SCC File No.: 39418

IN THE SUPREME COURT OF CANADA
(ON APPEAL FROM THE FEDERAL COURT OF APPEAL)

BETWEEN:

SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

APPELLANT
(Respondent)

-and-

ENTERTAINMENT SOFTWARE ASSOCIATION, ENTERTAINMENT SOFTWARE ASSOCIATION OF CANADA, APPLE INC., APPLE CANADA INC., BELL CANADA, QUEBECOR MEDIA INC., ROGERS COMMUNICATIONS, SHAW COMMUNICATIONS and PANDORA MEDIA INC.

RESPONDENTS
(Applicants)

[Style of cause continued on next page]

FACTUM OF THE APPELLANT,
SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA
IN REPLY TO INTERVENERS
(Pursuant to the Order of Justice Côté dated September 15, 2021)

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AND BETWEEN:

MUSIC CANADA

APPELLANT
(Respondent)

-and-

ENTERTAINMENT SOFTWARE ASSOCIATION, ENTERTAINMENT SOFTWARE ASSOCIATION OF CANADA, APPLE INC., APPLE CANADA INC., BELL CANADA, QUEBECOR MEDIA INC., ROGERS COMMUNICATIONS, SHAW COMMUNICATIONS and PANDORA MEDIA INC.

RESPONDENTS
(Applicants)

-and-

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INTERVENERS

FACTUM OF THE APPELLANT,
SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA
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PART I – REPLY SUBMISSIONS

1. SOCAN files this factum in reply to the factums of the interveners, Ariel Katz, the Samuelson-Glushko Canadian Internet Policy and Public Interest Clinic ("**CIPPIC**"), and the Canadian Association of Law Libraries/L'Association canadienne des bibliothèques de droit and Library Futures Institute ("**CALL**").

A. The Board's Decision Would Not Result in "Royalty Stacking"

i. There is no royalty stacking

2. Katz and CIPPIC argue that the decision of the Copyright Board of Canada, and SOCAN's position in this appeal, would result in so-called "royalty stacking."[1] This is incorrect.

3. "Royalty stacking" is a term coined and repeated by certain stakeholders that improperly – but quite deliberately –portrays the legitimate exercise of rights by copyright owners in a negative light. The term fails to recognize that distinct activities that occur as part of a single process or sequence may engage multiple rights[2] or engage the same right more than once.[3] It is the engagement of an exclusive right that triggers the need for a licence.[4] That is true whether the activities are carried out by the same person, such as in *Bishop* (where Télé-Métropole made copies to facilitate its broadcasting) and *SODRAC* (where the CBC made both synchronization and broadcast-incidental copies),[5] or by different parties, such as where a hotel publicly performed a radio station's broadcasts of musical works to its guests.[6]

ii. The Value of Making Available is Not at Issue in the Appeal

4. The issue in this appeal is the meaning and effect of s. 2.4(1.1), not the value of any licence to engage in the activity described in the provision. Whether an activity engages an

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[1] Katz Factum, ¶¶25-32; CIPPIC Factum, ¶¶4 and 29-33. See also: Call Factum, ¶¶3-4 and 7-8.
[2] *Bishop v Stevens*, [1990] 2 SCR 467 at 484(i) [*Bishop*].
[3] *Canadian Broadcasting Corp. v SODRAC 2003 Inc*, 2015 SCC 57, ¶63 [*SODRAC*].
[4] *SODRAC*, ¶77.
[5] *Bishop* at 470(d) *et seq*, SODRAC, ¶63.
[6] *Canadian Performing Right Soc. v. Ford Hotel*, 1935 CanLII 321 (QCCS); See also: *Copyright Act*, RSC 1985, c C-42, s 2.3 [*Copyright Act*].

exclusive right under the statute is a separate question from the value of the right.[7] Katz and CIPPIC nevertheless opine – improperly and without evidence – on principles of valuation.[8]

5. In any event, the interveners are incorrect to suggest that SOCAN's position would merely impose a "gratuitous cost" for the use of more efficient, Internet-based technologies.[9] On-demand distribution of digital works through the Internet is far more than a simple gain in efficiency over analog technologies. There is nothing gratuitous about copyright owners' reasonably sharing in the value that results from a user's ability to offer on-demand access to a large catalogue of works. That could not occur without an act of making available.

6. A text cited by each intervener acknowledges that "creators of musical works should fairly share in the economic benefits of technological progress that enables prospective licensees to communicate protected content more cheaply." That rationale "might explain why the communication right would cover digital but not physical distribution."[10] Although that comment was made in the context of the *ESA (2012)* decision, it applies equally to s. 2.4(1.1).

B. The Concepts of Implied Licence and Exhaustion Do Not Apply

7. Katz addresses several "solutions" to the so-called problem of royalty stacking, including the imposition of an implied licence and the doctrine of exhaustion. Neither of those concepts are at issue in this appeal. In any event, if Katz is suggesting that either concept is applicable in the context of s. 2.4(1.1), he is incorrect.

8. In both *Bishop* and *SODRAC*, this Court held that neither a licence to make broadcast-incidental copies of musical works at the end of the broadcasting process at the end of the process,[11] or to make synchronization copies of the works earlier in the process[12] can be implied

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[7] *SODRAC*, ¶¶78-79.

[8] Katz Factum, ¶¶19, 20, and 30-32; CIPPIC Factum, ¶¶28-33.

[9] For example, see the CIPPIC Factum, ¶¶3 and 28, citing *Entertainment Software Association v Society of Composers, Authors and Music Publishers of Canada*, 2012 SCC 34, ¶9 [*ESA (2012*].

[10] Jeremy de Beer, "Copyright Royalty Stacking" in Michael Geist, ed., *The Copyright Pentalogy: how the Supreme Court of Canada shook the foundations of Canadian copyright law,* (Ottawa: University of Ottawa Press, 2013), at 354 [de Beer].

[11] *Bishop* at 485(c) *et seq* .

[12] *SODRAC*, ¶59 *et seq.*

from a licence to broadcast the works. They are distinct activities that require distinct licences. Similarly, the act of making a work available for on-demand access is distinct from any transmission that might follow. It would be equally inapt to read into a licence to engage in either activity an implied right to engage in the other.

9. The doctrine of exhaustion, in Canada, is a feature of the distribution right in s. 3(1)(j) of the *Copyright Act*. That is the exclusive right, in the case of a work in the form of a *tangible object*, to effect or authorize the first sale or transfer of ownership of the object.[13] The right is said to "exhaust" because it subsists only up until the first authorized transfer of ownership of the tangible object. Parliament introduced s. 3(1)(j) as part of the *Copyright Modernization Act*, to implement Article 6 of the WIPO Copyright Treaty, which also applies only to tangible objects.[14]

10. Leading experts on the WIPO Internet Treaties, including expert reports in evidence before the Board, agree that the right to make works available for on-demand access does not engage the principle of exhaustion.[15] The Board accepted that evidence.[16]

C. The Board's Decision Does Not Conflict with Exceptions for Libraries

11. CALL argues that the Board's interpretation of s. 2.4(1.1) would neutralize the exceptions in the *Copyright Act* that are available to libraries. Those arguments do not withstand scrutiny. The exceptions provide additional examples of Parliament using express language in the statute to distinguish between digital and analog technologies, similar to s. 2.4(1.1).[17]

12. The exception in s. 30.1 provides that a library may make a copy of a work in its permanent collection for maintenance and management purposes if certain criteria are met.[18]

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[13] *Copyright Act*, s 3(1)(j).

[14] 2186 UNTS 121 (adopted December 20, 1996, in force March 5, 2002) Article 6 and Agreed Statements concerning Articles 6 and 7 [*WCT*].

[15] Expert Report of Dr. Silke von Lewinski, ¶¶41, 43, and 118 (JRA, Vol. VI, Tab 50A)]. Ficsor, *Copyright in the Digital Environment*, WIPO/CR/KRT/05/7 (2005), ¶64.

[16] *Scope of Section 2.4(1.1) of the Copyright Act – Making Available* (25 August 2017), CB-CDA 2017-085 [Board Decision] (JRA, Vol. I, Tab 1), ¶¶179-181.

[17] SOCAN's appeal factum, ¶¶142 and 151.

[18] *Copyright Act*, s. 30.1(1) – s. 30.1(4).

There is no possibility for conflict with s. 2.4(1.1) under any interpretation because s. 30.1 speaks only to the making of a copy by the library; it neither restricts nor expands any rights that the library might otherwise have in relation to the copy that is made.

13. The exceptions in ss. 30.2(2) and (4) must be read in combination with s. 30.2(5).[19] The former exceptions permit a library to make copies only "by reprographic reproduction" – that is, to make *photocopies* – and to "provide" only those reprographic copies to users. [20] There is no conflict with s. 2.4(1.1) because only a digital copy can be made available for on-demand access. A reprographic copy cannot.

14. By contrast, s. 30.2(5) allows a library to "provide a copy in *digital form*" but only "to a person who has requested it *through another library*." Again, there is no conflict with s. 2.4(1.1). As CALL explains, these digital interlibrary loans require several steps to occur before a user is able to obtain a digital copy under this exception, and the digital copy is ultimately made available only to that user, not to other members of the public.[21] That is not the "on-demand access" contemplated by s. 2.4(1.1).

15. The exceptions also provide additional evidence that Parliament intends for certain provisions of the *Copyright Act* to distinguish between digital and analog technologies. In addition to s.30.2(5), s. 30.3(4) provides that, in certain circumstances, a library does not infringe copyright where a copy of a work is made "using a machine for the making, by reprographic reproduction, of copies of works in printed form."[22]

16. Had Parliament intended to create a broad exception to permit libraries to make copies of works available to the public for on-demand access, it could have done so. Nothing in the Board's decision affects the exceptions that Parliament did enact.

D. CIPPIC's Misplaced Reliance on *Rogers*

[19] *Copyright Act*, s. 30.2(2) and s. 30.2(5). See also s. 30.2(5.01).
[20] *Copyright Act*, s. 30.2(2) and s. 30.2(4).
[21] CALL Factum, ¶16.
[22] *Copyright Act*, s. 30.3(1) (Emphasis added).

17. CIPPIC's reliance on *Rogers*[23] to argue that s. 2.4(1.1) of the *Copyright Act* merely clarifies that the communication right includes on-demand streaming is misguided.[24] *Rogers* did not consider s. 2.4(1.1) at all; the "sole issue" was "the meaning of the phrase 'to the public' in s.3(1)(f) of the *Act*."[25] *Rogers* also did not consider whether the *WIPO Copyright Treaty* (*WCT*) requires protection for the act of making a work available irrespective of whether or how the work is later transmitted. Notably, however, CIPPIC relies on a passage in *Rogers* that quotes from a publication by Dr. Jane Ginsburg, in which she concludes that *WCT* does require protection for the act of making available that results in a download.[26]

E. The Board Did Not Exceed its Jurisdiction

18. Finally, Katz raises a new argument: that the Board exceeded its jurisdiction by convening a separate hearing on s. 2.4(1.1).[27]

19. The Board is often required, when setting tariffs, to determine legal questions that could affect non-parties, including whether a particular activity engages an exclusive right under the statute.[28] Nothing in the *Copyright Act* precludes the Board from determining legal and valuation issues separately. Indeed, this Court has tacitly accepted that procedure.[29] As noted by the Board in this case, it was "not possible" for the Board to consider and certify SOCAN's proposed tariff without determining the meaning and effect of s. 2.4(1.1).[30] In so considering the meaning and

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[23] *Rogers Communications Inc. v. Society of Composers, Authors and Music Publishers of Canada,* 2012 SCC 35 [*Rogers*].

[24] CIPPIC Factum, ¶¶19 and 26-28.

[25] *Rogers*, ¶2.

[26] J. C. Ginsburg, "The (new?) right of making available to the public", in D. Vaver and L. Bently, eds., *Intellectual Property in the New Millennium: Essays in Honour of William R. Cornish* (2004). See, e.g., at 5-6, re: Pirates-R-Us Website.

[27] Katz Factum, ¶6.

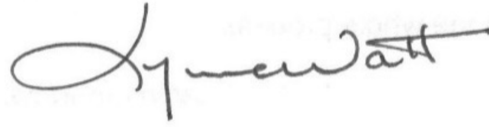
[28] *SODRAC*, ¶¶ 5 and 35; *Rogers* ¶¶ 12-13; and *Society of Composers, Authors and Music Publishers of Canada v. Canadian Assn. of Internet Providers*, 2004 SCC 45, see e,g., ¶¶5 and 94-95 [*SOCAN v CAIP*]

[29] *SOCAN v CAIP*, ¶13.

[30] Board Notice (Dec. 7, 2012) (AR, V. I, Tab 1).

effect of the provision, it was appropriate for the Board, recognizing that other stakeholders could eventually be affected, to allow them the opportunity to make submissions.[31]

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 3rd day of November, 2021



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[31] *SOCAN v CAIP*, ¶13.

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