

The Federal Court Makes it Clear that the Commercial Circumvention of TPMs will Not be Accepted

A recent [decision](#) of the Federal Court has enforced technical protection measures under the *Copyright Act*. This is the first decision to do so.

Background

Both the WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty as well as Anti-Counterfeiting Trade Agreement provide that the contracting parties must provide adequate legal protection and effective remedies against the circumvention of technological measures that are used by authors, performers or makers of phonograms in connection with the exercise of their rights and that restrict acts in respect of their works which were not authorized by the rights owner or permitted by law.

Canada is a party to the treaties and the Agreement and the sections of the *Act* dealing with technological protection measures (TPMs) were brought into force in late 2012 to allow Canada to fulfill its obligations under the treaties and Agreement.

Under the *Act* TPMs are defined as measures relating to controlling access (access control) or restricting the exercise of a right included within the rights available to a copyright owner (copyright control). The prohibitions applicable to circumventing technological protection measures apply to controlling access or copyright control.

In the access control context a TPM means any effective technology, device or component that, in the ordinary course of its operation controls access to a work, to a performer's performance fixed in a sound recording or to a sound recording and whose use is authorized by the copyright owner. In this context "circumvent means" to descramble a scrambled work or decrypt an encrypted work or to otherwise avoid,

bypass, remove, deactivate or impair the TPM, unless it is done with the authority of the copyright owner.

In order to satisfy these definitions the technology, device or component must be effective in the ordinary course of its operation to provide access control or copyright control as the case may be.

The Facts

Nintendo of America Inc., (Nintendo) initiated an application in the Federal Court and sought, among other things, a declaration that the individual and corporate respondents circumvented, offered services to circumvent, and trafficked in devices which circumvent Nintendo's TPMs contrary to *Act*.

Nintendo is a famous video game company. It sells and distributes popular and well-known video games and video game consoles in Canada. The popularity and success of its video games are a result of substantial innovation, creativity, and financial investment into product development, intellectual property, and marketing. Each of its video games can take years and millions of dollars to develop.

Nintendo sells hundreds of video games for its consoles in Canada. These video games are sold as game cards and discs. Purchasers of genuine Nintendo video games can play these games on the appropriate Nintendo console by inserting the game card or disc into the corresponding console.

Nintendo owns the copyright in the header data on its game cards, which is a part of its TPM systems. The TPMs prevent users from playing unauthorized copies of video games and from installing unauthorized software, including counterfeit games and software, on Nintendo consoles. The physical configuration of some of its game cards

utilize a specific shape, size, and arrangement of electrical connections that is specifically designed for use only with the respective console.

Nintendo also owns the copyright subsisting in its video games of which there are currently 585.

Nintendo asserted that since at least 2013, the corporate respondent has advertised and offered for sale, either through its websites or at its retail store, certain devices which were designed to circumvent the TPMs employed on the Nintendo gaming consoles. The individual respondent is the sole director and officer of the corporate respondent.

The application was initially heard by the judge in October of 2016 but there was not sufficient time to deal with the matter and it was adjourned to November 2016 to allow counsel for the respondents to present argument. In November the court was advised that Nintendo had entered into a settlement with the individual respondent and that counsel for Nintendo wished to proceed against the corporate respondent. The respondents did not present any evidence or cross-examine Nintendo's witnesses and as a result the matter proceeded on an effectively uncontested basis.

Circumvention of Technological Protection Measures

The *Act* provides that no person shall

- (a) circumvent a technological protection measure,
- (b) offer services to the public or provide services if the services are offered or provided primarily for the purposes of circumventing a technological protection measure, or
- (c) import, distribute, offer for sale or rental or provide — including by selling or renting — any technology, device or component if the technology, device or

component is designed or produced primarily for the purposes of circumventing a technological protection measure.

The court found that the Nintendo TPMs were effective measures for controlling access to the Nintendo Games. In particular the physical configuration of the Nintendo game cartridges, including the shape of the card and the arrangement of the electrical pins, was designed to fit specifically into a corresponding slot on each of its consoles. Together they operate much like a lock and key and were effective in controlling access to genuine Nintendo Games.

The court also found that the respondents had directly circumvented Nintendo's TPMs, offered services for the purposes of circumventing and trafficked in circumvention devices.

Remedies

The Act provides that the owner of the copyright in a work that has been circumvented is 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 copyright against the person who circumvented the work.

Nintendo elected for statutory damages and contended that statutory damages for TPM circumvention ought to be calculated on a per-work basis, i.e. each copyrighted work that the circumvention grants unauthorized access to attracts a separate award of statutory damages. Nintendo sought a range of statutory damages between \$294,000 to \$11,700,000 for TPM circumvention of the 585 different Nintendo Games, based on the statutorily mandated range of between \$500 and \$20,000 per work.

The judge emphasized the need for deterrence. He referred to the fact that Parliament had clearly indicated its intention to protect investments made by the creative industries,

including specifically the video game industry. TPMs are important tools to protect these investments. An award of maximum statutory damages reflects the disproportionate harm that may be caused to copyright owners by those engaged in circumvention, as they provide access to entire libraries of copyrighted works while profiting from the investments of others.

In addition, there was evidence of recidivism by the individual respondent who has been involved in similar activities in the past. The respondent's business also appeared to be dedicated to its circumvention activities. Further, the respondents continued to promote illegitimate activities such as piracy of television programs and circumvention devices for other platforms. All of this demonstrated an acute need for deterrence.

As a result the judge found that Nintendo was entitled to statutory damages of \$11,700,000 for TPM circumvention in respect of its 585 Nintendo Games and \$1,000,000 in punitive damages.

Comment

The court was not reluctant to grant relief for TPM circumvention in this case. The judge said that the court should not hesitate to award the maximum amount of statutory damages in cases involving serial business infringements.

It is important for the court to make it clear that this type of infringement is unacceptable. However, the amount of statutory damages ordered to be paid may also be a function of the fact that the case was in effect uncontested.

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These comments are of a general nature and not intended to provide legal advice as individual situations will differ and should be discussed with a lawyer.