Supreme Court confirms that making copyrighted works available online is not a stand-alone interest

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On July 15, 2022, the Supreme Court of Canada (SCC) released its decision in *Society of Composers, Authors and Music Publishers of Canada v Entertainment Software Association*, 2022 SCC 30 (*SOCAN*), which addressed the question of whether royalties are payable whenever copyrighted works are made available online, regardless of whether they are streamed or downloaded by users. As part of its analysis, the SCC also revised the standard of review framework set out in *Canada (Minister of Citizenship and Immigration) v Vavilov*, 2019 SCC 65 (*Vavilov*), and clarified the role of international treaties in the exercise of statutory interpretation.

What you need to know

- A seven to two majority of the SCC held that on judicial review, correctness is the appropriate standard of review where there is concurrent first instance jurisdiction between courts and administrative bodies. This was the first new category of correctness review to be recognized by the SCC since *Vavilov*, and appears to be a reversion to the standard used by courts to review questions of law in intellectual property administrative board decisions prior to the release of *Vavilov*.
- On the appeal, the SCC rejected the Copyright Board of Canada's (the Board) interpretation of subsection 2.4(1.1) of the *Copyright Act* RSC 1985, c. C-42 (the *Copyright Act*) under which the act of making a copyrighted work available online is compensable regardless of whether or not a user streams or downloads the work. In practice, the Board's interpretation would have meant that two royalties would have to be paid when a work is distributed online—once when the work is made available online, and again when the work is actually downloaded or streamed. Applying the correctness standard on appeal, the SCC held that the act of making works available online is not a separately protected and compensable activity.
- The SCC concluded that judicial bodies should consider international treaties in the "context" phase of the modern "text, context and purpose" approach to statutory interpretation. However, the SCC emphasized that the text of international treaties cannot overwhelm clear legislative intent—the domestic statute always governs.

Background

In 1997, Canada signed the *WIPO Copyright Treaty* (the Treaty), which adapts international copyright rules to novel and emerging technologies. At issue in the appeal, article 8 of the Treaty provides that "… 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."

In 2012, the *Copyright Act* was amended by the *Copyright Modernization Act*, SC 2012, c 20 (*CMA*). Notably, the *CMA* added subsection 2.4(1.1) to the *Copyright Act*, which states that "communication of a work or other subject-matter to the public by telecommunication includes making it available to the public by telecommunication in a way that allows a member of the public to have access to it from a place and at a time individually chosen by that member of the public." This new provision modified the meaning of section 3(1)(f) of the *Copyright Act*, which provides authors with the right to "communicate the work to the public by telecommunication."

After the *CMA* received royal assent, but before it came into force—the SCC released two decisions interpreting section 3(1)(f). In *Entertainment Software Association v Society of Composers, Authors and Music Publishers of Canada*, 2012 SCC 34 (*ESA*), the SCC held that transmissions of musical works over the Internet that result in the work being downloaded do not constitute "communication by telecommunication" under section 3(1)(f). In *Rogers Communications Inc. v Society of Composers, Authors and Music Publishers of Canada*, 2012 SCC 35 (*Rogers*) the SCC held that on-demand streams are captured by section 3(1)(f).

The Board's decision and the FCA's judicial review

The case under appeal was heard by the Board after the *CMA* came into force. At that hearing, SOCAN, which administers rights on behalf of copyright owners, submitted that subsection 2.4(1.1) requires royalties to be paid whenever a copyrighted work is posted on the Internet in a way that allows the work to be accessed by the public. The Board accepted SOCAN's position and deemed the act of making works available online as a separately protected and compensable activity under the *Copyright Act*. The Board based its interpretation heavily on article 8 of the Treaty, which it read as requiring member countries to create separate copyright protections for the act of making works available online.

The Federal Court of Appeal (FCA) judicially reviewed the Board's decision on the reasonableness standard of review, following *Vavilov*. In doing so, the FCA rejected the Board's interpretation, concluding that it placed too much weight on article 8 of the *Treaty* and overlooked the legislative intent of Parliament. The FCA held that Parliament did not intend to create a new "making available" right when it enacted the *CMA* and added subsection 2.4(1.1) to the *Copyright Act*. While quashing the Board's interpretation, the FCA declined to offer comprehensive guidance regarding the meaning of subsection 2.4(1.1), stating that it had received insufficient submissions on this point.

Correctness is the appropriate standard of review

The SCC first addressed the question of the appropriate standard of review.

Review of Vavilov and the Standards of Review

In *Vavilov*, the SCC established "a presumption that reasonableness is the applicable standard whenever a court reviews administrative decisions." However, the SCC had recognized only five explicit categories for correctness review:

- Legislated standards of review;
- Statutory appeal mechanisms;
- Constitutional questions;
- General questions of law of central importance to the legal system as a whole; and
- Questions related to the jurisdictional boundaries between two or more administrative bodies.

Vavilov also provided that new categories for correctness review may be recognized in rare and exceptional circumstances and that such circumstances may arise where applying reasonableness would "undermine legislative intent or the rule of law in a manner analogous to the five correctness categories discussed in *Vavilov*."

Concurrent first instance jurisdiction

Writing for the majority, Justice Rowe held that concurrent first instance jurisdiction should be recognized as a sixth category for correctness review since doing so "accords with legislative intent and promotes the rule of law". The Board's core mandate is determining the quantum of appropriate royalty tariffs for collective societies such as SOCAN to administer. This routinely requires construing the *Copyright Act* to ascertain rights underlying any proposed tariff. Meanwhile, courts also regularly interpret the *Copyright Act* at first instance in copyright infringement actions. Therefore, the Board and the courts have concurrent first instance jurisdiction of matters arising under the *Copyright Act*.

By recognizing concurrent first instance jurisdiction as a new category for correctness review, the majority appears to be returning to the approach the SCC embraced in judicial reviews of questions of law decided by intellectual property (IP) administrative boards prior to *Vavilov*. For example, the SCC concluded in *Rogers* that correctness was the appropriate standard of review for questions of law arising on judicial review from the Board. In that decision, the SCC justified the correctness standard by describing how the Board and the Courts may both consider the same legal questions at first instance. In *SOCAN*, this relationship between the Board and the courts was again central to the SCC's decision to apply the correctness standard.

Correctness standard adheres to legislative intent and the rule of law when there is concurrent first instance jurisdiction

Justice Rowe observed that the presumption in favour of applying the reasonableness standard is generally justified when there is no concurrent first instance jurisdiction. When a "legislature has granted exclusive jurisdiction to an administrative decision maker, courts presume that the legislature wanted that decision maker to operate without undue judicial interference." He went on to hold that this presumption no longer applies if a legislature has expressly provided the courts with first instance jurisdiction, because "such statutory features indicate legislative intent for judicial involvement and a desire to subject those decisions to appellate standards of review."

Justice Rowe further concluded that applying the reasonableness standard where there is concurrent first instance jurisdiction would undermine the rule of law, since it may cause identical legal issues to be reviewed using different standards, depending on whether the issue arose before the Board or the courts. These different standards of review may then lead to conflicting statutory interpretations, thereby creating legal inconsistencies. This justification of the correctness standard is the same used by the SCC in *Rogers*, which pre-dates *Vavilov.*

Justice Rowe noted that this new correctness category is likely narrow: concurrent jurisdiction at first instance seems to only appear under IP statutes. Furthermore, issues that remain the exclusive jurisdiction of IP administrative bodies, such as "the Board's decisions on tariff rates," will continue to be reviewed on a reasonableness standard.

The concurring reasons

Justices Karakatsanis and Martin, concurring in the result, rejected the majority's decision to recognize a new correctness category, arguing that *Vavilov* had recently established a comprehensive standard of review framework and that creating a new correctness category just three years later would undermine its promise of certainty and predictability on standard of review issues. With respect to legislative intent, the concurrence argued that there was no clear signal that Parliament intended for correctness to be applied as the *Copyright Act* does not explicitly require it nor does it provide a statutory appeal mechanism. The concurrence also stated that adopting a reasonableness standard in these circumstances would safeguard the rule of law, since courts can set binding precedents that would help reviewing courts determine whether Board decisions were indeed reasonable.

Subsection 2.4(1.1) of the *Copyright Act* does not establish a new compensable interest

While the concurrence disagreed about the standard of review applicable to the Board's decision, the SCC was unanimous in dismissing the appeal, holding that the Board's decision should be quashed on the merits.

In reaching its conclusion, the SCC considered the role of international treaties in the interpretation of the domestic legislation. As a general matter, treaties should be considered at the context stage of the modern (text, context and purpose) approach to statutory interpretation and that "where the text permits, legislation should be interpreted so as to comply with Canada's treaty obligations." However, Justice Rowe noted that while a treaty may be highly relevant during the statutory interpretation exercise, it does not become part of domestic law without domestic legislation, and a treaty therefore

cannot overwhelm clear legislative intent and language because the domestic statute always governs.

The SCC held that the Board's interpretation of subsection 2.4(1.1) that relied heavily on the text of the *Treaty* was flawed. While owing a royalty for making a work available would fulfill Canada's obligations under the *Treaty*, it was inconsistent with the text, structure, and purpose of the *Copyright Act*.

The text and structure of the *Copyright Act*

Section 3(1) sets out an exhaustive list of the three copyright interests protected under the statute. These protected interests grant the owner the right to perform or authorize the following acts: (1) produce or reproduce a work in any material form; (2) perform a work in public; or (3) publish an unpublished work. Justice Rowe held that an activity can only engage one protected interest and that one must look at what the activity does to the work in order to determine the interest engaged. For example, the performance interest is engaged whenever an activity grants a user impermanent access to a work (*e.g.* streaming). In contrast, the reproduction interest is engaged whenever an activity grants a user a durable copy of the work (*e.g*. downloading). Justice Rowe thus concluded that the Board's interpretation was inconsistent with the text and structure of the *Copyright Act* since it would allow two royalties to be charged for a single activity—a performance royalty for making the work available, and a performance or reproduction royalty when that work is later streamed or downloaded by a user. Making a work available is a separate *physical* activity, it is not a separate *compensable* activity since Parliament did not include "making available" as a fourth protected interest in section 3(1).

The purpose of the *Copyright Act*

Justice Rowe also found that the Board's interpretation would undermine the purpose of the *Copyright Act* by violating the principle of technological neutrality. This principle states that absent clear intent from Parliament, the *Copyright Act* should not be interpreted so as to favour some forms of technology over others. By making users pay a second royalty in order to access works made available online as opposed to works made available for purchase in a brick-and-mortar store, the Board's interpretation would discriminate against Internet technologies.

It was unnecessary to create a new "making available" royalty, since Canada's obligations under article 8 of the *Treaty* could already be fulfilled using a combination of existing rights under the *Copyright Act*. Specifically, "the making available of a stream and a stream are both protected as a single communication to the public, while the making available of a download is protected as an authorization to reproduce, and the download is protected as a reproduction."

The correct interpretation of subsection 2.4(1.1)

With the above considerations in mind, Justice Rowe concluded that the correct interpretation of the *Copyright Act* is that subsection 2.4(1.1) clarifies that section 3(1)(f) applies to on-demand streams, and that a performance royalty is payable as soon as a work is made available for streaming. This approach respects the principle of

technological neutrality since it is analogous to cable television, where works are deemed to be performed upon transmission regardless of whether any viewers actually tune in to the transmission. Finally, while this interpretation means that section 3(1)(f) will not be engaged by downloads, the majority found that downloads are nonetheless protected under the *Copyright Act* through the reproduction and authorization rights.

The concurrence would have found the Board's decision to be unreasonable. The concurring justices also stated that if the standard of review was correctness, they would have agreed with Justice Rowe that subsection 2.4(1.1) could not be read as creating a new independent right that is engaged when works are made available for downloading or streaming, nor as creating a separate tariff.

Key takeaways

The key takeaways from *SOCAN* include the following:

- The SCC appears to be returning to the reasoning and standard it applied prior to *Vavilov* in recognizing concurrent first instance jurisdiction between courts and administrative bodies as the sixth category for which the appropriate standard of review is correctness.
- This category of correctness review is limited to the judicial review of IP administrative board decisions. Furthermore, the reasonableness standard continues to apply on judicial review when the issue being reviewed is exclusively within the IP administrative board's jurisdiction.
- While international treaties are relevant at the context stage of the modern approach to statutory interpretation, they cannot outweigh clear legislative intent and language since domestic law always prevails.
- There is no separate compensable copyright interest for the act of making works available to the public by telecommunication.
- The correct interpretation of subsection 2.4(1.1) of the *Copyright Act* clarifies that section 3(1)(f) applies to on-demand streams, and that works are performed as soon as they are made available for on-demand streaming.
- This interpretation means that a single performance royalty will be payable when a work is made available for on-demand streaming, regardless of whether users actually stream the work.
- Downloads are not protected under section 3(1)(f), but instead through the right to reproduction and the right to authorize reproduction. As with works made available for streaming, only one royalty is owed when a work is made available for download and/or downloaded.

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