

Intellectual Property Institute of Canada (IPIC) Submission on the Consultation on Options for Reform to the Copyright Board of Canada

Submission to Innovation, Science
and Economic Development Canada,
Canadian Heritage and Copyright
Board of Canada

September 29, 2017

INTRODUCTION

The Intellectual Property Institute of Canada (IPIC) is the professional association of patent agents, trademark agents and lawyers practicing in all areas of intellectual property law. Our membership totals over 1,700 individuals, consisting of practitioners in law firms and agencies of all sizes, sole practitioners, in-house corporate intellectual property professionals, government personnel, and academics. Our members' clients include virtually all Canadian businesses, universities and other institutions that have an interest in intellectual property (e.g. patents, trademarks, copyright and industrial designs) in Canada or elsewhere, as well as foreign companies who hold intellectual property rights in Canada.

The Copyright Policy Committee (the “**Committee**”) of the Intellectual Property Institute of Canada (IPIC) is grateful for the opportunity to respond to the 2017 Consultation on Options for Reform to the Copyright Board of Canada (the “**Consultation**”). The Committee applauds officials at the Department of Innovation, Science and Economic Development, the Department of Canadian Heritage, and the Copyright Board of Canada (the “**Board**”) for taking steps to identify and implement practical and innovative solutions that will assist the Board in certifying tariffs in a timely, transparent and predictable manner.

In this submission, the Committee responds to the options presented in the Consultation, in part by identifying those recommendations that the Committee believes will accomplish the goals of timeliness, transparency and predictability. The recommendations are supported by best practices observed by rate-setting bodies in other comparable common law jurisdictions, notably the United States, the United Kingdom, Australia and New Zealand; and are supported by the extensive experience and expertise of our various Committee members.

The Committee also takes this opportunity to echo the recommendation of the Standing Committee on Canadian Heritage that in 2014 recommended that the examination of the Board's operations be considered, and implemented, “as soon as possible”.¹

For ease of reference, the numbering in this submission reflects that used in the Consultation.

1. EXPLICITLY REQUIRE OR AUTHORIZE THE BOARD TO ADVANCE PROCEEDINGS EXPEDITIOUSLY.

The Committee supports the adoption of this proposal. The Committee considers that the Board (and stakeholders) would benefit from a policy directive specifically requiring the Board to focus its reform efforts on procedural changes that would improve efficiency and reduce the time and expense of proceedings.

¹ Standing Committee on Canadian Heritage, *Review of the Canadian Music Industry* (Ottawa, 2014) [Canadian Music Industry Review] at 25.

We note that the Australian Copyright Tribunal operates under a statutory duty to conduct proceedings “with as little formality, and with as much expedition, as the requirements of [the Copyright Act] and a proper consideration of the matters before the Tribunal permit.”²

As discussed further in item 10(c), below, multiple peer foreign jurisdictions have implemented specific rules designed to expedite the hearing process before their respective copyright tribunals. Both the United States and the United Kingdom have adopted fast-track rate-setting procedures that can be used in particular circumstances. The UK Copyright Tribunal Rules include a “small applications track”, which is the default procedure when the financial value of a matter to any party is less than £50,000 and the facts and legal issues are relatively simple.³ Such proceedings do not involve a hearing unless a party requests it and the Tribunal thinks it would be required.⁴ Furthermore, the UK Copyright Tribunal can migrate a proceeding between the “small applications” track and the more intensive track at any time, either at the request of a party or on its own initiative.⁵

In the United States, the Copyright Royalty Judges can similarly decide (on their own initiative or at the request of a party) to invoke a simplified, paper-based procedure.⁶ Furthermore, there is a fixed timeline for pre-hearing procedures whether or not the simplified procedure is invoked.⁷

Relevant to the matter of expediting proceedings, the Committee notes that the Board’s “interrogatories” process is a significant source of delay. The issue of interrogatories is discussed further in item 10(b), below.

2. CREATE NEW DEADLINES OR SHORTEN EXISTING DEADLINES IN RESPECT OF BOARD PROCEEDINGS.

The Committee supports this proposal. The Committee recommends that the Board be directed to certify tariffs as soon as practicable and no later than six months after the end of the hearing and twenty-four months from the filing of the proposed tariff.

As noted in the Report of the Senate Committee on Banking, Trade and Commerce, “[a]ll of the committee’s witnesses believed that the greatest challenge in relation to the Board is its lack of timely decision making”.⁸ The Committee echoes that concern. As noted in the Consultation, tariffs are, on average, certified more than 2 years after their effective date, leading them to have “increasingly retroactive” effects, resulting in uncertainty about rights and potential liabilities.

² Australia, *Copyright Act 1968*, s. 164.

³ UK, The Copyright Tribunal Rules 2010, S.I. 2010 No. 791, s. 17 [*UK Rules*].

⁴ *Ibid.* s. 21.

⁵ *Ibid.*, s. 18.

⁶ US, 17 USC §803(b).

⁷ US, 17 USC §803.

⁸ Standing Senate Committee on Banking, Trade and Commerce, *Copyright Board: A Rationale for Urgent Review* (Ottawa, 2016) [*Senate Report*] at 2.

In the United States, the Copyright Royalty Judges operate under a structured timeline, and are required to render a decision within 11 months after a mandatory settlement conference between the parties and in no event later than 15 days before the expiration of the current rates.⁹

The Committee considers that a fixed timeline for certifying tariffs would be of great benefit to all stakeholders and would be an important step towards improving confidence in the Board.

The Committee also supports the proposal that the Board be required to track and make public the length of time it takes to render decisions following hearings.

As regards the option of shortening the period of time following publication of proposed tariffs from which objections may be filed (to, *e.g.*, 28 days), the Committee notes that where objections are substantive (as distinct from the largely *pro forma* objections that are often filed as a matter of course), it may be necessary to allow parties longer than 28 days to prepare them; any potential unfairness arising from a shortened period for objections could be ameliorated by allowing parties to apply for leave to extend the shortened period.

3. IMPLEMENT CASE MANAGEMENT OF BOARD PROCEEDINGS.

The Committee supports the adoption of this proposal. The Committee wishes to emphasize two elements that in the Committee's view are critical to the realization of the goal of the case management process resulting in a fair, expeditious and less costly disposition of proceedings:

- first, the case management process should be accompanied by the introduction of strict timelines governing responses and orders from the case manager assigned to a particular case (*e.g.*, requiring responses within 14 days of submissions to the case manager);
- second, a key function performed by the case manager should be to provide guidance on the evidence that the Board will expect or require in order to enable the Board to render a certification decision. The Committee notes that on multiple occasions the Board has advised the parties to a proceeding that the Board is unable to certify a tariff due to a lack of evidence being tendered – but the Board's view that it lacks sufficient evidence is only communicated to the parties many months after the hearings have concluded, thereby precluding the parties from being responsive to the Board's needs. The case management process offers an opportunity to address this breakdown in communications.

In addition, the Committee recommends that all contested tariff matters before the Board should be subject to a mandatory pre-hearing mediation process. Mandatory mediation would free up Board resources for matters which are not susceptible to agreement among the parties (as contemplated in item 6, below). Even where a mediation does not resolve all outstanding issues in a proceeding, it may still be helpful as a way to narrow the contested issues and thereby streamline an eventual hearing.

⁹ US, 17 USC §803.

The mandatory mediation program and case management system implemented under the Ontario Rules of Civil Procedure provides a model which the Board could follow in this regard.¹⁰ We also note that the UK Copyright Tribunal Rules provide for mandatory case management in the Tribunal’s “standard track” proceedings, and that case management is optional in the “small applications” track.¹¹

The Committee is supportive of the proposal to empower the case manager to issue orders following case management conferences, so long as the power is accompanied by the aforementioned timelines applicable to the timeliness of such orders. The Committee is also of the view that case management conferences should be convened in accordance with a schedule of checkpoints fixed by the case manager. With respect to the identity of the case manager, case managers could be Board members or senior staff, though the Committee expresses the hope that the full complement of Board members will be appointed, thereby facilitating the appointment of a maximal number of case managers who have workloads and schedules that permit a effective and efficient responsiveness throughout the case management process.

4. EMPOWER THE BOARD TO AWARD COSTS BETWEEN PARTIES.

The Committee would be supportive of a move to empower the Board to award costs in cases where the Board determines that a party has exceeded applicable timelines, thereby unnecessarily lengthening the duration of a proceeding and contributing to an inefficient decision-making process. However, the Committee wishes to highlight that delays caused by the parties in contravention of applicable timelines has not historically been an issue – rather, the issue with delays caused by the parties, to the extent it exists, is that there are no regulatorily prescribed governing timelines and so parties have no clear obligations to move expeditiously. To reiterate, the Committee supports the imposition of clear timelines applicable to both the Board and parties to proceedings before the Board.

5. REQUIRE PARTIES TO PROVIDE MORE INFORMATION AT THE COMMENCEMENT OF TARIFF PROCEEDINGS.

While the Committee is of the view that in the abstract it would be advantageous to have more information earlier in the process, a number of considerations should inform the implementation of any such requirement. First, mandating additional provision of information at the commencement of the process should be meaningfully tied to the realization of efficiencies later in the process – for example, reducing the scope of interrogatories or identifying issues of contention among the parties. Second, parties should not be restricted from modifying their positions as expressed early in the process in light of evidence that becomes available only later in the process.

¹⁰ Ontario Rules of Civil Procedure 24.1 and 75.1 impose mandatory mediation on many civil actions taking place in Toronto, Ottawa and Windsor. See Ministry of the Attorney General Fact Sheet: Mandatory Mediation under rules 24.1 and 75.1 of the Rules of Civil Procedure, available online: http://www.attorneygeneral.jus.gov.on.ca/english/courts/civil/fact_sheet_mandatory_mediation.html

¹¹ UK Rules, *supra* note 3, ss. 19-22.

6. PERMIT ALL COLLECTIVE SOCIETIES TO ENTER INTO LICENSING AGREEMENTS OF OVERRIDING EFFECT WITH USERS INDEPENDENTLY OF THE BOARD.

The Committee recommends that the Board be directed that, where joint written submissions for the certification of a tariff are filed by a relevant collective society and one or more representative objectors or other prospective licensees, the Board shall:

- (i) consider the tariff in an expedited manner on the basis of the joint written submissions and any written submissions received from other objectors to the original proposed tariff;
- (ii) certify the tariff on the terms and conditions proposed by the joint submissions, subject to any alterations the Board considers necessary to address the submissions, or interests, of any Objectors who are not parties to the agreement; and
- (iii) certify the approved tariff as soon as practicable and, in any event, no later than three months after the date of the joint submissions.

In multiple foreign jurisdictions, the approval of the applicable rate-setting body is not required if the principal parties are able to negotiate a licence agreement among themselves. In these jurisdictions, rate-setting bodies are only called upon to resolve disputes among the parties, and to otherwise intervene when negotiated solutions prove not to be possible.¹²

In the United States, the statutory regime varies depending on the specific right or statutory licence at issue. Under 17 USC §114(f)(3), voluntary licences automatically take precedence over any decision by the Librarian of Congress or determination by the Copyright Royalty Judges. A recent report of the Register of Copyrights recommended that the various current rate-setting regimes be rationalized into a single, market-oriented standard, subject to a general principle that “Government supervision should enable voluntary transactions while still supporting collective solutions”.¹³

In the UK,¹⁴ Australia, and New Zealand,¹⁵ the Copyright Tribunals generally only have jurisdiction in the event there is a dispute among the parties, who are otherwise free to agree to rates and terms among

¹² See, e.g., Austria, Australia, Germany, Italy, Netherlands, New Zealand, Norway, Portugal, South Africa, Spain, UK, USA (webcasting statutory license). See National Reports to ALAI 2015 International Congress, online: <http://www.alai2015.org/en/national-reports.html>, Daniel Gervais, ed., Collective Management of Copyright and Related Rights, 3d ed. (The Netherlands: Kluwer Law International, 2016).

¹³ US, Register of Copyrights, *Copyright and the Music Marketplace* (February 2015), online: <https://www.copyright.gov/policy/musiclicensingstudy/copyright-and-the-music-marketplace.pdf> at 144 [[Music Marketplace Report](#)].

¹⁴ In the United Kingdom, if there is a consensual licence, then neither the licensor nor licensee can refer it to the Tribunal, unless they want the Tribunal to consider what the terms should be for future licensing (in which case they ask for the terms to be extended or varied). However, if there is a “licensing scheme,” then even if that

themselves. Either users or rate-holders can initiate proceedings before these Tribunals, but no such proceedings are mandatory if the parties are able to reach mutually acceptable agreements. In Switzerland, in situations in which it is clear that a negotiated agreement has been reached with user representative associations, the Commission is not required to go any further and seek comment on the proposal from those associations.¹⁶

In Canada, however, collective societies for performance rights for musical works and sound recordings have a statutory obligation to file tariffs with the Board and cannot bring enforcement actions without the consent of the Minister, while other collective societies (principally representing the reproduction rights in musical and literary works) are free to enter into and enforce agreements with users.¹⁷ Correcting this disparity would require a statutory amendment. However, no such amendment would be required to direct the Board to expedite the process for the certification of tariffs on consent in relation to the collective societies representing performance rights. Beyond respecting the autonomy of the parties involved in such negotiations, this change would also have the salutary effect of freeing up Board resources for actual contested proceedings. The Committee therefore considers that such a direction would be beneficial both in terms of basic fairness and in improving the Board's overall productivity.

The foregoing having been noted, it will be important to ensure that the non-collective society parties to any proposed tariff which is jointly submitted for certification (i) be representative of concerned stakeholders and (ii) have a demonstrable *bona fide* interest in the matters addressed by the agreement.

The Committee disagrees with the suggestions that parties be required to file all agreements with the Board or that all agreements be made public. While there may be justification for the public disclosure of agreements intended to have industry-wide application, such is not the case with respect to agreements that have been privately negotiated based on the specific circumstances of a particular user. Not all agreements are intended to have precedential effect or general applicability, and requiring the public disclosure of all agreements would create a disincentive to efficient negotiation outside of the formal tariff process. For instance, where the parties have agreed on experimental, trial rates for a new business model, public disclosure is not warranted for precedential purposes, and may discourage the offering of such special rates to encourage new uses. In these circumstances, confidentiality encourages free negotiation and protects users from being put at a competitive disadvantage by having business details disclosed to competitors. The Committee therefore recommends that the public disclosure of agreements be limited to those agreements where the parties have agreed to disclosure or where the agreements are intended to have general applicability beyond the negotiating parties.

scheme was freely negotiated between a representative body and the licensor, a user covered by that scheme still has the right to refer the scheme to the Tribunal (and a user not covered by that scheme can ask for the scheme to be extended to include them – Section 121(2)).

¹⁵ New Zealand's system of collective licences is a negotiated regime with disputes only going to the Tribunal stage at the reference of a party to the dispute. The Tribunal is therefore a "circuit breaker" like any court, but with specialist adjudicators.

¹⁶ Switzerland, *Ordonnance sur le droit d'auteur et les droits voisins*, Article 10, para. 3, French-language original at <https://www.admin.ch/opc/fr/classified-compilation/19930114/index.html>.

¹⁷ *Copyright Act*, ss. 67.1, 70.12, 70.19, 70.191.

With respect to the proposal of requiring Board to examine agreements at first instance rather than at the request of the Commissioner of Competition, the Committee is of the view that, as a result of the subject-matter expertise of the Commissioner of Competition, the decision to examine agreements should rest with the Commissioner and the Board should not be obligated to examine agreements at first instance.

7. CHANGE THE TIME REQUIREMENTS FOR THE FILING OF PROPOSED TARIFFS.

IPIC does not have a recommendation at this time.

8. REQUIRE PROPOSED TARIFFS TO BE FILED LONGER IN ADVANCE OF THEIR EFFECTIVE DATES.

With respect to each of the foregoing options, the Committee is of the view that they could be beneficial so long as there are timelines imposed on the responses of the case manager, the Board and the certification process as a whole. In addition, the Committee notes that if proposed tariffs are required to be filed earlier, a mechanism should be available to ensure that the filing parties have the flexibility to modify proposed tariffs to reflect changed circumstances.

Relatedly, the Committee supports the introduction of explicit authority for a collective to withdraw a proposed tariff and re-file a new timely tariff.

9. ALLOW FOR THE USE OF THE COPYRIGHTED CONTENT AT ISSUE AND THE COLLECTION OF ROYALTIES PENDING THE APPROVAL OF TARIFFS IN ALL BOARD PROCEEDINGS.

The Committee notes that pursuant to Section 66.51 of the *Copyright Act* (Canada), the Board currently has the power to make interim decisions and that this power has been exercised in the past to declare a proposed tariff to be an interim tariff applicable until the Board's final determination. The Committee supports amending Section 66.51 to explicitly authorize such practice.

10. CODIFY AND CLARIFY SPECIFIC BOARD PROCEDURES THROUGH REGULATION.

As a general observation regarding the options identified in this section, the Committee's view is that, to realize the desired goals of efficiency and effectiveness, the imposition of timelines should be prioritized as that presents the most likely candidate to produce short-term improvements. The Committee expresses the hope that proposals will be implemented to the extent that they present the opportunity for a demonstrable positive impact on the Board's performance. With respect to a number of the

options identified below, the Committee is of the view that there is no need for the principles to be codified in statute or regulation, and instead the case manager could be empowered to attend to these issues in appropriate circumstances in a purposive, context-sensitive manner.

(a) Statement of issues

The Committee has no objection to implementing this option, though we note that the change is likely unnecessary as the issues are usually self-evident from the filings.

(b) Interrogatory process

The Committee notes that the Board's interrogatory process, which is described in the Board's Model Directive on Procedure¹⁸ (the "**Directive**"), is unusual, both compared to other Canadian administrative tribunals¹⁹ and compared to comparator institutions in other jurisdictions,²⁰ because it takes place before any statement of case is filed and because it is not subject to any clear limiting rules about what information is relevant (in part because the issues for the proceeding are not fully crystalized until later when the statements of case are filed).²¹ There is no regulatorily-imposed time limit for interrogatories and few practical constraints to discipline the process.²²

As discussed in item 10(a), above, the Committee is aware that the Board's Working Committee (established in 2012) has considered both the identification and disclosure of issues to be addressed in tariff proceedings and the interrogatory process. While the Committee agrees that these are important opportunities for improvement of the Board's procedures, the Committee notes the minority views expressed at the end of the Working Committee's discussion paper that the recommendations in that paper will "do little or nothing to reduce the size, scope or burden of interrogatories".²³ The Committee

¹⁸ Online: <http://www.cb-cda.gc.ca/about-apropos/directive-e.html>.

¹⁹ See, e.g., Paul Daly, "Best Practices in Administrative Decision-Making: Viewing the Copyright Board of Canada in a Comparative Light" (20 May 2016), online: <http://canada.pch.gc.ca/eng/1478727977707> [Daly] at 27.

²⁰ For example, under the *UK Rules*, *supra* note 3, parties to a proceeding can request orders to compel a person to answer a question or to produce documents, but this is at the discretion of the Tribunal. Furthermore, such orders are expressly limited by the rules that would apply to compelled production of evidence in a court of law, which ensures that limiting principles such as relevance are complied with. See *ibid*, s. 26. Moreover, under the *UK Rules*, a "statement of grounds" (including both a statement of the facts relied upon and the relief sought) is required to commence proceedings. See *ibid*, s. 7. In the US, the discovery period for proceedings before the Copyright Royalty Judges is strictly limited to 60 days, followed by a mandatory settlement conference. See 17 USC §803(b)(6)(C).

²¹ The Board's practice includes responding to challenges to interrogatories on a number of grounds that are not referred to in the Directive, including privilege and relevance. See e.g. Working Committee on the Operations, Procedures and Processes of the Copyright Board, "Discussion Paper on Two Procedural Issues: Identification and Disclosure of Issues to be Addressed During a Tariff Proceeding and Interrogatory Process" (4 February 2015), online: <http://www.cb-cda.gc.ca/about-apropos/pdf/discussion-paper.pdf> at 12 [Discussion Paper].

²² The Committee acknowledges that the parties to Board proceedings can, within the flexibility of the current tariff-setting process, contribute to the complexity and length of the interrogatories process, particularly in inaugural tariff proceedings. Limitations on the interrogatory process – and the entire pre-hearing process – would undoubtedly focus the attention of the parties. The fact that pre-hearing delays can be attributed to both the parties and the Board is further evidence that express rules and limitations would help expedite the process.

²³ *Ibid.* at 25.

recommends that the Board be directed to review its Model Directive on Procedure with a view to ensuring that the interrogatory process is proportionate and efficient, achieving its purpose of yielding sufficient relevant information for both the parties and the Board without unduly increasing the time or expense of the hearing process

(c) Simplified procedure

As noted above, in item 1, multiple peer foreign jurisdictions have implemented specific rules designed to expedite the hearing process before their respective copyright tribunals. Both the United States and the United Kingdom have adopted fast-track rate-setting procedures that can be used in particular circumstances.

The UK Copyright Tribunal Rules include a “small applications track”, which is the default procedure when the financial value of a matter to any party is less than £50,000 and the facts and legal issues are relatively simple.²⁴ Such proceedings do not involve a hearing unless a party requests it and the Tribunal thinks it would be required.²⁵ Furthermore, the UK Copyright Tribunal can migrate a proceeding between the “small applications” track and the more intensive track at any time, either at the request of a party or on its own initiative.²⁶

In the United States, the Copyright Royalty Judges can similarly decide (on their own initiative or at the request of a party) to invoke a simplified, paper-based procedure.²⁷ Furthermore, there is a fixed timeline for pre-hearing procedures whether or not the simplified procedure is invoked.²⁸

The Committee proposes that a simplified procedure could be required in the following circumstances:

- automatically, on the consent of the parties;
- automatically, where no objection has been filed in respect of a proposed tariff and it is not substantially different from a previously certified tariff;
- at the discretion of the Board, when the issues in dispute are relatively simple or the monetary value at issue is likely below a threshold of \$100,000.

11. Stipulate a mandate for the Board in the Act.

The Committee supports the adoption of this proposal, particularly since it has been presented in the Consultation paper as a measure to clarify the Board decision-making process. A clear mandate would assist the Board and its participants in conducting more timely and efficient tariff-setting proceedings.

²⁴ *UK Rules, supra* note 3.

²⁵ *Ibid.* s. 21.

²⁶ *Ibid.*, s. 18.

²⁷ US, 17 USC §803(b).

²⁸ US, 17 USC §803.

Currently, the Board is not guided by an explicit legislative or regulatory mandate; the Board’s mandate (outlined on the Board website) is essentially a high-level overview of the institution and a simplified description of the function it serves (i.e. a rate-setting body):

“The Board is an economic regulatory body empowered to establish, either mandatorily or at the request of an interested party, the royalties to be paid for the use of copyrighted works, when the administration of such copyright is entrusted to a collective-administration society. The Board also has the right to supervise agreements between users and licensing bodies and issues licences when the copyright owner cannot be located.”

As the complexity of the economic and legal issues continues to rise, this type of ‘mandate’ is not instructive, and leaves too much room for interpretation and speculation by the Board, its stakeholders and reviewing courts. This consultation process is a useful and timely opportunity to clarify the Board’s objectives and policy goals in the form of a codified mandate, so as to make the tariff-setting process more efficient, predictable and transparent.

This Committee recommends that the government review the mandates and decision-making obligations from comparable domestic and foreign tribunals, such as the CRTC and the U.S. Copyright Royalty Board, with a view to clarifying and narrowing an otherwise ambiguous mandate.²⁹

12. SPECIFY DECISION-MAKING CRITERIA THAT THE BOARD IS TO CONSIDER.

There are various viewpoints about this topic among Committee members and so the Committee is unable to develop a specific consensus position on this proposal. However, this Committee believes that, in the interests of a more efficient and predictable tariff-setting process, the Board and its participants should be provided with greater regulatory guidance on the Board’s decision-making process.

13. HARMONIZE THE TARIFF-SETTING REGIMES OF THE ACT.

While the Committee does not object to harmonization initiatives as an abstract proposition, the Committee remains unclear on how such modifications would assist the Board in realizing its desired goals of improved efficiency and effectiveness. The Committee would be happy to review and respond to any specific proposals for harmonization.

²⁹ See, for example, U.S., 17 USC, §114(f), 17 USC §801(b) and 17 USC §112(e)(4); see also the relevant policy objectives guiding the CRTC’s mandate, outlined in the Broadcasting Act, SC 1991, c. 11, s. 3(1) and the Telecommunications Act, SC 1993, c. 38, s. 7.