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July 21, 2022

# Do I pay the same? Am I only streaming? Or is "making available" a separate, compensable claim?

Last week, the Supreme Court of Canada released its decision in *SOCAN and Music Publishers of Canada v ESA*, the latest instalment in a decade long battle about whether and how copyright owners should be compensated for making works available online (even if those works are not subsequently downloaded or streamed by a user).

The SCC decision is important for its pronouncements on the making available provision, on standard of review, and on the role of international treaties in statutory interpretation.

## **“Making Available”: A Right But No Additional Royalty**

Section 2.4(1.1) amends section 3(1)(f), which gives authors the right to “communicate the work to the public by telecommunication” — by clarifying that:

for the purposes of [the *Copyright Act*], 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.

The Court addressed the meaning of section 2.4(1.1) of the *Copyright Act* (known as the making available provision) and whether “making available” (by itself) is a compensable activity under tariffs approved by the Copyright Board.

There are already fees payable to copyright holders for downloads or streaming of works. What the copyright holders in this case were arguing is that the act of making a work available online (e.g. by a link on a web page) is sufficient to trigger separate and additional compensation.

The Court rejected that argument and held that such an additional royalty would violate the principle of technological neutrality: “What matters is what the user receives, not how the user receives it” (para 63).

On that basis, the Court held that only one royalty was payable

(para 112):

Similar to offline distributions, downloading or streaming works will continue to engage only one copyright interest and require paying one royalty — a reproduction royalty for downloads or a performance royalty for streams. If a work is downloaded or made available for downloading, s. 3(1)(f) is not engaged. If a work is made available for streaming and later streamed, s. 3(1)(f) is only engaged once.

With respect to streaming, the Court held that section 2.4(1.1) clarifies that the communication right in section 3(1)(f) applies to on-demand streams but not to downloads, and that a work is performed as soon as it is made available for on-demand streaming. If a work is streamed or made available for on-demand streaming, the author's performance right is engaged as soon as the work is made available even if it isn't streamed, analogising to cable television (where a work is performed when it is transmitted over cable television even if no customers tune in to the channel).

With respect to downloads, the reasoning was not as clear. On the one hand, the Court was explicit that only one copyright royalty is payable for downloading works because only one copyright interest (reproduction) is engaged (para 112). On the other hand, the Court stated that making works available for download engages the author's right to authorize reproduction (para 103) and that authorization is a distinct right (para 105).

The Court attempted to reconcile these seemingly contradictory positions by distinguishing between "separate physical activities" and "separately compensable activities" (para 59). However, in the context of downloads, there appear to be two activities (making available and downloading), with each engaging a right (authorization and reproduction), and yet the Court concluded: "there is only one protected activity in issue: either a download or a stream" (para 60).

It would perhaps have been less fraught for the Court to focus on *economic* activities rather than merely activities. A streaming service (an economic activity) likely includes many other steps (activities) not contemplated by the Court, but that engenders copyright interests, such as the need to reproduce the work on a server before it is uploaded (with thanks for Professor Ariel Katz for this example). Are such reproductions separately compensable or not? The Court seems to say no, but there is some unwelcome ambiguity there.

The Court did hint that economic considerations are relevant when it stated that it was not pronouncing on the *value* of any

of the rights discussed, stating: “Setting the appropriate royalties to compensate authors when these rights are engaged is a matter for the Board to decide. Similarly, the considerations that a court might have regard to in assessing monetary remedies for infringement is a matter to be decided if and when such a case arises,” (para 113).

What is clear – and consistent with Canada's treaty obligations – is that copyright infringement can occur when a work is uploaded without permission even if it isn't also subsequently downloaded or streamed. But compensation does not necessarily follow.

### **Standard of Review: A New Correctness Category**

The Court held that the Board's decisions on the scope of rights in the *Copyright Act* should be reviewed on the standard of correctness. This result is consistent with pre-*Vavilov* jurisprudence, but the Court reached this standard of review via different reasoning.

The decision marks the first time since *Vavilov* redefined the standard of review of administrative decisions, that the Court has defined a new category of correctness review. In *Vavilov*, the Court determined that Courts should review administrative decisions on a standard of reasonableness, subject to five categories of correctness review, and that new correctness categories could be created but only in “exceptional” circumstances. Here, with Justices Karakatsanis and Martin dissenting on this point, the Court created its sixth category: when courts and administrative bodies have concurrent first instance jurisdiction over a legal issue in a statute.

Justice Rowe held that this sixth category should be created for two primary reasons. First, legislative intent indicates that correctness is the right standard as evidenced by the legislature enacting a statute that gives concurrent first instance jurisdiction to courts and the Board with respect to the *Copyright Act*. Second, the rule of law supports correctness review to avoid inconsistencies in the interpretation of the Act as between courts and the Board.

In concurring reasons, Justice Karakatsanis took issue with this approach noting in her opening paragraph that the Court had “sought to bring coherence and predictability to the law governing judicial review” in *Vavilov*. She had strong words for Justice Rowe's approach: “By creating a new correctness category only three years after a majority of the Court set out a comprehensive framework, my colleague's conclusion undermines *Vavilov*'s promise of certainty and predictability. His approach shows no fidelity to the majority's reasons in *Vavilov*”

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The majority seemed to have been comforted in its position by the assumption that this category of correctness review would rarely arise, relying to *Rogers*: “Concurrent jurisdiction at first instance seems to appear only under intellectual property statutes where Parliament has preserved dual jurisdiction between the tribunals and the courts.”

### **International Treaties: Important Context But No Trump Card**

The Court also addressed the relevance of treaties to statutory interpretation.

In 1997, Canada signed the WIPO Copyright Treaty (“Treaty”), which sets out a number of protections that member countries are to provide to authors. Article 8 provides that authors of literary and artistic works shall enjoy the exclusive right to make their works available to the public 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, Parliament added section 2.4(1.1) to the *Copyright Act* by way of the *Copyright Modernization Act* (“CMA”) to implement the rights and protections of the Treaty.

The Court held that a treaty should be considered when interpreting statutes that purport to implement that treaty, in whole or in part and that, in such cases, the treaty is relevant at the context stage of the statutory interpretation exercise

The Court also held that there is no need to find textual ambiguity in a statute before considering the treaty. The modern approach to statutory interpretation includes interpreting the statute against the backdrop of any relevant international obligations, as those obligations are part of the statute’s “entire context”. The Court noted that an explanatory memorandum placed before the House of Commons stated that the CMA was developed with a view to implementing the rights and protections of the Treaty. (If Twitter is to be believed, this is the first time the Court has relied on such an explanatory memorandum.)

However, while a treaty forms part of the context it cannot trump legislative intent.

“The court’s task is to interpret what the legislature (federally and provincially) has enacted and not subordinate this to what the federal executive has agreed to internationally.” To find otherwise would mean that international law could be used to support an interpretation of the statute that runs counter to the clear words of the statute, and therefore counter to the legislative intent.

The Court agreed with the Board that the Treaty requires that authors should have recourse against individuals who upload their works online in a way that makes them available for downloading or streaming, even if the work is never actually downloaded or streamed. But the Court disagreed that this obligation requires imposing additional royalties. The Treaty does not require a separate tariff for making works available.

### **Practical Implications**

This decision has several practical implications for future tariffs, though some ambiguities remain.

First, the decision means that there is no tariff for “making available” a work that is separate from the tariff for a subsequent stream or download of the work: “While I accept that the act of “making a work available” is a separate physical activity from the act of a user downloading or streaming a work, it does not follow that it is a separately compensable activity,” (para 59).

Second, a work is performed as soon as it is made available for on-demand streaming, and it is at this point that a royalty is payable. If the work is subsequently streamed by a user, they are experiencing an already ongoing performance, not starting a new one, and no additional royalty is payable.

The Court’s reasoning does, however, leave open the question of when a separate physical activity becomes a separate compensable activity. The reasoning on this – and specifically on the question of downloads – is ambiguous, and makes advising clients difficult except in the specific circumstances contemplated by the Court.

These ambiguities mean that this decision will likely not be the last instalment of the “making available” saga.

*Lenczner Slaght lawyers Sana Halwani, Andrew Moeser, and Alexis Vaughan represented the Intervener, Professor Ariel Katz, in this matter before the Supreme Court of Canada. The views expressed in this blog are those of the author and do not necessarily reflect the views of Professor Katz.*