

# Federal Court of Appeal decides users can opt-out of board sanctioned copyright tariffs

April 29, 2020

***York University v. The Canadian Copyright Licensing Agency, 2020 FCA 77***

**Judgement:** April 22, 2020

Access Copyright (AC) is a collective society that collects and distributes royalties to copyright holders of published literary works in its repertoire (the Works). AC and York University (York) had a licence agreement (the Licence Agreement) between 1994 and 2010 that allowed professors at York to reproduce the Works in exchange for payment. The Licence Agreement was set to expire, and since no new licensing agreement between the parties was reached, at AC's request, the Copyright Board (the Board) issued an interim tariff that adopted the terms of the previous Licence Agreement between the parties for the period of 2011-2013. Although initially complying with the tariff's terms, York unilaterally "opted out" of the tariff part way through 2011, instead abiding by its "guidelines" (the Guidelines). These Guidelines purported to authorize staff to copy short excerpts of the Works in accordance with the *Copyright Act's* fair dealing provisions.

AC sued York, and was successful before the Federal Court (FC) in its action to enforce the interim tariff under s. 68.2(1) of the *Copyright Act* (the Act). York appealed the FC's decision on two grounds. First, York argued that the licensing regime under the Act is not mandatory, and therefore it was entitled to opt-out of the interim tariff set by the Board. Second, York argued that even if it could not opt-out of the tariff, York complied with its Guidelines, which came within the fair dealing provisions of the Act, thereby avoiding liability. The Federal Court of Appeal (FCA) allowed York's appeal on the first ground of appeal, concluding that tariffs do not bind non-licensees, and since York opted out of the tariff, it was not a licensee. York was unsuccessful on its second ground of appeal.

## Is the tariff mandatory?

Regarding the first ground of appeal, York did not deny infringing the Works (apart from fair dealing), but instead asserted that it did not have to abide by the interim tariff because doing so was not mandatory. If it had been mandatory, York would have had to pay the tariff fee for any infringement. Arguing that the tariff was not mandatory exposed York to liability through copyright infringement action(s), but importantly, these

infringement actions could not be initiated by AC. Infringers are liable for copyright infringement only to the copyright owner, licensee, or assignee. AC had none of these rights – it only had the right to enforce the tariff. Therefore, if, as York asserted, the tariff is not mandatory, AC could not enforce any rights against York.

AC first relied on s. 68.2(1) of the Act for its assertion that the tariff was mandatory. Section 68.2(1) stated at the material time that a collective society may collect the royalties specified in the tariff, and in default of their payment, recover them in court. Earlier versions of the Act stated that a collective society may collect the royalties **in respect of the issue or grant by it of licences**, and in default of their payment, recover them in court. AC argued that the removal of the reference to “licences” in the later Act meant that AC’s ability to collect royalties was no longer tied to the issuance of a licence, but arose as soon as the Works were infringed.

The FCA first held that, at common law, in order for there to be a licence, there must be an agreement by both sides to be bound. Without statutory intervention, a party cannot force a licence on another. The FCA then began analyzing whether the Act intervened to provide such a mandatory licensing scheme. The FCA decided that the Act allowed for **users** to unilaterally elect to be governed by the licence as set out in the tariff as far back as 1936. Parliament implemented this to correct the quasi-monopoly that performance rights collective societies had achieved at the time, which allowed such societies to dictate the prices of its works or pull the entire repertoire from the market. However, nothing at that time suggested that the **collective societies** could unilaterally impose licences, and therefore collect tariffs from infringers. In fact, the FCA stated that the scheme was, in essence, a statutory limitation on collective societies’ remedies for copyright infringement. As of 1936, societies could no longer sue for damages if the infringer opted to pay the tariff.

The FCA analyzed the licensing scheme of the Act and tracked the amendments to the Act over time. It concluded that, through its various amendments, the tariff scheme of the Act continuously dealt with licensing. The key elements of the 1936 Act had been maintained, and at no time were the collective societies entitled to enforce the terms of their tariff against non-licensees.

The FCA dismissed AC’s argument that, when the word “licence” was removed in the 1997 amendments to s. 68.2(1) of the Act, it made the recovery of royalties specified in the tariff mandatory against infringers. The statutory mission of collective societies was to operate a licensing scheme for the benefit of those it represents. There was no basis in the Act that would allow collective societies the additional remedy of being able to automatically collect the tariff from infringers. The FCA quoted Supreme Court of Canada jurisprudence to support its analysis that, absent clear legislative intention to the contrary, a mere absence of reference to “licences” in certain provisions should not be interpreted as changing long settled law while largely retaining the text and structure of the provisions upon which the previous law was founded. As a result of dismissing AC’s arguments, the FCA allowed York’s appeal.

## Did York’s actions constitute fair dealing?

Although not strictly necessary given the result described above, the FCA also adjudicated whether York’s actions constituted fair dealing. After establishing that the work was for the allowable purpose of “education” pursuant to s. 29 of the Act, the FCA

analyzed whether the FC had erred in finding that the dealing was not fair, resorting to the six factors described in the *CCH* decision (2004 SCC 13).

**1) The purpose of the dealing** – The FCA stated that in the case of an institutional claim of fair dealing based on general practice, it is the institution’s perspective that matters. The FC was found to have erred by importing “education”, which was the allowable purpose under s. 29, into the analysis of the “goal” of the dealing. The FC did not err, however, in its factual finding that York’s additional purpose was to obtain for free that which it had previously paid for. This was a clear indication of unfairness.

**2) The character of the dealing** – The FCA stated that the FC did not err in finding that this factor weighed towards unfairness. A large aggregate number of copies were made. Furthermore, 360 copies per student were made at York, compared to 4.5 copies per student in *Alberta Education* (2012 SCC 37).

**3) The amount of the dealing** – This factor considers the proportion of the protected work which is copied, not the amount of copying in the aggregate. York argued that the focus should have been on the students’ perspective. The FCA agreed, but decided that York had led no evidence as to the students’ use of the proportion of the copied Works which would show that that use was fair. Therefore, this factor favoured AC.

**4) Alternatives to the dealing** – This factor considers whether the dealing was reasonably necessary to achieve the ultimate purpose. In this case, the ultimate purpose was the education of students. The FCA agreed with the FC that this factor favoured York. There was evidence that teaching using one textbook per class is obsolete, and materials are instead sourced from multiple publications. As a result, the copying was reasonably necessary to achieve its purpose, since there was no free alternative. The FCA noted, however, that York’s copying was systematic. As a result, this factor weakly favoured York.

**5) The effect of the dealing** – AC had the burden of demonstrating the negative impacts of the dealings on the creators and publishers. The FC found that it met that burden by showing a causal relationship between York’s Guidelines and the compensation that AC’s copyright holders would have otherwise achieved. The FCA found no error in the FC’s analysis, and agreed that this pointed to the unfairness of the copying.

**6) The nature of the work** – The parties did not make arguments concerning this factor, and so the FCA merely noted the FC’s conclusion that this factor tended towards an unfair dealing.

## Conclusion on fair dealing

The FC noted that York’s Guidelines did not have enforcement mechanisms to ensure that copying complied with the Guidelines. In most instances, the FC found that fairness factors pointed in the direction of unfairness, markedly so in some cases. The FCA held that the FC did not err in this regard, and therefore dismissed York’s appeal with respect to its claim of fair dealing.

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