Copyright Board Canada

Commission du droit d'auteur Canada

Date	2013-01-18
Citation	Files: Public Performance of Musical Works
Regime	Collective Administration of Performing Rights and of Communication Rights *Copyright Act*, section 66.52
Members	The Honourable William J. Vancise Mr. Claude Majeau Mr. J. Nelson Landry
Proposed Tariffs Considered	Tariff No. 24 – Ringtones (2003-2005), Ringtones and Ringbacks (2006-2013)

Statement of Royalties to be collected by SOCAN for the public performance or the communication to the public by telecommunication, in Canada, of musical or dramatico-musical works

Reasons for decision

I. INTRODUCTION

[1] On August 19, 2006, the Board certified the first ringtone tariff requested by the Society of Composers, Authors and Music Publishers of Canada (SOCAN), Tariff 24, for the years 2003 to 2005 (the "2003-2005 tariff"). That decision was challenged unsuccessfully before the Federal Court of Appeal: *Canadian Wireless Telecommunications Assn. v. Society of Composers, Authors and Music Publishers of Canada.*[1] [*CWTA*] Leave to appeal to the Supreme Court of Canada was denied.

[2] On June 30, 2012, the Board certified SOCAN Tariff 24 for the years 2006 to 2013 (the "2006-2013 tariff"). That tariff applies to both ringtones (digital audio files that are played to indicate an incoming telephone call) and ringbacks (digital audio files that are heard by the calling party after dialing and before the call is being answered).

[1] 2008 FCA 6, [2008] 3 F.C.R. 539.

[3] On July 12, 2012, the Supreme Court of Canada issued five decisions dealing with applications for judicial review of a number of decisions of the Board. On August 1, Bell Mobility, Rogers Communications Partnership, TELUS Communications Company and Quebecor Media Inc., relying on two of these decisions, *Entertainment Software Association v. Society of Composers, Authors and Music Publishers of Canada*[2] [*ESA*] and *Rogers Communications Inc. v. Society of Composers, Authors and Music Publishers of Canada*[3] [*Rogers*] asked the Board, pursuant to section 66.52 of the *Copyright Act*[4] (the "*Act*"), to vary both SOCAN Tariffs 24 to in effect repeal the tariffs. Apple Inc. was allowed to intervene in the matter and supports the application. SOCAN opposes it.

[4] On August 10, the Board issued the following Order which in relevant parts sets out how the application would be dealt with:

> The application implicitly raises a number of issues, including the following:
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> 1) When the Supreme Court of Canada or the Federal Court of Appeal rules that the Board incorrectly interpreted the law in the context of a tariff proceeding, what is the impact of that ruling on other, past tariff proceedings in which the Board relied on the same, incorrect interpretation?
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> 2) To what extent is an otherwise voidable or void tariff binding on the collectives and the users it targets once it no longer can be challenged in a timely fashion?
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> 3) Are the doctrines of *res judicata*, *functus officio* or estoppel relevant to the instant application? To what extent ought these rules be applied differently before the Board than before the courts, given that courts generally deal with past occurrences, whereas tariffs are meant to be prospective?
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> 4) As a matter of law, can the Board vary the above-referenced tariffs as of January 1, 2003? As of January 1, 2006? As of July 12, 2012?
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> 5) As a matter of discretion, should the Board refuse to entertain the application in whole or in part? In answering this question, parties are asked to address the following issues or facts:
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> A) Is the Board the best forum to deal with the matter?
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> B) Is this an enforcement issue?

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[2] 2012 SCC 34.
[3] 2012 SCC 35.
[4] R.S.C. 1985, c. C-42.

C) Is the impact of *ESA* and *Rogers* on the relevant tariffs sufficiently clear to allow the Board to deal with the application efficiently? Can the application be dealt with without further evidence or argument? For example,

– Is it clear that ringtones or ringbacks are permanent copies within the meaning of *ESA*?

– On which evidentiary record, if any, should the Board rely in dealing with the application with respect to ringtones? To ringbacks?

– Is it clear that every transmission of a ringback to a caller is not a communication "to the public"? If not, is an evidentiary record needed to determine the issue?

D) The tariff the Board certified reflects an agreement signed by all the applicants, except possibly one (strictly speaking, Quebecor is not Videotron).

E) Eighteen days elapsed between the day on which *ESA* and *Rogers* were released and the last day on which an application for judicial review of the decision certifying the tariff for 2006-2013 could be filed as of right.

The parties remain free to address other, relevant issues.

The Board is of the preliminary view that *ESA* and *Rogers* constitute a material change in circumstances within the meaning of section 66.52 of the *Copyright Act*. SOCAN is free to argue the contrary if it so wishes.

[5] The application was abandoned as it relates to ringbacks.

[6] According to the applicants, *ESA* and *Rogers* stand for the proposition that the Internet delivery of a permanent copy of a file containing a musical work does not involve (and has never involved) a communication of that work. Consequently, both SOCAN Tariffs 24 are nullities and should be repealed.

[7] The applicants invoke the following arguments. First, the juridical underpinning of the tariffs, that the transmission of a ringtone involves a communication, is an error of law and the Board cannot certify tariffs that have no basis in law. Second, *res judicata* and other doctrines dealing with the finality of decisions have no application to tariffs founded on a jurisdictional error of law, for a variety of reasons including that the Board has the power to vary its decisions, and that a tariff without legal foundation cannot bind anyone, at any time. Third, the Board has the power to vary past tariffs and to vary them retroactively. It must do so where a tariff is proven to have no basis in law. Fourth, *ESA* and *Rogers* constitute a material change in circumstances within the meaning of the *Act*. These decisions are not a change in the law, but a change in what we know the law to be: the right to communicate by telecommunication has never been engaged when a

permanent copy of a digital file, including a ringtone, is transmitted. Fifth, even though the applicants had time to file for judicial review of the 2006-2013 tariff,[5] they did not commit an error by going to the Board first. They were required by principles of administrative law to exhaust internal Board remedies (i.e. to apply for a variance) before going to the court.

[8] SOCAN's main arguments are as follows. First, this is an application to rescind, not to vary. Second, *ESA* and *Rogers* do not constitute a material change in circumstances as regards the ringtone tariffs. For one thing, there are factual differences between ringtones and permanent downloads as contemplated in *ESA* and *Rogers*. Third, the application to vary the 2003-2005 tariff amounts to a collateral attack of *CWTA*. Fourth, doctrines dealing with the finality of decisions are relevant to Board decisions in general, and to the tariffs in particular. A person convicted of a crime in a decision that is no longer "in the judicial system" cannot have the matter reopened even if the conviction was based on a provision that has been declared unconstitutional since the conviction became final: *R. v. Sarson*.[6] *A fortiori*, tariff decisions that are no longer in the system, such as the 2003-2005 tariff, should stand even though they rely on a subsequently overruled statutory interpretation. Fifth, the applicants did not seek judicial review of the 2006-2013 tariff. As a result, the tariff is immutable. Sixth, the 2006-2013 tariff reflects an agreement reached while the applicants were challenging the validity of the communication right. Finally, if the Board is to vary the tariffs, it should do so only prospectively. Anything else would make it impossible for collectives and users to conduct their affairs properly. If the Board's power to vary is as vast as the applicants maintain, then a collective never can proceed to distribute royalties.

[9] On October 11, after reviewing the parties' pleadings, the Board asked the parties to address two supplemental questions. The first is whether the application to vary is moot by reason that the tariffs already specify that royalties are payable only "to communicate [...] a ringtone [...] for which a SOCAN licence is required". Both parties submit that the answer to this question is no.

[10] The applicants rely on three arguments. First, the fact that the Board has issued decisions based on an incorrect interpretation of the *Act* is a live issue. The language limiting the application of the tariff to ringtones for which a SOCAN licence is required merely reflects the exclusion from the rate base of revenue from ringtones which do not include protected musical works. It does not remedy the fact that the Board has certified a tariff that has no legal basis.

[11] Next, the question of whether the uses targeted in the tariff even engage the rights controlled by SOCAN needs to be resolved. The Board has exclusive jurisdiction to supervise and regulate the collective administration of public performing rights in musical works. Deciding whether or

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[5] See supra at para. 4, Board August 10, 2012 Order, para. 5E).
[6] [1996] 2 S.C.R. 223.

not a particular use falls within the scope of rights controlled by a collective society lies at the heart of the Board's mandate.

[12] Finally, tariffs serve to notify the public of the uses that require the payment of royalties. This function would be frustrated if the Board were to leave in place tariffs that purport to require the payment of royalties for a use that does not engage the rights controlled by SOCAN.

[13] SOCAN agrees with the applicants on this issue, and notes that the dispute does not involve tariff interpretation, but rather whether the tariffs remain valid for the periods for which they were approved and certified by the Board. In other words, the issue is whether SOCAN should refund the royalties paid by the applicants before *ESA* and *Rogers* were rendered.

[14] The second question is whether the power to vary includes the power to rescind and, if it does not, whether the application to vary is in effect an application to rescind. The applicants argue that the power to vary includes the power to rescind. Pursuant to the power to vary, a decision-maker can issue an entirely different decision. A broad interpretation of "vary" is consistent with the Board's mandate which is to set tariffs which have a reasonable, suitable or rational basis. Such basis does not exist where the tariff should not have been certified initially. SOCAN concedes the point, on the basis that if the Board has the power to refuse to approve a tariff, as was decided in *Society of Composers, Authors and Music Publishers of Canada v. Bell Canada*,[7] it probably also has the power to rescind a tariff pursuant to an application to vary.

II. ANALYSIS

[15] Section 66.52 of the *Act* reads as follows:

> A decision of the Board respecting royalties or their related terms and conditions that is made under subsection 68(3), sections 68.1 or 70.15 or subsections 70.2(2), 70.6(1), 73(1) or 83(8) may, on application, be varied by the Board if, in its opinion, there has been a material change in circumstances since the decision was made.

[16] Pursuant to this provision, the Board has the power to vary an earlier decision if it is of the opinion that there has been a material change in circumstances since the decision was made. Even where the material change is established, the Board retains discretion to decide whether the decision should be reopened and whether, if once reopened, the variance should be granted. Whether the Board can vary tariffs for past transactions remains an open issue. Whether the Board can vary a "spent" tariff has never been decided.

[17] The application to vary the 2003-2005 tariff is denied. The application to vary the 2006-2013 tariff for the period from January 1, 2006 to November 6, 2012 is denied. The application

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[7] 2010 FCA 139.

to vary the 2006-2013 tariff as of November 7, 2012 will be examined in due course. We invite the parties to apply for a decision making the 2006-2013 tariff an interim tariff as of that same date. The reasons for our decision are as follows.

[18] First, notwithstanding the arguments of the parties to the contrary, we conclude that granting the application would achieve nothing more than what the first paragraph of both tariffs already provides. The 2006-2013 tariff reads as follows:

> For a licence to communicate to the public by telecommunication, at any time and as often as desired in the years 2006 to 2013, a ringtone or ringback for which a SOCAN licence is required, the royalty payable is as follows:

[19] The 2003-2005 tariff is identical in all relevant respects. Royalties are payable only if a SOCAN licence is required. If the transmission of a ringtone does not trigger a protected use of the SOCAN repertoire, no SOCAN licence is required; the applicants need not comply with the tariff. In other words, what the applicants seek to achieve through their application is already built into the tariff. The language of the tariff is clear. The reasons for which a licence is not required are unimportant; the only fact that matters is that a licence is not required.

[20] Second, if, as the applicants maintain, the tariffs are void *ab initio*, nothing is achieved by the Board declaring it to be so. The application makes sense in only two respects. The first is that the tariffs are not void *ab initio* as the applicants contend. The second is that the Board would order the refunding of royalties that would otherwise not be refundable. These matters are better left to be addressed by the courts.

[21] Third, this is not a matter in which a legal issue arises as a necessary incident to the Board's exercise of its core jurisdiction. The applicants state that the Board supervises and regulates the collective administration of public performing rights in musical works. This is not entirely accurate. The Board only sets tariffs and the related terms and applicable conditions. SOCAN argues, and the applicants do not challenge, that the true issue at hand is the legal effect of previously certified tariffs, that is, whether the applicants are entitled to a refund for royalties they have already paid or are required to continue to pay such royalties. We agree. This is clearly a question of law, and has nothing to do with the design or terms and conditions of a tariff. This is not either a situation as in *NRCC Tariff 7 (Motion Picture Theatres and Drive-Ins) 2009-2011 and Tariff 9 (Commercial Television) 2009-2013 [Preliminary Issue]*,[8] where the Board was asked to decide, before proceeding with the examination of a proposed tariff (and therefore as a necessary incident to the exercise of its core jurisdiction), whether the tariff can stand as a matter of law; in such instances, the issue is whether or not to engage the parties and the Board on the

[8] (16 September 2009) Copyright Board Decision.

(costly) road to certification when it can be determined at the outset that no valid tariff can be certified.

[22] Here, by contrast, the road has been travelled, the destination reached. Furthermore, as regards the 2003-2005 tariff, it would not sit well for us to override a decision that the Federal Court of Appeal maintained in *CWTA*, especially since leave to appeal to the Supreme Court of Canada was asked for and denied.

[23] Fourth, the applicants contend (and SOCAN agrees) that the power to vary contained in section 66.52 of the *Act*, having regard to the Board's broader purpose and mandate, permits by necessary implication the Board to replace its initial decision with a new one effectively rescinding SOCAN tariff 24 as it applies to ringtones. We do not agree. Even if our *Act* is liberally interpreted, one cannot read into it powers that are not contained therein.

[24] The applicants rely on a number of decisions to support their argument. They refer to and rely on *Bakery and Confectionery Workers International Union of America Local 468 v. White Lunch Ltd.*,[9] where the Supreme Court of Canada found that the Labour Relations Board of British Columbia had the power to retroactively vary a previous decision. The application to vary in that case was to substitute the name of an amalgamated trade union for that of the existing, individually certified unions it replaced. Subsection 65(3) of the *Labour Relations Act*[10] gave the Board the power to:

> […] reconsider any decision or order made by it under this Act, and may vary or cancel any such decision or order […] (emphasis added)

[25] Mr. Justice Hall speaking for the Court held that the statute should not be narrowly construed; that "vary" meant "to cause to change or alter; to adapt to certain circumstances or requirements by appropriate modifications"; and that the word "vary" could apply retroactively. The underlying power in the *Labour Relations Act* expressly mentioned the power to vary or to cancel any decision made. That power is broader than the power contained in our *Act*.

[26] The applicants refer to *Bell Canada v. Canadian Radio and Telecommunications* Commission,[11] where Mr. Justice Gonthier speaking for the Court stated:

> The powers of any administrative tribunal must of course be stated in its enabling statute but they may also exist by necessary implication by the wording of the Act, its structure and its purpose.

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[9] [1966] S.R.C. 282.
[10] R.S.B.C. 1960, c. 205.
[11] [1989] 1 S.C.R. 1722 at 1756.

[27] Significantly he continued:

> Although courts must refrain from unduly broadening the powers of such regulatory authorities through judicial law making, they must also avoid sterilizing these powers through overly technical interpretations of enabling statutes. (our emphasis)

[28] The statutes which were interpreted by Mr. Justice Gonthier, the *Railway Act*[12] and the *National Transportation Act*,[13] granted the CRTC much broader powers than those contained in our *Act*:

> 66. The Commission may review, rescind, change, alter or vary any order or decision made by it or may re-hear any application before deciding it.[14]

[29] The broad powers conferred in the enabling legislation of a number of other federal tribunals expressly provide for the power to rescind. For example, subsection 12(1) and section 62 of the *Telecommunications Act*[15] provide:

> 12(1) Within one year after a decision by the Commission, the Governor in Council may, on petition in writing presented to the Governor in Council within ninety days after the decision, or on the Governor in Council's own motion, by order, vary or rescind the decision or refer it back to the Commission for reconsideration of all or a portion of it.
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> […]
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> 62. The Commission may, on application or on its own motion, review and rescind or vary any decision made by it or re-hear a matter before rendering a decision.

[30] Similarly subsection 99(1) of the *Competition Act*[16] provides as follows:

> 99(1) The Tribunal may provide, in an order made under s. 92 directing a person to dissolve or merger or dispose of assets or shares, that the order may be rescinded or varied if within a reasonable period of time specified in that order […]

[31] Similar powers can be found in the *National Energy Board Act*[17] and in the *Canada Labour Code*.[18] In each case the power to rescind is set out separately from the power to vary or amend a decision on the happening of certain circumstances.

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[12] R.S.C. 1985, c. R-3.
[13] R.S.C. 1985, c. N-20.
[14] *Ibid.*
[15] S.C. 1993, c. 38.
[16] R.S.C., 1985, c. C-34.
[17] R.S.C., 1985, c. N-7, ss. 21, 51.2.
[18] R.S.C., 1985, c. L-2, s. 18.

[32] None of the cases referred to by the applicants deals directly with the power of an administrative tribunal to rescind in the absence of an express power contained in the enabling statute. None deals with the statutory power to vary without the express, additional power to rescind, amend or cancel. An examination of all of the cases reveals that in a majority of those cases, the ratio is whether the power to vary can be exercised retroactively as in *Bakery and Confectionery Workers*[19] and *Bell Canada*,[20] not whether the power to vary includes, by necessary implication, the power to rescind a decision.

[33] In addition, a number of the cases on which the applicants rely deal with the power of those in appellate authority to vary a lower court's decision and substitute their own decision for that of the original decision maker: see *Registrar of Mortgage Brokers v. Financial Services Tribunal and Matick*.[21]

[34] The Board's power to vary, while discretionary, is restricted to the power to vary the terms of the otherwise existing relationship between copyright owners and users when a material change in circumstances requires a modification. That power does not include or extend to the authority to end their relationship or to declare that such relationship no longer exists. The power to vary may include the power to substitute, but finding that there is no tariff is not a substitution. It is a rescission or repeal of the initial decision. This is precisely what the applicants are asking us to do.

[35] With respect the 2006-2013 tariff, the applicants argue that since the application now targets only ringtones and not ringbacks, the issue of whether the motion seeks to rescind the tariff does not arise. We disagree. A decision to strike the tariff as it relates to ringtones would amount to a rescission of the tariff in respect to ringtones.

[36] We also conclude that the power to refuse to certify a tariff *ex ante* does not, of itself, imply that the power to vary such tariff will include the power to rescind it *ex post facto*. The power to deny a remedy in the first place does not imply the power to rescind the remedy already granted; as a rule, the second exists only if expressly granted.

[37] Finally, and without deciding the issue, we note that if the applicants correctly interpret the extent of the power to vary, then Board decisions would never be final since all Board decisions could always be varied, with the attending consequences on a collective's ability to distribute royalties that SOCAN outlined in its arguments.

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[19] *Supra* note 9.
[20] *Supra* note 11.
[21] 2007 BCSC 1118; see also *Djakovic v. British Columbia (Workers' Compensation Appeal Tribunal)*, 2010 BCSC 1279.

[38] In the event that it should be found that we are in error in finding that the Board does not have the power to rescind the tariffs and that the Board has the authority to grant the remedy sought, we would not exercise our discretion to rescind the decision and would dismiss the application for the following reasons.

[39] In our opinion, the courts, not the Board, are the best forum to deal with the issues raised. They are all questions of ordinary law which include whether and if so, to what extent, the principle of finality requires that a certified tariff be binding on all concerned even though it relies on an interpretation of the law now known to be incorrect. In addition the question of whether the applicants are entitled to a royalty refund raises a number of legal issues including mistake of law or mistake of fact, restitution and unjust enrichment: see for example *Air Canada v. British Columbia*;[22] *R. v. Turigan*.[23] A decision of a court would be more effective and would have more

[40] In essence, the application is about whether SOCAN can enforce the tariff, i.e. whether the applicants are entitled to a refund for the past and whether SOCAN can invoke the 2006-2013 tariff to get paid for the future. Enforcement issues are outside the power of the Board: *Private Copying Tariff Enforcement in 2001, 2002, 2003*.[24]

[41] This is not the process to determine whether the uses covered in the tariffs engage the rights controlled by SOCAN. The extent to which the underlying facts in *ESA* and *Rogers* are sufficiently similar to what occurs when a ringtone is transmitted is far from clear. *ESA* and *Rogers* stand for the proposition that the Internet delivery of a permanent copy does not involve the communication right; however, neither decision provides directives that would allow us to determine what is a permanent copy and what is not. Importantly, we have no factual base on which to determine whether, today, six years after hearing the matter, ringtones are permanent copies within the meaning of *ESA*.

[42] Finally, the 2006-2013 tariff was certified on June 30, 2012. The applicants had until July 30, 2012 to seek judicial review. The application to vary was filed only 2 days after, on August 1. The sequence of events leads us to conclude that the application is, in effect, an attempt to circumvent the matter being submitted to the proper forum: the Federal Court of Appeal. As for the argument that the applicants were required to exhaust internal Board remedies before seeking judicial review, it simply goes too far. Were this correct, no judicial review should ever be filed without first seeking a variance from the Board.

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[22] [1989] 1 S.C.R. 1161.
[23] 1988 ABCA 333.
[24] (19 January 2004) Copyright Board Decision.

[43] In its pleadings, SOCAN alluded to the potential impact of the coming into force of recent amendments to the *Act*[25] on *ESA* and *Rogers*. The issue was beyond the ambit of the issues we were required to consider in deciding the application, until certain of those recent amendments came into force.

[44] On November 7, 2012, amendments dealing with the so-called making available right of Canadian authors, performers and makers came into force. To the extent that the 2006-2013 tariff is not otherwise enforceable, these amendments may validate SOCAN's royalty claim notwithstanding *ESA*. For this reason, and this reason alone, we will consider the application to vary the 2006-2013 tariff, but only from that date.

[45] Where the Board accepts to examine an application to vary, it generally transforms the relevant final tariff into an interim tariff. However, it can do so only if asked. We invite the parties to apply for a decision making interim the 2006-2013 tariff as of November 7, 2012.

[46] For all the above reasons, the application to vary the 2003-2005 tariff is denied. The application to vary the 2006-2013 for the period from January 1, 2006 to November 6, 2012 is tariff is denied. The application to vary the 2006-2013 tariff as of November 7, 2012 will be examined in due course.

Gilles McDougall
Secretary General

[25] *Copyright Modernization Act*, S.C. 2012 c. 20 (formerly Bill C-11).