not impose a duty on ISPs to take active steps to stop or limit acts of copyright infringement. If Parliament had intended ISPs to take an active role in limiting acts of copyright infringement, or for notices to include information about legal proceedings, or for notices to attach legal process or court documents, then it would have done so explicitly. In the words of counsel for CIPPIC:

If Parliament wanted notice-and-notice to be used as a tool to create consequences for infringers, Parliament could have provided for the inclusion of actionable clauses in notices, or legislated positive obligations on recipient subscribers, or other enforcement mechanisms (or even penalties on, for example, repeat receipt of notices). Parliament chose not to do so. Rather, the notice-and-notice regime as set out in the *Copyright Act* precludes the possibility that notices include settlement offers, or requests or demands, and the Act imposes no duty to act or other enforcement mechanism or penalty on subscribers in receipt of a notice.

[80] While the F.C.A. in *Salna* makes reference to "marketplace solutions", it is unclear whether this refers to the content of notices issued pursuant to section 41.26 of the *Copyright Act*, or more generally to non-legislative solutions to suppress copyright infringement (at paragraph 129). In any event, innovative market-driven solutions cannot contravene the statutory provisions themselves.

[81] In *Rogers*, the Supreme Court of Canada reviewed the legislative history of the notice-and-notice regime, and concluded that it was intended to serve two

complementary purposes: (1) to deter online copyright infringement; and (2) to balance the rights of interested parties (at paragraph 22). The Supreme Court continued (at paragraph 24):

The notice and notice regime was not, however, intended to embody a comprehensive framework by which instances of online copyright infringement could be eliminated altogether. As a representative of Rogers explained before the House of Commons committee considering what would become of the *Copyright Modernization Act*, “notice and notice is not a silver bullet; it’s just the first step in a process by which rights holders can go after those they allege are infringing.... Then the rights holder can use that when they decide to take that alleged infringer to court” (House of Commons, Legislative Committee on Bill C-32, *Evidence*, No. 19, 3rd Sess., 40th Parl., March 22, 2011, at p. 10). This is why, as I have explained, a copyright owner who wishes to sue a person alleged to have infringed copyright online must obtain a *Norwich* order to compel the ISP to disclose that person’s identity. The statutory notice and notice regime has not displaced this requirement, but operates in tandem with it. This is affirmed by s. 41.26(1)(b), which contemplates that a copyright owner may sue a person who receives notice under the regime, and fixes the ISP’s obligation to retain records which allow that person’s identity to be determined for a period of time after such notice is received.

[82] Voltage’s proposed use of the notice-and-notice scheme as a litigation support tool represents a departure from the two purposes identified by the Supreme Court of Canada in *Rogers*. Voltage’s litigation plan changes the deterrence function to one of enforcement, thereby disrupting the regime’s balance.

[83] The Supreme Court’s language is mandatory: a copyright owner who wishes to sue a person alleged to have infringed copyright online must obtain a *Norwich* order to compel the ISP to disclose that person’s identity (*Rogers*, at paragraph 24). The statutory notice-and-notice regime has not displaced this requirement.

[84] Justice William Pentney recognized this in *ME2 Productions, Inc. v. Doe*, 2019 FC 214, 164 C.P.R. (4th) 401 (*ME2*), holding that a notice is meant to serve as a warning to cease infringing activity and as a “precursor to the launch of a claim for copyright infringement” (at paragraph 36). Justice Pentney also emphasized the Supreme Court’s finding that “the notice and notice regime did not displace the requirement to obtain a *Norwich* order to compel disclosure, ‘but operates in tandem with it’” (*ME2*, at paragraph 41).

[85] Voltage’s proposed use of the notice-and-notice regime is contrary to subsection 41.25(3) of the *Copyright Act*, rendering the litigation plan unworkable. In particular, the proposed “Certification Notice” contains prohibited text that cannot be sent pursuant to the notice-and-notice regime. The “Certification Notice” contains:

- (a) a demand that recipients click on a “hyperlink” to visit a website, which will presumably require disclosure of personal information to enable Class Counsel to communicate with notice recipients;
- (b) a demand that recipients send personal information to an email account in order to opt-out of the class, which will disclose not only their email addresses but also their names and any metadata that might be imbedded in the email;

- (c) a demand that recipients contact Class Counsel to provide evidence that the alleged infringement has ceased, coupled with a threat that any failure to do so will be used against the recipient; and
- (d) an opportunity to opt-out of the litigation and provide evidence that infringement has ceased and steps have been taken to mitigate damages, contrary to the prohibition on offering settlement in a notice.

[86] The motion for certification must therefore be refused on the ground that the litigation plan does not set out a workable method of advancing the proceeding on behalf of the Class, and of notifying Class Members of how the proceeding is progressing (subparagraph 334.16(1)(e)(ii) [of the Rules]).

(5) Litigation Plan Amendments

[87] Class proceedings can be complex and dynamic, and it is appropriate for case management judges to be active and flexible. They must always be open to amendments to matters such as class definition, common issues and the litigation plan, while remaining a neutral arbiter of whether the requirements of certification have been met (*Buffalo v. Samson Cree Nation (Chief And Council)*, 2010 FCA 165, 320 D.L.R. (4th) 629, [2010] 3 F.C.R. D-15, at paragraphs 12–13).

[88] The proposed class action cannot be certified at this time. However, Voltage remains at liberty to present a revised litigation plan that addresses the principal deficiencies identified in these reasons, namely (a) the funding of Class Counsel and (b) the method of identifying and communicating with Respondent Class Members.

[89] In *Condon v. Canada*, 2018 FC 522, Justice (now Associate Chief Justice) Jocelyne Gagné said the following about the need to ensure a sufficient financial incentive for class counsel (at paragraph 91):

This Court, and courts across Canada, have recognized that the viability of class actions depends on entrepreneurial lawyers who are willing to take on these cases, and that class counsel's compensation consequently must reflect this reality. Compensation must be sufficiently rewarding to "provide a real economic incentive to lawyers to take on a class proceeding and to do it well". [Citations omitted.]

[90] This principle applies equally to respondent or defendant class counsel in reverse class actions. Most, if not all, of Mr. Salna's concerns about his role as Representative Respondent in this proceeding stem from the inadequacy of funding.

[91] The notice-and-notice regime in the *Copyright Act* may be used to inform Class Members that their infringing activities are known to Voltage. A targeted advertising campaign may persuade them to identify themselves confidentially to Class Counsel. A *Norwich* order may be obtained to identify recalcitrant Class Members, who may then be given notice of the class proceeding in much the same way as occurred in *Voltage Holdings, LLC v. Doe#1*, 2022 FC 827.

[92] Faced with a real possibility of being named as a defendant in an individual action, and with the benefit of advice from Class Counsel, individual Class Members may recognize the benefit of contributing a modest sum to a common defence. Class

Members who face greater potential liability may see the wisdom in contributing a proportionally greater sum.

[93] Ultimately, Voltage is in the best position to determine whether and how the litigation plan can be amended. However, any revised litigation plan must make adequate provision for the funding of Class Counsel and provide a mechanism, other than the notice-and-notice regime under the *Copyright Act*, to inform Class Members of the class action and subsequent steps in the proceeding.

VI. Costs

[94] Costs are not ordinarily available in a certification motion, subject to limited exceptions. Rule 334.39 provides as follows:

334.39 (1) Subject to subsection (2), no costs may be awarded against any party to a motion for certification of a proceeding as a class proceeding, to a class proceeding or to an appeal arising from a class proceeding, unless

- (a) the conduct of the party unnecessarily lengthened the duration of the proceeding;
- (b) any step in the proceeding by the party was improper, vexatious or unnecessary or was taken through negligence, mistake or excessive caution; or
- (c) exceptional circumstances make it unjust to deprive the successful party of costs.

...

(2) The Court has full discretion to award costs with respect to the determination of the individual claims of a class member.

[95] The “no costs” rule applies as soon as the parties to the action are made parties to the certification motion (*Campbell v. Canada (Attorney General)*, 2012 FCA 45, [2013] 4 F.C.R. 234 (*Campbell*)).

[96] On February 2, 2017, Justice Boswell granted Mr. Salna’s motion for security for costs in the amount of \$75,000 (*Voltage Pictures, LLC v. Salna*, 2017 FC 130). On November 15, 2017, the F.C.A. dismissed Voltage’s appeal of the order granting security for costs (*Voltage Pictures, LLC v. Salna*, 2017 FCA 221, [2018] 3 F.C.R. D-18 (*Voltage Costs Order*)).

[97] Justice Mary Gleason of the F.C.A. held that this Court had jurisdiction to order security for costs under paragraph 334.39(1)(c) [of the Rules] because the proposed reverse class proceeding could qualify as an exceptional circumstance. She found that concerns about access to justice that motivated the *prima facie* no-costs regime for class proceedings did not arise in the present circumstances (*Voltage Costs Order*, at paragraph 12):

Moreover, it appears that none of the access to justice concerns that motivate the *prima facie* no-costs regime enshrined in the Rules for class proceedings militates against the order for security in the instant case. The appellants appear to be fully able to bring their action, and, indeed, had two lawyers gowned before this Court on this appeal. In addition, they declined to file any evidence detailing their financial means to retain and instruct counsel or to post the required security for costs. On the other hand, the respondent and other members of the proposed class will likely face difficulty in funding representation....

[98] Voltage argues that no costs should be awarded in this motion. According to Voltage, there are no “exceptional circumstances”, because no party’s conduct has been inappropriate, egregious, or cries out for sanction (citing *Campbell*, at paragraph 46; *Drover v. BCE Inc.*, 2013 BCSC 50 (CanLII); *Samson Cree Nation v. Samson Cree Nation (Chief and Council)*, 2008 FC 1308, [2009] 4 F.C.R. 3; *Samos Investments Inc. v. Pattison*, 2002 BCCA 442 (CanLII), 216 D.L.R. (4th) 646). Voltage says that a reverse class action cannot in and of itself be an exceptional circumstance, because this kind of proceeding is explicitly contemplated by the Rules and is therefore subject to the no costs regime under rule 334.39.

[99] Citing the statutory interpretation principle of *ejusdem generis*, Voltage argues that “exceptional circumstances” must be interpreted in light of the other exceptions enumerated in rule 334.39. The other exceptions deal with conduct that unnecessarily lengthened the duration of the proceeding and any steps that were improper, vexatious, unnecessary or taken through negligence, mistake or excessive caution. Voltage therefore asserts that “exceptional circumstances” in paragraph 334.39(1)(c) [of the Rules] is a “catch-all” category for “bad behaviour” not subsumed by the other exceptions.

[100] Mr. Salna notes that Voltage advanced precisely this argument before the F.C.A., and it was roundly rejected by Justice Gleason in the *Voltage Costs Order*. I agree that the F.C.A.’s decision in that case clearly establishes this Court’s discretion to grant costs to a representative respondent in a reverse class action pursuant to paragraph 334.39(1)(c) [of the Rules] on the ground that the proceeding itself constitutes an exceptional circumstance (*Voltage Costs Order*, at paragraph 8).

[101] The F.C.A.’s observation in *Campbell* at paragraph 26 applies in this context, but in reverse:

Cost barriers would exist if representative plaintiffs were fully exposed to a two way (“losers pay winners”) costs regime. This regime would be a barrier in light of the fact that most plaintiffs would be exposed to a substantial downside in terms of costs even as they would have comparatively little to gain if the class action were successful.

[102] Mr. Salna seeks costs on a solicitor-client basis. He says the Court should exercise its discretion to award costs in a manner that “helps to ensure that ordinary citizens have access to the justice system when they seek to resolve matters of consequence to the community as a whole” (*Mcewing v. Canada (Attorney General)*, 2013 FC 953, 439 F.T.R. 149 (*Mcewing*), at paragraph 11, citing *British Columbia (Minister of Forests) v. Okanagan Indian Band*, 2003 SCC 71, [2003] 3 S.C.R. 371, at paragraph 27). Leaving Mr. Salna out of pocket would be unfair, and would serve as a disincentive to meaningful participation by representative respondents in any similar proposed reverse class proceedings.

[103] Mr. Salna says that he is akin to a public interest litigant. This is because: (a) the case involves matters of public importance that transcend the immediate interests of the parties, and which have not been previously resolved; (b) he has no personal, proprietary or pecuniary interest in the outcome of the litigation; (c) Voltage has a greater capacity to bear the costs of the proceeding; and (d) he has not conducted the litigation in an abusive, vexatious or frivolous manner (*Mcewing*, at paragraphs 13–17).

[104] Mr. Salna claims he has incurred a total of \$241,111.33 in fees and disbursements as a result of his involvement in this proceeding. Through his counsel, Mr. Salna has certified the fees and disbursements incurred with respect to this second certification motion in the total amount of \$101,420.05. He acknowledges that fees and disbursements incurred with respect to proceedings before the F.C.A. and the Supreme Court of Canada are not recoverable in this Court.

[105] I am satisfied that the exceptional circumstances of this proceeding justify an award of costs in Mr. Salna's favour. However, I am not persuaded that costs on a solicitor-client basis are appropriate.

[106] As Justice James Russell observed in *Roseau River Anishinabe First Nation v. Nelson*, 2013 FC 180, 428 F.T.R. 136, at paragraph 63:

When it comes to solicitor and client costs, the jurisprudence of this Court is that they should only be awarded when a party or parties has or have displayed reprehensible, scandalous or outrageous conduct. Reprehensible behavior is that deserving of censure or rebuke. Scandalous means causing general public outrage or indignation. Outrageous refers to behavior that, among other things, is deeply shocking, unacceptable, and immoral and offensive. See *Louis Vuitton*, above, at paragraph 56. Reasons of public interest may also justify the making of such an order. See *Mackin v New Brunswick (Minister of Justice)*, 2002 SCC 13 at paragraph 86.

[107] While Mr. Salna likens himself to a public interest litigant, this is not quite accurate. Mr. Salna was proposed as the Representative Respondent only after Voltage established, to the satisfaction of this Court, the Federal Court of Appeal, and the Supreme Court of Canada that his IP address had been used to upload or download all five of the Works at issue. This case is distinguishable from the unusual, and possibly unique, circumstances that gave rise to an award of solicitor-client costs to the public interest litigant in *Friends of the Oldman River Society v. Canada (Minister of Transport)*, [1992] 1 S.C.R. 3, at page 80 (also see Justice William Stevenson's dissenting reasons on solicitor-client costs, at pages 88–89).

[108] A lump sum award is specifically contemplated in subsection 400(4) [of the Rules], and may serve to promote the objective of the Rules of securing "the just, most expeditious and least expensive determination" of proceedings (rule 3; *Nova Chemicals Corporation v. Dow Chemical Company*, 2017 FCA 25 (*Nova*), at paragraph 11). The burden is on the party seeking increased costs to demonstrate why its particular circumstances warrant an increased award (*Nova*, at paragraphs 12–13).

[109] The F.C.A. has recognized that lump sum awards typically range from 10% to 50% of actual fees. Awards between one-quarter and one-third of fees are the norm. While some cases have allowed more, they are exceptional (*Apotex Inc. v. Shire LLC*, 2021 FCA 54, at paragraph 22).

[110] Mr. Salna has offered the Court no insight into his financial circumstances, or the manner in which he funded his involvement in these proceedings throughout the first certification hearing and multiple levels of appeal. There is no suggestion that he is impecunious, and it is unclear whether he has funded the litigation personally or with the help of others.

[111] Having regard to all of the considerations alluded to above, particularly the exceptional access to justice concerns that arise in reverse class proceedings, I exercise my discretion to award Mr. Salna 50% of the fees and disbursements he actually incurred with respect to this second certification motion. This produces a costs award in the total amount of \$50,710.

VII. Conclusion

[112] Voltage has demonstrated some basis in fact for the conclusion that a class action is the preferable procedure for resolving its claims of copyright infringement.

[113] Subject to a reasonable assurance of funding for Class Counsel, Mr. Salna is a suitable Representative Respondent.

[114] The risk that Class Members may opt out in sufficient numbers to undermine the viability of the proceeding is speculative, and can be addressed through case management as the proceeding unfolds.

[115] Copyright owners cannot use the notice-and-notice regime under the *Copyright Act* to notify an ISPs' subscribers of the certification of a class action or the subsequent steps in the proceeding. Nor can it be used to provide subscribers an opportunity to opt out of the proceeding in exchange for proof of ceasing to infringe or mitigating damages.

[116] Given the deficiencies in the litigation plan, the proposed class proceeding cannot be certified at this time. Voltage remains at liberty to present a revised litigation plan that does not depend on the notice-and-notice regime in the *Copyright Act* to identify and communicate with Class Members, and that makes adequate provision for the funding of Class Counsel.

[117] Costs of the motion are awarded to Mr. Salna in the all-inclusive lump sum amount of \$50,710.

ORDER

THIS COURT ORDERS that:

1. The motion for certification of the proposed class proceeding is dismissed with leave to amend.
2. The \$75,000 posted as security for costs is released to Voltage with interest, less payment of costs to Mr. Salna in the all-inclusive lump sum amount of \$50,710.