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• STIFF PENALTY FOR COPYRIGHT INFRINGER IN CANADA: FEDERAL COURT HANDS OUT PRISON SENTENCE FOR CONTEMPT IN ONGOING INFRINGEMENT CASE* •

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In this recent Federal Court case, the Court ordered the director of a corporation to be imprisoned for at least 6 months and payment of \$100,000 fine for bypassing an injunction against copyright infringement. We previously reported on a jail sentence issued for trademark infringement.¹ These cases both highlight the Canadian court's ability and willingness to enforce their own orders when breached.

BACKGROUND

Canadian Standards Association (**CSA**) is a not-for-profit organization that develops voluntary standards in various fields, including for installation and maintenance of electronic equipment in Canada (**CSA Code**). CSA sells copies of the CSA Code to fund its services and updates the code every three years. Knight Co. is a book publisher, and Mr. Knight is its

sole officer and director. Knight Co. had published its own version of the CSA code that substantially copied the CSA code with additional commentary (i.e., **Knight Code**). The Knight Code was sold at significant discount as compared to the CSA Code.

In 2015, CSA pursued litigation against Knight Co., claiming that the Knight Code constituted a copyright infringement of the 2015 edition of the CSA Code. CSA was ultimately successful in obtaining judgment in 2016², including delivery of infringing copies and an injunction against Knight Co., its officers and directors, employees and related companies from further copying of the code.

The decision was appealed to the Federal Court of Appeal and affirmed in 2018,³ and leave to appeal to the Supreme Court of Canada was dismissed in 2019⁴.

In 2020, CSA learned that Mr. Knight was again selling copies of the new 2018 Knight Code, which substantially copied the 2018 edition of the CSA Code. Additionally, this time, Mr. Knight incorporated the new U.S. company - Knight America - in an attempt to evade the jurisdiction of the Canadian injunction.

Importantly, Mr. Knight was the sole officer and director of Knight Americas, and Knight Americas was shipping product from Canada.

CSA commenced contempt proceedings against Knight Co., Knight Americas, and Mr. Knight personally (**Knight Parties**), claiming breach of the 2016 injunction⁵.

TEST FOR CONTEMPT

Contempt proceedings in Canada are quasi-criminal in nature. To succeed, a Plaintiff must establish beyond a reasonable doubt that:

- (i) The order was *clear and unequivocal*;
- (ii) The Defendant had actual or inferred *knowledge* of the order; and
- (iii) The Defendant *knowingly* carried out the actions prohibited in the order or failed to carry out an action required by the order.

The Federal Court added that these powers are discretionary but that it ought to use said power in appropriate circumstances to safeguard the administration of justice.

FEDERAL COURT FINDS CONTEMPT

Regarding the first element – *clear and unequivocal order* – Mr. Knight argued that the order (i) only applied to Knight Co. and (ii) only applied to the 2015 version of the Knight Code. The Court rejected both arguments.

The Court noted that the original order applied to Knight Co. and its officers and directors, and related companies, which therefore included Mr. Knight (a director) and Knight Americas (a related company). In addition, under Canadian law, orders are binding on any third party made aware of said orders. The Court also found that, even though the underlying order only prohibited copyright infringement of the 2015 version of the CSA code, the 2018 edition of the CSA Code was substantially similar. Therefore, by copying the 2018 CSA Code, the Knight Parties had infringed the copyright in the 2015 CSA Code.

Regarding the second element – *knowledge of the order* – the Knight Parties did not contest that they had actual knowledge. Mr. Knight was directly involved in the proceeding and appeals, and published multiple online posts about the judgment on his website.

Regarding the third element – *knowingly doing a prohibited act* – the Federal Court found that the Knight Parties knowingly carried out the prohibited act of reproducing, distributing and/or selling the 2018 edition of the Knight Code.

As a final issue, the Knight Parties argued that the Federal Court did not have jurisdiction over the actions of Knight Americas, an American entity. However, the Federal Court disagreed, confirming that “as long as at least part of an offence has taken place in Canada, Canadian courts are competent to exert jurisdiction.”

In a follow-up ruling⁶, the Federal Court ordered a \$100,000 fine for contempt, plus \$50,000 in court costs, both payable by the Knight Parties to CSA. In addition, Mr. Knight was sentenced to a minimum of six (6) months in prison and to remain in prison until the fine is paid and the injunction respected, for up to a maximum of five (5) years.

CONCLUSION

This decision is a reminder to IP rights holders that Canadian Courts have broad discretionary powers to enforce their orders through contempt proceedings and will not hesitate to do so through fines and prison terms where appropriate. In addition, where any part of an offence has taken place in Canada, Canadian Courts are able to exercise jurisdiction.

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timely update on Canadian intellectual property and technology law. The content is informational only and does not constitute legal or professional advice. To obtain such advice or for further information please contact a member of Smart & Biggar's Copyright Litigation and Enforcement team. See: <https://www.smartbiggar.ca/services/detail/copyright-litigation-enforcement>.

¹ Daniel Anthony, "Rare jail sentence ordered for contempt in trademark infringement saga" (October 8, 2015), online: <https://www.smartbiggar.ca/insights/publication/rare-jail-sentence-ordered-for-contempt-in-trademark-infringement-saga>.

² *Canadian Standards Assn. v. P.S. Knight Co.*, [2016] F.C.J. No. 265, 2016 FC 294 and *Canadian Standards Assn. v. P.S. Knight Co.*, [2016] F.C.J. No. 359, 2016 FC 387 (collectively, the 2016 judgment).

³ *Canadian Standards Assn. v. P.S. Knight Co.*, [2018] F.C.J. No. 1229, 2018 FCA 222.

⁴ *P.S. Knight Co. Ltd. et al. v. Canadian Standards Association*, 2019 CanLii 45263 (SCC).

⁵ *Canadian Standards Assn. v. P.S. Knight Co.*, [2021] F.C.J. No. 769, 2021 FC 770.

⁶ *Canadian Standards Association v. P.S. Knight Co. Ltd.*, 2021 FC 1346.