



**McCarthy Tétrault Advance™**  
Building Capabilities for Growth

# Reimagining the Copyright Board – Lessons from Other Jurisdictions ALAI CANADA 2016

Barry B. Sookman  
McCarthy Tétrault LLP  
bsookman@mccarthy.ca  
416-601-7949

**May 25, 2016**

---

# Overview

- Goals
- Voluntary Agreements
- Expediting the process
- Criteria for Rate-setting
- Qualifications of Members
- Alternative Rights Markets

# Goals

- Increase speed
- Enhance predictability
- Achieve goals of copyright including promoting
  - creation and innovation
  - dissemination
  - just compensation

---

# Voluntary Agreements

# Voluntary Agreements – Approaches

No rate-setting procedure – Voluntary license	Voluntary license takes precedence, but tribunal/expert committee/court/ ministry can impose rates or terms and/or ADR mechanism, if no agreement	Tariffs/rates must be approved	Legislated Rates – no discretion
Egypt Finland (CMOs subject to general oversight by Ministry) France Greece Israel (not private copying set by law) Mexico	<b>Austria</b> <b>Australia</b> <b>Croatia</b> <b>Germany</b> <b>Italy</b> <b>Netherlands</b> <b>New Zealand</b> <b>Norway</b> <b>Portugal</b> <b>South Africa</b> <b>Spain</b> <b>UK</b> <b>USA (webcasting statutory license)</b>	Japan Switzerland Hungary	Belgium (royal decree)

Sources: National Reports to ALAI 2015 International Congress

<http://www.alai2015.org/en/national-reports.html>;

Daniel Gervais, ed, *Collective Management of Copyright and Related Rights*, 3d ed, (The Netherlands: Kluwer Law International, 2016)

Note: some countries may have different processes depending on the right.

# Voluntary Agreements with Recourse to a Tribunal

## → UK

- “The remedy for an author or performer wishing to fix the amount of equitable remuneration or dissatisfied with the amount payable is an application to the Copyright Tribunal. As stated, in all other cases, the general principles of contract law apply.”
- ‘A historical rationale for this approach is that it allows the industries and creators to react to economic and market conditions quickly under general contract rules, whilst bestowing the general mantle of guardianship of this relationship on the judiciary, rather than the legislature where law making can take a considerable time to reach the statute books.’
- UK, National Report to ALAI 2015 International Congress  
<http://www.alai2015.org/en/national-reports.html>

# Voluntary licensing with recourse to a tribunal

EU (Collective Management) [Directive 2014/26EU](#) 26, Feb. 2014

- “Member States shall ensure that disputes between collective management organisations and users concerning, in particular, existing and proposed licensing conditions or a breach of contract can be submitted to a court, or if appropriate, to another independent and impartial dispute resolution body where that body has expertise in intellectual property law.” Art. 35(1)
- “In the digital environment, collective management organisations are regularly required to license their repertoire for totally new forms of exploitation and business models. In such cases, and in order to foster an environment conducive to the development of such licences, without prejudice to the application of competition law rules, collective management organisations should have the flexibility required to provide, as swiftly as possible, individualised licences for innovative online services, without the risk that the terms of those licences could be used as a precedent for determining the terms for other licences. (Recital 32); Art 16(2)

# Recognition of voluntary licenses

- [17 U.S.C §114\(f\)](#) (applies to certain statutory licenses e.g. webcasting)

(3) License agreements voluntarily negotiated at any time between 1 or more copyright owners of sound recordings and 1 or more entities performing sound recordings shall be given effect in lieu of any decision by the Librarian of Congress or determination by the Copyright Royalty Judges.

- [Copyright and the Music Market, U.S. Copyright Office](#) (Feb. 2015)

Recommendation: Government supervision should enable voluntary transactions while still supporting collective solutions.



---

# Expediting the Process

# Expedited Approval of agreements

- Example: Switzerland, *Ordonnance sur le droit d'auteur et les droits voisins*, Article 10, para. 3
  - Where it is clear that a negotiated agreement has been reached with user representative associations, the Commission is not required to seek comment on the proposal from those associations
    - French-language original at <https://www.admin.ch/opc/fr/classified-compilation/19930114/index.html>

# Mandatory Expedited Process

- Australia Copyright Act 1968 – S.164 Procedure
  - In proceedings before the Tribunal:
    - (a) the procedure of the Tribunal is, subject to this Act and the regulations, within the discretion of the Tribunal;
    - (b) the Tribunal is not bound by the rules of evidence; and
    - (c) the proceedings shall be conducted with as little formality, and with as much expedition, as the requirements of this Act and a proper consideration of the matters before the Tribunal permit.

# Fast-Track Rules – UK

- UK, [The Copyright Tribunal Rules 2010, S.I. 2010 No. 791](#) .
  - “small applications” track is the default where financial value to any party is less £50,000 and the facts and legal issues are simple. [s. 17]
  - Tribunal initially allocates a proceeding to either the “small applications” track or the normal track; but allocation can be changed at any time, at the request of a party or on Tribunal’s own initiative. [s. 18]
  - “small applications” proceedings do not involve a hearing unless a party requests it and the Tribunal thinks it would be required. [s. 21]

# Fast-Track Rules – US

## → US, 17 U.S.C. § 803(b)

(5) Paper proceedings.—The Copyright Royalty Judges in proceedings under this chapter may decide, *sua sponte* or upon motion of a participant, to determine issues on the basis of the filing of the written direct statement by the participant, the response by any opposing participant, and one additional response by each such participant. Prior to making such decision to proceed on such a paper record only, the Copyright Royalty Judges shall offer to all parties to the proceeding the opportunity to comment on the decision. The procedure under this paragraph—

(A) shall be applied in cases in which there is no genuine issue of material fact, there is no need for evidentiary hearings, and all participants in the proceeding agree in writing to the procedure; and

(B) may be applied under such other circumstances as the Copyright Royalty Judges consider appropriate.

# Structured Timelines

- US, [17 U.S.C. § 803](#)
  - 30 day period for interested parties to file petitions to participate [§803(b)(1)(A)(ii)]
  - 3 month mandatory negotiation period [§803(b)(3)]
  - 60 day discovery period [§803(b)(6)(C)(iv)]
  - 21 day settlement conference [§803(b)(6)(C)(x)]
  - Determination by the Copyright Royalty Judges must be rendered within 11 months after the settlement conference and in no event later than 15 days before the expiration of the current rates (if any) [§803(c)(1)]
  - 30 day appeal window [§803(d)(1)]

# Structured Negotiations

- **Portugal**, CMO Act: [Law 26/2015 of 14 April](#) (Portuguese)
  - Articles 39-43 set out rules for mandatory negotiations between CMOs and user groups
  - Article 44 defines a dispute resolution procedure in the case that negotiations are unsuccessful:
    - arbitration by 3 person panel of experts
    - Recourse is available if negotiation is unsuccessful after a minimum of 60 days
    - with a six month time limit for a decision
  - Articles 45 and 46 define procedural variations depending on whether the affected users are part of a representative group or not
  - Article 47 provides for interim payments of royalties pending approval of the final tariff.

# Expedited Process

## → Croatia

- Remuneration is fixed by contract if agreement can be reached with the CMO and user group.
- If the remuneration is not agreed, the CMO submits the proposal to the Croatian Chamber of Economy (CCE) and various other groups.
- If they fail to object within 30 days, the tariff is deemed to be unopposed.
- If the CMO opposes the objections, it has 15 days to request the CCE for its opinion or disagreement.
- CCE opinion must be rendered within 30 days of receiving the objection.
- Croatia, National Report to ALAI 2015 International Congress  
<http://www.alai2015.org/en/national-reports.html>



---

# Criteria for Rate-Setting

# Relevant Factors – Canada

Fair and equitable.

Just compensation includes balance and technological neutrality.

When it is tasked with fixing licence fees, the Board must have regard to factors it considers relevant in striking a balance between the rights of users and right holders. Relevant factors will include, but are not limited to, the risks taken by the user, the extent of the investment the user made in the new technology, and the nature of the copyright-protected work's use in the new technology. The Board must assess the respective contributions of, on the one hand, the risks taken by the user and the investment made by the user, and on the other hand, the reproductions of the copyright-protected works, to the value enjoyed by the user.

[Canadian Broadcasting Corp. v. SODRAC 2003 Inc.](#), [2015] 3 SCR 615, 2015 SCC 57

# Willing buyer / willing seller test – US

US, [17 U.S.C. § 114\(f\)\(2\)\(B\)](#)

- ... In establishing rates and terms for transmissions by eligible nonsubscription services and new subscription services, the Copyright Royalty Judges shall establish rates and terms that most clearly represent the rates and terms that would have been negotiated in the marketplace between a willing buyer and a willing seller.
- See also, US, [17 U.S.C. § 114\(f\)\(2\)\(B\)](#)

# Willing buyer / willing seller – US

US, Register of Copyrights, [Copyright and the Music Marketplace](#):

- “The Office believes that all government ratesetting processes should be conducted under a single standard...Further, however that rate standard is formulated—i.e., whether it is articulated as “willing buyer/willing seller” or “fair market value”—it should be designed to achieve to the greatest extent possible the rates that would be negotiated in an unconstrained market. To the extent that it enumerates specific factors, they should be ones that might reasonably be considered by copyright proprietors and licensees in the real world. In the Office’s view, there is no policy justification to demand that music creators subsidize those who seek to profit from their works.
- Under such a unified standard, the CRB or other ratesetting body would be encouraged to consider all potentially useful benchmarks—including for analogous uses of related rights (e.g., fees paid for the comparable use of sound recordings when considering musical work rates)—in conducting its analysis. But again, it should take into account only those factors that might be expected to influence parties who negotiated rates in the open market.”

# Mandatory Factors – UK

## UK, [Copyright, Designs and Patents Act 1988](#)

- 129 General considerations: unreasonable discrimination.
- In determining what is reasonable on a reference or application under this Chapter relating to a licensing scheme or licence, the Copyright Tribunal shall have regard to—
  - (a) the availability of other schemes, or the granting of other licences, to other persons in similar circumstances, and
  - (b) the terms of those schemes or licences,and shall exercise its powers so as to secure that there is no unreasonable discrimination between licensees, or prospective licensees, under the scheme or licence to which the reference or application relates and licensees under other schemes operated by, or other licences granted by, the same person.

# Willing buyer / willing seller test – UK

- ↪ "In determining what is reasonable under section 119(3) the Tribunal has a wide discretion. Our predecessor the Performing Rights Tribunal adopted as a test that the rate which would be paid by a willing buyer to a willing seller for the right to use in public performance the copyright work (e.g. *The Association of Municipal Corporations & Ors v PRS* 1963, Ref:PRT 14/63). Both parties agreed that was a reasonable basis on which to proceed in this case. We accept that it may be a useful approach, so as long as the Tribunal does not adopt it as a fixed and exclusive criterion for the application of its discretions under sections 119, 129 and 135."
- ↪ *Working Men's Club and Institute Union Limited v The Performing Rights Society Limited* [1992] RPC 227

# Willing buyer / willing seller test – UK

“The willing buyer/willing seller test. This is a classic test in this jurisdiction whose present applicability has been expressly endorsed by all concerned. In assessing a reasonable tariff, the Tribunal has frequently addressed the matter on the basis that the proper rate is that which would be negotiated between a willing licensee and a willing licensee of the copyright repertoire. Before examination of the relevant circumstances to be taken into account in this notional exercise, it is however common practice to identify an existing tariff as a starting point. If such a licence exists (and particularly, if it is recent) and addresses comparable subject matter - and even better, if it was freely negotiated (rather than being as it were, ‘imposed’ by the Tribunal), that may be particularly relevant and helpful in determining the right tariff (and other terms) of a licence. Such an agreement it has been said, is the best record of the market value of the relevant rights at the time (see below ‘Comparators’).”

[The British Phonographic Industry Limited & Ors v The Mechanical Copyright Protection Society Limited & Ors](#) 19 July 2007, Copyright Tribunal, CT84-90/05

# Appropriate remuneration - EU

EU (Collective Management) [Directive 2014/26EU](#) 26, Feb. 2014

- ‘Rightholders shall receive appropriate remuneration for the use of their rights. Tariffs for exclusive rights and rights to remuneration shall be reasonable in relation to, inter alia, the economic value of the use of the rights in trade, taking into account the nature and scope of the use of the work and other subject-matter, as well as in relation to the economic value of the service provided by the collective management organisation. Collective management organisations shall inform the user concerned of the criteria used for the setting of those tariffs.” (emphasis added)



# Equitable Remuneration – EU

- “ As the Commission points out, whether the remuneration, which represents the consideration for the use of a commercial phonogram, in particular for broadcasting purposes, is equitable is to be assessed, in particular, in the light of the value of that use in trade.”
- “The national court is therefore doing everything to ensure the best possible compliance with the provisions of Article 8(2) of Directive 92/100, that is to say, assuring the equitable remuneration of performing artists and phonogram producers by giving preference to a contractual agreement based on objective criteria. It is for the parties to achieve a balance between those criteria by taking account, in particular, of the methods used in the other Member States and, in the event that negotiations between them fail, by agreeing that the national court may receive technical assistance from an expert to determine the amount of equitable remuneration.” (emphasis added)
  - [Stichting ter Exploitatie van Naburige Rechten \(SENA\) v. Nederlands Omroep Stichting \(NOS\)](#), Case C-245/00 (6 February 2003). See also, [Lagardère Active Broadcast v Sociétépour la perception de la rémunération équitable](#) [2005] EUCJ C-192/04 (14 July 2005)

# Royalties for statutory licenses – Australia

In determining whether a proposed scheme, and the licence fee payable under it, are reasonable, a number of approaches might be adopted. The approaches include the following, which may overlap to a certain extent:

- Market rate: the rate actually being charged for the same licence in the same market in similar circumstances.
- Notional bargain rate: the rate on which the Tribunal considers the parties would agree in a hypothetical negotiation, between a willing but not anxious licensor and a willing but not anxious licensee.
- Comparable bargains: bargains not in the same market but sufficiently similar to such a notional bargain as to provide guidance to the Tribunal.
- Judicial estimation.

[Phonographic Performance Company of Australia Limited \(ACN 000 680 704\) under section 154\(1\) of the Copyright Act 1968 \(Cth\) \[2007\] ACopyT 1 \(10 July 2007\).](#)

---

# Qualifications of Members

# 17 U.S.C §802

(a) Qualifications of Copyright Royalty Judges.—

(1) In general.—

Each Copyright Royalty Judge shall be an attorney who has at least 7 years of legal experience. The Chief Copyright Royalty Judge shall have at least 5 years of experience in adjudications, arbitrations, or court trials. Of the other 2 Copyright Royalty Judges, 1 shall have significant knowledge of copyright law, and the other shall have significant knowledge of economics. An individual may serve as a Copyright Royalty Judge only if the individual is free of any financial conflict of interest under subsection (h).

---

# Alternative Rights Markets

# Digital Right Exchanges

- UK, [Hargreaves Report](#) recommended a Digital Copyright Exchange

4.31 The aim is to establish a network of interoperable databases to provide a common platform for licensing transactions. By developing an open, standardised approach to data it will be possible to:

- attach copyright conditions and rights information directly to digital content in a uniform machine readable fashion (so called meta data);
- license across delivery technologies, to facilitate open competition between services based on different technologies;
- adapt to emerging technologies;
- meet the specific needs of different sectors while remaining governed by common standards and principles;
- bring in licensing for other rights, such as design right (which the Review considers in Chapter 7).

# The Copyright Hub

- Pilot project launched in 2013, with funding from UK Gov't
- Operates as a non-profit company
- “The Hub’s implementation process is guided by two principles. First, the Copyright Hub is ideology-free and thus, once implemented, it can serve any organisations which desire to streamline their copyright licensing processes, regardless of their business models. Second, the Copyright Hub focuses on developing open technologies for the benefit of the copyright licensing industry as a whole, rather than constructing its own proprietary system. These fundamental technologies are to be given away freely so that everyone can build their capacity upon them. Hence, businesses are free from the burden of developing their own technologies and focus on creativity and innovation.”

# The Copyright Hub

## More about upcoming Hub Applications

Hub Applications are proposals from organisations and individuals to create real applications using The Copyright Hub technology. Here are a few we're working on right now – and there are dozens more to follow. These applications are working with various content, including images, text, video and music in a wide variety of ways.

**4Corners**

**BFI  
with TVArk**

[CAPTURE](#)

[I-PUBLISHING](#)

[CLIXTA](#)

[KENDRA INITIATIVE](#)

**PicScout**

[THE MOCA](#)

**Mary Evans  
Picture Library**

[PIXELRIGHTS](#)

**PLSclear**

**Plus**



---

# Questions?

## **VANCOUVER**

Suite 1300, 777 Dunsmuir Street  
P.O. Box 10424, Pacific Centre  
Vancouver BC V7Y 1K2  
Tel: 604-643-7100  
Fax: 604-643-7900  
Toll-Free: 1-877-244-7711

## **CALGARY**

Suite 3300, 421 7th Avenue SW  
Calgary AB T2P 4K9  
Tel: 403-260-3500  
Fax: 403-260-3501  
Toll-Free: 1-877-244-7711

## **TORONTO**

Box 48, Suite 5300  
Toronto Dominion Bank Tower  
Toronto ON M5K 1E6  
Tel: 416-362-1812  
Fax: 416-868-0673  
Toll-Free: 1-877-244-7711

## **MONTRÉAL**

Suite 2500  
1000 De La Gauchetière Street West  
Montréal QC H3B 0A2  
Tel: 514-397-4100  
Fax: 514-875-6246  
Toll-Free: 1-877-244-7711

## **QUÉBEC**

Le Complexe St-Amable  
1150, rue de Claire-Fontaine, 7e étage  
Québec QC G1R 5G4  
Tel: 418-521-3000  
Fax: 418-521-3099  
Toll-Free: 1-877-244-7711

## **UNITED KINGDOM & EUROPE**

125 Old Broad Street, 26th Floor  
London EC2N 1AR  
UNITED KINGDOM  
Tel: +44 (0)20 7489 5700  
Fax: +44 (0)20 7489 5777

