

CACHING TECHNIQUES OF INTERNET SERVICE PROVIDERS CONSIDERED TO BE ACTIVITIES INFRINGING ON COPYRIGHTS

Marcel Naud*
LEGER ROBIC RICHARD, Lawyers,
ROBIC, Patent & Trademark Agents
Centre CDP Capital
1001 Square-Victoria - Bloc E – 8th Floor
Montreal, Quebec, Canada H2Z 2B7
Tel.: (514) 987 6242 - Fax: (514) 845 7874
info@robic.com – www.robic.ca

CASE REPORT – Canada - *Society of Composers, Authors and Music Publishers of Canada v. Canadian Association of Internet Providers*, 2002 FCA 166

BACKGROUND

Contrary to certain jurisdictions, such as Australia, the European Union, Japan and the United States, Canada has not yet enacted specific legislation to shield Internet intermediaries from copyright liability, unless they do not take appropriate action when they are notified of the existence of infringing material.

As a result, in the course of a process meant to determine allocation (Phase I) and amount (Phase II) of royalty payable to copyright owners for communication of musical works on the Internet, the Canadian Copyright Board (the "Board") issued a decision in which it notably stated that royalty could not be imposed on those whose only role in Internet transmissions is to operate a server on which musical works are stored or to provide a recipient with Internet access, because the activities of these intermediaries did not constitute a "communication" of works to the public within the meaning of the Canadian *Copyright Act* (the "Act").

The Society of Composers, Authors and Music Publishers of Canada ("SOCAN"), which administers the performing and communication rights for its members, then applied to Canadian Federal Court of Appeal (the "Court") for a judicial review to set aside this decision.

© LEGER ROBIC RICHARD / ROBIC, 2002.

* Lawyer with the lawfirm LEGER ROBIC RICHARD, g.p. and with the patent and trademark agency firm ROBIC, g.p. Publication 274.07.

ISSUES AND FINDINGS

The proceeding raises the following questions:

1. Do intermediaries' activities fall entirely within the scope of paragraph 2.4(1)(b) of the Act, which provides that "a person whose only act in respect of the communication of a work (...) to the public consists of providing the means of telecommunication necessary for another person to so communicate the work (...) does not communicate that work (...) to the public.", so as to conclude that intermediaries' activities do not constitute communication of works?

With respect to this first question, given the wording of paragraph 2.4(1)(b) of the Act, the Court stated that in order to establish that Internet intermediaries' activities do not constitute communication, it should be found that:

- (i) Internet intermediaries' activities amount to the provision of "means" of telecommunication;
- (ii) the means must be "necessary" for enabling another person to communicate a work to the public; and
- (iii) activities must be intermediaries' "only act" with respect to the communication.

Regarding the first element, the Court disagreed with SOCAN's submission that the word "means" should comprise only purely passive physical facilities, since legislation should be construed in a way that takes into account technological developments, to the extent permitted by its language and rationale. In the particular case, the word "means" may also comprise providers' other equipment and services. Interestingly, the Court considered relevant the fact that a person lacks the practical ability to control and monitor content for the determination of whether such person is only providing the "means" to enable others to communicate content (as opposed to communicating content himself).

Regarding the second element, the Court found that the "means" to which paragraph 2.4.(1)(b) refers are "necessary" to the extent that without those means, communication would not be practicable or would probably not have occurred. However, one of the judges expressed a dissent on that point, stating that it is setting the bar too high to insist that something is necessary for a communication only if it is something without which the communication would probably not occur. Even though Internet communication is possible without caching, the dissenting judge was of the opinion that the idea of what is necessary for technology of communication should also include incremental improvements such as caching.

In the Court's view, the operator of a cache communicates by telecommunication to end users the material that is transmitted to them from the cache, and thereby infringes the exclusive right of authors and composers to communicate their works to the public. Consequently, such operator might have to pay royalty. It is worth noting that, in drawing this conclusion, the Court took into consideration the fact that paragraph 2.4(1)(b) reduces the range of potential sources from whom authors and composers can recover a royalty for unauthorized communication of their works.

Regarding the third element, the Court held that when an Internet intermediary is operating a cache, its acts are not "only" consisting of providing the necessary means for others to communicate a work, given that it already found that operating a cache is to communicate the material it contains. This suffices to put the cache's operator outside the protection of the Act in respect of that particular communication.

2. If or when Internet intermediaries' activities do not constitute communication, are Internet intermediaries nonetheless required to pay a royalty because they "authorize" the communication of musical works transmitted on the Internet?

With respect to this second question, the Court distinguished the situation of Internet access providers and host servers operators.

- In the case of Internet access providers, the Court, relying on evidence that it was not feasible for them to monitor and control in a systematic way the content transmitted to their subscribers, held that it was opened to the Board to conclude that they were not authorizing content providers, with which they typically have no contractual relationship, to communicate material to their subscribers.
- In the case of host servers operators, the Court held that, even if they have a contractual relationship with content providers, they were not in a position to exercise control over the use of their equipment to a degree sufficient to find that they implicitly authorize content providers to communicate the material stored, since they only provide the passive means for others to communicate the material. However, implicit authorization could be inferred in some circumstances, such as the failure to remove infringing material after being notified of its existence.

3. When material requested by an Internet user in Canada is stored on a server outside Canada, can it be said that communication occurred only at the server's location, thus creating no breach of copyright in Canada and preventing the Board from imposing a royalty on the content provider?

With respect to this third question, the Court, found that the very notion of communication requires a communicator (the content provider) and an intended recipient (the end user); in other words, in the case of the Internet communications under consideration, there can be no communication without a request effected by an end user. The Court also stated that, contrary to the Board's view based on an a case concerning television broadcasting, the location of the Internet communications under consideration should not be determined solely by that of the host server.

According to the Court, the test that would be the most consistent with the policy of the Act would be to ask the question whether a given communication by telecommunication has a real and substantial connection with Canada. If it does, then a royalty may be payable in Canada in respect of such communication. For instance, the test would be met when both the content provider and the end user are in Canada, even if the host server is not in Canada. However, the Court recognized that, in absence of any agreed mechanism between countries for collection of royalties, any test adopted in one country may potentially lead to the imposition of either double royalties or no royalty.

RELEVANCE

The issues discussed in this decision have an undeniable public importance as they seek to establish the manner in which copyright principles adopted at a time where Internet communications were not contemplated would apply to a new and increasingly popular way to communicate works protected by copyright.

The greatest relevance of this decision probably lies in its analysis of caching, which is now considered by the Court as a communication of works. This may create an incentive for Internet intermediaries to lessen or eliminate their reliance on caching techniques to improve efficiency of Internet communications, which in turn may impact on the evolution of the Internet's network architecture.

The providers of Internet search engine, directory and caching services may be the ones who are the most exposed to eventual payment of royalty to copyright owners since, according to the Court, by caching or providing

direct hyperlinks to works available on the Internet, they are not only providing the necessary means of telecommunication necessary for another to communicate works, but they are also communicating such works themselves. To that extent, they cannot benefit from the exclusion that paragraph 2.4(1)(b) of the Act provides.

SCOPE

It will be interesting to see how the Board will deal with the fact that it may take into consideration the caching activities of Internet intermediaries when fixing the quantum of royalty payable in Phase II of the assessment process, and how it will do so given the practical difficulties that it raises.

Since it is clear that a person who posts musical works on a server thereby authorizes its communication, and communicates it when, in response to requests from end users, it is transmitted from the host server, the Canadian government is considering a special tax on devices playing musical works in digital format as well as on blank CDs and minidisks. This is an obvious attempt to make content providers and end users indirectly pay royalty to a certain extent, even if it may penalize end users who are using players and storage in compliance with the Act or for other legitimate purposes, as well as manufacturers who are embedding features in their products to prevent content providers and end users to make unauthorized reproductions or communication of musical works.

Also, even though one may consider that the decision will only influence Phase II of the process initiated to determine royalty payable to copyright owners for communication of musical works on the Internet, the findings could potentially be applied to other types of works, including literary, artistic and cinematographic works.

However, the Court seemed to rely to a significant extent on the fact that Internet intermediaries cannot currently control or monitor in a systematic way the content transmitted by content providers to hold that they were not communicating or authorizing those providers to communicate infringing material. It will then be interesting to see how this reasoning will apply in the future, as the degree of control and monitoring that could be exercised will likely increase with the development of digital right management systems.

CONCLUSION

In its reasoning, the Court acknowledged the need to avoid interpreting the Act in a way that would obstruct improvements in the quality of Internet communication, or reductions in the price at which data can be made available. However, by ruling that caching techniques of Internet service providers do not fall within the means "necessary" for others to communicate, it appears that it managed to achieve exactly the opposite result.

ROBIC + LAW
+ BUSINESS
+ SCIENCE
+ ART

ROBIC + DROIT
+ AFFAIRES
+ SCIENCES
+ ARTS

