

IP monitor

Car websites “scraped” but only slightly dented

April 2017

Copyright and entertainment

In *Trader v CarGurus*, 2017 ONSC 1841 (CanLII), the Ontario Court of Justice has opined on a number of points arising out of the 2012 copyright amendments introduced by the *Copyright Modernization Act*.

The interesting points in the decision concern 1. making a work available to the public 2. fair dealing 3. when is framing an infringement 4. when can a Web host claim to be an “information location provider” and 5. when and under what circumstances can statutory damages be reduced.

Facts

Trader operates a “digital marketplace” for new and used vehicles in Canada through its websites, including autotrader.ca. In the spring of 2015, US company CarGurus entered the Canadian market as a direct competitor. The defendant sought Canadian legal advice before entering the Canadian market but the nature of that advice was not disclosed. Both the plaintiff’s and the defendant’s websites offered new and used vehicles for sale. As part of this service both websites used photographs that were provided by car dealers, but in the plaintiff’s case, some of those photographs were created for the dealers as part of a “capture service.” The capture service represented only about 5% of the photos for all vehicle listings in Canada, but nevertheless this represented 196,740 photographs.

The evidence of CarGurus was that in the US the photographs were supplied by partners that feed dealers listing information to CarGurus or the photographs were obtained by indexing or scraping the dealers’ websites. The evidence was that the prevailing industry view in the US is that the dealers own the photographs in their listings.

In mid-2015 Trader complained to CarGurus that it owned the copyright in its website and requested CarGurus to cease its reproduction and display of all content from that website. That letter did not mention the capture service and the court accepted that the capture service was unknown to CarGurus at that time. A subsequent telephone call was held with business representatives on both sides and again Trader did not mention the capture service or that it claimed copyright in any photos that might appear on the dealers’ websites. Approximately two weeks before the lawsuit was commenced Trader advised CarGurus about the capture service, but by the time the lawsuit commenced CarGurus had removed all of the infringing photos.

Issues

A number of interesting issues were raised, but the question of copyright and ownership of the photos raised only settled points of law. In the end the court concluded that Trader owned the copyright in 152,532 photos.

Making available

CarGurus argued that 34,185 of the photos had not been reproduced but rather had been “framed.” In other words these photos were displayed on the CarGurus website but they were actually located on servers hosting the dealers’ websites. The court rejected the argument that CarGurus was not thereby making the work available to the public, regardless of whether there was a direct reproduction by CarGurus or whether the photo was actually stored on CarGurus’ server or on a third-party’s server. Based on the limited facts available from the decision, it appears the infringing photos automatically appeared “framed” on the CarGurus site and did not arrive by means of a user-activated hyperlink. Therefore, the case does not appear to implicate some of the issues that had so concerned the European Court of Justice in cases such as *Svensson*¹, *BestWater*² or *GS Media*³. The court apparently did not need to consider whether the provision of a user-activated hyperlink that results in a framed image of a work previously communicated to the public would be an infringement.

Fair dealing

The court accepted that whether something is “research” is to be considered from the user’s perspective and therefore accepted that the use of the vehicle photos was “research.” Nevertheless it rejected the dealing as fair given that the whole photograph was copied for commercial purposes for the entire life of the vehicle listing.

Information location tool

CarGurus argued it was a provider of an “information location tool” and as such the only remedy that could be obtained against it was an injunction pursuant to section 41.27(1). CarGurus argued that any type of search engine was an “information location tool.” The court refused to accept a broad definition. It held that any provider that gathers information from the Internet to make it available to a user on the provider’s own website was not a provider of an information location tool. Referring to the Government of Canada background document, the court concluded that the section was meant to protect providers who were intermediaries and not those collecting information for their own websites. During the period in question, CarGurus did not enable the user to find the information where it was located on the Internet but required users to contact CarGurus to obtain further information about a vehicle identified on its website.

Statutory damages

The court concluded that CarGurus was infringing and Trader could prove it owned the copyright in 152,523 photos. Trader elected statutory damages. The statutory minimum per work for commercial use is \$500 per work, which would have resulted in statutory damages of \$76,266,000.

However pursuant to section 38.1 (3) the court did have the right to award a lower amount when there is more than one work or subject matter in a single medium and the awarding of the minimum amount would result in a total award grossly out of proportion to the infringement. The statute also provided that the court shall consider all relevant factors, including the good faith of the defendant, the conduct of the parties, and the need to deter other infringements.

Trader argued that the right to reduce the statutory damages did not apply because the photographs were not reproduced in a single medium. However the court accepted that the CarGurus website was a single medium for this purpose. In the end, the court reduced the statutory damages to \$2 a photo for a total of \$305,064. In so doing the court had consideration for a number of factors, including that CarGurus had never taken material from Trader’s website but had used material from dealers that it thought the dealers had a right to give, that it had obtained legal advice and that it has followed the business model it had used in the US. The court also noted that the initial complaint made no mention of the capture service, which represented 5% of the photos on that site and that as soon as it

became aware of the capture service and the copyright claim over those photos CarGurus had removed them from the site.

The court also took into account other similar copyright statutory awards, the fact that a license fee would have cost CarGurus \$17,535, had it known of the need to obtain one, that similar photos cost between \$0.22 to \$0.93 per photo, that Trader's cost for producing the photos would not have been greater than \$118,864, that Trader had no damages and lost no business as a result of the infringement and that CarGurus made no profits in Canada.

The court also refused to award a permanent injunction given that the infringing photos had been removed.

Lessons

On the one hand CarGurus was at fault for assuming the situation that prevailed in the US regarding copyright in some of the photos prevailed also in Canada. It failed to do proper due diligence. On the other hand this case shows the value of acting quickly and pre-emptively to remove any offending material. As well, Trader clearly could have been more forthcoming in identifying its copyrighted works upfront, particularly in the situation here where the provenance of the works was dealers who appeared to have the rights to them.

Brian W. Gray

Footnotes

- ¹ C-466/12 13 February 2014 The CJEU concluded "that the provision on a website of clickable links to works freely available on another website does not constitute an act of communication to the public"
- ² C-348/13 21 October 2014
- ³ C-160/15 *GS Media v Sanoma* September 2016

For more information, please contact your IP professional at Norton Rose Fulbright Canada LLP.

For a complete list of our IP team, [click here](#).

Norton Rose Fulbright Canada LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright South Africa Inc and Norton Rose Fulbright US LLP are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients.

References to "Norton Rose Fulbright", "the law firm", and "legal practice" are to one or more of the Norton Rose Fulbright members or to one of their respective affiliates (together "Norton Rose Fulbright entity/entities"). No individual who is a member, partner, shareholder, director, employee or consultant of, in or to any Norton Rose Fulbright entity (whether or not such individual is described as a "partner") accepts or assumes responsibility, or has any liability, to any person in respect of this communication. Any reference to a partner or director is to a member, employee or consultant with equivalent standing and qualifications of the relevant Norton Rose Fulbright entity.

The purpose of this communication is to provide general information of a legal nature. It does not contain a full analysis of the law nor does it constitute an opinion of any Norton Rose Fulbright entity on the points of law discussed. You must take specific legal advice on any particular matter which concerns you. If you require any advice or further information, please speak to your usual contact at Norton Rose Fulbright.