

Federal Court of Appeal



Cour d'appel fédérale

Date: 20160127

Docket: A-141-15

Citation: 2016 FCA 28

**CORAM: RYER J.A.
WEBB J.A.
NEAR J.A.**

BETWEEN:

**ROGERS COMMUNICATIONS
PARTNERSHIP, TELUS COMMUNICATIONS
COMPANY, BELL MOBILITY INC. AND
QUEBECOR MEDIA INC.**

Appellants

and

**SOCIETY OF COMPOSERS, AUTHORS AND
MUSIC PUBLISHERS OF CANADA (a.k.a.
SOCAN)**

Respondent

Heard at Ottawa, Ontario, on December 16, 2015.

Judgment delivered at Toronto, Ontario, on January 27, 2016.

REASONS FOR JUDGMENT BY:

RYER J.A.

CONCURRED IN BY:

**WEBB J.A.
NEAR J.A.**

Federal Court of Appeal



Cour d'appel fédérale

Date: 20160127

Docket: A-141-15

Citation: 2016 FCA 28

**CORAM: RYER J.A.
WEBB J.A.
NEAR J.A.**

BETWEEN:

**ROGERS COMMUNICATIONS
PARTNERSHIP, TELUS
COMMUNICATIONS COMPANY, BELL
MOBILITY INC. AND QUEBECOR MEDIA
INC.**

Appellants

and

**SOCIETY OF COMPOSERS, AUTHORS AND
MUSIC PUBLISHERS OF CANADA (a.k.a.
SOCAN)**

Respondent

REASONS FOR JUDGMENT

RYER J.A.

[1] Rogers Communications Partnership, Telus Communications Company, Bell Mobility Inc. and Quebecor Media Inc. (the “Corporations”) commenced an action in the Federal Court

(the “Action”) against the Society of Composers, Authors and Music Publishers of Canada (“SOCAN”) seeking to recover certain amounts that they paid during the period from November 14, 2006 to July 12, 2012 pursuant to Tariff 24 (2003-2005) Ringtones (“Tariff 24 (2003-2005)”) and Tariff 24 (2006-2013) Ringtones (“Tariff 24 (2006-2013)”) (collectively, “Tariff 24”). The payments were in relation to ringtones, containing substantial portions of musical works in SOCAN’s repertoire that were downloaded onto mobile devices of the Corporations’ customers.

[2] SOCAN filed a defence to the Action and a counterclaim against the Corporations seeking payment of certain ringtone royalties that the Corporations had refused to pay since July 12, 2012 or, in the alternative, November 7, 2012.

[3] Upon receipt of a consent motion in the Action, Justice Anne Mactavish issued an order on March 6, 2014, pursuant to Rule 220(1)(a) of the *Federal Courts Rules*, S.O.R./98-106 (the “*Federal Courts Rules*”), directing the preliminary determination of six questions of law (the “*Rule 220(1)(a) Order*”).

[4] In a decision dated March 6, 2015, Justice James O’Reilly (the “Judge”) reformulated and answered these six questions. The decision is reported at 2015 FC 286.

[5] Both the Corporations and SOCAN appeal portions of the Judge’s determinations of the six questions.

[6] For the reasons that follow, I would allow in part both the Corporations' appeal and SOCAN's cross-appeal.

I. BACKGROUND

[7] The Corporations offer mobile communication services in Canada.

[8] SOCAN is a collective society, as defined in section 2 of the *Copyright Act*, R.S.C. 1985, c. C-42 (the "*Copyright Act*"). It carries on the business of collective administration of copyright, as defined in subsection 3(1) of the *Copyright Act*, for the benefit of persons who authorize it to do so on their behalf. Its business includes granting licences for the public performance and communication to the public by telecommunication in Canada of dramatico-musical and musical works. In its business, it acts on behalf of Canadian music creators and publishers who hold the copyright in relation to a work (the "Rightsholders") and who authorize it to do so.

[9] In general terms, Rightsholders enter into arrangements with collective societies, such as SOCAN, so that, on an economical and efficient basis, the unauthorized use of their works can be prevented and compensation for the authorized use of their works can be obtained. The collective society provides "licenses" to persons wishing to use the performance rights in the works under its administration and collects fees for such use by those persons. After deducting agreed upon costs, the collective society makes distributions to the Rightsholders.

[10] The Copyright Board of Canada (the "Board") is established under subsection 66(1) of the *Copyright Act*. Its general powers are set forth in sections 66.51 to 66.71 of that legislation.

[11] A collective society is obligated under section 67.1 of the *Copyright Act* to propose tariffs to the Board setting out the amounts of royalties or licence fees for the use of musical works forming part of its repertoire, whether such use takes the form of a performance of the work in public or a communication of the work to the public by telecommunication.

[12] After considering objections to a proposed tariff, the Board is required, by subsection 68(3) of the *Copyright Act*, to certify tariffs as approved with any alterations that the Board considers necessary.

[13] Section 66.52 of the *Copyright Act* empowers the Board to vary a decision that it has made respecting royalties, including a certification decision made pursuant to subsection 68(3) of the *Copyright Act*, if the Board is of the opinion that there has been a material change in circumstances since its decision was made. That provision reads as follows:

Variation of decisions

66.52 A decision of the Board respecting royalties or their related terms and conditions that is made under subsection 68(3), sections 68.1 or 70.15 or subsections 70.2(2), 70.6(1), 73(1) or 83(8) may, on application, be varied by the Board if, in its opinion, there has been a material change in circumstances since the decision was made.

Modifications de décisions

66.52 La Commission peut, sur demande, modifier toute décision concernant les redevances visées au paragraphe 68(3), aux articles 68.1 ou 70.15 ou aux paragraphes 70.2(2), 70.6(1), 73(1) ou 83(8), ainsi que les modalités y afférentes, en cas d'évolution importante, selon son appréciation, des circonstances depuis ces décisions.

[14] Subsection 68.2(1) of the *Copyright Act* permits a collective society to collect the royalties stipulated in an approved tariff and to recover them in a court of competent jurisdiction.

[15] By virtue of subsection 68.2(2) of the *Copyright Act*, no action for the infringement of the right to perform in public or the right to communicate to the public by telecommunication, referred to in section 3 of the *Copyright Act*, may be brought against a person who has paid or offered to pay the royalties stipulated in an approved tariff.

[16] In the circumstances of this appeal, the rights in issue relate to the download of ringtones that consist of portions of musical works. Some cellphone users prefer ringtones containing musical works as the means by which they are notified of incoming calls. Thus, ringtones containing musical works can be loaded into a cellphone's memory and will then be heard as the signal of an incoming call. When a ringtone containing a musical work is used and a call is received, the cellphone will not "ring"; instead, the music embodied in the ringtone will play.

[17] Payments for ringtones embedded in cellphones at the time of their purchase are not in issue in the Action. Instead, the Action relates to ringtones that are subsequently "downloaded" into cellphones. A download of a ringtone occurs when a ringtone file is transmitted from a wireless carrier to a cellphone where the file is then stored in the cellphone's memory.

[18] Over the objections of some of the Corporations, the Board certified Tariff 24 (2003-2005) on August 18, 2006 with respect to the years 2003, 2004 and 2005. Tariff 24 (2003-2005) authorized SOCAN to collect royalties on the download of ringtones on the basis that such downloads constituted a communication to the public pursuant to paragraph 3(1)(f) of the *Copyright Act*. That provisions provides as follows:

3(1) For the purposes of this Act, <i>copyright</i> , in relation to a work, means	3(1) Le droit d'auteur sur l'oeuvre comporte le droit exclusif de produire
---	---

the sole right to produce or reproduce the work or any substantial part thereof in any material form whatever, to perform the work or any substantial part thereof in public or, if the work is unpublished, to publish the work or any substantial part thereof, and includes the sole right

ou reproduire la totalité ou une partie importante de l'oeuvre, sous une forme matérielle quelconque, d'en exécuter ou d'en représenter la totalité ou une partie importante en public et, si l'oeuvre n'est pas publiée, d'en publier la totalité ou une partie importante; ce droit comporte, en outre, le droit exclusif :

...

[...]

(f) in the case of any literary, dramatic, musical or artistic work, to communicate the work to the public by telecommunication,

(f) de communiquer au public, par télécommunication, une oeuvre littéraire, dramatique, musicale ou artistique;

[19] By its terms, Tariff 24 (2003-2005) had an expiry date of December 31, 2005 but would continue as an interim tariff until the Board certified a tariff for a period starting January 1, 2006.

[20] The Board's decision to certify Tariff 24 (2003-2005) was judicially reviewed by the Federal Court of Appeal (*Canadian Wireless Telecommunications Association v. Society of Composers, Authors and Music Publishers of Canada*, 2008 FCA 6, 371 N.R. 273 [CWTA]). Before the Court, the applicants argued that Tariff 24 (2003-2005) was not authorized by the *Copyright Act* because the download of a ringtone did not constitute a communication to the public pursuant to paragraph 3(1)(f) of the *Copyright Act*.

[21] The Court dismissed the application for judicial review. It determined that the download of a ringtone constituted a communication of a musical work to the public pursuant to paragraph 3(1)(f) of the *Copyright Act* (the "Ringtone Download Issue"). As a consequence, the Board's

decision to certify Tariff 24 (2003-2005) was affirmed. Leave to appeal the Court's decision to the Supreme Court of Canada was denied on September 18, 2008.

[22] Subsection 67.1(1) of the *Copyright Act* requires a collective society to file a proposed tariff with the Board stipulating the royalties to be collected during the period in which that proposed tariff is to apply before the date when its last approved tariff expires. The proposed tariff must be filed on or before March 31st in the year that the existing tariff will expire.

[23] As a consequence of the expiry of Tariff 24 (2003-2005), SOCAN filed a proposed tariff to replace Tariff 24 (2003-2005). The filing date is not in the record before the Court.

[24] Objections to this proposed replacement tariff were filed by a number of parties, including the Corporations. However, by correspondence dated June 7, 2010, SOCAN informed the Board that SOCAN had reached an agreement with several parties, including the Corporations, regarding the terms and conditions of the proposed replacement tariff for the years 2006-2010 and extending the period covered by that replacement tariff from 2006 to 2013 (the "2010 Agreement"). The June 7, 2010 correspondence requested that the Board certify a tariff consistent with the 2010 Agreement. Subsequent to the Board's receipt of the June 7, 2010 correspondence, all remaining objections to the originally proposed replacement tariff were withdrawn.

[25] On June 29, 2012, the Board certified the tariff contained in Appendix B to the 2010 Agreement. The Board's decision to certify Tariff 24 (2006-2013) was not challenged by judicial review.

[26] Between November 14, 2006 and July 12, 2012, the Corporations paid approximately \$12,015,041.00 to SOCAN pursuant to Tariff 24.

[27] In separate proceedings, the Board certified Tariff 22.A for the years of 1996 to 2006 on October 18, 2007. Tariff 22.A set the royalties to be paid when a musical work is downloaded or streamed over the Internet or a mobile network.

[28] The Board certified Tariffs 22.B to 22.G for the years of 1996-2006 on October 25, 2008. Tariffs 22.B to 22.G set the royalties to be paid when various media containing musical works, or a substantial portion of a musical work, is streamed or downloaded over the Internet. Tariff 22.G set the royalties to be paid when a video game, containing a musical work, is downloaded or streamed over the Internet.

[29] The Board's decisions to certify Tariffs 22.A and 22.B to 22.G were judicially reviewed by the Federal Court of Appeal, which heard both applications together. The Court dismissed the applications for judicial review on September 2, 2010 (*Shaw Cablesystems G.P. v. Society of Composers, Authors and Music Publishers of Canada*, 2010 FCA 220, 409 N.R. 102 [*Shaw*]; *Entertainment Software Association and the Entertainment Software Association of Canada v. CMRRA/SODRAC Inc.*, 2010 FCA 221, 406 N.R. 288 [*ESA (FCA)*]). In *Shaw*, the Court held

that the Board's conclusion that the download of a musical file was a communication of a musical work to the public, pursuant to paragraph 3(1)(f) of the *Copyright Act*, was reasonable. In *ESA (FCA)*, the Court held that its conclusion in *Shaw* was dispositive of the issue of the reasonableness of the Board's determination that the download of a video game containing a musical work is a communication to the public pursuant to paragraph 3(1)(f) of the Act.

[30] On March 24, 2011, the Supreme Court of Canada granted leave to appeal the Federal Court of Appeal's decisions in *Shaw* and *ESA (FCA)*. The appeals were heard together on December 6, 2011.

[31] The Supreme Court of Canada rendered two split decisions on July 12, 2012. In *Entertainment Software Association v. Society of Composers, Authors and Music Publishers of Canada*, 2012 SCC 34, [2012] 2 S.C.R. 231 [*ESA*], a majority of the Supreme Court determined that the download of video games containing musical works did not constitute a communication within the meaning of paragraph 3(1)(f) of the *Copyright Act*.

[32] In *Rogers Communications Inc. v. Society of Composers, Authors and Music Publishers of Canada*, 2012 SCC 35, [2012] 2 S.C.R. 283 [*Rogers*], a majority of the Supreme Court said that its holding in *ESA* was not limited to the download of video games containing musical works such that, more generally, "musical works are not 'communicated' by telecommunication when they are downloaded" (at paragraph 2, emphasis in original).

[33] Following the release of *ESA* and *Rogers*, SOCAN returned the royalties that it had collected from the Corporations under Tariff 22.A and Tariffs 22.B to 22.G.

[34] The Corporations decided that *Rogers* and *ESA* rendered Tariff 24 “without legal foundation”. As a result, they ceased making payments to SOCAN pursuant to Tariff 24 (2006-2013) on July 12, 2012.

[35] On August 1, 2012, the Corporations brought an application to vary the Board’s Tariff 24 certification decisions pursuant to section 66.52 of the *Copyright Act* (the “66.52 Application”).

[36] On January 18, 2013, the Board denied the 66.52 Application. It held that the application was properly characterized as an application to rescind the Tariff 24 certification decisions. The Board concluded that its power to vary did not include the power to rescind. It also concluded that a determination of the Corporations’ claim that Tariff 24 was no longer enforceable in light of *ESA* and *Rogers* was beyond its jurisdiction and was a question for the courts to determine. The Board’s decision to reject the 66.52 Application was not judicially reviewed.

[37] Instead, the Corporations brought the Action against SOCAN in the Federal Court, claiming that SOCAN was unjustly enriched by the payments that the Corporations had made pursuant to Tariff 24. They sought:

- a) Restitution arising from unjust enrichment in the amount of \$15,000,000.00;
- b) Special damages in an amount to be particularized prior to trial;
- c) In the alternative, a declaration that monies received by the Defendant as described below (“Payments”) 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;

- d) 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*, R.S.C. 1985, c. C-42, and the Copyright Board of Canada's ("Board") decisions to certify Tariff 24 (2003-2005) and Tariff 24 (2006-2013) (collectively, "Tariff 24");
- e) In the alternative, a declaration that Tariff 24 constitutes a jurisdictional violation of and is *ultra vires* the *Copyright Act*;
- f) An accounting of the Payments;
- g) A tracing order with respect to the Payments;
- h) Pre-judgment and post-judgment interest pursuant to the *Federal Courts Act*, R.S.C. 1985, c. F-7.

[38] On March 6, 2014, the *Rule 220(1)(a) Order* was issued. It stipulated that the following six questions of law were to be determined:

1. Does the Internet transmission to a customer's mobile device of an electronic ringtone file containing a musical work constitute a communication of that work to the public by telecommunication within the meaning of section 3(1)(f) of the *Copyright Act*?
2. Were the decisions of the Copyright Board of Canada (the "Board") certifying SOCAN Tariff 24 (Ringtones) for the years 2003-2005 and 2006-2013 ("SOCAN Tariff 24") *intra vires* the Board?
3. Is any part of the Plaintiffs' entire claim barred under the doctrine of *res judicata*?
4. Are the Plaintiffs estopped by claiming part or all of the relief sought in this Action by an agreement executed by the Plaintiffs and filed with the Board on June 7, 2010?
5. Did SOCAN's collection of SOCAN Tariff 24 royalties constitute an unjust enrichment?
6. Are the Plaintiffs entitled to an order tracing SOCAN Tariff 24 royalty monies?

II. THE JUDGE'S DECISION

[39] The Judge reformulated and answered the six questions stipulated in the *Rule 220(1)(a) Order*. His reformulations and answers are as follows:

1. Question: Has the plaintiffs' claim already been finally decided against them?

Answer: The plaintiffs' claim has not been finally decided against them.

2. Question: Based on their 2010 agreement with SOCAN, are the plaintiffs precluded from claiming the relief they seek?

Answer: The 2010 agreement between the plaintiffs and SOCAN does not prevent them from claiming the relief they seek.

3. Question: Is the Internet transmission of a ringtone file a communication of a musical work to the public?

Answer: The Internet transmission of a ringtone file does not constitute the communication of a musical work to the public.

4. Question: Did the Board have jurisdiction to certify Tariff 24?

Answer: The Board had jurisdiction to certify Tariff 24.

5. Question: Was SOCAN unjustly enriched when it received Tariff 24 royalties?

Answer: SOCAN has not been unjustly enriched by its receipt of Tariff 24 royalties.

6. Question: Are the plaintiffs entitled to an order tracing the distribution of Tariff 24 royalties?

Answer: The plaintiffs are not entitled to a tracing order.

III. ISSUE

[40] The issue in this appeal is whether the Judge erred in law in answering any of the six questions.

IV. STANDARD OF REVIEW

[41] Since Rule 220(1)(a) of the *Federal Courts Rules* only authorizes the determination of questions of law, the standard of review is correctness (*Housen v. Nikolaisen*, 2002 SCC 33 at paragraph 8, [2002] 2 S.C.R. 235).

V. ANALYSIS

A. *Introduction*

(1) Rule 220(1)(a)

[42] As noted above, the questions that the Judge determined arose out of a motion under Rule 220(1)(a) of the *Federal Courts Rules*, made by the Corporations and consented to by SOCAN.

That Rule reads as follows:

220. (1) A party may bring a motion before trial to request that the Court determine

(a) a question of law that may be relevant to an action;

220. (1) Une partie peut, par voie de requête présentée avant l'instruction, demander à la Cour de statuer sur :

a) tout point de droit qui peut être pertinent dans l'action;

[43] The requirements of this Rule are set forth in *Berneche v. Canada*, [1991] 3 F.C. 383, 133 N.R. 232 (C.A.) [*Berneche*], which dealt with a predecessor of Rule 220(1)(a). At paragraph 6, Justice Mahoney stated that the Rule:

...requires that the Court be satisfied (1) that there is no dispute as to any fact material to the question of law to be determined; (2) that what is to be determined is a pure question of law, (3) that its determination will be conclusive of a matter

in dispute so as to eliminate the necessity of a trial or, at least, shorten or expedite the trial.

[Emphasis added]

[44] This Court further elaborated upon the *Berneche* test in *Perera v. Canada*, [1998] 3 F.C.R. 381, 225 N.R. 162 (C.A.) [*Perera*] where Justice Létourneau stated at paragraph 13:

...[A]s was stated in the *Berneche* case, [the Rule requires] that the proposed questions are pure questions of law, that is to say questions that may be answered without having to make any finding of fact. Indeed, the purpose of the Rule is to have the questions answered before trial; it is neither to split the trial in parts nor to substitute for part of a trial a trial by affidavits.

[Emphasis added, footnote omitted]

[45] These authorities make it plain that Rule 220(1)(a) contemplates the determination of only pure questions of law. This limitation is not uniformly applicable to all courts. For example, Rule 58(1) of the *Tax Court of Canada Rules (General Procedure)*, S.O.R./90-688a (the “*Tax Court Rules*”) enables the Tax Court of Canada to determine preliminary questions of law, fact or mixed fact and law.

(2) The Judge’s Reformulation of the Questions

[46] The Judge chose to reformulate the questions stipulated in the *Rule 220(1)(a) Order* and to answer the reformulated questions in an order of his choosing.

[47] Questions of law often entail the ascertainment of legal tests or the interpretation of statutory provisions. Questions of mixed fact and law involve the application of a legal test or

principle to a set of facts. A pure question of law, as contemplated in *Berneche* and *Perera*, would not include a question of mixed fact and law.

[48] In the circumstances of this appeal, the *Rule 220(1)(a) Order* was made on consent with the consequence that it is not apparent that any detailed consideration was given to the appropriateness of the six questions that were put forward by the parties; that is to say, whether each of them was a “pure question of law”.

[49] Whether these circumstances played any part in the Judge’s decision to reformulate the questions stipulated in the *Rule 220(1)(a) Order* is not apparent from his reasons.

[50] In somewhat analogous circumstances, Justice Hugessen, then of the Federal Court, found that the Court should refuse to answer questions when to do so would be wrong. In *Bruyere v. Canada*, 2005 FC 1371, 281 F.T.R. 221 [*Bruyere*], he stated, at paragraph 19, as follows:

[19] The wording of Rule 220, by providing for a two-stage procedure, in which the Court itself first determines the appropriateness of the questions to be asked before undertaking to give an answer, is intended to avoid this sort of problem. However, the policy considerations underlying the Rule coupled with the fact that the first stage of the motion was not contested with the consequence that the learned Prothonotary was not called on to turn her mind in any detail to the appropriateness of the questions, leads me to the conclusion that the Court should refuse to answer questions when to do so would be wrong. Obviously, it would have been preferable if the motion had been dismissed at the first stage, as it was in *Wolf v. Canada*, 2002 FCT 434, but while to answer a question on inadequate facts may have far-reaching consequence for persons other than the parties, a refusal to answer will cause inconvenience only to the parties who themselves are responsible for the creation of the present situation.

[51] No issue was taken by either of the parties with respect to the Judge's reformulations of the six questions. That said, in my view, in reformulating the six questions, the Judge was obliged to ensure that the reformulated questions met the requirements set forth in *Berneche* and *Perera*.

[52] At the hearing of the appeal, the Court asked whether it was obliged to consider the correctness of the Judge's answer to any reformulated question that was not a "pure question of law". Counsel for the Corporations responded that it was open to this Court to refuse to do so and helpfully referred the Court to the decision in *Bruyere*. Counsel for SOCAN responded that the Court should deal with the correctness of the Judge's answers to the reformulated questions on the basis that they emanated from the *Rule 220(1)(a) Order*, which was granted on consent given by "experienced counsel for sophisticated clients".

[53] In my view, it is open to this Court to decline to consider the correctness of the Judge's answer to any question that does not properly fall within the purview of Rule 220(1)(a) of the *Federal Courts Rules*.

[54] In *Thomas Fuller Construction Co. v. Canada*, [1992] 3 F.C. 795, 147 N.R. 313 (C.A.), this Court set aside an order of a judge who determined a preliminary question of law on the basis that the question of law was not properly raised in the pleadings. In my view, this Court's power to set aside a determination of a question of law that is not raised in pleadings is sufficient to enable the Court to set aside a determination of a question that does not constitute a pure question of law.

[55] In *McLarty v. The Queen*, 2002 FCA 206, 291 N.R. 396 [*McLarty*], Justice Rothstein, then of this Court, dealt with a motion under Rule 58(1)(a) of the *Tax Court Rules* which, at that time, provided only for the determination of preliminary questions of law. At paragraphs 7 and 12 of his reasons, Justice Rothstein stated:

[7] Before a motion under rule 58(1)(a) may be granted, the Motions Judge must be satisfied that there is no dispute as to any fact material to the question of law to be determined. See *Berneche et al. v. Canada*, [1991] 133 N.R. 232, at paragraph 6 (F.C.A.).

...

[12] Finally, once the Motions Judge found that documents “may affect [...] the liability of the [tax] appellant [...]” and that they constituted “contested evidence and not [...] agreed facts”, the Motions Judge was required to dismiss the motion for the preliminary question. It is only when there is no dispute as to material facts relevant to the question of law that the question of law may be determined on a preliminary basis. Once the Motions Judge determined that there were disputed facts that were material to the question, he had to dismiss the motion for determination of a preliminary question of law.

[56] In conclusion, in my view, the Court need not consider the correctness of any of the Judge’s answers to questions that did not raise pure questions of law.

B. *The Questions*

(1) Question One - Has the plaintiffs’ claim already been finally decided against them?

[57] The reformulated question essentially asks whether the doctrine of *res judicata* applies to the Corporations’ claim. The determination of whether the requirements of this doctrine are met is a question of law (*Re EnerNorth Industries Inc.*, 2009 ONCA 536 at paragraph 52, 96 O.R.

(3d) 1, leave to appeal to S.C.C. refused, 33354 (January 14, 2010); *Ernst & Young Inc. v.*

Central Guaranty Trust Co., 2006 ABCA 337 at paragraph 26, 397 A.R. 225, leave to appeal to

S.C.C. refused, 31794 (April 19, 2007)). Accordingly, it was an appropriate question to be determined under Rule 220(1)(a) of the *Federal Courts Rules*.

[58] The Judge found that the Corporations were not precluded from pursuing the Action by virtue of the previous decisions of the Board and the Federal Court of Appeal. He concluded that three criteria must be met before the doctrine of *res judicata* – whether in the form of cause of action estoppel or issue estoppel – could apply. He determined that a party cannot re-litigate a matter where (a) the same question was decided in the earlier proceeding, (b) the parties to both proceedings are the same, and (c) the earlier decision was final.

[59] While it is clear that the Judge was aware of the fact that there were two Board certifications of Tariff 24, his analysis appears to have focused upon the decision in respect of Tariff 24 (2003-2005) which was affirmed in *CWTA*.

[60] The Judge 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 were met.

[61] The Judge then found that the third criterion was not met because, 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, “a decision of the Board is never really final”. Additionally, the Judge postulated that the Supreme Court of Canada

decisions in *ESA* and *Rogers* “allegedly brought about a material change of circumstances”, even though the Board had refused to grant the 66.52 Application which was premised upon those decisions.

[62] While the Judge appeared to focus his “finality requirement” analysis upon the decision with respect to Tariff 24 (2003-2005), it seems logical that he was also of the view that if the Tariff 24 (2003-2005) decision was not final, then the subsequent Board decision with respect to Tariff 24 (2006-2013) would also lack finality. As a result of his determination that the Board decisions lack finality, he concluded that the third issue estoppel criterion was not met, and therefore *res judicata* did not preclude the Corporations from pursuing the Action.

[63] The Judge went on to determine that even if “the earlier decision on ringtone royalties was final”, it “might have been unfair to stop” the Corporations from pursuing the Action. This was so because *ESA* and *Rogers* “effectively declared that the Board and the Federal Court of Appeal erred in finding that the transmission of ringtone downloads amounts to the communication of musical works to the public”.

[64] As the Judge correctly concluded, issue estoppel and cause of action estoppel share three common criteria. The Judge did not find it necessary to distinguish between these two branches of *res judicata*. In my view, the applicable branch is issue estoppel.

[65] Issue estoppel is described in paragraph 24 of *Danyluk v. Ainsworth Technologies Inc.*, 2001 SCC 44, [2001] 2 S.C.R. 460 [*Danyluk*], which reads as follows:

Issue estoppel was more particularly defined by Middleton J.A. of the Ontario Court of Appeal in *McIntosh v. Parent*, [1924] 4 D.L.R. 420, at p. 422:

When a question is litigated, the judgment of the Court is a final determination as between the parties and their privies. Any right, question, or fact distinctly put in issue and directly determined by a Court of competent jurisdiction as a ground of recovery, or as an answer to a claim set up, cannot be re-tried in a subsequent suit between the same parties or their privies, though for a different cause of action. The right, question, or fact, once determined, must, as between them, be taken to be conclusively established so long as the judgment remains.

[Emphasis added.]

This statement was adopted by Laskin J. (later C.J.), dissenting in *Angle, supra*, at pp. 267-68. This description of the issues subject to estoppel (“[a]ny right, question or fact distinctly put in issue and directly determined”) is more stringent than the formulation in some of the older cases for cause of action estoppel (e.g., “all matters which were, or might properly have been, brought into litigation”, *Farwell, supra*, at p. 558). Dickson J. (later C.J.), speaking for the majority in *Angle, supra*, at p. 255, subscribed to the more stringent definition for the purpose of issue estoppel. “It will not suffice” he said, “if the question arose collaterally or incidentally in the earlier proceedings or is one which must be inferred by argument from the judgment.” The question out of which the estoppel is said to arise must have been “fundamental to the decision arrived at” in the earlier proceeding. In other words, as discussed below, the estoppel extends to the material facts and the conclusions of law or of mixed fact and law (“the questions”) that were necessarily (even if not explicitly) determined in the earlier proceedings.

[66] Thus, because the Judge found that the Ringtone Download Issue had previously been determined as between the Corporations and SOCAN, the Judge must be seen to have concluded that there had been no *final* determination of the Ringtone Download Issue.

[67] In my view, 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*. The final paragraph of *CWTA* reads as follows:

[44] In my view, the Copyright Board was correct in law to conclude that the transmission of ringtones by wireless carriers to their customers on request is a communication to the public by telecommunication within the meaning of paragraph 3(1)(f) of the *Copyright Act*. I would dismiss this application with costs.

[68] The Judge's conclusion that Board decisions are "never really final", by virtue of section 66.52 of the *Copyright Act*, does not support the conclusion that the decision in *CWTA* was not a final decision. Even if the Board is empowered, by section 66.52 of the *Copyright Act*, to overturn its own decisions, that power would not enable the Board to overturn judicial decisions. In my view, this Court's decision in *CWTA* is a final decision on the validity of Tariff 24 (2003-2005) and the Ringtone Download Issue. As such, I am of the view that the finality criterion of issue estoppel has been satisfied and the Judge erred in law in finding otherwise.

[69] In the event that I am incorrect in concluding that the Ringtone Download Issue has been finally decided by virtue of the decision in *CWTA* and the finality requirement must be determined by reference to the finality of the Board's Tariff 24 (2003-2005) decision, I am of the view that the Judge erred in law in his interpretation of section 66.52 of the *Copyright Act* that underpins his conclusion that decisions of the Board are "never really final".

[70] The ability of the Board to vary its own decisions engages the principle of *functus officio*. In *Chandler v. Alberta Association of Architects*, [1989] 2 S.C.R. 848, 62 D.L.R. (4th) 577 [*Chandler*], the Supreme Court determined that the applicability of this principle extends to decisions of administrative tribunals. At page 861, Justice Sopinka stated:

...As a general rule, once such a tribunal has reached a final decision in respect to the matter that is before it in accordance with its enabling statute, that decision cannot be revisited because the tribunal has changed its mind, made an error

within jurisdiction or because there has been a change of circumstances. It can only do so if authorized by statute or if there has been a slip or error within the exceptions enunciated in *Paper Machinery Ltd. v. J. O. Ross Engineering Corp.*, *supra*.

The error referred to in the latter portion of this quotation is an error in expressing the “manifest intention” of the court or tribunal in respect of its decision.

[71] Thus, under the doctrine of *functus officio*, the Board would not be permitted to reopen one of its decisions in the absence of a slip or an error that runs counter to the Board’s manifest intention in reaching its decision. Neither of these exceptions to the *functus officio* principle is relevant in the circumstances. However, as indicated in the excerpt from *Chandler*, an administrative tribunal can be empowered by statute to revisit its decisions. Indeed, the *Copyright Act* provides such a power.

[72] In reaching his conclusion that there had been no final decision in respect of Tariff 24 (2003-2005), and therefore no final decision in respect of the Ringtone Download Issue, the Judge determined that the decisions of the Supreme Court of Canada in *ESA* and *Rogers* constituted a material change in circumstances, the occurrence of which empowered the Board to vary its decision to certify that tariff. He concluded that *ESA* and *Rogers* changed the law because they effectively declared that the Board and this Court in *CWTA* had erred in their decisions regarding the Ringtone Download Issue. In so concluding, the Judge interpreted the phrase “material change in circumstances since the decision was made” in section 66.52 of the *Copyright Act* as including a change in law arising from judicial decisions rendered subsequent to the decision that is to be varied.

[73] In making this interpretation, the Judge did not refer to any jurisprudence that considered subsection 66.52 of the *Copyright Act* or, in the absence of any controlling authority, did not conduct an analysis based upon the well-known textual, contextual and purposive approach to statutory interpretation (*Canada Trustco Mortgage Co. v. Canada*, 2005 SCC 54 at paragraph 10, [2005] 2 S.C.R. 601).

[74] To support his interpretation, the Judge referred to *Adar v. Canada (Citizenship and Immigration)*, 132 F.T.R. 35, [1997] F.C.J. No. 695 (QL) [*Adar*], a decision of the Federal Court which considered the reconsideration power of the Convention Refugee Determination Division of the Immigration and Refugee Board under subsection 69.2(2) of the *Immigration Act*, R.S.C. 1985 (4th Supp.), c. I-2, as amended by S.C. 1992, c. 49 (the “*Immigration Act*”). The Judge concluded that this provision contained a “comparable power” to that given to the Board under section 66.52 of the *Copyright Act*. Subsection 69.2(2) of the *Immigration Act* reads as follows:

69.2(2) The Minister may, with leave of the Chairperson, make an application to the Refugee Division to reconsider and vacate any determination made under this Act or the regulations that a person is a Convention refugee on the ground that the determination was obtained by fraudulent means or misrepresentation, suppression or concealment of any material fact, whether exercised or made by that person or any other person.

69.2(2) Avec l'autorisation du président, le ministre peut, par avis, demander à la section du statut de réexaminer la question de la reconnaissance du statut de réfugié au sens de la Convention accordée en application de la présente loi ou de ses règlements et d'annuler cette reconnaissance, au motif qu'elle a été obtenue par des moyens frauduleux, par une fausse indication sur un fait important ou par la suppression ou la dissimulation d'un fait important, même si ces agissements sont le fait d'un tiers.

[75] This provision relates to a largely factual determination – Convention refugee status – and permits reconsideration where that determination was premised upon fraud or a misrepresentation, suppression or concealment of any material fact.

[76] With respect, to the extent that this provision is comparable to section 66.52 of the *Copyright Act*, it would suggest that a “material change in circumstances” ought to be limited to material changes of a factual nature. Indeed, the word circumstance, in ordinary parlance, can be taken as a synonym for the word fact.

[77] However, in the circumstances of this appeal, a comprehensive interpretation of the phrase “material change in circumstances” is not required. All that is required is a determination of whether the alleged change of law that is said to arise out of the Supreme Court decisions in *ESA* and *Rogers* constitutes a “material change in circumstances”, within the meaning of section 66.52 of the *Copyright Act*.

[78] The scope of section 66.52 of the *Copyright Act* was considered by this Court in *Canadian Association of the Film Distributors and Exporters v. Society for Reproduction Rights of Authors, Composers and Publishers in Canada (SODRAC) Inc.*, 2014 FCA 235, 378 D.L.R. (4th) 72 [CAFDE]. In this case, the Board reopened a decision to certify a tariff on the basis that it recognized that it had erred in its interpretation of the proposed tariff and thereby committed a “palpable error”. This Court concluded that the Board was not able to reopen its decision to certify the tariff under section 66.52 of the *Copyright Act*. In so doing, it is clear that the Court

concluded that a palpable error on the Board's part did not constitute "a change in circumstances" for the purpose of section 66.52 of the *Copyright Act*.

[79] In *Metro Can Construction Ltd. v. The Queen*, 2001 FCA 227, 273 N.R. 273 [*Metro Can*], this Court considered the rescission and variation powers granted under Rule 399(2)(a) of the *Federal Courts Rules*, which reads as follows:

399(2) On motion, the Court may set aside or vary an order

399(2) La Cour peut, sur requête, annuler ou modifier une ordonnance dans l'un ou l'autre des cas suivants :

(a) by reason of a matter that arose or was discovered subsequent to the making of the order;

a) des faits nouveaux sont survenus ou ont été découverts après que l'ordonnance a été rendue;

[80] In considering the scope of this power, Justice Rothstein, who was then on this Court, stated:

[4] Reconsideration is a narrow exception to the doctrine of *res judicata*. In *Jhajj v. Canada (M.E.I.)*, [1995] 2 F.C. 369 (T.D.), it was determined that subsequent decisions of a higher court do not constitute "a matter that arose [...] subsequent" as those words are used in paragraph 399(2)(a). The same principle would apply to subsequent decisions of the same Court. In *Jhajj*, it was decided that reconsideration on the basis of subsequently decided jurisprudence was not reconcilable with the *res judicata* doctrine and that taken in this context, "a matter" did not include subsequent decisions of a higher court. If "a matter" included subsequent decisions, reconsideration could be sought in any previous case whenever there was a change in the law that would result in a different disposition of that previous case. Further, it would create unacceptable uncertainty for litigants and the public who must be satisfied that, once a judgment is rendered, it is final. We see no reason to depart from this analysis and conclusion.

[5] *Metro Can* has cited Ontario and House of Lords decisions which stand for the proposition that where there has been a change in the law, the *res judicata* doctrine will not always prevent a decided issue from being relitigated in subsequent proceedings. See *Minott v. O'Shanter Development Co.* (1999), 168 D.L.R. (4th) 270 (Ont. C.A.), *Robb v. St. Joseph's Health Care Centre*, 2001 O.J.

No. 606 (Q.L.) (C.A.) and *Arnold et al. v. National Westminster Bank Plc.* (1991) 142 N.R. 31 (H.L.). These cases allow for the exercise of discretion by a court, in special circumstances, in deciding whether to permit an issue, that would otherwise be prevented from being raised by reason of *res judicata* or issue estoppel, to be relitigated in subsequent proceedings. However, none of these decisions are reconsideration cases and they do not stand for the proposition Metro Can advances before us, that subsequent decisions that change the law should be a basis for reconsidering previously decided cases. There is a fundamental difference between permitting an issue that has been decided being relitigated and redetermined in subsequent litigation on the basis of a change in the law on the one hand, and reopening a previously decided case on the basis of a change in the law on the other. It is only the latter that would lead to the reconsideration of an indefinite number of previous cases, a result not reconcilable with the rationale for the *res judicata* doctrine.

[6] Metro Can says that it will suffer injustice if the Court does not re-open its appeal. However, we would note that, in its application for leave to appeal the *Metro Can* decision of this Court to the Supreme Court of Canada, Metro Can raised the alleged inconsistency between *Madison* and *Metro Can*. Nonetheless, the Supreme Court dismissed the leave application.

[Emphasis in original]

[81] This Court applied the conclusion in *Metro Can*, that subsequent jurisprudence does not constitute a “matter” for the purposes of Rule 399(2) of the *Federal Courts Rules*, in *Ayangma v. Canada*, 2003 FCA 382, 313 N.R. 312, wherein Justice Pelletier, at paragraph 4, stated:

We are not persuaded that the “matter” referred to in Rule 339 (“faits nouveaux” in the French version of the text) refers to jurisprudence. In *Metro-Can Construction Ltd. v. Canada*, [2001] F.C.J. No. 1075 (F.C.A.), this Court decided that subsequent jurisprudence of our Court or of a higher Court does not constitute a “matter” that arose subsequently to the making of the order, within the meaning of Rule 399(2)...

Noteworthy is Justice Pelletier’s reference to the French version of the Rule in question which refers to “faits nouveau” or new facts.

[82] The decisions in *CAFDE*, *Metro Can* and *Ayangma* point to a more limited interpretation of the scope of the Board's variation power under section 66.52 of the *Copyright Act* than that adopted by the Judge. Accordingly, I conclude that the phrase "material change in circumstances since the decision was made", in section 66.52 of the *Copyright Act*, does not extend to jurisprudence that arises subsequent to the decision contemplated by that phrase and that the Judge erred in law in interpreting that phrase in the contrary manner.

[83] It follows that the Judge 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) and, to reiterate my earlier conclusion, the Ringtone Download Issue was finally decided.

[84] The Judge refers to "previous decisions of the Board" in paragraph 25 of his reasons. Thus, it is also necessary to address the Board's decision with respect to the validity of Tariff 24 (2006-2013) in relation to the finality issue.

[85] No application for judicial review of this decision was made; as such, its finality, for the purposes of issue estoppel, must be determined without reference to a decision of this or a higher court.

[86] Without more, the effluxion of the period of time for the making of an application for judicial review of a decision renders that decision final. This is evident from paragraph 10 of this Court's decision in *Yeager v. Day*, 2013 FCA 258, 453 N.R. 385, in which Justice Stratas stated:

[10] In this case, Mr. Yeager did not appeal the Deputy Judge's order. Upon expiry of the deadline for filing a notice of appeal, and in the absence of a motion

to extend the time to appeal, the matter became *res judicata*. Upon becoming *res judicata*, the order is presumed to be valid, absent proof of fraud in its making, even if there is a later change in the law: see, e.g., *Régie des rentes du Québec v. Canada Bread Company Ltd.*, 2013 SCC 46 at paragraph 55, citing *Roberge v. Bolduc*, [1991] 1 S.C.R. 374 at page 403. For example, where a person is convicted of a criminal offence, is sitting in jail, and has not appealed his conviction, he cannot take advantage of a later, favourable court decision: *R. v. Wigman*, [1987] 1 S.C.R. 246 at paragraph 21. Accordingly, having not appealed the Deputy Judge's order, Mr. Yeager could not benefit from any subsequent changes in the law, such as the change wrought by *Felipa, supra*.

[87] Accordingly, I conclude that the Judge erred to the extent that he concluded that the finality criterion of issue estoppel was not met in respect of the Board's decision to certify Tariff 24 (2006-2013).

[88] For completeness, I reject the Corporations' argument that the Blackstonian principle must prevail over *res judicata* in the instant circumstances. They assert that, by virtue of the decisions in *ESA* and *Rogers*, SOCAN never had the right to collect royalties under Tariff 24. In my view, this assertion has no merit.

[89] *ESA* and *Rogers* did not address Tariff 24 (2003-2005) or Tariff 24 (2006-2013). In *CWTA*, this Court affirmed the validity of Tariff 24 (2003-2005) and the Supreme Court denied leave to appeal that decision. The Board certified Tariff 24 (2006-2013) and no judicial review of that decision was taken by the Corporations, even though they could have done so, on a timely basis, after the decisions in *ESA* and *Rogers* were rendered.

[90] While the reasoning that underpins *ESA* and *Rogers* may indicate that the determinations of the Ringtone Download Issue by the Board and this Court are suspect, or even incorrect, the

validity of those decisions was not directly in issue before the Supreme Court of Canada in *ESA* and *Rogers*. In my view, the Blackstonian principle does not sanction the overturning of decided cases as a consequence of decisions in subsequent cases. Indeed, in *Canada (Attorney General) v. Hislop*, 2007 SCC 10, [2007] 1 S.C.R. 429, the Supreme Court was careful to note, in paragraph 86, that retrospective remedies may not always be available to a successful party in the litigation.

[91] My conclusion that the Judge erred in determining that the criteria for issue estoppel were not met with respect to the Ringtone Download Issue does not fully answer the question of whether the Corporations should be precluded from pursuing the Action by virtue of the doctrine of issue estoppel.

[92] It is well established that after a court has determined the existence of the preconditions to the operation of issue estoppel, the court must nonetheless determine whether issue estoppel ought to apply (*Danyluk* at paragraph 33). More particularly, Justice Binnie, at paragraph 62 of *Danyluk*, stated:

The appellant submitted that the Court should nevertheless refuse to apply estoppel as a matter of discretion. There is no doubt that such a discretion exists. In *General Motors of Canada Ltd. v. Naken*, [1983] 1 S.C.R. 72, Estey J. noted, at p. 101, that in the context of court proceedings “such a discretion must be very limited in application”. In my view the discretion is necessarily broader in relation to the prior decisions of administrative tribunals because of the enormous range of diversity of the structures, mandates and procedures of administrative decision makers.

[93] At the hearing, the parties urged the Court to undertake this exercise of discretion. I decline to do so. In my view, this would be better done by the judge who conducts the trial of the Action.

[94] Accordingly, the Judge erred in failing to find that the three requirements for issue estoppel had been met. The discretion of whether to apply issue estoppel to bar the Corporations' claim should be decided by the judge who conducts the trial of the Action.

(2) Question Two – Based on their 2010 agreement with SOCAN, are the plaintiffs precluded from claiming the relief they seek?

[95] The reformulated question essentially asks whether the 2010 Agreement provides a basis upon which the Corporations could be precluded from the relief that they seek.

[96] In my view, this is a question that the Judge should have declined to answer. It is not a pure question of law.

[97] It is clear from the Judge's reasons that he undertook a construction of the 2010 Agreement. The Supreme Court of Canada has determined that contractual interpretation is a question of mixed fact and law (see *Sattva Capital Corp. v. Creston Moly Corp.*, 2014 SCC 53 at paragraph 50, [2014] 2 S.C.R. 633). In addition, the Judge's conclusion with respect to this question was dependent upon his finding that "...the parties clearly did not have a common understanding of the significance of the agreement..." and "...given that there was no common understanding of the meaning of the agreement, SOCAN cannot claim that it relied on that

common understanding” (Reasons at paragraphs 29 and 35). These are factual findings which the Judge apparently believed to be necessary preconditions to answering this question. As indicated in *McLarty*, this requirement to make factual findings should have led the Judge to decline to answer this question. Additionally, as Justice Létourneau stated in *Perera*, the purpose of Rule 220(1)(a) of the *Federal Courts Rules* is not to split the trial into parts.

[98] Accordingly, whether the 2010 Agreement precludes the Corporations from the relief that they seek remains to be determined by the judge who conducts the trial of the Action.

- (3) Question Three – Is the Internet transmission of a ringtone file a communication of a musical work to the public?

[99] The Judge determined that the internet transmission of a ringtone file does not constitute the communication of a musical work to the public.

[100] At the hearing, counsel for SOCAN advised that SOCAN was no longer appealing against the Judge’s determination of this question.

- (4) Question Four – Did the Board have the jurisdiction to certify Tariff 24?

[101] The Judge reformulated the question slightly but the substance of the question was unchanged. The question of the Board’s jurisdiction to certify Tariff 24 is a question of law.

[102] The Judge found that the Board had the jurisdiction to certify Tariff 24.

[103] In effect, the Corporations argue that the Board lacked the jurisdiction to certify a tariff if the Board made a mistake in the reasoning that underpinned its certification decision. With respect, that argument is misguided. Tariff certification is clearly the responsibility of the Board under the *Copyright Act*. If the Board certifies a tariff on a basis that appears to be erroneous, it is open to an affected party to initiate judicial review proceedings with a view to correcting the alleged error.

[104] In the present circumstances, the Federal Court of Appeal in *CWTA* considered complaints with respect to the validity of Tariff 24 (2003-2005) and leave to appeal that decision to the Supreme Court of Canada was denied. With respect to Tariff 24 (2006-2013), the Corporations declined the opportunity to seek judicial review of the Board's decision. Indeed, pursuant to the 2010 Agreement, the Corporations agreed to support the approval of Tariff 24 (2006-2013).

[105] Accordingly, the Judge made no error in determining that the Board had jurisdiction to certify Tariff 24.

[106] It is worth mentioning that the Corporations' Notice of Appeal does not raise this issue, although it is argued in the Corporations' Memorandum of Fact and Law. In the unique circumstances of this appeal, in which the Corporations take issue with respect to the correctness of several of the Judge's answers to specific questions, the Corporations' failure to raise this issue in their Notice of Appeal could well have been a sufficient basis for the Court to have disposed of this aspect of the appeal. That said, the Court has considered the issue because

SOCAN took no exception to this issue being raised only in the Corporation's Memorandum of Fact and Law.

(5) Question Five – Was SOCAN unjustly enriched when it received Tariff 24 royalties?

[107] The Judge did not reformulate this question in any material way. However, in my view, he should have declined to answer it because it is not a pure question of law. Indeed, rather than a preliminary question which will shorten the duration of the trial, or possibly obviate the need for one, this question is a significant - if not the central - issue that must be tried in the Action.

[108] The Judge determined that the doctrine of unjust enrichment requires an enrichment received to the defendant's benefit, at the plaintiff's expense and made in the absence of a juristic reason. He concluded that the first two elements, which in my view are evidently factual, were "clearly present" and that the only issue related to whether there was the absence of a juristic reason.

[109] A review of the Statement of Agreed Facts reveals no agreement on these two factual matters.

[110] A review of the Statement of Defence indicates that SOCAN put in issue the question of whether it had received an "incontrovertible benefit" from the royalty payments, having regard to its non-profit corporation status and its obligation to distribute royalties net of expenses to Rightsholders. Similarly, the Statement of Defence puts in issue the question of whether the

Corporations suffered any deprivation by virtue of having made royalty payments or whether those payments were costs that were passed on by the Corporations to their customers.

[111] The Judge then delved into the issue of whether there was a juristic reason for the royalty payments. In doing so, the Judge, in paragraph 56 of his reasons, undertook an adjudication of whether the Corporations had met their “low, initial burden to show a *prima facie* absence of a juristic reason for the payment of ringtone royalties”. In that same paragraph, the Judge also found that the unjust enrichment analysis required him to make determinations with respect to “the reasonable expectations of the parties, and public policy factors”. In undertaking this analysis, the Judge determined what he considered to be the relevant factors.

[112] In paragraph 59 of his reasons, the Judge made a determination that Tariff 24 did not amount to a juristic reason for the payment of royalties beyond the point in time when SOCAN was “put on notice of ‘a serious possibility’ that the legal foundation on which Tariff 24 was based was faulty”. This enabled him to conclude that the receipt of royalties by SOCAN before the *ESA* and *Rogers* decisions was not an unjust enrichment but that any receipt after those decisions would constitute an unjust enrichment.

[113] In undertaking this analysis, the Judge did not simply answer a pure question of law to simplify or shorten a trial of the Action. Instead, he undertook to decide one of the central issues raised in the Action and made both findings of fact and mixed fact and law.

[114] The inappropriateness of this action on the part of the Judge is further demonstrated by the arguments of the parties in this appeal.

[115] The Corporations assert that the Judge followed the wrong process in making his determinations with respect to unjust enrichment. They say that where the claim for restitutionary recovery is based upon an “established category”, the entire juristic reason element need not be considered and the Court’s “discretion to deny recovery is narrower” (Corporations’ Memorandum of Fact and Law at paragraph 43).

[116] The Corporations invite this Court to overturn the Judge’s adjudications with respect to unjust enrichment. In doing so, they request that the Court:

- a) overturn the Judge’s reasonable belief findings (Corporations’ Memorandum of Fact and Law at paragraph 60);
- b) substitute their suggested date upon which there was an unjust enrichment for that of the Judge’s (Corporations’ Memorandum of Fact and Law at paragraphs 61, 77 and 78);
- c) conclude that “[t]here are no facts in this case that would justify this Court coming to the aid of SOCAN in the way it has come to the aid of aggrieved persons in the family law context” (Corporations’ Memorandum of Fact and Law at paragraph 69); and
- d) conclude that SOCAN knew that the retention of the royalties was unjust (Corporations’ Memorandum of Fact and Law at paragraph 71).

[117] SOCAN asserts that it should be able to keep the royalty payments and invites this Court to:

- a) uphold the Judge’s finding that SOCAN was not “put on notice” of issues relating to its right to collect royalties until the *ESA* and *Rogers* decisions (SOCAN’s Memorandum of Fact and Law at paragraphs 63 to 72);
- b) conclude that the 2010 Agreement settles an honest claim (SOCAN’s Memorandum of Fact and Law at paragraphs 77 and 79);

- c) conclude that the Corporations intended to be bound by the 2010 Agreement (SOCAN's Memorandum of Fact and Law at paragraphs 80 to 87);
- d) determine that SOCAN has changed its position in good faith so as to factually establish a defence to restitution (SOCAN's Memorandum of Fact and Law at paragraphs 92 to 102);
- e) determine that the Corporations did not make a mistake of law (SOCAN's Memorandum of Fact and Law at paragraphs 115 to 121); and
- f) determine whether the Corporations made royalty payments voluntarily (SOCAN's Memorandum of Fact and Law at paragraphs 122 to 135).

[118] It is clear to me that both parties are requesting this Court to pass judgment upon the Judge's factual findings and to make additional fresh factual findings.

[119] All of this is wholly inappropriate in an appeal from an order that was supposed to have determined the answers to preliminary questions of pure law. In the circumstances, it is my view that the Judge erred in not declining to answer this question having regard to the clear need to make factual findings in order to do so.

[120] The Corporations ask this Court to order that they are entitled to a return of all monies paid to SOCAN with respect to Tariff 24. For its part, SOCAN asserts that it should be entitled to keep the royalty payments. One of these outcomes may logically follow from the conclusion of a trial of the Action in which the trial judge will determine the applicable law and apply that law to the facts as determined in the trial. A motion under Rule 220(1)(a) would be expected to assist the trial judge in relation to the determination of the applicable law so that the trial could potentially be shortened. However, in the circumstances, the Judge turned the determination of

preliminary questions of pure law into, in effect, a summary trial. Indeed, the Judge may have gone beyond merely splitting the trial into parts and undertaken the conduct of the entire trial.

[121] Accordingly, the issue of whether SOCAN was unjustly enriched should be determined by the judge who conducts the trial of the Action.

(6) Question Six – Are the plaintiffs entitled to an order tracing the distribution of Tariff 24 royalties?

[122] The Judge did not reformulate this question in any material way. He determined that his conclusion that SOCAN was not unjustly enriched by the receipt of royalties was determinative of this question.

[123] While the Corporations asked this Court for an “accounting and tracing order with respect to ringtone royalties paid to the Respondent pursuant to Tariff 24”, their memorandum of fact and law makes no argument with respect to why the Judge’s disposition of this question was erroneous.

[124] Once again, I fail to see how this question could be characterized as a pure question of law, much less one that could potentially shorten or eliminate a trial of the Action. This question is one of alternative remedy in the event that the unjust enrichment claim is made out but restitution is denied. It is at best a question of mixed fact and law. As previously determined, the question of unjust enrichment (Question 5) was not properly before the Judge because it is a

question of mixed fact and law and not a pure question of law. The same reasoning also precludes this question from being properly before the Judge.

[125] Accordingly, whether the Corporations are entitled to a tracing order will be determined by the judge who conducts the trial of the Action.

VI. DISPOSITION

[126] For the foregoing reasons I would dispose of the appeal and the cross appeal as follows:

- a) With respect to Question One, the conditions necessary for the application of the doctrine of issue estoppel have been made out. 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 Corporations in the Action. To this extent, the cross-appeal is allowed.
- b) With respect to Question Two, this question was not properly before the Judge and should not have been answered because it is not a pure question of law. The judge who conducts the trial of the Action shall do so without regard for the decision of the Judge in relation to this question. To this extent, the cross-appeal is allowed.
- c) With respect to Question Three, because SOCAN abandoned its appeal in this regard at the hearing, the cross-appeal is dismissed.
- d) With respect to Question Four, the Board had jurisdiction to certify Tariff 24 (2003-2005) and Tariff 24 (2006-2013). To this extent, the appeal is dismissed.
- e) With respect to Question Five, this question was not properly before the Judge and should not have been answered because it is not a pure question of law. The judge who conducts the trial of the Action shall do so without regard for the decision of the Judge in relation to this question. To this extent, the appeal is allowed.
- f) With respect to Question Six, this question was not properly before the Judge and should not have been answered because it is not a pure question of law. The judge who conducts the trial of the Action shall do so without regard for the decision of the Judge in relation to this question. To this extent, the appeal is allowed.

Costs of this appeal shall be in the cause.

“C. Michael Ryer”

J.A.

“I agree

Wyman W. Webb J.A.”

“I agree

D.G. Near J.A.”

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-141-15

(APPEAL FROM A DECISION OF JUSTICE JAMES O'REILLY, DATED MARCH 6, 2015)

STYLE OF CAUSE: ROGERS COMMUNICATIONS
PARTNERSHIP, TELUS
COMMUNICATIONS COMPANY,
BELL MOBILITY INC. AND
QUEBECOR MEDIA INC. v.
SOCIETY OF COMPOSERS,
AUTHORS AND MUSIC
PUBLISHERS OF CANADA (a.k.a.
SOCAN)

PLACE OF HEARING: Ottawa, Ontario

DATE OF HEARING: DECEMBER 16, 2015

REASONS FOR JUDGMENT BY: RYER J.A.

CONCURRED IN BY: WEBB J.A.
NEAR J.A.

DATED: JANUARY 27, 2016

APPEARANCES:

Gerald (Jay) Kerr-Wilson
Peter N. Mantas
Ariel Thomas
Yael Wexler

FOR THE APPELLANTS

D. Lynne Watt
Matthew Estabrooks

FOR THE RESPONDENT

SOLICITORS OF RECORD:

Fasken Martineau Dumoulin LLP
Ottawa, Ontario

FOR THE APPELLANTS

Gowling Lafleur Henderson LLP
Ottawa, Ontario

FOR THE RESPONDENT