Entertainment Software Association and Entertainment Software Association of Canada (appellants) v. Society of Composers, Authors and Music Publishers of Canada (respondent) and CMRRA-SODRAC Inc., Samuelson-Glushko Canadian Internet Policy and Public Interest Clinic and Cineplex Entertainment LP (interveners)
(33921; 2012 SCC 34; 2012 CSC 34)

Indexed As: Entertainment Software Association et al. v. Society of Composers, Authors and Music Publishers of Canada

Supreme Court of Canada
McLachlin, C.J.C., LeBel, Deschamps, Fish, Abella, Rothstein, Cromwell, Moldaver and Karakatsanis, JJ.
July 12, 2012.

Summary:

The Society of Composers, Authors and Music Publishers of Canada (SOCAN), which administered the right to "communicate" musical works on behalf of copyright owners, applied for a tariff under s. 3(1)(f) of the Copyright Act to cover downloads of musical works over the Internet. The Entertainment Software Association and the Entertainment Software Association of Canada (collectively, ESA), which represented a broad coalition of video game publishers and distributors, objected to the tariff, arguing that "downloading" a video game containing musical works did not amount to "communicating" that game to the public by telecommunication under s. 3(1)(f). The Copyright Board allowed SOCAN's application, holding that video games containing a musical work, the royalties to which had already been negotiated with the copyright owner, were nonetheless subject to a new fee when sold over the internet. The ESA applied for judicial review. The ESA raised four issues, one of which the court disposed of in a companion decision (see (2010), 409 N.R. 102). The following issues remained to be decided: (1) did the Board err in finding that video game sites were subject to a tariff respecting the communication of musical works to the public, given the minor role which music played in video games; (2) did the Board err in certifying a tariff when the Society of Composers, Authors and Music Publishers of Canada failed to present adequate evidence to justify the reasonableness of the tariff it proposed; and (3) did the Board err in failing to consider the evidence of the contractual agreements between ESA members and music creators, in failing to properly weigh that evidence, and in failing to provide adequate reasons for failing to consider that evidence.

The Federal Court of Appeal, in a decision reported at 406 N.R. 288, held that, other than a failure to provide adequate reasons on a discrete issue, the Board had not erred. The court declined to remit the matter to the Board and dismissed the application. ESA appealed.

The Supreme Court of Canada, Lebel, Fish, Rothstein and Cromwell, JJ., dissenting, allowed the appeal.

Copyright - Topic 2

General - Copyright defined (incl. extent of copyright) - The Copyright Board held that video games containing a musical work were subject to a tariff under s. 3(1)(f) when sold

over the internet - The Federal Court of Appeal affirmed the decision - The Entertainment Software Association (ESA) appealed, asserting that "downloading" a video game containing musical works did not amount to "communicating" that game to the public by telecommunication under s. 3(1)(f) - Instead, a "download" was merely an additional, more efficient way to deliver copies of the games to customers - The downloaded copy was identical to copies purchased in stores or shipped by mail and the game publishers already paid copyright owners reproduction royalties for all of those copying activities - The Supreme Court of Canada agreed with ESA and allowed the appeal - The Board's conclusion violated the principle of technological neutrality which required that the Act apply equally between traditional and more technologically advanced forms of the same media - That principle was reflected in s. 3(1) which described a right to produce or reproduce a work "in any material form whatever" - There was no practical difference between buying a durable copy of the work in a store, receiving a copy in the mail, or downloading an identical copy using the internet - The internet was simply a technological taxi that delivered a durable copy of the same work to the end user - Internet delivery of copies of video games containing musical works did not amount to "communicating" the work to the public - That view was evidenced by the legislative history of the Act, which demonstrated that the right to "communicate" was historically connected to the right to perform a work and not the right to reproduce permanent copies of the work - That historical connection still existed - The Board's conclusion was based in part on its erroneous view that a "download" was indistinguishable from a "stream" - Although both were technically "transmissions" they were not both "communications" for purposes of the Act - Unlike a download, the experience of a stream was more akin to a broadcast or performance - The Board's interpretation also ignored the historic distinction between performance-based rights and reproduction-based rights, improperly extending "communicate" to capture the internet delivery of permanent copies of a work - "Communicate" in s. 3(1)(f) should not be transformed by the use of "telecommunication" in a way that would capture activities akin to reproduction - See paragraphs 1 to 44.

Copyright - Topic 2

General - Copyright defined (incl. extent of copyright) - Section 3(1)(f) of the Copyright Act, stated that copyright owners have the sole right "... in the case of any literary, dramatic, musical or artistic work, to communicate the work to the public by telecommunication. ..." - The Supreme Court of Canada stated that "Nor is the communication right in s. 3(1)(f) a sui generis right in addition to the general rights described in s. 3(1). The introductory paragraph defines what constitutes 'copyright'. It states that copyright 'means' the sole right to produce or reproduce a work in any material form, to perform a work in public, or to publish an unpublished work. This definition of 'copyright' is exhaustive, as the term 'means' confines its scope. The paragraph concludes by stating that copyright 'includes' several other rights, set out in subsections (a) through (i). As a result, the rights in the introductory paragraph provide the basic structure of copyright. The enumerated rights listed in the subsequent subparagraphs are simply illustrative ..." - See paragraph 42.

Copyright - Topic 3

General - Copyright Act - Interpretation - [See both **Copyright - Topic 2**].

Copyright - Topic 3436

Fees, charges or royalties - Determination of - Communication to the public by telecommunication - [See both **Copyright - Topic 2**].

Copyright - Topic 3444

Fees, charges or royalties - Internet (world wide web) - Music - [See first **Copyright - Topic 2**].

Statutes - Topic 1641

Interpretation - Extrinsic aids - Legislative history - General - [See first **Copyright - Topic 2**].

Statutes - Topic 1703

Interpretation - Extrinsic aids - Books and comments - Dictionaries - The Supreme Court of Canada stated that "Dictionaries, while often offering a useful range of definitional options, are of little assistance in identifying what a word means when it is orphaned from its context ..." - See paragraph 31.

Statutes - Topic 2457

Interpretation - Interpretation of words and phrases - Interpretation and definition clauses - Use of word "means" - [See second **Copyright - Topic 2**].

Words and Phrases

Communicate - The Supreme Court of Canada considered the meaning of this word as used in s. 3(1)(f) of the Copyright Act, R.S.C. 1985, c. C-42 - See paragraphs 3 to 44.

Cases Noticed:

Robertson v. Thompson Corp. et al., [2006] 2 S.C.R. 363; 353 N.R. 104; 217 O.A.C. 332; 2006 SCC 43, refd to. [paras. 5, 121].

Théberge v. Galerie d'Art du Petit Champlain inc. et al., [2002] 2 S.C.R. 336; 285 N.R. 267; 2002 SCC 34, refd to. [paras. 7, 47].

Bishop v. Télé-Métropole Inc., [1990] 2 S.C.R. 467; 111 N.R. 376, consd. [paras. 13, 47].

Bishop v. Stevens - see Bishop v. Télé-Métropole Inc.

Composers, Authors and Publishers Association of Canada Ltd. v. CTV Television Network Ltd., [1968] S.C.R. 676, refd to. [paras. 21, 82].

Canadian Wireless Telecommunications Assoc. et al. v. Society of Composers, Authors and Music Publishers of Canada, [2008] 3 F.C.R. 539; 371 N.R. 272; 2008 FCA 6, refd to. [paras. 24, 74].

Canadian Admiral Corp. v. Rediffusion Inc., [1954] Ex. C.R. 382, refd to. [paras. 24, 96].

Society of Composers, Authors and Music Publishers of Canada v. Canadian Association of Internet Providers et al., [2004] 2 S.C.R. 427; 322 N.R. 306, refd to. [para. 29].

Ontario v. Canadian Pacific Ltd., [1995] 2 S.C.R. 1031; 183 N.R. 325; 82 O.A.C. 243, refd to. [paras. 31].

Ash v. Hutchinson & Co. (Publishers) Ltd., [1936] 2 All E.R. 1496 (C.A.), refd to. [para. 40].

Apple Computer Inc. et al. v. Mackintosh Computers Ltd., [1987] 1 F.C. 173; 3 F.T.R. 118 (T.D.), refd to. [para. 42].

Blue Crest Music Inc. et al. v. Compo Co., [1980] 1 S.C.R. 357; 29 N.R. 296, refd to. [para. 47].

SOCAN Statement of Royalties (Tariff 22, Internet), Re (1999), 1 C.P.R.(4th) 417 (Copyright Bd.), refd to. [para. 57].

Society of Composers, Authors and Music Publishers of Canada v. Canadian Association of Internet Providers et al., [2004] 2 S.C.R. 427; 322 N.R. 306; 2004 SCC 45, refd to. [para. 58].

SOCAN Statement of Royalties - Other Uses of Music 1996-2006 (Tariffs 22.B - 22.G) (2008), 70 C.P.R.(4th) 81 (Copyright Bd.), refd to. [para. 60].

Bell Canada et al. v. Society of Composers, Authors and Music Publishers of Canada et al. (2010), 409 N.R. 102; 2010 FCA 220, refd to. [para. 61].

Entertainment Software Association et al. v. Society of Composers, Authors and Music Publishers of Canada (2010), 406 N.R. 288; 2010 FCA 221, refd to. [para. 62].

Bell Canada et al. v. Society of Composers, Authors and Music Publishers of Canada et al., [2012] N.R. TBEd. JL.022; 2012 SCC 35, refd to. [para. 65].

CCH Canadian Ltd. et al. v. Law Society of Upper Canada, [2004] 1 S.C.R. 339; 317 N.R. 107; 2004 SCC 13, refd to. [para. 71].

United States v. American Society of Composers, Authors and Publishers (2010), 627 F.3d 64 (C.A. 2nd Cir.), dist. [para. 102].

Statutes Noticed:

Copyright Act, R.S.C. 1985, c. C-42, sect. 3(1)(f) [para. 3].

Authors and Works Noticed:

Boyer, Marcel, Trebilcock, Michael and Vaver, David, Competition Policy and Intellectual Property (2009), pp. 461, 462, 463 [para. 11].

Canada, Hansard, House of Commons Debates, vol. 1, 2nd Sess., 17th Parliament (April 23, 1931), pp. 899, 900 [para. 20].

Canada, Hansard, House of Commons Debates, vol. 3, 2nd Sess., 17th Parliament (June 8, 1931), p. 2399 [para. 20].

Craig, Carys, Locking out Lawful Users: Fair Dealing and Anti-Circumvention in Bill C-32, in Geist, Michael, "Radical Extremism" to "Balanced Copyright": Canadian Copyright and the Digital Agenda (2010), p. 192 [para. 8].

Driedger, Elmer A., Construction of Statutes (2nd Ed. 1983), p. 87 [para. 71].

Geist, Michael, "Radical Extremism" to "Balanced Copyright": Canadian Copyright and the Digital Agenda (2010), p. 192 [para. 8].

Goldstein, Paul and Hugenholtz, P. Bernt, International Copyright: Principles, Law, and Practice (2nd Ed. 2010), §9.1.4.3 [para. 16].

Handa, Sunny, Copyright Law in Canada (2002), pp. 195 [para. 42]; 320 [para. 96].

Hansard - see Canada, Hansard, House of Commons Debates.

Judge, E.F., and Gervais, D.J., Intellectual Property: The Law in Canada (2nd Ed.2011), pp. 166, 167 [para. 98].

Katz, Ariel, Commentary: Is Collective Administration of Copyrights Justified by the Economic Literature?, in Boyer, Marcel, Trebilcock, Michael and Vaver, David,

Competition Policy and Intellectual Property (2009), pp. 461, 462, 463 [para. 11].

McKeown, John S., Fox on Canadian Law of Copyright and Industrial Designs (4th Ed.) (Looseleaf), pp. 3-12 [para. 38]; 21-82, 21-83 [para. 125]; 21-86, 21-87 [para. 24]; 26-3, 27-2, 27-3 [para. 38]; 29-1 [para. 24].

Moyse, Pierre-Emmanuel, Le droit de distribution: analyse historique et comparative en droit d'auteur (2007), pp. 309, 310 [para. 16].

Sullivan, Ruth, Statutory Interpretation (2nd Ed. 2007), p. 49 [para. 77].

Sullivan, Ruth, Sullivan and Driedger on the Construction of Statutes (4th Ed. 2002), p. 49 [para. 77].

Statement of Proposed Royalties to Be Collected by SOCAN for the Public Performance or the Communication to the Public by Telecommunication in Canada, of Musical or Dramatic Musical Works (2005), 139 Can. Gaz. I (Supp.), p. 18 [para. 59].

Vaver, David, Intellectual Property Law: Copyright, Patents, Trade-marks (2nd Ed. 2011), pp. 90 [para. 96]; 157 [para. 112]; 172 [paras. 6, 112, 127]; 173 [paras. 6, 112].

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This appeal was heard on December 6, 2011, by McLachlin, C.J.C., LeBel, Deschamps, Fish, Abella, Rothstein, Cromwell, Moldaver and Karakatsanis, JJ., of the Supreme Court of Canada. The decision of the court was delivered in both official languages on July 12, 2012, with the following opinions:

Abella and Moldaver, JJ. (McLachlin, C.J.C., Deschamps and Karakatsanis, JJ., concurring) - see paragraphs 1 to 44;

Rothstein, J., dissenting (LeBel, Fish and Cromwell, JJ., concurring) - see paragraphs 45 to 128.

Appeal allowed.

Editor: Gary W. McLaughlin