

# Case Comment: *Society of Composers, Authors and Music Publishers of Canada v. Canadian Association of Internet Service Providers*

By Barry Sookman †

## Introduction

The exponential growth of the Internet has raised serious issues related to liability for copyright infringement. Who should compensate authors and publishers for the use of their works? What activities constitute infringement? Are Internet intermediaries such as Internet service providers (ISPs) liable for infringement when they provide connectivity to subscribers, when they provide hosting services, or when they use caching technologies? Where does infringement occur? Is the scope of the *Copyright Act*<sup>1</sup> limited to acts of infringement that occur wholly within Canada or does the Act apply to acts that take place partly in Canada and partly outside of Canada? In the *SOCAN v. Canadian Association of Internet Providers*<sup>2</sup> case (*Tariff 22*) the Supreme Court of Canada tackled these questions.

The appeal to the Supreme Court arose out of a tariff filed by SOCAN known as *Tariff 22*. This tariff was filed in respect of the following licence:

For a licence to communicate to the public by telecommunication, in Canada, musical works forming part of SOCAN's repertoire, by a telecommunications service to subscribers by means of one or more computer(s) or other device that is connected to a telecommunications network where the transmission of those works can be accessed by each subscriber independently of any other person having access to the service ...<sup>3</sup>

SOCAN's intention in filing the tariff was to collect fees "by the entities that provide end users with access to the telecommunication networks, provided, however, that if some or all access providers are determined not to be liable or otherwise do not pay the approved fees, then the tariff should provide for payment of the fees by other appropriate participants in the communication chain".<sup>4</sup> SOCAN's intent, in other words, was to collect royalties from Internet intermediaries rather than from content posters or publishers of content, unless Internet intermediaries were found not to be liable for infringement.<sup>5</sup>

## Findings of the Copyright Board<sup>6</sup>

The Copyright Board cannot target persons who are not users of copyright. For this reason, and because *Tariff 22* raised novel issues, the Board ordered that the proceedings be broken down into two phases. Phase I would determine which actions trigger liability under the Act and which do not. The issues put before the Board were the following:

1. What do "communication", "telecommunication", "public", and "musical work" mean in the context of Internet transmissions?
2. When does a communication to the public occur on the Internet?
3. Who communicates on the Internet? In particular, who can benefit from paragraph 2.4(1)(b) of the Act?
4. When does the act of authorizing a communication on the Internet occur?
5. When does a communication on the Internet occur in Canada?<sup>7</sup>

The Board answered these questions as follows:

1. A musical work is not communicated when it is made available on a server.
2. A musical work is communicated by telecommunication when a server containing the work responds to a request and packets are transmitted over the Internet for the purpose of allowing the recipient to see or hear the work.
3. The public or private character of a communication over the Internet can be determined according to established legal and jurisprudential principles.
4. A communication need not be instantaneous or simultaneous to be a communication to the public.

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†Barry Sookman is a partner in the Technology, Communications and Intellectual Property Group, McCarthy Tétrault, Toronto. He was co-counsel for the appellants/respondents on cross-appeal in the *Tariff 22* case before the Supreme Court of Canada.

5. By making a work available, a person authorizes its communication.
6. The person who made a work available communicates it when it is transmitted from any server (host, cache, mirror).
7. Persons who can avail themselves of paragraph 2.4(1)(b) of the Act with respect to a given communication of a work do not communicate the work. Generally speaking, this includes all entities acting as Internet intermediaries, such as the ISP of the person who makes the work available, persons whose server acts as a cache or mirror, the recipient's ISP, and those who operate routers used in the transmission.
8. An entity cannot claim the benefit of paragraph 2.4(1)(b) with respect to a given communication of a work if the relationships it entertains with the person who made the work available are such that it can be said to act in concert with that person or if it does not confine itself to the role of an Internet intermediary.
9. The person who creates an embedded hyperlink to a work authorizes its communication. The person who merely supplies a link that must be activated by the user does not.
10. Communications occur at the site of the server from which the work is transmitted, without regard to the origin of the request or the location of the original Web site. Therefore, to occur in Canada, a communication must originate from a server located in Canada on which content has been posted.
11. The communication triggered by an embedded hyperlink occurs at the site to which the link leads.
12. The issue of whether an entity that provides content outside Canada — with the intention to communicate it specifically to recipients in Canada — is actually communicating it in Canada remains open.<sup>8</sup>

## Federal Court of Appeal Ruling<sup>9</sup>

SOCAN sought judicial review of the findings of the Copyright Board. The issues in the review were the following:

- First, when material is transmitted on the Internet, do the operator of the server on which content is stored, and the entity supplying the ultimate recipient with access to the Internet, only provide “the means of telecommunication necessary for another person to so communicate the work” within the meaning of paragraph 2.4(1)(b) of the *Copyright Act*?<sup>10</sup>

- Second, when material requested by an Internet user in Canada is stored on a server outside Canada, does communication of that material occur only at the location of the server from which it is transmitted?
- Third, can Internet intermediaries be required to pay a royalty because they “authorize” the communication of music transmitted on the Internet? In particular, does the operator of a host server authorize the communication of music that it is stored, or does an Internet access provider authorize the communication of the music requested by and transmitted to one of its subscribers?

In considering the scope of the common carrier exemption, the Federal Court of Appeal ruled that three things must be established for an intermediary's activity to fall within paragraph 2.4(1)(b), and thus not attract liability for infringing copyright by communicating a work to the public by telecommunication. First, the intermediary's activities must amount to the provision of “the means of telecommunication”; second, these means must be “necessary” for enabling another person to communicate a work to the public; and third, the activities in question must constitute the intermediary's “only act” with respect to the communication.

Evans J.A., writing for the majority of the Court, agreed with the Board that the word “means” is capable of describing a wider range of services and equipment than those provided by traditional common carriers, and that it should not be given the narrow interpretation urged by SOCAN.<sup>11</sup> The majority held, however, that “a person provides only the means of telecommunication *necessary* for another person to communicate when, without that person's activity, communication in that medium of telecommunication would not be practicable or, in all probability, would not have occurred”.<sup>12</sup> Applying this test, the Court expressed the opinion that the Board erred in law when it held that an Internet intermediary who caches material is thereby providing the means *necessary* for another to communicate it. According to the Court, the fact that a cache enhances the speed of transmission and reduces the cost to the Internet access provider did not render the cache a practical necessity for communication.

On the second issue, the Court disagreed with the findings of the Board that for there to be a communication to the public in Canada, the communication had to originate from a server located in Canada. The Court held that a royalty may be made payable in Canada in respect of communications by telecommunication that have a real and substantial connection with Canada.<sup>13</sup>

On the third issue, the Court agreed with the Board that Internet intermediaries do not authorize a commu-

nication, because they don't have the right to control the actions of users.<sup>14</sup>

## Issues in Appeal in the Supreme Court

By the time the case reached the Supreme Court of Canada, the issues had been somewhat narrowed. The key questions to be decided in the appeal and cross-appeal were the following:

- First, are ISPs liable to pay royalties to SOCAN by reason only that they provide Internet access, use caching facilities, and provide hosting services?
- Second, does the common carrier exemption apply to protect ISPs from liability?
- Third, does the *Copyright Act* apply extra-territorially (e.g., is there liability if music is sent and received in Canada, received by Canadians and transmitted from abroad, or transmitted from Canada to receivers abroad)?

## Interpretation of Common Carrier Exemption

In interpreting the scope of the common carrier exemption, the Court generally agreed with the holdings of the Federal Court of Appeal, except with respect to the issue of the interpretation of the word "necessary" in paragraph 2.4(1)(b). In this respect, the Court agreed with the dissenting views expressed by Sharlow J.A. of the Court of Appeal that the term "necessary" was to be given a broader meaning and is satisfied if "the means are reasonably useful and proper to achieve the benefits of enhanced economy and efficiency".<sup>15</sup>

The Court was critical of the test espoused by Evans J.A. of the Federal Court of Appeal that protection is only available "when, without that person's activity, communication in that medium of telecommunication would not be practicable or, in all probability, would not have occurred".<sup>16</sup> According to the Supreme Court

This is a high eligibility test which could inhibit development of more efficient means of telecommunication. SOCAN and others representing copyright owners would always be able to argue that whatever the advances in the future, a telecommunication could still have been practicable using the old technology, and that one way or the other the telecommunication would "in all probability" have occurred. In my view, with respect, Evans J.A. has placed the bar too high.<sup>17</sup>

The Court also held that paragraph 2.4(1)(b) is not a loophole but an important element of the balance struck by the statutory copyright scheme. The section, according to the Court,

finds its roots, perhaps, in the defense of innocent dissemination sometimes available to bookstores, libraries, news vendors, and the like who, generally speaking, have no

actual knowledge of an alleged libel, are aware of no circumstances to put them on notice to suspect a libel, and committed no negligence in failing to find out about the libel.<sup>18</sup>

The paragraph was enacted by Parliament with the intent of ensuring that liability would not be imposed on intermediaries who supply software and hardware to facilitate use of the Internet.

In the sphere of telecommunications, the paragraph was intended to encourage intermediaries to make telecommunications possible and to prevent liability that could chill such expansion. Parliament's intent in this regard is summarized in the following passages from the Court's reasons for decision:

Parliament has decided that there is a public interest in encouraging intermediaries who make telecommunications possible to expand and improve their operations without the threat of copyright infringement. To impose copyright liability on intermediaries would obviously chill that expansion and development, as the history of caching demonstrates. In the early years of the Internet, as the Board found, its usefulness for the transmission of musical works was limited by "the relatively high bandwidth required to transmit audio files" (at p. 426) ... The velocity of new technical developments in the computer industry, and the rapidly declining cost to the consumer, is legendary. Professor Takach has unearthed the startling statistic that if the automobile industry was able to achieve the same performance-price improvements as has the computer chip industry, a car today would cost under five dollars and would get 250,000 miles to the gallon of gasoline: see *Takach, supra*, p. 21. Section 2.4(1)(b) reflects Parliament's priority that this entrepreneurial push is to continue despite any incidental effects on copyright owners.

In the Board's view, the means "necessary" under s. 2.4(1)(b) were means that were content neutral and were necessary to maximize the economy and cost-effectiveness of the Internet "conduit". That interpretation, it seems to me, best promotes "the public interest in the encouragement and dissemination of works of the arts and intellect" (*Théberge, supra*, at para. 30) without depriving copyright owners of their legitimate entitlement ...

... by enacting s. 2.4(1)(b) of the *Copyright Act*, Parliament made a policy distinction between those who abuse the Internet to obtain "cheap music" and those who are part of the infrastructure of the Internet itself. It is clear that Parliament did not want copyright disputes between creators and users to be visited on the heads of the Internet intermediaries, whose continued expansion and development is considered vital to national economic growth.<sup>19</sup>

The Court observed that Parliament did not say that the intermediaries are engaged in communication of copyright content, but enjoy an immunity. Instead, paragraph 2.4(1)(b) says that such intermediaries are deemed, for purposes of the *Copyright Act*, not to communicate the work to the public at all. For the purposes of paragraph 3(1)(f) of the Act, Internet intermediaries are not "users".

The Court went on to explain that paragraph 2.4(1)(b) shields from liability the activities associated with providing the means for another to communicate by telecommunication. These means, as the Board found, "... are not limited to routers and other hardware. They include all software connection equipment, con-

nectivity services, hosting and other facilities and services without which such communications would not occur".<sup>20</sup> As a matter of legislative policy established by Parliament, the Act "does not impose liability for infringement on intermediaries who supply software and hardware to facilitate use of the Internet".<sup>21</sup> According to the Court,

So long as an Internet intermediary does not itself engage in acts that relate to the content of the communication, *i.e.* whose participation is content neutral, but confines itself to providing "a conduit" for information communicated by others, then it will fall within s. 2.4(1)(b). ... To the extent they act as innocent disseminators, they are protected by s. 2.4(1)(b) of the Act.<sup>22</sup>

In this respect, the Court agreed with the approach of the Board, which had found that as long as the role of an ISP in respect of any given transmission is limited to providing the means necessary to allow data initiated by other persons to be transmitted over the Internet, and as long as the ancillary services it provides fall short of involving the act of communicating the work or authorizing its communication, it should be allowed to claim the exemption. The Court noted that this approach to the liability of suppliers of technological infrastructure is consistent with the approach taken by the Court in the *Electric Despatch Co. of Toronto v. Bell Telephone Co. of Canada* case,<sup>23</sup> with the Agreed Statement of Facts in Article 8 of the *WIPO Copyright Treaty*,<sup>24</sup> and with the approach of the European Union in clause 42 of the *E-Commerce Directive*.<sup>25</sup>

In refusing to find Internet intermediaries liable for providing the means to enable others to communicate works to the public, the Court drew a distinction between the conduit status of an Internet intermediary, which does not attract liability, and other functions that an Internet intermediary can perform, such as acting as a content provider, or creating embedded links that automatically precipitate a telecommunication of copyrighted music from another source, which can attract liability. "In such cases, copyright liability may attach to the added functions. The protection provided by s. 2.4(1)(b) relates to a protected function, not to *all* of the activities of a particular Internet Service Provider".<sup>26</sup>

The Court held that the conduit status of an Internet intermediary applies as long as the Internet intermediary does not itself engage in acts that relate to the content of the communication (*i.e.*, whose participation is content neutral), but confines itself to providing "a conduit" for information communicated by others. However, the presence of knowledge of the infringing nature of a work on the part of an ISP would, according to the Court, be a factor in the evaluation of that "conduit" status.<sup>27</sup>

## Liability For Hosting and Caching

After explaining how paragraph 2.4(1)(b) is to be interpreted, the Court went on to apply the provi-

sion to two common functions of Internet intermediaries: hosting and caching. As to hosting, the Board had found that a host server provider "merely gives the customer [*i.e.*, the content provider] the right to place information on the servers"<sup>28</sup> and was not generally liable for communications transmitted by the host server operator. The Court agreed with not imposing liability on host server operators. It is implicit from the Court's decision that in performing such functions, they generally act as mere conduits without the requisite degree of knowledge of infringement to make them liable.

Typically the host server provider will not monitor what is posted to determine if it complies with copyright laws and other legal restrictions. Given the vast amount of information posted, it is impractical in the present state of the technology to require the host server provider to do so. In any event, it is unrealistic to attribute to a provider an expertise in copyright law sufficient to "lawyer" all of the changing contents of its servers on an ongoing basis in the absence of alleged infringements being brought to their attention.

However, to the extent the host server provider has notice of copyrighted material posted on its server, it may, as the Board found, "respond to the complaint in accordance with the [Canadian Association of Internet Providers] Code of Conduct [which] may include requiring the customer to remove the offending material through a 'take down notice'". ... If the host server provider does not comply with the notice, it may be held to have *authorized* communication of the copyright material, as hereinafter discussed.<sup>29</sup>

The Court did not go further and speculate as to whether an intermediary providing hosting services might be liable for providing such services in circumstances where it knows or ought to know that the servers it hosts contain infringing materials that are being communicated to the public.

As noted above, the majority in the Federal Court of Appeal had concluded that the use of caching amounts to a function falling outside paragraph 2.4(1)(b). This finding was premised on that Court's view that the protection of paragraph 2.4(1)(b) is only available "when, without that person's activity, communication in that medium of telecommunication would not be practicable or, in all probability, would not have occurred".<sup>30</sup> That test was found by the Supreme Court to be a high eligibility test, which could inhibit development of more efficient means of telecommunication. The Court held instead that something is "necessary", "which in the accomplishment of a given object cannot be dispensed with, or it may mean something *reasonably useful and proper, and of greater or lesser benefit or convenience*".<sup>31</sup>

The Supreme Court noted that the Board had found as a fact that in the early years of the Internet, "its usefulness for the transmission of musical works was limited by 'the relatively high bandwidth required to transmit audio files'".<sup>32</sup> It also found that this technical limitation was addressed in part by using "caches" and that the use of caches were content neutral and were necessary to maximize the economy and cost-effective-

ness of the Internet “conduit”. As a consequence of the finding that the use of caching technologies were “necessary” to Internet communications and that such communications “were content neutral”, the Court held that paragraph 2.4(1)(b) applied to protect Internet intermediaries from liability under paragraph 3(1)(f) of the Act.

In the Board’s view, the means “necessary” under s. 2.4(1)(b) were means that were content neutral and were necessary to maximize the economy and cost-effectiveness of the Internet “conduit”. That interpretation, it seems to me, best promotes “the public interest in the encouragement and dissemination of works of the arts and intellect” (*Théberge, supra*, at para. 30) without depriving copyright owners of their legitimate entitlement. The creation of a “cache” copy, after all, is a serendipitous consequence of improvements in Internet technology, is content neutral, and in light of s. 2.4(1)(b) of the Act ought not to have any *legal* bearing on the communication between the content provider and the end user.

As noted earlier, SOCAN successfully relied on the “exigencies of the Internet” to defeat the appellants’ argument that they did not communicate a “musical work” but simply packets of data that may or may not arrive in the correct sequence. It is somewhat inconsistent, it seems to me, for SOCAN then to deny the appellants the benefit of a similar “exigencies” argument. “Caching” is dictated by the need to deliver faster and more economic service, and should not, when undertaken only for such technical reasons, attract copyright liability.<sup>33</sup>

As with hosting, the Court did not speculate on the potential liability of Internet intermediaries in circumstances in which the intermediary plays a role in the selection of the content to be cached, or where the intermediary is or could be aware of the content that is cached.

The decision of the Court on the liability of Internet intermediaries for caching under paragraph 3(1)(f) of the Act is consistent with laws in the U.S. and England, which do not impose liability on Internet intermediaries unless there is some element of volition or causation that is lacking where the intermediary’s system is merely used by a third party to create a copy or to effect a transmission.<sup>34</sup> It is also consistent with legislation in other countries that exempts Internet Service Providers from copyright liability for hosting and caching.<sup>35</sup>

## Authorizing Infringement By Providing a Hosting Service

The Supreme Court of Canada generally agreed with the Federal Court of Appeal on the issue of the liability of Internet intermediaries for authorizing infringement. The Court observed that when massive amounts of non-copyrighted material are accessible to the end user, it is not possible to impute to the Internet Service Provider, based solely on the provision of Internet facilities, an authority to download copyrighted material as opposed to non-copyrighted material. Further, the knowledge that someone *might* be using neu-

tral technology used by Internet intermediaries to provide services to violate copyright is not necessarily sufficient to constitute authorization, as this requires a demonstration that the defendant did give approval to, sanction, permit, favour, or encourage the infringing conduct. The Court observed, however, that copyright liability may well attach if the activities of the Internet Service Provider cease to be content neutral (e.g. if it has notice that a content provider has posted infringing material on its system and fails to take remedial action). The Court’s reasons on this issue were expressed as follows:

The operation of the Internet is obviously a good deal more complicated than the operation of a photocopier, but it is true here, as it was in the *CCH* case, that when massive amounts of non-copyrighted material are accessible to the end user, it is not possible to impute to the Internet Service Provider, based solely on the provision of Internet facilities, an authority to download copyrighted material as opposed to non-copyrighted material. ...

The knowledge that someone *might* be using neutral technology to violate copyright (as with the photocopier in the *CCH* case) is not necessarily sufficient to constitute authorization, which requires a demonstration that the defendant did “[g]ive approval to; sanction, permit; favour, encourage” ... the infringing conduct. I agree that notice of infringing content, and a failure to respond by “taking it down” may in some circumstances lead to a finding of “authorization”. However, that is not the issue before us. Much would depend on the specific circumstances. An overly quick inference of “authorization” would put the Internet Service Provider in the difficult position of judging whether the copyright objection is well founded, and to choose between contesting a copyright action or potentially breaching its contract with the content provider. A more effective remedy to address this potential issue would be the enactment by Parliament of a statutory “notice and take down” procedure as has been done in the European Community and the United States.

In sum, I agree with the Court of Appeal that “authorization” could be inferred in a proper case but all would depend on the facts.<sup>36</sup>

## Territorial Scope of the Copyright Act

Internet communications and the growth of e-commerce raises significant conflicts-of-laws questions as to the *situs* of conduct. The Internet is profoundly anti-spatial and negates traditional geographic boundaries. As a result, numerous cases around the globe have had to consider jurisdictional issues arising from Internet communications, including issues of personal, regulatory, and even constitutional jurisdiction.<sup>37</sup> In the *Tariff 22* case, the Court expressly recognized the jurisdictional dilemmas caused by the Internet, and expressly acknowledged that its was deciding the case before it “with an eye to this broader context”.

The issue of the proper balance in matters of copyright plays out against the much larger conundrum of trying to apply national laws to a fast-evolving technology that in essence

respects no national boundaries ... The availability of child pornography on the Internet is a matter of serious concern. E-Commerce is growing, Internet liability is thus a vast field where the legal harvest is only beginning to ripen. It is with an eye to this broader context that the relatively precise questions raised by the Copyright Board must be considered ...

Canada clearly has a significant interest in the flow of information in and out of the country ... A failure to recognize such jurisdiction "would have serious consequences in other areas of law relevant to the Internet, including Canada's ability to deal with criminal and civil liability for objectionable communications entering the country from abroad."<sup>38</sup>

"The Internet presents a particular challenge to national copyright laws which are typically territorial in nature."<sup>39</sup> Parliament's power to legislate with extraterritorial effect is well settled as a matter of Canadian law.<sup>40</sup> "However, while the Parliament of Canada, unlike the legislatures of the Provinces, has the legislative competence to enact laws having extraterritorial effect, it is presumed not to intend to do so, in the absence of clear words or necessary implication to the contrary."<sup>41</sup> This presumption flows from the principle of territoriality, a tenet of international law. Because each state is sovereign in its own territory, it is presumed that states hesitate to exercise jurisdiction over matters that may take place in the territory of other states.<sup>42</sup> But, as noted above, this presumption is rebuttable where the contrary intention is expressly stated or implied by the legislation.<sup>43</sup>

A central issue raised in the *Tariff 22* case concerned when a communication of a musical work was considered to have occurred in Canada. According to the Copyright Board,<sup>44</sup> to occur in Canada, a communication must originate from a server located in Canada on which content has been placed. As summarized above, the Board held that the place of origin of the request, the location of the person posting the content, and the location of the original Web site are irrelevant. It also held that posting content on a server located outside of Canada does not constitute a communication of the work to the public in Canada. However, the Board left open the issue of whether an entity that provides content outside Canada with the intention to communicate it specifically to recipients in Canada is communicating it in Canada.

The views expressed by the Copyright Board in the *Tariff 22* case, as to what activities need occur in Canada for a communication to the public to be complete, were criticized on appeal by the Federal Court of Appeal. The Federal Court of Appeal expressed the opinion that since the very notion of communication requires a communicator and an intended recipient, it was wrong for the Board to have concluded that the location of the communication should solely be determined by that of the host server. This was especially the case as the Board had found that the Internet communications under consideration were only ever affected at the request of the end user. According to the Court, the proper test to apply to determine where the communication occurs is the "real

and substantial connection" test. That test could be applied to determine the location of the infringing activity, as well as the location of the infringing activity of authorizing a communication that occurs when a content provider posts copyright material on a host server.

The majority of the Supreme Court of Canada also disagreed with the Board's view that a communication that does not *originate* in Canada does not *occur* in Canada. The Court expressed the view that this is "too rigid and mechanical a test". According to the Court, an Internet communication that crosses one or more national boundaries "occurs" in more than one country, at a minimum the country of transmission and the country of reception. At the end of the transmission, the end user has a work in his or her possession that was not there before. The work has, necessarily, been communicated, irrespective of its point of origin. The Court, therefore, concluded that the Copyright Board erred in law when it ignored all connecting factors other than the location of the host server for the purpose of identifying communications that occur in Canada.

Having found that the Board erred in holding that the only relevant connection between Canada and the communication is the location of the host server, the Court next had to determine, as a matter of statutory interpretation, what connecting factors are sufficient to impose copyright liability for transborder communications. In considering this issue, the Court noted that in the absence of clear words to the contrary, courts presume that Parliament does not intend its legislation to receive extraterritorial application. Further, the Court recognized that copyright law respects the territorial principle, reflecting the implementation of a "web of interlinking international treaties"<sup>45</sup> based on the principle of national treatment.<sup>46</sup> The Court expressed the opinion that these principles could be satisfied by applying the "real and substantial connection" test to determine whether there is a sufficient connection between Canada and transborder communication for Canada to apply its law consistent with the "principles of order and fairness".

The "real and substantial connection" test had previously been adopted and developed by the Supreme Court of Canada in numerous cases.<sup>47</sup> From the outset, however, this test had been viewed as an appropriate way to prevent overreaching, and to restrict the exercise of jurisdiction over extraterritorial and transnational transactions, in a manner consistent with the principles of international comity, order, and fairness.<sup>48</sup> Historically, the test was not applied as a principle of statutory construction or legislative jurisdiction to achieve certainty, ease of application, and predictability in determining the substantive law to be applied to a dispute. The test applied only to the courts.<sup>49</sup> As noted, above, however, in the *Tariff 22* case, the Supreme Court applied the "real and substantial connection" test to determining the applicability of the *Copyright Act* to Internet communi-

cations that have international participants. The use of this test will undoubtedly be applied in future copyright cases. Further, in view of the Court's statement that the case was being decided "with an eye" to the broader context of Internet liability, it can be expected that the real and substantial link test will be applied in a variety of other cases involving trans-border communications.

The Court observed that whether or not a real and substantial connection exists in any particular fact situation will turn on the facts of a particular transmission. In this regard, the Court noted that foreign content providers whose music is telecommunicated to a Canadian end user will not automatically be subject to liability; a content provider will not necessarily be immunized from copyright liability by virtue only of the fact that it employs a host server outside the country; and conversely, a host server does not attract liability just because it is located in Canada. The decision of the Court raises the spectre of imposition of copyright liability on a single

telecommunication in both the state of transmission and the state of reception. The Court recognized this potential problem but observed that "as with other fields of overlapping liability (taxation for example), the answer lies in the making of international or bilateral agreements, not in national courts straining to find some jurisdictional infirmity in either State".<sup>50</sup>

## Conclusion

The *Tariff 22* case is the most significant case to be decided to date in Canada in the area of liability for the communication of works over the Internet. It is also the first of what will undoubtedly be further cases to be decided by the Supreme Court and other Canadian courts on the applicability of the real and substantial link test to Internet communications.

## Notes:

<sup>1</sup> *Copyright Act*, R.S.C. 1985, c. C-42.

<sup>2</sup> *Society of Composers, Authors and Music Publishers of Canada v. Canadian Association of Internet Service Providers*, 2004 S.C.C. 45 [*Tariff 22*].

<sup>3</sup> Copyright Board: 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 Dramatico-Musical Works for the Year 1999, C. Gaz. I. 1998, Supplement June 13 at 26, online: *Canada Gazette* <http://canadagazette.gc.ca/part1/1998/19980613/pdf/g1-13224.pdf>.

<sup>4</sup> *Ibid.*

<sup>5</sup> The breadth of SOCAN's intended targets is evident from the definition of the term "Telecommunications Service" found in the tariff. That term was defined as follows:

"Telecommunications service" includes a service known as a computer on-line service, an electronic bulletin board service (BBS), a network server or a service provider or similar operation that provides for or authorizes the digital encoding, random access and/or storage of musical works or portions of musical works in a digitally encoded form for the transmission of those musical works in digital form via a telecommunications network or that provides access to such a telecommunications network to a subscriber's computer or other device that allows the transmission of material to be accessed by each subscriber independently of any other person having access to the service. *Ibid.* at 27.

<sup>6</sup> *SOCAN Statement of Royalties, Public Performance of Musical Works 1996, 1997, 1998 (Tariff 22, Internet) (Re)*, 1 C.P.R. (4th) 417.

<sup>7</sup> *Ibid.* at 52.

<sup>8</sup> *Ibid.* at 50-52.

<sup>9</sup> *Society of Composers, Authors and Music Publishers of Canada v. Canadian Assn. of Internet Providers*, [2002] 4 F.C. 3.

<sup>10</sup> Section 2.4(1)(b) of the Act reads as follows: "a person who only act in respect of the communication of a work or other subject-matter to the public consists of providing the means of telecommunication necessary for another person to so communicate the work or other subject matter does not communicate that work or other subject-matter to the public". *Supra* note 1.

<sup>11</sup> *Supra* note 9 at 57.

<sup>12</sup> *Ibid.*

<sup>13</sup> *Ibid.* at 75.

<sup>14</sup> *Ibid.* at 61.

<sup>15</sup> The Court pointed out that the meaning of the term "necessary" varies with the context. Quoting from *Black's Law Dictionary*, the Court noted that the term can mean "something which in the accomplishment of a

given object cannot be dispensed with, or it may mean something reasonably useful and proper, and of greater or lesser benefit or convenience, and its force and meaning must be determined with relation to the particular object sought". *Supra* note 2 at para. 91, Binnie J. citing *Black's Law Dictionary*, 6th ed., s.v. "necessary" (emphasis by the Court).

<sup>16</sup> *Supra* note 9 at 57, cited by the Supreme Court of Canada. *Ibid.* at para. 113.

<sup>17</sup> *Supra* note 2 at para. 113.

<sup>18</sup> *Ibid.* at para. 89 citing *Menear v. Miguna* (1996), 30 O.R. (3d) 602 (Gen. Div.), rev'd on other grounds (1997), 33 O.R. (3d) 223 (C.A.); *Newton v. City of Vancouver* (1932), 46 B.C.R. 67 (S.C.); *Sun Life Assurance Co. of Canada v. W.H. Smith & Son, Ltd.*, [1933] All E.R. 432 (C.A.). See generally R.E. Brown, *The Law of Defamation in Canada*, 2nd ed., loose-leaf (Carswell: Scarborough, 1994) vol. 1, at §7.12(6).

<sup>19</sup> *Supra* note 2 at paras. 114-115, 131.

<sup>20</sup> *Supra* note 6 at 452, cited by the Supreme Court of Canada. *Ibid.* at para. 92.

<sup>21</sup> *Supra* note 2 at para. 101.

<sup>22</sup> *Ibid.* para. 92, 95.

<sup>23</sup> (1891), 20 S.C.R. 83, at 9.

<sup>24</sup> *WIPO Copyright Treaty*, December 20, 1996, CRNR/DC/94, 36 I.L.M. 65 online: WIPO, <http://www.wipo.int/clea/docs/en/wo/wo033en.htm> [WCT].

<sup>25</sup> *E-Commerce Directive 2000/31 of the European Parliament and of the Council of June 8, 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce)*, [2000] O.J.L. 178/1, online: Europa [http://europa.eu.int/comm/internal\\_market/en/ecommerce](http://europa.eu.int/comm/internal_market/en/ecommerce) [E-Commerce Directive].

<sup>26</sup> *Supra* note 2 at para. 102.

<sup>27</sup> *Ibid.* at para. 99. Section 2.4(1)(b) does not contain any reference to a knowledge requirement. Unfortunately, the Court did not explain why the presence or absence of knowledge would contribute to the conduit status of an ISP.

<sup>28</sup> *Supra* note 6 at 441, cited by the Supreme Court of Canada at para. 109.

<sup>29</sup> *Supra* note 2 at paras. 109-110, citing the Federal Court of Appeal *supra* note 9 at 441.

<sup>30</sup> *Supra* note 9 at 57, cited by the Supreme Court of Canada at para. 113.

<sup>31</sup> *Supra* note 2 at para. 91, Binnie J. citing *Black's Law Dictionary*, 6th ed., s.v. "necessary" (emphasis by the Court).

<sup>32</sup> *Ibid.* at para. 114 citing the Copyright Board *supra* note 6 at 426.

<sup>33</sup> *Ibid.* at paras. 115-116.

<sup>34</sup> The Court referenced the *Religious Technology Center v. Netcom Online Communication Services, Inc.*, 907 F.Supp. 1361 (N.D. Cal. 1995) case acknowledging that a comparable result had been achieved in the U.S.

<sup>35</sup> *Digital Millennium Copyright Act*, 17 U.S.C. §512 (1998), s. 512; *E-Commerce Directive*, *supra* note 23, preamble clauses 42-46, arts. 12-15; *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*, O.J.L. 167/10, Art. 5(1), online: Europa [http://www.europa.eu.int/comm/internal\\_market/copyright/documents/documents\\_en.htm](http://www.europa.eu.int/comm/internal_market/copyright/documents/documents_en.htm); Australia, *Copyright Act 1968* (Cth) as amended by *Copyright Amendment (Digital Agenda) Act 2000* (Cth) s. 39B, online: Australian Government Attorney-General's Department <http://scaleplus.law.gov.au/html/pasteact/0/244/top.htm>.

<sup>36</sup> *Supra* note 2 at paras. 123, 127-128, citing *CCH Canadian Ltd. v. Law Society of Upper Canada*, 2004 SCC 13 at para. 38 [CCH].

<sup>37</sup> See Barry Sookman, *Computer, Internet and E-Commerce Law* (Carswell: Scarborough, 2000-2004), Chapter 11.

<sup>38</sup> *Supra* note 2 at paras. 41, 62.

<sup>39</sup> *Ibid.* headnote. See also P.E. Geller, "Conflicts of Laws in Cyberspace: Rethinking International Copyright in a Digitally Networked World" (1996) 20 Colum. V.L.A.-J.L. & Arts 571; Jane C. Ginsburg, "Global Use/Territorial Rights: Private International Law Questions of the Global Information Infrastructure" (1995) 42 *J. Copyright Soc'y. U.S.A.* 318.

<sup>40</sup> *Reference re Offshore Mineral Rights of British Columbia*, [1967] S.C.R. 792 at 816; *Reference re Newfoundland Continental Shelf*, [1984] 1 S.C.R. 86 at 103; *Croft v. Dunphy*, [1933] A.C. 156.

<sup>41</sup> *Supra* note 2 at para. 54.

<sup>42</sup> *Morguard Investments Ltd. v. De Savoye*, [1990] 3 S.C.R. 1077 at 1078.

<sup>43</sup> *Bolduc v. Attorney General of Quebec*, [1982] 1 S.C.R. 573 at 578; *Arcadi v. The King*, [1932] S.C.R. 158 at 159.

<sup>44</sup> *Supra* note 6 at 51-52.

<sup>45</sup> *Supra* note 2 at para. 56, citing David Vaver, *Copyright Law* (Toronto: Irwin Law, 2000) at 14. Canada adheres to multilateral and bilateral treaties that regulate the protection of copyright territorially. The principal treaties include the *Berne Convention for the Protection of Literary and Artistic Works* (Paris Act of July 2, 1971, as amended September 28, 1979), [1998] Can. T.S. No. 18 [Berne Convention]; *Universal Copyright Convention*, September 6, 1952, 216 U.N.T.S. 132, online: UNESCO [http://portal.unesco.org/en/ev.php-URL\\_ID=15241&URL\\_DO=DO\\_TOPIC&URL\\_SECTION=201.html](http://portal.unesco.org/en/ev.php-URL_ID=15241&URL_DO=DO_TOPIC&URL_SECTION=201.html) [UCC]; *International Convention for the Protection of Performers, Producers of Phonograms, and Broadcasting Organizations*, October 26, 1961, 496 U.N.T.S. 43 online: UNESCO [http://portal.unesco.org/en/ev.php-URL\\_ID=13645&URL\\_DO=DO\\_TOPIC&URL\\_SECTION=201.html](http://portal.unesco.org/en/ev.php-URL_ID=13645&URL_DO=DO_TOPIC&URL_SECTION=201.html) [Rome Conven-

tion]; *North American Free Trade Agreement Between the Government of Canada, the Government of the United Mexican States and the Government of the United States of America*, December 17, 1992, [1994] Can. T.S. No. 2, online: International Trade Canada <http://www.dfait-maeci.gc.ca/nafta-alena/agree-en.asp> [NAFTA]; Agreement on Trade-Related Aspects of Intellectual Property Rights, being Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, 15 April 1994, 1869 U.N.T.S. 299, online: World Trade Organization [http://www.wto.org/english/docs\\_e/legal\\_e/legal\\_e.htm#TRIPs](http://www.wto.org/english/docs_e/legal_e/legal_e.htm#TRIPs) [TRIPs].

<sup>46</sup> The national treatment principle implies a territorial approach to choice of law, pursuant to which the applicable law is the law of the place where the conduct in question occurs. This principle is needed because each nation's intellectual property laws are assumed not to apply extraterritorially. Extraterritorial application of a nation's copyright laws would subvert the national treatment principle. The minimum rights principle is also inconsistent with extraterritorial application of a nation's copyright laws. The right to choose the particular standards of local law, over and above the minimum standard, would be undermined if other nations could override that choice through extraterritorial application of their own standards. See, *Subafilms Ltd. v. MGM-Pathe Communications*, 24 F.3d 1088 (9th Cir. 1994) at 1097-1098; *Murray v. British Broadcasting Corp.*, 81 F.3d 287 (2nd Cir. 1996) at 290; *Berne Convention*, *ibid.* Art. 5; Curtis A. Bradley, "Territorial Intellectual Property Rights in An Age of Globalism" (1997) 37 *Va. J. Int'l L.* 505 at 16-17, 28; Graeme W. Austin, "Domestic Laws and Foreign Rights: Choice of Law in Transnational Copyright Infringement Litigation" (1999) 23 *Colum.-V.L.A. J.L. & Arts* 1 at 11-12; Graeme W. Austin, "Social Policy Choices and Choice of Law of Copyright Infringement in Cyberspace" (2000) 79 *Or. L. Rev.* 575 at 4; Andreas P. Reindl "Choosing Law in Cyberspace: Copyright Conflicts on Global Networks" (1998) 19 *Mich. J. Int'l L.* 799 at 5-6, 11-14.

<sup>47</sup> See, for example, *Morguard Investments Ltd. v. De Savoye*, [1990] 3 S.C.R. 1077; *Hunt v. T & N plc*, [1993] 4 S.C.R. 289; *Tofofon v. Jensen*, [1994] 3 S.C.R. 1022; *Holt Cargo Systems Inc. v. ABC Containerline N.V. (Trustees of)*, [2001] 3 S.C.R. 907; *Spar Aerospace Ltd. v. American Mobile Satellite Corp.*, [2002] 4 S.C.R. 205; *Unifund Assurance Co. v. Insurance Corp. of British Columbia*, [2003] 2 S.C.R. 63; *Beals v. Saldanha*, [2003] 3 S.C.R. 416.

<sup>48</sup> *Ibid.*

<sup>49</sup> *Supra* note 2 at para 147, Lebel J. in dissent. See, for example, *Unifund Assurance Co. v. Insurance Corp. of British Columbia* 2003 SCC 40 at paras. 54-91 (the Supreme Court distinguished the personal jurisdictional cases from the case of the territorial application of provincial legislation and held that the principles of order and fairness required that Ontario's *Insurance Act* not be given extra-territorial application); *Tofofon v. Jensen*, [1994] 3 S.C.R. 1022 (the Supreme Court rejected the application of the real and substantial connection test in favour of the law governing the place of the tort (the *lex loci delicti*)).

<sup>50</sup> *Supra* note 2 at para. 78.