

Federal Court of Appeal



Cour d'appel fédérale

Date: 20200422

Docket: A-259-17

Citation: 2020 FCA 77

**CORAM: PELLETIER J.A.
DE MONTIGNY J.A.
WOODS J.A.**

BETWEEN:

YORK UNIVERSITY

Appellant

and

**THE CANADIAN COPYRIGHT LICENSING AGENCY
("ACCESS COPYRIGHT")**

Respondent

and

**UNIVERSITIES CANADA, CANADIAN ASSOCIATION OF
UNIVERSITY TEACHERS, CANADIAN FEDERATION OF
STUDENTS, COPYRIGHT CONSORTIUM OF THE
COUNCIL OF MINISTERS OF EDUCATION, CANADA,
ASSOCIATION OF CANADIAN PUBLISHERS, CANADIAN
PUBLISHERS' COUNCIL AND THE WRITERS' UNION OF
CANADA**

Interveners

Heard at Ottawa, Ontario, on March 5 and 6, 2019.

Judgment delivered at Ottawa, Ontario, on April 22, 2020.

REASONS FOR JUDGMENT BY:

PELLETIER J.A.

CONCURRED IN BY:

DE MONTIGNY J.A.

WOODS J.A.

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REASONS FOR JUDGMENT

PELLETIER J.A.**Table of Contents**

I.	Introduction.....	2
II.	Background.....	3
III.	The Decision Under Appeal.....	6
IV.	York’s Statement of Issues	10
V.	Statement of Issues	13
VI.	Standard of Review	13
VII.	Analysis.....	14
A.	Is a final tariff mandatory?	14
(1)	The rights conferred by copyright	18
(2)	Legislative History: 1936 to 1985	21
(3)	Legislative history: 1988 amendments	31
(4)	Legislative history: 1997 amendments	42
B.	Jurisprudence.....	70
C.	General Considerations	71
D.	Conclusion.....	73
VIII.	York’s Counterclaim	74
A.	Fair dealing.....	75
(1)	The purpose of the dealing	75
(2)	The character of the dealing	87
(3)	The amount of the dealing	92
(4)	Alternatives to the dealing	99
(5)	The effect of the dealing	101
(6)	Nature of the work	105
B.	Conclusion on the Counterclaim	106

I. Introduction

[1] When licence renewal negotiations between York University (York) and the Canadian Copyright Licensing Agency (Access Copyright) were languishing, the latter applied to the Copyright Board for and was granted an interim tariff covering the copying of protected works in post-secondary educational institutions. York briefly complied with the terms of the interim tariff but then “opted out” and introduced its “Fair Dealing Guidelines for York Faculty and Staff

(11/13/12)” (Guidelines). Acting pursuant to the guidance offered in the Guidelines, York faculty and staff copied significant amounts of material for which York paid no licence fees or royalties.

[2] Access Copyright sued York to enforce the interim tariff, seeking various remedies including royalties as provided in the tariff. York counterclaimed, seeking a declaration that all copying which fell within the terms of the Guidelines constituted fair dealing pursuant to section 29, 29.1, or 29.2 of the *Copyright Act*, R.S.C. 1985 c. C-42 (the Act).

[3] The Federal Court allowed Access Copyright’s action and dismissed York’s counterclaim, which gave rise to this appeal: see *Canadian Copyright Licensing Agency v. York University*, 2017 FC 669, [2018] 2 F.C.R. 43 (Reasons).

[4] For the reasons that follow, I would allow York’s appeal on the basis that a tariff approved by the Copyright Board (the Board), as the interim tariff was, is not “mandatory” in the sense that it is enforceable against anyone whose use of the protected works is an infringement of the copyright owner’s exclusive rights. I would dismiss York’s counterclaim on the basis that its Guidelines do not ensure that copying which comes within their terms is fair dealing.

II. Background

[5] The respondent, Access Copyright, is a collective society which administers the reproduction rights in published literary works and collects royalties and distributes them to copyright holders.

[6] The appellant, York, is Canada's third-largest university. It has over 50,000 students and approximately 1,500 full-time faculty members.

[7] From 1994 to 2010, Access Copyright and York were parties to a licence agreement. This agreement permitted professors at York to make copies of portions of textbooks and other published works in Access Copyright's repertoire. By 2010, the annual royalty payable pursuant to that licence was \$0.10 per page and \$3.38 per full-time equivalent (FTE) student.

[8] In March 2010, when Access Copyright was uncertain if the renewal of the licence agreement could be finalized before its expiry, it filed a proposed tariff with the Board for post-secondary educational institutions covering the years 2011-2013. This proposed tariff contemplated a flat annual royalty of \$45 per FTE student per year. The proposal was published in the *Canada Gazette* on June 12, 2010, and 101 persons and institutions filed timely objections.

[9] In light of the rapidly approaching expiry date of the licence agreement, Access Copyright applied to the Board for an interim decision. It asked that the existing licensing regime continue to apply until the Board certified a tariff for the period in question. On December 23, 2010, the Board granted Access Copyright's application and issued an interim tariff, which incorporated the licence agreement royalty rate of \$0.10 per page and \$3.38 per FTE.

[10] The interim tariff took effect on January 1, 2011. Initially, York complied with the terms of the interim tariff. However, in July of 2011, York formally notified Access Copyright of its decision to "opt out" of the tariff as of August 31, 2011, in time for the start of the new academic

year. Since 2011, several other Canadian universities have also decided to opt out of the Access Copyright tariff.

[11] As of September 1, 2011, York was operating without the benefit of a licence from Access Copyright. Instead, York relied on its Guidelines, which were created to help the university avoid copyright infringement. In essence, the Guidelines direct York's faculty and staff on how fair dealing under section 29 of the Act applies to certain copying practices. The Guidelines specify that Short Excerpts (as defined in the Guidelines) may be copied for educational and research purposes.

[12] By way of background, it was the Association of Universities and Colleges of Canada (AUCC) (now Universities Canada), that first developed a fair dealing policy in 2004 following the decision of the Supreme Court in *CCH Canadian Ltd. v. Law Society of Upper Canada*, 2004 SCC 13, [2004] 1 S.C.R. 339 [*CCH*]. York first implemented its own fair dealing guidelines modelled on those developed by the AUCC in December of 2010. In 2012, the AUCC revised its fair dealing policy following the Supreme Court's decision in *Alberta (Education) v. Canadian Copyright Licensing Agency (Access Copyright)*, 2012 SCC 37, [2012] 2 S.C.R. 345 [*Alberta Education*], and the passage of the *Copyright Modernization Act*, S.C. 2012, c. 20, after which York also revised its own Guidelines. Many other Canadian universities use guidelines similar to those used by York.

[13] York's decision to opt out of the tariff prompted Access Copyright to start an action in the Federal Court to enforce the interim tariff under subsection 68.2(1) of the Act. The

foundation of Access Copyright's claim was that York had infringed copyright in works in its repertoire and were therefore liable for the amounts specified in the interim tariff and that some York professors had, after September 1, 2011, made unauthorized copies of in-repertoire works. In response to the action, York filed a counterclaim seeking a declaration that any reproductions made in compliance with its Guidelines constitute fair dealing under section 29 of the Act.

[14] In this Court, a number of entities were granted intervener status, namely: Universities Canada, the Canadian Association of University Teachers and the Canadian Federation of Students, the Copyright Consortium of the Council of Ministers of Education, Canada, the Association of Canadian Publishers, the Canadian Publishers' Council and the Writers' Union of Canada.

III. The Decision Under Appeal

[15] The Federal Court began its analysis by addressing the question of the mandatory effect of the tariff. It reviewed the use of the word "tariff" in cases dealing with various tribunals such as the Alberta Energy and Utilities Board, the Canadian Radio-Television and Telecommunications Commission, the National Energy Board, the Nova Scotia Utility and Review Board, and the Ontario Energy Board. It also considered tariffs of fees fixed by various government agencies. All of these examples are instances of amounts which must be paid. The Court concluded that the word tariff connotes a mandatory fee.

[16] The Federal Court then considered the scheme of the Act, beginning with subsection 68.2(1) of the Act, which Access Copyright relies upon as the statutory basis for its claim that it is entitled to collect royalties. At the material time, it read as follows:

68.2 (1) Without prejudice to any other remedies available to it, a collective society may, for the period specified in its approved tariff, collect the royalties specified in the tariff and, in default of their payment, recover them in a court of competent jurisdiction.	68.2 (1) La société de gestion peut, pour la période mentionnée au tarif homologué, percevoir les redevances qui y figurent et, indépendamment de tout autre recours, le cas échéant, en poursuivre le recouvrement en justice.
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[17] Subsection 68.2(1) applies in this case because subsection 70.15(2) provides that where a tariff is approved under subsection 70.15(1), as the interim tariff was, then subsection 68.2(1) applies with such modifications as the circumstances require.

[18] In the Federal Court's view, Parliament recognized the difficulties that individual copyright owners might face in enforcing their rights against infringers and so provided mechanisms for the collective enforcement of those rights. The Court briefly reviewed the mechanisms in place prior to the 1989 amendments to the Act. Under the earlier regime, performing rights organizations filed with the Copyright Appeal Board statements of fees, charges, and royalties for the issuance of licences with respect to works in their repertoire. The Court found that under that regime, the performing rights organization's enforcement action was limited to users who had entered into a licence agreement.

[19] The Court then reviewed the legislative history of this provision. In 1988, Parliament amended the Act to include the predecessor to subsection 68.2(1), subsection 67.2(2), which

provided that a performing rights organization had the right to collect royalties specified in the statement filed with the Board or “in default of their payment, recover them in a court of competent jurisdiction”. In the Court’s view, enforcement was no longer tied to the presence of a licence agreement.

[20] The 1988 amendments also provided for new licensing bodies for the collective administration of exclusive rights recognized in the Act other than performing rights including, among others, reproduction rights. These licensing bodies did not have the ability to file statements of proposed fees, charges or royalties with the Board and had no statutory enforcement remedies equivalent to those of performing rights organizations. The Court found that these limitations were corrected when the Act was amended again in 1997. In the Court’s view, these amendments gave the licensing bodies, now known as collective societies, the right to file tariffs for approval by the Board, as an alternative to entering into licence agreements with users. These amendments also gave these bodies the same right to collect the amounts specified in approved tariffs and, in default of payment, the right to recover the royalties by action in a court of competent jurisdiction, including the Federal Court: Reasons at para. 203.

[21] The Court then turned to statutory interpretation. It noted that the *Interpretation Act*, R.S.C. 1985 c. I-21 defined “regulation” to include a tariff of costs or fees so that a tariff was “subordinate legislation” which is consistent with compulsion, as opposed to a voluntary licensing scheme. The Court also found that the procedural aspects of the tariff-setting process such as public notice and Board certification were consistent with a mandatory scheme.

[22] The Court then distinguished the Supreme Court’s decision in *Canadian Broadcasting Corp. v. SODRAC 2003 Inc.*, 2015 SCC 57, [2015] 3 S.C.R. 615 [*SODRAC*] to which we shall return later in these reasons. The Court reasoned that the statutory provisions in issue in *SODRAC* – sections 70.2 to 70.4 – do not deal with tariff-setting, which is set out in sections 70.1 to 70.191. The Court noted that the tariff-setting provisions are mandatory while the dispute resolution provisions in sections 70.2 to 70.4 are optional.

[23] In the end, the Court found that legislative history and statutory interpretation led to the conclusion that Board tariffs are mandatory.

[24] The Federal Court then turned to the counterclaim and York’s Guidelines. They provide that York faculty and staff can copy Short Excerpts of a copyright protected work, which includes literary works, musical scores, sound recordings, and audiovisual works (collectively, a “Work”) within the university environment for the purposes of research, private study, criticism, review, news reporting, education, satire or parody. The critical provision of the Guidelines is the definition of Short Excerpt which is reproduced below:

The copy must be a “**Short Excerpt**”, which means that it is either:

10% or less of a Work, or

no more than:

a) one chapter from a book;

b) a single article from a periodical;

c) an entire artistic work (including a painting, photograph, diagram, drawing, map, chart and plan) from a Work containing other artistic works;

d) an entire newspaper article or page;

e) an entire single poem or musical score from a Work containing other poems or musical scores; or

f) an entire entry from an encyclopedia, annotated bibliography, dictionary or similar reference work,

whichever is greater.

[25] The Court reviewed the extensive evidence on the quantity and quality of copying which took place at York pursuant to the Guidelines. It then addressed the question of their fairness by examining them in the light of the factors used by the Supreme Court to assess the fairness of the custom photocopying service operated by the Law Society of Upper Canada in *CCH*.

[26] For present purposes it is sufficient to say that the Court found that four of the factors, specifically, the character of the dealing, the amount of the dealing, the nature of the work and the effect of the dealing tended to show the unfairness of the Guidelines, while the other two, the purpose of the dealing and the alternatives to the dealing, tended to show their fairness. I will return to these factors (collectively, the CCH factors or the fairness factors) in my analysis of the fairness of York's Guidelines. In the end, the Court declined to issue the declaration sought by York and dismissed the counterclaim.

IV. York's Statement of Issues

[27] In its notice of appeal, York submits that the Federal Court made several errors.

[28] York argues that the Court erred in concluding that copying which fell within its Guidelines was not "fair dealing" within the meaning of section 29 of the Act. York also appeals

on the basis that an interim tariff is not an approved tariff and is therefore unenforceable by action. In any event, York submits that even if the interim tariff was an approved tariff, it would only apply to those who chose to become licensees. York relies upon the decision in *SODRAC* as authority for the proposition that Access Copyright can only sue to recover royalties in default of payment from users who choose to become licensees under an approved tariff. In particular, York points to the following passage from paragraph 108 of *SODRAC* in support of its position, to which I have appended, and underlined, the sentence which follows immediately after the sentences quoted by York:

However, this power [to fix royalties] does not contain within it the power to force these terms on a user who, having reviewed the terms, decided that engaging in licensed copying is not the way to proceed. Of course, should the user then engage in unauthorized copying regardless, it will remain liable for infringement. But it will not be liable as a licensee unless it affirmatively assumes the benefits and burdens of the licence. [my emphasis]

(*SODRAC* at para. 108)

[29] York also points to section 70.13 of the Act, which applies to Access Copyright, to show that an approved tariff deals with royalties due from licensees.

70.13 (1) Each collective society referred to in section 70.1 may, on or before the March 31 immediately before the date when its last tariff approved pursuant to subsection 70.15(1) expires, file with the Board a proposed tariff, in both official languages, of royalties to be collected by the collective society for issuing licences. [my emphasis]

70.13 (1) Les sociétés de gestion peuvent déposer auprès de la Commission, au plus tard le 31 mars précédant la cessation d'effet d'un tarif homologué au titre du paragraphe 70.15(1), un projet de tarif, dans les deux langues officielles, des redevances à percevoir pour l'octroi de licences. [mon soulignement]

[30] York concludes by pointing out that there are regimes under the Act that do create mandatory liability to pay on the part of the target group such as, for example, subsection 19(2)

which provides that users are “liable to pay” equitable remuneration in certain circumstances or paragraph 82(1)(a) which stipulates that the manufacturers or importers of blank tape are “liable ... to pay a levy”. These are examples of Parliament’s use of clear language to impose mandatory obligations when it chooses to do so.

[31] York’s position that approved tariffs are only binding on those who choose to be licensed by a collective society is strongly supported by the interveners Universities Canada, the Canadian Association of University Teachers, and the Canadian Federation of Students (collectively Universities Canada). They invoke the Supreme Court’s decision in *Vigneux v. Canadian Performing Right Society Ltd.*, [1943] S.C.R. 348, 1943 CanLII 38 [*Vigneux*] in support of the position that approved tariffs are not mandatory. Relying on *Vigneux*, Universities Canada says that the provisions of the Act dealing with tariffs were introduced, not to protect copyright holders but rather to protect the public from the monopoly power of performing rights organizations:

... it is evident that the legislature realized in 1931 that this business in which the dealers [in performing rights] were engaged is a business affected with a public interest; and it was felt to be unfair and unjust that these dealers should possess the power so to control such performing rights as to enable them to exact from people purchasing gramophone records and sheets of music and radio receiving sets such tolls as it might please them to exact.

(*Vigneux* at 353)

[32] Both York and these interveners cite an article by Professor Ariel Katz, “Spectre: Canadian Copyright and the Mandatory Tariff – Part I”, (2015) 27 IPJ 151, that I found very useful in addressing the question of the enforceability of tariffs.

V. Statement of Issues

[33] I will begin with the issue of the enforceability of the tariff. The question of fair dealing only arises if the tariff applies to York. It is only if a final tariff is “mandatory” that York must rely on its Guidelines to show that compliance with them is fair dealing, a user’s right.

[34] I propose to deal with Access Copyright’s claim by first reviewing some of the concepts which will recur in the discussion. I will then review the statutory provisions in issue in *Vigneux* and trace their legislative development through to the *Copyright Modernization Act*. This review will show that the basic structure set out in the 1936 amendments has been preserved throughout this legislative history which supports the conclusion that the legislative intent has also remained the same. Similarly, the use of the expression “licensing schemes” throughout this history also suggests a continuity of purpose. I will deal with various ancillary arguments as they arise in the course of this legislative history.

[35] As noted earlier, I will deal with York’s Guidelines by examining the Federal Court’s reasoning and the parties’ submissions in light of the teachings of the three relevant Supreme Court decisions.

VI. Standard of Review

[36] Given that this is an appeal of a decision of the Federal Court after a trial, the standard of review is set out in *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235, namely,

correctness for questions of law, and palpable and overriding error for questions of fact and questions of mixed fact and law, except where an extricable question of law arises.

VII. Analysis

A. *Is a final tariff mandatory?*

[37] Since much of the argument was framed in terms of whether Copyright Board approved tariffs are mandatory, it is perhaps useful to begin by clarifying what it means to say that a tariff is mandatory. When Access Copyright says that the tariff in issue here is mandatory, it means that a user becomes liable for payment of the royalties stipulated in the tariff if it engages in any copying which constitutes infringement, i.e., copying which was not authorized by the copyright holder or which does not come within any of the users' rights set out in the Act, such as fair dealing. A user's liability to pay royalties depends upon his or her use of works in Access Copyright's repertoire and not upon any assumption of liability for payment.

[38] There is an important distinction between liability for royalties and liability for damages for infringement. In the absence of a tariff, a user who infringes copyright becomes liable for damages for infringement in an amount equal to damages the owner of the copyright has suffered as a result of the infringement: see Act, s. 35(1). Those damages are assessed by a court. However, in the case of a mandatory tariff, the owner's remedy is an action to enforce the tariff. In effect, the royalties set out in the tariff become a form of statutory damages. This distinction becomes blurred when Courts use the tariff as a means of calculating damages. One example of

this approach among many is *Society of Composers, Authors and Music Publishers Canada v.*

348803 Alberta Ltd., 79 C.P.R. (3d) 449, 1997 CanLII 5389 (F.C.), where the following appears

(at 452):

Where it is customary to licence the use of a work, music in this instance, damages may be measured on the basis of the usual royalty or licence fee. The licence fees for music are calculated using given figures and rates from the Copyright Board Tariffs and various statistics as to the operation of the licensee.

[39] This approach may have contributed over time to the assumption that collective societies can enforce a tariff against infringers, the very question raised by this appeal.

[40] York attempted to avoid infringement by only copying protected materials to the extent provided in its Guidelines. In a relatively small number of cases, some of its copying fell outside its Guidelines. Access Copyright says that, in either case, York is liable for royalties to the same extent as if it had agreed to pay them.

[41] York argues that Access Copyright's position means that, given the form of the tariff in issue, a single infringing act could subject it to a significant liability for royalties for an entire year. Access Copyright replies that York's argument is an argument *in terrorem* and that it would respond reasonably to isolated acts of infringement. Access Copyright undoubtedly has the right to waive its claim for royalties in cases where infringement is inconsequential, but this does not derogate from its argument that tariffs are mandatory.

[42] Access Copyright's argument that tariffs are mandatory is based upon the text of the material portions of the Act, their context and their purpose.

[43] Beginning with the text, Access Copyright argues that the meaning of the word “tariff” is unequivocal and means “a schedule or system of duties imposed by a government on goods”. This leads it to conclude that a copyright tariff is imposed on users, whether or not the user agrees to be bound or not.

[44] Access Copyright also relies upon the change in the wording of the remedies provision in the portion of the Act dealing with collective administration of copyrights, specifically the removal of the reference to “licences” in the remedies provision of the Act. Access Copyright argues that the absence of the words “in respect of the issue or grant by it of licences” in subsection 68.2(1) means that its ability to collect royalties is no longer tied to the issuance of a licence but arises as soon as there is infringement of a work in its repertoire.

[45] As for context, Access Copyright points to paragraph 70.12(b) and section 70.191 which it says are inconsistent with a “voluntary tariff”. Access Copyright argues that since the tariff is only engaged when users have not entered into an agreement with the collective society under those sections, it would be incongruous to require the consent of the user to make the tariff enforceable.

[46] Finally on the issue of purpose, Access Copyright asks why a collective society would engage in the lengthy, time-consuming tariff process if, at the end of it all, users could simply “opt out” of the tariff. Access Copyright points out that the scheme of the Act provides for the protection of copyright owners’ rights while ensuring, by means of the tariff-setting process, that the fees charged for the use of works in a collective society’s repertoire are fair and reasonable.

[47] In my view these textual arguments are best dealt with in the legislative context in which they arose.

[48] I propose to proceed by first discussing the *Vigneux* decision in which the Supreme Court dealt with the original legislative response to performing rights societies and their monopoly or their market power with respect to performing rights. I will then trace the historical evolution of that legislative response to that mischief from the 1930's to 1985. I will then review the 1988, 1997 and 2012 amendments to the Act to see if they have changed the legislative scheme so that it supports Access Copyright's claim that the tariffs are mandatory. This will involve consideration of changes in the wording of the relevant provisions including subsection 68.2(1), as well as consideration of the meaning of terms used in the Act, notably "licences" and "tariff". I will then deal with some of the inconsistencies and the incoherence which Access Copyright says would result if tariffs are not mandatory.

[49] Because this analysis will require references to the Act as it read at different points in time, I will indicate the version of the Act to which I am referring by placing the year of the version or the amending act in parentheses. Thus, a reference to the version of the Act found in the Revised Statutes of Canada, 1985 will read "the Act (1985)" while a reference to the Act as it read after the 1936 amendments to the Act, enacted in *An Act to amend The Copyright Amendment Act, 1931*, S.C. 1936, c. 28, will appear as "the Act (1936)".

(1) The rights conferred by copyright

[50] In the interval between the *Copyright Amendment Act, 1921*, S.C. 1921, c. 24, and the 1985 revision of the statute book, the Act has defined the rights conferred by copyright in substantially the same form, that is:

...“copyright” means the sole right to produce or reproduce the work or any substantial part thereof in any material form whatever, to perform, or in the case of a lecture to deliver, 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	«droit d'auteur» s'entend du droit exclusif de produire ou de reproduire une œuvre, ou une partie importante de celle-ci, sous une forme matérielle quelconque, d'exécuter ou de représenter ou, s'il s'agit d'une conférence, de débiter, en public, et si l'œuvre n'est pas publiée, de publier l'œuvre ou une partie importante de celle-ci; ce droit s'entend, en outre, du droit exclusif:
(a) to produce, reproduce, perform or publish any translation of the work,	a) de produire, reproduire, représenter ou publier une traduction de l'oeuvre;
...	...
and to authorize any such acts.	Est inclus dans la présente définition le droit exclusif d'autoriser ces actes.

(see Act (1985), s. 3(1))

The list of rights associated with copyright is considerably longer than the portions which I have reproduced above but, since this appeal deals with reproduction rights, I have referred only to those rights.

[51] This is to say that there are two kinds of rights flowing from copyright under the Act: the exclusive right to deal with the work in certain ways, in this case, to reproduce it, and the right to

authorize others to exercise those rights. Since copyright is a form of property, copyright owners can assign their copyright to others who can then exercise all the rights of ownership: see *Euro-Excellence Inc. v. Kraft Canada Inc.*, 2007 SCC 37, [2007] 3 S.C.R. 20, at paras. 27-28, 116-117.

[52] The Act describes a copyright owner's authorization of a third party to exercise one of their exclusive rights as a licensee. For example, subsection 13(4) of the Act (1985) reads as follows:

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

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

[53] Monetizing one's copyright often takes the form of licensing others to exercise one or more aspects of that right. If one sets aside issues of collective societies and tariffs for a moment, it ought not to be contentious to say that a licensing transaction between a copyright owner and a licensee is a consensual arrangement. An individual cannot acquire a licence without the consent of the copyright owner and a copyright owner cannot impose financial or other terms, on a person who has not agreed to become a licensee. This is not to say that a copyright owner has no recourse against a person who infringes their copyright but the remedy is an action for damages for infringement: see Act (2012), ss. 34-38.1.

[54] If an individual copyright owner cannot impose terms on a person who has not agreed to become a licensee, it follows that, at common law, a group of copyright owners or persons who have acquired certain rights from copyright owners are legally in no better position to impose terms on those who have not agreed to become licensees. As we shall see, this is the effect of the Supreme Court's decisions in *Vigneux* and *SODRAC*.

[55] In practical terms, even though copyright owners acting collectively have no greater legal rights than an individual copyright owner, they can exercise market power if they control a sufficient portion of the market for the rights which they control. Market power can also be acquired by a single copyright holder who has acquired, by assignment or otherwise, a large enough repertoire that it has, in effect, cornered the market. This is what happened with performing rights in the early part of the 20th century, giving rise to the legislative response of interest in this appeal.

[56] The question in this appeal is whether the interposition of the Copyright Board between the user and the rights owner changes the relationship between them. This turns on the effect of the Board's approval of a collective society's proposed royalties. This is a question with a long history, which is best understood through the laborious process of a step by step historical review.

(2) Legislative History: 1936 to 1985

[57] The state of affairs existing in the late 1920's and early 1930's was described by the Supreme Court in *Vigneux*. In his reasons, Chief Justice Duff described the environment which led to a series of amendments to the Act as it stood in 1921 (at 352-53):

Seven years after the Act of 1921 came into force the legislature realized that in respect of performing rights a radical change in the statute was necessary. Societies, associations and companies had become active in the business of acquiring such rights, and the respondents in this case admittedly have more or less successfully endeavoured to get control of the public performing rights in the vast majority of popular musical and dramatico-musical compositions which are commonly performed in public. The legislature evidently became aware of the necessity of regulating the exercise of the power acquired by such societies (I shall refer to them as dealers in performing rights) to control the public performance of such musical and dramatico-musical works.

[...]

... it is evident that the legislature realized in 1931 that this business in which the dealers were engaged is a business affected with a public interest; and it was felt to be unfair and unjust that these dealers should possess the power so to control such performing rights as to enable them to exact from people purchasing gramophone records and sheets of music and radio receiving sets such tolls as it might please them to exact. It is of the first importance, in my opinion, to take notice of this recognition by the legislature of the fact that these dealers in performing rights, which rights are the creature of statute, are engaged in a trade which is affected with a public interest and may, therefore, conformably to a universally accepted canon, be properly subjected to public regulation.

[58] It can thus be seen that the mischief which Parliament sought to correct was the quasi-monopoly which performing rights societies had achieved by acquiring performing rights from the original owners of the copyright. The scheme which Parliament enacted in the *Copyright Amendment Act, 1931*, S.C. 1931, c. 8 and *An Act to amend The Copyright Amendment Act, 1931* S.C. 1935 c. 8, was consolidated in the Act (1936). The discrete elements of the scheme are summarized below. The references are to the Act (1936).

- Mandatory filing of a statement of the works in a society's repertoire (s. 10(1));
- Mandatory filing of a statement of proposed fees, charges or royalties to be charged for issuing licences (s. 10(2));
- No action for infringement without the consent of the Minister where the filing requirements have not been complied with (s. 10(3));
- Notice of the proposed statement to, and a right to be heard by, the society and the public (s. 10A);
- Approval of the statement of fees, charges or royalties, with or without alteration (s. 10B(7));
- Amounts in the approved statement are the fees, charges or royalties which the society may lawfully sue for or collect for the grant or issuance of licences for the performance of works in their repertoire (s. 10B(8));
- No action for infringement against any person who has tendered or paid the amounts set out in the approved statement (s. 10B(9)).

[59] Because this constellation of features survived successive revisions and amendments, it is useful to briefly review their effects and the expected consequences of their application.

[60] The obligation imposed on performing rights societies to disclose their repertoire could be expected to serve a public notice function so that users might know if they had to deal with a given performing rights society in order to obtain licence to perform a given work. This presumptive purpose would be enforced by the provision which prohibited a performing rights

society from suing for infringement of a work which was not included in its statement of its repertoire.

[61] A performing rights society's obligation to file a statement of its proposed fees, charges or royalties and the publication of those proposed amounts allowed the public and more particularly, those who produced performances of copyrighted works, to know what the society was proposing to charge in the coming year. The right to be heard before the proposed fees were approved gave users some input into the approval process.

[62] Because of their recurrence in subsequent versions of the Act, certain provisions deserve to be reproduced now. First among these is subsection 10(1) of the Act (1936), which identifies those who are subject to these provisions (which I have been referring to as performing rights societies):

10. (1) Each society, association or company which carries on in Canada the business of acquiring copyrights in dramatico-musical or musical works or performing rights therein, and which deals with or in the issue or grant of licences for the performance in Canada of dramatico-musical or musical works in which copyright subsists, shall, from time to time, file with the Minister at the Copyright Office lists of all dramatico-musical and musical works, in current use in respect of which such society, association or company has authority to issue or grant performing licences or to collect fees, charges or royalties for or in respect of the performance of its works in Canada.

[63] This shows Parliament's intention to regulate the practices of those that (a) engaged in the business of acquiring copyrights in dramatico-musical works or the performing rights in those works and (b) who dealt in the grant or issuance of licences for the performance of those works. It is important to note the emphasis on the "granting or issuance of licences". This criterion recurs in all subsequent versions of the Act. This supports the dicta in *Vigneux* to the

effect that the amendments were directed to the existing way of doing business with a view to regulating it by countering the effects of market power which performing rights societies had acquired: see *Vigneux* at 352.

[64] A second provision of the Act (1936) whose modification in subsequent versions of the Act is frequently the subject of comment is subsection 10B(8) which deals with the effect of the Copyright Office's approval of the performing rights society's proposed fees, charges or royalties:

10B(8) The statements of fees, charges or royalties so certified as approved by the Copyright Appeal Board shall be the fees, charges or royalties which the society, association or company concerned may respectively lawfully sue for or collect in respect of the issue or grant by it of licences for the performance of all or any of its works in Canada during the ensuing calendar year in respect of which the statements were filed as aforesaid.

[65] This provision was carried forward, almost verbatim, to the 1985 revision of the statute book. By stipulating that the approved fees are the fees which may be sued for or collected by a society, this provision, by implication, prohibited the collection of fees in excess of the approved fees. In addition, this provision is an explicit limitation on performing rights societies' ability to maintain actions for amounts in excess of the approved fees, charges or royalties.

[66] As we shall see, modifications of this provision in the post-1985 amendments figure prominently in Access Copyright's arguments in favour of mandatory tariffs.

[67] The final element of this scheme which can usefully be reproduced is subsection 10B(9) of the Act (1936):

10B(9) No such society, association or company shall have any right of action or any right to enforce any civil or summary remedy for infringement of the performing right in any dramatico-musical or musical work claimed by any such society, association or company against any person who has tendered or paid to such society, association or company the fees, charges or royalties which have been approved as aforesaid.

[68] As we shall see, this provision has been carried forward to the most recent amendments to the Act which are relevant to this appeal.

[69] The Courts confirmed the limited scope of this scheme in a series of cases. In *Vigneux*, the Supreme Court, after summarizing the relevant provisions of the Act (1936), wrote:

The copyright holder is under no obligation to allow the public performance of any work or to grant a license for that purpose. He has all the rights of the ordinary owner; and, subject to any special provision of the *Copyright Act* expressly stating otherwise, he may protect his ownership, or any infringement thereof, by means of an injunction.

(*Vigneux* at 364)

[70] These words succinctly confirm that the pre-amendment rights and obligations of copyright holders and users remain in force except to the extent that they have been expressly modified.

[71] One such modification was the stipulation found at subsection 10B(9) according to which a person who paid the approved fee, charge or royalty could not be sued for infringement. It is a reasonable assumption that this provision was introduced to prevent performing rights societies from withholding licences as a way of improving their position by demanding payment of a

greater amount in advance so that the restrictions on their ability to set prices unilaterally were rendered ineffective.

[72] Subsequent to the Supreme Court's decision in *Vigneux*, the effect of these amendments was considered in a number of cases, including *Maple Leaf Broadcasting v. Composers, Authors and Publishers Association of Canada Ltd.*, [1954] S.C.R. 624, 1954 CanLII 62 [*Maple Leaf Broadcasting*]. In that case, Maple Leaf failed to pay an approved royalty which was calculated as a percentage of its revenue. The copyright holder (CAPAC) sued, not for royalties but for damages for infringement. Maple Leaf argued that a delay in approving CAPAC's statement beyond the end of the year meant that it could not know, at the beginning of the following year, the amount which it would have to pay to "avail [itself] of the protection against an action, for infringement afforded by section 10B(9)": *Maple Leaf Broadcasting* at 629. The Court held that this deficiency was not a sufficient reason to declare the tariff invalid but it recognized that:

[Maple Leaf] would, however, still be in ignorance as to what percentage of this revenue he would be required to pay for a license and it is at least conceivable that there might be cases in which such [broadcaster] would decide against taking a license at the fee stipulated in the statement filed but would be willing to take a license at the fee finally certified by the Board.

(*Maple Leaf Broadcasting* at 630)

[73] This passage confirms that a user was free to choose whether or not it would take a licence from CAPAC on the terms set out in the approved statement. It is clear from this that the scheme set out in the Act (1936) did not displace the pre-amendment way of doing business but simply regulated it. It is clear as well that the decision to become (or not) a licensee was a matter to be decided by the user. Maple Leaf did not become a licensee by the mere fact of having infringed CAPAC's copyright.

[74] In *Composers, Authors and Publishers Association of Canada, Ltd. v. Sandholm Holdings Ltd. et al.*, [1955] Ex. C.R. 244, 24 C.P.R. 58 [*Sandholm Holdings*] a cabaret owner agreed to take a licence from the plaintiff performing rights society (CAPAC) and made a partial payment of the licence fee. When the cabaret owner failed to pay the balance, CAPAC cancelled the licence, sued for the licence fees for the year and for damages for infringement for the period after the licence cancellation. The Exchequer Court held that CAPAC could not collect both licence fees and damages for the same use of its repertoire:

Since the plaintiff is entitled to licence fees for the years 1952 and 1953 it is obvious that it cannot also recover damages for infringement of copyright during these years. The two remedies are inconsistent. ... If during the currency of this licence, the defendant performed any of such musical works it did so with the plaintiff's consent [by virtue of being a licensee] and could not be an infringer of its copyright.

(*Sandholm Holdings* at 68, cited to C.P.R.)

[75] This passage confirms, once again, that the normal rules as to licensing were not abrogated by the introduction of the statutory scheme with respect to performing rights societies. Even if the Exchequer Court had not said so, it would nonetheless be self-evident that one cannot be a licensee and an infringer at the same time. The Court expressed this in terms of the impossibility of being an infringer if one is a licensee. Logically, the opposite must be equally true: the fact of infringing means that one is unauthorized, i.e., not a licensee and therefore not liable for licence fees.

[76] In *Performing Rights Organization of Canada Ltd. v. Lion d'Or (1981) Ltée.* (1987), 16 F.T.R. 104, 17 C.P.R. (3d) 542 (F.C.), the Federal Court again considered the operation of the statutory scheme. The defendant was a cabaret owner who refused to take a licence from the

plaintiff but nonetheless used works from the plaintiff's repertoire in his cabaret. The plaintiff sued for infringement. In the course of dealing with the claim, the Federal Court opined that the remedies section of the Act (subsection 50(9) of the 1970 version of the Act, found at R.S.C. 1970, c. C-30, which reproduces subsection 10B(8) of the Act (1936)) only applied to persons who had agreed to take a licence from the plaintiff. In the absence of a licence, the plaintiff's remedy was an action for infringement. In coming to this conclusion, the Federal Court relied on the specific wording of the remedies section which provided that the amounts in the approved statement were those which a society could lawfully sue for or collect "in respect of the issue or grant by it of licenses".

[77] In my view, the portions of the Act dealing with performing rights societies, as interpreted by this jurisprudence, were intended to regulate the licensing practices of performing rights societies and not to replace them by a non-consensual scheme. This view is supported by the repeated references to licences and licensing schemes in the text of these provisions. It is also supported by the limited, though important, interference in the performing rights societies' business.

[78] The one change in the scheme which went beyond regulation was the provision for immunity from prosecution for infringement for those who tendered or paid the amounts set out in the approved statement of fees charges or royalties. As noted previously, this measure was presumably intended to prevent performing rights societies from circumventing the statutory scheme by withdrawing their repertoire from the market by refusing to issue licences.

[79] The right to perform a work upon payment of the approved rate is often referred to as a Statutory Licence. This is misleading because the performing rights society has not agreed to authorize such a user to perform a work in its repertoire and therefore, there is no licence. Rather, the society has lost its right to collect or recover by action any amount in excess of the approved rate. While the practical effect is the same as a licence, the means by which that effect is produced is substantially different.

[80] A licence is an authorization to exercise a copyright holder's exclusive right while a limitation on a remedy deprives a rights holder of a remedy for the unauthorized exercise of its exclusive right.

[81] As a result, I do not subscribe to the views expressed by the Exchequer Court to the effect that the Act (1936) effected a radical change to the licensing regime:

The result is that performing rights societies have now no right to fix the fees, charges or royalties for the issue or grant of their licences but in lieu of their former right have been given a statutory right to sue for or collect the fees certified as approved by the Copyright Appeal Board. The fees for a licence to perform the musical works in which a performing rights society owns the performing rights are no longer a matter of contract between the society and the user of the music but a matter of statutory fixation by the Copyright Appeal Board.

(Sandholm Holdings at 67)

[82] It is important to understand what the legislation authorizes the Copyright Appeal Board to do. The Board's only power is to approve, with or without modification, the fees proposed by the society. While the fees are "set" in the sense that the society is precluded from suing for or collecting any other amount, the fees remain the society's fees and not the Board's.

[83] Similarly, it is not accurate to say that the society is given “a statutory right to sue for or collect the fees certified as approved by the Copyright Appeal Board”. In fact, the effect of the remedies provision (subsection 10B(8) of the Act (1936), subsection 70(1) of the Act (1985)), is to limit the amount which a performing rights society can sue for or collect. This does not, in my view, represent a statutory right; it is a statutory limitation on remedies. Performing rights societies had the right to sue for and collect their licence fees prior to the introduction of the 1936 amendments. The effect of the amendment is to limit the amount they could collect or recover by action for a performing rights licence.

[84] The only statutory right conferred by these provisions is the immunity given to users who pay or offer to pay the approved amount to perform a protected work without the consent of the copyright holder.

[85] All of this to say that the performing rights regime introduced into the law by the Act (1936) did not transform the pre-amendment consensual licensing scheme into a non-consensual scheme. Given that subsequent amendments and revisions up to and including the 1985 revision of the statute book did not alter the scheme introduced by the Act (1936), the law remained as it was declared in *Vigneux* until then. This conclusion does not, however, settle the question of whether amendments subsequent to the 1985 revision of the Act changed the nature of the statutory scheme.

[86] As a point of clarification before moving on, because of the wide currency of the phrase “Statutory Licence”, I will continue to use it to refer to the immunity from action available to those who pay or offer to pay the approved licence fees.

(3) Legislative history: 1988 amendments

[87] As a result of one of the accidents of timing which may occur in the statutory revision process, amendments to the Act which were passed and given royal assent after 1985 were included in the Supplements to the revised statutes: see *An Act to bring into force the Revised Statutes of Canada 1985*, R.S.C. 1985 c. 40 (3rd Supp.), para. 12(a).

[88] The 1988 amendments, found at R.S.C. 1985, c. 10 (4th Supp.) are noteworthy for two reasons. First, the amendments provided a first legal framework for the collective administration of copyrights other than performing rights. This is significant for this appeal, which arises in the context of the collective administration of reproduction rights. While the 1988 amendments were only a first step in this process, which was completed with the 1997 amendments, they provide some insight into the kind of collective administration which Parliament had in mind.

[89] Collective administration differs significantly from the business model in effect at the time of the Act (1936). The “dealers in performing licences” whose conduct prompted legislative intervention acquired performing rights from rights holders and then exploited them for their own benefit. Collective administration is the administration of rights by rights holders (via an organization which they control) for their own benefit. The question which will have to be

addressed is whether this change resulted in a modification of the objectives of the statutory scheme.

[90] The second reason the 1988 amendments are noteworthy is that they recognized “licensing bodies”, the precursors of collective societies, as a vehicle by means of which the collective administration of copyrights could be carried out. Once again, this change came to full term in the 1997 amendments when all those who administered rights for and on behalf of the rights holders became collective societies which were entitled to engage in the collective administration of the full range of copyrights.

[91] Finally, the 1988 amendments are noteworthy from the point of view of the administration of performing rights because of the amendment to the remedies provision which, as noted earlier, figures prominently in Access Copyright’s argument for mandatory tariffs.

(a) *Performing Rights Societies*

[92] The 1988 amendments introduced a number of modest changes to the performing rights portion of the Act, such as limiting the repertoire disclosure limit in subsection 67(1) to works in current use, and the inclusion of the requirement in subsection 67(2) to file statements of proposed amounts to be collected in “both official languages”. This last change is not a modest change from the point of view of our linguistic heritage but it is modest from the point of view of collective administration.

[93] Another such change is the use of the word “royalties” to describe the amounts to be collected for licences, instead of the expression “fees, charges or royalties”. It would be difficult to argue credibly that the scope of “royalties” was increased by being separated from “fees, charges or”, the words which appeared in the predecessors to subsection 67(2). The change was likely driven by nothing more momentous than the legislative draftsman’s attempt to simplify the statutory language, given that “royalties” has been included in the description of the amounts that could be collected ever since the Act (1936).

[94] For the purposes of this appeal, the most important amendment in 1988 was the replacement of subsection 70(1) of the Act (1985) with subsection 67.2(2) of the Act (1988). That change lies at the heart of the debate about whether approved tariffs are mandatory. Subsection 70(1) was substantially the same as the original provision (see Act (1936), s. 10B(8)), which placed a limit on a performing society’s right to collect amounts other than those in the approved statement. The replacement provision, subsection 67.2(2) appears to give performing rights societies broader enforcement rights, rather than placing a limit on available remedies.

1985 version	1988 version
70. (1) The statements of fees, charges or royalties certified as approved by the Copyright Appeal Board shall be the fees, charges or royalties that the society, association or company concerned may lawfully sue for or collect in respect of the issue or grant by it of licences for the performance of all or any of its works in Canada during the ensuing calendar year in respect of which the statements were filed.	67.2 (2) without prejudice to any other remedies available to it, a society, association or corporation may, for the period specified in its approved statement, collect the royalties specified in the statement or, in default of their payment, recover them in a court of competent jurisdiction.

[95] As discussed earlier in these reasons, the Act (1936) imposed limits on performing rights societies' ability to exercise their market power by dictating non-competitive prices for performing rights licences. As mentioned earlier, the 1936 amendments did not specifically provide these societies with the right to collect or sue for their fees because those rights existed independently of the Act (1936). At the same time, performing rights societies continued to enjoy remedies for infringement to the extent that they either owned the performing rights in the works in question or were authorized by the owners of those rights to sue on their behalf.

[96] The question, then, is whether subsection 67.2(2) creates new enforcement mechanisms for new obligations. This question matters because Access Copyright's argument in favour of mandatory tariffs relies heavily upon subsection 67.2(2) of the Act (1988) (which later became s. 68.2(1) of the Act (1997)).

[97] The force of the argument that subsection 67.2(2) adds something to the statutory scheme that was not previously present arises from the comparison with subsection 70(1), the provision that it replaced. The fact that there are no longer any reference to licences in subsection 67.2(2) supports the inference that enforcement of the tariff is no longer tied to the performing rights societies' licensing schemes. Access Copyright argues that, as a result, a performing rights society's approved statement of royalties can be enforced against anyone who infringes the works in a performing rights society's repertoire.

[98] Before a right can be enforced, the right itself must exist. A provision which gives a remedy does not automatically create a new right which the remedy vindicates. If Parliament had

said unambiguously that infringers of performing rights were liable to pay royalties, then subsection 67.2(2) would complement that pronouncement by providing the means by which that obligation could be enforced against infringers.

[99] An unambiguous statement that approved royalties for performing rights were payable by infringers would result in a radical transformation in the performing rights scheme. Performing rights societies would no longer be limited to collecting royalties from those who agreed to take a licence but would be free to collect royalties from anyone who infringed the works in their repertoire. In effect, infringers would, by some undefined operation, become non-consensual licensees, which is difficult to reconcile with the usual conception of a licensing scheme.

[100] In addition, such a change would make portions of sections 34 and 35 of the Act dealing with damages for infringement largely redundant. Those sections were not modified as they would have been if the scheme of the Act had been modified to make infringers *qua* infringers liable for royalties.

[101] Access Copyright's interpretation of subsection 67.2(2) rests on a de-contextualized analysis. To interpret that section, it is necessary to consider the context by considering the 1988 amendments as a whole. Subsection 67(1) of the Act (1988), as in prior versions of the Act, requires performing rights societies to file lists of their repertoire in current use. Subsection 67(3), in keeping with prior versions of the Act, requires the performing rights society to file statements of all royalties that the performing rights society proposes to collect for the grant of licences for the performance of those works. Subsection 67.2(1) provides that, after publication

of the society's statement of proposed royalties in the Canada Gazette, and after hearing from the performing rights society and those who oppose the proposed royalties, the Copyright Office (now the Copyright Board) certifies the statement of proposed royalties as approved, with or without modification. These provisions were all brought forward more or less intact from the Act (1936).

[102] This brings us back to subsection 67.2(2). The only statements which the Board could certify as approved are the statements of proposed royalties for the issue of licences filed by the performing rights societies since that is all that was before it. As a result, the reference to "royalties specified in the statement" in subsection 67.2(2) can only be royalties payable upon the issuance of a licence. The omission of the reference to "issuing licences" in subsection 67.2(2) is, in my view, inconsequential. A performing rights society is still limited to collecting royalties from those who have agreed to take a licence.

(b) *Licensing Bodies*

[103] Sections 70.1 to 70.4 of the Act (1988) introduced the concept of "licensing body", which is the precursor to collective societies. Section 70.1 defines licensing bodies while section 70.2 provides a mechanism by which the Board can establish rates and conditions if a licensing body and a licensee cannot agree on terms. Section 70.3 provides that the Board cannot exercise its powers under section 70.2 if the parties reach an agreement. Finally, section 70.4 deals with the position of the parties if the Board establishes rates and conditions.

[104] The novel element introduced by the definition of licensing bodies is that of collective administration:

70.1 For the purposes of sections 70.2 to 70.6, “licensing body” means a society, association or corporation, other than a society, association or corporation referred to in subsection 67(1) that

(a) carries on the business of collective administration of copyright for the benefit of those who, by assignment, grant of licence, appointment of it as their agent or otherwise, authorize it to act on their behalf in relation to that collective administration; and

(b) operates a licensing scheme, applicable to a repertoire of works of more than one author, pursuant to which the society, association or corporation sets out the classes of uses for which and the royalties and terms and conditions on which it agrees to authorize the doing of an act mentioned in section 3 in respect of those works.

70.1 Pour l’application des articles 70.2 à 70.6, «société de gestion» vise l’association, la société ou la personne morale, autre qu’une association, une société ou une personne morale visée au paragraphe 67(1), qui se livre à la gestion collective du droit d’auteur au profit de ceux qui l’ont habilitée à cette fin, par voie de cession, licence, mandat ou autrement, lorsqu’elle administre un système d’octroi de licences, portant sur un répertoire d’œuvres de plusieurs auteurs, en vertu duquel elle établit les catégories d’utilisation, les droits et les modalités pour lesquels elle accepte d’autoriser l’accomplissement, au Canada, de tout acte mentionné à l’article 3 à l’égard de ces œuvres.

[105] Performing rights societies are excluded from the definition of licensing body by the exclusion of “a society, association or corporation referred to in subsection 67(1)”. As a result, licensing bodies deal with copyrights other than performing rights.

[106] As noted earlier, licensing bodies are the precursors of “collective societies” which were introduced in the 1997 amendments to the Act. A licensing body’s powers were limited relative to those of performing rights societies. Licensing bodies were not entitled or required to file statements of proposed fees, charges or royalties. Instead, the Act contemplated that licensing bodies would negotiate licences with users on behalf of those who had authorized it to act on their behalf. This, of course, is what performing rights societies had been doing all along.

[107] As noted above, in cases where a licensing body and a user were unable to agree, section 70.2 authorized the Board “to fix the royalties and their related terms and conditions”:

70.2 (1) Where a licensing body and any person not otherwise authorized to do an act mentioned in section 3 in respect of the works included in the licensing body’s repertoire are unable to agree on the royalties to be paid for the right to do the act or on their related terms and conditions, either of them or a representative of either may, after giving notice to the other, apply to the Board to fix the royalties and their related terms and conditions.

70.2 (1) À défaut d’une entente sur les droits ou les modalités y afférentes, relatifs à une licence autorisant l’intéressé à accomplir tel des actes mentionnés à l’article 3, la société de gestion ou l’intéressé, ou leurs représentants, peuvent, après en avoir avisé l’autre partie, demander à la Commission de fixer ces droits ou modalités.

[108] The Board’s power to settle the royalties and terms and conditions came to an end if the parties were subsequently able to agree: see Act (1988), s. 70.3(1). Where the royalties and terms

and conditions were settled by the Board, the 1988 amendments framed the resulting rights and obligations in terms reminiscent of those applicable in the performing rights portion of the Act:

<p>70.4 Where any royalties are fixed for a period pursuant to subsection 70.2(2), the person concerned may, during the period, subject to the related terms and conditions fixed by the Board and to the terms and conditions set out in the scheme and <u>on paying or offering to pay the royalties</u>, do the act with respect to which the royalties and their related terms and conditions are fixed and the licensing body may, without prejudice to any other remedies available to it, collect the royalties or, in default of their payment, recover them in a court of competent jurisdiction. [my emphasis]</p>	<p>70.4 L'intéressé peut, pour la période arrêtée par la Commission, accomplir les actes à l'égard desquels des droits ont été fixés, <u>moyennant paiement ou offre de paiement</u> de ces droits et conformément aux modalités y afférentes fixées par la Commission et à celles établies par la société de gestion au titre de son système d'octroi de licences. La société de gestion peut, pour la même période, percevoir les droits ainsi fixés et, indépendamment de tout autre recours, en poursuivre le recouvrement en justice. [Je souligne]</p>
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[109] At first blush, section 70.4 is somewhat confusing because it introduces compliance measures found in the tariff-setting world of performing rights societies into the non-tariff world of licensing bodies. I will deal with these when dealing with collective administration under the 1997 amendments. At this stage though, it will be useful to disentangle those measures from the very economical prose of section 70.4, which I have attempted to do in the table below.

[110] The column on the left of the table contains subsections 67.2(2) and (3) from the performing rights portion of the Act (1988). The middle column contains section 70.4 with its provisions deconstructed and re-ordered in order to make the comparison of the elements easier. The column on the right contains section 70.4 in its original form:

Performing rights provisions	Section 70.4 Deconstructed	Section 70.4
<p>67.2 (2) Without prejudice to any other remedies available to it, a society, association or corporation may, for the period specified in its approved statement, collect the royalties specified in the statement or, in default of their payment, recover them in a court of competent jurisdiction.</p> <p>(3) No action shall be brought for the infringement of the right to perform a work referred to in subsection 67(1) against a person who has paid or offered to pay the royalties specified in an approved statement.</p>	<p>70.4 Where any royalties are fixed for a period pursuant to subsection 70.2(2) ... the licensing body may, without prejudice to any other remedies available to it, collect the royalties or, in default of their payment, recover them in a court of competent jurisdiction.</p> <p>[70.4 Where any royalties are fixed for a period pursuant to subsection 70.2(2)] ...the person concerned may, during the period, subject to the related terms and conditions fixed by the Board and to the terms and conditions set out in the scheme and on paying or offering to pay the royalties, do the act with respect to which the royalties and their related terms and conditions are fixed...</p>	<p>70.4 Where any royalties are fixed for a period pursuant to subsection 70.2(2), the person concerned may, during the period, subject to the related terms and conditions fixed by the Board and to the terms and conditions set out in the scheme and on paying or offering to pay the royalties, do the act with respect to which the royalties and their related terms and conditions are fixed and the licensing body may, without prejudice to any other remedies available to it, collect the royalties or, in default of their payment, recover them in a court of competent jurisdiction.</p>

[111] As this table shows, section 70.4 incorporates two elements of the performing rights scheme, specifically the remedies provision and the Statutory Licence. The significance of these provisions depends on whether a Board determination pursuant to section 70.2 is binding on the parties to that proceeding.

[112] This question was answered in the negative in *SODRAC*. Rothstein J., writing for the majority of the Supreme Court found that the statutory context supported the conclusion that “licences crafted pursuant to s. 70.2 proceedings are not automatically binding on users”:

SODRAC at para. 105. This conclusion turned on the words of section 70.4 which provide that, where royalties and terms and conditions are fixed, “the person concerned may ... on paying or offering to pay the royalties, do the act with respect to which the royalties ... are fixed”. The majority found that this wording made it clear that while users could avail themselves of the terms and conditions set by the Board to gain authorization to use the repertoire in question, it did not require the user to take a licence on those terms.

[113] The majority went on to say that the non-binding nature of a licence whose terms and conditions are set pursuant to section 70.2 was consistent with the general principle that no pecuniary burden can be imposed “upon the subjects of this country ... except upon clear and distinct legal authority”: *SODRAC* at para. 107.

[114] In summary, the Supreme Court found that while the Board had the statutory authority to fix the terms of licences pursuant to section 70.2, users retained the ability to decide whether or not to become licensees. Putting it another way, the Supreme Court’s decision in *SODRAC* decided that sections 70.1 to 70.4 as enacted by the 1988 amendments to the Act did not create a mandatory scheme.

[115] If determinations under section 70.2 are not binding on the parties, what purpose does section 70.4 serve? In my view, section 70.4, like the performing rights provisions which it incorporates, serves to give effect to the Board’s determination. The incorporation of the Statutory Licence serves the same purpose as it does in the performing rights scheme. It prevents a rights holder from defeating the effect of a Board decision by refusing to issue licences on the

terms established by the Board. The remedies provision serves to allow rights holders to pursue users for unpaid amounts arising under the Statutory Licence provision, such as amounts which were offered for the use of protected material but which were never paid. In the absence of section 70.4, a rights holder who sought to collect such amounts would be met by the argument that the mere offer to pay was sufficient to bar an action in infringement. And since the benefit incurred by the offer was statutory in nature, the rights holder did not provide any consideration for the offer. The remedies section thus provides a useful remedy for rights holders.

[116] In summary, the 1988 revisions to the Act introduced the predecessor to collective societies, largely modelled on the scheme applicable to performing rights societies. Once again, the scheme is one which contemplates licensing schemes. As in the performing rights provisions, the Board's role in setting royalties and terms and conditions in the licensing body provisions did not result in rate decisions which were binding on users who declined to take a licence. Section 70.4 gives both the rights holder and users a remedy in the event of attempts to defeat the operation of the scheme.

(4) Legislative history: 1997 amendments

[117] The 1997 amendments (*An Act to amend the Copyright Act*, S.C. 1997, c. 24) are particularly relevant to the resolution of this appeal because they introduced collective societies and divided collective administration into two streams. As noted earlier in these reasons, licensing bodies were the precursors of collective societies though with a limited mandate. In the

1997 amendments, collective societies were defined so as to include both performing rights societies and licensing bodies, and their role in the tariff-setting process was set out.

[118] The 1997 amendments retained the scheme which was previously administered by performing rights societies (which I will call the Performing Rights Regime) and added a second stream dealing with the collective administration of the copyrights set out in sections 3, 15, 18, and 21, (which I will call the General Regime). The 1997 amendments also changed the scope of the Performing Rights Regime by adding to it communication to the public by telecommunication of musical works, dramatico-musical works, performer's performances of those works and sound recordings of such works, subject to an exception in favour of persons with perceptual difficulties.

[119] Collective societies representing rights holders under the General Regime were now able (though not required) to file proposed tariffs of royalties to be collected for issuing licences in relation to the exercise of those rights. In addition, the amendments provided that the collective societies concerned could also proceed by entering into agreements with users.

[120] The issues in this appeal arise under the General Regime but, as noted earlier in these reasons, the provisions of the Performing Rights Regime are relevant because some of them are incorporated by reference into the General Regime and also because they are sufficiently similar to each other that what is true of one is likely also true of the other.

[121] In the paragraphs that follow, I propose to first discuss the definition of a collective society and then to show the similarity of the Performing Rights Regime and the General Regime by examining the provisions of both Regimes.

(a) *Collective Societies*

[122] A collective society is defined as follows in section 2 of the Act (all statutory references which follow in this section are to the Act (1997)):

“collective society” means a society, association or corporation that carries on the business of collective administration of copyright or of the remuneration right conferred by section 19 or 81 for the benefit of those who, by assignment, grant of licence, appointment of it as their agent or otherwise, authorize it to act on their behalf in relation to that collective administration, and

(a) operates a licensing scheme, applicable in relation to a repertoire of works, performer’s performances, sound recordings or communication signals of more than one author, performer, sound recording maker or broadcaster, pursuant to which the society, association, or corporation sets out classes of uses that it agrees to authorize under this Act and the royalties and terms and conditions on which it agrees to authorize those classes of uses, or

(b) carries on the business of collecting and distributing royalties and levies payable pursuant to this Act;

« société de gestion » Association, société ou personne morale autorisée – notamment par voie de cession, licence ou mandat - se livrer à la gestion collective du droit d'auteur ou du droit à rémunération conféré par les articles 19 ou 81 pour l'exercice des activités suivantes :

a) l'administration d'un système d'octroi de licences portant sur un répertoire d'œuvres, de prestations, d'enregistrements sonores ou de signaux de communication de plusieurs auteurs, artistes, interprètes, producteurs d'enregistrements sonores ou radiodiffuseurs et en vertu duquel elle établit les catégories d'utilisation qu'elle autorise au titre de la présente loi ainsi que les redevances et modalités afférentes;

b) la perception et la répartition des redevances payables aux termes de la présente loi.

[123] This definition refers to a “society, association or corporation that carries on the business of collective administration ... for the benefit of those who ... authorize it to act on their behalf”. This excludes entities who have acquired rights from their original owner and who then license those rights for their own benefit. These entities were identified as “dealers in performing rights” in *Vigneux* (at 352). This undoubtedly reflects the evolution of the manner in which rights holders monetize their rights. That said, the issue that Parliament sought to address in the Act (1936) was the market power resulting from the concentration of copyrights in few hands, the consequences of which do not change according to who benefits from that concentration.

[124] It follows from this definition that a collective society can deal with two types of rights: copyrights and “the remuneration right conferred by section 19 or 81”. Copyrights are the rights defined in sections 3, 15, 18, and 21, while remuneration rights are established by sections 19 and 81. These two kinds of rights correspond to the two kinds of activities undertaken by collective societies: the operation of a licensing scheme (per paragraph (a) of the definition) in relation to copyrights or “the business of collecting and distributing royalties” (per paragraph (b) of the definition) in relation to remuneration rights.

[125] Collective societies, as defined above, play a role in the tariff-setting process for performing rights and the communication to the public by telecommunication right, on one hand, and the rights set out in sections 3, 15, 18 and 21, on the other. Given my comments earlier as to the similarities between the Performing Rights Regime and the General Regime, I will begin by examining the Performing Rights Regime.

(b) *The Performing Rights Regime*

[126] Section 67 of the Act (1997) provides as follows:

67. Each collective society that carries on

67. Les sociétés de gestion chargées d'octroyer des licences ou de percevoir des redevances pour l'exécution en public ou la communication au public par télécommunication - à l'exclusion de la communication visée au paragraphe 31(2) - d'œuvres musicales ou dramatico-musicales, de leurs prestations ou d'enregistrements sonores constitués de ces œuvres ou prestations, scion le cas, sont tenues de répondre aux demandes de renseignements raisonnables du public concernant le répertoire de telles œuvres ou prestations ou de tels enregistrements d'exécution courante dans un délai raisonnable.

(a) the business of granting licences or collecting royalties for the performance in public of musical works, dramatico-musical works, performer's performances of such works, or sound recordings embodying such works, or

(b) the business of granting licences or collecting royalties for the communication to the public by telecommunication of musical works, dramatico-musical works, performer's performances of such works, or sound recordings embodying such works, other than the communication of musical works or dramatico-musical works in a manner described in subsection 31(2),

must answer within a reasonable time all reasonable requests from the public for information about its repertoire of works, performer's performances or sound recordings, that are in current use.

[127] The use of the phrase “granting licences or collecting royalties” in paragraphs (a) and (b) is a departure from the language in prior versions of the Act dealing with performing rights societies. At first blush, this change apparently supports Access Copyright's position that the nature and effect of Board approved tariffs has changed so the collective societies are now in the business of collecting royalties from infringers.

[128] To the extent that collective societies are owed royalties pursuant to their licensing agreements, the reference to “collecting royalties” in section 67 would confirm their right to collect those royalties. Such confirmation would, however, be redundant since collective societies have always been able to rely on their contractual remedies in the case of licensees.

[129] There is however, another explanation for the presence of “collecting royalties” in section 67 and it is that collective societies can be in the business of collecting royalties pursuant to section 19 of the Act.

[130] Collective societies, by definition, are societies which deal in the collective administration of copyright or “the remuneration right conferred by section 19 or 81”. Section 81 deals with levies on recording media and has no application to this discussion. Section 19 deals with equitable remuneration payable to performers and makers of sound recordings embodying

works when those recordings are performed in public or communicated to the public by telecommunication. Subsection 19(2) of the Act defines the amount owed as equitable remuneration as “royalties”. These royalties are distinct from the amounts owed to authors and composers of the works.

[131] The definition of collective societies contemplates that they will engage in one or both of two kinds of businesses; the operation of a licensing scheme or “the business of collecting and distributing royalties or levies payable pursuant to this Act”. The reference in section 67 to “collecting royalties” is a reference to the business of collecting and distributing royalties payable pursuant to section 19 for which no contractual enforcement remedies are available. As a result, the presence of “collecting royalties” in section 67 can be explained by facts which do not contemplate the enforcement of tariffs against non-licensees.

[132] Section 67 goes no further than that. It is not an indication that collective societies can collect royalties whether or not the user is a licensee.

[133] Given that the Performing Rights Regime deals with collective societies which operate a licensing scheme, it is not surprising that the balance of the Performing Rights Regime contains the same elements found in the performing rights provisions in prior iterations of the Act.

[134] The obligation to provide information about the works in a collective society’s repertoire upon request, which is found in the closing words of section 67, is a variation of the requirement to file a list of the works in a performing rights society’s repertoire, a variation that achieves the

same result with less effort on the collective society's part. One suspects that the change arises from the very significant increase in the number of musical and drama-musical works in existence, resulting in an increase in the burden of compiling and filing lists of works. In any event, members of the public are able to ascertain which works would require them to obtain a licence, which was the objective of the original filing requirement.

[135] The requirement that a society file a statement of the fees, charges or royalties which it proposes to charge continues to apply to collective societies subject to the Performing Rights Regime albeit with some modifications.

[136] Section 67.1 provides as follows:

67.1 (1) Each collective society referred to in section 67 shall, on or before the March 31 immediately before the date when its last tariff approved pursuant to subsection 68(3) expires, file with the Board a proposed tariff, in both official languages, of all royalties to be collected by the collective society.

67.1 (1) Les sociétés visées à l'article 67 sont tenues de déposer auprès de la Commission, au plus tard le 31 mars précédant la cessation d'effet d'un tarif homologué au titre du paragraphe 68(3), un projet de tarif, dans les deux langues officielles, des redevances à percevoir.

[137] The changes from the prior wording are the use of the word "tariff" and the decoupling of the issuance of licences and the "royalties to be collected by the collective society". In prior versions of the Act, the requirement to file a statement of fees, charges or royalties to be charged was linked to the issuance of licences.

[138] As indicated in my summary of the Federal Court's reasons, the latter attached some significance to the use of the word "tariff" suggesting that it meant an amount which was

required to be paid. This is not the first time that “tariff” appears in the Act. In fact, it first appeared in the Act (1936) as a marginal note to subsection 10(2) which required a performing rights society to file a statement of all fees, charges or royalties that it proposed to collect for the grant of licences. The marginal note reads: “Tariffs of fees, charges or royalties to be filed annually”. Given that section 14 of the *Interpretation Act* tells us that marginal notes in a statute “form no part of the enactment”, there is a limit to the uses which this occurrence of “tariff” can be put. Perhaps the most that can be said is that at one point in time, the legislative draftsman viewed a “tariff” and a “statement of fees, charges or royalties” as equivalent expressions.

[139] There are other uses of the word “tariff” in the statute book besides those noted by the Federal Court. One example is found in the portions of the *Canada Transportation Act*, S.C. 1996, c. 10 (the *CTA*) dealing with railway traffic.

[140] Section 87 of the *CTA*, defines “tariff” as “a schedule of rates, charges, terms and conditions applicable to the movement of traffic and incidental services”. A tariff is set and published by a railway company (sections 117, 118) subject to modification by the Canadian Transportation Agency (sections 120.1, 120.1(5)). The rates in a tariff are the railway company’s lawful rates (subsection 119(2)) and a railway company cannot charge a rate that has not been published in a tariff. A railway must carry freight offered for carriage upon the railway upon payment of the railway’s lawful rate (subsection 113(2)).

[141] Notwithstanding a railway company’s tariff of rates, the company and a shipper may enter into a confidential contract setting out customized rates and the manner in which the

company will meet its level of service obligations (section 126). The Canadian Transportation Agency lacks the power to alter the terms of a confidential contract (sections 120.1, 126(2)).

[142] These references to “tariff” in the *CTA* show that “tariff” can be used to describe an arrangement pursuant to which a schedule (or tariff) of rates or charges proposed by an entity is binding on that entity, which can be compelled to provide a given service upon payment of the tariff rate. Thus, to the extent that the tariff is mandatory or binding, it is binding on the proponent of the tariff. This use of the word “tariff” is analogous to the way in which a performing rights society’s approved statement fees, charges or royalties operated as a limit on the amount it could charge licensees. When seen in this way, the use of the word “tariff” in section 67.1 does not represent any change of substance.

[143] All this to say that the provisions of the *CTA* show that the word “tariff”, taken by itself, is not determinative of the effect of a document which is called a tariff. Its effect is to be determined on the basis of an examination of the whole of the statutory scheme.

[144] As part of its argument that a tariff is mandatory, Access Copyright argues that a tariff is a regulation so that it is binding on all users, not just those who have agreed to take a licence.

Subsection 2(1) of the *Interpretation Act* defines a regulation as follows:

regulation includes an order,
regulation, rule, rule of court, form,
tariff of costs or fees, letters patent,
commission, warrant, proclamation,
by-law, resolution or other instrument
issued, made or established

Règlement proprement dit, décret,
ordonnance, proclamation, arrêté,
règle judiciaire ou autre, règlement
administratif, formulaire, tarif de
droits, de frais ou d’honoraires,
lettres patentes, commission, mandat,
résolution ou autre acte pris :

<i>(a)</i> in the execution of a power conferred by or under the authority of an Act, or	<i>a)</i> soit dans l'exercice d'un pouvoir conféré sous le régime d'une loi fédérale;
<i>(b)</i> by or under the authority of the Governor in Council;	<i>b)</i> soit par le gouverneur en conseil ou sous son autorité.

[145] Access Copyright says that a tariff of royalties is regulation because it is a “tariff of costs or fees ... made or established ... by or under the authority of an Act ...”. There is no doubt that the Act requires the Board to consider proposed tariffs submitted by collective societies and to approve them, with or without alteration. The approved tariff is then published in the Canada Gazette. The issue is whether in doing this, the Board “makes or establishes” the tariff so that it is a regulation.

[146] The short answer to this argument is that the Board does not make or establish tariffs at all: it approves proposed tariffs submitted to it by collective societies. The fact that the Board may alter a proposed tariff does not transform it into a tariff-making institution. The Board could not, on its own motion, establish a tariff in favour of a society which had not requested that it do so.

[147] This position is confirmed when one examines the regulation-making powers in the Act (1997). It contains a number of circumstances where the Board is specifically given the power to make regulations. For example, the Board’s ability to make regulations with respect to various matters can be found in the following provisions:

- s. 29.9(2): “The Board may, with the approval of the Governor in Council, make regulations ...” dealing with use of protected material by educational institutions;

- s. 76(4): “The Board may, for the purposes of this section, ... (b) by regulation, establish periods ... within which the right to certain royalties must be exercised; ...”
- s. 77(4): “The Copyright Board may make regulations governing the issuance of licences ...” with respect to works whose copyright owner cannot be located;
- s. 83(13)(b): “The Board may, for the purposes of subsections (11) and (12), ... by regulation, establish the periods ...” within which the right to certain remuneration must be exercised.

[148] None of these deal with tariffs. The 1988 amendments to the Act established the Copyright Board and described its structure and powers in some detail. These provisions were not modified in any material way in the 1997 amendments. Given the centrality of tariffs to the Board’s mandate, one would expect any grant of regulation-making power to appear in the amendments which establish the Board. As a result, the absence of such powers is an indicator that no such regulation-making power relative to tariffs was intended. The Board’s regulation-making powers with respect to its operations are set out in subsection 66.6(1) of the Act (1988):

66.6 (1) The Board may, with the approval of the Governor in Council, make regulations governing:

(a) the practice and procedure in respect of the Board's hearings, including the number of members of the Board that constitutes a quorum;

(b) the time and manner in which applications and notices must be made or given;

66.6 (1) La Commission peut, avec l'approbation du gouverneur en conseil, prendre des règlements régissant :

a) la pratique et la procédure des audiences, ainsi que le quorum;

b) les modalités, y compris les délais, d'établissement des demandes et les avis à donner;

(c) the establishment of forms for the making or giving of applications and notices; and

c) l'établissement de formules pour les demandes et les avis;

(d) the carrying out of the work of the Board, the management of its internal affairs and the duties of its officers and employees.

d) de façon générale, l'exercice de ses activités, la gestion de ses affaires et les fonctions de son personnel.

[149] There is no grant of power to the Board to make or establish tariffs by regulation.

[150] Finally, one gets a sense of the status of Board-approved tariffs from the fact that, while they are published in the Canada Gazette, as regulations are, they are published in Part I which deals with public notices, official appointments and proposed regulations from the Government of Canada. On the other hand, regulations are published in Part II which contains regulations, orders in council, orders and proclamations: Government of Canada, "Parts of the Canada Gazette" (last modified 9 August 2019), online: *Canada Gazette* <<http://www.gazette.gc.ca/cg-gc/lm-sp-eng.html#a5>>. While this factor, taken by itself, would not necessarily be conclusive on the legal status of tariffs, when it is taken in combination with the factors discussed above, the only conclusion which one can reasonably draw is that copyright tariffs are not regulations.

[151] The final difference between section 67.1 and its predecessor (section 67 in the Act (1988)) is the absence of any reference to the issuance of licences in the proposed tariff to be filed by a collective society under the Performing Rights Regime. As noted earlier, a collective society is defined in section 2 of the Act in relevant part as a society that operates a business of collective administration for the benefit of those who authorize it to act on their behalf and operates a licensing scheme. Section 67 refers to collective societies that carry on the business of

granting licences for the public performances of works, which is consistent with operating a licensing scheme. Section 67.1, under consideration here, refers to “[e]ach collective society referred to in section 67...”. These repeated references to collective societies and licensing schemes leave little room for the possibility that the proposed tariff of royalties to be collected by a collective society relates to anything other than royalties to be collected for the issuance of licences.

[152] Returning to the scheme set out in the Performing Rights Regime, subsection 67.1(4) provides an incentive for collective societies who are obliged to file a proposed tariff to do so. It will be recalled that in the Act (1936), a performing rights society that failed to file a statement of proposed fees, charges and royalties could not commence an infringement action without the written consent of the Minister. This measure is also found in the Act (1997):

67.1(4) Where a proposed tariff is not filed with respect to the work, performer’s performance or sound recording in question, no action may be commenced, without the written consent of the Minister, for

(a) the infringement of the rights, referred to in section 3, to perform in public or to communicate to the public by telecommunication, the work, performer’s performance or sound recording; or

(b) the recovery of royalties referred to in section 19.

67.1(4) Le non-dépôt du projet empêche, sauf autorisation écrite du ministre, l'exercice de quelque recours que ce soit pour violation du droit d'exécution en public ou de communication au public par télécommunication visé à l'article 3 ou pour recouvrement des redevances visées à l'article 19.

[153] This provision differs from the original version which dealt with societies that had not filed the list of the works in their repertoire. Beginning with the 1997 amendments, societies are no longer required to file lists though, as pointed out above, they are required to respond to inquiries. As a result, the trigger for the restriction on the right to commence an infringement action is the failure to file a proposed tariff with respect to a work as opposed to a repertoire.

[154] The procedure for the approval of a proposed tariff remains substantially the same as it was in the 1988 amendments and their predecessors.

[155] The 1997 amendments carried forward, with slight modifications, the remedies provision of the 1988 amendment (s. 67.2(2)), which was renumbered as subsection 68.2(1). The latter is reproduced below with the modifications underlined, for ease of comparison:

68.2 (1) Without prejudice to any other remedies available to it, a collective society may, for the period specified in its approved tariff, collect the royalties specified in the tariff and, in default of their payment, recover them in a court of competent jurisdiction. [my emphasis]

68.2 (1) La société de gestion peut, pour la période mentionnée au tarif homologué, percevoir les redevances qui y figurent et, indépendamment de tout autre recours, le cas échéant, en poursuivre le recouvrement en justice. [mon soulignement]

[156] In the English version, the substitution of “collective society” and “tariff” for the phrases “society, association or corporation” and “approved statement” respectively are of no consequence. The substitution of “and” for “or” also strikes me as immaterial since “or” can be conjunctive as well as disjunctive: see, for example, *Essar Steel Algoma Inc. v. Jindal Steel and Power Limited*, 2017 FCA 166 at paras. 20, 28.

[157] In the French version of subsection 68.2(1), the substitutions of “société de gestion” for “société, association ou compagnie” tracks the English version. On the other hand, the word “tariff” was introduced in the 1988 amendments, at a time when the English version still referred to “statement of fees, charges or royalties”. In those amendments, “a proposed statement of fees, charges or royalties” in the English version is rendered as “un projet de tarif”. In the 1997 amendments, “tariff” is rendered simply by “tarif”. This is another indication that the Act treats “statement of fees, charges or royalties” and “tariff” as equivalent expressions.

[158] Access Copyright argues, on the basis of the conjunction of the word “tariff” and the phrase “collect ... and, in default of their payment, recover [royalties] in a court of competent jurisdiction”, coupled with the removal of any reference to licences in subsection 68.2(1), that this scheme is a mandatory tariff scheme and not a licensing scheme.

[159] As noted earlier, the absence of the word “licence” in subsection 68.2(1) cannot change the statutory mission of collective societies which is to operate a licensing scheme for the benefit of those it represents.

[160] To the extent that subsection 68.2(1) is seen as a remedies section, the question which arises is the source of rights for which subsection 68.2(1) provides a means of enforcement. In other words, if this scheme is a mandatory tariff scheme, where does the obligation to pay royalties (as opposed to damages) upon infringement arise?

[161] The jurisprudence dealing with the Act (1936) made it clear that the legislative scheme did not displace performing societies' existing business model. It simply regulated one aspect of that business, the setting of prices. The performing rights societies were still in the licensing business. The Act (1936) did not purport to give societies any remedies in addition to those that they already had by virtue of their licence agreements and the other provisions of the Act dealing with remedies for infringement.

[162] If subsection 68.2(1) is to be seen as creating a new remedy for collective societies then, Access Copyright ought to be able to identify the source of the right it claims. The use which Access Copyright seeks to make of modifications in the statutory language is inconsistent with the continuous thread running through the legislative history. It is reasonably clear that the role of collective societies is to aid artists and creators in enforcing their rights. That goal, however laudable, is not incompatible with the public interest in regulating the market power resulting from the concentration of copyrights in a small number of hands. From the point of view of the consumer, there is no difference between the market power exercised by "dealers in performing rights" and that exercised by a collective society.

[163] Furthermore, the modifications upon which Access Copyright relies, principally the absence of references to licences in certain provisions, are an oblique way of changing the law. In *R. v. Summers*, 2014 SCC 26, [2014] 1 S.C.R. 575 [*Summers*], the Supreme Court wrote that Parliament is presumed to know the legal context in which it legislates and that it was "inconceivable" that Parliament would intend to disturb well-settled law without "explicit

language” or by “relying on inferences that could possibly be drawn from the order of certain provisions in the Criminal Code” (at paras. 55-56).

[164] In paragraph 21 of *R. v. D.L.W.*, 2016 SCC 22, [2016] 1 S.C.R. 402, the Supreme Court placed these dicta in the context of the principle of stability in the law:

Absent clear legislative intention to the contrary, a statute should not be interpreted as substantially changing the law, including the common law. This principle, if applied too strictly, may lead to refusal to give effect to intended legislative change. But it nonetheless reflects the common sense idea that Parliament is deemed to know the existing law and is unlikely to have intended any significant changes to it unless that intention is made clear: This principle is reflected in ss. 45(2) and 45(3) of the *Interpretation Act*, R.S.C. 1985, c. I-21, which provide that the amendment of an enactment does not imply any change in the law and that the repeal of an enactment does not make any statement about the previous state of the law. (citations omitted)

(See also *Namdarpour v. Vahman*, 2019 BCCA 153 at para. 30)

[165] Like the Court in *Summers*, I consider that it would be, if not “inconceivable”, then at least extremely surprising if Parliament chose to disturb long settled law by means of modest omissions while largely retaining the text and structure of the provisions upon which the previous law was founded.

[166] To the extent that Access Copyright’s argument relies upon an implicit obligation to pay royalties, the explicit language which Parliament used to create financial obligations in sections 19 and 81 of the Act (1997), reproduced below, highlights the absence of such language in relation to royalties:

19. (1) Where a sound recording has been published, the performer and maker are entitled, subject to section 20, to be paid equitable remuneration

19. (1) Sous réserve de l'article 20, l'artiste-interprète et le producteur ont chacun droit à une rémunération équitable pour l'exécution en public

for its performance in public or its communication to the public by telecommunication, except for any retransmission.

ou la communication au public par télécommunication - à l'exclusion de toute retransmission - de l'enregistrement sonore publié.

81. (1) Subject to and in accordance with this Part, eligible authors, eligible performers and eligible makers have a right to receive remuneration from manufacturers and importers of blank audio recording media in respect of the reproduction for private use of

81. (1) Conformément à la présente partie et sous réserve de ses autres dispositions, les auteurs, artistes-interprètes et producteurs admissibles ont droit, pour la copie à usage privé d'enregistrements sonores ou d'œuvres musicales ou de prestations d'œuvres musicales qui les constituent, à une rémunération versée par le fabricant ou l'importateur de supports audio vierges.

(a) a musical work embodied in a sound recording; ...

[my emphasis]

[mon soulignement]

[167] The absence of any equivalent language establishing the right to royalties weighs heavily against any argument that the existence of the right can be inferred from the statutory grant of the remedy. In any event, this last line of reasoning would stand on its head the legal maxim that there is no right without a remedy: *Nevsun Resources Ltd. v. Araya*, 2020 SCC 5 at para. 120.

[168] The better question is why subsection 68.2(1) is necessary at all if collective societies are entitled to rely upon their contractual rights in any event.

[169] The comments made earlier at paragraph 115 of these reasons with respect to the remedies portion of section 70.4 would also apply to subsection 68.2(1). In the absence of subsection 68.2(1), a rights holder would have no remedy against a non-licensee who offered to

pay the tariff amount for the use of protected material, who then used the material but refused or neglected to pay the promised amount. The rights holder would have no remedy in the absence of subsection 68.2(1) because it provided no consideration for the offer to pay since the benefit of using the material free of the threat of an infringement action is a statutory benefit and not consideration flowing from the rights holder. Furthermore, the rights holder would be barred from bringing an action for infringement since the offer of payment, according to the Statutory Licence (s. 68.2(2)), is a bar to an action for infringement.

[170] In any event, in light of the statutory language, and its legislative history, Access Copyright's argument that the remedy provided for in subsection 68.2(1) allows it to collect royalties from non-licensees i.e. infringers cannot be sustained.

[171] The last element of scheme put into place by the Act (1936), the Statutory Licence provision, continues to be present in the Act following the 1997 amendments:

68.2(2) No proceedings may be brought for

68.2(2) Il ne peut être intenté aucun recours pour violation des droits d'exécution en public ou de communication au public par télécommunication visés à l'article 3 ou pour recouvrement des redevances visées à l'article 19 contre quiconque a payé ou offert de payer les redevances figurant au tarif homologué.

(a) the infringement of the right to perform in public or the right to communicate to the public by telecommunication, referred to in section 3, or

(b) the recovery of royalties referred to in section 19

against a person who has paid or offered to pay the royalties specified in an approved tariff.

[172] The notable difference between subsection 68.2(2) and its predecessor, subsection 67.2(3) of the Act (1988), is the addition of the reference to “the recovery of royalties referred to in section 19”. This change does not alter the character of the scheme of the Performing Rights Regime.

[173] As noted at the start of this review, the provisions of the Performing Rights Regime are not in issue in this appeal but, because of the incorporation by reference of certain sections into the General Regime, they provide context for the interpretation of the provisions of the latter regime. This review shows that the key elements of the scheme put into place by the Act (1936) have been carried forward into the Performing Rights Regime of the Act (1997). In my view, the changes in wording in the 1997 amendments are insufficient to alter the nature of the original scheme. In particular, the continuing references to licensing schemes emphasize the continuity of Parliament’s intent in legislating as it did. As we will see, that same continuity is present in the provisions of the Act (1997) dealing with the General Regime.

(c) *The General Regime*

[174] The General Regime, like the Performing Rights Regime, begins with a description of the collective societies, as defined in section 2, to which it applies. But whereas the Performing

Rights Regime deals with the performing rights set out in section 3 of the Act, the General Regime deals with the other rights described in section 3, as well as the rights described in sections 15, 18 and 21 of the Act (1997). As a result, the description of the collective societies to which the provisions of the General Regime apply in section 70.1 has four paragraphs dealing with each of those sections. Since the focus in this appeal is on reproduction rights, the paragraph dealing with those rights (Act (1997), s. 70.1(a)) is reproduced below:

70.1 Sections 70.11 to 70.6 apply in respect of a collective society that operates

(a) a licensing scheme, applicable in relation to a repertoire of works of more than one author, pursuant to which the society sets out the classes of uses for which and the royalties and terms and conditions on which it agrees to authorize the doing of an act mentioned in section 3 in respect of those works;

...

70.1 Les articles 70.11 à 70.6 s'appliquent dans le cas des sociétés de gestion chargées d'octroyer des licences établissant :

a) à l'égard d'un répertoire d'œuvres de plusieurs auteurs, les catégories d'utilisation à l'égard desquelles l'accomplissement de tout acte mentionné à l'article 3 est autorisé ainsi que les redevances à verser et les modalités à respecter pour obtenir une licence;

...

The paragraphs dealing with the other rights follow the same template.

[175] As is the case for the Performing Rights Regime, the General Regime deals with collective societies that operate a licensing scheme. The definition of a collective society, it will be recalled, also incorporates a reference to the operation of a licensing scheme. In addition, each paragraph of section 70.1 specifies the nature of the licensing scheme for each of the sections which creates rights in works. In the case of paragraph 70.1(a), the licensing scheme is one in which the society sets out the uses for which and the royalties and terms and conditions upon

which it authorizes the doing of an act mentioned in section 3 in respect of the relevant works. I pause here to point out that a licence “is a consent by an owner of a right that another person should commit an act which, but for that licence, would be an infringement of the right of the person who gives the licence”: Harold G. Fox, *The Canadian Law and Practice Relating to Letters Patent for Inventions*, 4th ed. (Toronto: Carswell, 1969) at p. 285, quoted in *Eli Lilly & Co. v. Novopharm Ltd.*, 1998 CanLII 791, [1998] 2 S.C.R. 129 at para. 49. Thus, paragraph 70.1(a) also incorporates a reference to licensing.

[176] The French version of paragraph 70.1(a) makes this even clearer when it says “à l’égard desquelles l’accomplissement de tout acte mentionné à l’article 3 est autorisé ainsi que les redevances à verser et les modalités à respecter pour obtenir une licence” which translates as “the doing of any of the acts mentioned in section 3 is authorized as well as the royalties to be paid and the conditions to be respected to obtain a licence” (translation by the Court). Thus, the definition of collective society in section 2 of the Act stipulates that collective societies operate a licensing scheme while paragraphs 70.1(a), (a.1), (b) and (c) describe the subject matter of the licences contemplated by each of those paragraphs.

[177] The public disclosure obligation imposed by the Act (1936), as modified in the Performing Rights Regime, also appears in the General Regime in section 70.11 of the Act (1997). Section 70.12 is a new provision which did not appear in any iteration of the Act prior to 1997. It gives collective societies operating under the General Regime a choice which the societies operating under the Performing Rights Regime do not enjoy:

70.12 A collective society may, for the purpose of setting out by licence

70.12 Les sociétés de gestion peuvent, en vue d’établir par licence

the royalties and terms and conditions relating to classes of uses,	les redevances à verser et les modalités à respecter relativement aux catégories d'utilisation:
(a) file a proposed tariff with the Board; or	a) soit déposer auprès de la Commission un projet de tarif;
(b) enter into agreements with users.	b) soit conclure des ententes avec les utilisateurs.

[178] Collective societies subject to the Performing Rights Regime must file a proposed tariff with certain time limits: see Act (1997), ss. 67.1(1) and (2). Collective societies subject to the General Regime may file a proposed tariff with the Board. It is not insignificant that the purpose of filing such a proposed tariff is to set out by licence the royalties and terms and conditions relating to classes of uses. As a result, this provision does not signal a difference of result between filing a tariff and entering into agreements with users. They are different ways of doing the same thing.

[179] The Act then deals with both of these possibilities; the provisions dealing with tariffs are found in sections 70.13 to 70.19 while sections 70.2 to 70.4 deal with agreements with users.

[180] Subsections 70.13(1) and (2) deal with the timing of the collective society's tariff filing. Both of these subsections refer to the proposed filings in terms of the "royalties to be collected by [the collective society] for issuing licences" which dispels any remaining doubt, should there be any, that the tariff scheme deals with licensing.

[181] Section 70.14 incorporates by reference the provisions of the Performing Rights Regime dealing with the duration of a proposed tariff (s. 67.1(3)), the notice requirements with respect to

a proposed tariff (s. 67.1(5)) and the procedure for the Board's consideration of the proposed tariff and any objections made to it (s. 68(1)). These mirror essential elements of the Act (1936).

[182] Subsection 70.15(1) provides for the approval of the proposed tariff, with or without alterations, by the Board having regard to any objections. Subsection 70.15(2) incorporates by reference subsections 68(4) and 68.2(1) of the Performing Rights Regime. Subsection 68(4) deals with publication of the tariff in the Canada Gazette and other notice issues while subsection 68.2(1), already discussed above, deals with remedies.

[183] In light of the discussion of subsection 68.2(1) in the review of the Performing Rights Regime and of its predecessor (subsection 67.2(2)) in the earlier review of the 1988 amendments, there is little if anything left to say about this provision. It has been present in the Act, in one form or another, since the Act (1936). The change in wording introduced in the 1988 amendments and brought forward in the 1997 version, when taken in historical context and with regard to the other provisions of the amended Act, is incapable of bearing the meaning which Access Copyright seeks to give it.

[184] Section 70.17 restates the language of Statutory Licence with an adjustment for the different rights which are administered pursuant to the General Regime:

70.17 Subject to section 70.19, no proceedings may be brought for the infringement of a right referred to in section 3, 15, 18 or 21 against a person who has paid or offered to pay the royalties specified in an approved tariff.

70.17 Sous réserve de l'article 70.19, il ne peut être intenté aucun recours pour violation d'un droit prévu aux articles 3, 15, 18 ou 21 contre quiconque a payé ou offert de payer les redevances figurant au tarif homologué.

[185] Under the Performing Rights Regime, subsection 68.2(2) prevents a collective society from imposing terms more favourable to it than the terms and conditions of its approved tariff on users because the user can obtain immunity from an infringement action simply by tendering the tariff amount. In the General Regime, the effect of section 70.17 would be the same but for the effect of sections 70.19 and 70.191:

70.19 If there is an agreement mentioned in paragraph 70.12(b), sections 70.17 and 70.18 do not apply in respect of the matters covered by the agreement.

70.19 Les articles 70.17 et 70.18 ne s'appliquent pas aux questions réglées par toute entente visée à l'alinéa 70.12b).

70.191 An approved tariff does not apply where there is an agreement between a collective society and a person authorized to do an act mentioned in section 3, 15, 18 or 21, as the case may be, if the agreement is in effect during the period covered by the approved tariff.

70.191 Le tarif homologué ne s'applique pas en cas de conclusion d'une entente entre une société de gestion et une personne autorisée à accomplir tel des actes visés aux articles 3, 15, 18 ou 21, selon le cas, si cette entente est exécutoire pendant la période d'application du tarif homologué.

[186] In my view, sections 70.19 and 70.191 are intended to protect agreements concluded by collective societies from being overtaken by a tariff which the society may obtain for the same class of use. Section 70.191 applies when the collective society concludes an agreement with a user or class of user to which a subsequently approved tariff would otherwise apply. Given that tariffs are limitations on a collective society's ability to impose terms on users, section 70.19 provides certainty to contracting parties in the event of subsequently approved tariffs by making it clear that their agreement is not invalidated by the tariff.

[187] Section 70.19 applies when a collective society negotiates an agreement with a party who is a member of a class to which an existing tariff applies. In that case, the provisions which

would allow the user to resile from the agreement, namely sections 70.17 and 70.18, do not apply, thus preserving agreements negotiated in good faith.

[188] Access Copyright put its argument on this issue as follows at paragraph 91 of its memorandum of fact and law:

The reproduction and use of in-repertoire Works by users only engages a tariff when the users have not entered into an agreement with the collective under these sections. It would be incongruous to interpret section 70.12 (a) as also requiring the agreement of the user with the tariff terms in order for the tariff to be enforceable.

[189] Access Copyright's argument, as I understand it, is that since the user's agreement is implicit under paragraph 70.12(b), there is no reason to believe that a user's consent is required when there is a tariff under paragraph 70.12(a).

[190] The difficulty with Access Copyright's argument is that it misapprehends the effect of a tariff. Collective societies operate a licensing scheme; a collective society's approved tariff sets out the royalties to be collected for issuing licences. The instrument which makes the tariff enforceable against a user is the licence which the user accepts from the collective society. So, as in the case of an agreement pursuant to paragraph 70.12(b), the user's consent is required in the case of a licence issued pursuant to an approved tariff. There is no incoherence between paragraphs 70.12 (a) and (b).

[191] To summarize, the General Regime follows the structure of the Performing Rights Regime fairly closely which in turn follows the structure of the earlier provisions dealing with performing rights societies. To that extent, one can trace a line from *Vigneux* and the

jurisprudence that followed it to the 1997 amendments to the Act dealing with collective societies. Within this line of reasoning, the tariff-setting process exists to limit the market power of collective societies which, by reason of that power, are in a position to impose terms on users. This is not in the public interest. This aspect of the legislation can be seen in the requirement that tariffs be approved by a public authority and a user's ability to sidestep a collective society's pressure tactics by paying or offering to pay the royalties in the approved tariff.

[192] However, the General Regime includes unique provisions which allow users and collective societies to contract on terms acceptable to both of them. These agreements are protected by provisions which suspend the operation of those provisions which would otherwise allow users to resile from an agreement.

[193] This leaves only the question of sections 70.2 to 70.4 dealing with the Board's role in the fixing of royalties and terms and conditions where a collective society and a user are unable to agree on the terms of an agreement. These provisions were considered earlier in these reasons when dealing with the Act (1988). The Supreme Court's decision in *SODRAC* confirms the view that collective societies operate licensing schemes so that, in every case, the question is whether the user has agreed to the terms of the licence. The fact that the Board has a role to play in setting those terms and conditions says nothing about a user's ability to accept, or not, a licence on those terms.

[194] The provisions of the Act as they stood after the 1997 amendments were carried forward into the *Copyright Modernization Act* except for minor changes to paragraph 67.1(4)(a) and

subsection 68.2(2) to account for the additional rights recognized in subsections 15(1.1) and 18(1.1). These changes do not affect the analysis of the effect of an approved tariff on non-licensees.

B. *Jurisprudence*

[195] While there are many examples of successful prosecution of infringers, I have not been able to find any instances where the question of the enforceability of the tariff has been examined in any depth.

[196] Access Copyright has been successful in obtaining judgment against copy shop owners: see *Canadian Copyright Licensing Agency v. Apex Copy Centre*, 2006 FC 470, 290 F.T.R. 236, [Apex]; *Canadian Copyright Licensing Agency v. U-Compute*, 2005 FC 1644, 284 F.T.R. 116, [U-Compute]; *Canadian Copyright Licensing Agency (Access Copyright) v. Three Cent Copy Centre Ltd.*, 2012 FC 866 [Three Cent]. Both *Apex* and *Three Cent* were cases in which judgment was entered in default while in *U-Compute*, judgment was entered by consent. Access Copyright's right to obtain judgment was not challenged in any of these cases.

[197] SOCAN has been active in enforcing copyrights but it is the assignee of its members' (affiliates) copyrights. It is therefore in a position to sue for infringement in its own name: see *Society of Composers, Authors and Music Publishers of Canada v. Kicks Roadhouse Inc.*, 2005 FC 528 at para. 4, 39 C.P.R. (4th) 238. In this case, SOCAN sued successfully for infringement of its copyrights and damages, including exemplary damages, an accounting of profits, and an

injunction restraining the defendant from further acts of infringement. As the owner of the copyright, it was entitled to those remedies without reference to a tariff.

[198] In other cases, SOCAN sued to recover licence fees from non-licensees. In a great many cases, it obtained judgment in default so that its right to recover licence fees, as opposed to damages calculated on the basis of licence fees, was not tested: see two cases among a great many others, *Society of Composers, Authors and Music Publishers of Canada v. 728859 Alberta Ltd.*, 2000 CanLII 15162, 6 C.P.R. (4th) 354 (F.C.); *Canada (Society of Composers, Authors and Music Publishers) v. Bano Inc. (Green Bean Java Bistro)*, 2019 FC 1011.

[199] As a result, I have not found any jurisprudence that would require me to change my view as to the enforceability of a Board-approved tariff against non-licensees. I acknowledge that such enforcement has been taking place but, in my view, it is the result of the confounding the enforcement of the tariff with awarding damages based on tariff amounts. This appears to have led to the general view that tariffs are mandatory since the measure of damages for infringement has been held to be the amounts prescribed by the tariff.

C. *General Considerations*

[200] Access Copyright raises a legitimate question when it asks why collective societies would incur the costs and delay inherent in having a tariff approved if it is not mandatory? The advantage of a tariff is that it is public notice of the terms on which the collective society is willing to grant a licence. There are economies involved for both the collective society and users

in reducing transaction costs in licensing. A tariff could be one way of doing so though it is doubtful that these economies are available in the current regulatory environment. Whether the cost/benefit analysis justifies applying for a tariff will depend on a variety of circumstances including the extent to which the proposed tariff provokes objections and the Board's process for dealing with those objections.

[201] The question of whether non-binding tariffs make financial sense to collective societies is an important one but, in the end, it does not assist in resolving in collective societies' favour the consistent references in any iteration of the Act to licensing schemes and their administration.

[202] All of this emphasizes the fact that the collective society/tariff regime is a means of regulating licensing schemes which, by definition, are consensual. While there have been modifications in the statutory language used between 1936 and 2012, the continuous references to licensing schemes and the retention of the key elements of the 1936 Act leave little doubt that tariffs are not mandatory which is to say that collective societies are not entitled to enforce the terms of their approved tariff against non-licensees.

[203] It is also worthwhile pointing out that I have not lost sight of the fact that collective administration is intended to assist rights holders in enforcing their rights, particularly in the internet age. The assumption underlying Access Copyright's argument on this issue is that effective enforcement requires mandatory tariffs. With respect, this is not self evident. The advantage of collective societies is that they allow rights holders to pool their resources to enable them to economically enforce their rights. This advantage exists even in the absence of

mandatory tariffs. Furthermore, to the extent that the internet creates many opportunities for infringement, the enforcement of mandatory tariffs against many individual infringers is no different than prosecuting infringement actions against many individual infringers. The statutory remedy is collective enforcement, not the substitution of one prohibited act for another.

D. *Conclusion*

[204] As a result, I conclude that a final tariff would not be enforceable against York because tariffs do not bind non-licensees. If a final tariff would not be binding, the conclusion can hardly be different for an interim tariff.

[205] Acts of infringement do not turn infringers into licensees so as to make them liable for the payment of royalties. Infringers are subject to an action for infringement and liability for damages but only at the instance of the copyright owner, its assignee or exclusive licensee. In the course of the hearing before this Court, Access Copyright candidly admitted that, given its agreement with its members, it cannot sue York for infringement in the event that some or all of the copies made by York are infringing copies. However, Access Copyright claims the right to enforce the tariff against non-licensee infringers; yet if the tariff is not mandatory then there can be no right to enforce it.

[206] As a result, the validity of York's Guidelines as a defence to Access Copyright's action does not arise because the tariff is not mandatory and Access Copyright cannot maintain a copyright infringement action. Therefore, I would allow York's appeal from the judgment of the

Federal Court with costs, set aside the Federal Court's judgment, and dismiss Access Copyright's action with costs.

VIII. York's Counterclaim

[207] York responded to Access Copyright's action for enforcement of its interim tariff by issuing a counterclaim seeking a declaration that copies made in compliance with its Guidelines came within section 29 of the Act as fair dealing. In other words, such copies are not an infringement of the rights holders' copyright.

[208] The Federal Court dismissed York's counterclaim on the basis that the Guidelines were not fair so that copies made in compliance with the Guidelines would not necessarily constitute fair dealing.

[209] York challenges this finding and Access Copyright seeks to uphold it. Various interveners took positions on either side of the question. In the end, the issue calls for the application of the fairness factors set out in *CCH* to the Guidelines. In the discussion which follows, I will summarize the Federal Court's position on each of the factors identified in *CCH*, followed by the parties' submissions on the Federal Court's conclusion. I will then review the law set out in *CCH*, and as applied in the *Society of Composers, Authors and Music Publishers of Canada v. Bell Canada*, 2012 SCC 36, [2012] 2 S.C.R. 326 [*SOCAN*], and *Alberta Education* (collectively, the Trilogy). This will be followed by an assessment of the Federal Court's position.

A. *Fair dealing*

[210] In *CCH*, the Supreme Court adopted the factors identified by Linden J.A. in this Court's decision: see *CCH Canadian Ltd. v. Law Society of Upper Canada*, 2002 FCA 187 at para. 150, [2002] 4 F.C. 213. The Supreme Court identified those factors as "(1) the purpose of the dealing; (2) the character of the dealing; (3) the amount of the dealing; (4) alternatives to the dealing; (5) the nature of the work; and (6) the effect of the dealing on the work": *CCH* at para. 53.

[211] Subsequently in the *SOCAN* case, the Supreme Court described the process of assessing fair dealing as a two step process (at para. 13):

The test for fair dealing articulated in *CCH* involves two steps. The first is to determine whether the dealing is for the purpose of either "research" or "private study", the two allowable purposes listed under s. 29. The second step assesses whether the dealing is "fair". The onus is on the person invoking "fair dealing" to satisfy both aspects of the test under *CCH*.

In doing so, the Court identified a threshold question implicit in the *CCH* analysis: whether the alleged fair dealing comes within the "allowable purposes" set out in sections 29 to 29.2. In this case, the allowable purpose is education, as set out in section 29. This was not contentious.

(1) The purpose of the dealing

[212] Once the threshold question has been answered, the analysis focusses on the *CCH* factors, the first of which is "the purpose of the dealing". The Federal Court considered that the "purpose" at this stage of the analysis examined the purpose from the user's point of view. The Court found that there were two users, the university "which is assembling, copying, and

distributing the material as the publisher, and the student who is the end user of the material”:

Reasons at para. 264.

[213] The Federal Court noted that in *CCH*, the Supreme Court approached the purpose of the dealing from the perspective of the Great Library’s policy “and the safeguards for ensuring that the copying was done for research purposes”: Reasons at para. 265. The Court noted that the Supreme Court had also addressed safeguards in *SOCAN*. The Federal Court contrasted the emphasis on safeguards in the Trilogy with York’s situation. The Court found that safeguards were virtually non-existent in York’s system where no one took any steps (“played any role”) to ensure compliance with the Guidelines. The Court found that the absence of safeguards tended towards unfairness.

[214] The Court held that the question in the examination of the purpose or “goal of the dealing” (using the phrase preferred by the Copyright Board) was the fairness of allowing students to access course required materials for education and concluded that taken in isolation, this factor tended toward fairness. The Court then turned to York’s motivation and held that it drafted the Guidelines and operated under them “primarily to obtain for free that which [York] had previously paid for”: Reasons at para. 272. The Court then asked: “One may legitimately ask how such ‘works for free’ could be fair if fairness encompasses more than one person’s unilateral benefit”: Reasons at para. 272.

[215] In the end, the Federal Court concluded that the dealing had two purposes or “goals”. Education of students was a principal goal but York’s goal was also “to keep enrolment up by

keeping student costs down and to use whatever savings there may be in other parts of the university's operation": Reasons at para. 273.

[216] York identified three errors in the Federal Court's decision on this issue. First, it argued that the Court erred in finding that there were two users: York, its faculty and staff on one hand and the students on the other. Relying on the symbiosis between teachers and students identified in *Alberta Education*, York argues that there is only one user, the student. Second, York challenges the Court's comments with respect to its motivation. It says that, as in *Alberta Education*, there is no separate purpose between York and the students and no ulterior motive on its part. According to York, the proper approach is to examine the question of purpose from the point of view of the user, the student.

[217] Thirdly, York says that the Federal Court erred in its consideration of safeguards, as discussed in *CCH* and *SOCAN*. It points out that in these cases neither the Great Library nor the online music services themselves had a research or private study purpose so that safeguards were necessary to ensure that copies made were for research or private study purposes. York's position is that because "the purpose of the copier (York) and the user (the student) are aligned in this case (education), the trial judge did not need to consider reasonable safeguards to ensure that the copying was done for an allowable fair dealing purpose": York's memorandum of fact and law at para. 49. York attributed this error, once again, to the Court's use of the wrong perspective, i.e. York's rather than the student's.

[218] Access Copyright argues in support of the Federal Court’s decision. It points out that the Supreme Court’s decision in *Alberta Education* allowed the Court to examine York’s purpose in drafting and implementing the Guidelines. Access Copyright says that the Federal Court’s conclusions as to York’s motivation was grounded in the evidence before it.

[219] The debate on the perspective to be adopted in dealing with the CCH factors requires us to examine the Supreme Court’s reasoning in the Trilogy. The question was framed as follows at paragraph 63 of *CCH*: “[I]s it incumbent on the Law Society to adduce evidence that every patron uses the material provided for in a fair dealing manner or can the Law Society rely on its general practice to establish fair dealing?” The Court answered its question in the following way:

I conclude that the latter suffices. ... “Dealing” connotes not individual acts, but a practice or system ... Persons or institutions relying on the s. 29 fair dealing exception need only prove that their own dealings with copyrighted works were for the purpose of research or private study and were fair. They may do this either by showing that their own practices and policies were research-based and fair, or by showing that all individual dealings with the materials were in fact research-based and fair.

(*CCH* at para. 63)

[220] The significance of this passage is that institutions who permit or undertake copying under the banner of fair dealing need not demonstrate fair dealing by each of their patrons. They can satisfy the burden of establishing fair dealing by showing that the institution’s dealings were fair. The Court’s analysis of the fairness factors in the Great Library’s case was undertaken from the point of view of the Great Library, as the following brief excerpts show:

- Purpose of the dealing: “The Access Policy and its safeguards weigh in favour of finding that the dealings were fair ... This policy provides reasonable safeguards that the materials are being used for the purpose of research and private study” (para. 66).

- Character of the dealing: “The character of the Law Society’s dealings with the publishers’ works also supports a finding of fairness” (para. 67).
- Amount of the dealing: “The Access Policy indicates that the Great Library will exercise its discretion to ensure that the amount of the dealing with copyrighted works will be reasonable ... the Reference Librarian will review requests for a copy of more than five percent of a secondary source and that, ultimately, such requests may be refused. This suggests that the Law Society’s dealings with the publishers’ works are fair” (para. 68).
- Alternative to the dealing: “It is not apparent that there are alternatives to the custom photocopy service employed by the Great Library” (para. 69).
- Nature of the work: “I agree with the Court of Appeal that the nature of the works in question – judicial decisions and other works essential to legal research – suggests that the Law Society’s dealings were fair” (para. 71).

[221] The last factor, effect of the dealing upon the work, was also mentioned but it was dealt with on the basis of the absence of evidence, the Court noting that the publishers, who had access to the evidence, would have tendered it had it been in their interest to do so.

[222] It is clear from this brief review that in *CCH*, the Court reviewed the question of fair dealing from the perspective of the Great Library (I will use Law Society and Great Library interchangeably in these reasons), given the latter’s reliance on its Policy. In *SOCAN*, the question of the proper perspective arose in the context of the provision of a “preview” feature by online music service providers which allowed users to listen to brief excerpts of musical works

prior to purchasing them. The evidence suggested that users listened to ten previews for every work they purchased. SOCAN sought compensation for those previews.

[223] *SOCAN* was not a guideline case as such but, like *CCH*, the use of copyrighted material took place within a defined structure established by someone other than the user. Unlike *CCH*, those accessing the previews were doing so on their own behalf. In *CCH*, the copier was the Great Library on behalf of its patrons. As a result, there was a more direct connection between the user and the protected work in *SOCAN* than there was in *CCH*.

[224] It is not surprising therefore that the Supreme Court concluded that the relevant perspective was that of the viewers of the previews. Thus, the purpose of the dealing, the first fairness factor, was that of the viewers which was to research and identify the music for online purchase.

[225] In the course of coming to this conclusion, the Supreme Court relied on *CCH* and commented that “[t]he Court did not focus its inquiry on the library’s perspective, but on that of the ultimate user, the lawyers, whose purpose was legal research”: *SOCAN* at para. 29. With respect, this is inconsistent with the position taken by the Court in *CCH* on the question that it asked itself at paragraph 63 – “... can the law society rely on its general practice to establish fair dealing?” – which the Court answered in the affirmative. The rest of the Court’s analysis focussed on the General Library’s policy and practice.

[226] The relevant passage from *CCH* that the Court relied upon in *SOCAN* reads as follows:

The Law Society's custom photocopying service is provided for the purpose of research, review and private study. The Law Society's Access Policy states that "[s]ingle copies of library materials, required for the purposes of research, review, private study and criticism . . . may be provided to users of the Great Library." When the Great Library staff make copies of the requested cases, statutes, excerpts from legal texts and legal commentary, they do so for the purpose of research. Although the retrieval and photocopying of legal works are not research in and of themselves, they are necessary conditions of research and thus part of the research process. The reproduction of legal works is for the purpose of research in that it is an essential element of the legal research process. There is no other purpose for the copying; the Law Society does not profit from this service. Put simply, its custom photocopy service helps to ensure that legal professionals in Ontario can access the materials necessary to conduct the research required to carry on the practice of law. In sum, the Law Society's custom photocopy service is an integral part of the legal research process, an allowable purpose under s. 29 of the Copyright Act. [my emphasis]

(*CCH* at para. 64)

[227] The only reference to users in this paragraph is found in the Court's recognition that the custom photocopy service helps to ensure that legal professionals in Ontario can access the material necessary to carry on their practice. Any institutional fair dealing policy must necessarily have end users in mind since institutions *per se* do not conduct research or private study. The Court's analysis of the Great Library's policy was predicated on the proposition that, as the copier, the Great Library could rely on its policy to bring itself within fair dealing. With respect, I am of the view that the Court's characterization of this element of the analysis in *CCH* was *per incuriam*.

[228] The question of the proper perspective arose again in *Alberta Education* which dealt with copying in elementary and secondary schools. The decision dealt with copies that the Copyright Board described as Category 4 copies, that is, copies made by teachers on their own initiative and distributed to students with the direction that they read the copied material. The other copies

in issue before the Board were copies made at a student's request. The Board reasoned that because there was no student requests for Category 4 copies, they were therefore not for the purpose of private study or research. This Court agreed with the Board, finding that the real purpose behind the copies was instruction, not private study.

[229] The Supreme Court disagreed. It first examined certain cases from the United Kingdom and New Zealand and found that, to the extent that they involved commercial "course pack" preparers, those cases were not relevant because the course preparers appropriated the ultimate users' purpose as their own so as to escape liability for infringement. The Supreme Court summarized its position as follows:

These cases, then, to the extent that they are germane, do not stand for the proposition that "research" and "private study" are inconsistent with instructional purposes, but for the principle that copiers cannot camouflage their own distinct purpose by purporting to conflate it with the research or study purposes of the ultimate user.

(Alberta Education at para. 21)

[230] The Court followed this observation by commenting that even though fair dealing was a user's right, and that the appropriate perspective was therefore that of the user, a copier's purpose may still be relevant at the fairness stage. Thus, a finding that a copier is hiding behind the ultimate user's purpose in order to dissemble their own separate purpose is relevant to the fairness analysis.

[231] The Court rejected the Board's contention that teachers and students had different perspectives, holding that teachers and students shared a symbiotic relationship. In the Court's view, "Instruction and research/private study are, in the school context, tautological": *Alberta*

Education at para. 23. The Court also rejected the suggestion that the absence of student request for a copy was a ground of distinction with the decision in *CCH*. It noted that nowhere in *CCH* did the Court say that lawyers had to request copies before the Great Library's copying could be said to be for research. In support of that proposition, the Court quoted a portion of paragraph 64 of *CCH*, which I have reproduced at paragraph 226 of these reasons. The suggestion that the Great Library's copying is itself part of the research process suggests, as I have pointed out, that the focus of the analysis in *CCH* was on the Great Library's perspective.

[232] Unlike *CCH*, *Alberta Education* is not a guideline case. The copies in that case were not made pursuant to any policy or guidelines: see paras. 84-85 of the Copyright Board's reasons (*Reprographic Reproduction 2005-2009, Re, 2009 CarswellNat 1930 (Copyright Board)* (26 June 2009), online: <<https://decisions.cb-cda.gc.ca/cb-cda/decisions/en/366667/1/document.do>>). When one compares *CCH*, *SOCAN* and *Alberta Education*, one sees that while all purport to follow *CCH*, in fact, the other two have adapted *CCH* to their own facts. As noted earlier, *CCH* is a case in which an institution defended its copying practices by reference to its guidelines. The Supreme Court agreed that it could do so. The result is that in *CCH*, the perspective is the institutional perspective. *SOCAN* was a case in which, much like *CCH*, the conditions of use of copyrighted materials were set by someone other than the user. In *SOCAN*'s case, this was done by the online music service providers' technology but the viewing was initiated by users, at a time and place of their choice. As a result, the relevant perspective was the user's. The difference between *CCH* and *SOCAN* is in the identity of the person or entity engaging in the unauthorized behaviour. In *CCH* it was the institution, in *SOCAN*, it was the individual viewer.

[233] *Alberta Education* was unlike either of the other two cases because there was no policy or other constraint on a teacher's copying. The absence of a practice or system suggests that the copying was *ad hoc* and not systematic. The Supreme Court found that the teacher, as the copier, and student, as the user, shared a common purpose. In the result, the relevant perspective was that of the user, the student, even if the student was the passive recipient of the copied works. This can easily be justified in the case of small amounts of *ad hoc* copying from materials already in a school's library. Whether the same identity of interests exists in a case of systematic copying on a scale like York's remains to be seen. This last fact distinguishes *Alberta Education* from the other cases in the Trilogy.

[234] Turning to the application of the law to the facts, York's arguments with respect to purpose involve three basic themes, the Federal Court's use of the wrong perspective, the identity of interest between York, its faculty and staff and its students and the irrelevance of the Federal Court's discussion of safeguards.

[235] The first and last of those propositions are both based upon York's misapprehension of the burden it had to meet. York, like the Great Library, was engaged in copying which it sought to justify by reference to its Guidelines. At paragraph 16 of its amended statement of defence, York pleads its adoption of fair dealing guidelines consistent with those adopted by the Association of Universities and Colleges of Canada. At paragraph 25 of its counterclaim, York seeks a declaration that:

(iii) any reproductions made that fall within the guidelines set out in York's "Fair Dealing Guidelines for York Faculty and Staff (11/13/12)" dated November 13, 2012...constitute fair dealing pursuant to sections 29, 29.1, 29.2 of the Copyright Act; and

(iv) in the alternative to subparagraph (iii) above, that with respect to works within the repertoire of Access Copyright, any reproductions made that fall within the guideline set out in York's "Fair Dealing Guidelines for York Faculty and Staff (11/13/12)" dated November 13, 2012... constitute fair dealing pursuant to sections 29, 29.1, 29.2 of the Copyright Act...

[236] York's counterclaim clearly puts its Guidelines at the centre of its position on fair dealing. This is further demonstrated by the fact that, as pointed out by Access Copyright at paragraph 44 of its memorandum of fact and law, York did not lead any evidence from users, i.e. students, as to their dealings with copied material or why the copying permitted by the Guidelines was fair from the students' perspective.

[237] In *CCH*, the Supreme Court recognized that a copier-for-others could invoke fair dealing if it could show that all of its users dealt with the copies in a "fair dealing manner", or it could rely on its "general practice" to establish fair dealing: *CCH* at para. 63. Since York did not attempt to show the fair dealing of its students and given that it put its Guidelines at the centre of its justification, York was bound to justify its Guidelines.

[238] In the case of an institutional claim of fair dealing based on general practice, it is the institution's perspective that matters. As pointed out at paragraph 220 of these reasons, the Supreme Court's application of the fairness factors to the Great Library's copying focussed on the latter's practices and procedures, and not those of its patrons.

[239] This leads to the subject of the safeguards, the absence of which was the subject of comment by the Federal Court. York's dismissal of the Court's concerns as irrelevant underscores the flaw in its analysis of its legal burden. As the copier, it was incumbent on York

to ensure that its Guidelines were implemented according to their intent, since the integrity of the Guidelines and York's practice are at the heart of its claim of fair dealing. The Federal Court's finding that the safeguards were virtually absent undermines York's claim to fair dealing or, to put it another way, tends to show unfairness.

[240] Finally, the Federal Court was entitled to inquire into York's "real purpose or motive in using the copyrighted work": *CCH* at para. 54. The Federal Court used exceptionally strong language in describing York's purpose, specifically that York's purpose was "to obtain for free that which [it] had previously paid for" and "to keep enrolment up by keeping student costs down and to use whatever savings there may be in other parts of the university's operation": *Reasons* at paras. 272-73. These are findings of fact, reviewable on the standard of palpable and overriding error.

[241] The Federal Court's inquiry was legitimate, having regard to the Supreme Court's teaching in *CCH*. It is significant that York disputes the Court's factual conclusions but primarily defends itself by disputing their relevance. In my view, the Federal Court erred, but not for the reasons York identified. The Federal Court fell into palpable and overriding error in importing education as an "allowable purpose" into its analysis of the "goal" of the dealing. Its conclusions with respect to York's purpose in adopting its Guidelines are unequivocal and are a clear indication of unfairness.

(2) The character of the dealing

[242] The Federal Court began its discussion of this factor by underlining the distinction in the Trilogy between the character and the amount of the dealing. It found that the character of the dealing referred to the “quantification of the total number of pages copied (i.e. a quantitative assessment based on aggregate use)” (emphasis in original): Reasons at para. 277. The Court observed that in *CCH*, the Great Library provided only single copies of works for specific purposes. Similarly, in *SOCAN*, no permanent record of a viewing was retained. Any files created in the course of the viewing were automatically deleted at the end of the viewing. On the other hand, there was no such limitation on the number of copies in York’s Guidelines or in its practice.

[243] The Court then indicated that, notwithstanding the deficiencies in the evidence of aggregate copying, the latter tended towards unfairness. The Court cited the evidence of one of Access Copyrights witnesses, Benoit Gauthier who reported that in the period from January 2011 to December 2015, copy shops “affiliated” with York made approximately 29 million print exposures which were included in coursepacks. Mr. Gauthier’s evidence also showed that from September 2011 to December 2013, over 16 million digital exposures of published works were posted and copied on York’s Learning Management Systems (LMSs): Reasons at para. 97. The Court rejected York’s argument that reliance upon aggregate data was unfair to larger institutions. It did so on the basis that it was York’s copying that was in issue.

[244] In the end result, the Court concluded that this factor tended to show that York's dealings were unfair.

[245] York attacks the Court's conclusion on the character of its dealing by arguing, once again, that the Court examined the issue from the wrong perspective, that is from York's (aggregate copying) rather than from the student's. York argues that the terms of its Guidelines allow only one copy of a Short Excerpt of a work per each student enrolled in a course. In addition, the Guidelines prohibit making multiple Short Excerpts from the same work when, taken together, they would exceed its Guidelines. Furthermore, in the case of LMSs course sites, students only have access to the sites for the duration of the course.

[246] York's view is that the Federal Court's reliance on aggregate amounts disregards the Supreme Court's admonition in *SOCAN* that a focus on the aggregate amount of the dealing "could well lead to disproportionate findings of unfairness" (at para. 43) as was the case with the Federal Court's analysis.

[247] York sums up its position on this factor by pointing out that reliance on aggregate amounts would bias the analysis against large institutions with many students and more courses relative to smaller institutions. Such a result, York says, is inconsistent with fair dealing as a user's right.

[248] Access Copyright's position is that, in both *SOCAN* and *Alberta Education*, the Supreme Court indicated that aggregate copying should be considered under the heading of character of

the dealing. As a result, Access Copyright argues that the Federal Court's consideration of aggregate copying was appropriate. It goes on to state that even if the matter is considered from the point of view of the student, each student at York received, on average, 360 exposures of works in 2013, which compares unfavourably with the 4.5 exposures per student in *Alberta Education*.

[249] Access Copyright concludes by noting that York's submission that copies were not kept by students is not supported by the evidence which showed that students were not precluded from downloading, copying and sharing permanent copies of works provided to them by York professors.

[250] Dealing briefly with the last point, it is true that the Guidelines imposed no limitations on what students might do with the copies they were provided, which is not surprising in that the Guidelines were addressed to York's professors and staff. That said, the Guidelines do not enjoin professors to remind the students of any limitations on their use of the copies provided to them.

[251] In its statement of the scope of the character of the dealing in *CCH*, the Supreme Court wrote that:

... courts must examine how the works were dealt with. If multiple copies of works are being widely distributed, this will tend to be unfair. If, however, a single copy of a work is used for a specific legitimate purpose, then it may be easier to conclude that it was a fair dealing. If the copy of the work is destroyed after it is used for its specific intended purpose, this may also favour a finding of fairness.

(*CCH* at para. 55)

[252] When it applied this factor to the Great Library's copying, the Court found that it provided single copies of works for an allowable purpose. It observed that there was no evidence that it was disseminating multiple copies of works to multiple members of the legal profession. This suggested that the Great Library's copying was in keeping with fair dealing.

[253] It is significant, in my view, that *CCH* does not address or consider the total volume of copies provided by the Law Society.

[254] Aggregate copying, in the sense of the total number of previews viewed by users was touched upon in *SOCAN* when *SOCAN* (the applicant) pointed out, under the heading of "Character of the dealing", that "consumers accessed, on average, 10 times the number of previews as full-length musical works": see *SOCAN* at para. 38. I take this to mean that the aggregate of all previews viewed was greater than the number of downloads of full-length works. The Court responded to this argument by pointing out that no user retained a copy of the preview once it ended because all viewed files were automatically deleted at the conclusion of the viewing. This meant that those files could not be duplicated or further disseminated by users. So, while *SOCAN* argued aggregate use, the Court focussed on individual use.

[255] In *Alberta Education*, the Court touched upon the character of the dealing when it contrasted it with the amount of the dealing. It made the point that the issue of aggregate use was to be considered under the heading of "Character of the dealing". When addressing that issue, the Court noted that teachers distributed multiple copies of texts to entire classes, thus echoing *CCH*'s reference to multiple copies disseminated to multiple users.

[256] It is clear that, in this case, York did disseminate multiple copies to multiple users which would bring it within the reservation expressed in *CCH*. York's argument that using aggregate numbers in this way invariably will work against larger institutions as compared to smaller institutions. There is something to this though the jurisprudence does not provide much guidance as to how to deal with it. In *SOCAN*, as noted above, the Court focussed on the ephemeral nature of the copies when it dealt with SOCAN's argument as to aggregate copying. In this case, the paper copies were not ephemeral though access to the electronic copies on the LMSs may have been. In addition, York's Guidelines did not attempt to forestall downstream copying and redistribution by students.

[257] In *Alberta Education*, the Copyright Board found an unacceptable level of aggregate copying in the fact that a teacher would distribute copies to entire classes: see Board Reasons at para. 100. The Court disagreed on the basis that teachers were not making copies for their own use but for that of their students. Nonetheless, this shows that the reach of a bare principle that multiple copies to multiple users is not fair dealing is not limited to large institutions.

[258] Since the issue in this case is the fairness of York's Guidelines, the application of the *CCH* analysis means that the Federal Court did not err when it concluded that the Guidelines tended towards unfairness either in the aggregate or from the point of view of an individual student receiving 360 copies, an amount which York did not justify beyond invoking education as an allowable purpose. One could attempt to nuance this analysis using the *SOCAN* analysis by arguing that Guidelines which called for the destruction of copied works at the conclusion of a class and prohibited the retention and redistribution of copied works were indices of fair dealing.

The difficulty is that instructions of this kind do not appear in the York Guidelines. In the end, there is no reason to interfere with the Federal Court's conclusion on this factor.

(3) The amount of the dealing

[259] It is clear from the Federal Court's reasons that it considered this factor to be the core of the fair dealing analysis. All agree that this heading considers the proportion of a protected work which is copied and not the amount of copying in the aggregate. Unfortunately, the Federal Court muddied the waters by introducing references to quantitative elements in its analysis.

[260] Relying on paragraph 56 of the Supreme Court's decision in *CCH*, the Federal Court divided its analysis into a quantitative portion and a qualitative portion. Under the heading of quantitative analysis, the Court considered the "thresholds" for copying, that is, the amount of permissible copying from different types of works, i.e. the definition of Short Excerpt, reproduced at paragraph 24 of these reasons.

[261] The Court noted that the amount of the dealing examined the proportion of the copied excerpt to the entire work, noting that the Guidelines prescribed certain thresholds (as set out in the definition of Short Excerpt) which were presumptively fair, without considering the second part of the CCH test which is the "qualitative importance of the part copied": Reasons at para. 295.

[262] The Court then proceeded with its “qualitative” analysis which it began by reviewing the aggregate total of York’s copying and that of all post-secondary institutions. It noted that 90% of York’s copying for coursepacks came from books. This led it to conclude that York’s copying could not be described as insignificant. One suspects that the Federal Court was addressing the Supreme Court’s comment, at paragraph 56 of *CCH*, that if the amount taken from a work is trivial, then a fair dealing analysis need not be undertaken at all. Be that as it may, the reliance on aggregate printing was inappropriate though, in the end, nothing turns on this.

[263] The Court then discussed the absence of rationale for any of the “thresholds” in the Guidelines. Its view was that, in the assessment of a copying regime based on guidelines, part of the fairness analysis must consider the fairness of the permitted copying. The Court held that in such a case, it was incumbent on the institution to justify the “thresholds” by explaining why they are fair. The Court concluded that York had failed to discharge its burden which “seriously undermines the overall fairness of the York Guidelines”: Reasons at para. 308.

[264] Addressing the limits on copying in the Guidelines, the Court noted that they would permit copying an entire chapter taken from a book. By way of example, the court pointed to the copying of Margaret MacMillan’s work *Paris 1919: Six Months That Changed The World*. The Court found that numerous chapters could be copied for use in different courses, with the result that the copyright protection for the work was “effectively eviscerat[ed]”: Reasons at para. 311.

[265] The Federal Court concluded from this analysis that copying on this scale does not point to fair dealing. The unfairness is compounded by “the absence of any meaningful control over

the portions of publications copied or any monitoring of compliance” which makes the nominal thresholds largely meaningless: Reasons at para. 314.

[266] The importance of the copied work was flagged as a consideration though the Court noted that the jurisprudence does not assist in defining this element. However, the Court explained that, given the Guidelines, a portion taken from a larger work e.g. a chapter for inclusion in a course’s required reading, was undoubtedly qualitatively significant to the work and the author’s contribution. I take this to mean that the decision to copy a particular chapter from a book means that the chapter added value to the book, which value was lost if users were free to copy that chapter without paying compensation.

[267] The Federal Court concluded that, with respect to this factor, there was nothing fair about the amount of the dealing contemplated by York’s Guidelines.

[268] York’s challenge to the Federal Court’s conclusions on this factor are based, once again, on the question of perspective. York points to the Court’s focus on aggregate copying which highlights York’s perspective rather than the student’s. York argues that the Court’s approach is contrary to that adopted by the Supreme Court in *SOCAN* in which the Court held that since fair dealing is a user’s right, the amount of the dealing factor should be assessed on the basis of individual use and not on aggregate use of multiple works by a multitude of users. Furthermore, argues York, the Supreme Court confirmed in *SOCAN* that the amount of dealing was to be assessed on the basis of the proportion of the copied excerpt to the whole work. In *CCH*, this

meant examining the specific works requested by users rather than the total number of pages copied.

[269] York further argues that the Federal Court used the wrong perspective when it addressed the proportion of the work copied. It criticizes (without naming it), the Court's example of *Paris 1919: Six Months That Changed The World* because the Court based its analysis on the overall use of a specific work for multiple students enrolled in different courses rather than the portion of the work copied for an individual student.

[270] Access Copyright mounts a vigorous defence of the Federal Court's decision. It begins by noting that the Court recognized that the amount of the dealing must not be conflated with the character of the dealing. Later in its discussion of this factor, Access Copyright concedes that the Court introduced a discussion of aggregate copying in dealing with the qualitative aspect of the amount of the dealing. However, Access Copyright argues that this discussion did not induce the Court into error on the critical factor, namely the question of the thresholds. As a result, it says that the Court's digression into aggregate use was of no consequence.

[271] As for the question of the thresholds, Access Copyright agrees that York provided no evidence, rationale or justification for the copying permitted by virtue of the definition of Short Excerpt. Nor did York show why a Short Excerpt was fair from the student perspective. Similarly, York offered no justification for distinctions based on the format of publication according to which no more than 10% of a work can be copied when published as a freestanding work but which can be copied in its entirety when it is part of a compilation.

[272] Finally, Access Copyright pointed out that York led no evidence that the amount of the copying, whether considered qualitatively or quantitatively, was necessary to achieve the purpose of the copying.

[273] At paragraph 56 of its decision in *CCH*, the Supreme Court begins its discussion of the amount of the dealing by drawing a distinction between the amount of the dealing and the importance of the work allegedly infringed. This distinction seems to have given rise to the Federal Court's distinction between the quantitative and qualitative aspects of this factor. Having drawn the distinction, the Court does not return to the issue of the importance of the work in its subsequent analysis.

[274] Later in the same paragraph, the Supreme Court comments that the amount of copying may be more or less fair depending on the purpose, which implies that when the amount of the copying is challenged, the copier must be able to show that the amount copied was necessary to achieve the stated purpose of the copying.

[275] In its application of the law to the facts, the Supreme Court emphasized that the Reference Librarian would review requests for more than five percent of a secondary source, and that such requests could be refused. The Court found that this suggested that the Great Library's dealings with publishers' works was fair but that multiple requests for multiple reported cases from the same report series over a short period of time might not be fair.

[276] The discussion of the amount of the dealing in *SOCAN* was largely devoted to disentangling this factor from the character of the dealing. The previews in *SOCAN* were 30 second portions of songs which were streamed with a lower sound quality than the original work. *SOCAN* argued that the amount of the dealing should be assessed by reference to the aggregate number of previews streamed by consumers. Since the average consumer streamed 10 previews for each purchase of music, *SOCAN* argued that the time spent listening to previews was so large that the dealing was unfair.

[277] The Court rejected this argument, holding instead that because fair dealing was a user's right, it should be assessed on individual use and not aggregate use. It confirmed that the appropriate measure of the amount of the dealing was the proportion of the excerpt to the whole work. The Court concluded this portion of its analysis by stating that the amount of the dealing should be assessed by looking at how each dealing occurred on an individual basis.

[278] The Court's treatment of the amount of the dealing in *Alberta Education* consisted of distinguishing copying by teachers from the *CCH* example of numerous requests for multiple case reports from the same series by the same user by pointing out that teachers copy for students not for themselves. The Court reaffirmed that the assessment of the amount of the dealing turns on the proportion of the copied excerpt to the whole work.

[279] As noted earlier in these reasons, I am inclined to view the Court's digression into aggregate copying as its attempt to show that the copying in this case was anything but trivial or insignificant. In doing so, the Court may have given more importance to a non-contentious point

than it deserved, but that is not a reason to set aside the substance of its findings. In other words, the error may be palpable but it is not overriding.

[280] York's allegations about the Court's use of the wrong perspective continue to be wide of the mark. The objective of York's counterclaim is to have the Court give its imprimatur to its Guidelines. If it hoped to succeed in that endeavour, York had to address the Guidelines themselves. Rather than assuming its burden, York tried to defend its copying practices by reference to the user's perspective. As the Supreme Court pointed out, that is a perfectly acceptable approach to fair dealing but it requires the copier to explain how the user's use is fair. York has not led any evidence as to students' use of the copied works so as to show it is fair. As a result, York's focus on the student's perspective does not advance its cause.

[281] As noted earlier, at paragraph 56 of *CCH*, the Supreme Court made the point that the amount of copying had to be justified by the purpose of that copying. The Federal Court found that York had not done so. Before this Court, York does not try to remedy the omission but emphasizes its allowable purpose (education) and returns to the issue of the proper perspective. York has made no attempt to explain the various thresholds found in the definition of Short Excerpt or the apparent anomaly resulting from a work's publication format.

[282] To the extent that York relies on the user's perspective, it has not demonstrated either in the Federal Court or in this Court how the copying pursuant to the Guidelines is fair from students' points of view.

[283] York has not shown that the Federal Court erred in any material way in coming to its conclusion that there was “nothing fair about the amount of the [York’s] dealing”: Reasons at para. 318.

(4) Alternatives to the dealing

[284] The Court began its analysis by summarizing the relevant principles from the jurisprudence. In the course of doing so, the Court distinguished York’s case from that of the teachers in *Alberta Education*:

It is one thing for a teacher to have the school librarian run off some copies of a book or article in order to supplement school texts, and it is quite another for York to produce coursepacks and materials for distribution through LMSs, which stand in place of course textbooks, through copying on a massive scale.

(Reasons at para. 324)

[285] In the end, the Federal Court identified the key issue under this heading as whether the dealing was reasonably necessary to achieve the ultimate purpose. It found that in this case, the ultimate purpose is the education of students. The Court accepted the evidence of York’s professors to the effect that the days of one principal textbook for a given class are over. Course materials are sourced from multiple publications and resources. On that basis, the Court concluded that the use of copying was reasonably necessary to achieve the ultimate purpose of education.

[286] That said, the Court concluded that this factor favoured York though not as significantly as asserted by York. The Court found that the latter had not actively engaged in consideration or

use of existing or potential alternatives. The Court identified some possible alternatives and then pointed out that there were no reasonable free alternatives to copying.

[287] York disputes the attenuation of the impact of the alternative to the dealing factor by proposing that the Court erred in, once again, focussing on York's activities rather than on the perspective of the user. In particular, York suggests that the Court misapprehended the scale of the copying in *Alberta Education*. The copying in that case was not that of a teacher but that of many teachers copying for many students across Canada. To that extent, says York, the Court's comparison of its copying to that in *Alberta Education* is inapt.

[288] York also rejected the Court's comments on its failure to pursue alternatives noting that the alternatives suggested by the Court were paid alternatives. According to York, this reasoning was disapproved in *Alberta Education* when the Supreme Court wrote that paid alternatives such as buying copies of books for each student is not a reasonable alternative to teachers copying short excerpts.

[289] Lastly, York criticized the Federal Court's reference to its failure to pursue potential alternatives since such alternatives do not currently exist and therefore cannot be substituted for copying.

[290] It is sufficient for the purposes of this factor to point out the significant difference between York's copying and the copying in *Alberta Education*. York's copying is systematic while the copying in *Alberta Education* was *ad hoc*. Recall that the Copyright Board found that

there was no system in place with respect to the Alberta teachers' copying. As a result, the Federal Court did not err in concluding that the two situations were not equivalent.

[291] The Federal Court's comments with respect to the absence of free alternatives to York's copying are understandable when one has in mind the Court's earlier conclusion that while York's overall purpose is education, the purpose or objective sought by the adoption of the Guidelines was to obtain for free that which had previously been paid for.

[292] In any event, I would not interfere with the Court's conclusion that this factor favours York though I would agree that its effect is mitigated.

(5) The effect of the dealing

[293] The Federal Court began its consideration of this factor by pointing out that Access Copyright has the burden of showing the negative impacts of the dealings on the creators and publishers. The Court noted the Supreme Court's admonition that this factor is neither the only nor the most important factor.

[294] The Court regarded *Alberta Education* as instructive. In that case, the Supreme Court noted that a decline in sales, without evidence of a link to the photocopying of short excerpts, was insufficient to establish that the impact of the copying was unfair. The Court held that there must be evidence of a link, that is a causal link, but stopped short of saying that Access Copyright had to show that it was the only or the dominant reason for the decline.

[295] The Court also thought it relevant that the Supreme Court of Canada found it difficult to see how teachers' copying competed with the market for textbooks, given its finding that the copying was limited to short excerpts from complementary textbooks which the school already owned.

[296] The Court compared that level of copying with the copying permitted and undertaken pursuant to the Guidelines which it described as a "mass and massive" undertaking in which coursepacks and materials distributed via LMSs were the source material for classes. The source materials for these copies were portions of books, articles, journals and other works. The Court described this as the "manner" of modern education, which it did not attribute to York but found that such copying was not necessarily fair when no compensation is paid.

[297] The Court then summarized the evidence which it accepted as to the impact of the Guidelines or similar guidelines adopted by other institutions of higher learning:

- They contributed to a drop in sales and accelerated the drop in unit sales – up to 6.9% per year and 3.4% in revenues between 2012 and 2015. Precise allocation of the amounts attributable to the Guidelines is not possible, but it was a material contribution.
- They caused a loss of licensing income to creators and publishers as evidenced by the loss of licensing income. PwC calculated the range of loss to Access alone at between \$800,000 and \$1.2 million per year. [The Court previously accepted that the loss of revenue to Access was an appropriate surrogate for the nature and quantity of copying and for the negative impacts.]
- Actual and expected loss of licensing income resulting from the Guidelines has a negative impact on publishers. Licensing revenues represented about 20% of publishers' revenues.
- Actual and expected loss of licensing income has a negative impact on creators. While the Writers' Union survey had some problems, it confirmed the importance of licensing revenue to most writers and the materiality of a loss of revenue.

- On a balance of probability and recognizing the inherent unreliability of predicting the future, there is likely to be adverse long-term impacts of the Guidelines on investment, content, and quality.

(Reasons at para. 351)

[298] While much of this evidence is general, i.e. not specific to York, the Court accepted that it established the likelihood of negative impacts from York's adoption of the Guidelines based on the "massive" amounts of copying in issue, the history of payments to Access Copyright prior to York's "opting out" of the interim tariff and York's size as the second-largest university in Ontario. The Court concluded, on the basis of all of the above, that "the Guidelines have caused and will cause material negative impacts on the market for which Access [Copyright] would otherwise have been compensated for York's copying": Reasons at para. 353. The Court found that these negative impacts pointed to unfairness.

[299] At paragraph 58 of its memorandum of fact and law, York asserts, without more, that the Federal Court erroneously concluded that Access Copyright's evidence established the likelihood of negative market impacts from its Guidelines. York follows up by alleging that the Court used the wrong perspective when it took York's size into account when assessing the probability of negative impacts. York says that taking size into account will tend to disadvantage larger institutions.

[300] Lastly, York alleges that the Federal Court erred in holding that Access Copyright's loss of licensing revenue was an appropriate surrogate for the scope of copying and negative impacts. York alleges that the Court's approach was inconsistent with the Supreme Court's teaching in *CCH* that "the availability of a licence is not relevant to deciding whether a dealing has been

fair” as this would extend the copyright owner’s monopoly and upset the balance between copyright holders’ and users’ rights.

[301] Access Copyright relies on the Federal Court’s findings of fact as to the effect of the dealing, findings which are not challenged by York.

[302] The Supreme Court’s analysis of the effect of the dealing in *CCH* is rather brief. In its review of the state of the law, at paragraph 59 of its reasons, the Supreme Court noted, first, that if the copied work is likely to compete with the market of the original work, this may suggest that the dealing is not fair. The Court then qualified this by observing that the effect of the dealing on the market is not the only nor the most important factor that a Court must consider in deciding if the dealing is fair.

[303] When applying the law to the facts of *CCH*, the Supreme Court commented that no evidence was tendered to show that the market for the publishers’ works had diminished as a result of the Great Library’s custom photocopying service. The only evidence of market impact was that the publishers continued to introduce new reporter series and legal publications during the period the service was in effect.

[304] In *SOCAN*, the Supreme Court’s treatment of this issue consisted of two sentences. In the first place, the Court found that the short duration and degraded quality of the previews meant that it could hardly be said that they were in competition with downloads of the works. Secondly,

since the effect of the previews was to increase sales (and remuneration for creators), the previews could not have had a negative impact on the market for the original works.

[305] In *Alberta Education*, the Supreme Court set aside the Board's conclusion that the impact of copying competed with the original texts because textbook sales shrank by 30 percent in 20 years. The Court found that this evidence did not prove any causal link between the copying and the decrease in textbook sales. Furthermore, the likelihood of a causal link was remote because the copying in question was of short excerpts of a text which was already in the schools' library.

[306] The facts of this case are significantly different than those of the cases considered by the Supreme Court in the Trilogy. The copying pursuant to the Guidelines is vastly more significant than it was in any of those cases. It involves significantly larger portions of the original works and allows for entire works to be copied simply on the basis of publication format. The Federal Court considered the evidence submitted by the parties and concluded that the effect of the dealing pointed to unfairness. None of York's submissions are sufficient to show that the Court fell into palpable and overriding error on a question of fact or mixed fact and law.

(6) Nature of the work

[307] This factor did not figure in the Federal Court's decision to any appreciable extent. The Court began by noting that this factor has not been held to be a determinative factor. After a discussion of the nature of the works copied under the aegis of the Guidelines, the nature of the industry, the economic interests of the creators and the public interest in dissemination of the

original works, the Court concluded that this factor tended to the negative end of the fairness spectrum “due to the way in which the nature of the works is treated and the manner in which the Guidelines are applied”: Reasons at para. 338.

[308] York did not challenge this assessment in its memorandum of fact and law. Access Copyright limited itself to requesting that we not overlook the Federal Court’s findings. In the circumstances, and given the somewhat marginal character of this factor, it is sufficient for present purposes to take note of the Federal Court’s conclusion.

B. *Conclusion on the Counterclaim*

[309] The prayer for relief of York’s counterclaim seeks a declaration that “any reproductions made that fall within the guidelines set out in York’s “Fair Dealing Guidelines for York Faculty and Staff (11/13/12)” ... constitute fair dealing pursuant to sections 29, 29.1, or 29.2 of the *Copyright Act*”. It is apparent from this that the Guidelines are the heart of York’s position in this litigation.

[310] Given the relief which York sought, it was incumbent on it to justify the Guidelines themselves so as allow the Court to declare that reproductions that fall within the Guidelines are fair dealing. It has not done so.

[311] The Federal Court ruled that, having regard to the fairness factors set out in *CCH*, as developed in *SOCAN* and *Alberta Education*, York’s Guidelines did not ensure that copying that

complied with them was necessarily fair dealing. In most instances, the Court found that fairness factors pointed in the direction of unfairness, markedly so in some cases.

[312] York has not shown that the Federal Court erred in law in its understanding of the relevant factors or that it fell into palpable and overriding error in applying them to the facts. As a result, I would dismiss York's appeal from the Federal Court's judgment with respect to the counterclaim with costs.

“J.D. Denis Pelletier”

J.A.

“I agree
Yves de Montigny J.A.”

“I agree
Judith Woods J.A.”

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-259-17

STYLE OF CAUSE: YORK UNIVERSITY v. THE CANADIAN COPYRIGHT LICENSING AGENCY (“ACCESS COPYRIGHT”) AND UNIVERSITIES CANADA, CANADIAN ASSOCIATION OF UNIVERSITY TEACHERS, CANADIAN FEDERATION OF STUDENTS, COPYRIGHT CONSORTIUM OF THE COUNCIL OF MINISTERS OF EDUCATION, CANADA, ASSOCIATION OF CANADIAN PUBLISHERS, CANADIAN PUBLISHERS’ COUNCIL AND THE WRITER’ UNION OF CANADA

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CONCURRED IN BY: DE MONTIGNY J.A.
WOODS J.A.

DATED: APRIL 22, 2020

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