

Federal Court



Cour fédérale

Date: 20210305

Docket: T-2046-12

Citation: 2021 FC 207

Ottawa, Ontario, March 5, 2021

**PRESENT:** The Honourable Mr. Justice Lafrenière

**BETWEEN:**

**ROGERS COMMUNICATIONS CANADA  
INC., BELL MOBILITY INC., AND  
QUÉBECOR MEDIA INC.**

**Plaintiffs / Defendants by Counterclaim**

**and**

**SOCIETY OF COMPOSERS, AUTHORS  
AND MUSIC PUBLISHERS OF CANADA  
(A.K.A. SOCAN)**

**Defendant / Plaintiff by Counterclaim**

**JUDGMENT AND REASONS**

I. Overview

[1] The *Copyright Act*, RSC, 1985, c. C-42 [*Copyright Act*] sets out a detailed process by which artists' works are protected and royalties collected and paid.

[2] The Plaintiffs are Canadian corporations that offer mobile communications services in Canada: Rogers Communications Partnership [Rogers], Bell Mobility Inc. [Bell], and Québecor Media Inc. [Québecor]. Québecor owns the telecommunications company Vidéotron, which is involved in Québecor's wireline and wireless services.

[3] The Defendant, Society of Composers, Authors and Music Publishers of Canada [SOCAN], is a not-for-profit corporation incorporated under the *Canada Not-for-profit Corporations Act*, SC 2009, c 23, and a collective society as defined in section 2 of the *Copyright Act*. SOCAN carries on the business of granting licences for the public performance and communication to the public by telecommunication in Canada of dramatico-musical and musical works.

[4] By this action, the Plaintiffs seek to recover royalties paid over a period of ten years to SOCAN for the transmission of ringtones containing musical works within the SOCAN's repertoire that were downloaded onto mobile devices of the Plaintiffs' customers. SOCAN has counterclaimed, seeking payment of ringtone royalties that the Plaintiffs has refused to pay.

## II. The Evidence

[5] The history of the proceedings between the parties is long and convoluted. Fortunately, much of the evidence at trial was in the form of an Agreed Statement of Facts and Book of Documents.

[6] In this decision, I will first set out the agreed facts, followed by areas of disagreement with the facts and then my analysis of the issues and findings.

A. *Agreed Facts*

[7] SOCAN owns and/or administers in Canada the performance and communication rights in the world repertoire of copyright protected music. Canadian rightsholders who may be entitled to royalties for the performance or communication of music can become members of SOCAN and assign their rights to SOCAN. Furthermore, as a result of reciprocal agreements between SOCAN and similar organizations in other countries, SOCAN controls and administers in Canada the performing and communication rights in all or virtually all musical works in the world repertoire of copyright music.

(1) *Ringtones*

[8] A ringtone is a digital file that contains all or a substantial part of a musical work. A ringtone is stored in the memory of a mobile device such as a cell phone and is intended to be played by the mobile device to indicate an incoming call or message.

[9] The Plaintiffs' services with respect to the sale and delivery of ringtones work in the following manner:

- a) a Plaintiff makes a selection of ringtones available to the subscribers of its service;
- b) an individual subscriber may select, pay for and download a ringtone or ringtones that the service makes available which are then downloaded onto the subscriber's mobile divide;

- c) the ringtone can then be played on the subscriber's mobile device to indicate an incoming call or text message.

(2) *Tariffs – Generally*

[10] The Copyright Board is the regulatory body established by the *Copyright Act* to certify tariffs, such as those that govern the payment of copyright royalties to SOCAN for, *inter alia*, the public performance or communication to the public by telecommunication in Canada of musical works.

[11] Pursuant to section 67.1 of the *Copyright Act* (as it was in force at the time), SOCAN files with the Board tariffs proposing the licence fees (or “royalties”) to be paid by music users who perform in public or communicate to the public by telecommunication musical works forming part of SOCAN’s repertoire. The tariffs proposed by SOCAN are subject to review and approval by the Board and, once approved and certified by the Board, are published in the *Canada Gazette*.

(3) *Tariff 24 (2003-2005)*

[12] Tariff 24 is the name given to SOCAN’s tariff of royalties for the use of musical works in ringtones.

[13] Pursuant to subsection 67.1(1) of the *Copyright Act*, SOCAN filed a proposed Tariff 24 for Ringtones, for each of the years 2003, 2004 and 2005 [Tariff 24 (2003-2005)] with the Board.

[14] Pursuant to subsection 67.1(5) of the *Copyright Act*, certain of the Plaintiffs (along with others) filed written objections with the Board to the proposed Tariffs for those same years.

[15] The Board convened a hearing in respect of Tariff 24 (2003-2005). Bell participated in the hearing as an Objector. In addition, the wireless industry association, the Canadian Wireless Telecommunications Association [CWTA], participated in the hearing as an Objector. Rogers is a member of the CWTA.

[16] This hearing led to the Board's first ringtones decision, dated August 18, 2006 [Tariff 24 (2003-2005) Decision], in which the Board determined the royalty to be paid to SOCAN by services that offered ringtones during the period from 2003 to 2005.

[17] In its Tariff 24 (2003-2005) Decision, the Board concluded that the transmission of a ringtone is a communication of a musical work to the public by telecommunication, within the meaning of paragraph 3(1)(f) of the *Copyright Act* such that a licence would be required from and royalties payable to SOCAN.

[18] On August 18, 2006, the Board certified Tariff 24 for the years 2003 to 2005 pursuant to subsection 68(3) of the *Copyright Act*. The tariff set a royalty rate of 6% of the price paid for a ringtone, subject to a minimum royalty of \$0.06 per ringtone.

[19] Three of the Objectors to the Tariff 24 (2003-2005) Board proceeding, including Bell, and the CWTA, sought judicial review of the Board's certification decision.

[20] By letter dated November 17, 2006 from Mr. Howard Slawner, Director of Regulatory Matters with Rogers [Slawner Letter], SOCAN was put on notice that Rogers would seek reimbursement of any royalty payments made under Tariff 24 (2003-2005) in the event it was successful on judicial review or further appeal. Relevant portions of the Slawner Letter are reproduced below.

As stipulated by the SOCAN Tariff 24 decision of the Copyright Board of Canada dated August 18, 2006, please find enclosed Rogers Wireless Inc's ringtone royalty payment in the amount of \$1,697,324.67. This amount is for the period beginning January 1, 2003 up to September 30th, 2006. It includes interest at the rate established by the Copyright Board as well as GST. The payment is made on behalf of both Rogers Wireless and FIDO.

Rogers continues its efforts to collect all the necessary data required to properly calculate its royalty payment. While we remain confident that the calculations we used to determine the enclosed payment are fundamentally correct, there does remain the possibility that a correction will be required, either higher or lower. While Rogers is proceeding to make its payment according to the Board's decision, we do reserve the right to make any necessary adjustments to future copyright payments should they be required.

This payment is being made consistent with the terms of the certified Tariff No. 24 - Ringtones dated 19 August 2006. However, as you are aware, the Copyright Board's decision certifying that Tariff is currently the subject of a judicial review application to the Federal Court of Appeal. In the event that the application, or any further appeal of that decision is successful, SOCAN will reimburse all royalty payments made pursuant to the Tariff including interest at the same rate specified by the Board in the Tariff. Rogers also reserves the right to setoff any amount owed to it by SOCAN against any other royalty payment made to SOCAN by the Rogers group of companies.

[21] The Objectors' application was heard by the Federal Court of Appeal in October 2007. They argued that the transmission of a ringtone containing a portion of a musical work to a mobile device was not a communication of that musical work to the public by

telecommunication, within the meaning of paragraph 3(1)(f) of the *Copyright Act* [the “Ringtone Download Issue”].

[22] On January 9, 2008, the Federal Court of Appeal dismissed the application for judicial review and upheld the Board’s decision: *Canadian Wireless Telecommunications Assn. v. Society of Composers, Authors and Music Publishers of Canada*, 2008 FCA 6 [CWTA]. The Federal Court of Appeal held that the Board correctly concluded that the transmission of a musical ringtone is a communication of the musical work to the public by telecommunication and as such falls within the scope of paragraph 3(1)(f) of the *Copyright Act*.

[23] On September 18, 2008, the Supreme Court of Canada dismissed the Objectors’ application for leave to appeal the CWTA decision.

(4) *Tariff 24 (2006-2013)*

[24] Pursuant to subsection 67.1(1) of the *Copyright Act*, SOCAN filed with the Board a proposed Tariff 24 for Ringtones for each of the years 2006 to 2010. For each of these years, SOCAN proposed an increase in the royalty rate from the 6% previously certified by the Board to 10%.

[25] Pursuant to subsection 67.1(5) of the *Copyright Act*, all of the Plaintiffs (along with others) filed with the Board written objections to the proposed Tariff 24 for those same years.

[26] On October 17, 2008, counsel for SOCAN wrote to the Board requesting that it establish a schedule leading to an oral hearing for the purpose of considering Tariff 24 for the years 2006 to 2009.

[27] On October 22, 2008, Ms. Suzanne Morin, counsel to Bell, wrote to the Board to advise that some Objectors and SOCAN were interested in attempting to settle both the ringtone and ringback portions of proposed Tariff 24 for the years 2006 to 2009.

[28] On May 22, 2009, Ms. Morin wrote to the Board to confirm that SOCAN and the Objectors had reached “an agreement in principle on ringtones for the years 2006-2013” and also agreed to extend the period covered by the agreement from 2006 to 2013.

[29] In January 2010, SOCAN and the Plaintiffs (and others) concluded their agreement on the terms and conditions of Tariff 24 for the years 2006-2013 [the “2010 Agreement”]. The agreement was meant to settle a step in a regulatory proceeding before the Board, including the royalty rate for ringtones.

[30] Given its relevance to the issues, the body of the agreement is reproduced below in its entirety:

**WHEREAS**

The Copyright Board of Canada (the “Board”) last certified SOCAN Tariff 24 for Ringtones for the years 2003 to 2005 as set out in Appendix A (the “Approved Tariff”);

The Approved Tariff was certified by the Board on the basis of, among other things, the royalties paid for musical Ringtones in the Canadian reproduction rights market,



The royalties paid for musical Ringtones in the Canadian reproduction rights market have declined;

The parties agree that the size of the Canadian market for musical Ringbacks is extremely small and not ripe for rigorous copyright valuation analysis at the present time;

Pursuant to section 67.1(1) of the *Copyright Act* (the “Act”), SOCAN filed with the Board a proposed Tariff 24 for Ringtones and Ringbacks, for each of the years 2006 to 2010 (the “Proposed Tariff”);

Pursuant to subsection 67.1(5) of the Act, all or some of the Objectors filed with the Board written objections to the Proposed Tariff;

The parties have reached agreement on the terms and conditions of Tariff 24 for the period 2006 to 2013 and desire that the tariff be approved and certified by the Board in accordance with their agreement, as set out herein.

**THE PARTIES THEREFORE AGREE AS FOLLOWS:**

1. The tariff structure, royalty rates, terms and conditions of SOCAN Tariff 24 for the period January 1, 2006 to December 31, 2010 shall be as set out in Appendix “B”.
2. The Objectors shall withdraw their objections to Tariff 24 for the years 2006 to 2010 and the parties shall jointly request that the Board certify the tariff in accordance with Appendix “B”.
3. No later than March 31, 2010, SOCAN shall file Tariff 24 for the years 2011 to 2013 inclusively to reflect [Appendix B], for approval by the Board in accordance with the requirements of the Act. Provided that SOCAN is in compliance with this Agreement, the Objectors shall not file any objections to the 2010 to 2013 tariff proposal and the parties shall jointly request that the Board certify the tariff in accordance with Appendix “B” for that period.
4. The parties will execute and deliver such documents and make such appearances before the Board as may be reasonably necessary to support and obtain approval by the Board for Tariff 24 for the period 2006 to 2013 as contemplated in the present Agreement. In the event that the Board denies the joint request of the parties for approval of the tariff as contemplated herein, this Agreement shall become null and void.
5. The parties acknowledge and agree that:

a. Nothing in this Agreement shall prejudice the rights of any party in respect of any period subsequent to that covered herein or any music uses other than those contemplated herein,

b. Nothing in this Agreement shall constitute an admission by any party as to the value of or the royalties payable for the communication rights in musical works forming part of Ringtones and Ringbacks in any period subsequent to the year 2013;

c. The parties shall subsequently be free to take such positions and introduce such evidence or argument as to the value of or the royalties payable to SOCAN for any period subsequent to this Agreement as any party may deem advisable.

This clause shall survive the termination of this Agreement.

6. This Agreement shall be binding on the parties hereto and their respective successors and assigns.

[31] Pursuant to the terms of the 2010 Agreement, the royalty rate was continued at 6% for the period from January 1, 2006 to June 30, 2009, reducing to 5% for the period from July 1, 2009 to the end of the term on December 31, 2013. SOCAN subsequently filed Tariff 24 for each of the years 2011 through 2015 with the Board in accordance with the 2010 Agreement.

[32] SOCAN and the Plaintiffs submitted the 2010 Agreement to the Board on June 7, 2010 and requested that Tariff 24 be approved and certified by the Board for the years 2006 to 2013 in accordance with the terms of the agreement.

[33] In its decision dated June 29, 2012, the Board approved the 2010 Agreement and certified Tariff 24 in the form set out in the agreement for the period January 1, 2006 to December 31, 2013 [Tariff 24 (2006-2013)].

[34] On June 30, 2012, the certified Tariff 24 (2006-2013) was published in the *Canada Gazette*.

[35] No party sought judicial review of the Board's Tariff 24 (2006-2013) Decision of June 29, 2012.

(5) *Tariff 24 Payments by the Plaintiffs*

[36] Between November 14, 2006 and July 12, 2012, the Plaintiffs made payments totalling \$6,852,563.00 to SOCAN in accordance with Tariff 24:

- a) Rogers: \$4,251,005;
- b) Bell: \$2,586,772; and
- c) Québecor/Vidéotron: \$14,786.

[37] As discussed below, the Plaintiffs have objected to the applicability of SOCAN's rights under the *Copyright Act* to downloads of musical works in the context of both the Tariff 22 and Tariff 24 proceedings.

(6) *Distribution of Royalty Payments*

[38] When SOCAN receives royalty payments pursuant to Tariff 24, they are allocated to a specific distribution pool for Tariff 24. After deducting an amount for overhead, SOCAN then distributes the royalties to its members and to affiliated foreign societies according to the *SOCAN Distribution Rules*.

[39] SOCAN's ringtones distributions are offset from the date of performance by a number of months. For example, distributions are made in the fourth quarter of the year for performances that took place in the first quarter of that year.

[40] SOCAN at times freezes distribution from a distribution pool—in whole or in part—if a dispute is raised about royalties. In the case of the ringtones royalty pool, when the Board's Tariff 24 (2003-2005) decision was under judicial review, the Plaintiffs (along with other Tariff 24 licensees) continued to make royalty payments pursuant to the tariff as certified, but SOCAN froze distribution of these royalties.

[41] Following the Supreme Court of Canada's dismissal of the application for leave to appeal the Federal Court of Appeal's decision in *CWTA* on September 18, 2008, SOCAN released the freeze on the ringtones royalties. In November 2009, SOCAN distributed \$9,474,580 in accumulated ringtones royalties to its Canadian members and to affiliated foreign societies for distribution to their respective members.

[42] Between November 2009 and August 2012, SOCAN distributed an additional \$3,246,314 of ringtones royalties.

[43] SOCAN froze distributions from the ringtones pool again when the Plaintiffs applied to the Board to rescind Tariff 24 in August 2012 (as discussed further below). As a result, \$300,000 remains undistributed of the net income in the ringtones distribution pool.

(7) *Tariff 22*

[44] SOCAN Tariff 22 is a separate SOCAN tariff that sets royalties for other uses of music on the Internet. For the period 1996 to 2006, SOCAN filed a series of proposed tariffs (entitled 22.A to 22.G) proposing the royalties to be paid for the transmission of musical works over the internet or similar digital network (including mobile networks).

[45] On October 18, 2007, the Board issued its decision in respect of Tariff 22.A for the period 1996 to 2006 and certified Tariff 22.A for those years. Tariff 22.A set the royalties to be paid when musical works are downloaded or streamed over the Internet or a mobile network. The Board held that the download of a musical work over the Internet or other networks is a communication to the public by telecommunication, within the meaning of paragraph 3(1)(f) of the *Copyright Act*. The Board also held that streaming musical works to individual subscribers (i.e. “point to point transmissions”) is a communication to the public by telecommunication, within the meaning of paragraph 3(1)(f) of the *Copyright Act*.

[46] Some of the Plaintiffs, as well as other Objectors, applied to the Federal Court of Appeal for judicial review of the Board’s decision to certify Tariff 22.A. In the application, the applicants argued that the download of a musical work is not a communication to the public by telecommunication, within the meaning of paragraph 3(1)(f) of the *Copyright Act*.

[47] On October 25, 2008, the Board issued its decision in respect of Tariffs 22.B to 22.G for the period 1996 to 2006 and certified Tariffs 22.B to 22.G for those years. In its decision, the

Board held that the download of a video game that contains a musical work or substantial portion of a musical work is a communication of that work to the public by telecommunication within the meaning of paragraph 3(1)(f) of the *Copyright Act*, similar to its decision the year before in Tariff 22.A.

[48] The Entertainment Software Association [ESA] and the Entertainment Software Association of Canada [ESAC] applied to the Federal Court of Appeal for judicial review of the Board's decision to certify Tariffs 22.B to 22.G. In their application, ESA and ESAC argued that the download of a video game that contains a musical work or substantial portion of a musical work is not a communication of that work to the public by telecommunication within the meaning of paragraph 3(1)(f) of the *Copyright Act*.

[49] In May 2010, the judicial review applications related to the Board's Tariff 22.A and Tariffs 22.B to 22.G decisions were heard together by the Federal Court of Appeal.

[50] On September 2, 2010, the Federal Court of Appeal issued its decisions on the applications for judicial review of the Board's decisions. The Court dismissed the applications and upheld the Board's decisions: *Entertainment Software Association v Canada (Society of Composers, Authors, and Music Publishers)*, 2010 FCA 221 and *Shaw Cablesystems GP v Society of Composers, Authors and Music Publishers of Canada*, 2010 FCA 220.

[51] On March 24, 2011, the Supreme Court of Canada granted the applications for leave to appeal the Tariff 22.A and Tariffs 22.B to 22.G decisions rendered by the Federal Court of Appeal. The appeals were heard together on December 6, 2011.

[52] In SOCAN's factum filed with the Supreme Court of Canada on September 9, 2011 (incorrectly dated September 8, 2012) [SOCAN's Factum], SOCAN argued that if the Court ruled in favour of the appellants (as it did), the decision would also apply to ringtone downloads that were the subject of Tariff 24, the tariff in issue in this case. Relevant extracts of SOCAN's factum are reproduced below.

52. The arguments advanced by the Appellants are counter to these principles of interpretation and, if accepted, would not only erode copyright holders' rights to compensation for the communication of their works, but would in fact completely eliminate their right to such compensation for both present and future uses of their music in several important respects. In fact, all current and future copyright works that are transmitted on the Internet in a manner that does not result in the immediate listening or viewing upon reception would be excluded from protection under section 3(1)(f).

53. This broad restriction would apply not only to SOCAN's musical works, but to all types of works protected under the Act, including literary works (which include computer programs), musical, artistic and dramatic works (including movies and television programs). In the case of SOCAN, there would be no legal basis for retaining or continuing to collect royalties for the Internet transmission of musical works by popular downloading services such as iTunes, Puretracks, Napster and ArchambaultZiq under Tariff 22.A, ringtones under Tariff 24, and other audio and audio-visual downloads presently covered by Tariffs 22.B-G.

54. In addition, current uses of music in traditional media for which commercial entities have been paying communication royalties to SOCAN for years would suddenly find themselves without any legal obligation to continue to pay those fees and would undoubtedly seek refunds for past periods...

[underline added].

(8) *Tariff 22 Supreme Court Decision*

[53] On July 12, 2012, the Supreme Court of Canada rendered two decisions: *Entertainment Software Association v Society of Composers, Authors and Music Publishers of Canada*, 2012 SCC 34 [ESA] and *Rogers Communications Inc v Society of Composers, Authors and Music Publishers of Canada*, 2012 SCC 35 [Rogers SCC].

[54] In these cases, the Supreme Court determined the proper scope of the exclusive rights granted to authors of musical works in section 3 of the *Copyright Act* and, in particular, paragraph 3(1)(f).

[55] In *ESA*, the Supreme Court of Canada held that the downloading of a musical work is not a communication to the public by telecommunication and does not therefore infringe paragraph 3(1)(f) of the *Copyright Act*.

[56] In *Rogers SCC*, the Court confirmed that streaming musical works to individual subscribers (i.e. “point to point transmissions”) is communication to the public by telecommunication. The *Rogers SCC* decision also adopts the *ESA* finding that a download is not a communication.

[57] Following the release of the *ESA* and *Rogers SCC* decisions, SOCAN returned all the royalties it had collected in respect of the downloading of musical works pursuant to Tariff 22.A



for the entire period covered by the tariffs (i.e. back to 1996) but distributed the royalties it had collected in respect of streaming musical works.

[58] In light of the *ESA* decision, the Plaintiffs took the position that Tariff 24 (2003-2005) and Tariff 24 (2006-2013) in respect of ringtones were without legal foundation and should be set aside. The Plaintiffs ceased making payments to SOCAN for the download of ringtones pursuant to Tariff 24, but continued to transmit ringtones containing musical works within SOCAN's repertoire to their customers.

(9) *Application to Vary the Board's Decision*

[59] On August 1, 2012, the Plaintiffs applied to the Board pursuant to section 66.52 of the *Copyright Act*, to vary, by rescinding, its decisions in relation to Tariff 24 in light of the decisions in *ESA* and *Rogers SCC*.

[60] The Board released its decision on January 18, 2013 in which it denied the Plaintiffs' application to vary Tariff 24 (2003-2005) and Tariff 24 (2006-2013), holding that the Board did not have the power under the *Copyright Act* to rescind a previously certified tariff.

[61] The Plaintiffs did not seek judicial review of the Board's decision.

(10) *Present Action Before This Court*

[62] On November 13, 2012, the Plaintiffs commenced the present action seeking, amongst other relief, a declaration that the transmission of a copy of a ringtone containing a portion of a musical work is not a communication to the public by telecommunication of the musical work for the purpose of paragraph 3(1)(f) of the *Copyright Act* as well as, restitution in the amount of \$15,000,000.00 (although the Plaintiffs' actual damages are less, as set out above).

[63] The Plaintiffs seek in the alternative a declaration that the payments made by the Plaintiffs to SOCAN are infused with and have been held by way of constructive trust on behalf of the Plaintiffs, and an order that the payments be delivered to the Plaintiffs forthwith. The Plaintiffs also seek an accounting of those payments and a tracing order with respect to those payments.

[64] In its Statement of Defence, SOCAN raises a number of defences to the Plaintiffs' claim, including that the *ESA* and *Rogers SCC* decisions do not apply to the download of ringtones and that the decisions of the Board certifying Tariff 24 (2003-2004) and Tariff 24 (2006-2013) are *res judicata* and not subject to retrospective attack.

[65] The Plaintiffs ceased paying licence fees under Tariff 24 following the release of the *ESA* decision in July 2012, but continued to sell ringtones. Each of the Plaintiffs ceased selling ringtones at different times: Rogers in June 2012; Québecor in March 2014; and Bell in June 2015.

[66] By way of counterclaim, SOCAN seeks payment of unpaid licence fees owing under Tariff 24 for the period from July 12, 2012 to March 6, 2015 (or such earlier date as each Plaintiff stopped selling ringtones). SOCAN's counterclaim also seeks entitlement to recovery for royalties related to the new making available right introduced into the *Copyright Act* in November 2012.

[67] SOCAN also seeks statutory damages pursuant to subsection 38.1(4) of the *Copyright Act* in a sum of not less than three and not more than ten times the outstanding royalties due and payable to SOCAN.

(11) *Procedural History and Decision in This Matter*

[68] The issues for determination at trial have been the subject of judicial consideration and comment.

[69] On March 6, 2014, this Court directed the preliminary determination of six questions of law pursuant to Rule 220(1)(a) of the *Federal Courts Rules*, SOR/98-106 [the *Rules*]. In a decision dated March 6, 2015, the motions judge, Mr. Justice James O'Reilly, reformulated and answered the six questions: *Rogers Communications Partnership v. Society of Composers, Authors and Music Publishers of Canada*, 2015 FC 286 [*Rogers FC*].

[70] A critical issue question before the Court was whether the Plaintiffs' claim had already been decided against them. Justice O'Reilly found that the Plaintiffs were not precluded from

pursuing the action by virtue of the previous decisions of the Board and the Federal Court of Appeal.

[71] Justice O'Reilly held that the Ringtone Download Issue was the essential issue raised in the action and was the same issue that was decided in *CWTA*. In addition, he found that the parties to the action and the prior litigation were the same. As such, he concluded that the first two criteria before the doctrine of *res judicata* could apply were met. However, Justice O'Reilly found that the third criterion was not met because "a decision of the Board is never really final" by virtue of section 66.52 of the *Copyright Act*, which empowers the Board to vary a tariff certification decision if there has been a material change in circumstances since the decision.

[72] On appeal, the Federal Court of Appeal determined that three questions referred to the Court for preliminary determination were not properly before Justice O'Reilly and should not have been answered because they were not pure questions of law: *Rogers Communications Partnership v. Society of Composers, Authors and Music Publishers of Canada (SOCAN)*, 2016 FCA 28, at para 126 [*Rogers FCA*]. The Court of Appeal proceeded to decide the three other questions as follows.

[73] First, in terms of whether the doctrine of issue estoppel, or *res judicata*, should apply to bar the Plaintiffs' claim, the Court held that Justice O'Reilly had erred in his conclusion that the finality criterion of issue estoppel was not met in relation to the Board's decision to certify Tariff 24 (2003-2005). It found that all three requirements of the doctrine were present and that the Ringtone Download Issue was finally decided. The Court of Appeal directed that the judge who

conducts the trial of the action must determine whether, in the exercise of such judge's discretion, the doctrine of issue estoppel should be applied in respect of the claims made by the Plaintiffs.

[74] Second, the Federal Court of Appeal agreed with Justice O'Reilly that the Internet transmission of a ringtone file is not a communication of musical work to the public. The Court noted that this was in line with the Supreme Court's finding in *ESA* and *Rogers FCA*, although the decisions did not address Tariff 24 (2003-2006) or Tariff 24 (2006-2013).

[75] Third, the Federal Court of Appeal concluded that the Copyright Board had the jurisdiction to certify Tariff 24. It found that Tariff 24 was challenged when it was first certified, was upheld by the Federal Court of Appeal in *CWTA*, and there was at the time no judicial or administrative decision striking down the said tariff.

[76] The Federal Court of Appeal directed the judge who conducts the trial of the action to determine the following questions without regard for the decision of Justice O'Reilly.

- 1) Based on their 2010 Agreement with SOCAN, are the Plaintiffs precluded from claiming the relief they seek?
- 2) Was SOCAN unjustly enriched when it received Tariff 24 royalties?
- 3) Are the Plaintiffs entitled to an order tracing the distribution of Tariff 24 royalties?

B. *Evidence Adduced at Trial*

[77] In addition to the agreed facts and documents, each party called one witness to provide factual and contextual background that is not subject to agreement. The parties also relied on

read-ins from the opposing party's examination for discovery. The additional evidence focussed on the issues that remain at play in the proceedings.

[78] The Plaintiffs called three witnesses: Mr. Nauby Jacob for Bell, Mr. Upinder Saini for Rogers, and Ms. Antoinette Noviello for Québecor.

[79] Mr. Jacob is the Vice President of Products Services at Bell. He is responsible for product development and management for multiple products at Bell. Ringtones was one of the products for which he was responsible. Mr. Jacob started working with Bell in 2007. Mr. Jacob worked for Telus previously where he was also responsible for ringtones.

[80] Mr. Saini is the Senior Vice President of Product Management and Development at Rogers. He has held several executive positions at Rogers, including Vice President of Internet Services and Vice President of Product Development. He has worked with Rogers for twenty years and he has been involved with ringtones "right from the get-go".

[81] Ms. Noviello is the Vice President, Corporate Controller at Québecor. She is responsible for Québecor's financial operations, including financial operations for Vidéotron. She has held that position since 2015. She worked with Québecor from 1995 to 2000 and from 2011 onwards. Ms. Noviello testified in French and by way of video conference from Montreal.

[82] The Plaintiffs' witnesses provided general information regarding their company's ringtone business and their business relationship with SOCAN. They set out the chronology of

events leading to the establishment of royalties under Tariff 22 and Tariff 24, and provided their companies respective positions regarding payments to SOCAN under the tariffs and pursuant to the 2010 Agreement.

[83] SOCAN called Jennifer Brown to testify on its behalf. Ms. Brown is the Senior Vice President of Operations and Reproduction Rights at SOCAN, where she oversees the licensing department, which collects licence fees from domestic sources, and the distribution department, which pays royalties to songwriters and publishers. She has held that position since 2017, but she has worked with SOCAN for twenty-four years in various departments. She has had responsibility for, and knowledge of, ringtones.

[84] Ms. Brown covered much of the same terrain as the Plaintiffs' witnesses. She also provided background and general information about SOCAN, including its purpose, mandate and structure. She explained how the performance and communication rights are administered, how tariffs are fixed and certified, how records are kept, and how the tariffs are collected and distributed to rightsholders and affiliated foreign societies.

(1) *Points of Disagreement*

[85] The evidence of the witnesses is largely consistent with respect to the material facts at issue, but diverges on four significant points: (1) the relationship between the parties; (2) the alleged linkage between Tariff 22 and Tariff 24; (3) the proper interpretation of the 2010 Agreement; and (4) the significance of arguments raised in SOCAN's Factum. In order to provide the necessary context, I will first summarize the points of disagreement between the

parties before setting out other relevant facts that I have found based upon the evidence I have heard and seen at trial.

(a) *Relationship between the Parties*

[86] Mr. Jacob described his company's relationship with SOCAN as wide, that goes across not just Mobility, but also their wire line business (TV and Internet), and media division. While there might be disagreement about whether a payment should be made, Bell's goal was always to avoid tension. Once the Copyright Board set a tariff for a particular use, Bell did not consider it set in stone forever. According to Mr. Jacob, "it was just very fluid". It was always Bell's expectation that "if we win our arguments then we should get the money back for what we should not have paid."

[87] Mr. Saini testified that Rogers' relationship with SOCAN was typical. SOCAN would generally suggest a particular tariff, the parties would appear before the Copyright Board to provide their point of view and the Board would decide whether the tariff is applicable or not. It was also "a fairly regular practice" to have the parties agree to implement the proposed tariff and wait for the Board's decision, as Mr. Saini explained below.

The normal course of business that you will have agreement in principle, established some sort of payments, and then based on the final outcomes of what the decisions come out eventually, you will either pay up more if you were paying less or you will get the refunds if you were paying in excess. That is typically how the nature of the relationship is with SOCAN and that is typically how we have dealt with the tariffs as you carry on business.



[88] If there was a disagreement about the rate, Rogers and SOCAN would go through an appeal process and then the courts to arrive at a final tariff. After the final tariff was decided, Rogers and SOCAN would settle payments to reflect that rate. Mr. Saini cited Tariff 22 as an example where the streaming tariff was invalidated. In that case, SOCAN paid back the money. Rogers and SOCAN would sometimes agree to some sort of payment plan, and after the final tariff is decided, Rogers or SOCAN would true up its payments (pay the difference) to the other.

[89] Ms. Noviello considered SOCAN to be a business partner of Québecor and Vidéotron. She explained that where circumstances have changed, or an interpretation of the law has proven that amounts paid were paid unjustly or incorrectly, it is a normal process to correct the situation, reclaim amounts owed or pay out amounts that are owing.

[90] Ms. Brown agreed that SOCAN had a good working relationship with the Plaintiffs and worked together collaboratively. Once a tariff was approved, the Plaintiffs' operations teams and SOCAN's licensing and data teams would work together to figure out the best way for timely reporting and payment of royalties.

[91] She disagreed, however, with Mr. Jacob's characterization of SOCAN's relationship with its licensees as being fluid. She maintained that SOCAN had very rigid distribution rules in place. Their goal was to pay royalties that were accurate and timely and consistent to members and rightsholders. There were also strict reporting terms that licensees had to adhere to, such as payment dates and the usage information that licensees must provide in order that SOCAN can distribute the royalties.

[92] According to Ms. Brown, there were times when an interim tariff was in place and the licensee would pay SOCAN based on the interim tariff. If the tariff was subsequently certified at a different rate, a true-up under the certified tariff would be arranged with the licensee. However, until SOCAN was satisfied that it was a final and certified tariff, or that all court avenues related to the particular tariff had been exhausted, distribution of the licence fees would be put on hold. This was done in order to avoid having to claw back royalties from members and other rightsholders around the world.

(b) *Alleged Linkage between Tariff 22 and Tariff 24*

[93] Mr. Jacob and Mr. Saini testified that Tariff 22 and Tariff 24 were considered by their company to be the exact same thing, whether it was downloading a full song or only part of a song, or the song was downloaded to a laptop or cell phone. From the Plaintiffs' perspective such downloads did not constitute the performance of a musical work.

[94] According to Mr. Jacob, while the parallel proceedings related to Tariff 22 and Tariff 24 were making their way through the various levels of appeal, Bell drew no distinction between the two. They always viewed the dispute leading to the Supreme Court of Canada's decisions related to Tariff 22 as applicable to Tariff 24.

[95] Mr. Saini expressed the same view. Rogers anticipated receiving a refund for its Tariff 24 payments after the *ESA* and *Rogers SCC* decisions were released.

[96] Ms. Noviello stated that it is normal business practice that if payments are made under certain assumptions that later turn out to be incorrect, there is normally a settlement process that is undertaken with the other party. It was Québecor's expectation that payments related to Tariff 24 would be refunded following the release of the *ESA* decision. On cross-examination, Ms. Noviello acknowledged that from a financial perspective, every tariff has a specific calculation and a specific royalty or percentage that is paid for each tariff.

[97] The Plaintiffs admitted on discovery that no one from their companies ever alerted SOCAN to the fact that if they were successful on its Tariff 22 judicial review, that they would seek their money back for licence fees paid under Tariff 24. Nor did they explicitly reserve the right to recover Tariff 24 licence fees if the tariff was subsequently invalidated or the law changed as a result of the Tariff 22 judicial review and appeal to the Supreme Court of Canada.

[98] Ms. Brown did not dispute that there was some connection between Tariff 22 and Tariff 24, in that they involved the same or similar issues. However, from SOCAN's perspective, the two tariffs were separate and distinct. They were proposed as separate tariffs, they both took their own paths to certification, they had separate hearings before the Copyright Board, and they both went through judicial review and appeal processes separately.

(c) *Interpretation of the 2010 Agreement*

[99] Pursuant to the 2010 Agreement, the Plaintiffs agreed to support the approval of Tariff 24 (2006-2013). However, the parties cannot agree on the proper interpretation, scope and intention of the 2010 Agreement.

[100] Mr. Jacob testified that after leave to appeal the *CWTA* decision was denied by the Supreme Court of Canada, Bell's lawyer reached out to SOCAN to come to an agreement on what the Tariff 24 rate would be. Bell's desire was to come to a "rate agreement" on what the licensees would end up having to pay, bearing in mind that they were still disputing the same case under Tariff 22. Bell wanted to maintain the relationship with SOCAN and keep things moving, but had no intention of forfeiting its challenge to the download issue. From Bell's perspective, there was nothing in the 2010 Agreement that required the company to continue paying royalties to SOCAN no matter what happened with the law. Bell's expectation was that SOCAN would accept decisions from the Court and make provisions for payments in the same way Bell would do.

[101] According to Mr. Saini, Rogers' intent was to limit the 2010 Agreement to setting the rate and payment process. Rogers did not understand the 2010 Agreement to forfeit the right to challenge the download issue.

[102] Ms. Noviello simply repeated that Québecor expected Tariff 24 payments to be treated the same way as other types of adjustments. Royalties were paid based on an understanding of what the law was and if there were a misinterpretation of the tariffs to be paid, an adjustment would be required.

[103] Ms. Brown testified that it was not unusual for SOCAN to enter into an arrangement with licensees like the 2010 Agreement. If the licensees and SOCAN were willing and able to agree, it made sense to do that to avoid a hearing. Agreements provide certainty. She stated that certainty

is valuable, as it allows SOCAN and the licensees to continue with their business and allow distributions to the rightsholders.

[104] According to Ms. Brown, SOCAN viewed the 2010 Agreement as an agreement to pay the licence fees. The Agreement applied to most—but not all—ringtone suppliers. A ringtone supplier who was not a party to the Agreement would nevertheless have been bound by the tariff the 2010 Agreement proposed to have certified by the Board. Ms. Brown agreed that all licensees would have received the same benefit as the parties to the 2010 Agreement. She conceded that there was no particular benefit to the ringtone suppliers who were party to the 2010 Agreement; however, the certainty provided by the agreement was beneficial.

[105] Ms. Brown stated that, if SOCAN cannot act on an agreement, it is unclear what value that agreement would have. Ms. Brown noted that the Plaintiffs did not alert SOCAN that they expected the licence fees paid in accordance with the terms of the 2010 Agreement to be refunded, as they had done in previous cases.

(d) *Significance of Arguments Raised in SOCAN's Factum*

[106] SOCAN's representative admitted on discovery that great care had been taken in drafting the submissions in SOCAN's Factum. SOCAN believed the submissions to be true and expected the Supreme Court of Canada would rely on what was submitted.

[107] Mr. Jacob was asked during his examination in chief if he was aware whether SOCAN made any submissions to the Supreme Court in the relationship between Tariff 22 and Tariff 24., Mr. Jacob volunteered the following opinion:

That is a very interesting one because SOCAN in their submission to Supreme Court very clearly said that if Tariff 22 is no longer valid then has no reason to continue to take payments or administer or retain the fees related to Tariff 24. SOCAN themselves in their filing said that these two things are connected which is of course in alignment with what we always believed in. And they also said they have no reason to retain the funds any more, which is again consistent with what we fundamentally believe in.

[108] On cross-examination, counsel for the Plaintiffs took Ms. Brown to SOCAN's Factum. She indicated that she had not seen the document before. Ms. Brown was asked if she believed that the factum's interpretation of Tariff 22.A and Tariffs 22.B to 22.G would, if accepted, affect the approach to Tariff 24. She responded that she thought this was an argument in a legal document. When pressed as to whether the Court should discount SOCAN's submissions, Ms. Brown repeated: "I think that this is a legal argument. I do not believe that it is a position of the future—a possible implication. I don't think it is anything more than that. I don't think it is anything that is certain. It is not a decision."

[109] Ms. Brown disagreed with the suggestion that if the Court accepted the appellants' arguments, it would necessarily jeopardize millions of dollars of licence fees collected under Tariff 24, although it would put in jeopardy the license fees collected but not distributed for Tariff 22.A and Tariffs 22.B to 22.G. She did acknowledge that the SOCAN Factum referred to amounts collected and distributed and that the fees that had already been distributed could have potentially been in jeopardy. She further acknowledged that although the 2010 Agreement

extended well past the Supreme Court of Canada's decision, it was effectively terminated by the licensees who stopped making payments.

(2) *Facts not in Dispute*

[110] Ms. Brown described a very sophisticated process for managing and distributing royalties. The distribution to the rightsholders is related to the performance of their works. The performance data collected from licensees is used to inform the distributions.

[111] SOCAN maintains records of all the licence fees it receives and how those licence fees correspond to particular uses. SOCAN has a process that permits it to identify the rightsholders related to particular works, and the relationship between particular works and particular uses. Its records also allow SOCAN to distribute licence fees to rightsholders subject to the reciprocal agreements with other countries' societies. The records reviewed by Ms. Brown revealed \$12.819 million of the \$13.7 million of the ringtone royalties SOCAN collected were distributed to the SOCAN rightsholders.

[112] SOCAN adheres to strict distribution rules that guide how to distribute royalties for each type of use of a work. These distribution rules allow SOCAN's members to know how they are earning their royalties.

[113] The distributions are made out of different distribution pools, where all the licence fees for a particular performance type are pooled together, and that pooled money will then be

available for the distribution related to that performance type. There is a specific pool for ringtone royalties.

[114] Ms. Brown acknowledged that there are times SOCAN will make adjustments to accounts if there is a change in a tariff at some point and licensees have been making payments to SOCAN on the basis of an interim tariff. If the tariff is then certified at a different rate, SOCAN will “true-up” the account. This may mean SOCAN owes money to the licensee or the licensee owes more money to SOCAN. This is done within the same tariff. However, SOCAN does not make adjustments between tariffs. If SOCAN were to take credit from one type of tariff and apply it to another tariff, such an action would require significant records to satisfy the auditors. This would also affect the distribution of the royalties. The revenues that come in for a tariff are deposited into the relevant distribution pool. Offsetting one tariff against another tariff is complicated.

[115] Ms. Brown also testified that SOCAN will put a hold or freeze distributions to the rightsholders from a distribution pool where there are disputes over royalties. She stated that these are usually disputes between the rightsholders themselves. However, when SOCAN proposes tariffs for new uses of music, SOCAN will freeze distributions to the rightsholders until the judicial review and appeal process is completed. This was the case for Tariff 24. SOCAN did not distribute the payments received from licensees until it was clear the tariff was final. SOCAN distributed the “frozen” ringtone royalties after the Supreme Court of Canada dismissed the application for leave. In November 2009, SOCAN distributed approximately \$9.5 million (for



the full period in arrears, 2003 to 2008). This practice avoided the difficulty of “clawing back” distributions to members or other rightsholders worldwide.

[116] Ms. Brown contrasted the approach SOCAN took to the distribution of Tariff 24 to those for Tariffs 22.A and Tariffs 22.B to 22.G. After the Board certified those tariffs, and SOCAN started receiving payments from licensees, SOCAN froze the distribution pool. After the *ESA* decision, SOCAN returned the collected royalties to the licensees (with interest). After the *Rogers SCC* decision, the collected royalties were distributed to the rightsholders.

[117] Ms. Brown reviewed how SOCAN would deal with a reimbursement of royalties to SOCAN. There are two ways. First, if it is the same tariff, it is possible for SOCAN to reduce their royalties on that use going forward. Second, SOCAN could “claw back” the money and get a refund directly from the rightsholder. However, Ms. Brown stated it is unusual to off-set royalties for one tariff against those of another. She said it would be complicated, though not necessarily impossible. Ms. Brown acknowledged SOCAN’s record-keeping processes are sophisticated, and if there was any reason for SOCAN to trace the payment of a royalty to the rightsholder, SOCAN would have the records required to do that.

### III. Issues

[118] The issues to be determined have been narrowed by the Federal Court of Appeal to the following:

- A. *Whether the doctrine of issue estoppel should be applied in respect of the claims made by the Plaintiffs.*

- B. *What is the effect of the 2010 Agreement on the Plaintiff's ability to pursue this claim against SOCAN?*
- C. *Was SOCAN unjustly enriched when it received royalties pursuant to Tariff 24?*
- D. *Are the Plaintiffs entitled to an order tracing the Tariff 24 royalties?*

IV. Analysis

[119] Let me preface my analysis by stating that the parties' witnesses testified in an honest and straightforward manner. However, as explained further below, the record simply does not support the revisionist position the Plaintiffs are now taking on how matters unfolded between 2008 and 2012 with respect to Tariff 24 and why they unfolded the way they did.

[120] Given that the first two issues involve the same facts and considerations, I will address both of them together.

- A. *Whether the doctrine of issue estoppel should be applied in respect of the claims made by the Plaintiffs.*
- B. *What is the effect of the 2010 Agreement on the Plaintiff's ability to pursue this claim against SOCAN?*

[121] The Federal Court of Appeal determined in *Rogers FCA* that the validity of Tariff 24 (2003-2005) and the Ringtone Download Issue, upon which such validity was dependent, were finally determined when the Supreme Court of Canada denied leave to appeal *CWTA* and the requirements for issue estoppel have been met. The policy grounds supporting issue estoppel are

the same as the essential policy grounds supporting abuse of process by relitigation, namely, “that there be an end to litigation and that no one should be twice vexed by the same cause”:

*Toronto (City) v. C.U.P.E., Local 79*, 2003 SCC 63, at para 38.

[122] However, the Federal Court of Appeal added at paragraph 92:

It is well established that after a court has determined the existence of the preconditions to the operation of the doctrine of issue estoppel, that court must nonetheless determine whether issue estoppel ought to apply (*Danyluk* at paragraph 33).

[123] In *Danyluk v. Ainsworth Technologies Inc*, 2001 SCC 44, the Supreme Court of Canada emphasized the importance of finality in litigation, at para 18: “it requires litigants to put their best foot forward to establish the truth of their allegations when first called upon to do so. A litigant [...] is only entitled to one bite at the cherry”. The trial judge nonetheless retains a discretion not to apply the doctrine if its application “in the particular case would work an injustice” (*Danyluk*, at para 80; *Penner v. Niagara (Regional Police Services Board)*, 2013 SCC 19, at para 30).

[124] Discretion has been said to be limited to special or exceptional circumstances and more limited where the prior decision is that of a court rather than an administrative tribunal (see *Danyluk*, at para 62; *Minott v. O’Shanter Development Co.*, 1999 CanLII 3686 (ON CA), [1999] O.J. No. 5 (QL) (C.A.) [*Minott*], at para 51).

[125] There is no definitive list of factors for determining whether, in a particular case, it is fair to apply issue estoppel. The exercise of the discretion is necessarily case-specific and depends on the entirety of the circumstances.

[126] The Supreme Court of Canada has stated that unfairness warranting the exercise of discretion may arise from the unfairness of the prior proceedings, or from the unfairness of their result, or both, such as where there is a significant difference between the purposes, processes or stakes involved in the two proceedings (*Penner*, at paras 38-42). As noted by the Supreme Court in *Danyluk* at para 67: “[t]he objective is to ensure that the operation of issue estoppel promotes the orderly administration of justice but not at the cost of real injustice in the particular case.”

[127] No question has been raised by the Plaintiffs about the fairness of the proceedings leading to the *CWTA* decision, and rightly so. The Plaintiffs are large, sophisticated corporations. They had full opportunity to contest the validity of Tariff 24 (2003-2005) and present arguments regarding the Ringtone Download Issue before the Copyright Board and the Federal Court of Appeal. The Plaintiffs were full participants in the process and were represented by able counsel.

[128] Even though the Supreme Court’s decision in *ESA* was released on July 12, 2012 (13 days after the Board certified the Tariff 24 settlement tariff), no party sought judicial review of the Board’s certification decision for Tariff 24 (2006-2013). There is no dispute the Board’s decision has been finally determined and the requirements for issue estoppel have been met in that case as well.

[129] The Plaintiffs claim that allowing estoppel to apply would create an injustice. If I understand the Plaintiffs' argument correctly, the injustice arises from the fact that: (a) they paid royalties to SOCAN in accordance with the rate set out in Tariff 24 since November 14, 2006 with a reservation that they have actively objected and opposed SOCAN's right to collect royalties for ringtones pursuant to the *Copyright Act*; and (b) the parties (including SOCAN) expected that SOCAN would return the royalty payments to the Plaintiffs if Tariff 24 was ever deemed invalid.

[130] With respect, there is simply no contemporaneous evidence on the record to support a finding that the Plaintiffs objected or opposed SOCAN's right to collect royalties under Tariff 24 after the Supreme Court of Canada dismissed the application for leave of the *CWTA* decision, or that SOCAN was aware, let alone ever agreed, to return the royalties collected under Tariff 24 under any circumstances.

[131] SOCAN and the licensees have a business relationship that is forced on them by statute. It was often adversarial, as evidenced by the numerous disputes that became the subject of litigation. Notwithstanding, they have worked collaboratively together over the years. They adopted a general practice whereby royalties would be paid by the licensees based on any interim tariff proposed by SOCAN and, once the final tariff was finally fixed, they would settle payments between themselves to reflect that rate.

[132] The Plaintiffs clearly knew that SOCAN regularly distributed royalties to its members. Whenever there was a dispute over a rate or a tariff, the Plaintiffs made sure to caution SOCAN

that it may be required to reimburse royalty payments in the event they succeeded in the judicial review or appeal. This was an established understanding and not a fluid one as suggested by Mr. Jacob.

[133] The very same practice was applied to Tariff 24 (2003-2005). SOCAN froze distribution of royalties to members when the Plaintiffs sought judicial review of the Copyright Board's first Tariff 24 decision. Once the Plaintiffs had exhausted their legal avenues of appeal and the decision of the Copyright Board became final and binding, SOCAN, in reliance on those events, proceeded to distribute the royalties it was holding.

[134] The Plaintiffs now claim that they never gave up their right to seek a refund of Tariff 24 royalties and that the right was somehow tied to their success in their challenge to Tariff 22. This is simply not borne out by the contemporaneous evidence.

[135] The Plaintiffs hang their hat, so to speak, on SOCAN's Factum to show that SOCAN recognized that there was a link between Tariff 22 and Tariff 24. They submit that SOCAN admitted that if the Supreme Court decided against SOCAN (which it did) "there would be no legal basis for retaining or continuing to collect royalties for the Internet transmission of musical works by [...] ringtones under Tariff 24".

[136] SOCAN's Factum obviously says what it says. However, there is a clear difference between admissions and arguments. In *9005-0428 Québec Inc c R* (1998), [1999] GSTC 56, 99 GTC 3049 at paragraph 23, the Tax Court of Canada concluded:

[...] an admission can relate only to facts, and not law. In their *Traité de droit civil du Québec*, Montréal, Wilson & Lafleur Limitée, 1965, vol. 9, at page 508 (para 600), André Nadeau and Léo Ducharme have written:

[...] Since an admission is an acknowledgement of the existence of facts, the only subject matter of an admission can be facts. Facts are the only thing that can be considered to be established by an admission. An admission carries no weight when it is outside the purview of the person making it [...] there can be no admission as to the law, because the intention of the parties can be of no relevance to a decision on points of law.

[137] Statements such as “there would be no legal basis for retaining or continuing to collect royalties” and “without any legal obligation to continue to pay” are arguments, as they are outside of the purview of the person making them.

[138] In order for there to be an admission, a statement must be made deliberately by the party, pleading it as a concession to the other party: see *Apotex Inc v Wellcome Foundation Ltd*, 2009 FC 117 at para 34; see also *Milosevic (Litigation Guardian of) v. Etheridge*, [1991] OJ No 1871, 3 CPC (3d) 69 at para 4. In my view, no concession was being made by SOCAN to the Plaintiffs in its submissions to the Court.

[139] In any event, there is no indication that any of the Plaintiffs relied on SOCAN’s submissions at the time they were made or that they changed their position with respect to payment of ringtone royalties under Tariff 24 before the *ESA* and *Rogers SCC* decisions were issued.

[140] The timing of events preceding the Tariff 22 litigation before the Supreme Court of Canada cannot be ignored. In January 2010, more than a year after the application for judicial review of the Tariff 22 decision had been filed, wherein the Plaintiffs challenged SOCAN's right to collect royalties for downloads of musical works, SOCAN and the Plaintiffs reached agreement on the terms and conditions of Tariff 24 for the years 2006-2013, as reflected in the 2010 Agreement. The Plaintiffs executed the 2010 Agreement after the submission of their argument challenging SOCAN's right to collect royalties for downloads in the Tariff 22 proceeding. In addition, SOCAN and the Plaintiffs submitted the 2010 Agreement to the Board on June 7, 2010, after the Tariff 22 judicial review hearing, and well over a year before SOCAN's Factum was filed with the Supreme Court of Canada.

[141] In the two years the Tariff 24 settlement tariff was before the Board awaiting certification, the Plaintiffs adhered to the terms of the 2010 Agreement and paid royalties to SOCAN for its ringtones uses, notwithstanding the fact that they were challenging the jurisdiction of the Board to certify Tariff 22 at the same time.

[142] Based on the conduct of the parties prior to the issuance of the *ESA* and *Rogers SCC* decisions, I find that there was never any express or implied expectation that SOCAN would be required to refund Tariff 24 royalties collected from the Plaintiffs.

[143] The following extract from the transcript of the examination for discovery of Mr. Saini speaks volumes.

138 Q. So, Mr. Saini, you were telling me that from a business perspective it made good business sense to stop fighting Tariff 24



and simply agree to pay those royalties and not challenge it any more because the business was in decline.

A. Yeah. As I said, we've been protesting all along and --

139 Q. Losing all along.

A. -- and were not successful. And eventually we said business is not there either and it's in decline and is declining already, so time to settle.

140 Q. And they, in fact, did settle?

A. Yes, I believe later on it was settled.

141 Q. Mr. Saini, are you aware whether anybody involved in those negotiations ever told SOCAN but if we win in Tariff 22 we're going to want our money back in Tariff 24?

A. I don't know. I think letters -- like, one of the letters you referenced earlier said that, yeah, if we do win in future then, yeah, we will request the refunds back. That's the letter you are referencing earlier.

142 Q. Right. We looked together at Rogers production 2000314 where the author, Mr. Slawner, said we're challenging Tariff 24 and if we win we'll want our money back.

A. Right

143 Q. So my question was similar but just a little different. You just told me that Rogers, and I'm going to assume the other objectors similarly have decided to stop fighting Tariff 24 because you've been all the way to the Supreme Court, or tried to, and have been not successful, to use your words. So you're going to stop finding on Tariff 24.

You agreed with me a minute ago but you were fighting in Tariff 22 at exactly the same time. Yes?

A. Yeah.

144 Q. So my question was, when Rogers agreed to settle Tariff 24, stop fighting, to use your words, did anybody tell SOCAN, but we're still fighting in Tariff 22 and if we win over there we're going to want the money we've just agreed to pay in Tariff 24. We'll want it back.

A. So your question is did anybody tell SOCAN that, that - -

145 Q. Yeah.

A. I don't know.

146 Q. Well then, I would like you to make some inquiries, please, of the people -- if there's anybody still at Rogers who was involved in those discussions, whether anybody ever alerted SOCAN that Rogers would want its money back if they were successful on their Tariff 22 JRS?

U/T MR. MANTAS: We can do that.

[144] To repeat, the Plaintiffs have confirmed on discovery that there is no correspondence to SOCAN from any Plaintiff, including any reservation of the right to recover Tariff 24 licence fees if the Tariff was subsequently invalidated or the law changed as a result of the Tariff 22 judicial review and appeal to the Supreme Court of Canada, nor is there any evidence that anyone from any Plaintiff ever alerted SOCAN to the fact that if they were successful on the Tariff 22 judicial review, then they would seek recovery of Tariff 24 licence fees.

[145] Based on the weight of the evidence, I find that the Plaintiffs made a business decision to stop fighting over Tariff 24 after their loss in *CWTA* and move on, despite the fact that the download issue was being debated at the time before the Copyright Board in relation to Tariff 22. The circumstances surrounding the execution of the 2010 Agreement lead to the simple conclusion that all parties viewed the agreement as settling any potential litigation before the Board regarding ringtone royalties, in order to minimize risk and achieve long-term certainty.

[146] SOCAN acted at all times in good faith. The Plaintiffs, by their execution of the 2010 Agreement and their conduct by subsequently complying with the agreement, caused SOCAN to

believe that the 2010 Agreement had fully and finally settled the ringtones proceedings for the years 2006 to 2013. SOCAN altered its position based on this belief and distributed the ringtones royalties to its members.

[147] The Plaintiffs submit that courts have declined to apply issue estoppel in cases where there has been a change in the law. For example, in *Minott* at para 51, the court held that where the applicable law has been changed since the original proceedings, injustice may arise if the parties are stopped from litigating the issue on its merits. Further, where a subsequent, binding decision renders a previous decision clearly wrong, it would be unfair to prevent a party from re-litigating the matter: *Apotex Inc v. Merck & Co.*, 2002 FCA 210 at paras 35-36.

[148] However, in *Apotex Inc v Merck & Co* (2001), 11 CPR (4th) 38, this Court concluded that a subsequent change in law is not sufficient to justify relief from the application of issue estoppel. In *Merck & Co v Apotex Inc*, 2014 FC 883 at paragraph 49, the Court also concluded that whether the Supreme Court of Canada subsequently changed the law upon which a final judgment was based was irrelevant.

[149] In my view, a change in the law is not a sufficient basis to re-open previously decided cases. In any event, my hands are tied in this case. In *Rogers FCA* at paras 88-90, the Federal Court of Appeal specifically rejected the Plaintiffs' argument that *ESA* and *Rogers SCC* served to invalidate Tariff 24.

[150] For the above reasons, I conclude that the Plaintiffs have failed to establish any special or exceptional circumstances to be relieved from the application of issue estoppel. I also agree with SOCAN that the doctrine of estoppel and the basic principles of justice prevent the Plaintiffs from resiling from their settlement agreement. It would be inequitable in the particular circumstance of this case to require SOCAN to return the ringtones royalties.

[151] The Plaintiffs' action is accordingly dismissed.

C. *Was SOCAN unjustly enriched when it received royalties pursuant to Tariff 24?*

[152] The Plaintiffs have primarily framed their claim in unjust enrichment. They argue that their payments of royalties for ringtone downloads unjustly enriched SOCAN because those payments were not legally required.

[153] In *Garland v Consumers' Gas Co*, 2004 SCC 25 [*Garland*], the Supreme Court of Canada set out the test for unjust enrichment: (a) was the defendant enriched? (b) was there a corresponding deprivation to the plaintiff? (c) was there an absence of juristic reason for the enrichment? If any of these questions are answered in the negative, there is no unjust enrichment. The parties focussed their arguments on the third part of the test, that is, whether there was a juristic reason for the enrichment.

[154] The Plaintiffs had the burden of showing an absence of a juristic reason, on a *prima facie* basis. In my view, they failed to so.

[155] Justice O'Reilly concluded in *Rogers FC* that Tariff 24 became unenforceable after *Rogers SCC* and *ESA*. However, in reaching this conclusion, Justice O'Reilly did not have the benefit of a full evidentiary record nor reasons of the Federal Court of Appeal in *Rogers FCA*. The Federal Court of Appeal concluded at para 89 that the Supreme Court of Canada decisions in *ESA* and *Rogers SCC* did not address Tariff 24 (2003-2005) or Tariff 24 (2006-2013). It also held that the Blacksonian principle does not operate so as to overturn those previously decided cases.

[156] The Blacksonian principle is described by the Supreme Court of Canada in *Canada (Attorney General) v. Hislop*, 2007 SCC 10 at paragraph 79 as “predicated on the traditional — often called Blackstonian — view that judges never make law, but merely discover it. In this perspective, the courts are said to apply the law as it really was or has been rediscovered. As a consequence of the declaration of nullity, the appellants claim that they are entitled to the full benefits of the law, in conformity with an understanding of the Constitution, which is deemed to have never changed.”

[157] A disposition of law amounts to a juristic reason for enrichment, so long as it is legally valid (*Garland*, at para 49-50). Given that Tariff 24 was never actually overturned or varied, it served as a juristic reason for the alleged enrichment until Justice O'Reilly concluded it was unenforceable.

[158] Even if I am wrong on this point, another juristic reason exists for the alleged enrichment. In *Rathwell v. Rathwell* [1978] 2 SCR 436 at 455, the Supreme Court of Canada recognized that

a contract providing for the enrichment of one party to the corresponding deprivation of the other could constitute a juristic reason for that enrichment.

[159] In the present case, SOCAN and the Plaintiffs entered into the 2010 Ringtones Agreement. The agreement was clearly a compromise. A claim for unjust enrichment is not a vehicle for the reallocation of contractual risk: *Tega Homes (Attika) Inc v Spencedale Properties Ltd*, 2018 ONSC 6048.

[160] SOCAN agreed to relinquish its right for a proceeding before the Board and granted a 1% reduction in the royalty for half of the term. In return, the Plaintiffs agreed to discontinue their objections to the Tariff 24. The 2010 Agreement was executed during the time that the Plaintiffs were among the group of Tariff 22 Objectors who were arguing before the Board that downloads were not covered by the communication right. The purpose of the 2010 Agreement was to ensure that the Plaintiffs would continue to enjoy the ability to communicate and sell ringtones to their customers at a known and favourable royalty rate. It is clear from both the 2010 Agreement itself and from the Plaintiffs' conduct that they intended to be bound by the 2010 Agreement.

[161] Beyond the reasonable expectations of the parties, an unjust enrichment analysis also involves consideration of public policy factors (*Garland*, at para 54). In this case, a finding of unjust enrichment would set a very dangerous precedent with serious implications for the state of collective administration of copyright. If a licensee is able to claim restitution in respect of royalties years after they have been paid – pursuant to tariffs set by the Board and upheld by the

courts – because of a subsequent reconsideration of the law after the tariffs have become final, a collective society would never be in a safe position distribute royalties.

[162] Change of position is an independent defence to a claim of unjust enrichment. In

*Garland*, the Supreme Court described the defence as follows at para 659:

It is right that we should ask ourselves: why do we feel that it would be unjust to allow restitution in cases such as these? The answer must be that, where an innocent defendant's position is so changed that he will suffer an injustice if called upon to repay or to repay in full, the injustice of requiring him so to repay outweighs the injustice of denying the plaintiff restitution.

[163] The fact that SOCAN relied on the finality of Tariff 24 and the 2010 Agreement before distributing royalties to its members is a significant factor that militates against granting the declaration sought by the Plaintiffs.

D. *If the Agreement is not a juristic reason, are the Plaintiffs entitled to an order tracing the Tariff 24 royalties?*

[164] Given my conclusions above, it is not necessary to address the Plaintiffs' request for a tracing order with respect to the fees paid to SOCAN and then distributed to SOCAN's members.

#### V. Counterclaim

[165] The Plaintiffs unilaterally ceased paying licence fees under Tariff 24 following the release of the *ESA* decision in July 2012, notwithstanding that: (a) they continued to sell ringtones, (b) that they had not sought judicial review of the Board's 2012 decision certifying Tariff 24, and (c) that the Board had rejected their application to vary Tariff 24.

[166] SOCAN seeks an order requiring the Plaintiffs to pay licence fees owing under Tariff 24 for the period from July 12, 2012 to March 6, 2015, or such earlier date as each plaintiff stopped selling ringtones). SOCAN concedes that it is not entitled to collect royalties for any period after March 6, 2015, which is the date on which Justice O'Reilly released his decision in *Rogers FC*.

[167] Given my conclusion that there were juristic reasons that required the Plaintiffs to pay Tariff 24 royalties prior to the *ESA* and *Rogers SCC* decisions, the same reasoning applies for the subsequent period. Tariff 24 remained in effect until Tariff 24 (2006-2013) and the 2010 Agreement both expired on December 31, 2013.

[168] In the circumstances, the counterclaim is granted to the extent that Tariff 24 royalties were owed prior to the expiration of Tariff 24.

[169] Interest shall be paid in accordance with Tariff 24 (2006-2013), calculated daily from the date the Tariff 24 royalties were due to the date that amount is paid, on a non-compounding basis at a rate equal to 1% above the Bank Rate effective on the last day of the previous month (as published by the Bank of Canada).

## VI. Costs

[170] At the hearing, the parties provided sealed submissions on costs.

[171] The Plaintiffs offered SOCAN a compromise by delivering a settlement offer in advance of the trial. The Plaintiff acknowledged that if the Court's judgment was not as favourable as the



terms of the Plaintiffs' offer, costs should be awarded to the Plaintiff based on the mid-point of Column III of Tariff B.

[172] The Plaintiffs' offer is plainly less favourable than my decision. Given SOCAN's overwhelming success at trial, I conclude that costs should follow the cause and be awarded in its favour.

[173] Rule 400(1) of the *Federal Courts Rules*, SOR/98-106 gives the Court "full discretionary power over the amount and allocation of costs". Rule 400(4) expressly contemplates an award of costs in lieu of an assessment of costs pursuant to Tariff B.

[174] Lump sum awards are quite common in this Court when dealing with sophisticated commercial parties. The trend in recent case law is to favour lump sum awards when dealing with litigants that "clearly have the means to pay for the legal choices they make": *Nova Chemicals Corporation v The Dow Chemical Company et al*, 2017 FCA 25 at para. 16 [*Nova Chemicals*] citing *Eli Lilly and Company v Apotex Inc*, 2011 FC 1143 at para. 36.

[175] In *Nova Chemicals*, the Federal Court of Appeal canvassed the case law and determined that a typical lump sum costs award falls within the range of 25% to 50% of actual legal fees.

[176] SOCAN requested a lump sum award of \$137,438.86, representing 25% of its actual legal fees, which would be the low end of the range in the case law canvassed in *Nova Chemicals*, and disbursements of \$20,427.24.

[177] The amount claimed is eminently reasonable given it is significantly less than what was being sought by the Plaintiffs in the event they were successful. Factors militating in favour of costs in excess of the Tariff include the number of legal issues raised in the proceedings, the relative complexity of the issues, as well as the fact that SOCAN is a non-for-profit corporation.

VII. Conclusion

[178] For the above reasons, the Plaintiffs' claim is dismissed. SOCAN's counterclaim is granted in part, with costs.

**JUDGMENT in T-2046-12**

**THIS COURT'S JUDGMENT is that:**

1. The Plaintiffs' action is dismissed.
2. The Defendant's counterclaim is granted in part.
3. The Plaintiffs shall report and pay all outstanding Tariff 24 royalties owed to the Defendant from July 12, 2012 to December 31, 2013, with interest, as calculated under Tariff 24 (2006-2013).
4. The Defendant is granted its costs, hereby fixed in the amount of \$157,866.10.

"Roger R. Lafrenière"

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Judge

**FEDERAL COURT**  
**SOLICITORS OF RECORD**

**DOCKET:** T-2046-12

**STYLE OF CAUSE:** ROGERS COMMUNICATIONS CANADA INC., BELL MOBILITY INC., AND QUÉBECOR MEDIA INC. v SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA (A.K.A. SOCAN)

**STYLE OF CAUSE COUNTERCLAIM:** SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA (A.K.A. SOCAN) v ROGERS COMMUNICATIONS CANADA INC., BELL MOBILITY INC., AND QUÉBECOR MEDIA INC.

**PLACE OF HEARING:** TORONTO, ONTARIO

**DATE OF HEARING:** SEPTEMBER 12, 2019, SEPTEMBER 13, 2019

**JUDGMENT AND REASONS:** LAFRENIÈRE J.

**DATED:** MARCH 5, 2021

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