

Federal Court



Cour fédérale

Date: 20151029

Docket: T-538-12

Citation: 2015 FC 1219

[UNREVISED ENGLISH CERTIFIED TRANSLATION]

Ottawa, Ontario, October 29, 2015

Present: The Honourable Mr. Justice LeBlanc

BETWEEN:

MATHIEU CROCHETIÈRE-BROUSSEAU

Applicant

and

9107-0235 QUÉBEC INC. (GRATTEX)

Respondent

ORDER AND REASONS

I. Introduction

[1] This is an action taken under the *Copyright Act* R.S.C. (1985), c. C-42 (the Act). The applicant claims from the respondent damages and interest of \$49,999. He argues that the respondent had allegedly infringed the copyright that he considers he has in the modifications

that he made to the respondent's Web site in carrying out a contract to modernize and improve this site's performance.

[1] The applicant also claims the full costs, calculated on a solicitor and client basis.

II. Background

A. *The redesign of the respondent's Web site*

[2] The respondent, who does business as Grattex, is a specialized company in the development, manufacture and sale of snow scrapers and various farm equipment. Since 2002, it has had a Web site where it posts its commercial resume, its products and other instructions for use. This site is specifically designed to allow it to receive orders online.

[3] In May 2011, the respondent decided to make improvements to its Web site. The applicant, who had at that time a college diploma in computer science and was studying in the same field at the Université du Québec à Trois-Rivières, offered his services to the respondent and submitted a cost estimate (Exhibit P-2) for them. The proposed work specifically covered (i) improving the site referencing on search engines such as Google, (ii) facilitating navigation by restructuring the menu, (iii) setting up an automatic recognition mechanism of the client's language; and (iv) freeing up some disk space by incorporating a YouTube link.

[4] Following discussions, the parties agree that the work would be performed for a lump sum of \$2,700. The applicant considered that 15 to 20 business days would be required to

complete the said work. Besides the estimate prepared by the applicant, there was nothing in writing setting out the contract made between the parties. Furthermore, for the purposes of completing the work specified in the contract, the applicant was dealing with the respondent's director of sales, Patrick Staquet. Mr. Staquet was examined earlier, in writing, in the summer of 2012. He died before the trial was held.

B. *Delivery of the new Web site and deterioration of the parties' relationship*

[5] According to the applicant's testimony, the new Web site, for which he provided hosting, was officially delivered to the respondent on September 21, 2011, although it had been operational since July 20, 2011. The respondent did not see things in the same way. It considered that the applicant largely exceeded the time to carry out the contract while being unable to deliver a new site meeting the requirements of the said contract. The relationship became bitter and culminated in an exchange of demand letters.

[6] Specifically, the respondent refused pay the invoice that the applicant sent him on September 21, 2011 (Exhibit P-4), which reflected the price agreed on by the parties and made a formal demand that he perform the work not done, failing which it stated it reserved the right to reduce the contract price and give this work to another programmer (Exhibit D-9). It complained mainly about the fact that the site delivered by the applicant did not provide the function of ordering parts online, a rather essential component, in its opinion, of the work to be completed under the contract.

[7] In a letter that he addressed to the respondent on October 13, 2011 (Exhibit D-10), the applicant refuted any blame. He argued that to proceed with the redesign that the respondent wanted, given the source files in place at the time, it required a considerable amount of work than had been planned originally, that the respondent said it was perfectly aware and that he accommodated the respondent by accepting to do this work without additional compensation. Furthermore, he warned the respondent that the source files of the site delivered on September 21 are his creation and belong to him and that he can dispose of them as he sees fit, including by blocking access by the respondent's clients to the site so long as the amount for the contract had not been paid. In this respect, the applicant advised the respondent that the above-noted accommodation no longer held and, thus, he claimed from it additional fees of \$6,390. Therefore, the total bill for completing the work to upgrade the respondent's Web site increased to \$10,494.84. The applicant requested payment within five days.

[8] The letter of October 13, 2011, did not specifically address the respondent's allegation that the new site did not offer the function for ordering parts online. At the trial, the applicant testified that this function was not incorporated to the new Web site because it would require a considerable amount of work, which was not provided for in the contract.

[9] The respondent quickly reacted to the letter of October 13. In a letter dated October 17, 2011, and signed by counsel representing it at the time (Exhibit P-6), the respondent warned the applicant against any interruption of service of his client's Web site and informed him that it wished to terminate the contract. However, in order to settle the dispute [TRANSLATION] "as quickly as possible", it proposed to pay the applicant \$2,500.00 [TRANSLATION] "in exchange for

a full and final release, handing over the computer content of the site on DVD, a commitment from him to transfer the site to another server hosting it and keeping the site online until this transfer." Counsel specified that failure to respond to this offer within three days of its receipt, his instructions are to [TRANSLATION] "file any legal proceeding enabling (his) client to recover the computer data required for its Web site to function and to claim any damages it has suffered."

[10] On November 21, 2011, the respondent advised the applicant, through this same counsel, that it had no other choice but to completely reprogram its Web site given the [TRANSLATION] "major deficiencies" affecting the work carried out by the applicant (Exhibit P-7). It explained that to do so, it [TRANSLATION] "started from scratch" and [TRANSLATION] "did not keep any programming (he) completed". Considering that he did not respect the contract between the parties and that, as a result, it had to pay for corrective work, the respondent informed the applicant that it reserved the right to claim damages that it felt it suffered. According to Exhibit D-11, the corrective work was performed in November 2011 by Sylvain Mallet, for \$2,400. The Web site reprogrammed by Mr. Mallet was put online on November 21, 2011. It replaced the one delivered by the applicant two months earlier.

[11] On November 23 and 30, 2011, the applicant, through his counsel, seeks clarification from the respondent of the nature of the deficiencies that, in its opinion, allegedly affected the site that he delivered to it under the contract between the parties. This correspondence remained unanswered.

C. *Legal proceedings*

[12] The applicant brought this action, in the form of a simplified action, March 13, 2012. He alleged that the computer program that he developed to enable the operation, by the respondent, of an improved Web site, is a work protected by the Act. He alleged specifically that his rights resulting from the Act in connection with this work were infringed in two ways by the respondent, first, by the use, between September 21 and November 21, 2011, of the site delivered by the applicant without paying him any consideration and, second, by the use, since November 21, 2011, of a Web site powered by a computer program copied onto its computer.

[13] The applicant considers that he has a right to claim from the respondent, as a result of these infringements, the sum of \$20,000 in lost profits on fees and profits collected by the respondent, and the sum of \$29,999 in exemplary damages. At the trial, the applicant amended his statement of claim so as to substitute the claim for lost profits on fees and profits collected by the respondent for a claim of [TRANSLATION] “predetermined damages” within the meaning of section 38.1 of the Act.

[14] On July 2, 2013, the respondent produced an amended defence and counterclaim to which is attached an action in warranty against the programmer, Sylvain Mallet. It argued essentially, in defence, that it purchased the work of the applicant, which confers on it the right to use the computer program developed by him. It denied, among other things, that it ordered additional work from the applicant and considered that it had the right, after serving a demand on

him to correct his computer program in order to make the new Web site functional, to have a third party do the required corrective work.

[15] As plaintiff by counterclaim, the respondent claimed from the applicant the sum of \$25,000 as a result of his failure to deliver the new Web site within the timeframe specified in the estimate and for the loss of profits resulting from the deficiencies of this new site. Finally, it argued that insofar as there was a copyright infringement, as the applicant alleged, the infringement is the fact that Sylvain Mallet was given the task in October 2011 to reprogram its Web site. Mr. Mallet did not appear in this case.

[16] On June 6, 2014, the respondent paid the amount of the invoice of September 21, 2011. However, this payment was made by the respondent and accepted by the applicant without prejudice to their respective positions in this dispute.

D. *The trial*

[17] The trial was conducted on April 28 and 29, 2015. In addition to providing his testimony, the applicant heard an expert witness, Adam Jolly, PhD student and lecturer on computer science at the Mathematics and Computer Sciences Department at the Université du Québec à Trois-Rivières. Mr. Jolly's mandate was to determine, based on archived content of each Web site, whether the version delivered and put online by Mr. Mallette on November 21, 2011, plagiarized the one designed by the applicant. Mr. Jolly concluded that the version delivered and put online by Mr. Mallet was the result of partial but significant plagiarism of the version developed by the applicant.

[18] The respondent did not cross-examine Mr. Joly and did not have an expert testify on this issue. It also abandoned its counterclaim and its third party claim against Mr. Mallet. Moreover, it did not dispute that the computer program developed by the applicant under the contract between the parties is a “literary work” within the meaning of the Act.

[19] Once these updates were carried out, the respondent called three witnesses: the owner of the company, Mr. Charrette, the creator of the respondent’s original Web site, Mr. Drouin, as well as the respondent’s factory supervisor, Mr. Garceau. Mr. Charrette was cross-examined at length on Mr. Staquet’s role in the business and on the functionality of the site delivered by the applicant on September 21, 2011. In particular, he was not able to say that this site was not functional and recognized that it is possible that equipment orders were made through this site between September 21 and November 21, 2011. As for Mr. Garceau’s testimony, it was used to establish that the ordering of parts online continued to be done from the original site developed by Mr. Drouin, since neither the site developed by the applicant nor the site reworked by Mr. Mallet allowed this type of orders. Furthermore, nothing very useful came out of Mr. Drouin’s testimony.

[20] Given the death of Mr. Staquet before the hearing was held, the evidence provided by Mr. Charrette and Mr. Garceau as to the relationship between the respondent and the applicant during the production phase of the work planned in the contract between the parties ended up being peripheral and, ultimately, of little use.

III. Issues

[21] Given the realignment of the respondent's position at trial, I find that this case raises the following three questions:

- i. Does the computer program developed by the applicant under the terms of the contract between the parties, to his benefit, constitute a "work" within the meaning of the Act?
- ii. If so, did the respondent infringe on the applicant's rights under the Act in this regard?
and
- iii. If so, is the applicant entitled, in whole or in part, to the damages he is claiming in this case?

IV. Analysis

A. *Does the computer program developed by the applicant constitute a "work" within the meaning of the Act?*

[22] As we saw above, the respondent concedes that the computer program designed by the applicant under the contract between the parties is a "literary work" within the meaning of the Act. I am also of that opinion.

[23] Subsection 5(1) of the Act stipulates that copyright shall subsist in Canada, if certain conditions, which do not apply here, are met, in "every original literary, dramatic, musical and artistic work". For a "work" to benefit from copyright protection in Canada, it must meet the following three criteria: (i) it must be an original work; (ii) it must qualify as a literary, dramatic,

musical and artistic work; and (iii) be in a fixed material form (*Grignon v Roussel* (1991), 38 CPR (3d) 4 (FCTD), at page 7).

[24] The computer program in this case satisfied the second and third criteria insofar as the Act incorporates computer programs into the definition of literary work and the expression “computer program” is defined in the Act as a “set of instructions or statements, expressed, fixed, embodied or stored in any manner that is to be used directly or indirectly in a computer in order to bring about a specific result”.

[25] Moreover, to be “original” within the meaning of the Act, a work must be the product of an author’s exercise of skill and judgment without also having to be novel or unique, and the exercise must not be so trivial that it could be characterized as a purely mechanical exercise (*CCH Canadianne Ltd v Law Society of Upper Canada*, 2004 SCC 13, [2004] 1 SCR 339, at para 16).

[26] According to the evidence in the record, the performance of an integration task, such as that which the applicant had to complete, requires judgment and talent by a programmer in the sense that it requires from him intellectual effort that is not trivial, i.e., using his personal knowledge, ability to form an opinion or evaluation by comparing different possible options.

[27] Therefore, I am ready to recognize that the computer program developed by the applicant meets these three conditions and, as a result, that it is a “literary work” within the meaning of the Act.

B. Was there an infringement of the applicant's copyright in this case?

[28] According to subsection 3(1) of the Act, the copyright on a work includes the sole right to produce or reproduce the work or any substantial part thereof in any material form whatever, to perform the work or any substantial part thereof in public or, if the work is unpublished, to publish the work or any substantial part thereof. Under subsection 13(1) of the Act, the author of a work shall be the first owner.

[29] Dealing with the scope of the protection conferred on copyright by the Act, the Supreme Court of Canada recalled again recently in *Cinar Corporation v Robinson*, 2013 SCC 73, [2013] 3 SCR 1168, that the Act aims to strike “a balance between promoting the public interest in the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator”, and thus to ensure that the creator “will reap the benefits of his efforts, in order to incentivize the creation of new works” (*Robinson*, at para 23).

[30] According to what is provided in subsection 27(1) of the Act, it is an infringement of copyright when, without the consent of the owner of the copyright anything is done that by this Act only the owner of the copyright has the right to do, including, as we have seen, producing or reproducing the work in whole or in a significant part (see also *Microsoft Corporation v 9038-3746 Québec Inc. et al*, 2006 FC 1509, at para 8).

[31] In this case, according to the evidence in the record, which is not challenged by the respondent, the version of the site put online by Mr. Mallet significantly reproduced the version

developed by the applicant. Therefore, unless the applicant consented to this reproduction, it is an infringement of his rights as owner of the copyright to the computer program that he developed under the contract.

[32] Moreover, the respondent argued that the said contract contained an implied authorization to use the computer program developed by the applicant for payment and it was therefore available to it to make, on its own or by a third party, any changes or improvements considered desirable. It found that, under the circumstances, there was no infringement of the applicant's copyright. I agree.

[33] In a matter of copyright involving work to improve software, the Federal Court of Appeal found, as had the trial judge, that there is an implied user licence (*Tremblay v Orio Canada Inc.*, 2013 FCA 225). In this matter, Orio Canada had retained the services of Mr. Tremblay's company (Service Informatique Professionnel) to improve his appointment management software in the field of automotive mechanics, the Service Appointment Monitor (SAM). The new version of the software delivered by the applicant was twice the size of the original version and contained several complementary modules. Once it was delivered, Orio Canada continued developing its software this time using a competitor of Mr. Tremblay to whom it gave a copy of the source code developed by Mr. Tremblay.

[34] Mr. Tremblay considered that, as owner of the copyright of the modified software that he had delivered to Orio Canada, it could not copy the source code to have it reworked by a third

party. Orio Canada argued that M. Tremblay had relinquished all rights to the said software under a clause contained in the estimate prepared by Mr. Tremblay, which read as follows:

[TRANSLATION]

Any development done for Orio Canada Inc. shall become the exclusive property thereof and may not therefore be marketed or reused by Service Informatique Professionnel or any other party.

[35] However, Mr. Tremblay argued that this assignment was void given the fact that he had not formally signed these submission documents, as required, in his view, by subsection 13(4) of the Act. This provision reads as follows:

13. (4) The owner of the copyright in any work may assign the right, either wholly or partially, and either generally or subject to limitations relating to territory, medium or sector of the market or other limitations relating to the scope of the assignment, and either for the whole term of the copyright or for any other part thereof, and may grant any interest in the right by licence, but no assignment or grant is valid unless it is in writing signed by the owner of the right in respect of which the assignment or grant is made, or by the owner's duly authorized agent.

13. (4) Le titulaire du droit d'auteur sur une œuvre peut céder ce droit, en totalité ou en partie, d'une façon générale ou avec des restrictions relatives au territoire, au support matériel, au secteur du marché ou à la portée de la cession, pour la durée complète ou partielle de la protection; il peut également concéder, par une licence, un intérêt quelconque dans ce droit; mais la cession ou la concession n'est valable que si elle est rédigée par écrit et signée par le titulaire du droit qui en fait l'objet, ou par son agent dûment autorisé.

[36] The trial judge considered that the copyright assignment contained in the estimate was indeed void to Mr. Tremblay, but he nevertheless found that Mr. Tremblay had granted to Orio Canada an implied user license in the modified software that he had delivered to it (*Tremblay*, at

para 12). The Federal Court of Appeal upheld in these terms the trial judge's finding on this issue:

[25] As for the implied user licence, I see no error in the judge's holding that, in the circumstances, the appellant had consented not only to an implied licence to market the modified SAM program, but also to the possibility of further modifications by Orio in order to increase sales. In this respect, *Netupsky v. Dominion Bridge*, [1972] S.C.R. 368, a Supreme Court of Canada case, seems to be analogous to this case. In that case, the SCC recognized an implied licence to modify plans for a civil engineering work. At pages 377-78 of that case, Justice Judson adopted the following statement of the Supreme Court of New South Wales in *Beck v. Montana Construction Pty. Ltd.* (1963), 305 F.L.R. 298 at pages 304-5:

“...that the engagement for reward of a person to produce material of a nature which is capable of being the subject of copyright implies a permission or consent or licence in the person making the engagement to use the material in the manner and for the purpose in which and for which it was contemplated between the parties that it would be used at the time of the engagement.”

[37] As I have already noted, the estimate submitted by the applicant was not followed by a written contract between parties. The estimate itself does not contain any clause relating to copyrights. The agreement between the parties is silent in this regard. However, it appears to me to be clear that the contract between the parties contained, to the benefit of the respondent, an implied user licence for the computer program that the applicant was to deliver, a licence that also authorized him to modify the said program in such a way as to improve its effectiveness based on his needs. Otherwise, one could wonder why the respondent would have given the applicant, faced with the payment of compensation and without it being possible for him to make other modifications for his own use, the task of modernizing his Web site.

[38] This situation is very different than that prevailing in *Microsoft*, above, the only authority brought to the attention of the Court by the applicant. No blame is being placed on anyone here of knowingly and without a right retailing copies of the computer program developed by the applicant. Also, it was not proven or even alleged that the respondent sold, rented or assigned the applicant's computer program to a third party or again that it had authorized a third party, including Mr. Mallet, to use it for his own purposes, which would have greatly exceeded the parameters of the implied licence resulting from the contract between the parties.

[39] This situation is also very different from that which led Claude Robinson to prosecute Les Films Cinar for having knowingly and without authorization copied his work for the purpose of producing it and profiting from it.

[40] The contract between the parties provided for the creation of a "work" for payment freely negotiated between them. In other words, it provided what the applicant had no doubt considered, by committing to complete the work, "a just reward for the creator" (*Robinson*, above at para 23). Therefore, in my view, it was at a matter of course that the respondent was authorized to use the work and eventually make improvements for the purpose for which he had ordered it.

[41] It is true that the applicant was not paid upon delivery of the work, that a dispute was initiated regarding the scope and the fair value of the work completed and that no compromise could be found. However, in my view this relates to the law of contracts and not of copyrights, an independent right that ensures that the creator of a work will "reap the benefits of his efforts,

in order to incentivize the creation of new works” (*Robinson*, above at para 23). The contract gave the applicant a benefit and nothing prevented him from ensuring, before the appropriate forum, its full performance under the law of contracts. The function of copyright is not to substitute for contract rules and standards otherwise applicable.

[42] I feel compelled to find that the Act provides no assistance to the applicant in the circumstances of this case. The situation is quite unfortunate for the applicant, but he will have at least received from the respondent, in June 2014, the payment to which the parties agreed in the spring of 2011.

[43] It seems to me that this matter, resulting from the performance of a contract that was quite modest, could have been settled otherwise. In these circumstances, I find that each party must pay their costs.

ORDER

THE COURT ORDERS AND ADJUDGES that the action is dismissed, without costs.

“René LeBlanc”

Judge

Certified true translation

Catherine Jones, Translator

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-538-12

STYLE OF CAUSE: MATHIEU CROCHETIÈRE-BROUSSEAU v 9107-0235 QUÉBEC INC. (GRATTEX)

PLACE OF HEARING: MONTRÉAL, QUEBEC

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DATED: OCTOBER 29, 2015

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