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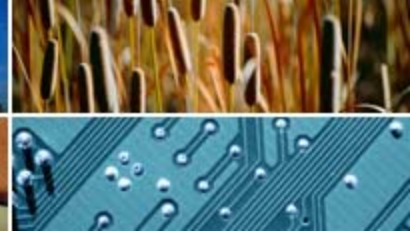
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BETWEEN:

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CANADIAN PRIVATE COPYING COLLECTIVE

Plaintiff

Other Decisions

- Federal Court of Appeal
- Tax Court of Canada
- Supreme Court of Canada
- Office of the Commissioner for Federal Judicial Affairs

and

AMICO IMAGING SERVICES INC.

and

COMPUTER DIRECT DEPOT INC.

Defendants

REASONS FOR ORDER AND ORDER

[1] The defendant Amico Imaging Services Inc. has filed a motion for this Court to set aside the Anton Piller Order granted by Mr. Justice Lemieux on April 30, 2003.

FACTS

[2] The *Copyright Act*, R.S.C. 1985, c. C-42 (Act), was amended in 1997 to allow private copying; the amendment also set up a regime whereby eligible authors, performers and makers of sound recordings would be entitled to equitable remuneration for the making of private copies by individual consumers. This remuneration was to be furnished through a levy imposed on Canadian manufacturers and importers of blank audio recording media. The Copyright Board sets up a tariff each year applicable to audio cassettes and blank CDs. It has designated the Canadian Private Copying Collective (CPCC, the plaintiff) as the Collecting Body for the tariffs. Its mandate is to collect the levy from manufacturers and importers, and to distribute the proceeds to the eligible rights holders.

[3] Under section 88 of the Act, the plaintiff is entitled to institute an action to recover unpaid levies and obtain the compliance of contravening parties to their other obligations set out in Part VIII of the Act.

[4] There are two defendants in the action instituted by the plaintiff in these proceedings, Amico Imaging Services Inc. (defendant Amico) and Computer Direct Depot Inc. (defendant CDD). Amico is a

corporation organized under the laws of the Province of Ontario. Its business is the wholesale of imaging (photocopying) supplies, computer accessories and blank audio recording media. CDD is also a company organized under the laws of the Province of Ontario, that imports blank audio recording media into Canada and then resells them to third parties.

[5] The plaintiff alleges that both defendants have failed to comply with their obligations set out in Part VIII of the Act, and in particular, have failed to report their importation and sale of blank audio recording media and to remit to plaintiff the levies owed.

[6] The plaintiff alleges that Amico has wilfully avoided its obligations by hiding its importation of blank audio tapes through an arrangement with CDD, whereby the latter appears as importer of record for blank audio recording media that are in fact bought by Amico to be resold.

[7] From the evidence, it appears that the co-owners of Amico, Mr. Frankel and Mr. Grunbaum were informed sometime in 2002 that a levy had to be paid on blank imported CDs. They immediately gave the order to Mr. Young, the Director of Sales for Amico, to stop importing CDs and to source them from a Canadian supplier, to avoid the levy. They did not seem to be aware of the fact that the levy was payable also by Canadian manufacturers, so that presumably, any wholesaler would eventually have to bear the cost of the levy, whether the CDs were imported or manufactured in Canada.

[8] On the basis of an investigation on the sale of CDs by both defendants, the plaintiff applied for an Anton Piller order, which was granted on April 30, 2003. The Anton Piller order was executed on May 21-22, 2003. Documents that were seized have been kept by the plaintiff, pursuant to an order from Madam Justice Dawson dated June 3, 2003; however, the photocopies of those documents have now been returned to the defendant.

[9] Defendant Amico moves now for the Anton Piller order to be set aside, for all original documents and copies to be returned, for damages to be paid for disruption of business, and costs on a solicitor-client basis. Defendant Amico argues that the Anton Piller was obtained on the basis of a disclosure which was neither frank nor full, and that the plaintiff has not made out either the strong *prima facie* case nor the serious damage.

ISSUE

[10] Should the Anton Piller order be set aside?

LEGISLATION

[11] *Copyright Act*, R.S.C. 1985, c. C-42, am. 1997, c. 24, s. 50.

82. (1) Every person who, for the purpose of trade, manufactures a blank audio recording medium in Canada or imports a blank audio recording medium into Canada

(a) is liable, subject to subsection (2) and section 86, to pay a levy to the collecting body on selling or otherwise disposing of those blank audio recording media in Canada; and

(b) shall, in accordance with subsection 83 (8), keep statements of account of the activities referred to in paragraph (a), as well as of exports of those blank audio recording media, and shall furnish those statements to the collecting body.

(2) No levy is payable where it is a term of the sale or other disposition of the blank audio recording medium that the medium is to be exported from Canada, and it is exported from Canada.

82. (1) Quiconque fabrique au Canada ou y importe des supports audio vierges à des fins commerciales est tenu :

a) sous réserve du paragraphe (2) et de l'article 86, de payer à l'organisme de perception une redevance sur la vente ou toute autre forme d'aliénation de ces supports au Canada;

b) d'établir, conformément au paragraphe 83 (8), des états de compte relatifs aux activités visées à l'alinéa a) et aux activités d'exportation de ces supports, et de les communiquer à l'organisme de perception.

(2) Aucune redevance n'est toutefois payable sur les supports audio vierges lorsque leur exportation est une condition de vente ou autre forme d'aliénation et qu'ils sont effectivement exportés.

ANALYSIS

[12] Anton Piller orders are generally granted in the context of copyright or trademark infringement; in this case, the order has been granted to the plaintiff on the basis of an allegation that the defendant has not paid the levies required by the *Copyright Act*. The test for granting and setting aside the Anton Piller order remains the same, with the necessary adaptations given that this is not a case of infringement as such.

[13] The object of an Anton Piller order is to secure the preservation of documents which are relevant to the suit and which could, if notice is given to the defendant of the impending suit, be destroyed in a bid to avoid such a suit. The name comes from a case that was heard by the English Court of Appeal, *Anton Piller KG v. Manufacturing Processes Ltd.*, [1976] Ch. 55 (C.A.), where the Court of Appeal held that a court has jurisdiction to make an order on an *ex parte* application to compel the defendant to allow the plaintiff to inspect its premises and remove or copy documents. An Anton Piller order is often combined with an injunction restraining the defendant from continuing the infringing act, and may allow for the seizure of infringing merchandise pending a full resolution of the matter before the court.

[14] In this case, the extent of the Anton Piller order delivered by Justice Lemieux on August 30 2003, was to allow the inspection of the premises of both defendants, Amico and CDD, the seizure of documents relevant to the sale of audio recording media, the seizure of samples of such media, and the recording by photography, video camera or other means of the blank audio recording media found on the premises of the defendants. Both defendants consented to the execution of the order, but defendant Amico, the mover of this motion, reserved the right to contest the issuance of the order, as was stated in the review of the order, dated June 3, 2003, which was conducted by Madam Justice Dawson. The defendant Amico is now asking this Court to set aside the Anton Piller order, and to order the plaintiff to pay damages for disrupting the business of the defendant, to pay the costs of the motion and the costs of legal advice and finally to return all originals and copies of seized documents, data and inventory forthwith.

[15] There are two aspects to be considered in the present application: 1) the test to be applied in making an Anton Piller order; and 2) whether the omission on the part of the plaintiff to make full and frank disclosure, as the defendant alleges, is such that the Anton Piller order should be set aside.

Test for the Anton Piller Order

[16] There are three conditions to be satisfied before an Anton Piller order will be granted. Since the order is an extraordinary equitable relief, that affords the plaintiff rights of search and seizure on an *ex parte* motion, the courts will be very strict in ensuring that these conditions are met. If the defendant can show that the motion was granted on the basis of defective evidence, the order will be set aside.

[17] The three conditions were established by Lord Ormrod L.J. in the *Anton Piller* case referred to above:

First, there must be an extremely strong *prima facie* case. Secondly, the damage, potential or actual, must be very serious for the applicant. Thirdly, there must be clear evidence that the defendants have in their possession incriminating documents or things, and that there is a real possibility that they may destroy such material before any application *inter partes* can be made. (*Anton Piller, supra*, at 198).

[18] As stated in *Adobe Systems Inc. v. KLJ Computer Solutions Inc.*, [1999] 3 F.C. 621 (T.D.) and *Viacom Ha! Holding Company v. Jane Doe*, [2000] F.C.J. No. 498 (T.D.), the first two conditions are normally satisfied with the establishment of clear proof of title to intellectual property, and clear evidence of infringement. This applies to trademark and copyright cases. In the instant case, the requirements are slightly different, but I believe the conditions have been met.

[19] There is no question that CPCC is entitled to receive the levies due on all blank audio recording media sold in Canada, whether imported or manufactured in this country. CPCC argues that by not obtaining the Anton Piller order, it will be deprived of the opportunity to make its case and recover the sums due to the artists, performers and copyright holders. Thus the potential damage is real. Just as clear evidence of title and infringement would suffice to establish both a strong *prima facie* case and serious damage, I think that clear evidence of the right to the levies and clear evidence that these are not being paid is sufficient to meet the first two conditions of the Anton Piller order. The debate usually centers on the third condition, whether the fear of destruction of evidence truly warrants giving rights of search and seizure on an *ex parte* motion.

[20] The defendant Amico argues that there was no reason to fear destruction of evidence; the defendant is a well-established business, respectful of the law, who would have complied with whatever requirements had it been duly informed by CPCC by way, for example, of a demand letter. However, given the elaborate deception that was organized to avoid paying the levy owed, there was reason to fear that evidence might be destroyed if the defendants (both Amico and CDD) were warned ahead of time that CPCC intended to claim the levy; with the destruction of evidence, it would be more difficult for CPCC to establish the past amounts due. Thus, both harm and fear of destruction had been established.

Whether setting aside the order is warranted

[21] The mover of this motion, defendant Amico, argues that a strong *prima facie* case has not been made out since there is no evidence that Amico was importing CDs after June 2002. This assertion is problematic for two reasons: it negates the fact that levies were owed before June 2002. In fact, evidence was provided and the defendant admitted that more than 2.8 million CDs were sold from 2000 to 2002 for which levies were never paid. It also would require the Court to disregard the evidence that CDs were imported for Amico through CDD, without payment of the levy by either party.

[22] The defendant Amico also argues that in applying for the Anton Piller order, the plaintiff did not make full and frank disclosure concerning the defendant's business.

[23] The defendant brings up minor points in the Pavloff affidavit, but I do not believe these points were in the least material to Mr. Justice Lemieux' decision to grant the Anton Piller order. The defendant brings up the fact that Mr. Pavloff in his affidavit seems to imply that the company is not well-established, is wont to flout the law by not charging taxes, readily accepts cash; Mr. Pavloff also mentions CDs coming in from a corporation named "Earth Corp." which does not, according to the defendant, export CDs.

[24] Tellingly, the major points that would be material are not contested by the defendant, namely the following facts: Mr. Pavloff testifies to seeing a great number of CDs in stock, as well as there being different brands of CDs originating from outside of Canada. The Director of Sales, Mr. Young, offers to procure CDs in great quantities, including imported CDs. Reading the Pavloff affidavit, one gets the impression that Amico is a well-established company - considerable space, a colour catalogue, at least five employees. Nowhere does the affidavit give the impression that if served with a demand, the company would simply vanish off the face of the earth. The fact that Mr. Pavloff mistakenly thought no GST had been charged on his purchase (an understandable mistake, given that a total is given without any breakdown as to the GST owing), or that he mentions paying cash for his purchase, are not the points on which his argument rests to explain his fear that evidence might be destroyed if CPCC were to act without first obtaining the Anton Piller order. Rather Mr. Pavloff emphasizes the means and the reasons for which Amico might be inclined to destroy evidence. These are not contested by the mover of this motion.

[25] In a motion to set aside an Anton Piller order, the Court is entitled to consider both the evidence available at the time the order was made and any new evidence that has surfaced since then. In *Adobe Systems*, referred to above, Associate Chief Justice Richard, as he then was, was considering a motion to set aside an Anton Piller order also based on insufficient disclosure by the plaintiff in the *ex parte* proceedings.

[26] At paragraph 46, Richard A.C.J. quoted at length the decision of the English Court of Appeal in *Brink's-MAT Ltd. v. Elcombe*, [1988] 3 All ER 188 (C.A.), which speaks of the principles relevant to determining whether an imperfect disclosure by plaintiff to obtain an Anton Piller order should automatically bring about its discharge. From this quotation, I would draw the following statements:

... (i) the duty of the applicant is to make a "full and fair disclosure of all the material facts"; ...

(ii) the material facts are those which it is material for the judge to know in dealing with the application as made; ...

(vi) whether the fact not disclosed is of sufficient materiality to justify or require immediate discharge of the order without examination of the merits depends on the importance of the fact to the issues which were to be decided by the judge on the application. ...

(vii) finally, "it is not for every omission that the injunction will be automatically discharged. ...".

[27] At paragraphs 47-49, Richard A.C.J. stated the following:

¶ 47 Since I am reviewing an order which was not made by me, it is well established that the hearing before me is *de novo* as to both the law and the facts involved in the matter. As Mr. Justice Teitelbaum indicated in *Proctor & Gamble Inc. v. John Doe* (1997), 76 C.P.R. (3d) 350 (F.C.T.D.), at page 354, quoting Mr. Justice Smith from the British Columbia Court of Appeal in *Gulf Islands Navigation Ltd. v. Seafarers Internat'l Union of North America* (Can. Dist.) (1959), 18 D.L.R. (2d) 625 (B.C.C.A.) [at page 627]:

... if the second Judge hears the motion, he should hear it *de novo* as to both the law and facts involved.

¶ 48 This is not an appeal from the decision made by the judge who granted the Anton Piller order, but an examination *de novo*. Therefore, the reviewing judge is entitled to consider any additional evidence properly introduced by the plaintiffs to support the order.

¶ 49 The issue is whether, on all evidence and argument adduced by the parties, the order sought is appropriate.

[28] This last statement is the operative one in the instant case. To determine whether it would be warranted to set aside the Anton Piller order, I must consider *all* evidence and argument adduced by the parties.

[29] On this basis, I have no difficulty concluding that the Anton Piller order was properly issued. In coming to this conclusion, I take into account the following facts:

- The defendant Amico, by its own admission (cross-examination of Mr. Grunbaum and Mr. Frankel), has never paid the levy on imported blank audio recording media;

- The Director of Sales for Amico, Mr. Young, knew as early as 2000 (from e-mail correspondence discovered by the plaintiff) that a levy was to be paid;

- Both Mr. Grunbaum and Mr. Frankel state that they were informed only in 2002 of the levy. Yet when they found out, neither of them inquired as to what might have to be paid; they simply decided not to import CDs so as not to pay the levy.

[30] They also made no attempt to ascertain that the levy applying to the CDs the company was stocking and selling had been paid, even after they had been informed of the fact. They left the matter entirely to Mr. Young, who made an arrangement with CDD to have the latter become the importer of record. Mr. Ho Dam, CDD's manager, seems from his cross-examination to have been completely unaware both of the levy and of the reason for which he had suddenly and lucratively become the importer for all CDs sold by Amico.

[31] There is no doubt that the co-owners of Amico sought to avoid the levy, and, perhaps more importantly, made no effort to ensure that the CDs sold by Amico had been lawfully imported, with due payment of the levy. Whether the liability lies with Amico, CDD or both will be decided in another proceeding. But for now, I believe that there is ample evidence to show a strong *prima facie* case, the harm done to the plaintiff, and the danger of destruction of evidence.

[32] The impression conveyed by the affidavits that were presented to support the Anton Piller application was not that Amico was some fly-by-night, shady operation, which all parties are agreed it is not; rather, these affidavits indicated that Amico had a strong interest in hiding evidence that would relate to the import scheme. Further evidence that was found with the Anton Piller order confirmed that no levy was being paid, neither by Amico nor its "importer of record" CDD. It would appear that Amico was a willing participant in a scheme to avoid paying the levy, without any research on the part of the owners to determine if such was lawful. It is this avoidance of the law, confirmed in the cross-examinations of both Mr. Frankel and Mr. Grunbaum, which lead the plaintiff to fear that evidence would be destroyed if notice were given of an impending action.

[33] The strong *prima facie* case is based on the fact that there had been no remittance of the levy, despite the fact that Amico was openly selling great quantities of imported blank audio recording media. It is clear that Mr. Young knew full well that the levy was not being paid on the imported CDs. Mr. Young is the one who had set up the arrangement with CDD. He knew that CDD was not paying the levy, since that would have been reflected in the price paid by Amico to CDD for the importation of CDs. Mr. Young, at least, knew that he was breaking the law. He would have had every reason to destroy evidence if made aware of an impending action by the plaintiffs.

[34] Mr. Young was acting for Amico, on specific instructions that he was no longer to import CDs but rather, find a Canadian source. This is what he did, while avoiding the cost of the levy. The co-owners of Amico never asked how it was possible to avoid a cost borne by importers and manufacturers; this willing avoidance of the law does not bode well for maintaining evidence which could be incriminating.

[35] For these reasons, I see no reason to set aside the Anton Piller order.

Costs

[36] I have heard oral representations of the parties regarding costs.

[37] The plaintiff is entitled to his costs under Column 5, payable forthwith, given the circumstances of this case.

ORDER

THIS COURT ORDERS that:

- This motion is dismissed;
- Costs under Column 5 in favour of the plaintiff, payable forthwith.

"Pierre Blais" _____

Judge

FEDERAL COURT

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: T-519-03

STYLE OF CAUSE:

CANADIAN PRIVATE COPYING COLLECTIVE

Plaintiff

and

AMICO IMAGING SERVICES INC.

and

COMPUTER DIRECT DEPOT INC.

Defendants

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: March 25, 2004

REASONS FOR ORDER AND ORDER : [Blais J.](#)

DATED: [March 26, 2004](#)

APPEARANCES:

Daniel S. Drapeau FOR PLAINTIFF / APPLICANT

Michelle Wassenaar FOR DEFENDANT/

Solicitor for Defendant Amico Imaging Services Inc. RESPONDENT

Shawn Philbert DEFENDANT/RESPONDENT

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Modified: 2006-11-01

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