

## Recommendations for Reform of the Copyright Act, R.S.C., 1985, c. C-42

### By the Music Publishers Canada and Canadian Musical Reproduction Rights Agency<sup>1</sup> April 2020 Update

#### I. Introduction and Overview

Music Publishers Canada (MPC) and the Canadian Musical Reproduction Rights Agency Ltd. (CMRRA) urge the government to undertake a fulsome review of the *Copyright Act* with a view to ensuring that it serves the dual policy goals of promoting the public interest in the encouragement and dissemination of works of the arts and intellect, on one hand, and obtaining just rewards for rightsholders, on the other.<sup>2</sup> To that end, in the pages that follow, we set out and elaborate on the following specific recommendations:

- Extend the term of copyright in works to the life of the author plus 70 years, consistent with international standards.
- Amend the exceptions introduced in 2012 for backup copies (section 29.24), technological processes (section 30.71), ephemeral recordings for broadcast undertakings (s.30.9(6)), and hosting services (subsection 31.1(4)) to restore balance and address unintended consequences.
- Amend the *Copyright Act* to authorize a court, on application by a rightsholder, to grant a site-blocking or de-indexing injunction against an Internet intermediary, with worldwide effect, on a “no-fault” basis to the intermediary.

We look forward to the opportunity to discuss these proposals, and other potential legislative and regulatory amendments, with government representatives throughout the review process.

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<sup>2</sup> *Théberge v. Galerie d’Art du Petit Champlain Inc.*, 2002 SCC 34, 2 SCR 336, at para. 30.

## II. Copyright Term Extension

***Proposal: Extend the term of copyright in works to the life of the author plus 70 years, consistent with international standards.***

### A. Overview

MPC and CMRRA support the extension of the term of copyright in works – that is, musical, literary, dramatic, and artistic works – to the international standard of the life of the author plus 70 years.

The current term of copyright protection for works in Canada, the life of the author plus 50 years, is out of step with modern copyright law. Apart from achieving consistency with international norms, extending the term of copyright in works will promote the underlying purposes of copyright law, and provide tangible economic benefits, by increasing the resources available to music publishers to invest in the creation of new musical works for domestic and international exploitation.

### B. *Extending the Term of Copyright Will Benefit Canada in International Trade*

Most of Canada's major trading partners, including the vast majority of the members of the Organization for Economic Co-operation and Development (OECD), protect copyright for longer than the life of the author plus 50 years.<sup>3</sup> At least 75 countries worldwide, including the United States, Australia, and the entire European Union, have embraced an international standard of the life of the author plus 70 years, with a few exceptions that recognize either slightly shorter or even longer terms.<sup>4</sup> A 2017 study by Circum Network Inc. determined that two-thirds of the revenues of Canadian music publishers came from foreign territories – most from territories with terms of life plus 70 or longer.

The inconsistency in copyright protection between Canada and its major trading partners is counterproductive to international rights administration and trade. These differing copyright regimes give rise to uncertainty and additional costs for rightsholders and users alike, often forcing them to investigate the terms of protection in multiple territories before they can license or use particular works. The inconsistencies hinder the achievement of optimal efficiency in both licensing and enforcement.

Indeed, legal harmonization is a key element in the creation of a productive international trade environment. This is particularly true for intellectual property rights in the digital age, since copyright-protected works are so easily distributed across borders via the Internet. As a result, the harmonization of intellectual property laws, including terms of protection, has become a key aspect of contemporary trade agreements such as the Trans-Pacific Partnership and the Australia-US Free Trade Agreement.

In order to ensure a productive international trade environment, both for domestic rightsholders and for foreign rightsholders who seek to exploit their works here, Canada should harmonize its term of copyright

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<sup>3</sup> All OECD member nations, except Canada, Japan, and New Zealand, offer copyright terms of life plus 70.

<sup>4</sup> India and Venezuela recognize copyright terms of life of the author plus 60 years. Colombia has adopted a term of life plus 80 years, while Mexico has adopted life plus 100 years.

protection with the standard that has emerged with its major trade partners. Canada has recognized this in part by extending the term of protection afforded to sound recordings and the performers' performances they contain.<sup>5</sup> It should now finish the job by extending term of protection in works to the life of the author plus 70 years. Doing so would ease global licensing of musical works by providing consistency across major territories, while also providing access to the longer term for Canadian works in foreign markets.<sup>6</sup>

### C. A Longer Term is Consistent with the Intention of the Berne Convention

Canada's term of copyright protection complies with the *minimum* term of protection required under the *Berne Convention* for literary and artistic works.<sup>7</sup> However, *Berne* explicitly permits signatory nations to allow for longer terms of copyright,<sup>8</sup> as Canada's top trading partners have done. They have done so for good reason: a longer term is demonstrably consistent with the spirit and intention of that treaty.

In 1993, the European Union adopted a directive recommending that copyright protection be extended to the life of the author plus 70 years throughout all EU nations.<sup>9</sup> The directive observed that the minimum term of life plus 50 years under the *Berne Convention* was "intended to provide protection for the author and the first two generations of his descendants," and that "the average lifespan in the [EU] has grown longer, to the point where *this term is no longer sufficient to cover two generations.*"<sup>10</sup> Indeed, the EU observed that the underlying basis for the minimum standard of copyright protection under the *Berne Convention* had fallen out of line with contemporary advancements in medicine and life expectancy as early as 1993.

Following the recommendations set out in the directive, various EU member states extended their respective terms of copyright protection to the life of the author plus 70 years.<sup>11</sup> In 2006, the EU formally adopted and codified the directive, which all EU member states are required to effect in their respective domestic legislation.

The same considerations apply in Canada. Canada joined the *Berne Convention* in 1928, which coincided with the adoption of the life plus 50 term requirement. At that time, the average life expectancy for Canadians

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<sup>5</sup> *Economic Action Plan 2015 Act, No. 1*, S.C. 2015, c. 36, Part 3, Div. 5, ss. 81 and 82, amending *Copyright Act*, ss. 23(1)(b) and 23(1.1).

<sup>6</sup> Pursuant to the *Berne Convention's* "rule of the shortest term", under which foreign works that have shorter protection durations may not receive the benefit of longer terms in other countries. See *World Intellectual Property Organization. Berne Convention for the Protection of Literary and Artistic Works* (as amended September 28, 1979) (the "*Berne Convention*"), Article 7(8), available online at: <[http://www.wipo.int/wipolex/en/treaties/text.jsp?file\\_id=283698#P127\\_22000](http://www.wipo.int/wipolex/en/treaties/text.jsp?file_id=283698#P127_22000)>

<sup>7</sup> Canada's current term of copyright protection was implemented by way of the *Copyright Act, 1921*, which came into force in 1924 and was modeled after the UK's *Copyright Act 1911*. In turn, the UK's *Copyright Act 1911* implemented the *Berne Convention* into UK law following the first revision of the Convention in 1908.

<sup>8</sup> *Berne Convention*, Article 7(6).

<sup>9</sup> Council Directive 93/98/EEC of October 29, 1993 (the "EU Copyright Duration Directive"). The directive was adopted following an extensive review process undertaken in the 1990s.

<sup>10</sup> EU Copyright Term Directive, preamble, para 5 (emphasis added).

<sup>11</sup> Belgium adopted the life plus 70 term in 1994. The UK, Germany, the Netherlands, Spain, and Ireland followed suit in 1995, Italy in 1996, and France in 1997.

was about 60 years.<sup>12</sup> By 2009, it had risen to about 81 years.<sup>13</sup> As a result, the term of protection currently afforded by our *Copyright Act* is out of step with the goals of the *Berne Convention*: it is insufficient to cover two generations of descendants of a songwriter. The situation is exacerbated when a songwriter dies prematurely, leaving a young family financially reliant on the revenue generated by the writer's existing catalogue.

#### **D. A Longer Term Promotes Investment in Creativity**

By paying publishing advances to songwriters and making other direct and indirect financial contributions to the songwriting process, music publishers play a critical role in the creation of new music. The discovery, support, and development of songwriters is made possible by the reinvestment of royalties generated from the exploitation of existing works. The calculation is simple: the longer an older song remains protected by copyright, the more revenue it contributes to support the creation of new songs.

The EU Commission arrived at a similar conclusion when studying the impact of a proposed term extension for sound recordings. After thorough consultation, it found in 2008 that term extension had a direct long-term impact on cultural reinvestment by rightsholders:

*... overall, the extended term should have a positive impact on consumer choice and cultural diversity. In the long run, this is because **a term extension will benefit cultural diversity by ensuring the availability of resources to fund and develop new talent.***<sup>14</sup>

By contrast, many of Canada's major trading partners have explicitly *rejected* the theory that an extension of the term of copyright will have a negative impact on users. That theory posits that a term extension is detrimental to the public because it delays works from entering the public domain without generating any additional incentive for new creativity. In the same 2008 study, however, the EU Commission concluded that, "in analyzing the impact of copyright or related rights on prices ... it is fair to say that there is no clear evidence that prices will increase due to term extension."<sup>15</sup>

Indeed, as more and more music consumption migrates to flat-rate subscription and free-to-the-user streaming models, it is highly unlikely that term extension will result in higher prices to end users. The benefit of a shorter term of protection in Canada will continue to accrue only to the benefit of the providers of those services, who profit handsomely from the ability to make classic songs available to their customers without having to pay for them.

By contrast, the additional income generated by a longer term of copyright protection would help finance music publishers' ongoing efforts to discover and develop new and emerging talent. Longer terms of

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<sup>12</sup> See <<http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/gbleco2a-eng.htm>>.

<sup>13</sup> *Ibid.*

<sup>14</sup> "Summary of the Impact Assessment on the Legal and Economic Situation of Performers and Record Producers in the European Union," COM(2008) 464 final, SEC(2008) 2287. (Emphasis added.)

<sup>15</sup> *Ibid.*

protection in a market also increase incentives for foreign companies to invest in repertoire in that market. In other words, providing for a longer term of copyright protection in Canada will strengthen both domestic reinvestment in cultural development and diversity and foreign investment in Canada's renowned local talent.

## **G. Conclusion**

In 2015 and 2016 alone, musical works by such songwriters as Cole Porter, Sam Cooke, Nat King Cole, Bud Powell, Jim Reeves, and Henry Cowell entered the public domain in Canada. In 2018, this list will expand to include works by Woody Guthrie, Otis Redding, and Billy Strayhorn. While those works will remain protected by copyright in other territories, Canadian rightsholders will no longer benefit from those copyrights. The significant royalties that are generated by those extensive catalogues each year will be lost to the Canadian music economy and consequently cease to be reinvested in Canada's cultural industries.

Canada's copyright laws are out of step with those of its major trading partners as well as the underlying rationale for the structure of our own copyright regime. This is an unreasonable cost to existing Canadian talent in royalties from abroad, as well as to emerging artists who rely on support from rightsholders through reinvestment. Canada should follow the lead of other like-minded nations and expand the protections afforded to our artists and the industry more broadly by extending the term of copyright for musical works to the life of the author plus 70 years.

## **III. Restoring Balance to Copyright Exceptions**

***Proposal: Amend the exceptions introduced in 2012 for backup copies (section 29.24), technological processes (section 30.71), and hosting services (subsection 31.1(4)) to restore balance and address unintended consequences.***

### **A. Introduction**

MPC and CMRRA propose changes to certain copyright exceptions that were introduced or amended as part of the *Copyright Modernization Act* in 2012.

The exceptions have had broad, unintended consequences on the Canadian music publishing industry. Among other things, they have drastically reduced the royalties paid by profitable commercial entities for the right to reproduce musical works – including the royalties payable by commercial radio stations, which are now subject to potential royalty discounts of greater than 50%. The exceptions have also contributed to the refusal by ad-supported online platforms, which host and stream copyright protected content uploaded by their users, to pay a fair share of royalties, resulting in a “value gap”: a massive reallocation of economic value from rightsholders to those platforms.

Although ever-increasing volumes of music are being consumed, compensation for rightsholders has not kept pace with the growth of the services who profit from the use of their work. That disparity represents an unprecedented and unjustified windfall to commercial copyright users, entirely at the expense of the rightsholders who have nourished the creation of that music through investments of time, money and creativity.

## B. Overview of the Copyright Board's 2016 Commercial Radio Decision

To appreciate the impact of certain new exceptions, it is important to briefly review the April 2016 decision of the Copyright Board of Canada, fixing the royalties to be paid by radio stations for the right to reproduce musical works, among other things (the “**Commercial Radio Decision**”).<sup>16</sup>

The Copyright Board concluded that certain types of copies made by radio stations were exempt, or could potentially be exempt, from copyright liability under the new exceptions, some of which are discussed in further detail below. Notably:

- The Copyright Board reduced the total royalty rate payable by commercial radio stations by **23.31%** on account of the new backup copies exception in section 29.24 of the *Copyright Act*.<sup>17</sup>
- The Commercial Radio Decision entitles radio stations to claim additional discounts of up to **27.8%** under the ephemeral reproductions exception in section 30.9, the scope of which was expanded in 2012.<sup>18</sup>
- Therefore, the Commercial Radio Decision imposed total potential discounts exceeding 50% of the royalties that would otherwise be payable.
- By the Copyright Board's calculations, the potential discounts could cost rightsholders more than \$12.5 million in lost royalties per year.<sup>19</sup>
- The effective royalty rate paid by commercial radio stations to all music rightsholders for the use of music is **less than 6%** of their total gross revenues, even before the potential section 30.9 discounts are applied.<sup>20</sup> The effective rate would likely be much lower if the additional discounts were applied.<sup>21</sup>
- By contrast, music use accounts for **80%** of commercial radio programming,<sup>22</sup> demonstrating a gross disparity between the importance of music to radio stations and the revenues that they return to the creative community.

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<sup>16</sup> *Commercial Radio Tariff: SOCAN (2011-2013); Re:Sound (2012-2014); CSI (2012-2013); Connect/SOPROQ (2012-2017); Artisti (2012-2014)*, Decision of the Board, April 21, 2016, online at <<http://www.cb-cda.gc.ca/decisions/2016/DEC-2016-04-21.pdf>> (“2016 Commercial Radio Decision”), at para. 172.

<sup>17</sup> The discount of 23.31% is in relation to the right to reproduce musical works. In relation to the right to reproduce sound recordings, the discount is 23.66%

<sup>18</sup> The discount of 27.8% is in relation to the right to reproduce musical works. In relation to the right to reproduce sound recordings, the discount is 26.76%.

<sup>19</sup> 2016 Commercial Radio Decision, para. 370. The general discount for backup copies results in a total discount of \$5.6 million, while the additional discount available under section 30.9 could lead to a further discount of up to \$7 million.

<sup>20</sup> 2016 Commercial Radio Decision, at para. 371. See also: News Release of the Board dated April 21, 2016 (“2016 News Release”), online at <<http://www.cb-cda.gc.ca/decisions/2016/NEW-2016-04-21-EN.pdf>>.

<sup>21</sup> As noted at footnote 19, the additional discounts could lead to a further discount of \$7 million.

<sup>22</sup> *Commercial Radio Tariff: SOCAN (2008-2010); Re:Sound (2008-2011); CSI (2008-2012); AVLA/SOPROQ (2008-2011); Artisti (2009-2011)*, Decision of the Board, July 9, 2010, online at <<http://www.cb-cda.gc.ca/decisions/2010/20100709.pdf>> (the “2010 Commercial Radio Decision”), at paras. 22, 49 and 210, citing separate studies commissioned by SOCAN and by the Commercial Association of Broadcasters.

- The new discounts imposed by the Copyright Board come at a time of increased profits for commercial radio stations,<sup>23</sup> at least some of which is attributable to the cost savings realized from their use of copy-dependent automation technology.

### C. Backup Copies, s. 29.24

#### (i) The Dilemma

Under the backup copies exception, introduced to the *Copyright Act* in 2012, it is not an infringement of copyright for a person who owns or has a licence to use a copy of a musical work or other subject matter to make a backup copy of the work, subject to certain conditions. The backup copy is to be used only for backup purposes, in case the source copy is lost, damaged or otherwise rendered unusable.

As drafted, the exception applies whether the backup copies are made for private or for commercial purposes, including by large-scale, profit-driven organizations. As a result, the exception has had the unintended consequence of depriving rightsholders of *any* compensation for the substantial number of backup copies made by commercial users, even though those users derive significant value from the backups they make.

That consequence is apparent in the Commercial Radio Decision. In the decision, there was no dispute that radio stations made significant numbers of backup copies of musical works, that they consider those copies to be highly useful (if not essential) to their broadcast operations, and that those copies therefore have significant economic value. Indeed, the Copyright Board concluded that the economic value of the backup copies represented 23.31% of the total value of *all* copies made by radio stations in the course of their broadcasting activities – an unequivocal confirmation of the economic significance of backup copies to commercial radio stations.

Nevertheless, the Board determined that these backups met the requirements of section 29.24 and that it therefore was constrained by section 29.24 to deduct *the entire economic value of backup copies* from the reproduction royalties that would otherwise be payable by radio stations. It therefore reduced the royalty rate by a full 23.31% on account of backup copies, depriving rightsholders of any share of the value of those copies.

Although the mandate of the Copyright Board is to set fair and equitable rates for the use of music, it is difficult to see what is either fair or equitable about excusing commercial radio stations, or other commercial users, from any obligation to pay for copies of music from which they derive enormous economic value.<sup>24</sup>

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<sup>23</sup> According to the most recent CRTC Communications Monitoring Report, profits before interest and taxes (PBIT) for the commercial radio industry as a whole increased from 18.5% in 2014 to 18.9% in 2015. See: Communications Monitoring Report 2016, CRTC, at §4.0(i), online at <http://www.crtc.gc.ca/eng/publications/reports/policymonitoring/2016/cmr4.htm#a41i>.

<sup>24</sup> Arguably, an exception that deprives rightsholders of compensation for economically-valuable copies made for clearly commercial purposes, for which rightsholders have previously been paid, also interferes unjustifiably with the normal exploitation of musical works. This is contrary to the “three-part test” for permissible exceptions under the

**(ii) Proposed Amendment**

MPC and CMRRA propose that the backup copies exception be amended to provide that it does not apply to backup copies made for commercial purposes.

There is no fair or equitable reason to permit commercial users who derive significant economic benefits from the making of backup copies to retain that full economic value, to the detriment of the rightsholders whose works are copied. The MPC-CMRRA proposal would ensure that the full economic benefit of these copies is instead allocated fairly and equitably between rightsholders and commercial users, either by the Copyright Board or in private negotiations.

The MPC-CMRRA proposal would also have no impact on backup copies made for non-commercial purposes. In that way, the exception would be made consistent with other exceptions introduced in 2012. In addition to the backup copies exception, the *Copyright Modernization Act* introduced exceptions for non-commercial user generated content (section 29.21), copies made for an individual's private purposes (section 29.22), and copies made for time-shifting purposes (section 29.23). Each of these exceptions applies only to copies made for non-commercial purposes.<sup>25</sup>

MPC and CMRRA respectfully submit that the backup copies exception should also be limited to copies made for non-commercial purposes. Amending the exception in this way would introduce badly-needed balance to the provision and to avoid the unintended consequence of transferring the entire economic benefit of valuable copies to commercial users, entirely at the expense of rightsholders.

**D. Temporary Reproductions for Technological Processes, s. 30.71**

**(i) The Dilemma**

Section 30.71 is drafted in vague terms that have resulted in costly and unnecessary litigation over the scope and meaning of the exception.

The exception provides that it is not an infringement of copyright to make a reproduction of a work or other subject-matter if (a) the reproduction forms an essential part of a “technological process”; (b) the only purpose of the reproduction is to facilitate a use that is not an infringement of copyright; and (c) the reproduction exists only for the duration of the technological process. However, the term “technological process” is not defined. Further, the section does not specify what it means for a reproduction to exist only for “the duration” of the technological process.

Commercial copyright users have sought to take advantage of this ambiguity. In the proceeding that led to Commercial Radio Decision, the CAB argued that “*the entire process of program assembly performed by*

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Berne Convention, which contemplates exceptions that apply only “in certain special cases [that do] not conflict with a normal exploitation of the work and [do] not unreasonably prejudice the legitimate interests of the author.”

<sup>25</sup> Nothing in this submission should be taken as agreement by MPC or CMRRA that an uncompensated exception for private copying (i.e., section 29.22) is appropriate or reflects a reasonable balance between the interests of rightsholders and other stakeholders.

commercial radio stations, from the gathering and creation of content to the communication of a radio signal to the public, is a technological process.”<sup>26</sup>

The Copyright Board correctly rejected that argument, holding that there was “nothing to suggest that the legislator’s intent was to provide such a wide-ranging exception.”<sup>27</sup> MPC and CMRRA agree with the Copyright Board’s interpretation. However, a decision of the Copyright Board is not binding on the civil courts, or even on the Copyright Board itself. As a result, it is likely that copyright users across various industries will continue to assert an overly broad interpretation of section 30.71, as currently drafted, resulting in more unnecessary and costly litigation.

**(ii) Proposal**

MPC and CMRRA propose that section 30.71 be amended to clarify the meaning of a “technological process” and the requirement that a reproduction made under that exception exists only for “the duration” of the technological process. In particular, MPC and CMRRA propose that the section be amended to stipulate that

- a technological process must have no human input between the initiation and the termination of the process; and
- the temporary reproduction must be made, used, and deleted *automatically*, as part of the technological process itself and without human intervention.

The proposed amendments appear consistent with the intentions of Parliament as expressed in publications released with Bill C-11 when tabled. In one such publication, the government explained that the bill would “make it clear that automatic, technical and incidental reproductions are not a violation of copyright.”<sup>28</sup> The Copyright Board cited that publication in the Commercial Radio Decision, noting as well that the language of the exception “likely suggests that the destruction of such reproduction is likely to be automatic, as a result of the technology used.”<sup>29</sup> The proposed amendments would therefore confirm the intentions of Parliament, as interpreted by the Board.

The European Union has also taken a similar approach, introducing Article 5(1) of Directive 2001/29/EC (commonly known as the “InfoSoc Directive”) to exempt temporary, technical reproductions from copyright infringement. A recital to the InfoSoc Directive explains that the exception applies to acts that enable browsing and caching to take place,<sup>30</sup> which the European Court of Justice (ECJ) has since described as acts that are “by definition, created and deleted automatically and without human intervention.”<sup>31</sup> The ECJ has

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<sup>26</sup> 2016 Commercial Radio Decision, *supra* note 16 at para. 177, citing the Written Submissions of the CAB (Exhibit CAB-11) dated February 14, 2014 at para. 37 (emphasis added).

<sup>27</sup> 2016 Commercial Radio Decision, *supra* note 16 at para. 178.

<sup>28</sup> 2016 Commercial Radio Decision, *supra* note 16 at para. 179.

<sup>29</sup> 2016 Commercial Radio Decision, *supra* note 16 at para. 181.

<sup>30</sup> Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, online at <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32001L0029:EN:HTML>> (the “InfoSoc Directive”), Recital 33.

<sup>31</sup> *Infopaq v. Danske Dagblades*, ECJ C-5/08, Judgment of 16 July 2009 [2009] ECR I-06569, online at <<http://curia.europa.eu/juris/document/document.jsf?text=&docid=72482&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=564699>> (“*Infopaq I*”).

also acknowledged that, while a technological process may be “manually” activated,<sup>32</sup> a temporary reproduction must be “carried out entirely in the context of the implementation of the technological process and, therefore, [is] not to be carried out, fully or partially, outside of such a process.”<sup>33</sup>

There is good reason for the temporary reproduction to be deleted automatically, as opposed to being dependent on human intervention. As the ECJ has noted, legal certainty for rightsholders requires automatic deletion: if left to the discretion of the user, “[t]here is no guarantee that... the person will actually delete the reproduction created or, in any event, that he will delete it once its existence is no longer justified by its function of enabling the completion of a technological process.”<sup>34</sup>

## **E. Ephemeral Recordings Made by Broadcast Undertakings, s. 30.9**

### **(i) Overview**

Radio stations frequently make copies of musical works for various purposes. Copies that are intended to exist for no more than 30 days are sometimes known as ‘ephemeral copies’. The Supreme Court has recognized these copies as uses of the reproduction right that require authorization from rightsholders.<sup>35</sup> With the advent of digital technologies, radio stations rely increasingly on these types of reproductions to generate valuable efficiencies in their operations. The resultant savings have led directly to increased profits.

Prior to 2012, an exception to copyright for those ephemeral copies effectively addressed the concerns of both rightsholders, who wanted to be compensated for the reproduction of their works, and broadcasters, who wanted to minimize the onerous task of seeking licences from countless individual rights holders. The exception, first introduced to the *Copyright Act* in 1997, was subject to detailed requirements to ensure that exempt copies were truly “ephemeral” – and, crucially, did not apply where a licence to make these copies was available from a collective society. In this form, the exception could be said to meet Canada’s obligations regarding the introduction of exceptions to copyright<sup>36</sup> under the Berne Convention<sup>37</sup> and the TRIPS agreement<sup>38</sup>.

The balance achieved in the 1997 amendments allowed rightsholders a critical opportunity to realize the economic value of their reproduction rights. Radio broadcasters, for their part, were able to obtain licences to extensive repertoires of musical works and sound recordings simply by complying with the certified tariffs and paying royalties to the applicable collective societies.

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<sup>32</sup> Case C-302/10 *Infopaq International A/S v. Danske Dagblades Forening*, 17 January 2012, online at <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:62010CO0302:EN:HTML>> (“*Infopaq II*”), at paras. 32 and 36.

<sup>33</sup> *Infopaq II*, para. 30

<sup>34</sup> *PRCA v. NLA (Meltwater)*, [2013] UKSC 18, [2013] 2 All ER 852, online at <<http://www.bailii.org/uk/cases/UKSC/2013/18.html>> (“*Meltwater*”) at paras. 12-13 & 31-33; *Infopaq I* at para. 62.

<sup>35</sup> *Bishop v Stevens* [1990] 2 SCR 467

<sup>36</sup> See note 24, citations below.

<sup>37</sup> Berne Convention, Article 9(2)

<sup>38</sup> TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994), Article 13

However, following lobbying from broadcasters, s. 30.9 was further amended in 2012, expanding the scope of its application to include all copies made ‘solely for the purpose of their broadcasting’<sup>39</sup> and repealing s. 30.9(6), the collective licensing restriction.<sup>40</sup> As a result, a much wider variety of ephemeral copies is now eligible for the exemption, regardless of their function in the broadcaster’s operations or whether a licence is available from a collective society.

## (ii) **The Dilemma**

As a result of the 2012 amendments, the Copyright Board in the Commercial Radio Decision assessed the value of the various types of copies that it determined were eligible for the exception<sup>41</sup> and reduced the royalties payable for those copies by up to an additional 27.8% (worth up to \$7 million per year<sup>42</sup>), provided that broadcasters could prove, somehow, they met the conditions of the exception. The Board noted in its decision that there was “insufficient evidence to conclude that some or all of the types of reproduction [made by broadcasters] qualify for the broadcast ephemeral copies exception,” and recognized that broadcasters required guidance as to the steps that would be necessary to demonstrate compliance.<sup>43</sup>

Despite that recognition, the Board in fact declined to establish any mechanism for broadcasters to prove their compliance. Furthermore, while the Board acknowledged that introducing a discount structure “would represent an administrative burden,” it observed that “the greatest part of such burden would stem from the statutory provision itself, over which the Board has no control.”<sup>44</sup>

In practice, the discount structure in the tariff certified by the Board has proven unworkable for and by both rightsholders and users. Aspects of the decision were stayed in part by the Federal Court of Appeal<sup>45</sup> while the parties negotiated a settlement agreement to replace the tariff imposed by the Board with a simplified licence structure.<sup>46</sup> However, even that simplified structure, which is now under consideration by the Board, results in a dramatic – and wholly unwarranted – royalty reduction for rightsholders.

By expanding the ephemeral recordings exception in 2012, Canada eliminated a recognized and monetized exclusive right under copyright. Doing so both contravened its international copyright obligations<sup>47</sup> and deprived rightsholders of compensation that they had come to rely on. Radio stations continue to derive the same (or greater) economic value from ephemeral copies as before; they just pay much less for the right to make them.

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<sup>39</sup> *Copyright Modernization Act*, S.C. 2012, c. 20, s.34(1). Prior to the amendment, the exception was available only for copies made “solely for the purpose of transferring [a sound recording, or a performer’s performance or work embodied in a sound recording] to a format appropriate for broadcasting.”

<sup>40</sup> *Ibid*, s. 34(3).

<sup>41</sup> Ingest copies (16.9%), voice tracking copies (9.46%), and live performance copies (1.44%). See 2016 Commercial Radio Decision, Appendix A, table 3.

<sup>42</sup> 2016 Commercial Radio Decision, para. 370.

<sup>43</sup> 2016 Commercial Radio Decision, paras. 136-137.

<sup>44</sup> 2016 Commercial Radio Decision, para 208.

<sup>45</sup> *CMRRA-SODRAC Inc. et al. v Canadian Association of Broadcasters and Artisti* (17 August 2016), Ottawa, A-166-16 (FCA).

<sup>46</sup> Letter from Casey M. Chisick to the Copyright Board of Canada (15 September 2016), online: <<http://cb-cda.gc.ca/avis-notice/2017/CB-CDA-2017-121-a.pdf>> (last accessed 5 July 2018).

<sup>47</sup> *Supra* notes 24 and 36-38.

**(iii) Proposal**

There is no reason why commercial broadcasters should not compensate rightsholders when they themselves benefit so greatly from the use of ephemeral copies. CMRRA and MPC recommend that s. 30.9(6) be reintroduced, in keeping with the original intention – to provide relief to broadcasters from the burden of obtaining licences from countless individual rightsholders, while recognizing that the right is fully compensable where collective licences are available to eliminate that burden.

**F. The Exception for Hosting Services, s. 31.1(4)****(i) Overview**

In 2012, the *Copyright Modernization Act* introduced a statutory regime to limit the copyright liability of Internet intermediaries, introducing broad exceptions for network services (i.e., ISPs<sup>48</sup> and hosting providers<sup>49</sup>) and “information location tools” (i.e, search engines or “ILTs”<sup>50</sup>) and establishing the so-called “notice and notice” regime.<sup>51</sup>

As discussed below in Part V of this submission, the regime suffers from several shortcomings, which deprive rightsholders of the tools necessary to protect and exploit their valuable rights.<sup>52</sup> In that section, MPC and CMRRA propose that the shortcomings related to ISPs and ILTs be resolved, in part, by amending the *Copyright Act* to authorize courts to grant site-blocking injunctions and de-indexing orders, respectively.

However, a further unintended consequence of the hosting services exception has been the expansion of what has come to be known as the “value gap”: a massive reallocation of economic value from copyright owners to ad-supported online platforms that purport to qualify for the hosting exception while effectively functioning as online music streaming services. These platforms avail themselves of the regime to seek to avoid paying a fair share of royalties for their hosting of a vast amount of copyright-protected content, which is uploaded by their users and which the services stream to the public. The result is yet another gross disparity between the amount of music consumed and the revenues returned to the creative community.

MPC and CMRRA support amendments to the *Copyright Act* that would help bridge the value gap and ensure a fair allocation of economic value between copyright owners and Internet intermediaries. In particular, MPC and CMRRA propose that section 31.1(4) of the *Copyright Act* be amended to specifically exclude from the

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<sup>48</sup> Exceptions are available for persons who provide any means for the telecommunication or the reproduction of a work or other subject-matter through the Internet, and any such person who caches a work or other subject matter, or does any similar act in relation to the work, to make the telecommunication more efficient. See: *Copyright Act*, ss. 31.1(1) and 31.1(2).

<sup>49</sup> *Copyright Act*, s. 31.1(4).

<sup>50</sup> *Copyright Act*, s. 41.27.

<sup>51</sup> *Copyright Act*, s. 41.27.

<sup>52</sup> As discussed in Part V of this submission, (1) the regime provides broad exceptions that exempt network services, such as ISPs and hosting providers, from copyright infringement solely for providing the technical means for the infringement to occur; (2) unlike in other jurisdictions, where a copyright owner delivers a notice of alleged infringement, a network service is not required to take down or de-index the impugned content; (3) unlike in other jurisdictions, the operation of the broad copyright exceptions are not conditional upon the compliance by a network service with its obligations under the “notice and notice” regime (save for a narrow carve-out to the exception pertaining to search engines).

hosting services exception any service that plays an active role in making available to the public the content that is uploaded by its users, including by providing functions such as categorization, recommendations, playlists, or the ability to share content.<sup>53</sup>

**(ii) The Dilemma**

The hosting service exception provides that a person who, for the purpose of allowing the telecommunication of a work or other subject matter through the Internet or another digital network, provides digital memory in which another person stores the work or other subject matter does not, “by virtue of that act alone,” infringe copyright in the work or other subject matter.<sup>54</sup>

The primary dilemma arising from the exception is a lack of clarity as to the meaning of the phrase “by virtue of that act alone.” MPC and CMRRA understand the phrase to mean that a hosting service may avail itself of the exception only if its operations are entirely passive and content-neutral. However, absent legislative guidance, online platforms that play an active role in streaming content that is uploaded by their users often try to claim the benefit of the exception. They do so even though they offer features that are intended to enhance the user experience, such as categorizing works, offering recommended playlists, and providing “auto-complete” search functions, all while deriving significant advertising revenues as visits to their services increase.

The lack of clarity as to the scope of the exception puts copyright owners at a significant disadvantage when attempting to negotiate licences for the right to reproduce musical works. Very often, services refuse to pay a fair share of royalties, claiming to be hosting services that are exempt from any copyright liability whatsoever for making copies of musical works and other content. Although MPC and CMRRA believe that position to be unfounded in most cases, it remains a stumbling block in many negotiations.

The need for clarity in the language of the exception is underscored by the recent decision of the Copyright Board of Canada, fixing the royalties payable by online music services for the performance and reproduction of musical works.<sup>55</sup> Although the Board did not certify a tariff for cloud-based hosting services, it nonetheless suggested that it would have adopted a broad interpretation of the phrase “by virtue of that act alone” in the hosting exception. In particular, the Board indicated that it was “not convinced that the mere offering of other features” beyond the provision of the digital memory by hosting services, “creates a real risk that the [hosting exception] provision is no longer applicable.”<sup>56</sup> On that basis, the Board suggested “there is a real likelihood that many such services could benefit from” the hosting exception.<sup>57</sup>

The decision of the Board demonstrates the need for greater clarity in the language of the hosting exception to ensure that it is available only to services that are entirely passive and content-neutral. If the Board’s reasoning were adopted by a court, it would deprive rightsholders of reasonable compensation for valuable

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<sup>53</sup> E.U. Commission Staff Working Document, *Impact Assessment on the modernisation of EU copyright rules*, Accompanying the document: *Proposal for a Directive of the European Parliament and of the Council on copyright in the Digital Single Market*, Brussels 14.9.2016 SWD(2016) 301 at 138.

<sup>54</sup> *Copyright Act*, s. 31.1(4).

<sup>55</sup> *Online Music Services (CSI: 2011-2013; SOCAN: 2011-2013; SODRAC: 2010-2013)*, Decision of the Board, August 25, 2017, online at <<http://www.cb-cda.gc.ca/decisions/2017/DEC-2017-SAT-25082017.pdf>> (“2017 Online Music Decision”).

<sup>56</sup> *Ibid* at para. 172.

<sup>57</sup> *Ibid* at para. 178.

uses of their music. It would also create an uneven playing field between services that host and stream content uploaded by their users, on one hand, and “traditional” online music streaming services, on the other.

### (iii) *International Initiatives*

Legislative initiatives are underway internationally to reconsider exceptions that apply broadly to hosting services, including those that appear to act as more than passive hosts or conduits.

In the EU, the European Commission has recently issued a Proposal for a Directive on copyright.<sup>58</sup> The proposed directive followed a study that recognized that “rightsholders have no or limited control over the use and the remuneration for the use of their content by services storing and giving access to large amounts of protected content uploaded by their users.”<sup>59</sup> The study also noted that these services “provide functionalities such as categorization, recommendations, playlists, or the ability to share content,” that they have “*de facto* become major actors of online content distribution,” and that “rightsholders are not necessarily able to enter into agreements with them for the use of their content.”<sup>60</sup>

Therefore, a recital to the proposed directive, discussing the types of services that ought to benefit from an exception<sup>61</sup> for hosting services, states as follows: “[I]t is necessary to verify whether the service provider plays an active role, including by optimising the presentation of the uploaded works or subject matter or promoting them, irrespective of the nature of the means used therefor.”<sup>62</sup>

Similarly, the United States Congress is now holding hearings on whether to amend the safe harbour provisions of the *Digital Millennium Copyright Act*. The Notice of the hearings explains that, at the time that the DMCA was enacted, “it was likely difficult to anticipate the online world as we now know it – where, each day, users post hundreds of millions of photos, videos and other items...”<sup>63</sup> Therefore, one of the issues being considered is whether and how the DMCA’s limitations on liability for online service providers have

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<sup>58</sup> Proposal for a Directive of the European Parliament and of the Council on copyright in the Digital Single Market, Brussels, 14.9.2016, COM(2016) 593, online at <<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52016PC0593>>

<sup>59</sup> E.U. Commission Staff Working Document, *Impact Assessment on the modernisation of EU copyright rules*, Accompanying the document: *Proposal for a Directive of the European Parliament and of the Council on copyright in the Digital Single Market*, Brussels 14.9.2016 SWD(2016) 301 at 137.

<sup>60</sup> *Ibid* at 138.

<sup>61</sup> The exception is contained in Article 14 of Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market, online at <<http://eur-lex.europa.eu/eli/dir/2000/31/oj>>. Note that the exception requires a service to act expeditiously to take down impugned content upon obtaining knowledge or awareness of infringing activity. A service that fails to comply with that requirement will lose the benefit of the exception – unlike the situation in Canada under the notice and notice regime.

<sup>62</sup> Recital 38, Proposal for a Directive of the European Parliament and of the Council on copyright in the Digital Single Market, Brussels, 14.9.2016, COM(2016) 593, online at <<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52016PC0593>>

<sup>63</sup> U.S. Copyright Office, *Section 512 Study: Notice and Request for Public Comment*, December 31, 2015, available online <<https://www.federalregister.gov/documents/2015/12/31/2015-32973/section-512-study-notice-and-request-for-public-comment>>

affected the protection and value of copyright-protected works, including licensing markets for those works.<sup>64</sup>

#### **(iv) Proposal**

MPC and CMRRA propose that the hosting exception in subsection 31.1(4) be amended to make clear that it does not apply to a hosting service that acts as a *content provider*, and not as a mere conduit for the storage of data for the purpose of allowing a telecommunication. Specifically, the exception should not apply to a service that plays any active role in the communication to the public of the works or other subject matter that other persons store within its digital memory.

As amended, the exception would not apply to a service that promotes or optimizes the presentation of works that it makes available to the public, whether by categorizing works by genre, style, or the like, creating recommended playlists, providing an “auto-complete” search function, or the like. However, hosting services that are truly passive intermediaries would continue to receive the full protection of the existing exception as well as the protections afforded under the notice and notice regime.

There is support for this proposal in a 2004 decision of the Supreme Court of Canada that interpreted paragraph 2.4(1)(b) of the *Copyright Act*, which contains an exception for persons whose sole act in communicating works or other subject matter to the public consists of providing the necessary means of telecommunication.<sup>65</sup> Among other things, the Court held in that case that the exception applies only to a service that acts as a mere “conduit,” and not to services that “engage in acts relating to the content of the communication.”<sup>66</sup> Clearly, that exception, like the hosting exception, is not intended to exempt services that play an active role in the communication of works to the public.

#### **IV. Site-Blocking and De-Indexing Injunctions to Combat Online Piracy**

***Proposal: Amend the Copyright Act to authorize a court, on application by a rightsholder, to grant a site-blocking or de-indexing injunction against an Internet intermediary, with worldwide effect, on a “no-fault” basis to the intermediary.***

##### **A. Introduction**

Internet intermediaries, such as ISPs, hosting providers, and search engines, are best placed to prevent or limit large-scale commercial infringement of copyright on the Internet.

However, the *Copyright Act* does not specifically authorize Canadian courts to grant injunctive orders to require an ISP or hosting service to block access to an infringing website (often referred to as a “site blocking order”), or require a search engine to prevent an infringing site from showing up in its search results (a “de-indexing order”), without risk of liability. Moreover, the notice-and-notice regime established in 2012 gives intermediaries little incentive to help combat online piracy.

As a result, rightsholders typically have no recourse but to commence legal proceedings against the commercial infringers. Those proceedings often resemble costly and futile games of whack-a-mole, with

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<sup>64</sup> *Ibid*, question #4

<sup>65</sup> *SOCAN v. CAIP*, 2004 SCC 45.

<sup>66</sup> *Ibid*, para. 92.

infringing content popping up elsewhere on the Internet almost as soon as it is removed from another location.

In this way, the *Copyright Act* is out of step with the law of many other countries, including the United Kingdom, various member states of the European Union, Australia, and Singapore. That discrepancy is contrary to Parliament's acknowledgement that, in the digital era, copyright protection is enhanced when international efforts are coordinated.<sup>67</sup>

MPC and CMRRA therefore propose that the *Copyright Act* be amended to authorize a court, on application by a rightsholder, to grant a site blocking or de-indexing injunction, with worldwide effect, on a "no fault" basis to the Internet intermediary.

## **B. The Canadian Dilemma**

### **(i) Large-Scale Commercial Infringement on the Internet**

Canadian rightsholders are harmed by services that facilitate and profit from the large-scale commercial infringement of copyright on the Internet. Those services include torrent portals, such as the infamous Pirate Bay website, and cyberlockers that host copyright-protected material that may be shared with other users. Such services are designed to capitalize on the infringement of copyright: they typically permit anonymous users to upload content at no charge, host the content free of charge, reward users that post popular content (even if pirated), and derive more advertising revenue the more users visit the site.<sup>68</sup>

Infringement of this type harms the creative industries. The Digital Citizens Alliance suggests that "ad-supported content theft has become a big business and harms a wide range of players in the digital economy and threatens the future of a free and open Internet."<sup>69</sup> The European Union Intellectual Property Office estimated that, in 2014 alone, digital piracy resulted in €170 million in lost revenue across the European Union.<sup>70</sup>

### **(ii) The Copyright Act Does Not Provide Sufficient Tools to Prevent This Conduct**

Due to their technical capabilities and the role that they play in hosting, locating, and delivering content, Internet intermediaries are best placed to prevent and mitigate large-scale commercial infringement of copyright.<sup>71</sup> Indeed, it is not often feasible for a copyright owner to enforce its rights directly against

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<sup>67</sup> *Copyright Modernization Act*, S.C. 2012, c. 20, preamble provisions.

<sup>68</sup> Paul Doda, "Distinguishing 'Common Carriers' from 'Common Thieves': Requiring Notice and Stay Down for 'Structurally Infringing' Host Sites that Discourage Legitimate Electronic Storage, Incentivize Copyright Infringement, and Exploit the DMCA 512(c) Safe Harbor", 63:1 *Journal of the Copyright Society of the USA*, 515 at 517.

<sup>69</sup> Digital Citizens Alliance, "Good Money Gone Bad: Digital Thieves and the Highjacking of the Online Ad Business: A Report on the Profitability of Ad-Supported Content Theft" (2014), online at <<http://www.digitalcitizensalliance.org/clientuploads/directory/Reports/good-money-gone-bad.pdf>>.

<sup>70</sup> European Union Intellectual Property Office, "The Economic Cost of IPR Infringement in the Recorded Music Industry" (2016) at p. 14, online at <[https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/observatory/resources/research-and-studies/ip\\_infringement/study7/Music\\_industry\\_en.pdf](https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/resources/research-and-studies/ip_infringement/study7/Music_industry_en.pdf)>.

<sup>71</sup> InfoSoc Directive, *supra* note 30, at Recital 59.

infringing services, which are typically sophisticated, able to conceal their identities and locations.<sup>72</sup> Even if a service removes infringing content in response to a user request, the content is often reposted quickly on another website of the service.<sup>73</sup> And many infringing services are located outside Canada, immune from the jurisdiction of Canadian courts.

Internet intermediaries benefit greatly from the availability of high-quality content, whether licensed or not, through their facilities. Properly calibrated, the *Copyright Act* would enlist intermediaries as partners in ensuring that content is made available only with rightsholder consent. The most effective way to do that is by helping to prevent Canadians from accessing content through infringing means. Unfortunately, the Act does not do enough to encourage intermediaries to block or de-index websites that make infringing content available.

**(iii) Broad Exemption for Network Services**

Under the *Copyright Act*, “network services,” such as ISPs and hosting services, are exempt from liability for copyright infringement solely for providing the technical means for the infringement to occur.<sup>74</sup> As a result, Internet intermediaries have no direct incentive to prevent third parties from using their services to infringe copyright.

**(iv) No Real Consequences Under the “Notice and Notice” Regime**

The notice and notice regime does not do enough to prevent or limit large-scale commercial infringement of copyright on the Internet. Where a copyright owner delivers a notice of claimed infringement, a network service is required only to forward the notice to the appropriate person (such as its subscriber) and to retain certain records in case a rightsholder chooses to initiate litigation against the alleged infringer.<sup>75</sup> Unlike in other jurisdictions, the service is not required to take down or de-index the content.

There are also no real consequences for a network service that fails to comply with those minimum requirements. A non-compliant network service will continue to be immune from infringement liability under the broad exemption described above. The only potential consequence is a potential award of statutory damages in a nominal amount.<sup>76</sup> This is unlike other jurisdictions, such as the U.S., where a non-compliant intermediary loses the broad immunity offered under the “safe harbour” laws.<sup>77</sup>

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<sup>72</sup> For example, see Kevin Meehan, “The Continuing Conundrum of International Internet Jurisdiction”, (2008) 31 BC Int'l & Comp L Rev 345 at 349, cited with approval in *Equustek Solutions Inc. v. Jack*, 2014 BCSC 1063 at para. 37.

<sup>73</sup> For example, see: *Equustek Solutions Inc. v. Jack*, 2014 BCSC 1063, para. 72, and *Equustek Solutions Inc. v. Google Inc.*, 2015 BCCA 265, para. 25.

<sup>74</sup> That exemption is subject to certain limited exceptions that are not relevant to the issue canvassed in this submission. See *Copyright Act*, ss. 2.4(1), s.31.1

<sup>75</sup> *Copyright Act*, s. 41.26(1). Even if litigation is commenced, the rightsholder is not necessarily entitled to receive the information so preserved; it must obtain a Norwich order to require the intermediary to hand it over. See, e.g., *BMG Canada v. Doe*, 2005 FCA 193, and *Voltage Pictures LLC v. Doe*, 2014 DC 161.

<sup>76</sup> “A claimant’s only remedy against a person who fails to perform his or her obligations under subsection (1) is statutory damages in an amount that the court considers just, but not less than \$5,000 and not more than \$10,000.” *Copyright Act*, s.41.26(3).

<sup>77</sup> §512(c)(1)(C), Title 17, US Code.

The regime applies slightly differently to search engines. The *Copyright Act* limits the relief available against a search engine to injunctive relief, so long as the search engine has made only passive and automated reproductions of the copyrighted material, and subject to certain other conditions.<sup>78</sup> However, that relief misses the mark by requiring the rightsholder to take legal action, and prove infringement, *against the search engine itself*, rather than by permitting a rightsholder to seek an order requiring the search engine, on a no-fault basis, to block or de-index sites that make infringing content available. Only the latter option would ensure that the resources of both litigants and courts are properly focused on the practical issue of preventing and limiting online copyright infringement by large scale, commercial services.

#### (v) **Online Enablers Escape the Jurisdiction of Canadian Courts**

In 2012, Parliament attempted to target entities that facilitate online infringement by introducing a new form of secondary infringement that targets so-called “online enablers” – services that are provided “primarily for the purpose of enabling acts of copyright infringement.”<sup>79</sup> But the applicable provisions, however well-intentioned, fall short of a complete solution. For one thing, they impose upon a rightsholder the onerous burden of proving that an *actual* infringement of copyright has occurred by means of the service, as opposed to establishing general knowledge that infringing activity is occurring. For another, they appear to apply only to entities located in Canada, thus excluding the vast majority of infringing torrent sites and cyberlockers, which operate outside Canadian borders. By allowing foreign enablers to escape the jurisdiction of Canadian courts, the regime thus makes it all too easy for Canadians to continue to access infringing content through sites and services that would be illegal if located in Canada.

Clear, predictable, and fair legislation providing for site-blocking injunctions would provide necessary certainty for all stakeholders,<sup>80</sup> thereby avoiding unnecessary and costly litigation. It would close an egregious loophole in the *Copyright Act* that allows foreign sites and services to trample on the rights of copyright owners and encourages Canadians to use those sites and services to access infringing content.

#### C. **Support from the Supreme Court of Canada**

The authority of Canadian courts to issue broad de-indexing injunctions has now been recognized by the Supreme Court of Canada in the recent decision of *Google Inc. v Equustek Solutions Inc.*<sup>81</sup> MPC and CMRRA now propose that the *Copyright Act* be amended to provide “clear, predictable and fair rules” – an objective that Parliament recognized as desirable in the preamble to the *Copyright Modernization Act*<sup>82</sup> – in relation to the issuance of both site-blocking and de-indexing injunctions in cases of copyright infringement.

In *Equustek*, the Supreme Court upheld a decision of the British Columbia Court of Appeal granting a global interim de-indexing injunction, requiring Google to de-index various web pages from its search results, with worldwide effect. In doing so, the Supreme Court acknowledged that it may be necessary, in certain

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<sup>78</sup> Among other things, if an infringing work has been taken down, the search engine must remove any cached copies within 30 days of receiving a notice of claimed infringement, or it will lose the limitation on relief. See *Copyright Act*, s. 41.27(1)-(3).

<sup>79</sup> *Copyright Act*, s. 27(2.3).

<sup>80</sup> Melville B. Nimmer et al, *International Copyright Law and Practice* (New York, NY: LexisNexis, 2016) (loose-leaf rel. 28-12/2016, Pub 399) at UK-159, footnote 427.

<sup>81</sup> 2017 SCC 34

<sup>82</sup> *Copyright Modernization Act*, preamble

circumstances, to grant an injunction enjoining conduct anywhere in the world. The Court reasoned that the only way to ensure that the injunction attained its objective was to have it apply where Google operates: globally.

The *Equustek* decision provides support for the proposition that global site-blocking and de-indexing orders against Internet intermediaries are the natural evolution of a court's inherent jurisdiction. It also recognizes that the issuance of an injunction against an intermediary is often the only practical solution to prevent or limit large-scale commercial infringement by others who rely on the intermediary's services and facilities to achieve their commercial goals. As the Supreme Court recognized, an injunction was necessary in *Equustek* to address the irreparable harm that flowed from the infringement of the plaintiff's valuable intellectual property – misconduct that would be commercially impossible without Google's facilitation. Although *Equustek* arose out of a dispute over trade secrets, the reasoning of the Court is no less apt in relation to online copyright infringement.

#### **D. International Solutions**

Many of Canada's major trading partners have enacted legislation that expressly permits courts to issue site-blocking injunctions with worldwide effect.

##### **(i) European Union**

In 2001, the EU adopted the InfoSoc Directive, discussed above,<sup>83</sup> to harmonize and adapt the copyright law of member states to technological developments.<sup>84</sup> The InfoSoc Directive acknowledges that, "in many cases [Internet] intermediaries are best placed to bring ... infringing activities to an end."<sup>85</sup> Thus, article 8(3) of the Directive instructs member states to "ensure rightsholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe a copyright or related right."<sup>86</sup>

All member states are required to adopt the Directive into domestic law. A number of member states have since implemented article 8(3) into their national laws, including Austria, Greece, Latvia, and Belgium,<sup>87</sup> while the laws of other member states already included such provisions.<sup>88</sup>

##### **(ii) United Kingdom**

Applications for site blocking injunctions are now common in the U.K. and often proceed in writing, without a formal hearing.<sup>89</sup> Article 8(3) of the Directive is embodied in section 97A of the U.K. *Copyright, Designs and*

<sup>83</sup> *Supra* note 30 and accompanying text.

<sup>84</sup> Access to European Law, "Copyright and Related Rights in the Information Society", online at <<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV%3A126053>>.

<sup>85</sup> InfoSoc Directive, *supra* note 30, Recital 59.

<sup>86</sup> InfoSoc Directive, *supra* note 30, Article 8(3).

<sup>87</sup> Commission of the European Communities, "Commission Staff Working Document: Report to the Council, the European Parliament and the Economic and Social Committee on the application of Directive 2001/29/EC on the harmonization of certain aspects of copyright and related rights in the information society" (2007) at p. 9, online at <[http://ec.europa.eu/internal\\_market/copyright/docs/copyright-info/application-report\\_en.pdf](http://ec.europa.eu/internal_market/copyright/docs/copyright-info/application-report_en.pdf)>.

<sup>88</sup> *Ibid.*

<sup>89</sup> *Twentieth Century Fox Film Corporation v Sky UK Limited* [2014] EWHC 1082 (Cth) per Birss J. at paras. 3-5, citing Arnold. J in *Cartier*, *aff'd* by *Cartier* 2.

Patents Act 1988,<sup>90</sup> which authorizes courts to grant a site blocking injunction against a service provider that is aware that another person is using the service to infringe copyright.<sup>91</sup>

The knowledge requirement is not to be “interpreted too restrictively.”<sup>92</sup> A service provider is not required to know the exact person who is using their services to infringe copyright, but instead may only have knowledge that infringement is occurring in general.<sup>93</sup> Knowledge may be inferred where a rightsholder has provided a notice of infringement.<sup>94</sup> Moreover, a rightsholder is not required to name as a party to a section 97A application the person or organization that is responsible for the infringement.<sup>95</sup> This is logical and practical, given that these infringers often take deliberate steps to conceal their identities and locations.

Site blocking in the U.K. has resulted in significant reductions to the activity levels on some of the most popular websites for accessing and distributing infringing content. A study on the efficacy of site blocking injunctions found that, between March 2012 and August 2014, site blocking resulted on average in a 73.2% decrease in activity on targeted websites. The study found as well that the decrease remained consistent over time.<sup>96</sup>

### (iii) **Australia**

The Australian *Copyright Act 1968* was amended in 2015 to introduce section 115A. That section permits the Federal Court of Australia to issue an injunction requiring an ISP or other “carriage service provider” to take reasonable steps to disable access to online locations outside Australia that have the primary purpose of infringing or facilitating the infringement of copyright in Australia or elsewhere.<sup>97</sup> Notably, this is a “no fault” remedy, meaning that the party seeking the injunction is not required to show that the service provider itself committed or encouraged copyright infringement.<sup>98</sup> In addition, the party seeking the injunction is not required to include the operator of the online location as a party to the proceeding unless that person asks to be joined.<sup>99</sup>

These amendments appear to have resulted in a significant reduction in traffic to blocked websites. A preliminary study on the results of site-blocking injunctions since December 2016 showed a 71.7% decrease in the overall usage of the blocked sites from within Australia.<sup>100</sup> These results mirror those in the U.K., as referenced above, and stand as further evidence of the efficacy of site blocking as a potent tool for rightsholders to combat widespread copyright infringement.

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<sup>90</sup> *Dramatico Entertainment Ltd. v. British Sky Broadcasting Ltd.*, [2012] 3 C.M.L.R. 14 at para. 37 (“Pirate Bay”).

<sup>91</sup> *Copyright, Designs and Patents Act 1988* c. 48 (“CDPA”) at s. 97A(1).

<sup>92</sup> *Twentieth Century Fox Film Corp. v. British Telecommunications Plc.*, [2011] R. P. C. 28 at para. H26 (“Newzbin2”).

<sup>93</sup> *Newzbin2*, *ibid.* at paras. H27-28.

<sup>94</sup> CDPA, *supra* note 91 at s. 97A.

<sup>95</sup> *Pirate Bay* at paras. 9-12.

<sup>96</sup> INCOPRO, “Site blocking efficacy study, United Kingdom” (13 November 2014) at p. 4, available online: <https://translate.incoproip.com/reports/site-blocking-efficacy-study-uk>

<sup>97</sup> *Roadshow Films Pty Ltd. v. Telstra Corporation Ltd.*, [2016] FCA 1503 (2016) at para 25 (“**Roadshow Films**”), citing *Copyright Act 1968*, No. 63, 1968 as am.

<sup>98</sup> *Roadshow Films* at para. 30.

<sup>99</sup> *Australia’s Copyright Act 1968* at ss 115A(3)(c).

<sup>100</sup> See <<https://securitybrief.com.au/story/creative-content-australia-lauds-court-mandated-blocks-against-pirate-sites/>>.

(iv) **Singapore**

In 2014, Singapore amended its *Copyright Act* (Chapter 63) to authorize a court to order an injunction “requiring the network service provider to take reasonable steps to disable” an online location that is being used to “flagrantly commit or facilitate infringement of copyright.”<sup>101</sup> The legislation prescribes certain factors to be considered by the court in determining whether a website is being used for such purposes.<sup>102</sup> The party seeking a site-blocking injunction is not required to name the operator of the online location as a party to the proceeding; it is required only to give notice of the proceeding to that person. Moreover, the court may dispense with the notice requirement if satisfied that the plaintiff, despite reasonable efforts, has been unable to determine the identity or address of that operator.<sup>103</sup>

**E. Conclusion**

The decision of the Supreme Court of Canada in *Equustek* provides welcome confirmation that de-indexing injunctions are available in Canada, in appropriate cases, and that they are often the only practical way to put a stop to online infringement. Nevertheless, it is vital that the *Copyright Act* be amended to make clear that Canadian courts are empowered to require ISPs, hosting services, and search engines to block access to infringing content that is hosted outside Canada by issuing site-blocking and de-indexing injunctions.

Canada can, and should, draw on the experience of its major trading partners, including those discussed above, in crafting a balanced regime with an appropriate standard of proof for rightsholders, reasonable knowledge requirements for infringing services, and appropriate safeguards to insulate intermediaries from liability for blocking access to infringing content. MPC and CMRRA believe that a clear, predictable, and fair path to site-blocking and de-indexing orders, in appropriate circumstances, is the best way to give Canadian rightsholders the tools they need to fight the ongoing problem of online piracy.

At the same time, Parliament should amend section 27(2.3) of the *Copyright Act* to reduce the burden of proof on rightsholders when attempting to establish secondary liability against an online enabler. Like in other jurisdictions, general knowledge of infringing activity should be sufficient; if a service is provided primarily for the purpose of enabling copyright infringement,<sup>104</sup> it should not be necessary to establish that “an actual infringement of copyright” has occurred as a result of the use of the service.

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<sup>101</sup> *Copyright (Amendment) Act 2014* (No. 22 of 2014), ss. 193DDA-193DDB, online at < <https://sso.agc.gov.sg/Acts-Supp/22-2014/Published/20141202?DocDate=20141202> > (“**Singapore Copyright Amendment**”).

<sup>102</sup> *Singapore Copyright Amendment* at ss. 193DDA(2)(a)-(f).

<sup>103</sup> *Ibid* at s. 193DDB(1)-(4).

<sup>104</sup> This is established in accordance with the factors set out in s. 27(2.4), which mirror similar requirements in the legislation and jurisprudence of other countries; see, for example, the decision of the Supreme Court of the United States in *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005).