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# The Purpose of Copyright Law in Canada

Daniel J. Gervais\*

IN THREE RECENT CASES, the Supreme Court of Canada provided several pieces of the Canadian copyright policy puzzle. We now know that the economic purpose of copyright law is instrumentalist in nature, namely, to ensure the orderly production and distribution of, and access to, works of art and intellect. The Court added that copyright can not enter carelessly into the private sphere of individual users. By targeting end-users in recent lawsuits, copyright holders have also found out that it is difficult to enforce a right that has not been properly internalized. After reviewing the Supreme Court trilogy of cases, the paper explores the importance of the moral imperative and the almost non-existent role of Parliament in setting policy at the macro level. In Part 3, the paper proposes two concrete ways to align copyright law with its underlying purpose, especially on the internet. The first is to make existing rights easier to manage by facilitating collective management using the Extended Repertoire (or extended collective licensing system). A compatibility analysis with applicable international norms is provided. The second is a recasting of the copyright rights based on the effect of the use made of the work, not its technical nature.

DANS TROIS DÉCISIONS RÉCENTES, la Cour suprême du Canada nous a fourni plusieurs pièces de l'échiquier politique du droit d'auteur au Canada. La Cour a décidé que, d'un point de vue économique, le droit d'auteur est un outil visant à organiser la production et la dissémination des œuvres de l'esprit. La Cour a également noté que le droit d'auteur ne peut pas entrer de façon insouciance dans la sphère privée des utilisateurs. En s'attaquant aux utilisateurs individuels, les titulaires de droits d'auteur ont été confrontés au fait que les normes de droit d'auteur ne sont pas nécessairement en phase avec les normes sociales ou la perception qu'ont les utilisateurs de ce qui est « juste ». Après avoir passée en revue les décisions de la Cour suprême, cet article analyse donc les normes sociales en jeu et le rôle (ou l'absence de rôle) du législateur dans l'établissement des principes pertinents. Dans la troisième partie, l'article propose deux façons concrètes de réaligner le droit d'auteur en fonction des objectifs sous-jacents, en particulier en ce qui concerne internet. La première serait de faciliter la gestion collective en utilisant le système de l'élargissement de répertoire, aussi connu comme « gestion collective étendue ». L'article analyse la compatibilité de ce système avec les normes internationales applicables. La seconde proposition concerne une refonte des normes elles-mêmes en les articulant non pas autour de la nature technique des utilisations des œuvres, mais plutôt autour de leur effet.

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# The Purpose of Copyright Law in Canada

Daniel J. Gervais

## 1. INTRODUCTION

IN THREE RECENT CASES,<sup>1</sup> the Supreme Court of Canada provided Canadian copyright law with something that it had arguably been missing: a purpose.<sup>2</sup> That purpose elucidates the object of the *Copyright Act*,<sup>3</sup> and Parliament's intention, i.e. the policy objective(s) implemented by the Act, which in turn directly impacts on its interpretation:

Today there is only one principle or approach, namely, the words of an Act are to be read in their entire context and in their grammatical and ordinary sense harmoniously within the scheme of the Act, the object of the Act, and the intention of Parliament.<sup>4</sup>

Simply put, the economic purpose of copyright law is instrumentalist in nature, namely, to ensure the orderly production and distribution of, and access to, works of art and intellect. This means that a necessary degree of scarcity must be established among competing professional entities and that professional pirates must be fought and stopped. It also means that copyright can not enter carelessly into the private sphere of individual users.

After a closer examination of this purpose as it emerged in recent Supreme Court jurisprudence in Part 2, this article will try to demonstrate that

1. *Théberge v. Galerie d'Art du Petit Champlain inc.*, 2002 SCC 34, <[http://www.lexum.umontreal.ca/csc-scc/en/pub/2002/vol2/html/2002scr2\\_0336.html](http://www.lexum.umontreal.ca/csc-scc/en/pub/2002/vol2/html/2002scr2_0336.html)>, [2002] 2 S.C.R. 336 [*Théberge* cited to LexUM/S.C.R.]; *CCH Canadian Ltd. v. Law Society of Upper Canada*, 2004 SCC 13, <[http://www.lexum.umontreal.ca/csc-scc/en/pub/2004/vol1/html/2004scr1\\_0339.html](http://www.lexum.umontreal.ca/csc-scc/en/pub/2004/vol1/html/2004scr1_0339.html)>, [2004] 1 S.C.R. 339 [*CCH* cited to LexUM/S.C.R.]; and *Society of Composers, Authors & Music Publishers of Canada v. Canadian Association of Internet Providers*, 2004 SCC 45, <[http://www.lexum.umontreal.ca/csc-scc/en/pub/2004/vol2/html/2004scr2\\_0427.html](http://www.lexum.umontreal.ca/csc-scc/en/pub/2004/vol2/html/2004scr2_0427.html)>, [2004] 2 S.C.R. 427 [*SOCAN v. CAIP (SCC)* cited to LexUM/S.C.R.].
2. However, in *Télé-Métropole Inc. v. Bishop (sub nom. Bishop v. Stevens)*, [1990] S.C.R. 467, at para. 21, <[http://www.lexum.umontreal.ca/csc-scc/en/pub/1990/vol2/html/1990scr2\\_0467.html](http://www.lexum.umontreal.ca/csc-scc/en/pub/1990/vol2/html/1990scr2_0467.html)>, 72 D.L.R. (4th) 97 [*Bishop v. Stevens* cited to S.C.R.], McLachlin J had stated (quoting *Performing Right Society, Ltd. v. Hammond's Bradford Brewery Co.*, [1934] 1 Ch. 121, 103 L.J.Ch. 210) that "the *Copyright Act*, 1911, was passed with a single object, namely, the benefit of authors of all kinds, whether the works were literary, dramatic or musical."
3. *Copyright Act*, R.S.C. 1985, c. C-42, <<http://laws.justice.gc.ca/en/C-42/>> [Act].
4. Elmer A. Driedger, *Construction of Statutes*, 2d ed. (Toronto: Butterworths, 1983), cited with approval in *Rizzo & Rizzo Shoes Ltd (Re)*, [1998] 1 S.C.R. 27 at para. 21, <[http://www.lexum.umontreal.ca/csc-scc/en/pub/1998/vol1/html/1998scr1\\_0027.html](http://www.lexum.umontreal.ca/csc-scc/en/pub/1998/vol1/html/1998scr1_0027.html)> [Rizzo cited to LexUM/S.C.R.] and recently in *Bristol-Myers Squibb Co. v. Canada (Attorney General)*, 2005 SCC 26, <[http://www.lexum.umontreal.ca/csc-scc/en/pub/2005/vol1/html/2005scr1\\_0533.html](http://www.lexum.umontreal.ca/csc-scc/en/pub/2005/vol1/html/2005scr1_0533.html)> at para. 37 [*Bristol-Myers Squibb Co.* cited to LexUM].

such purpose is aligned with the history and purpose of copyright at the international level and, furthermore, that it is solidly anchored in economics. In Part 3, I will suggest ways to operationalize copyright's purpose and consider how ongoing efforts to amend the Act compare with those suggestions.

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## 2. DEFINING THE PURPOSE

COPYRIGHT LAW should be based on an assessment of the types and levels of protection that best further its underlying policy objective(s)—assuming one can identify such objective(s). Unfortunately, until 2002, Canadian courts, practitioners and scholars had very little to rely on. The Act itself does not state its purpose, nor are there clear statements in the legislative history. True, the Supreme Court had told us that the Act was enacted for the benefit of authors,<sup>5</sup> but that begged the question how should this “benefit of authors” be implemented? For example, is granting strict rights to exclude (*i.e.*, prohibit use) necessarily the best implementation?

“Copyright is an incentive that, properly calibrated, can positively affect the creation and availability of knowledge” and “[i]ntricate balancing of competing considerations is necessary to ensure that copyright does not undermine the public policy objectives that it purports to advance.”<sup>6</sup> The role of copyright in the creation, production<sup>7</sup> and dissemination of knowledge is the starting point. The question that the Supreme Court tackled in the recently decided trilogy of cases can be formulated as follows: what is the impact of copyright on the level of general welfare? More precisely put, at what point is an optimal level of creation, production and dissemination reached and, if one protects copyright beyond or in ways that differ from that optimal level, what are the risks of generating rent-seeking behaviours, deadweight losses or other forms of unproductive and uncompensated social costs?

The recent developments in the jurisprudence of the Supreme Court should be considered in parallel with the growing volume of recent research by economists and social scientists about the best method to use to achieve an optimal protection level.<sup>8</sup> Needless to say, that research does not generally

5. See *supra* note 2. That was reinforced in Canada, House of Commons, Standing Committee on Communications and Culture, *A Charter of Rights for Creators—Report of the Subcommittee on the Revision of Copyright* (Ottawa: Supply and Services Canada, 1985).

6. Graeme Dinwoodie, “Private Ordering and the Creation of International Copyright Norms: The Role of Public Structuring” (2004) 160 *Journal of Institutional and Theoretical Economics* 161, <<http://www.kentlaw.edu/depts/ipp/publications/privateordering15july05.pdf>>. See also Industry Canada and Canadian Heritage, *A Framework for Copyright Reform* (Ottawa: Industry Canada and Canadian Heritage, 2001), <<http://strategis.ic.gc.ca/pics/rp/framework.pdf>>.

Copyright protection rewards the creation and dissemination of knowledge and cultural content, and facilitates access to this knowledge and content.

7. The distinction introduced here is between the creation by the author and the production (of copies, of a film, a recording, etc.) by the producer/publisher.

8. See Robert L. Ostergard Jr., *The Development Dilemma: The Political Economy of Intellectual Property Rights in the International System* (New York: LFB Scholarly Publishing, 2003) at pp. 33-47.

advocate a rather raw public choice process<sup>9</sup> (and the relative power of domestic and “international” lobbies and special interest groups) as the best way to achieve the stated policy purpose. Instead, many researchers suggest that using an economic lens for the analysis provides a solid foundation, at least with respect to the economic component of copyright.<sup>10</sup> The Supreme Court did not demonstrate any major reluctance to embrace such an approach.

## 2.1. *The Trilogy*

### 2.1.1. *Théberge*

In *Théberge*, the Court had to decide whether transferring the ink from a poster to a canvas, a process known as canvas-backing, constituted a reproduction under section 3 of the Act. A majority of four Justices found that there had been no reproduction because no additional copy had been created. Once the ink is transferred the poster ceases to exist. The majority opinion also concluded that in that case the rights of the owner of the copy superseded those of the artist in the underlying copyright work. The dissenting opinion found that canvas-backing was a reproduction, because a new copy had been created even if the total number of copies in existence had not increased.<sup>11</sup>

That is not the true teaching of *Théberge*, however. While the issue of whether canvas-backing is a reproduction is of prime importance to poster shops and a small number of contemporary artists, it does not fundamentally alter the copyright landscape. Instead, the four key paragraphs of the decision are the following (exceptionally worth quoting *in extenso*):

The *Copyright Act* is usually presented as a balance between promoting the public interest in the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator (or, more accurately, to prevent someone other than the creator from appropriating whatever benefits may be generated). [...]

The proper balance among these and other public policy objectives lies not only in recognizing the creator’s rights but in giving due weight to their limited nature. In crassly economic terms it would be as inefficient to

9. See James M. Buchanan, “Public Choice: Politics Without Romance” (2003) 19 *Policy* 13, <<http://www.cis.org.au/Policy/spr03/polSpr03-2.pdf>>. Buchanan, who is considered one of the leading public choice theorists, wrote at p. 3:

If the government is empowered to grant monopoly rights or tariff protection to one group, at the expense of the general public or designated losers, it follows that potential beneficiaries will compete for the prize.

10. Copyright also has a “moral right” component, the history of which originates in Kantian writings that consider that a part of the author’s soul is included in a work, there by creating an unseverable link between the author and her creation. French doctrinal writings similarly consider that the author’s personality forms part of the work and provides its “originality.” This moral right, introduced in the *Berne Convention for the Protection of Literary and Artistic Works*, 9 September 1886, as last revised in Paris 24 July 1971, and amended 28 September 1979, 828 U.N.T.S. 221, <[http://www.wipo.int/treaties/en/ip/berne/trtdocs\\_wo001.html](http://www.wipo.int/treaties/en/ip/berne/trtdocs_wo001.html)>, 25 U.S.T. 1341 [*Berne Convention*] and implemented in the *Copyright Act*, *supra* note 3 in ss. 14.1, 14.2, 28.1 and 28.2, may be treated separately.

11. *Théberge*, *supra* note 1 at para. 149.

overcompensate artists and authors for the right of reproduction as it would be self-defeating to undercompensate them. Once an authorized copy of a work is sold to a member of the public, it is generally for the purchaser, not the author, to determine what happens to it.

Excessive control by holders of copyrights and other forms of intellectual property may unduly limit the ability of the public domain to incorporate and embellish creative innovation in the long-term interests of society as a whole, or create practical obstacles to proper utilization. This is reflected in the exceptions to copyright infringement enumerated in ss. 29 to 32.2, which seek to protect the public domain in traditional ways such as fair dealing for the purpose of criticism or review and to add new protections to reflect new technology, such as limited computer program reproduction and “ephemeral recordings” in connection with live performances.

This case demonstrates the basic economic conflict between the holder of the intellectual property in a work and the owner of the tangible property that embodies the copyrighted expressions.<sup>12</sup>

Clearly, the Court wished to emphasize that exceptions to the exclusive rights of copyright owners are not mere afterthoughts, but an integral part of a “balanced” level of protection.<sup>13</sup> Interestingly, there was no mention that any of those exceptions actually applied to the fact pattern at hand. On the contrary, because the majority found that no reproduction had taken place, it became unnecessary to discuss the applicability of exceptions.

The case is of exceptional importance because (a) it identified the purpose of copyright (“a balance between promoting the public interest in the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator”); (b) it adopted economic concepts to judge the alignment of the Act’s interpretation with that purpose; and (c) concluded that the chattel rights of the owner of the poster outweighed the interests of the owner of the copyright in the underlying artistic work (in this case, the artists himself). The last point was elevated to the level of a “fundamental economic conflict.”

Those findings lie at the core of copyright law. The Court tells us that users, who are also very often “owners of a copy” of a protected work, have “rights.” Some of those rights follow from their ownership of that copy. Other rights stem from exceptions that limit the reach of the author’s exclusive rights. It is the combination of both sets of rights that creates the appropriate “balance”

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12. *Ibid.* at paras. 30-33.

13. The concept of balance was also applied in patent law. See *Bristol-Myers Squibb Co.*, *supra* note 4 per Binnie J at para. 2:

In the present appeal, the Court is required to consider this “balance” in the much-litigated field of patented medicines, where Parliament is concerned not only with the balance between inventors and potential users, but between the protection of intellectual property on the one hand and, on the other hand, the desire to reduce health care costs while being fair to those whose ingenuity brought the drugs into existence in the first place.



in copyright law, *i.e.*, a level of protection that sufficiently protects authors and other owners of copyright, whether seen *ex ante* as an incentive to create or invest in the publication, production or dissemination of copyright works or *ex post* as a reward for that creation and/or investment, without creating deadweight loss (or generating social costs without corresponding benefits in the form of access to new creations).

*Théberge* sent unmistakable economic and policy signals. However, because two Justices had not taken part in the decision, which meant that only four out of the nine members of the Court had supported the majority view of the need for a “balanced” approach, a question remained as to whether *Théberge* would withstand future scrutiny. It did, as the next case in the trilogy demonstrates.

### 2.1.2. *CCH*

Beyond confirming the adoption of *Théberge*’s “balanced approach,” *CCH* tackled two truly fundamental aspects of copyright law, namely the notion of originality and the scope of fair dealing. It also foreshadowed the last case in the trilogy, *SOCAN v. CAIP*, which dealt with the notion of “authorization”<sup>14</sup> in the context of ISP liability for copyright content transmitted over their networks. A detailed case comment on *CCH* was previously published by this author.<sup>15</sup>

In *CCH*, the Supreme Court ostensibly opted for a notion of originality which blends American, British and also, though not explicitly, Continental precedents.<sup>16</sup> The net result is a concept of originality based on the effort, skill and labour of an author, with the important proviso that that effort and labour must be neither mechanical<sup>17</sup> nor trivial.<sup>18</sup> That notion of originality is obviously of extreme significance for the protection of works whose level of originality is marginal at best (compilations of data, telephone directories, forms, etc.). It forms part of our analysis to the extent that it answers not the question to what extent should works be protected, but which works deserve protection in the first place. A balanced approach to copyright aiming to achieve an optimal level of creation and dissemination of, and access to, knowledge must not protect facts or ideas. It is the “original” contribution of the author which deserves to be “incentivized” and rewarded. That, at least, seems to be the reasoning that informed the Court’s approach.

Perhaps even more relevant is the Court’s clarification of the notion of authorization. Prior to *CCH*, Canadian courts had said several times that to authorize was to “sanction, approve or countenance” but the exact meaning of these terms, especially “countenance,” in cases of mostly passive authorization

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14. For US readers, authorization (of an infringement) is a rough equivalent of the notion of contributory infringement.

15. Daniel Gervais, “Canadian Copyright Law Post-*CCH*” (2004) 18 *Intellectual Property Journal* 131 [Gervais, “Copyright Post *CCH*”].

16. See *ibid.*

17. “This exercise of skill and judgment will necessarily involve intellectual effort. The exercise of skill and judgment required to produce the work must not be so trivial that it could be characterized as a purely mechanical exercise.” *CCH*, *supra* note 1 at para. 16. See also para. 25.

18. *Ibid.* at para. 88.

(by either simply providing means which could be used to infringe or by failing to check whether use of the means would be infringing)<sup>19</sup> was not entirely clear. The Chief Justice jettisoned the uncertainty: "Countenance in the context of authorizing copyright infringement must be understood in its strongest dictionary meaning, namely, 'give approval to, sanction, permit, favour, encourage.'"<sup>20</sup> Providing means to infringe (at least without additional evidence, such as intent to "approve" or at least direct knowledge of the direct infringer's purpose) does not constitute an authorization.<sup>21</sup>

In *Théberge*, the Court had shown reluctance in trampling the "rights" of a user (defined both as the owner of a copy and the beneficiary of statutory exceptions). In *CCH*, the Court stopped the wheels of infringement for similar reasons: it would be incompatible with the quest for balance to limit recourse to technologies that can be used for clearly non-infringing purposes, such as a photocopy machine. In concluding that end-users have a right of fair dealing, a matter to which I shall return below, the Court showed the same reluctance to extend copyright into the private sphere of end-users. Logically, it concluded that asking the Great Library to monitor and enforce copyright on behalf of rightsholders would tip the balance. In interpreting the scope of exceptions, the Supreme Court took the view that it was necessary to interpret fair dealing broadly in light of the Act's purpose. Against this backdrop, any research, even by commercial entities or for profit, is still research.<sup>22</sup>

The Court's decision is another clear indication of the limits of copyright's reach, in particular when its power to exclude should yield to other rights. In deciding that end-users did not have to get permission, it reinforced the view that those end-users should not normally have to get a licence to access content. Copyright issues should ideally be dealt with elsewhere in the distribution chain (e.g., at the level of distributors and databases), not in the hands of end-users.

It is possible that, in reaching that conclusion (especially with respect to large corporate users), the Court moved Canadian law dangerously close to a violation of the TRIPs Agreement<sup>23</sup> and its "three-step test"<sup>24</sup> against which all copyright exceptions can now be measured. But in terms of the underlying philosophy of leaving end-users to use content, the decision is in perfect harmony with *Théberge*. To minimize the risk of a TRIPs violation, the potential

19. As when a city rents a hall for a theatrical performance. See *De Tervagne v. Beloeil (Town)*, [1993] 3 F.C. 227 (FCTD), <<http://reports.fja.gc.ca/fc/1993/pub/v3/1993fca0354.html>>, 50 C.P.R. (3d) 419.

20. *CCH*, *supra* note 1 at para. 38.

21. See *Muzak Corp. v. Composers, Authors, etc.*, [1953] 2 S.C.R. 182; and *Vigneux v. Canadian Performing Right Society Ltd.*, [1945] 2 D.L.R. 1 (P.C.).

22. *CCH*, *supra* note 1 at para. 51.

23. *Agreement Establishing the World Trade Organization, Annex 1C: Agreement on Trade-Related Aspects of Intellectual Property Rights*, 15 April 1994, 1869 U.N.T.S. 299, <[http://www.wto.org/english/docs\\_e/legal\\_e/27-trips\\_01\\_e.htm](http://www.wto.org/english/docs_e/legal_e/27-trips_01_e.htm)>, 33 I.L.M. 81 [TRIPs Agreement].

24. See Mihály Ficsor, "How Much of What? The Three-Step Test and Its Application in Two Recent WTO Dispute Settlement Cases" (2002) 192 *Revue Internationale du Droit d'Auteur* 111 at pp. 231-42 [Ficsor, "How Much of What?"]; Martin Senftleben, *Copyright, Limitations and the Three-Step-Test* (The Hague: Kluwer Law, 2004) at pp. 226-227; and Gervais, "Copyright Post *CCH*," *supra* note 15.

25. *CCH*, *supra* note 1 at para. 53.

difficulties caused by the broad definition of research may be tempered by the six fair dealing criteria adopted by the Court, especially the last one, namely “effect of the dealing on the work.”<sup>25</sup>

### 2.1.3. SOCAN v. CAIP

In *SOCAN v. CAIP*, the Supreme Court had to address the issue of the liability of Internet Service Providers (ISPs) for the transmission of copyrighted content on their networks. The case originated at the Copyright Board of Canada,<sup>26</sup> which had been asked to set a tariff for music transmissions on the internet by the Canadian performing rights society SOCAN. The decision of the Board, which did not set a tariff but instead restricted itself to the legal issue of who (if anyone) was liable, was submitted for review to the Federal Court of Appeal.<sup>27</sup> That decision was then appealed to the Supreme Court.<sup>28</sup>

Unsurprisingly, since that decision followed in the immediate wake of *CCH*, the Supreme Court found that ISPs are not liable to copyright owners when they act as mere conduits of content. To quote Binnie J, the author of the majority decision (8-1):

This appeal raises the difficult issue of who should compensate musical composers and artists for their Canadian copyright in music *downloaded in Canada from a foreign country via the Internet*. In an era when it is as easy to access a website hosted by a server in Bangalore as it is to access a website with a server in Mississauga, where is the protection for the financial rights of the people who created the music in the first place? Who, if anyone, is to pay the piper? <sup>29</sup>

Essentially, because they do not control content (in their pure ISP function), ISPs are not liable:

Parliament has spoken on this issue. In a 1988 amendment to the *Copyright Act*, R.S.C. 1985, c. C-42, it made it clear that Internet intermediaries, as such, are not to be considered parties to the infringing communication. They are service providers, not participants in the *content* of the communication. In light of Parliament’s legislative policy, when applied to the findings of fact by the Copyright Board, I agree with the Board’s conclusion that as a matter of law the appellants did not, in general, “communicate” or “authorize” the communication of musical works in Canada in violation of the respondent’s copyright within the meaning of the *Copyright Act*.<sup>30</sup>

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26. *Statement of Royalties to be Collected for the Performance or the Communication by Telecommunication, in Canada, of Musical or Dramatico-Musical Works (Tariff 22 – Transmission of Musical Works to Subscribers via a Telecommunications Service not Covered under Tariff nos. 16 or 17)* (1999), 1 C.P.R. (4th) 417 (sub nom *SOCAN Statement of Royalties, Public Performance of Musical Works 1996, 1997, 1998 (Tariff 22, Internet)*), (Copyright Board), <<http://www.cb-cda.gc.ca/decisions/m27101999-b.pdf>>.

27. Pursuant to s. 28(1)(j) of the *Federal Courts Act*, R.S.C. 1985, c. F-7, <<http://laws.justice.gc.ca/en/F-7/>>; *Society of Composers, Authors & Music Publishers of Canada v. Canadian Association of Internet Providers*, 2002 FCA 166, <<http://decisions.fct-cf.gc.ca/fct/2002/2002fca166.shtml>>, [2002] 4 F.C. 3 (Fed. C.A.) [*SOCAN v. CAIP (FCA)*].

28. *SOCAN v. CAIP (SCC)*, *supra* note 1.

29. *Ibid.* at para. 1 [emphasis added].

30. *Ibid.* at para. 5.

The decision again adopts an economic approach, linked to the search for the underlying purpose of copyright. The analysis leads quite logically to a public good/public interest analysis. The choice of an instrumentalist reasoning<sup>31</sup> is similarly a logical choice. Copyright is not there to “protect” authors (or other owners of copyright), but rather to maximize the creation, production and dissemination of knowledge and access thereto. In other words, protection is not an end but a means to achieving that purpose, which implies that the level of protection must be properly calibrated.

The Court also pondered the importance of copyright protection (and its underlying purpose of maximizing the creation and dissemination of works) against competing general welfare objectives:

The capacity of the Internet to disseminate “works of the arts and intellect” is one of the great innovations of the information age. Its use should be facilitated rather than discouraged, but this should not be done unfairly at the expense of those who created the works of arts and intellect in the first place.

The issue of the proper balance in matters of copyright plays out against the much larger conundrum of trying to apply national laws to a fast-evolving technology that in essence respects no national boundaries.<sup>32</sup>

If the internet is a public good, the ISPs are its guardians, even though they are in for profit. As such, it would be economically inefficient to impose a liability on them to merely transit content they do not control. As a corollary, any analysis of liability must be decided bearing in mind a broader picture and the transnational nature of the internet. Thence, it quite logically followed that if liability exists for content being transmitted on the internet, ISPs are not a proper target for rightsholders.<sup>33</sup>

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31. The concept of utilitarianism deals with the maximisation of the good to society. It is linked to the writings of Jeremy Bentham and John Stuart Mill. Instrumentalism assesses actions in relation to their objective. Thus, actions are tools to achieve certain goals. The instrumentalist utilitarianism view is to see law as an instrument to achieve the greatest good for society. Thus, intellectual property is useful because it encourages creativity and encourages people to share their creations with others thus benefiting society as a whole. The utilitarian rationale for intellectual property rights has been described as follows:

The utilitarian argument is that intellectual property rights provide incentives to produce new intellectual objects. By assigning property rights to creators, an incentive is in place for people to undertake the expense and time to invent new products or develop new ideas. If intellectual property protection is removed, the argument goes, then there will be no incentive to produce intellectual objects because people will be free to copy the object without compensating the creator. The utilitarian argument weighs the long-term development of the society against the short-term drawback of assigning exclusive production rights to a creator. [footnote omitted].

Robert L. Ostergard, Jr., “Intellectual Property: A Universal Human Right?” (1999) 21 *Human Rights Quarterly* 156 at p. 162. See also Stephen R. Munzer, *A Theory of Property* (New York: Cambridge University Press, 1990).

32. *SOCAN v. CAIP (SCC)*, *supra* note 1 at paras. 40-41.

33. In a separate litigation before the Federal Court, the issue of whether ISPs can be forced to disclose the identity of their subscribers who are suspected to have made copyrighted content available on the internet without authorization is at stake. In a controversial decision, *BMG Canada Inc. v. John Doe*, 2004 FCC 488, <<http://reports.fja.gc.ca/fc/src/shtml/2004/pub/v3/2004fc34396.shtml>>, [2004] 3 F.C. 241 [*BMG (FC)*], the Trial Division had found that not only was downloading of music, even from unauthorized sources legal (under the private copying regime), but also uploading, since Canada does not have an explicit right of “making available” and those who make music available are not “authorizing” their communication on the internet. As to the former point, it is true that Canada has not ratified the *WIPO Copyright Treaty*, 23 December 1996, 3186 U.N.T.S. 122, <[http://www.wipo.int/treaties/en/ip/wct/pdf/trtdocs\\_wo033.pdf](http://www.wipo.int/treaties/en/ip/wct/pdf/trtdocs_wo033.pdf)> [WCT] and does not have a making available right *per se*, though it can be argued that a combination of

In the same vein as *Théberge* and *CCH, SOCAN v. CAIP* sets limits to the reach of copyright and confronts it with other, potentially different policy objectives. It also shows reluctance in imposing liability on intermediaries which, while they are professionals in their own right (in this case, ISPs; in *CCH*, the Great Library), are not professionals of the copyright business, at least not to the extent that their roles are considered here. They allow end-users to access human knowledge, whether in the form of books (*CCH*) or via the internet. Those end-users have a right of access and that right must not be interfered with lightly. As facilitators of this kind of access, but without control over the content that a particular user will access (among almost infinite possibilities), librarians and ISPs' interests must be safeguarded. The subtext, I suggest, is that the "business of copyright" should be handled by those who publish, produce and disseminate works and actually choose the content that gets disseminated (broadcasters, publishers, etc.).

The Supreme Court will now have to decide whether copyright's power to exclude/prohibit should be exercised between professionals, but with a view to preventing online access to material written by freelance journalists.<sup>34</sup> It will be interesting to see whether broader public interest/social welfare arguments are factored into the Court's analysis. In a case with an analogous fact pattern, the United States Supreme Court, while recognizing the rights of the authors, was reluctant to issue an injunction.<sup>35</sup>

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the rights of reproduction and communication to the public/public performance provides rightsholders an equivalent right. That is the approach taken in the US *Digital Millennium Copyright Act*, Pub. L. No. 10534, 112 Stat. 2860 (1998), <[http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=105\\_cong\\_public\\_laws&docid=f:publ304.105.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=105_cong_public_laws&docid=f:publ304.105.pdf)>. The Court of Appeal dismissed the appeal, essentially due to the poor quality of the evidence submitted by plaintiff but without approving the comments concerning copyright law, and invited the music industry to resubmit an application with proper evidence. *BMG Canada Inc. v. Doe*, 2005 FCA 193, <<http://decisions.fca-caf.gc.ca/fca/2005/2005fca193.shtml>>, [2004] 3 F.C. 241, 39 C.P.R. (4th) 97 [BMG (FCA) cited to F.C.].

34. *Robertson v. Thomson Corp.* (2004), 72 O.R. 481,

<<http://www.ontariocourts.on.ca/decisions/2004/october/C38148.pdf>>, [2004] O.J. No. 4029 (Ont CA), leave to appeal to Supreme Court of Canada granted (21 April 2005).

35. *New York Times Co., Inc. v. Tasini*, 533 U.S. 483, <<http://www.law.cornell.edu/supct/html/00-201.ZS.html>> (2001) at p. 486:

The Publishers' warning that a ruling for the Authors will have "devastating" consequences, punching gaping holes in the electronic record of history, is unavailing. It hardly follows from this decision that an injunction against the inclusion of these Articles in the Databases (much less all freelance articles in any databases) must issue. The Authors and Publishers may enter into an agreement allowing continued electronic reproduction of the Authors' works; they, and if necessary the courts and Congress, may draw on numerous models for distributing copyrighted works and remunerating authors for their distribution.

## 2.2. The Trilogy in Perspective

### 2.2.1. Origins of the Canadian Act

The first copyright statute<sup>36</sup> in the United Kingdom,<sup>37</sup> which was used as a basis for the 1921 *Copyright Act*,<sup>38</sup> many parts of which have survived to this day, was essentially a privilege granted by the Crown to authors and publishers to prevent reuse by other publishers.<sup>39</sup> It seems to have been derived from a previous act designed to limit publications to authorized publishers.<sup>40</sup> From its inception, copyright was a “professional right”: a right used by professionals against other professionals. In fact, until the 1990s copyright was aimed at professional entities, either legitimate ones such as broadcasters, cable companies or distributors, or illegitimate ones such as makers and distributors of pirate cassettes and later CDs. In most cases, these professionals were intermediaries with no interest in the content itself (*i.e.*, they could have sold shoes or illegal drugs instead of music or movies).

Copyright remained a right to copy. A right to perform in public was added because authors of theatrical plays and music realized (and were able to convince authorities) that selling sheet music or books was only a small fraction of the commercially relevant use of their works.

The history of copyright and authors’ rights after this initial phase (*i.e.*, mostly during the twentieth century) was essentially that of the adaptation to new

36. Prior to the *Statute of Anne*, 1710 (UK), 8 Ann., c. 19, <[http://www.yale.edu/lawweb/avalon/eurodoccs/anne\\_1710.htm](http://www.yale.edu/lawweb/avalon/eurodoccs/anne_1710.htm)> [*Statute of Anne*], there had been no copyright proper. There is still a debate as to whether the *Statute of Anne* was in fact “copyright.” See Brad Sherman & Lionel Bently, *The Making of Modern Intellectual Property Law: The British Experience, 1760-1911* (Cambridge: Cambridge University Press, 1999) at pp. 207-208.
37. While 1710 is mentioned as the *Statute of Anne*’s year in most publications, some scholars argue that the correct date is 1709. See L. Ray Patterson, *Copyright in Historical Perspective* (Nashville: Vanderbilt University Press, 1968) at p. 3. The Canadian Act is clearly a common law-based statute (see *Théberge supra* note 1 at paras. 62-69), but it is based on the 1911 British Act, not the 1710 text. It is also worth noting that on the European Continent the copyright story took a different path. While events paralleled those in the UK (there were printing privileges in Italy and pre-Revolution France since at least the early 17th century) for several decades, things took a different turn at the end of the eighteenth century: authors’ rights were born in the purest tradition of human rights, *i.e.*, as natural rights. This approach continued on the Continent. See *Universal Declaration of Human Rights*, 12 October 1948, UN GAOR, GA Res 217 (III), <<http://www.un.org/Overview/rights.html>>, art. 27(2), which reads: “Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.” As a human right, copyright has special status and can not easily be limited by the State, politically or legally. But here again, this human right was exercised mostly against infringers who were, by and large, either small-time pirates, or professionals lacking a certain ethical view of publishing (truth be told, the boundary between authorized reuse of existing material and infringement was not and is not always clear.) Authors were also able to use their human right against publishers who exploited them beyond what they considered to be an acceptable limit.
38. 11-12 Geo. V, c. 24, modified by 13-14 Geo. V, c. 10, entered into force 1 January 1924, 27 Gaz. C. n° 26,2157.
39. Certain commercial entities waited to see which books were selling well and then started to copy them. This created a free-rider system, which was rather inefficient from a commercial standpoint: publishers had little incentive to invest in the publication of new books and authors were suffering from the narrow bandwidth for the dissemination of their books. This “free” and rather raw capitalism thus led to a market failure in the book trade that had to be regulated.
40. This is the argument made in L. Ray Patterson & Craig Joyce, “Copyright in 1791: An Essay Concerning the Founders’ View of the Copyright Power Granted to Congress in Article I, Section 8, Clause 8 of the U.S. Constitution” (2003) 52 *Emory Law Journal* 909 at p. 916.

forms of creation (e.g. cinema) and, more importantly, of new ways to disseminate copyrighted works (radio, then television broadcasting, cable, satellite). In most cases, the sphere of protected rights grew by analogy. Playwrights and authors of music were able to obtain rights in respect of the live performance of their works by arguing that this was their main economic use. When radio was invented, those same live performances (mostly of opera and music) were then broadcast directly to the homes of listeners. Because people did not attend the live performance, the existing copyright rights did not apply. Yet broadcasters were making a commercial use of the material similar to the use made by theatre or concert hall operators. It was quite logical to extend the right of public performance to the "communication" by Hertzian waves. It was only a small step after that to add television, and later communication by cable and satellite. The result of this historical process is the bundle composed of "copyright rights" found in section 3 of the Act and most other national copyright laws.

In its interface with copyright law, the internet is regulated by analogy with the previous series of analogies. Communication on the internet is analogized to a communication to the public, itself analogous to a public performance. There is, however, a very fundamental difference. In the case of broadcasts, the intermediary (i.e., the broadcaster) is responsible both for the technical operation of getting content to end-users and for selecting the content. Even cable companies select the channels they carry and often add channels of their own. On the internet, that function is split. That split is, I suggest, the cause of a deepening malaise.

In the vast majority of cases, ISPs do not select content. They merely provide the means to get content from one point to another. The point of origin may be a professional content provider, but it may also be another "user." When broadcasters were analogized to theatre and concert hall operators, the analogy held because both were making a professional use of copyright content. On the internet, individual end-users have become "content providers" but they are not professionals. Still, because rightsholders analogized them to professional content providers, they had no hesitation to apply copyright, a hitherto purely professional right, to those individuals. That is when the tension emerged.

That was indeed a truly fundamental shift. Historically, copyright was a tool designed to support contractual relations between professionals (authors, publishers, producers, broadcasters etc.) or to fight professional pirates. It is now a legal tool that rightsholders can use against *end-users*, including consumers.<sup>41</sup> Rightsholders are attempting to use the copyright tools at their disposal for a dual purpose: ensuring that end-users pay the fee for the material they use (which they see as including getting access through authorized sources), and preventing the transmission of the material by those "end"-users to other users (in other words preventing them from becoming intermediaries). To put it bluntly, rightsholders want to ensure that end-users remain just that, *end-users*.

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41. See *BMG (FC)*, *supra* note 33; and RIAA, Press Release, "Recording Industry Begins Suing P2P File Sharers Who Illegally Offer Copyrighted Music Online" (8 September 2003), <<http://www.riaa.com/news/newsletter/090803.asp>>. See also John Borland, "RIAA sues 261 file swappers" *CNET News.com* (8 September 2003), <<http://news.com.com/2100-1023-5072564.html?tag=nl>> and John Borland, "RIAA files 80 new file-swapping suits" *CNET News.com* (30 October 2003), <<http://news.com.com/2100-1027-5099738.html>>.

On the other side of this tug-of-war, individual users want to harness the enormous capabilities of the internet to access, use and disseminate information and content. The demand is huge and ever increasing.<sup>42</sup> Internet technology has responded to this huge pull by providing the initial adequate technological means. It has also responded to legal and technological barriers by providing new tools: close Napster and peer-to-peer (P2P)<sup>43</sup> emerges. Try to shut P2P down, as was done in the recent wave of subpoenas and law suits against individual file “sharers,”<sup>44</sup> and quite predictably another technology will surface: anonymous file exchange systems, thus defeating any subpoena served on the ISP. Because ISPs will not know the identity of users who are exchanging music files, subpoenas will be ineffective. In a similar vein, if a way is found to block music files, software that disguises the music content will be invented.<sup>45</sup>

The commercial and public relations cost of trying to apply copyright to end-users illustrates a simple fact: that is not what copyright was meant to do. The history and underlying policy objectives of copyright indicate that it is a right to be exercised by and against *professionals*. One should add to this equation the fact that copyright was always used to *regulate and organize* markets when a new form of dissemination was invented. The internet is, from this perspective,

42. Richard Stallman wrote a perceptive piece in 1996:

The Internet is relevant because it facilitates copying and sharing of writings by ordinary readers. The easier it is to copy and share, the more useful it becomes, and the more copyright as it stands now becomes a bad deal. This analysis also explains why it makes sense for the Grateful Dead to insist on copyright for CD manufacturing but not for individual copying. CD production works like the printing press; it is not feasible today for ordinary people, even computer owners, to copy a CD into another CD. Thus copyright for publishing CDs of music remains painless for music listeners, just as all copyright was painless in the age of the printing press. To restrict copying the same music onto a digital audio tape does hurt the listeners, however, and they are entitled to reject this restriction. We can also see why the abstractness of intellectual property is not the crucial factor. Other forms of abstract property represent shares of something. Copying any kind of share is intrinsically a zero-sum activity; the person who copies benefits only by taking wealth away from everyone else. Copying a dollar bill in a color copier is effectively equivalent to shaving a small fraction off of every other dollar and adding these fractions together to make one dollar. Naturally, we consider this wrong. By contrast, copying useful, enlightening or entertaining information for a friend makes the world happier and better off; it benefits the friend and inherently hurts no one. It is a constructive activity that strengthens social bonds.

Richard Stallman, “Reevaluating Copyright: The Public Must Prevail” (1996) 75 Oregon Law Review 291 at p. 294.

43. “A peer-to-peer (or P2P) computer network is a network that relies on the computing power and bandwidth of the participants in the network rather than concentrating it in a relatively few servers. P2P networks are typically used for connecting nodes via largely *ad hoc* connections.” “Peer-to-peer” *Wikipedia* (26 October 2005), <<http://en.wikipedia.org/wiki/Peer-to-peer>>. Examples of well-known P2P clients include KaZaa and Grokster. The United States Supreme Court decided that P2P software providers can be held liable for secondary copyright infringement. See *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. \_\_\_, <<http://www.supremecourtus.gov/opinions/04pdf/04-480.pdf>>, (2005) 125 S.Ct. 2764.
44. See *BMG (FCA)*, *supra* note 33 and, in the United States, *Recording Industry Association of America, Inc. v. Verizon Internet Services*, 257 F. Supp. 2d 244 (DDC 2003), <<http://www.dcd.uscourts.gov/02-ms-323.pdf>>. CNET reported the increasing use of proxies to ensure the anonymity of file-sharers. See John Borland, “Covering tracks: New privacy hope for P2P,” *CNET News* (24 February 2004) <<http://news.com.com/2100-1027-5164413.html>>. Another example is programmer Wyatt Wasicek, who has created a program called AnonX that masks the internet address of people who use file-sharing programs such as Kazaa. Wasicek promises not to divulge his 7,000 users’ internet addresses, and believes he cannot be forced to do so. See Brian Bergstein, “Angry with RIAA tactics, programmer creates mask for file-sharers” *Security Focus* (11 February 2004), <<http://www.securityfocus.com/news/8006>>.
45. Regularly, new technologies that promise to stop P2P sharing of copyrighted material (such as Audible Magic) emerge, usually with some concerns about privacy. See John Borland, “File-swap ‘killer’ grabs attention” *CNET News.com* (3 March 2004), <[http://news.com.com/2100-1025\\_3-5168505.html](http://news.com.com/2100-1025_3-5168505.html)>.



probably the biggest jump in technological terms and copyright was used not to organize the music market but rather to deny it. It will not work. Historically, copyright was never a dam, it was a river.<sup>46</sup> It was designed not to stop the flow of works and ideas, but to channel it and optimize the commercial exploitation of works.

The fact that copyright was not meant to be used in the private sphere is evidenced by the fact that exceptions and limitations to copyright were also written in the days of the *professional intermediary* as user. This explains why in several national laws, the main exceptions can be grouped into two categories: private use, which governments previously regarded as “unregulatable”<sup>47</sup> and where copyright law abdicated its authority by nature; and use by specific professional intermediaries: libraries (and archives) and certain public institutions, including schools, courts and sometimes the government itself. There are still today several very broad exceptions for “private use” (e.g., Italy, Japan) that were adopted in the days when the end-user was just that, the end of the distribution chain.<sup>48</sup> End-users always enjoyed both “room to move” because of exceptions such as fair use and rights stemming from their ownership of a physical copy.<sup>49</sup>

Entering the private sphere also meant that copyright had to fight a new, formidable opponent: the right to privacy, which is anchored, *inter alia*, in article 8 of the *European Convention for the Protection of Human Rights and Fundamental Freedoms*,<sup>50</sup> and in articles 17 and 19 of *International Covenant on Civil and Political Rights*.<sup>51</sup> The right to private use is also considered fundamental in several European copyright statutes<sup>52</sup> and may have a strong

46. The successes of publishers of scientific and medical journals show that using copyright norms in the internet environment is possible. By making journals available online and leveraging the technology to provide, e.g., raw lab data or files containing three-dimensional images, those publishers, who still sell plenty of paper copies, have increased total revenues. The key is to trust users, and let them use the material. Trust was always implicit in pre-internet days, with legal devices such as the first-sale doctrine, private copying exceptions, fair use, etc.
47. Professor Alain Strowel considers the defence of the private sphere as one of the three main justifications for exceptions to copyright, the other two being circulation of information, and cultural and scientific development. See Alain Strowel, “Droit d’auteur et accès à l’information: de quelques malentendus et vrais problèmes à travers l’histoire et les développements récents” (1999) 12 Cahiers de propriété intellectuelle 185 at p. 198.
48. The result of those exceptions expressed as a combination of chattel rights of the owner of the copy and exceptions to copyright, in particular fair dealing.
49. See *Théberge*, *supra* note 1 at paras. 32-33. Binnie J wrote an interesting comment on this point: Excessive control by holders of copyrights and other forms of intellectual property may unduly limit the ability of the public domain to incorporate and embellish creative innovation in the long-term interests of society as a whole, or create practical obstacles to proper utilization. This is reflected in the exceptions to copyright [...] such as fair dealing [...]. This case demonstrates the basic economic conflict between the holder of the intellectual property in a work and the owner of the tangible property that embodies the copyrighted expressions [emphasis added].
50. *Convention for the Protection of Human Rights and Fundamental Freedoms as amended by Protocol No. 11*, 4 November 1950, 213 U.N.T.S. 222, <<http://www.conventions.coe.int/treaty/en/Treaties/Html/005.htm>>.
51. *International Covenant on Civil and Political Rights*, 23 March 1976, 999 U.N.T.S. 187, <[http://www.unhcr.ch/html/menu3/b/a\\_ccpr.htm](http://www.unhcr.ch/html/menu3/b/a_ccpr.htm)>.
52. See Lucie M.C.R. Guibault, “Contracts and Copyright Exemptions” in Bernt Hugenholtz, ed., *Copyright and Electronic Commerce: Legal Aspects of Electronic Copyright Management* (The Hague: Kluwer Law, 2000) 125-164, at p. 132.

constitutional basis in the United States.<sup>53</sup> To summarize a complex set of arguments, it has been argued that copyright owners should not be able to control the uses of the works that are made by individual users in their private sphere, because this would amount to a violation of their privacy.<sup>54</sup>

Another problem is that while copyright professionals (publishers, producers, broadcasters, etc.) follow the rules as a business decision and a matter of basic risk assessment, individual end-users need to have internalized the norm. Otherwise, huge and perhaps futile enforcement efforts are required.<sup>55</sup>

The invasion of the privacy sphere is at odds with the history of copyright, where it never forayed except, as just mentioned, in the case of levies. There was an implicit recognition that copyright did not apply to end uses, even though formally users were making copies and, in rarer cases, performing or communicating works. The fact that copyright is an exclusive right, a right to exclude others is, in part at least, a fallacy. Leaving aside the debates as to whether copyright is “property” in a classical sense (which, one could argue, it is not because use and enjoyment by a third party does not prevent use by the owner<sup>56</sup>) or whether its basis is anchored in natural law,<sup>57</sup> the fact is that

53. See Julie E. Cohen, “A Right to Read Anonymously: A Closer Look at Copyright Management in Cyberspace” (1996) 28 Connecticut Law Review 981 [Cohen, “Right to Read”]; and Julie E. Cohen, “DRM & Privacy” (2003) 18 Berkeley Technology Law Journal 575, <<http://www.law.berkeley.edu/journals/btlj/articles/vol18/Cohen.stripped.pdf>> [Cohen, “DRM”] at pp. 576-577. Professor Cohen continues by stating:

Properly understood, an individual’s interest in intellectual privacy has both spatial and informational aspects. At its core, this interest concerns the extent of “breathing space,” both metaphorical and physical, available for intellectual activity. DRM technologies may threaten breathing space by collecting information about intellectual consumption (and therefore exploration) or by imposing direct constraints on these activities.

She argues that there may be harm in allowing individual to waive or sell usage data (via a DRM system) if it amounts to waiving their intellectual privacy. See Cohen, “DRM,” *ibid.* at p. 609.

54. The fact that private use is not expressly mentioned as an exception in a number of national laws or the Berne Convention is not surprising: it was of little interest to copyright holders until the invention of the VCR and double-deck cassette players, which only became popular in the 1970’s. A number of countries then introduced regulation *not* to stop the practice (and there were famous court cases where this was tried, including the *Sony* case in the US), but rather to *compensate* rightsholders by introducing levies on blank tapes and, in certain cases, on recording equipment as well.

55. See Part 2.2.2.

56. A theory usually attributed to John Locke. Locke himself justified property on the following grounds:

Whether we consider natural reason, which tells us, that men, being once born, have a right to their preservation, and consequently to meat and drink, and such other things as nature affords for their subsistence: or *revelation* ... it is very clear, that God ... *has given the earth to the children of men*; given it to mankind in common ... God, who has given the world to men in common, hath also given them reason to make use of it to the best advantage of life and convenience. The earth, and all that is therein, is given to men for the support and comfort of their being. ... Though the earth, and all inferior creatures, be common to all men, yet every man has a *property* in his own *person*: this no body has any right to but himself. The *labour* of his body, and the *work* of his hands, we may say, are properly his. Whatsoever then he removes out of the state that nature hath provided, and left it in, he hath mixed his *labour* with, and joined to it something that is his own, and thereby makes it his *property*. It being by him removed from the common state nature hath placed it in, it hath by this *labour* something annexed to it, that excludes the common right of other men: for this *labour* being the unquestionable property of the labourer, no man but he can have a right to what that is once joined to, at least where there is enough, and as good, left in common for others.

John Locke, *Second Treatise of Government*, C. B. Macpherson, ed. (Indianapolis, Ind.: Hackett Publishing Company, 1980), <<http://www.gutenberg.org/dirs/etext05/trgov10h.htm>>, chap.V, “Of Property” at ss. 25-27.

57. “Natural rights are those which always appertain to [human beings] in right of [their] existence. Of this kind are all the intellectual rights, rights of the mind, and also all those rights of acting as individual[s] of [their] own comfort and happiness, which are not injurious to the natural rights of others.” Thomas Paine, *Rights of Man: Being an Answer to Mr. Burke’s Attack on the French Revolution* (London: J.S. Jordan, 1791), <<http://www.gutenberg.org/dirs/etext03/twtp210.txt>> at p. 48.

copyright's power to exclude is only relevant as between competing professional users, whose business it is to reproduce, distribute or otherwise disseminate copyright content. Author A can exclusively license or assign her copyright to Publisher B so as to exclude other Publishers from printing her book, thereby allowing a certain degree of market organization and scarcity (for the physical copies).

The fact that copyright's power to exclude has not, historically, extended its reach to individual end-users was never formulated with a high degree of precision in copyright statutes. It is evidenced, however, by the number of private use exceptions recognized by national courts and various statutes. It is also a fundamental concept of many national copyright systems, including Belgium<sup>58</sup> and Germany. One of the leading scholars on copyright and patent law in Germany and other parts of Europe, considered that one should not focus on the technical nature of the use, but its impact and intent.<sup>59</sup> In the words of Professor Hugenholtz:

[C]opyright protects against acts of unauthorized communication, not consumptive usage (...). [T]he mere reception or consumption of information by end-users has traditionally remained outside the scope of the copyright monopoly. Arguably, the right of privacy and the freedom of reception guaranteed in Articles 8 and 10 of the European Convention on Human Rights would be unduly restricted if the economic right encompassed mere acts of information reception or end use.<sup>60</sup>

If copyright's power to prohibit use does not reach end-users, neither does it reach users who have no direct (one-on-one) transactional contact with the rightsholders. I have previously argued<sup>61</sup> that whenever a right is managed collectively, excludability is illusory. Essentially, users pay a tariff to use works in the collective's repertoire. Collectives operating in whole or in part under agreements instead of tariffs must negotiate licences in good faith. Otherwise, they run the risk of running afoul of competition law.<sup>62</sup> Copyright's power to exclude is limited, therefore, to cases where an exclusive distributorship (or other form of dissemination) is negotiated by the first owner of copyright or someone else who acquired rights from that first owner, and in cases of commercial piracy.

It was not an obvious step for copyright on the internet to try to reach end-users who do not consider themselves as pirates nor act with intent of commercial gain. As mentioned above, I believe that this conceptual jump is

58. See Strowel, *supra* note 47.

59. Joseph Kohler, *Das Autorrecht: eine zivilistische Abhandlung; Zugleich ein Beitrag zur Lehre vom Eigentum, vom Miteigentum, vom Rechtsgeschäft und vom Individualrecht* (Jena: G. Fischer, 1880), <[60. P. Bernt Hugenholtz. "Caching and Copyright: The Right of Temporary Copying", \(2000\) 22 European Intellectual Property Review 482 at pp. 485-486.](http://dlib-pr.mpier.mpg.de/m/kleioc/0010/exec/books/%22160676%22>at p. 230.</a></p>
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61. See Daniel Gervais & Alana Maurushat, "Fragmented Copyright, Fragmented Management: Proposals to Defrag Copyright Management" (2003) 2 Canadian Journal of Law and Technology 15, <[http://cjlt.dal.ca/vol2\\_no1/pdfarticles/gervais.pdf](http://cjlt.dal.ca/vol2_no1/pdfarticles/gervais.pdf)>.

62. See the *Copyright Act*, *supra* note 3, s. 70.5. This risk was duly noted in the *Copyright Act*, which limited competition remedies when an agreement is notified to the Board.

precisely the point of origin of the problems we face today. And it is precisely what undergirds the Supreme Court trilogy.

If this is correct, then copyright should not be used to prevent them from using protected material. Whether it is used to argue in favour of compensation for certain uses is a different question, to which I return in Part 3. Professionals of the copyright business and professional pirates can expect to feel the full wrath of copyright, not those who provide access without controlling content or those who actually use the content. By giving it a clear purpose, the trilogy has thus arguably aligned Canadian copyright law with its historical purpose. Even though that purpose was not stated in the statute itself, it is clear. Protection is a means to an end, and its reach, especially when it is to stop or exclude uses, should be limited where this does not serve the underlying purpose or imposes too high a social cost. That is even more apparent where a direct conflict emerges with other rights (e.g., privacy).

### 2.2.2. The Distant Moral Imperative

Preventing use of copyright material by end-users is proving difficult because it does not seem aligned with the moral imperative that is (arguably) the source of the first copyright statutes. A legal norm is self-enforcing when it is well internalized, which in turn depends on its alignment with an underlying moral imperative. Conversely, when the legal norm is far removed from that moral imperative and in fact clashes with a social norm, repressive enforcement is required, but leads to a treatment of otherwise law-abiding citizens as marginal elements, which induces more deviant behaviour<sup>63</sup>—a legal Catch-22 in the midst of which copyright is mired today.

What are the moral imperative and social norms at play? There is no room in this paper for a detailed review of this question. A few lessons can be drawn, however, the most important of which is that many of the traditional cultures that compose Canada's cultural mosaic recognize that appropriating someone else's work and making it one's own is wrong—which is not to say that authors had a right of attribution in all those cultures.<sup>64</sup> As Cheryl Swack's research has shown:

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63. See, for example, Eric A. Posner, "Law and Social Norms: The Case of Tax Compliance" (2000) 86 Virginia Law Review 1781. Posner posits that when the social and legal norms are aligned, the government can trust citizens. There is a socially rewarded signalling effect in complying. By increasing enforcement of tax rules, governments lower the social signalling effect of compliance. In other words, respect for the law is a combination of the degree of internationalization of the norm, external benefits of compliance (termed the signalling effect), and the risk factor, which in turn is linked to the level of enforcement. Posner's work demonstrates that the last two factors are interrelated, and that increasing enforcement lowers the perceived benefit of compliance. Indeed, in a marginal-type environment, there may be a social stigma associated with compliance and, conversely, an enhanced peer group status resulting from non-compliance.

64. And older common law decisions would have reflected those values. See Stuart Banner, "When Christianity was Part of the Common Law" (1998) 16 Law and History Review 27 at p. 30 (quoting *Rex v. Woolston* (1729), 64 E.R. 655 at p. 656). Actually, copyright in the Bible was a pivotal issue that influenced the famous UK case, *Donaldson v. Beckett* (1774), 1 E.R. 837. See also Edward D. Re, "The Roman Contribution to the Common Law" (1993) 39 Loyola Law Review 295. Artists in classical Greece and the Roman Empire did not seek personal attribution, and it was common to identify someone else (a teacher, a famous person) as the "author." During the early and middle Middle Ages (approximately from the eighth to the twelfth century), almost all artistic works were created in Europe under the patronage of the Roman Catholic Church, which became *de facto* the owner of all "works." Michelangelo was one of the first artists under Church patronage to insist on personal attribution. The insistence of the personal role of the author and the recognition of the link between authors and works is mostly a child of the Enlightenment, with, e.g., Kant's (and later Hegel's) view that the author infused his or her will into the work.

The idea of protecting a creator's personality through his work began its development in ancient Rome, despite the absence of laws equivalent to personality rights or copyright. Instead, the prohibition against plagiarism developed, against a backdrop of widespread literary theft, to protect angry authors from "interference with [their] literary prestige."<sup>65</sup> Because "public opinion [alone] 'stigmatized' plagiarism as a crime," a Roman author had almost no legal recourse against those persons plagiarizing his work.[footnote omitted] The Romans defined plagiarism as the theft of an author's right to be recognized as the creator of his own work. The prohibition against plagiarism initially arose from an action entitled *plagium*, meaning "the crime of stealing a human being." [...] Jurist Tribonianus, during the reign of Emperor Justinian, pursued the "moral concept" of recognition by creating a legal remedy to restore "reworked or reshaped" writings back to their original versions. [footnote omitted] He rooted his decision on a juristic opinion written by Gaius, recognizing the existence of "immaterial property ... as to the form or substance of the idea." [footnote omitted] Thus, in Rome, legal protection of literary property from plagiarism hinged on the recognition of the author in his writings.

The seed of the "moral concept of ownership of intellectual property," which began in Rome through the recognition of the author in his writings, passed into the early Christian Church, forbidding plagiarism as an infringement upon the [...] "Mosaic Commandment, 'Thou shall not steal'."<sup>66</sup>

There is an equally deep respect for the written word in Jewish tradition. As Professor David Nimmer explains:

One component of a mature copyright system is its recognition that, in addition to safeguarding economic rights, copyright also functions within the realm of moral rights. Chief among those moral rights is the author's right to protect the integrity of her work, to prevent it from being mutilated in a manner prejudicial to her reputation. In that last regard, Jewish law embodies the most aggressive, and successful, copyright protection campaign in human history. Worship of the precise text of the Torah, with reverence extending even to the tradition of what words are consistently misspelled, has infused millennia of practice. Indeed, countless Columcilles in every era of Jewish history have so revered the scriptures as to produce a near-miracle: The Biblical text in our hands today matches the text of our ancestors.

This example connotes reverence for the integrity of the text and then some. More than any aggressive French court has ever protected *le droit moral*, the Jewish people, inspired by the example of their king, have safeguarded the exact letters of a literary text in a manner unparalleled throughout the millennia.<sup>67</sup>

65. Harold C. Streibich, "The Moral Right of Ownership to Intellectual Property: Part I - From the Beginning to the Age of Printing" (1975) 6 Memphis State University Law Review 1 at p. 5.

66. Cheryl Swack, "Safeguarding Artistic Creation and the Cultural Heritage: A Comparison of *Droit Moral* Between France and the United States" (1998) 22 Columbia -VLA Journal of Law and the Arts 361 at pp. 366-368.

67. David Nimmer, "Of Jewish Kings and Copyright" (1998) 71 Southern California Law Review 219 at pp. 231-232.

Of course the Decalogue's direction "thou shalt not steal" mentioned above is a powerful example of a deeply-rooted call to our collective conscience not to take someone else's property. But the direction's power to influence behaviour hinges on its interpretation. Is reading a book "taking" someone's work, or is that moral imperative focused instead on plagiarism? When I access a website or download music, do I in my conscience consider that I am in fact stealing? Morally, is copyright based on property or propriety? In most cultures, the moral imperative is not focused on usage, but plagiarism.

In China, as author Geoffrey Willard notes:

As with the other forms of intellectual property in China, copyright has been recognized in some sense for many years. For instance, during the Tang Dynasty<sup>[68]</sup> (which saw the birth of printing), imperial decrees banned the unauthorized copying of legal pronouncements, calendars, and other materials. There is also evidence that during the Song Dynasty<sup>[69]</sup> authors would state on the final page of their publication that "reproduction was prohibited."<sup>70</sup> However, in reality such admonitions against unauthorized reproduction were largely ineffective, and compliance with "copyright" was quite limited. This failure might be attributed to Chinese tradition and the widespread notion that "detailed replication of art and written texts is considered the highest form of honour to the master."<sup>71</sup>

A strong moral imperative against plagiarism was also prevalent in the Arab world.

The oldest reference to formal intellectual property protection in the Middle East is connected with original authorship, i.e. copyright. [...] It is therefore not surprising that the first recorded semi-legal references to IPRs within the Middle East generally pertain to copyright—mainly in poetry. Fine poetry was always deeply regarded within Arab literature, thereby granting its author renown and social respect, and ultimately wealth and security. Even during the centuries before Islam, poetry played a central role in the life of the ancient Arabs. Some even viewed it as "the only form of artistic expression" of the "Jahiliya"<sup>72</sup> era. Poetry reflected the life and aspirations of the "Jahiliya" Arabs, to the extent that it is regarded as "the public register of Arabs." [...] Before Islam and even during the Islamic Empire, poets flocked to that era's centers of civilization and culture, namely Mecca, Madina, Baghdad, Damascus, Cairo, and even Toledo in Spain in an attempt to find favor in the eyes of Caliphs, Kings, or Saltines. Such favor would bring these poets wealth, and in many cases a permanent place among the Caliph's court.

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68. AD 618-907 [footnote inserted by author].

69. AD 960-1279 [footnote inserted by author].

70. Yiping Yang, "The 1990 Copyright Law of the People's Republic of China" (1993) 11 UCLA Pacific Basin Law Review 260 at p. 263.

71. Geoffrey T. Willard, "An Examination of China's Emerging Intellectual Property Regime: Historical Underpinnings, The Current System and Prospects for the Future" (1996) 6 Indiana International and Comparative Law Review 411 at p. 416.

It is therefore not surprising that some lesser poets were tempted to resort to various forms of “plagiarism” in order to enhance their standing and wealth. These actions, however, did not go unabated. In fact, such plagiarists were generally cast from cultural society. Their plagiarism was harshly condemned and generally classified as a crime.<sup>73</sup>

The moral imperatives that seem to be at the source of “copyright” in many ancient cultures is a form of reproduction that would in most cases infringe section 3 of the Act as well as the right of attribution (moral right) contained in section 14.2. It is the taking of someone’s work to make one’s own.<sup>74</sup> It is not the extraction of a payment for every drop of use of the work distilled to individual end-users.

As discussed above in Part 2.2.1, the growth of the sphere of copyright norms was economically justified and understood by professionals to arise out of a need to organize the market for copyright works and the related financial flows among all the professional players involved. Whether all those professional players had internalized these “business” norms as moral imperatives was thus much less important. In bringing copyright into the millions of private spheres of individual users, that need to align the legal norm with a moral imperative, a rule considered fair and justified, has resurfaced with a vengeance.

While internet users apparently do not agree that their file-sharing behaviour is morally wrong, a view supported historically in many cultures where stealing a work of the mind meant plagiarizing or using without proper attribution, their cyberspace behaviour has shaped a new social norm of creating multiple links, by email, in chat groups, blogs or other internet tools, with people with whom they share certain interests.<sup>75</sup> This is reinforced by hyperlinks that allow users to “intuitively” follow their train of thought. That requires access, not roadblocks. In a world where millions of internet users are paying for high-speed to avoid having to wait to access material, a refusal to grant access because of a prohibition-based copyright is unlikely to be well received and accepted.

Not only is using copyright as a tool to prohibit use on the internet risky behaviour from the fairly straightforward historical perspective of the purpose of copyright, namely the regulation of the interaction between professional actors responsible for the creation, publication, production and dissemination of works of the mind, but it also does not seem rooted in a moral imperative—quite the opposite: it clashes with strong social norms that have developed specifically because of the informal, intuitive and global nature of the internet.

### 2.2.3. Whither Parliament?

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72. The “Jahiliya” is a reference to the era before Islam.[...] [excerpt of footnote in original].

73. Amir Khoury, “Ancient and Islamic Sources of Intellectual Property Protection in The Middle East: A Focus On Trademarks” (2003) 43 IDEA: The Journal of Law and Technology 151 at pp.153-154.

74. One could imagine forms of plagiarism that do not amount to a reproduction of a substantial part under s. 3, but most plagiarists do reproduce the text or a paraphrased version of it that would amount to an infringement under ss. 3 and 27 of the Act.

75. See Howard Rheingold, *Smart Mobs: The Next Social Revolution*, (New York: Perseus Books, 2003) at pp. 51-61; see also Cass Sunstein, *Republic.com* (Princeton: Princeton University Press, 2002) at p. 103.

Not surprisingly in a common law environment, most intellectual property rules stem from principles first enunciated by courts. Legislators can then intervene to codify (especially when a jurisprudential rule is understood differently by different courts in a same country or territory) or change the rules. In the area of copyright, the Supreme Court has now intervened to state the Act's purpose, defining such key concepts as originality and research, which Parliament had failed to do. The Court also insisted on the need to include intellectual property norms in a broader policy framework, to take account of the economic and societal impacts of protection and the social costs of over- and under-protection, in both copyright and patent law.<sup>76</sup> The Court has not shied away from confronting intellectual property and competing policies. In *SOCAN v. CAIP*, it was the importance of the internet.<sup>77</sup> True, in some cases the Court suggested that a parliamentary intervention might be useful. In *SOCAN v. CAIP*, for example, Binnie J stated:

The knowledge that someone *might* be using neutral technology to violate copyright (as with the photocopier in the *CCH* case) is not necessarily sufficient to constitute "authorization" [...] I agree that notice of infringing content, and a failure to respond by "taking it down" may in some circumstances lead to a finding of "authorization". However, that is not the issue before us. Much would depend on the specific circumstances. [...] A more effective remedy to address this potential issue would be the enactment by Parliament of a statutory "notice and take down" procedure as has been done in the European Community and the United States.<sup>78</sup>

As I am closing Part 2 and prepare to examine ongoing efforts to amend the *Copyright Act* to respond, *inter alia*, to technological changes of the last decade, it is worth considering whether Parliament necessarily will do a better job than the Court in establishing or maintaining an optimal level of protection. Parliaments decide in the abstract, based on pressures from constituents and/or theoretical analyses. Courts decide on the facts of actual cases, which allows them to see how norms affect the "real world." Both systems are imperfect. Legislators must decide general rules without being able to identify possible unintended negative effects or technological changes. Decisions of appellate courts deal with a specific set of facts and those rules must then be extrapolated to different factual circumstances. Yet, the rapid reaction in certain countries to change copyright norms may at times have produced rather infelicitous results. For example, the term of protection of copyright was extended in Europe and then the United States with little if any supporting evidence that it would have a positive impact on general welfare, such as lead to the creation of more new works.<sup>79</sup> The decision was prompted by intense lobbying by Disney and other similar interests.<sup>80</sup>

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76. See, for example, *supra* notes 12-13 and accompanying text.

77. See *supra* note 32 and accompanying text.

78. *SOCAN v. CAIP (SCC)*, *supra* note 1 at para. 127.



In analyzing how much we can count on Parliament to “improve on” recent Supreme Court decisions, the words of Landes and Posner are relevant:

Legal policy toward intellectual property is shaped by judicial as well as legislative action. Public-choice analysis<sup>[81]</sup> focuses on legislation, because the play of interest groups in the legislative process is widely acknowledged and it thus becomes plausible to view legislation as a product demanded by and supplied to influential interest groups [...] The judicial process, in contrast, is structured to minimize the role of interest groups; interest groups can file *amicus curiae* briefs, but judges have little incentive to give much weight to such briefs. For these and other reasons, economic analysis of legal institutions has tended to distinguish between common law and legislative policymaking and to argue that the former is, for a variety of reasons including judicial incentives and constraints, more likely than the latter to be economically efficient. We find this pattern in intellectual property law as well.<sup>82</sup>

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### 3. IMPLEMENTING THE PURPOSE

BASED ON THE NARRATIVE PROVIDED BY THE SUPREME COURT, we know that copyright’s purpose is not to protect authors *per se*, based on a natural right theory or otherwise, but to protect them to the extent necessary to obtain just rewards for creators while promoting the public interest in the encouragement and dissemination of works of the arts and intellect, preferably without any deadweight or unjustified social cost. To implement that purpose, the Supreme Court stated that copyright’s power to exclude (prohibit use) should not invade the sphere of end-users and should be measured against other measures likely to affect general welfare, such as the development of technology, research and invasions of privacy. Does this mean that copyright cannot work in the internet era? Not surprisingly, that is a central question in the ongoing copyright reform effort.

In terms of policy choices, there are four main options to consider: (a) one could decide not to apply copyright to end-users; (b) one could treat end-users as professional content providers and apply copyright as it always has to professional entities; (c) one could consider using copyright not to exclude use but rather to compensate rightsholders; and (d) one could rewrite copyright in terms that are fully consonant with the underlying objectives.

Option (a) involves recognizing an exception to the exclusive right and any such exception is constrained by the international “three-step test” against

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79. The data is discussed in the dissenting opinion in *Eldred v. Ashcroft*, 537 U.S. 186, <<http://www.supremecourtus.gov/opinions/02pdf/01-618.pdf>> (2003) [*Eldred* cited to U.S.].

80. See William M. Landes & Richard M. Posner, *The Political Economy of Intellectual Property Law* (Washington: AEI-Brookings Joint Center for Regulatory Studies, 2004) at p.16.

81. Under this rubric, economists explain the workings of governments on the basis of “supply and demand” for policy and regulatory changes. See Daniel E. Farber & Philip P. Frickey, *Law and Public Choice: A Critical Introduction* (Chicago: University of Chicago Press, 1991) (footnote inserted by author).

82. Landes & Posner, *supra* note 80 at p. 25.

which all national copyright exceptions can be measured in front of a WTO dispute-settlement panel.<sup>83</sup> In a nutshell, limited exceptions are possible when they do not conflict with a “normal” exploitation of protected works or unreasonably limit the rightsholders’ rights. Normalcy of exploitation is a dynamic notion of course, and the internet is now part of commercial strategies.

As to option (b), it is unrealistic for several reasons, including transaction costs and powerful social norms at play,<sup>84</sup> to prevent use on the internet except for single streaming or DRM-restricted downloads of single songs from authorized sources. There is a market for this type of controlled access, as the success of iTunes<sup>85</sup> demonstrates, but to think of the internet as being entirely based on the television or cable model, where all content consisting of copyright material is provided by professionals conflicts with the scope and depth of current internet practice.<sup>86</sup> That leaves options (c) and (d).

Option (c) will be discussed first, after an overview of the ongoing reform process. It involves licensing, thus ensuring remuneration for authors and other owners of copyright without prohibiting use by end-users, especially on the internet.

Option (d) reveals that the fact that copyright is typically formulated in terms of the nature of the use, not its effect,<sup>87</sup> is part of the policy quandary. Because it was not made part of the regulation that copyright is, at bottom, a professional right, reproductions and communications to the public effected by individual users *a priori* fall under section 3 of the Act (and possibly sections 15 and 18). A possible implementation and discussion of the last option is discussed in Part 3.3.

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83. See Daniel Gervais, “The Reverse Three-Step Test: Towards a New Core International Norm” (2004) 9 *Marquette Intellectual Property Law Review* 1 at pp.13-21 [Gervais, “Reverse Three-Step Test”].

84. See Daniel Gervais, “The Price of Social Norms: Towards a Liability Regime for File-Sharing” (2004) 12 *Journal of Intellectual Property* 39, <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=525083](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=525083)> [Gervais, “Social Norms”].

85. iTunes is a music download site launched by Apple. See <[www.itunes.com](http://www.itunes.com)>.

86. See Alison P. Howard, “A Fistful of Lawsuits: The Press, The First Amendment, and Section 43(A) of the Lanham Act” (2000) 88 *California Law Review* 127 at p. 159:

Copyright law also has been used to move information out of the public domain and into the private sphere, where it creates wealth for the property owner instead of enriching public discussion. This places dollars over discourse. As New York University law professor Diane Leenheer Zimmerman wrote, “What Justice Holmes later referred to as a marketplace of ideas presumably was conceived of as a place of free exchange, not of economic or contractual transactions.” (Diane Leenheer Zimmerman, “Information as Speech, Information as Goods: Some Thoughts on Marketplaces and the Bill of Rights” (1992) 33 *William & Mary Law Review* 665 at 679.)

87. See Gervais, “Social Norms,” *supra* note 83.

### 3.1. The Copyright Reform Process

The *Copyright Act* has been amended in depth several times in the last 20 years. The last major round of modifications was adopted in 1997; that is when neighbouring rights were introduced.<sup>88</sup> Another feature added in 1997 was section 92, which calls for the tabling in Parliament of a report by the government every five years “on the provisions and operations of this Act, including any recommendations for amendments to this Act.” It ended what was then “Phase II” of the Reform Process.

Phase III (or something like it) is now underway. A first significant milestone was the publication of a report entitled *A Framework for Copyright Reform*.<sup>89</sup> Then, on 3 October 2002, *Supporting Culture and Innovation: Report on the Provisions and Operation of the Copyright Act*<sup>90</sup> was tabled in Parliament. This report, which is the result of collaboration between the Departments of Industry and Canadian Heritage, the two departments responsible for copyright policy in Canada, suggested three “groupings of issues” with different timelines:

- First Grouping: Short-Term Reform Agenda (1 to 2 years)
  - Digital issues and WIPO treaties
  - Access and educational use
  - Photographic works
  - Transitional periods for unpublished works
- Second Grouping: Medium-Term Reform Agenda (2 to 4 years)
- Third Grouping: Long-Term Reform Agenda (beyond 4 years)

One key element of the third grouping is directly relevant for our purposes, namely the simplification of the Act. The first grouping was the most important politically. It suggested, *inter alia*, possible ratification of the 1996 WIPO internet treaties,<sup>91</sup> including rights against circumvention of technological protection measures (TPMs) and the removal or alteration of rights management information and possibly the addition of an explicit right of “making available,” while confirming the exemption from liability of mere conduits such as ISPs (when acting in that capacity). The first grouping also put forward proposals to revamp certain educational exceptions that are currently tied to use “in the classroom” and thus do not readily apply to distance and internet-based learning. However, the Report did not explicitly call for reforms. Rather, it

88. *Copyright Act*, *supra* note 3, c. 24.

89. Canada, *Supporting Culture and Innovation: Report on the Provisions and Operation of the Copyright Act*, (Ottawa: Heritage Canada and Industry Canada, 2001), <[http://strategis.ic.gc.ca/epic/internet/incrp-prda.nsf/en/h\\_rp01106e.html](http://strategis.ic.gc.ca/epic/internet/incrp-prda.nsf/en/h_rp01106e.html)>.

90. See Canada, *Supporting Culture and Innovation: Report on the Provisions and Operation of the Copyright Act* (Ottawa: Industry Canada, 2002), <<http://strategis.ic.gc.ca/epic/internet/incrp-prda.nsf/en/rp00863e.html>> [Section 92 Report].

91. See WCT, *supra* note 33; and the *WIPO Performances and Phonograms Treaty*, 20 December 1996, 2186 U.N.T.S. 204, <[http://www.wipo.int/treaties/en/ip/wppt/trtdocs\\_wo034.html](http://www.wipo.int/treaties/en/ip/wppt/trtdocs_wo034.html)> [WPPT].

outlined possible avenues that the reform process could take. The Report was posted on a government website and more than 700 individuals and organizations submitted comments.<sup>92</sup>

Parliament acted on the report in May 2004. The Standing Committee on Canadian Heritage, chaired by Toronto-area Member of Parliament Sarmite Bulte, tabled its Interim Report.<sup>93</sup> One of the key recommendations of the *Bulte Report* involves recognizing photographers as full authors, a matter which does not concern us here. Another issue which has generated a substantial amount of controversy and not all too productive debates is the Extended Repertoire System (ERS), also known as extended collective licensing.

The Department of Canadian Heritage commissioned a report from me on the reform of collective licensing of copyright in Canada. The Report was delivered and made available online in 2001.<sup>94</sup> The Report discussed various ways that could be used to improve the efficiency of collective licensing in Canada. One of those ways, which at first glance seemed to offer a number of important benefits is the ERS approach developed in Northern Europe over the past 35 years and whose appeal in Eastern Europe and other parts of the world seems to be growing. The government of Canada commissioned a detailed second study on ERS, also made available on its website.<sup>95</sup> After publication of the study, consultations were held and a high-level meeting in Ottawa at which experts on the application of the ERS came from Europe to explain how it had worked in that part of the world.

The ERS resurfaced in Parliamentary hearings that led to the *Bulte Report*. In the report the Parliamentary Committee suggested using ERS in the following way:

#### RECOMMENDATION 4

The Committee recommends that the Government of Canada amend the *Copyright Act* to allow for extended licensing of Internet material used for educational purposes. Such a licensing regime must recognize that the collective should not apply a fee to publicly available material (as defined in Recommendation 5 of this report).

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92. See Canada, *Response from Canadians (700 documents) Submissions Received Regarding the Consultation Papers* (Ottawa: Heritage Canada and Industry Canada, 2001), <[http://strategis.ic.gc.ca/epic/internet/incrp-prda.nsf/en/h\\_rp01105e.html](http://strategis.ic.gc.ca/epic/internet/incrp-prda.nsf/en/h_rp01105e.html)>.

93. See Canada, Report of the Standing Committee on Canadian Heritage, *Interim Report on Copyright Reform* (Ottawa: Communication Canada, 2004), <<http://www.parl.gc.ca/InfocomDoc/Documents/37/3/parlbus/commbus/house/reports/herirp01/herirp01-e.pdf>> [*Bulte Report*].

94. See Daniel Gervais, *Collective Management of Copyright and Neighbouring Rights in Canada: An International Perspective* (Ottawa: Heritage Canada, 2001), <[http://www.pch.gc.ca/progs/ac-ca/progs/pda-cpb/pubs/collective/collective\\_e.pdf](http://www.pch.gc.ca/progs/ac-ca/progs/pda-cpb/pubs/collective/collective_e.pdf)> [Gervais, *Collective Management Report*].

95. See Daniel Gervais, *Application of an Extended Collective Licensing Regime in Canada: Principles and Issues Related to Implementation* (Ottawa: Heritage Canada, 2003), <[http://www.pch.gc.ca/progs/ac-ca/progs/pda-cpb/pubs/regime/regime\\_e.pdf](http://www.pch.gc.ca/progs/ac-ca/progs/pda-cpb/pubs/regime/regime_e.pdf)> [Gervais, *Extended Collective Licensing*].

## RECOMMENDATION 5

The Committee recommends that publicly available material be defined as material that is available on public Internet sites (sites that do not require subscriptions or passwords and for which there is no associated fee or technological protection measures which restrict access or use) and is accompanied by notice from the copyright owner explicitly consenting that the material can be used without prior payment or permission.<sup>96</sup>

These recommendations were severely criticized as an attempt to impose life-threatening fees on educational institutions.<sup>97</sup>

On 24 March 2005, the two federal Departments responsible for copyright policy, Heritage Canada and Industry Canada, released a Statement in response to the *Bulte Report*.<sup>98</sup>

Essentially, the Government is proposing to go ahead with issues identified as "short-term" in the *Section 92 Report* relating to photography and the WIPO Treaties,<sup>99</sup> in particular with respect to rights management information and technological protection measures, while confirming the limitation of liability of ISPs and removing physical constraints from certain educational exceptions that currently can only be invoked "on the premises of an educational institution."<sup>100</sup> This will allow the application of those exceptions in the context of distance or other internet-based learning. One may also welcome the fact that the proposed anti-circumvention measures are limited to cases where the use for which circumvention has taken place is an infringement of copyright. This is in line with the wording of the WIPO Treaties<sup>101</sup> and should require, depending on the wording of the future Bill, a two-prong approach to obtain a finding of infringement, namely that circumvention of a reasonably effective TPM has taken place and that the circumvention resulted in copyright infringement.<sup>102</sup> Facilitating circumvention or making material available from which a TPM was removed could also constitute infringing activities.<sup>103</sup> It would not catch devices

96. *Bulte Report*, *supra* note 94 at pp.15-16.

97. Before discussing the merits of the criticism and of the ERS itself, one must consider the legislative child of the *Bulte Report*, the Copyright Reform Bill i.e. Canada, Bill C-60, *An Act to Amend the Copyright Act*, 1st Sess., 38th Parl, 2005, <[http://www.parl.gc.ca/common/Bills\\_ls.asp?lang=E&Parl=38&Ses=1&ls=C60&source=Bills\\_House\\_Govern ment](http://www.parl.gc.ca/common/Bills_ls.asp?lang=E&Parl=38&Ses=1&ls=C60&source=Bills_House_Govern ment)>.

98. Canada, *Government Statement on Proposals for Copyright Reform* (Ottawa: Ministry of Industry and Heritage Canada, 2004), <<http://strategis.ic.gc.ca/epic/internet/incrp-prda.nsf/en/rp01142e.html>> [Statement].

99. See, WCT, *supra* note 33 and WPPT, *supra* note 91.

100. See *Copyright Act*, *supra* note 4, ss. 29.4(1) and (2), 29.5 and 29.6(1)(b).

101. For example art. 11 of the WCT, *supra* note 33, provides as follows:

Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by authors in connection with the exercise of their rights under this Treaty or the Berne Convention and that restrict acts, in respect of their works, which are not authorized by the authors concerned or permitted by law. [emphasis added]

See also WPPT, *supra* note 91, art. 18.

102. This means that if the use was covered by an exception, circumvention would be legal. The private copying exception (see ss. 79-80 of the *Copyright Act*), which applies to sound recordings, would be excluded, however. It would thus not be allowed to remove a TPM from a sound recording to make a private copy.

103. *Statement*, *supra* note 98 note at p. 2.

that may be used for substantial non-infringing purposes. But the Response is otherwise minimalist in addressing the longer term and much needed adaptation of copyright. In so limiting the protection of TPMs, more uses will remain free—provided circumvention is possible—which in turn may leave more room for licensing.

In terms of the making available right, in my view incorrectly interpreted in *BMG (FC)*<sup>104</sup> as not forming part of Canadian law, the *Statement* correctly recognizes that authors already have such a right under the right of communication to the public contained in section 3(1) of the Act as required under article 8 WCT,<sup>105</sup> while a new right for performers and phonogram producers is required to comply with the WPPT.<sup>106</sup>

The concept of fair dealing and its realignment, in the wake of *CCH*, is not mentioned. Nor is the more fundamental issue of aligning the rights and exceptions with the underlying policy objectives.<sup>107</sup> In short the Response, and the Bill that would follow in a few months time, is a minimalist approach to reform, the result of a political compromise driven in part by not altogether helpful rhetoric on all sides of the debate, and one which leaves several fundamental steps and crucial discussions for future consideration.<sup>108</sup>

In terms of alignment with purpose, a lot of emphasis was put in both the *Bulte Report* and the *Statement* on providing music rightsholders with additional rights and powers to stop certain uses of music on the internet, in particular file-sharing on so-called peer-to-peer networks such as KaZaa, Grokster, Limewire, etc. That, I would argue, does not mesh well with the freedom recognized by the Supreme Court that end-users should enjoy in accessing and using copyright material. Historically, copyright was used as a tool to prohibit use either for professional players (authors, publishers, producers) or professional pirates. When applied to end-users, copyright was used, and then only recently, to generate compensation schemes for private use. On the piracy front, copyright is also facing the additional obstacle of having to stop virtual piracy, not seizure and destruction of physical tapes, compact discs or DVDs.

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104. See *BMG (FC)*, *supra* note 33.

105. Which states unequivocally: "...authors of literary and artistic works shall enjoy the exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them" [emphasis added].

As Dr. Ficsor noted in that respect:

Since the countries which preferred the right of communication to the public as a general option seemed to be more numerous, the Treaty, first, extends the applicability of the right of communication to the public to all categories of works, and then clarifies that the right also covers transmissions in interactive systems....

See WIPO (Mihály Ficsor), *Guide to the Copyright and Related Rights Treaties Administered by WIPO and Glossary of Copyright and Related Rights Terms* (Geneva: WIPO, 2004), at p. 209 [Ficsor, *Guide*].

106. In arts. 10 (performers) and 14 (phonogram producers).

107. See Daniel Gervais and Alana Maurushat, *supra* note 61.

108. *Statement*, *supra* note 98 at para.5:

The Government believes that it requires further public input and consideration, including with respect to the implications of recent copyright decisions by the courts (notably the recent Supreme Court of Canada decision regarding fair dealing, *CCH v. Law Society of Upper Canada*). Accordingly, the bill will not address this issue. Instead, the Government will release a consultation paper on the issue as soon as possible after introducing the bill.

That part of the reform, even if implemented, may not yield the expected results and may have significant unintended effects in terms of respect for copyright and the rule of law.<sup>109</sup> By reducing the degree of internalization of copyright rules and their fundamental purpose of rewarding/compensating authors and other owners of copyright, the application of any future licensing scheme, which I view as ultimately unavoidable, will be even more difficult.

### 3.2. *The Extended Repertoire System*

#### 3.2.1. Defining the Extended Repertoire System

One of the key recommendations of the *Bulte Report*, though very unfortunately conflated with the issue of educational exceptions,<sup>110</sup> is to introduce an ERS in Canadian law. What is ERS? Starting from a definition of “repertoire” as the catalogue of rights that a collective management organization (CMO) can offer to users seeking to obtain a licence from the CMO, the ERS concept may be summarized this way: as soon as a CMO can show that it represents a substantial number of authors or other relevant rightsholders, *i.e.* those of which the rights are likely to be managed by the CMO concerned and for the type of use concerned, it is entitled to apply to the competent authority (in Canada, the Copyright Board) which can decide, if it deems it in the public interest, to grant to that collective the capacity to represent all rightsholders concerned, except those who expressly wish not to be represented. In other words, implementing ERS allows a collective to change its rights acquisition (that is, the acquisition of the authority to license on behalf of rightsholders) from an opt-in to an opt-out formula. The ERS does not change anything as to who may require a licence, nor does it affect the scope of exceptions. It merely makes it much easier for a CMO to acquire the authority to license in cases where a licence is required.

As shown by the experience of the Nordic countries,<sup>111</sup> ERS is very useful in countries where rightsholders are not well organized and where a lot of the content used is of foreign origin, because those are two major obstacles to a successful rights acquisition process. Even well organized collectives suffer from the inability to license orphan works. The lack of the ability to offer a comprehensive licence is a frustrating problem for all those involved. It plagues the users who find themselves unable to lawfully obtain the permission to use copyright material that is increasingly and more easily accessible (for example through the internet). The issue is problematic also for collectives because without adequate rights they cannot accomplish their task.

CMOs were created to act as representatives of rightsholders on whose behalf they manage the various types of rights recognized in the *Copyright Act*. Ranging from the public performance of musical rights to reprography, CMOs

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109. See Gervais, “Social Norms,” *supra* note 84 at pp. 50-51.

110. See *Bulte Report*, *supra* note 96 and accompanying text.

111. See Gervais, *Extended Collective Licensing*, *supra* note 95.

operate in several fields. In his seminal work,<sup>112</sup> Dr. Mihály Ficsor, former Assistant Director General of WIPO, defines collective management as follows:

In the framework of a collective administration system, owners of rights authorize collective administration organizations to administer their rights, that is, to monitor the use of the works concerned, negotiate with prospective users, give them licenses against appropriate fees and, under appropriate conditions, collect such fees and distribute them among the owners of rights. This can be considered as the definition of collective administration.<sup>113</sup>

Benefits can follow for all parties involved in a collective management system. Rights that, in practice, are difficult to protect on an individual basis, may be exercised in a more profitable and worthwhile manner. In fact, only a small minority of rightsholders are able and willing to negotiate licences on their own.<sup>114</sup> Additionally, CMOs offer rightsholders the possibility of carrying a greater weight when negotiating with the larger users. Regardless of technological progress, it is still almost impossible for authors and right owners to manage their own rights and the authorizations for the use of their work or performance. For copyright to work, users must be able to find, through the internet or otherwise, the works they want and then be able to make known their intention of using the works, obtain a response and an authorization (with or without payment and/or conditions as the case may be). There must also be a minimal number of administrative obstacles and delays.

Users who choose to deal with a CMO also reap benefits from an ERS. It makes it much easier to obtain the right to use one or more works through a well-functioning collective management system. Furthermore, the need to find an individual author or rightsholder, and then to negotiate and sign individual licensing agreements, is eliminated by the vast repertoire of the CMO.

Collective management is not perfect; nor is it a panacea. Nevertheless, it remains a nearly impossible task for individual rightsholders to accomplish due to the high degree of complexity and important amount of time necessary to first understand the aspects of managing copyright and then to apply this knowledge using appropriate technology. A healthy, accountable and efficient collective management is thus often the best way to ensure an optimal administration of rights. In an ideal scenario, users are able to obtain, from the rightsholder, an authorization at a reasonable price (for both sides) and in an acceptable amount of time.

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112. WIPO (Mihály Ficsor), *Collective Administration of Copyright and Neighboring Rights* (Geneva: WIPO, 1990) [Ficsor, *Collective Administration*]. In his more recent publications, Dr. Ficsor uses the term “management” instead of administration, which seems a better fit. See, e.g., Mihály Ficsor, *The Law of Copyright and the Internet* (Oxford: Oxford University Press, 2002), at paras. 6.06-6.29 [Ficsor, *Copyright & Internet*].

113. *Ibid.*, Ficsor, *Collective Administration* at p. 6.

114. That being said, the internet may provide individual rightsholders with ways to manage not only the distribution of their own works but also the rights relating thereto, including the grant of online authorizations using an internet-based Electronic Copyright Management System (ECMs).



The problem of many CMOs in Canada, resides in acquiring a critical mass of rights in a way that enables them to respond to the requests of users, and gain the credibility and relevance necessary for them to thrive. The ERS would be particularly useful for smaller and newer CMOs, including those created to manage new rights or rights which used to be managed on an individual basis. Since the major advantage stemming from an ERS is the fact that it accelerates the acquisition of rights, smaller and newer CMOs would likely benefit most from it. These CMOs currently find themselves in a Catch-22: not being important in size, they do not have the means to recruit members adequately. Without recruitment, there is no credibility, and most importantly, very few royalties are collected. They therefore find themselves lacking means and tools. Furthermore, CMOs without an established repertoire are less likely to attract the interest of users, thus making "recruitment" of rightsholders more challenging.

In short, the ERS offers many benefits. Upon signing a contract, users have unrestricted access to a CMO's repertoire (save and except any contractual exclusions or restrictions) and therefore will not face action from (unknown/unidentified) rightsholders. Rightsholders have the advantage of better rights (management/protection) through a centralized CMO as well as greater power to negotiate with users. Finally, the rights of the non-represented holders are also protected. Upon contacting the relevant CMO, they receive their share of the remuneration collected by the CMO.

The issue of whether a particular user or class of users is independent of whether ERS is made part of the Act. Implementing an ERS only means giving the Copyright Board the authority to grant an extension of repertoire to a CMO who requests it, if the Board deems it in the public interest after hearing all interested parties. To grant the extension, the Board must be convinced that a CMO will increase the efficiency of collective management for the benefit of both rightsholders and users. The Board may impose conditions, such as the maintenance of an online list of rightsholders who decide to opt out, or transparency obligations.

Unfortunately, the *Bulte Report* created a link between the ERS debate and the issue of licensing educational users.<sup>115</sup> Yet, the scope of the educational exceptions is entirely independent of the existence of ERS. Once an ERS is in place, the Board will still have the same task: determining the scope of exceptions and whether a licence is required; then assessing the proper tariff. In the case of educational institutions, by combining existing exceptions (and decoupling them where appropriate from the "in the classroom" requirement) and the broad definition of fair dealing adopted by the Supreme Court in *CCH*,<sup>116</sup> there is perhaps little that still requires licensing. But would it be fair to exempt, e.g., chapters of textbooks that a student decided to scan and make

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115. To simplify, users have been arguing for the right to use anything made available on the internet without payment, provided it is not password protected whether such an exception would be consistent with Canada's TRIPs obligations is unclear. See the next Part.

116. *CCH*, *supra* note 1.

available for free? In a small market such as Canada, this will likely lead to the disappearance of Canadian textbooks, a boon for US textbook publishers, at the same time a choice which may not be optimal for Canadian educators.

It must be acknowledged that there are demands to abolish copyright for online educational purposes accompanied by demands for government funding of textbook and music authors and publishers. There is an argument that much of the content used in Canada is of foreign origin and that by eliminating copyright protection on the internet, therefore, quantitatively there is a greater effect on foreign content providers than on Canadians. The detrimental economic impact on Canadian rightholders (authors and publishers who would no longer have access to a copyright-regulated market for their works) would then, the argument goes, be restored through government subsidies.

A balanced, market-based approach that recognizes appropriate limitations for genuine research, incidental educational uses (especially during teaching, whether in the classroom or virtually) and limits the invasion of copyright in the true private sphere of individual users, while giving creators exclusive rights creators in—or, in certain cases, an appropriate compensation for—their creative works when those works are used commercially, massively or systematically, is a far better approach.

In other words, when individuals create content that they wish to provide for free, they can waive their copyright or provide royalty-free licences. Creative Commons<sup>117</sup> comes to mind in that context. But one cannot force all content owners to accept free use of their material. Since they cannot exclude, they must license. This is where ERS comes in: it guarantees that the competent CMO has the necessary repertoire to license uses that need to be licensed. The objective is not to prohibit use but rather to compensate rightholders who do not wish to make their material available for free when the use of their material conflicts with a normal commercial exploitation. This means that any use covered by a valid exception, including fair dealing or specific educational exceptions does not enter this realm. Nor would material made available under a free licence.

Arguably, ERS already forms part of Canadian law. Could not the Board “extend” a repertoire under section 70.15 of the Act when certifying a tariff?<sup>118</sup>

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117. “Creative Commons is (...) us[ing] private rights to create public goods: creative works set free for certain uses. Like the free software and open-source movements, our ends are cooperative and community-minded, but our means are voluntary and libertarian. We work to offer creators a best-of-both-worlds way to protect their works while encouraging certain uses of them — to declare ‘some rights reserved.’” See <[www.creativecommons.org](http://www.creativecommons.org)> and also <[www.creativecommons.ca](http://www.creativecommons.ca)>.

118. Viewed as a limit imposed on copyright owners to claim compensation beyond a tariff, s. 70.17 of the *Copyright Act* is also fully consonant with the ERS concept. See *Copyright Act*, supra note 3, ss. 70.15, 70.17.

### 3.2.2. The Compatibility of ERS with International Norms

Any proposal to amend the Act should be compatible with the TRIPs Agreement. As such, any new exemption must pass the three-step test. For the same reason, any compulsory licence, *i.e.* the deletion of the author's exclusive right, must comply with TRIPs and the *Berne Convention*,<sup>119</sup> which was incorporated into TRIPs.<sup>120</sup> The WTO panel in the decision concerning section 110(5) of the US *Copyright Act*,<sup>121</sup> confirmed that this meant that the negotiating history of the *Berne Convention* was also made part of TRIPs.<sup>122</sup> Another argument raised against the ERS is its compatibility with article 5(2) of *Berne Convention*, which prohibits formalities concerning the existence and exercise of the rights granted by virtue of the *Convention*. This objection is ill-founded, as I shall attempt to demonstrate.

Article 5(2) came into being in the very early days of the Convention. It was then and remains part of the *Berne Convention's* provisions dealing with the treatment of foreign authors (*i.e.*, national treatment) and place of (first) publication. In the first draft of the Convention published in 1884<sup>123</sup> the relevant part of article 2 read as follows:

Authors who are nationals of one of the Contracting Countries shall enjoy in all the other countries of the Union, in respect of their works, whether in manuscript or unpublished form or published in one of those countries, such advantages as the laws concerned do now or will hereafter grant to nationals.

The enjoyment of the above rights shall be subject to compliance with the conditions of form and substance prescribed by the legislation of the country of origin of the work or, in the case of a manuscript or unpublished work, by the legislation of the country to which the author belongs.<sup>124</sup>

It is clear from the above that the principal intent was to grant to foreign authors the same rights as nationals. This was confirmed by the Drafting Committee, which also clarified the meaning of the expression "conditions of forms and substance," originally a German proposal, which was changed to "formalities and conditions." The Minutes of the First Conference held in Berne in 1884 are very useful to illuminate the meaning and purpose of the expression:

119. *Berne Convention*, *supra* note 10.

120. TRIPs Agreement, *supra* note 23, art. 9(1), except for the moral right (art. 6bis and provisions related thereto). See Daniel Gervais, *The TRIPs Agreement: Drafting History and Analysis*, 2d ed., (London: Sweet & Maxwell, 2003) at pp.124-130.

121. *Panel Report United-States-Section 110(5) of the US Copyright Act (1999)*, WT/DS160/R. <[http://www.wto.org/english/news\\_e/news00\\_e/1234da.pdf](http://www.wto.org/english/news_e/news00_e/1234da.pdf)> [*Panel Report, Section 110(5)*]

122. *Ibid.* at para. 6.63.

123. See WIPO, *Berne Convention Centenary: 1886-1986* (Geneva: WIPO, 1986) at p. 94 [WIPO, *Berne Convention Centenary*].

124. *Ibid.* at p. 94.

Dr. Meyer said the following: "It is merely a question of noting that the wording proposed by the German Delegation, '*conditions of form and substance*' has been replaced by the words '*formalities and conditions*', and that the word '*formalities*' being taken as a synonym of the term '*conditions of form*', included, for instance, registration, deposit, etc.; whereas the expression '*conditions*', being in our view synonymous with '*conditions of substance*', includes, for instance, the completion of a translation within the prescribed period. Thus the words '*formalities and conditions*' cover all that has to be observed for the author's rights in relation to his work to come into being ('*Voraussetzungen*' in German), whereas the effects and consequences of protection ('*Wirkungen*' in German), notably with respect to the extent of protection have to remain subject to the principle of treatment on the same footing as nationals."

The President noted that the Conference agreed with Dr. Meyer on the scope of the words '*formalities and conditions*'.<sup>125</sup>

The Report of the 1896 Paris Conference contains the following:

Under the text of the Convention, the enjoyment of copyright *shall be subject to the accomplishment of the conditions and formalities prescribed by law in the country of origin of the work*. The meaning of this provision does not seem to be seriously debatable. As a result of it, the author needs only to have complied with the legislation of the country of origin, to have completed in that country the conditions and formalities which may be required there. He does not have to complete formalities in the other countries where he wished to claim protection. This interpretation, which is in keeping with the text, was certainly in the minds of the authors of the 1886 Convention....<sup>126</sup>

It is clear that the conditions and formalities are those mentioned in 1884, namely registration, deposit, mandatory translation or publication etc., not the need to sign contracts, file statements of claim in courts, join or otherwise deal with copyright agencies, etc. This was further reinforced at the 1908 Berlin Conference, a slightly different version of article 2, which from 1908 until 1967 became 4(2)—now article 5(2)—was adopted. There it was very clear that the provision is related to publication and similar requirements. The relevant part read as follows:

Authors who are nationals of any of the countries of the Union shall enjoy in countries other than the country of origin of the work, for their works, whether unpublished or first published in a country of the Union, the rights which the respective laws do now or may hereafter grant to their nationals as well as the rights specially granted by this Convention.

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125. *Ibid.* at pp. 94-95 [emphasis in original].

126. *Ibid.* at p. 137 [emphasis in original].

The enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise are independent of the existence of protection in the country of origin of the work. Consequently, apart from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.<sup>127</sup>

The Report of the 1908 Conference is crystal clear and worth quoting *in extenso* on this point. It begins with a statement that the provision does not apply to domestic authors and then explains the shift from the single formality requirement (in the country of origin) to the no formality formulation existing in Convention text today:

*The enjoyment and exercise of these rights shall not be subject to any formality.* It should be noted that it is exclusively the rights claimed by virtue of the Convention that are involved here. The legislation of the country in which the work is published and in which it is nationalized by the very fact of publication continues to be absolutely free to subject the existence or the exercise of the right to protection in the country to whatever conditions and formalities it thinks fit; it is a pure question of domestic law. Outside the country of publication, protection may be requested in the other countries of the Union not only without having to complete any formalities in them, but even without being obliged to justify that the formalities in the country of origin have been accomplished. This is what results, on the one hand, from a general principle which is going to be stated and explained and, on the other, from the deletion of the third paragraph of Article 11 of the 1886 Convention. This paragraph provides that: "It is, nevertheless, agreed that the courts may, if necessary, require the production of a certificate from the competent authority to the effect that the formalities prescribed by law in the country of origin have been accomplished, in accordance with Article 2." That Article does indeed state, at the beginning of its paragraph 2, that 'the enjoyment of these rights shall be subject to the accomplishment of the conditions and formalities prescribed by law in the country of origin of the work' and, to remove difficulties which had arisen in certain countries, the Paris Interpretative Declaration had emphasized this idea—which was evidently that of the authors of the 1886 Convention—that the protection depends solely on the accomplishment, in the country of origin, of the conditions and formalities which may be required by the legislation of that country. This was already a great simplification which will be appreciated if it is recalled that there was a time not so long ago when, to guarantee a work protection in a foreign country, even by virtue of an international convention, it was necessary to register and often even to deposit that work in the foreign country within a certain time limit. The new Convention simplifies matters still further since it requires no justification. Difficulties had arisen with regard to the production of a certificate from the authority of the country of origin—this production having been considered, occasionally, as the preliminary to

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127. *Ibid.* at p. 149.

infringement action, which caused delays. The new provision means that a person who acts by virtue of the Convention does not have to provide proof that the formalities in the country of origin have been accomplished, as the accomplishment or non-accomplishment of these formalities must not exert any influence. However, if it is in his interest to produce a certificate to establish a particular fact, he cannot be prevented from doing so (the Article in the draft only refers to *formalities*, but it is meant to cover the *conditions and formalities* to which the 1886 Convention refers.)<sup>128</sup>

Unquestionably, in light of the above, the formalities that are prohibited under article 5(2) are essentially registration with a governmental authority and deposit of a copy of the work or similar formalities when they are linked to the existence of copyright or its exercise, especially in enforcement proceedings.

Interestingly, in its pre-1908 incarnation, the provision was arguably derogating from national treatment, though it was clearly not intended as such. Rather, Convention drafters saw it as a simplification of the multiple registration/deposit requirements.<sup>129</sup> If “pure” national treatment had been applied, it would have been sufficient to grant protection to foreign authors on the condition of accomplishing the same formalities as nationals in every country. In 1908, the provision was realigned along the principle of national treatment by making it a provision against mandatory formalities while maintaining the meaning of the expression “conditions and formalities” defined in 1884-1886. Formal requirement in existence at the time essentially involved registration, deposit (in national libraries) and, in rare cases, translation. For many reasons, while it was necessary to respect each country’s ability to impose such requirements, they had to be decoupled from copyright. Deposit is still required for published works in many countries (including Canada),<sup>130</sup> but the sanction for failure to provide free copies to the national library could not be the removal of copyright.<sup>131</sup> The issue of mandatory translation is similarly separate from copyright, though its political importance led to the adoption of the Appendix to the *Paris Act* in 1971 allowing developing countries to impose compulsory translation licences. The provision does not prevent requirements of other types.

This is further confirmed in WIPO’s latest commentary on the Convention:

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128. *Ibid.* at p. 148 [emphasis in original].

129. See *ibid.*

130. *National Library Act*, R.S.C. c. N-12, s. 13. was repealed in 2004. See also Paul Goldstein. *International Copyright* (Oxford: Oxford University Press, 2001) at pp. 187-189.

131. S. 13(4) of the *National Library Act* provided for a fine. The maximum was CAN\$2,000 for an individual and CAN\$100,000 for a corporation.

Formalities are any conditions or measures—independent from those that relate to the creation of the work (such as the substantive condition that a production must be original in order to qualify as a protected work) or the fixation thereof (where it is a condition under national law)—without the fulfillment of which the work is not protected or loses protection. Registration, deposit of the original or a copy, and the indication of a notice are the most typical examples.<sup>132</sup>

“Enjoyment” is thus the very existence of the right while “exercise” refers in particular to enforcement.<sup>133</sup> It would be patently incongruous to read article 5(2) as preventing the mandatory doing of anything. Should authors just have to walk into a courtroom (itself a “formality”) without having to file a statement of claim? Not have to deal with foreign publishers and distributors because those are “formalities”? Not have to deal with foreign tax authorities to avoid deductions at source in a foreign country? Not have to deal with foreign collectives to ensure the protection of their rights in cases where they cannot or do not want to join a world-wide system through their national collective (if any)? That is clearly not the intent or meaning of article 5(2). Those are all normal acts that authors and other copyright holders must perform routinely to exploit their copyright works and not—as was made abundantly clear during the adoption and revision of the Convention—“formalities” prohibited under article 5(2).

Article 5(2) hinges on whether the formability is (a) copyright-specific and (b) government-related (*i.e.* mandated by law). On the first element, as the examples above show, it is self-evident that authors are not somehow free of all duties and formalities. The second element is perhaps more complex, but the application of article 5(2) to regulatory obligations is simply a distillate of the drafting history of article 5(2).

One cannot simply assume that the prohibition on legislatively-imposed formalities such as registration or deposit extend to dealings with private entities, which most CMOs are. A government-operated levy or tax system that would replace exclusive rights guaranteed by the *Berne Convention* by a compensation regime (*e.g.* a levy) would not only have to comply with the three-step test (to validate the exception) but may also constitute a prohibited formality. The rights acquisition regime of a private collective is not.

If it were, a number of measures used throughout the world would be illegal, including, for example, mandatory collective management, limitation of remedies in case where collective management is in place, etc. To consider restriction on the freedom to exercise one’s rights fully, the following chart may be helpful:

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132. Ficsor, *Guide*, *supra* note 105 at p. 41. See also WIPO, *WIPO Intellectual Property Handbook* (Geneva: WIPO, 2004), <<http://www.wipo.int/about-ip/en/iprm/>> at p. 262 (“...protection is granted automatically and is not subject to the formality of registration, deposit or the like”).

133. *Ibid.*, Ficsor, *Guide*, at p. 42.

LEVEL	TYPE OF RESTRICTION
0	Full Individual Exercise
1	Voluntary Collective Management (opt-in)
2	Collective Management With Extended Repertoire (and opt-out)
3A	Mandatory Collective Management/Presumption
3B	Limitation of Damages to Tariff
4	Compulsory Licensing
5	Exception <sup>134</sup>

Several countries, including Canada, routinely impose restrictions of levels 3A, 3B and 4.<sup>135</sup> Damages available to a rightsholder are limited to what would be available under a tariff, if that rightsholder was a member. In effect, while membership is not mandatory, the effect of membership is. In other cases, as in Germany, there is a “presumption” that all rightsholders are members of the collective. Those are not prohibited formalities. They are simply ways in which the exploitation of the works concerned is organized and tasks that copyright holders must fulfill. Even at Level 0, authors must still negotiate and sign exploitation contracts, file statements of claim, testify in court or before an arbitration panel, etc. and, of course, deal with CMOs.

ERS is not a prohibited formality as defined in *Berne*. In fact, if it is a restriction at all, ERS is a very mild one. It guarantees an orderly exploitation of the repertoire that will be licensed but offers authors the option of going back to Level 0 by sending a simple notice, perhaps even as simple as an email.

Finally, it is worth noting, that a number of duties may be imposed on the collective—who, in addition, do not benefit from article 5(2). Such duties might be to make opting out simple and painless (and certainly similar to negotiating and signing a publishing contract), to publicize the list of copyright holders who have opted out (on a website for example), to make financial information concerning the amounts owed to rightsholders available through proper channels, etc. This explains why, in my proposal to the Canadian Government,<sup>136</sup> I had suggested that the Copyright Board be given the necessary powers to impose appropriate conditions before granting an extension of repertoire, powers it may, in fact, already have.<sup>137</sup> A clear amendment to that effect would allow Parliament to set the parameters to be taken into account by the Board in deciding whether and under what conditions an extension should be granted.

Introducing/using ERS would provide collectives with the immediate ability to license all or almost all works that users may need to license. While not impacting the scope of exceptions, it would ensure that uses that go beyond such exceptions are paid, i.e. that the objective of providing a fair reward is

134. Admittedly, level 5 is conceptually different from the other types of restriction but for our purposes it can be argued that it is a compulsory licence with a tariff of 0 for all users who benefit from the exemption.

135. See, e.g., *Copyright Act*, *supra* note 4 at ss. 68.2(2), 70.17 and 76(3). See also Gervais, “*Collective Management Report*,” *supra* note 94.

136. See Gervais, *Extended Collective Licensing*, *supra* note 95.

137. See above note 118 and accompanying text.



fulfilled. At the same time, licensing would remove the (theoretical) obstacle and frustrating attempts by certain rightsholders to stop internet use. This would fulfill the other side of the equation, namely the promotion of the public interest in the encouragement and dissemination of works of the arts and intellect.

### 3.3. Simplifying the Act

The rights contained in section 3 are no longer useful in mapping out uses of works.<sup>138</sup> Copyright fragments have lost their meaning to users and rightsholders alike. In actuality, contracts and licensing arrangements for copyright works do not usually refer to the specific rights enumerated in this section or if they do, it is an afterthought.<sup>139</sup> Contracts define the “use” that should be allowed, and not which fragments of rights are needed. In the era of the internet, the use of a work (often multi-media) operates in some respects as a fiction vis-à-vis the Act.<sup>140</sup> In its *Section 92 Report*, Heritage Canada and Industry Canada called for a simplification of the Act, but, alas, only as a long-term objective.

The rights “fragments” contained in sections 3, 15 and 18 are a vestige of the haphazard process of accretion that characterizes both how the Canadian Act and the *Berne Convention* have evolved.<sup>141</sup> That process was discussed in Part 2. At the root of the problem is the fact that the rights are formulated in terms of the nature of the use (copying, performing, communicating), while exceptions are formulated in terms of purpose. At the international level, the three-step test<sup>142</sup> is based not on the nature, but rather on the effect of the use.

One way to avoid applying copyright where it does not belong or where it directly clashes with other rights is to recast it in terms of the effects of uses of protected works. I recently suggested<sup>143</sup> that the best way to achieve this is to start not from the “rights” but with the exceptions. The reason is simple. The exceptions are designed to, and were used by the Supreme Court in *Théberge*, *CCH* and *SOCAN v. CAIP* to determine where copyright should not go, based on its underlying purpose(s). If that test is reversed, the universe that remains is what, in fact, copyright was meant to protect.

If one can agree with the premise that fair dealing and other exceptions reflect an appropriate set of criteria to balance the rights of copyright holders

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138. See Michael A. Einhorn & Lewis Kurlantzick, “Traffic Jam on the Music Highway” (2002) 8 *Journal of the Copyright Society of the USA* 417 at p. 418. “Since these rights are controlled by different parties and agents, the complexity of the system leads to a gridlock of control that may hinder development.”

139. A contract to allow webcasting normally refers to the function of broadcasting, independently of whether a communication to the public, one or more reproductions, or adaptations may take place. The problem is that rights ownership is still by and large, especially in the area of collective management, owned by different entities based on the rights, not the functions. While a single economic transaction should take place, several legal transactions are involved. See Al Kohn & Bob Kohn, *Kohn on Music Licensing*, 2d ed., 2000 Supplement (New York: Aspen Law & Business, 2000) at pp. 398-399.

140. See Einhorn & Kurlantzick, *supra* note 138 at p. 417; and Mark Lemley, “Dealing with overlapping Copyrights on the Internet” (1997) 22 *University of Dayton Law Review* 548 at pp. 565-566.

141. See WIPO, *Berne Convention Centenary*, *supra* note 123.

142. See Gervais, “Reverse Three-Step Test,” *supra* note 83.

143. *Ibid.*

and the needs and interests of users, I suggest it could serve as the basis to build the copyright of the future.<sup>144</sup>

I also suggested internationalizing the test, by combining it with the *Berne* three-step test, because the three-step test is the accepted international standard to determine whether an exception to copyright in national legislation is TRIPs-compliant.

What I suggested was *reversing the test*, based on the assumption that what exceptions (whether fair dealing in Canadian law or the three-step test at the multilateral level) do not allow is what in fact copyright is intended to protect. Such an approach is powerful because it both solves the issues related to the nature-based bundle now used in most national laws and is by definition TRIPs-compliant. If uses not allowed by the three-step test are protected (i.e., only uses allowed under the three-step test are exempted), there can be no violation of *Berne*. Other solutions requiring an amendment to TRIPs do not have the same appeal, simply because amending the Agreement seems far from simple politically.<sup>145</sup>

How does one reverse the test? A simple way is to ask: if fair dealing is fair, then what use is unfair dealing? I submit that “unfair” (i.e., protected) dealing would be use that does not meet the two real steps of the *Berne* three-step test, that is, use that interferes with normal commercial exploitation or unreasonably (unjustifiably) prejudices the copyright holder’s rights. Any use that *demonstrably* and *substantially* reduces financial benefits that the copyright owner can *reasonably expect* to receive under normal commercial circumstances would be “unfair” without authorization. How one measures unfairness and interference with normal commercial exploitation in this context is fundamental. I suggest that the question should not be whether a user got “value” without paying but whether the user should have obtained the content through a normal commercial transaction.<sup>146</sup> Three observations are in order: First, this clearly applies only to *published* content.<sup>147</sup> Second, it is not because a work is unavailable in a given form that taking is *ipso facto* fair because no normal commercial transaction is possible. Rightsholders must be given a certain degree of flexibility in how they make works available on various markets and in various formats. It also means, however, that market practices are relevant: Is the type

144. See Ruth Okediji, “Toward an International Fair Use Doctrine,” (2000) 39 *Columbia Journal of Transnational Law* 75 at pp. 168-169.

145. Recent debates in the context of the Doha Round have shown that any modification of the TRIPs Agreement will be extremely difficult to achieve. One reason is that once the Agreement is reopened, all of its contents may become fair game. An attempt to update the copyright section (arts. 9-14) may thus prompt demands by others to reopen the patent or enforcement sections. As of March 2004, there were ongoing consultations on how to convert the WTO, General Council, *Implementation of paragraph 6 of the Doha Declaration on the TRIPs Agreement and public health* (30 August 2003), <[http://www.wto.org/english/tratop\\_e/trips\\_e/implem\\_para6\\_e.htm](http://www.wto.org/english/tratop_e/trips_e/implem_para6_e.htm)> at para. 6 of the *Declaration on the TRIPs agreement and public health*, 20 November 2001, WT/MIN(01)/DEC/2, <[http://www.wto.org/english/thewto\\_e/minist\\_e/min01\\_e/mindecl\\_trips\\_e.htm](http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_trips_e.htm)> [*Doha Declaration (on access to generic medicines)*] into an amendment of the TRIPs Agreement.

146. See *Panel Report, Section 110(5)*, *supra* note 121 at p. 6.225.

147. A right of first publication exists in most national laws. In the US, fair use of unpublished material has been limited by a number of court decisions. See Kate O’Neill, “Against Dicta: A Legal Method for Rescuing Fair Use From the Right of First Publication” (2001) 89 *California Law Review* 369.

of use or user one that would normally be licensed (on a transactional or collective basis)? Is the kind of material normally (only) available on a commercial basis? Finally, *it is essential to view normalcy (of commercial exploitation) as a dynamic notion* that is influenced by technological development and consumer behaviour. It is clear, in my view, that the internet may have changed what “normal commercial exploitation” means. As is made clear in *CCH* and also indirectly at least in *SOCAN v. CAIP*, unlicensed access for private use to material available on the internet should be considered normal.<sup>148</sup>

The second step of the *Berne* test, namely the unreasonable prejudice to legitimate interests of the rightsholder, is one of public interest versus author's rights.<sup>149</sup> The relevant rights must be those protected under the *Copyright Act*. This is where the reasoning blends the two steps (without, one hopes, becoming circular). The author has a right in respect of any commercially significant use (use that would normally be the subject of a commercial transaction). Any situation not covered by this right would be one that is not subject to normal commercial exploitation *and* is justified by a valid public interest purpose.

Whether any such fundamental reform of the Act is politically feasible in Canada is dubious. The irony is that while the intricate world of copyright politics seems stuck in the headlights of controversy, a functionally similar purpose may be achieved through the application of the Supreme Court trilogy. By avoiding the application of the right to prohibit use by end-users, the Court has already taken a clear step in that direction. At a more fundamental level, it actually used the exceptions in the Act to interpret the proper scope of the rights. The clearest signal was given in *Théberge*, where exceptions in fact had no direct bearing on the case. The court concluded that no reproduction had taken place, and it was formally unnecessary to examine exceptions. However, the emphasis put on exceptions in the case shows that it was precisely in order to determine whether a reproduction had taken place that the court used the exceptions, and the underlying purpose that transpires from them.

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148. This is not unprecedented. There are many areas of law, from antitrust to contract formation, where courts routinely consider relevant market practices. See David McGowan, “Recognizing Usages of Trade: A Case Study from Electronic Commerce” (2002) 8 *Washington University Journal of Law and Policy* 167.

149. One is reminded of the US case *Garner v. Teamsters Union*, 346 U.S. 485, <<http://www.justia.us/us/346/485/case.html>>, 74 S.Ct. 161 (1953) [*Garner* cited to U.S.], in which the United States Supreme Court wrote:

We conclude that when federal power constitutionally is exerted for the protection of public or private interests, or both, it becomes the supreme law of the land and cannot be curtailed, circumvented or extended by a state procedure merely because it will apply some doctrine of private right. *To the extent that the private right may conflict with the public one, the former is superseded.* [Emphasis added].

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#### 4. CONCLUSION

IN PART 2, I REVIEWED THREE very important Canadian cases that (finally) provided a clear statement of purpose for Canadian copyright law. According to the Supreme Court, the law is predicated on a dual economic purpose of rewarding creators and other copyright owners fairly while not impeding dissemination and access to works of art and of the intellect. The Court emphasized that these purposes can be effectuated by properly applying exceptions to the right to exclude, in particular fair dealing. Those exceptions in fact contain a clearer statement of purpose than the rights fragments of sections 3, 15 and 18, because the rights fragments focus not on the effect or impact of the use, but rather on its technical nature (copy, performance, communication, transmission etc.).

The Supreme Court showed great reluctance in preventing use of copyright material by end-users. That is fully in keeping with the history of copyright, where the right to prohibit was used to organize dealings among (competing) professionals or to stop professional pirates. End-users were, until recently, only affected to the extent that levies were introduced to compensate for private copying. In interpreting the notion of authorization, the Court was similarly reluctant to impose enforcement or monitoring duties on intermediaries not involved in the selection of content, but merely providing the general means of access to that content. That was stated clearly in *CCH* and confirmed in *SOCAN v. CAIP*.

Part 3 examined the ongoing copyright reform process, now in its third major phase. This phase is itself composed of three steps, three documents issued by various arms of the Canadian government. One proposal is to introduce an Extended Repertoire System (ERS) in Canadian law. That might be a sound way to improve the orderly exploitation of copyright works, including on the internet for uses that go beyond exceptions, but which copyright should not be used to prohibit. ERS is also fully compatible with Canada's international treaty obligations. While the ERS proposal contained in that report needs rethinking, parallel demands that anything made available online be free at least for any purpose related to education may have significant negative consequences. I also considered a possible simplification of the various rights fragments, because the rights fragments are expressed in terms of the technical nature of the use (reproduction, communication, performance, etc.), and suggested using the exceptions as a statement of what is allowed to determine (by reversing the exceptions) what is not. By using not just the Canadian exceptions, which the Supreme Court used to determine the proper scope of the rights contained in section 3 but the *Berne* three-step test, Canada could both simplify the Act and guarantee its compatibility with our international treaty obligations.