

1997 CANADIAN COPYRIGHT ACT REVISIONS

By Kimberly Hancock

The 1997 amendments to Canada's Copyright Act have caused concern for the United States Trade Representative (USTR) that Canada will not fulfill its intellectual property treaty obligations with the United States. These amendments complete the implementation of the recommendations set forth in the 1985 sub-committee report entitled *A Charter of Rights for Creators (Charter)*.¹ The *Charter* based its recommendations on the following principles: "give more emphasis and reward to creative activity," "clarify and extend moral rights," "make the application of copyright principles as general as possible," "avoid improper extensions of copyright protection," and "recognize the major importance of cultural enterprises."² The Charter brought about two phases of amendments to the Copyright Act.³

Bill C-32 marks the completion of Phase II of the modernization of Canadian copyright law and is the culmination of ten years of negotiation and compromise. Bill C-32 received Royal Assent after its passage through the Senate on April 25, 1997.⁴ The overall effect of the bill is to strengthen intellectual property protection by increasing the rights and powers of copyright owners as well as creating new rights. This includes

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1. See STANDING COMMITTEE ON COMMUNICATIONS AND CULTURE, CANADA HOUSE OF COMMONS, REPORT OF THE SUB-COMMITTEE ON THE REVISION OF COPYRIGHT, A CHARTER OF RIGHTS FOR CREATORS 4 (Issue No. 27, 1st Session, 33rd Parliament, 1985)

2. *Id.*

3. Phase I changes were implemented in 1988 and included an exhibition right for artistic works, express protection of computer programs, enhanced moral rights, creation of a new Copyright Board, increased criminal sanctions, improvement of the collective administration of copyright and abolition of compulsory licenses for the recording of musical works. There will also be a Phase III, beyond the scope of the Charter, which will deal with new digital technologies and the Internet as the final phase of modernization. These phases will not be discussed in this comment as they have not caused concern for the USTR. See Canadian Heritage News Releases Viewer, *Cultural Community to Benefit as Copyright Bill Receives Royal Assent 2* (April 25, 1997) <<http://pch-inet.pch.gc.ca/cgi-win/dgcom.exe?View:7NR027E>>; see also *Copyright Law Enacted; United States May Challenge Law in NAFTA or WTO*, Patent, Trademark & Copyright Law Daily (BNA) 4 (May 29, 1997).

4. See generally Canadian Heritage News Releases Viewer, *supra* note 3.

the recognition of public performance rights for performers and producers of sound recordings for the first time in Canada.

In order to establish a context for the American reader, this comment will first provide an overview of the origins of Canadian copyright law. Then it will compare Canadian copyright law with United States copyright law. Next, this comment will review the most significant amendments to the Canadian Copyright Act. Finally, this comment will consider whether some of the amendments violate Canada's intellectual property treaty obligations with the United States or simply indicate an evolving, higher level of international copyright protection.

I. ORIGINS OF CANADIAN COPYRIGHT LAW

Copyright law in Canada originates under section 91(23) of the Constitution Act of 1867 which grants parliament exclusive jurisdiction in matters of copyright.⁵ It is now covered in one federal statute, the Copyright Act, which was enacted in 1924 and not substantially modified until 1988 under Phase I of the Copyright Amendment Act.⁶ In addition to amendments enacted in 1988 under Phase I of the modernization of Canadian copyright law, Canada has amended its Copyright Act in order to comply with provisions of the Canada-United States Free Trade Agreement⁷, the North American Free Trade Agreement⁸ (NAFTA), and the Trade-Related Intellectual Property Rights (TRIPS) of the General Agreement on Tariffs and Trade⁹ (GATT). Other international commit-

5. See 1 MELVILLE B. NIMMER & PAUL EDWARD GELLER, INTERNATIONAL COPYRIGHT LAW AND PRACTICE, CAN-7, § 1[1] (Paul Edward Geller ed., Release No. 9, October 1997).

6. See *id.*

7. The Canada-U.S. Free Trade Agreement Implementation Act of 1988 amended the Canadian Copyright Act to include the provision of right to equitable remuneration (royalties) of copyright owners when radio and TV signals are retransmitted by cable and satellite companies as well as the expansion of the concept of public communication to all forms of telecommunications. See Canadian Heritage News Releases Viewer, *supra* note 3, at 2; see also NIMMER & GELLER, *supra* note 5, at CAN-11.

8. The NAFTA Implementation Act of 1993 amended the Canadian Copyright Act to include a new rental right for producers of sound recordings and computer programs, protection for databases, criminal and civil sanctions against decoding scrambled programs carried by satellite, and increased protection against imported pirated works. See NIMMER & GELLER, *supra* note 5, at CAN-12.

9. The W.T.O. Agreement Implementation Act of 1994 amended the Canadian Copyright Act to include the provision of national treatment under Canadian copyright laws to citizens and residents of all WTO member countries and performers' copyright in unauthorized audio recordings and live transmission of their performance. See Canadian

ments of Canada include adherence to the Berne Convention¹⁰ since 1931 and the Universal Copyright Convention¹¹ since 1962. Under Canadian law, all treaties must be implemented by legislation to be effective. A legislative statute will prevail over a treaty provision, although a statute passed to implement a treaty is interpreted in light of that treaty.¹²

Canada's copyright law has been influenced by both the common law, Anglo-Saxon copyright tradition,¹³ and the author's right tradition (*droit d'auteur*)¹⁴ of the European civil law countries.¹⁵ Although Canada's 1924 Copyright Act was based on the Copyright Act of the United Kingdom of 1911, the Canadian province of Quebec developed a civil law system owing to its history as a former French colony.¹⁶ Due to this civil law influ-

Heritage News Releases Viewer, *supra* note 3, at 2; *see also* NIMMER & GELLER, *supra* note 5, at CAN-12.

10. The Berne Convention is the first multilateral copyright agreement, dating from 1886. Member countries are required to provide minimum rights as designated in the convention on the basis of national treatment. It has been revised several times, most recently in 1971, by the Paris Act. Canada currently adheres to the 1928 Rome Act level of the convention but is expected to soon adhere to the more recent Paris Act. For further discussion, *see* NIMMER & GELLER, *supra* note 5, at INT-36-38, §§ 2[3][a]-[3][b], and CAN-71, § 6[2].

11. This convention, dating from 1952, was intended to attract non-Berne convention countries, particularly the United States, while allowing Berne convention countries to maintain their high level of protection. It was revised in 1971 in Paris. *See* S.M. STEWART, *INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS* 146-47 (2d ed. 1989).

12. *See* NIMMER & GELLER *supra* note 5, CAN-10, § 1[2].

13. The philosophy underlying the common law, Anglo-Saxon tradition is the need to protect the investment of the creator of a work. Restricting others' ability to copy creative and original works gives incentive for the creation of works. The creator is guaranteed to reap the benefit from his investment. Moreover, the public will benefit from the diversity of works created. The modern common law copyright system is based on the United Kingdom's Statute of Queen Anne (1709) and is found in all the English-speaking countries and many of the British Commonwealth countries. *See* STEWART, *supra* note 11, at 8-9.

14. The author's rights tradition is not based on such economic principles. Rather, the right serves to protect the personality of the author. It is a natural and individual right. The author's right tradition, known as *droit d'auteur*, was born from the French Revolution. This tradition is mainly found in the European civil law countries. The purest form of the author's rights tradition is found in the Latin countries of Europe (France, Italy, Spain, and Portugal) and Latin American countries. Variations on this tradition are also found in the Germanic countries, Nordic countries, and Japan. *See* STEWART, *supra* note 11, at 7, 9.

15. *See* Stephen Fraser, *The Copyright Battle: Emerging International Rules and Roadblocks on the Global Information Infrastructure*, 15 J. MARSHALL J. COMPUTER & INFO. L. 759, 801 (1997).

16. *See id.*

ence, Canadian courts' interpretations of Canadian copyright provisions have included references to French and other civil law authorities.¹⁷

II. CANADIAN COPYRIGHT LAW AND ITS COMPARISON TO UNITED STATES COPYRIGHT LAW

Similar to United States copyright law, copyright in Canada subsists in "every original literary, dramatic, musical and artistic work."¹⁸ Computer programs are protectable as literary works.¹⁹ Public performances are also protected.²⁰ As in the United States, protection does not extend to ideas, only to the form of the expression of ideas.²¹ The four major rights conferred by copyright are the sole right to produce, reproduce, perform, and publish a work or any substantial part thereof.²²

The basic requirements for a work to qualify for copyright protection are originality, fixation, the nationality of the creator, and the place of publication. Originality means that the author created the work and did not copy any other work. Originality does not require novelty or inventiveness.²³ This level of originality is less than the "modicum of creativity" threshold mandated by the United States Supreme Court in *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*²⁴ In Canada, industriousness or "sweat of the brow" has been sufficient to meet the originality requirement.²⁵ However, this analysis has changed for works created after 1993 due to a new definition for "compilation" as required by NAFTA. Since 1994, in compliance with NAFTA, Art. 1705(1), the Copyright Act

17. See *id.* at 802.

18. Copyright Act, R.S.C., ch. C-42, § 5(1) (1985) (Can.); 17 U.S.C. § 102 (1996).

19. See W.L. Hayhurst, *Differences Between United States and Canadian Intellectual Prospects Laws - Real and Apparent*, 11 CANADA-UNITED STATES L.J. 91, 119 n. 165 (1986) (citing *IBM v. Ordinateurkres Spirales*, 80 C.P.R.2d 187 (Fed. Ct. Trial D. 1984); *Dynabec v. La Societe d'Informatique R.D.G.*, 6 C.P.R.3d 322 (C.A. 1985)).

20. See Copyright Act, R.S.C., ch. C-42, § 3 (1985) (Can.).

21. See ROGER T. HUGHES, Q.C. & SUSAN J. PEACOCK, *HUGHES ON COPYRIGHT AND INDUSTRIAL DESIGN* 351 n.2 (1984) (including service issues 1984-1997) (citing *Bradale Distribution Enterprises v. Safety First Inc.* (1987), 18 CIPR 71 at 91 (Que SC) and *Fletcher v. Polka Dot Fabrics Ltd.* (1993), 51 CPR (3d) 241 at 247 (Ont Gen Div); 17 U.S.C. § 102(b) (1996).

22. See Copyright Act, R.S.C., ch. C-42, § 3(1) (1985) (Can.).

23. See NIMMER & GELLER, *supra* note 5, at CAN-13, § 2[1][b].

24. 499 U.S. 340 (1991) (denying copyright protection to a telephone directory because selection, coordination, and arrangement of the white pages do not satisfy minimum constitutional standards for originality).

25. See HUGHES & PEACOCK, *supra* note 21, at 351 n.3-1 (citing *U & R Tax Services Ltd. v. H & R Block Canada Inc.* (1995), 62 C.P.R. (3d) 257 (Fed. T.D.) (extending copyright protection to a privately created tax form)).

defines a "compilation" as a work resulting from the selection or arrangement of data, or of literary, dramatic, musical, or artistic works.²⁶ Subsequent case law states that the court should ask whether the degree of skill involved in the selection and arrangement of the portions for a compilation are sufficiently original.²⁷ Consequently, a Canadian federal court did not protect yellow-pages telephone directories because the gathering and arrangement of the information was unoriginal as it required only minimal skill, judgment, or labor.²⁸

The fixation requirement is not in the Copyright Act but has been developed through Canadian case law²⁹ as opposed to the United States where it is codified.³⁰ Finally, protection extends only to an author who is a Canadian citizen or resident or a citizen or resident of any treaty country.³¹

In compliance with the Berne Convention, works do not need to be registered in order to be protected. However, registration is advantageous because it creates two presumptions: (1) that copyright subsists in a work and (2) that the name appearing on the certificate of registration is the owner of the copyright in that work.³²

Canada has a provision similar to the United States' fair use³³ provision entitled "fair dealing," although it is a narrower concept.³⁴ Copyright is not infringed where the purpose of the use is research, private study, criticism, review, or newspaper summary.³⁵ Unlike the United States fair use provision, the Canadian "fair dealing" provision does not present factors to consider to determine if a use is fair. If the use is not for one of the

26. See Copyright Act, R.S.C. ch. C-42, § 2 (1985) (Can.) (definition of "compilation" inserted by NAFTA Implementation Act, S.C. 1993, c. 44, s. 53(2)).

27. See NIMMER & GELLER, *supra* note 5, at CAN-14, § 2[1][b], (citing Prism Hospital Software, Inc. v. Hospital Medical Records Institute (1994) 57 C.P.R. (3d) 129, 270-1 (B.C.)).

28. See NIMMER & GELLER, *supra* note 5, at CAN-15, § 2(1)(b), (citing Tele-Direct Publications Ltd. v. American Business Information Inc. (1996) 113 F.T.R. 123 (Fed. Ct.)).

29. See NIMMER & GELLER, *supra* note 5, at CAN-13, § 2[1][b].

30. See 17 U.S.C. § 102(a) (1996).

31. See Copyright Act, R.S.C., ch. C-42 § 5 (1985) (Can.).

32. See Copyright Act, R.S.C., ch. C-42, § 34.1 (1985), amended by S.C. 1997, c. 24, § 20(1) (Can.).

33. See 17 U.S.C. § 107 (1996).

34. See HAYHURST, *supra* note 19, at 122.

35. Copyright Act, R.S.C., ch. C-42, § 29-29.2 (1985), amended by S.C. 1997, c. 24, § 18(1) (Can.).

five listed purposes, then it is not a fair dealing exception to copyright infringement.³⁶

The most noteworthy discrepancy in copyright protection afforded by the United States and Canada arises in the area of moral rights. Moral rights³⁷ are those given to protect an author's personality in a work, and they derive from author's rights regimes. Canada extends the right of integrity, the right to be associated with a work as its author or under a pseudonym, and the right to remain anonymous to authors of all works.³⁸ An author's right to integrity is infringed when a work is "to the prejudice of the honour or reputation of the author, (a) distorted, mutilated or otherwise modified; or (b) used in association with a product, service, cause or institution."³⁹ Canada was one of the first nations to adopt moral rights as a part of its 1931 copyright legislation.⁴⁰ The recognition of moral rights in Canadian case law even predated the Berne Convention moral rights article.⁴¹

The United States has only recognized moral rights for certain works of visual arts under the Visual Artists Rights Act⁴² (VARA) since 1990 as a necessity for its accession to the Berne Convention. The right to attribution under U.S. copyright law is similar to the right to association under Canadian copyright law. Under the U.S. VARA, an author of a work of visual art has the right to claim authorship of her work and to prevent the use of her name with any work of visual art she did not create.⁴³ The right of integrity is limited to the right to prevent: (1) the intentional distortion, mutilation or other modification of a work which would be prejudicial to the author's honor or reputation, (2) the use of the author's name with the work in the event of a distortion, mutilation, or other modification, and (3) any intentional or grossly negligent destruction of a work of recognized

36. See HAYHURST, *supra* note 19, at 122.

37. Moral rights "stem from the fact that the work is a reflection of the personality of the creator, just as much as the economic rights reflect the author's need to keep body and soul together." STEWART, *supra* note 11, at 72 (citing *WIPO Guide to Berne* para 6 *bis*. I.).

38. See Copyright Act, R.S.C., ch. C-42, §14.1(1) (1985) (Can.).

39. *Id.* at § 28.2(1).

40. See Stephen Fraser, *supra* note 15, at 803, n.281 (citing The Copyright Act Amendment, 1931, 21-22 Geo. V, c. 8, assented to 11 June 1931, at s. 5 (Can.)).

41. See *id.* at 802, n.275, 276 (citing *Le Sueur v. Morang & Co.*, 45 S.C.R. 95 (1911)).

42. See 17 U.S.C. § 106A.

43. See *id.* § 106A(a)(1)(A)-(B).

stature.⁴⁴ The rights of integrity and attribution are reserved solely for authors of works of visual art.⁴⁵

III. BILL C-32 1997 REVISIONS

As Phase II of the modernization of Canadian copyright law, Bill C-32 contains one of the most comprehensive and detailed amendments to many facets of Canada's copyright law.⁴⁶ A main focus of the bill, however, is to follow through on government commitments to the cultural sector, established in the *Charter's* principles, by enhancing protection for Canadian authors, performers, and producers.⁴⁷

A. Performers' And Producers' Rights

Part II of the new legislation grants public performance rights in sound recordings to performers and "sound recording makers."⁴⁸ Previously, only authors of the underlying musical work enjoyed this right and the attendant concurrent remuneration from royalties. These types of rights are generally known as neighboring rights⁴⁹ and are recognized in most of the civil law countries. Canada's decision to categorize these new rights as "copyrights" instead of "neighboring rights" has been criticized for confusing the conceptual differences between these two sets of rights.⁵⁰ This

44. See *id.* § 106A(a)(2)-(3).

45. See *id.* § 106A(b).

46. See Proceedings of the Standing Senate Committee on Transport and Communications, *Issue 17 - Ninth Report of the Committee* 1, April 21, 1997, <<http://www.parl.gc.ca/english/senate/com-e/tran-e/17rp-e.htm>>.

47. See Canadian Heritage News Releases Viewer, *supra* note 3, at 3.

48. See Copyright Act, R.S.C., ch. C-42, §§ 15, 18 (1985), amended by S.C. 1997, c. 24, § 14 (Can.). "Sound recording makers," the term used in the legislation, is understood to mean sound recording producers. "Maker," in relation to a sound recording, is defined as "the person by whom the arrangements necessary for the first fixation of the sounds are undertaken." Copyright Act, R.S.C., ch. C-42, § 2 (1985), amended by S.C. 1997, c. 24, § 1(2).

49. Defined as rights to "protect the interests of performers, producers of phonograms and broadcasting organizations in relation to their activities in connection with the public use of [their] works, all kinds of artists' presentations or the communication to the public of events, information, and any sounds or images." WIPO, GLOSSARY OF TERMS OF THE LAW OF COPYRIGHT & NEIGHBORING RIGHTS 164 (1980).

50. See NORMAND TAMARO, THE ANNOTATED COPYRIGHT ACT xxxi, n.7 (1997) ("Infringement of copyright is treated as an infringement of property right actionable by the copyright owner. An infringement of performers' right and of the rights of a person having recording rights is actionable by the person entitled to the right as a breach of statutory duty.").

conceptual crossover probably derives from Canada's dual heritage as a common law and a civil law country.

Performers and producers of sound recordings will now be entitled to royalty payments from any public performance of the sound recording.⁵¹ Both broadcasters and commercial establishments, including bars, night-clubs, discotheques, hotels, and airlines, must now make payments for performers' and producers' rights to a collective society responsible for licensing the sound recordings.⁵² The royalty is set by the Copyright Board⁵³ and will be split 50/50 between the performer and producer of the sound recording.⁵⁴ Each broadcaster will now have to pay annual royalties in the amount of \$100 on the first \$1.25 million of revenues, and in an amount to be set by the Copyright Board for revenues in excess of \$1.25 million.⁵⁵ These new rates will be phased in gradually over a period of three years.⁵⁶ About 65% of Canadian radio stations will pay a flat annual fee of only \$100.⁵⁷

The addition of these rights brings Canada in line with the 1961 Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, generally known as the Rome Convention. The Rome Convention is the primary international convention regarding the protection of neighboring rights. Signatories to the convention agree to provide minimum protection of neighboring rights, as provided for in the convention, to citizens of all other signatories. Canadian performers and producers will be eligible to receive royalties when their sound recordings are performed or broadcast in the other Rome Convention countries. Conversely, Canada is required to pay royalties to performers and producers from other Rome Convention countries whose sound recordings are performed or broadcast in Canada. The United States is not a signatory to the Rome Convention.

Canada has designated in the Copyright Act that the rights to remuneration for public performances by performers and producers of sound recordings are available only to citizens or permanent residents of Canada

51. See Copyright Act, R.S.C., ch. C-42, § 19 (1985) amended by S.C. 1997, c. 24, § 14.

52. See *id.* § 19(2).

53. The Copyright Board as an administrative tribunal charged with the broad duty of establishing fees, rates, or royalties. See HUGHES & PEACOCK, *supra* note 22, at 459.

54. See Copyright Act, R.S.C., ch. C-42, § 19(3) (1985) amended by S.C. 1997, c. 24, § 14 (Can.).

55. See *id.* at § 68.1(1).

56. See *id.*

57. See Proceedings of the Senate Standing Committee, *supra* note 46, at 2.

or Rome Convention countries.⁵⁸ These rights are available to non-Canadian or Rome Convention citizens strictly on the basis of reciprocity.⁵⁹ The United States only provides a limited performance right for digital sound recordings under the Digital Performing Right in the Sound Recordings Act of 1995.⁶⁰ Consequently, American performers and producers should receive royalties only for interactive or subscription digital performances in Canada.

B. Levy On Blank Audio Media

Part VIII of the new bill gives a right of remuneration to authors (composers and lyricists), performers, and makers of sound recordings with respect to private copying.⁶¹ All manufacturers and importers of blank audio recording media will be liable to pay a levy to a collecting body upon selling the blank media in Canada.⁶² Distributions from this collecting body will then be made to the collective societies representing eligible authors, performers, and makers.⁶³ The amount of the levy and the collecting body are to be determined by the Copyright Board after consultations with all interested parties.⁶⁴

As to the remuneration right of eligible authors, performers, and makers of sound recordings for private copying,⁶⁵ eligible performers and makers are defined only as citizens and permanent residents of Canada or any country who grants substantially equivalent rights.⁶⁶ The Canadian Minister can also choose to grant rights to citizens of another country equivalent to the rights granted by that country to Canadian citizens.⁶⁷ The United States offers this remuneration right to copyright owners in the

58. See Copyright Act, R.S.C., ch. C-42, § 20 (1985) amended by S.C. 1997, c. 24, § 14 (Can.).

59. See *id.* § 22. For a definition of reciprocity, see *infra* note 103 and accompanying text.

60. This act allows for a public performance right for performers and producers of sound recordings for digital audio transmissions, see 17 U.S.C. § 106(6) (1996), through interactive, see *id.* § 114(j)(4) (1996), and subscription services, see *id.* § 114(j)(8) (1996). Analog broadcasts, non-interactive digital broadcasts, and transmissions to business establishments are exempt, see *id.* § 114(d)(1) (1996).

61. See Copyright Act, R.S.C., ch. C-42, § 81(1) (1985) amended by S.C. 1997, c. 24, § 50 (Can.).

62. See *id.* § 82(1).

63. See *id.* § 84.

64. See *id.* § 83.

65. See *id.* § 81.

66. See *id.* § 79, § 85(1).

67. See Copyright Act, R.S.C., ch. C-42, § 85(2) (1985) amended by S.C. 1997, c. 24, § 50 (Can.).

musical composition, performers (both featured and non-featured), and copyright owners in the sound recording⁶⁸ from levies on digital audio tape recorders and recording media under the Audio Home Recording Act of 1992.⁶⁹ In contrast to the new Canadian law, the United States levy is only collected on digital audio recording devices and media. The United States does not treat foreigners any different than its own citizens under this act.⁷⁰ Thus, Canada should grant some kind of reciprocal right to the United States based on the remuneration rights afforded Canadian citizens from the digital audio recording devices and media levies.

C. Exceptions To Copyright Infringement

Bill C-32 has increased the number of exceptions for special users of copyrighted material. Non-profit educational institutions are now allowed to: (1) reproduce copyrighted materials for purposes of instruction, test, or examination;⁷¹ (2) reproduce and use news or news commentary programs from radio or television for educational use for a period of one year from the date of taping;⁷² and (3) reproduce, without permission, all other types of programs for examination for a period of up to thirty days. If the copy will be used for educational purposes after the thirty-day period, the institution will have to pay a royalty set by the Copyright Board.⁷³ Non-profit libraries, archives, and museums will be able to make copies for their permanent collections,⁷⁴ reproduce an entire newspaper or magazine article at least one year old for the purpose of private study or research,⁷⁵ and make a single copy of an article from a scientific, technical, or scholarly periodical at any time.⁷⁶

All the above mentioned institutions are also granted limited liability regarding the public use of self-serve copiers as long as the institution obtains the applicable reprographic license and publicly post notices warning of copyright infringement.⁷⁷ Additionally, persons with perceptual dis-

68. See 17 U.S.C. §§1001, 1006 (1996).

69. See *id.* §§ 1001-10.

70. See *id.*

71. See Copyright Act, R.S.C., ch. C-42, § 29.4 (1985) amended by S.C. 1997, c. 24, § 18(1) (Can.).

72. See *id.* § 29.6.

73. See *id.* § 29.7.

74. See *id.* § 30.1(1).

75. See *id.* § 30.2.

76. See *id.*

77. See Copyright Act, R.S.C., ch. C-42, § 30.3 (1985) amended by S.C. 1997, c. 24, § 18(1) (Can.).

abilities are now able to copy a work in an alternative format (such as Braille or a talking book).⁷⁸

Broadcasters are also given special exceptions under the new legislation. The "ephemeral recording" exception allows broadcasters to tape a program, without permission or authorization, for later broadcast within a 30-day period.⁷⁹ The "transfer of formats" exception allows broadcasters to transfer a sound recording onto a format which is more technically suitable for broadcasting, without permission of the copyright holder, for use and retention for a 30-day period.⁸⁰ Retention of either an ephemeral copy or a transfer of format copy past the 30-day period requires the permission of the copyright owner.⁸¹ Neither of these exemptions will apply if a collective society exists to grant a recording license.⁸²

D. Restrictions On Parallel Importation Of Books

Under Part III of the new legislation, the rights of authors and exclusive distributors are protected as to the parallel importation of books.⁸³ Parallel importation refers to the importation of books into Canada without the consent of the copyright holder, even though the books were originally published in their country of origin with the copyright holder's consent. Only authors' rights were protected under the old copyright law. Extending this right to distributors recognizes and protects the great investment of obtaining exclusive rights to import and distribute.

This provision does not apply to used books, except possibly to certain used textbooks. Used textbooks are exempt from the law's immediate implementation but are subject to future inclusion by a reservation of a regulation right to the government. If the importation of used textbooks becomes a problem, the government can enact a regulation preventing their parallel importation, thereby protecting the market for Canadian university textbooks.⁸⁴

E. Remedies And Other Technical Measures

The Bill contains several improved new remedies for copyright infringement. As proof of damages and profits may be difficult or expensive to prove, a new option of statutory damages ranging from \$500 to

78. *See id.* § 32.

79. *See id.* § 30.8.

80. *See id.* § 30.9.

81. *See id.* §§ 30.8(4), 30.9(4).

82. *See id.* §§ 30.8(8), 30.9(6).

83. *See* Copyright Act, R.S.C., ch. C-42, § 27.1 (1985) amended by S.C. 1997, c. 24, § 18(1) (Can.).

84. *See* Proceedings of the Senate Standing Committee, *supra* note 46, at 2.

\$20,000 provides a guaranteed minimum recovery once infringement is proven.⁸⁵ The wording of the statute is almost identical to the United States copyright law for statutory damages.⁸⁶ Additionally, the bill provides for a wider injunction⁸⁷ and for summary procedures.⁸⁸

Additional amendments include the extension of sound recording rental rights to performers of musical works,⁸⁹ the grant of statutory protection to performers for their contractual rights to remuneration for the use of their performances incorporated into cinematographic works,⁹⁰ the phasing out of perpetual protection of unpublished works,⁹¹ and the extension of copyright protection in photographs to the life of the author plus 50 years.⁹²

IV. PUBLIC PERFORMANCE RIGHT AND RIGHT TO REMUNERATION FOR PERFORMERS AND PRODUCERS: TREATY VIOLATIONS OR INTERNATIONAL COPYRIGHT PROTECTION EVOLUTION?

Some of the above revisions bring Canada more closely in line with United States copyright law. In particular, the increased exemptions for copyright infringement for non-profit libraries, archives and museums,⁹³ the "ephemeral recording" exemptions for broadcasters,⁹⁴ the exemption for reproduction in an alternate format for persons with perceptual disabilities,⁹⁵ and the provision of statutory damages⁹⁶ all bring Canada closer to United States copyright law. Nevertheless, at least two of the

85. See Copyright Act, R.S.C., ch. C-42, § 38.1 (1985) amended by S.C. 1997, c. 24, § 20(1) (Can.).

86. See 17 U.S.C. § 504 (1996) (allowing up to \$20,000 for innocent infringement and \$100,000 for willful infringement).

87. See Copyright Act, R.S.C., ch. C-42, § 39.1 (1985) amended by S.C. 1997, c. 24, § 20(1) (Can.).

88. See *id.* § 34(4).

89. See *id.* § 15(1)(c) amended by S.C. 1997, c. 24, § 14 (Can.).

90. See *id.* § 17.

91. See *id.* § 7 amended by S.C. 1997, c. 24, § 6 (Can.).

92. See *id.* § 10 amended by S.C. 1997, c. 24, § 7 (Can.).

93. See Copyright Act, R.S.C., ch. C-42, §§ 30.1, 30.2, 30.21, 30.3 (1985) amended by S.C. 1997, c. 24, s. 18(1) (Can.); 17 U.S.C. § 108 (1996). However, the U.S. provision does not refer to museums.

94. See Copyright Act, R.S.C., ch. C-42, § 30.8 (1985) amended by S.C. 1997, c. 24, s. 18(1) (Can.); 17 U.S.C. § 112 (1996).

95. See Copyright Act, ch. C-42, § 32 (1985) amended by S.C. 1997, c. 24, § 19 (Can.); 17 U.S.C. § 121 (1996).

96. See Copyright Act, ch. C-42, § 38.1 (1985) amended by S.C. 1997, c. 24, s. 20(1) (Can.); 17 U.S.C. § 504(c) (1996).

new provisions serve to increase the gap between the two countries' copyright laws. The enactment of public performance rights for performers and producers of sound recordings and the general levy on all blank audio media, both with rights to remuneration, create a rift as these rights are only recognized in the United States in a much more limited form.⁹⁷

Ms. Charlene Barshefsky, the USTR, has stated that both of these provisions violate Canada's intellectual property treaty obligations to the United States because they violate the principle of national treatment.⁹⁸ Moreover, Ms. Barshefsky has stated that the United States is considering taking action either under NAFTA or the World Trade Organization (WTO).⁹⁹ On April 30, 1997, the USTR began a Special 301¹⁰⁰ out-of-cycle review of these new Canadian intellectual property provisions and consultations with U.S. industry.¹⁰¹

The most significant question is whether Canada has in fact violated its intellectual property treaty obligations to the United States with the new provisions for public performance rights and rights to remuneration for performers and producers of sound recordings, as U.S. performers and producers currently do not enjoy these general remuneration rights domestically or internationally. Despite the USTR's threats, Canada's new rights for remuneration for public performances under the principle of reciprocity violate neither of these treaty obligations.

Canada has international intellectual property treaty obligations to the United States under both NAFTA and TRIPS. National treatment is the principle of the Berne Convention, the Rome Convention, NAFTA and TRIPS. National treatment, as used in international copyright conventions, means that persons protected by the convention can claim in all contracting states the protection that the law of that state grants to its own

97. Due to the extensive scope of these two amendments, this comment will only discuss the new public performance rights and rights to remuneration granted to performers and producers of sound recordings.

98. See *Copyright Law Enacted: United States May Challenge Law in NAFTA or WTO*, *supra* note 3, at 2.

99. See *id.*

100. See 19 U.S.C. § 2411 et seq. This U.S. code provision, commonly known as "Special 301", requires the USTR to identify "priority foreign countries" which deny "adequate and effective" intellectual property rights and initiate investigation of those countries. See JOHN H. JACKSON, WILLIAM J. DAVEY, & ALAN O. SYKES, JR., *LEGAL PROBLEMS OF INTERNATIONAL ECONOMIC RELATIONS CASES, MATERIAL AND TEXT* 832 (3d. ed. 1995).

101. See OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE, *1998 TRADE POLICY AGENDA & 1997 ANNUAL REPORT OF THE PRESIDENT OF THE UNITED STATES ON THE TRADE AGREEMENTS PROGRAM* 228 (1997).

nationals.¹⁰² However, the principle of national treatment may be limited by the rule of reciprocity. Reciprocity means that country A will protect works originating in country B only to the extent that country B protects works originating in country A.¹⁰³

NAFTA's Chapter 17 is dedicated to the protection of intellectual property. Article 1703 states that each party shall accord national treatment to the nationals of other parties regarding the protection and enforcement of all intellectual property rights. Intellectual property rights are defined in Article 1721 to include copyrights and "related rights" (not further defined). It is arguable that "related rights" is meant to include neighboring rights of performers and producers. Thus, on its face, the Canadian provisions would seem to violate NAFTA as the rights are not granted to foreign nationals on the basis of national treatment.

There are two specific NAFTA provisions, however, which provide possibilities for exemptions from the rule of national treatment. Article 1703, the national treatment article, provides that national treatment shall be the rule "except that a Party may limit rights of performers of another Party in respect of secondary uses of sound recordings to those rights its nationals are accorded in the territory of such other Party." Secondary uses of sound recordings are then defined under Article 1721 as "the use directly for broadcasting or for any other public communication of a sound recording." Canada would not be in violation of NAFTA if it agrees to grant limited reciprocity to United States performers as allowed under the new bill.¹⁰⁴ Because the NAFTA exception refers only to "performers," Canada would still be in violation of national treatment as to sound recording producers.

The second NAFTA provision which would exempt these provisions from national treatment is the "cultural exemption." Article 2106 gives Canada the right not to implement any NAFTA intellectual property provisions if they affect "cultural industries" as defined in Article 2107.¹⁰⁵

102. See STEWART, *supra* note 11, at 38.

103. See 3 PAUL GOLDSTEIN, COPYRIGHT § 16.1 (2d ed. 1996).

104. See Copyright Act, R.S.C., ch. C-42, § 22(2) (1985) amended by S.C. 1997, c. 24, § 14 (Can.) which gives the Minister the ability to grant limited reciprocity to countries which do not confer benefits substantially equivalent to those conferred by Canada. This would mean that Canada could only be obliged to pay United States performers public performance royalties on digital media or remuneration from home taping levies on digital tapes because this would match the rights granted by the United States to Canadian nationals.

105. For purposes of this Chapter: cultural industries means any person engaged in any of the following activities:

Canada can characterize the new rights created by Bill C-32 as those for a cultural industry and thus exempt from national treatment obligations under NAFTA. However, NAFTA article 2106 allows the United States to take "any measure of equivalent commercial effect" in response to measures adopted or maintained with respect to cultural industries.

The TRIPS agreement of the GATT to which both Canada and the United States are parties, sets out minimum levels of intellectual property protection standards to be granted by each member country. Article 3 of TRIPS calls for national treatment with the exception that "[i]n the respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement."¹⁰⁶ Article 14(1) gives performers the right to prevent unauthorized recordings of their live performances. Article 14(2) gives sound recording producers the right to authorize or prohibit any reproduction of the sound recording. The remuneration rights for performers and producers granted by Canada is not a minimum right required by TRIPS. Canada is thus not in violation of TRIPS by not providing national treatment for these new rights.

The final analysis of any reaction to a perceived NAFTA or TRIPS violation must recognize that Article 2005(1) of NAFTA states that "disputes regarding any matter arising under both this Agreement and the General Agreement on Tariffs and Trade ... may be settled in either forum

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- (a) the publication, distribution, or sale of books, magazines, periodicals or newspapers in print or machine readable form but not including the sole activity of printing or typesetting any of the foregoing;
 - (b) the production, distribution, sale or exhibition of film or video recordings;
 - (c) the production, distribution, sale or exhibition of audio or video music recordings;
 - (d) the publication, distribution or sale of music in print or machine readable form; or
 - (e) radio communication in which the transmissions are intended for direct reception by the general public, and all radio television and cable broadcasting undertakings and all satellite programming and broadcast network services.

North American Free Trade Agreement, Article 2107, 1995 WL 522861.

106. The United States tried to incorporate national treatment protection for performances of sound recordings into the GATT. United States copyright owners would have had performance rights in sound recordings in all countries party to the TRIPS agreement. These efforts failed and the United States' efforts in this area almost caused the entire TRIPS negotiations to collapse. See Rebecca F. Martin, Note, *The Digital Performance Right in the Sound Recordings Act of 1995: Can it Protect United States Sound Recording Copyright Owners in a Global Market?*, 14 CARDOZO ARTS & ENT. L. J. 733, 760 n.169 (1996).

at the discretion of the complaining Party.” Articles 2005(3) and (4) further provide that the responding party does not have to agree to the choice of forum nor does it have any mechanism to challenge the choice of forum unless the disagreement involves environmental or health and safety matters. The United States could choose to bring an action against Canada under the WTO dispute mechanism that would effectively prevent Canada’s ability to invoke the cultural exemption under NAFTA.¹⁰⁷

The United States is one of the few developed nations that does not grant a public performance right in sound recordings to performers and producers. Approximately 75 nations recognize public performance rights in sound recordings, including at least nine European Community member states, Japan and Taiwan.¹⁰⁸ The trend in these countries has been, in the international context, to grant these rights and any subsequent performance royalties only on reciprocity as opposed to national treatment.¹⁰⁹ As the United States does not grant public performance royalties on sound recordings, these countries find it necessary to rely on the principle of reciprocity so as to prevent a substantial outflow of royalties to United States copyright owners without any flow of royalties back to their copyright owners.¹¹⁰

Historically, national treatment has been the rule of international copyright conventions, such as the Berne and Rome Conventions, in order to promote ideas, science, and creativity around the world for their own sake.¹¹¹ The objective has been to harmonize minimum levels of international intellectual property protection.¹¹² Reciprocity has always existed as an exception to this general rule. The Berne Convention still contains exceptions for rights to be granted on the principle of reciprocity, such as

107. The US Trade Representative decided to use the WTO dispute settlement mechanism rather than NAFTA when Canada enacted a bill taxing split run magazine editions more like foreign periodicals. Split run magazines are editions in which the content is still essentially the same as the American version with only Canadian advertisements replacing American advertisements. The magazines are then passed off as “Canadian” versions and not taxed as foreign periodicals. See *WTO: Kantor asks for Consultations on Canadian Split-Run Tax Dispute*, 13 Int’l Trade Rep. (BNA) 11 d2, 420 (March 13, 1996).

108. See William H. O’Dowd, Note, *The Need for a Public Performance Right in Sound Recordings*, 31 HARV. J. ON LEGIS. 249, 261 n.51 (1994).

109. See Martin, *supra* note 106, at 764, n.190 (citing WILLIAM F. PATRY, *COPYRIGHT LAW AND PRACTICE* 1235-36 (1994)).

110. See *id.*

111. See Jean-Francois Verstrynge, *The Spring 1993 Horace S. Manages Lecture - The European Commission’s Direction on Copyright and Neighboring Rights: Toward the Regime of the Twenty-First Century*, 17 COLUM.-VLA J.S. & ARTS 187, 202 (1993).

112. See *id.*

droit de suite.¹¹³ The Rome Convention exempts remuneration for public performance of sound recordings from national treatment.¹¹⁴ The reasoning behind these exceptions to the national treatment rule is that there was no international consensus on securing such higher levels of protection internationally.¹¹⁵ Countries consequently were not willing to extend national treatment when other countries would only provide a lower level of protection.¹¹⁶ Only after minimum protection standards have been agreed upon can the principle of national treatment be fairly reinstated. As observed by one commentator:

Reciprocity can therefore be seen as an intermediate stage which allows for an increase in copyright protection in a situation in which general agreement on the increased level of protection cannot be obtained. It also can be an interim leverage for increasing protection in the long run. Once general agreement on an increased level of protection is possible, one can easily and securely return to the rule of national treatment.¹¹⁷

Given that the common international objective is to better long term overall copyright protection, invoking accusations of violation of national treatment in order to make claims for higher levels of protection, while domestically maintaining lower levels, should not be tolerated in the international community.¹¹⁸

Following this analysis, the United States must recognize that it is behind the rest of the world in this area of intellectual property protection and should not be able to invoke the false protection of national treatment simply because these rights have now been enacted in a border country. Article 101 of NAFTA states the agreement's main purpose as the establishment of a free trade zone. Article 1701(1) further declares that each party is to ensure nationals of other parties "adequate protection and enforcement of intellectual property rights, while ensuring that measures to enforce intellectual property rights do not themselves become barriers to legitimate trade." Canada's new rights of remuneration given to performers and producers of sound recordings for public performances and home taping do not create any barriers to legitimate trade. Exportation of sound

113. *See id.*

114. *See id.* at 203.

115. *See id.*

116. *See id.*

117. Jean-Francois Verstrynge, *The Spring 1993 Horace S. Manages Lecture - The European Commission's Direction on Copyright and Neighboring Rights: Toward the Regime of the Twenty-First Century*, 17 COLUM.-VLA J.S. & ARTS 187, 204 (1993).

118. *See id.*

recordings and audio recording media shall continue uninhibited. Canada is justified to immunize these new rights from national treatment under the cultural exemption. Canada has the sovereign right to protect its cultural industries in order to further cultural development and control its own cultural destiny.¹¹⁹ The United States has no equitable course of action in response to the new Canadian legislation except to examine its own failure to provide this higher level of protection to its citizens.

119. See Stephen Fraser, *Berne, CFTA, NAFTA & GATT: The Implications of Copyright Droit Moral and Cultural Exemptions in International Trade Law*, 18 HASTINGS COMM/ENT L.J. 287, 319 (1996).