Fair is Fair: Fair Dealing, Derivative Rights and the Internet

STEVEN O'HEANY*

I. INTRODUCTION

COPYRIGHT LAW IS AN IMPORTANT PART OF THE CANADIAN LEGAL system designed to encourage creativity by rewarding those who create original works. However, copyright law that grants creators too much control over the derivative uses of their works can have the opposite effect of stymieing creativity. As a result, the United States and Canada codified fair use and fair dealing exceptions respectively. These exceptions allow for the limited use of copyrighted material without permission or payment, but with new technologies come new challenges. The fair dealing exception to copyright law has become outdated because of two factors: the impact that the internet has had on Canadian culture and the decision of *CCH Canadian v Law Society of Upper Canada*[1] (*CCH*), where the Supreme Court of Canada held that fair dealing should not be interpreted restrictively.

The 2009 National Consultation on Copyright Policy determined that the fair dealing exception required amending.[2] The question has become whether these amendments should be rigid in nature or whether they should allow for a broad and liberal approach to fair dealing. The federal government, in the form of Bill C-11,[3] adopted the former approach. This paper, however, will argue that the "such as" approach, which favours a

* B.A. (Hons.)(Toronto), J.D. (University of Manitoba).

1 2004 SCC 13, [2004] 1 SCR 339 [*CCH*].

2 Michael Geist, "Copyright Consultation Provides Blueprint for Reform" *The Hill Times* (2 November 2009), online: Michael Geist <http://www.michaelgeist.ca/content/view/4543/159/> [Geist, "Copyright Consultation"].

3 Bill C-11, *An Act to Amend the Copyright Act*, 1st Sess, 41st Parl, 2011 (assented to 29 June 2012), now titled *Copyright Modernization Act*, SC 2012, c 20 [Bill C-11].

broad and liberal method based on judicial discretion, is best suited for the changing landscape of Canadian society. In order to be effective, the six factors of the *CCH* test for fair dealing should be amended. Only through this process will the fair dealing exception survive the ever-evolving nature of technology.

II. WHAT IS COPYRIGHT?

Copyright is an exclusive set of rights provided to creators of original works. As set forth in section 3(1) of the *Copyright Act*,

> "copyright" means the sole right to produce or reproduce the work or any substantial part thereof in any material form whatever, to perform the work or any substantial part thereof in public or, if the work is unpublished, to publish the work or any substantial part thereof.[4]

According to Lawrence Lessig, copyright and other forms of intellectual property rights provide a state-sanctioned monopoly to the producers of original works in exchange for their production of the works.[5] Thus, the law of copyright is designed to stimulate the marketplace of ideas by allowing creators of original works to profit from their creations. Lessig's statement, while somewhat accurate, may not be very helpful in understanding copyright. As argued by Mark Helprin, it is meaningless to label copyright as a monopoly, as practically speaking it is "no more a monopoly than the monopoly anyone exercises over his labor, or the monopoly anyone enjoys in regard to his property, or the monopoly someone might have over the sale of a watermelon he grew in his garden."[6] In fact, exceptions to the law of copyright further erode the accuracy of its comparison to a monopoly.

Although copyright law is designed to protect the interests of the creators of original works, its primary goal is to promote the public interest through increased creative output. Copyright does not grant authors absolute ownership over their works. Instead, "it is designed...to stimulate activity and progress in the arts for the intellectual enrichment of the public."[7] Intellectual property protections that are too strong do not

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4 *Copyright Act*, RSC 1985, c C-42, s 3(1) [*Copyright Act*].

5 Lawrence Lessig, *Code Version 2.0* (New York: Basic Books, 2006) at 184 pp. 2[Lessig].

6 Mark Helprin, *Digital Barbarism: A Writer's Manifesto* (New York: Harper, 2009) at 115 [Helprin].

7 Pierre N. Leval, "Toward a Fair Use Standard" (1990) 103 Harv L Rev 1105 at 1107 [Leval].

necessarily promote progress and often have the reverse effect of stifling originality.[8] As such, legislators have sought to balance the interests of creators against the public's interest in using the original work for the betterment of society. These interests include education, criticism and research, among others.[9]

In recent years, however, technological advancements have led to a movement to increase user's rights in relation to copyrighted works. Although this movement is notably youthful, perhaps owing to the large amount of free content on the internet that was once only available at a price,[10] it is gaining traction. To understand the proposed changes to Canada's copyright law, it is important to examine first the conflict between creators' derivative rights and the public's interest in using their works.

III. WHAT ARE DERIVATIVE RIGHTS?

A derivative right is the right granted to the creator of an original, copyrighted work to build upon that work. As set forth in section 101 of the U.S. *Copyright Act*, "[a] 'derivative work' is a work based upon one or more pre-existing works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted.[11]

Unlike its American counterpart, Canadian copyright law does not have a distinct "derivative work" concept.[12] Although not defined in Canadian legislation, the principle is set forth in section 3(1) of the *Copyright Act*.

> 'copyright'... means the sole right
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> (a) to produce, reproduce, perform or publish any translation of the work,

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8 Lessig, *supra* note 5 at 184.

9 Scott Monkman, "Corporate Erosion of Fair Use: Global Copyright Law Regarding File Sharing" (2006) 6 Asper Rev Int'l Bus & Trade L 265 at 265 [Monkman].

10 Helprin, *supra* note 6 at 213.

11 *Copyright Act*, 17 USC, § 101 (1976) [US Copyright Act].

12 Bob Tarantino, "Canadian Copyright and Derivative Rights in Nonfiction Books" *Entertainment & Media Law Signal* (1 September 2010), online: Entertainment Media Law Signal http://www.entertainmentmedialawsignal.com/2010/09/.

> (b) in the case of a dramatic work, to convert it into a novel or other non-dramatic work,
> (c) in the case of a novel or other non-dramatic work, or of an artistic work, to convert it into a dramatic work, by way of performance in public or otherwise,
> (d) in the case of a literary, dramatic or musical work, to make any sound recording, cinematograph film or other contrivance by means of which the work may be mechanically reproduced or performed,
> (e) in the case of any literary, dramatic, musical or artistic work, to reproduce, adapt and publicly present the work as a cinematographic work,
> (f) in the case of any literary, dramatic, musical or artistic work, to communicate the work to the public by telecommunication,
> (g) to present at a public exhibition, for a purpose other than sale or hire, an artistic work created after June 7, 1988, other than a map, chart or plan,
> (h) in the case of a computer program that can be reproduced in the ordinary course of its use, other than by a reproduction during its execution in conjunction with a machine, device or computer, to rent out the computer program, and
> (i) in the case of a musical work, to rent out a sound recording in which the work is embodied,
> and to authorize any such acts.[13]

Historically, American courts have granted derivative rights in different ways according to the medium of the work. For example, authors have a derivative right to adapt their novels into films. Composers, however, once they authorize someone to record their songs, lose the right to prevent anyone from recording that same song if the would-be recorder follows certain procedures and pays a specified rate.[14]

Although it is a good idea in principle to grant creators of original works the derivative rights over those works, it can lead to a loss of additional creative output. First, virtually all intellectual creative activity is in part derivative.[15] Consider the formation of a song: although the lyrics may be original, the genre of music, the musical notes used and the tempo have all evolved over centuries. Second, several areas of intellectual activity are inherently referential. Philosophy, history, science, and criticism all rely on continuous re-examination of the original works of other creators.[16] Since almost all new creations borrow from existing works to some degree, the law of copyright has had to develop exceptions to protect

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13 *Copyright Act*, *supra* note 4, s 3(1).
14 Lessig, *supra* note 5 at 229.
15 Leval, *supra* note 7 at 1109.
16 *Ibid*.

these new creations. In the United States, this exception is referred to as the "fair use doctrine."

IV. EXPLAINING THE FAIR USE DOCTRINE

'Fair use' is the right to use copyrighted material without the permission of the creator or owner of that material.[17] The fair use exception to the law of copyright is an American concept. Its purpose is to counterbalance creators' derivative rights in order to allow for increased intellectual creativity.[18] This exception was eventually incorporated into the *Copyright Act* of 1976.[19] Section 107 of the U.S. *Copyright Act* states:

> the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include —
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> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes;
> (2) the nature of the copyrighted work;
> (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
> (4) the effect of the use upon the potential market for or value of the copyrighted work.
>
> The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.[20]

While copyright provides an exception to the sole use rights of the owner, it is not an exception to copyright law generally. Fair use laws facilitate increased creative output, which is the primary objective of the law of copyright.[21] It should be noted that the words 'such as' transform the examples, i.e., criticism, comment, news reporting, teaching, scholarship and research, into a suggestive, rather than exhaustive, list.

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17 Lessig, *supra* note 5 at 184.
18 Leval, *supra* note 7 at 1109.
19 *Ibid* at 1106.
20 *US Copyright Act*, *supra* note 11 at s 107.
21 Leval, *supra* note 7 at 1110.

Thus, the doctrine is able to expand based on judicial discretion. Unlike the Canadian approach, the American approach is primarily concerned with fairness; it proceeds directly to the fairness assessment without first considering whether the use of the copyrighted work fits within the list enumerated in section 107of the U.S. *Copyright Act*.[22] To understand fair use fully, it is important to examine the four factors used to determine whether the use of any work qualifies as fair.

4. The Purpose and Character of the Use

The purpose and character of the use relate to the objective of copyright law, namely, the stimulation of creativity. This goal is often met if the new work is transformative of the old work. In fact, "[t]he use must be productive and must employ the quoted matter in a different manner or for a different purpose from the original".[23] Transformative uses include, but are not limited to, criticism, proving a fact, summarizing ideas in order to defend or rebut them, parody, and symbolism.[24] Commercial purposes are not a bar to a finding of fair use; however, the tendency is to weigh in favour of the creator or owner of the original copyrighted work in an action for copyright infringement.[25]

5. The Nature of the Copyrighted Work

The nature of the copyrighted work concerns the protection of the expectations of the creators or owners of original, copyrighted works. Factors to consider include whether the work is published or unpublished, and whether the work was intended for commercial distribution or private communications.[26] Private communications and unpublished works favour a finding of fair use. Conversely, substantial creativity in the original work tends to support a finding against fair use.[27]

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22 *Society of Composers, Authors, and Musical Publishers of Canada v Bell Canada*, 2012 SCC 36 at 26 [SOCAN].

23 Leval, *supra* note 7 at 1111.

24 *Ibid*.

25 Giuseppina D'Agostino, "Healing Fair Dealing? A Comparative Copyright Analysis of Canada's Fair Dealing to U.K. Fair Dealing and U.S. Fair Use" (2008) 53 McGill LJ 309 at 346 [D'Agostino] (QL).

26 Leval, *supra* note 7 at 1122.

27 D'Agostino, *supra* note 25 at 347.

6. The Amount and Substantiality of the Portion Used in Relation to the Copyrighted Work as a Whole

The amount and substantiality of the portion used is a relative measure that operates on a sliding scale. As the importance of the borrowed material increases, the likelihood that the derivative work will come under the fair use exception decreases.[28] Although the factor refers first to the amount of the original work taken, this is secondary compared to the importance of what is taken. This is because the length of original works can differ greatly. If an original work is brief, any quotation can constitute a large part of it.[29] Conversely, if an original work were extremely lengthy, a quote of similar length would only constitute a small part of it. Thus, the courts are more concerned with the relative importance of the appropriated work.

7. The Effect of the Use Upon the Potential Market for Value of the Copyrighted Work

The United States Supreme Court has designated the effect of the use upon the potential market for, or value of, the copyrighted work to be the most important element of the fair use doctrine.[30] If the use of the copyrighted work harms the original creator's potential market, courts will be less likely to find that the use was fair.[31] However, the fact that the use of the copyrighted work does not harm the market for the original work does not guarantee that it will qualify under the fair use doctrine.[32] Additionally, not every form of potential market loss makes a finding of fair use less likely. An unfavourable book review, which includes quotes from the original material, may impair the book's potential market, but this would not be a relevant factor under this inquiry.[33]

A work that uses copyrighted material will therefore be more likely to qualify under the fair use exception if it: is transformative, based on unpublished material, does not substantially infringe on the original work and does not impair the copyrighted materials potential market. Conversely, a work that substantially repeats published copyrighted

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28 Leval, *supra* note 7 at 1122.
29 *Ibid*.
30 D'Agostino, *supra* note 25 at 348.
31 See *Harper & Row v Nation Enterprises*, 471 US 539 at 566, 195 S Ct 2218 (1985) [*Harper & Row*].
32 Leval, *supra* note 7 at 1124.
33 *Ibid* at 1125.

material while competing in the same market will be unlikely to qualify for protection under the fair use exception.

V. FAIR USE IN CANADA – THE CONCEPT OF FAIR DEALING

Canada has not adopted the American fair use doctrine exception. Rather, following the lead of the UK, Canada has enacted the fair dealing exception to the law of copyright. Fair dealing is "the right, within limits, to reproduce a substantial amount of copyrighted work without permission from, or payment to, the copyright owner."[34] Canada first introduced fair dealing in 1921, when the Canadian government adopted section 2(1) of the *Copyright Act 1911 (UK).*[35] This exception has been amended three times since.[36] The fair dealing exception currently states:

> 29. Fair dealing for the purpose of research or private study does not infringe copyright.
> 29.1 Fair dealing for the purpose of criticism or review does not infringe copyright if the following are mentioned:
> (*a*) the source; and
> (*b*) if given in the source, the name of the
> (i) author, in the case of a work,
> (ii) performer, in the case of a performer's performance,
> (iii) maker, in the case of a sound recording, or
> (*c*) broadcaster, in the case of a communication signal.
> 29.2 Fair dealing for the purpose of news reporting does not infringe copyright if the following are mentioned:
> (*a*) the source; and
> (*b*) if given in the source, the name of the
> (i) author, in the case of a work,
> (ii) performer, in the case of a performer's performance,
> (iii) maker, in the case of a sound recording, or
> (iv) broadcaster, in the case of a communication signal.[37]

Much like fair use, fair dealing counterbalances the rights of creators of original works with the interests of the public at large. Indeed, fair dealing "advance[s] the general diffusion of literature and promote[s] the

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34 Canadian Association of University Teachers, "Fair Dealing" *Intellectual Property Advisory No 3* (December 2008) at 1, online: CAUT <http://www.caut.ca> [CAUT].

35 1911 (UK), c 46.

36 D'Agostino, *supra* note 25 at 318.

37 *Copyright Act*, *supra* note 4, ss 29-29.2.

public interest,"[38] and is needed because innovation is often based on existing copyrighted works.[39]

There are notable differences between fair use and fair dealing. As explained earlier, a finding of fair use depends on a balancing of the four factors found in section 107 of the U.S. *Copyright Act*.[40] However, to rely on the fair dealing provision, a defendant must prove that: (1) the work that allegedly infringed a copyrighted work fit within one of the enumerated grounds, *i.e.*, research or private study, criticism or review, and news reporting; (2) the action was fair; and (3) that, in relation to criticism or review and news reporting, there was acknowledgement of the source.[41] Additionally, unlike fair use, the fair dealing exceptions found in sections 29-29.2 of the *Copyright Act* are exhaustive rather than suggestive. This has led to the criticism that fair dealing is weak and overly restrictive.[42] The conflict between the importance of the fair dealing exception and its apparently restrictive nature came to a head in the Supreme Court of Canada decision of *CCH Canadian Ltd v Law Society of Upper Canada*.[43]

CCH Canadian Ltd v Law Society of Upper Canada

In *CCH*, the defendant had photocopied copyrighted materials. The issue was whether the photocopying fell within the meaning of research. The Law Society of Upper Canada maintained and operated the Great Library at Osgoode Hall in Toronto, which contained self-service photocopiers for use by its patrons.[44] CCH Canadian Ltd., along with Thomson Canada Ltd. and Canada Law Book Inc., commenced copyright infringement actions against the Law Society due to reproductions that were made of their law reports and other materials.[45]

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38 D'Agostino, *supra* note 25 at 312.

39 See e.g., Mark Fassen, "Amending Fair Dealing; A Response to Why Canada Should Not Adopt Fair Use" (2010) Windsor Rev Legal Soc 71 (WL) [Fassen] at 74, citing Alex Cameron & Robert Tomkowicz, "Competition Policy and Canada's new Breed of "Copyright" Law" (2007) 52 McGill LJ 291 at 53.

40 US Copyright Act, *supra* note 11, s 107.

41 D'Agostino, *supra* note 25 at 319.

42 *Ibid* at 309.

43 *CCH*, *supra* note 1.

44 *Ibid* at 1.

45 *Ibid* at 2.

In finding that the Law Society did not infringe copyright, the Supreme Court expanded the research exception under section 29 of the Copyright Act. The Court unanimously held that "research" must be given a large and liberal interpretation in order to ensure that users' rights are not unduly constrained.[46] Thus, research was not limited to non-commercial activities, but included "[r]esearch for the purpose of advising clients, giving opinions, arguing cases, [and] preparing briefs and factums".[47]The Court also expanded upon what would classify as "fair" in the context of fair dealing. This decision enumerated six factors that could provide a useful analytical framework to govern determinations of fairness in future cases.[48] These factors are similar to those in the American fair use determination.

In 2012, the SCC expanded the scope of these factors, affirming the CCH approach to fair dealing in the twin decisions *Society of Composers, Authors and Music Publishers of Canada (SOCAN) v Bell Canada*[49] and *Alberta (Education) v Canadian Copyright Licencing Agency (Access Copyright).*[50] At issue in *SOCAN* was whether musical previews on commercial Internet sites constituted "fair dealing" under the Copyright Act.[51] The unanimous court held that the 30 to 90 second clips constituted "research" as reasonably necessary in helping consumers decided what to purchase. In *Alberta (Education)*, the court considered whether the photocopying of materials by teachers for students fell under the "research or private study" exception. In the 5-4 decision, the majority held that photocopying short sections of copyrighted textbooks for student use did constitute fair dealing.

iii. The Purpose of the Dealing

The purpose of the dealing will be fair if it is one of the allowable purposes under sections 29-29.2 of the *Copyright Act*. These include research, private study, criticism or review, and news reporting. These purposes should not be given a restrictive interpretation as this could result in unwarranted restrictions on users' rights.[52] In the 2012 *SOCAN*

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46 *Ibid* at 51.
47 *Ibid*.
48 *Ibid* at 53.
49 SOCAN, *supra* note 22.
50 2012 SCC 37 [Alberta (Education)].
51 SOCAN, *supra* note 22 at 1.
52 CCH, *supra* note 1 at 54.

decision, the court refused to narrow the definition of "research" and affirmed the generous interpretation laid down in *CCN*. Furthermore, the *Alberta (Education)* decision gave a wide interpretation to the concept of "private study". The court held that "the word 'private' in 'private study' should not be understood as requiring users to view copyrighted works in splendid isolation."[53]

iv. The Character of the Dealing

To assess the character of the dealing, courts should examine how the works were dealt with.[54] If multiple copies of the works are being distributed it will tend to be unfair.[55] Conversely, single copies of works used for specific purposes may lead to a determination that the use of the copyrighted work is permitted under the fair dealing exception.[56] This factor was central in the 2012 *Alberta (Education)* decision. The majority characterized the copying for the purposes of a student's private study, and thus falling under the exception. However, the dissent characterized the copying as part of an organized program of instruction rendering it outside the exception and unfair. Rothstein J argued, "the expression 'private study' cannot have been intended to cover situations where tens, hundreds, or thousands of copies are made in a school, school district or across a province as part of an organized program of instruction."[57]

v. The Amount of the Dealing

The quantity of the work taken will not be determinative of fairness, but it can help in the determination.[58] Much like the third factor of the American fair use determination, the courts are more concerned with the importance of the copyrighted material used than the quantity. This approach was confirmed in *SOCAN* where the court held that the 'amount' factor should be assessed by looking at how each dealing occurs at an individual level, not on the aggregate use."[59]

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53 *Alberta (Education)*, *supra* note 50 at 27.
54 *CCH*, *supra* note 1 at 55.
55 *Ibid*.
56 *Ibid*.
57 *Alberta (Education)*, *supra* note 50 at 48.
58 *CCH*, *supra* note 1 at 56.
59 *SOCAN*, *supra* note 22 at 42.

vi. Alternatives to the Dealing

"If there is a non-copyrighted equivalent of the work that could have been used instead of the copyrighted work, this should be considered by the court."[60] In *Alberta*, the majority found that having the Board buy sufficient copies of every text, magazine, and newspaper relied on by a teacher for every student was a "demonstrably unrealistic outcome."[61] However, the dissent held, "the fact that there are no non-copyrighted alternatives to the dealing does not automatically render the dealing fair."[62]

vii. The Nature of the Work

This factor concerns the nature of the original copyrighted work which examines ``whether the work is one which should be widely disseminated."[63] If the work in question was confidential, it may favour a finding that the dealing was unfair.[64] Although this factor is not determinative, it should be considered.

viii. The Effect of the Dealing on the Work

If the reproduced work is likely to compete with the market of the original work, it may lead to a finding that the dealing is not fair.[65] Although this is an important factor, it is not the most important factor that the courts should consider.[66] To establish fair dealing, a defendant need not adduce evidence that every use of the provided material was conducted fairly. Rather, the defendant may rely on his or her own general practice.[67] Thus, if a third party uses the reproduced material in a manner not intended by the defendant, it should not negatively affect the defendant at this, or any, stage of the fair dealing analysis.

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60 CCH, *supra* note 1 at 57.
61 Alberta (Education), supra note 50 at 32
62 *Ibid* at 56.
63 SOCAN, *supra* note 22 at 47.
64 CCH, *supra* note 1 at 58.
65 *Ibid* at 59.
66 *Ibid*.
67 D'Agostino, *supra* note 25 at 326.

VI. *CCH* AND THE IMPORTANCE OF FAIR DEALING

The Supreme Court also expanded on the importance of fair dealing within the context of Canadian copyright law. The Court held that "the fair dealing exception is perhaps more properly understood as an integral part of the *Copyright Act* than simply a defence."[68] Additionally, the Court stated that the fair dealing exception is a "user's right".[69] Nevertheless, how should this be accomplished? According to the unanimous Court, "[i]n order to maintain the proper balance between the rights of a copyright owner and users' interests, [fair dealing] must not be interpreted restrictively".[70] The question has thus become how can users' rights to fair dealing be interpreted broadly while being subject to the exhaustive list of exceptions found in sections 29-29.2 of the *Copyright Act*? Some commentators have taken this statement to mean that new exceptions can and should be incorporated into the *Copyright Act*.[71]

B. National Consultation on Copyright Policy

The concept of fair dealing as enunciated by the Supreme Court in *CCH* seems reasonable. It does conflict however, with the restrictively worded fair dealing provisions in the *Copyright Act*, which only includes a limited number of categorical exceptions.[72] As a result, on 20 July 2009, the federal government, led by Industry Minister Tony Clement and Canadian Heritage Minister James Moore, instituted the first national public consultation on copyright policy in eight years.[73] This consultation was designed to gauge what reforms would, in the opinion of the average Canadian, best foster innovation, creativity, competition and investment.[74]

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68 *CCH*, *supra* note 1 at 48.

69 *Ibid*.

70 *Ibid*.

71 See D'Agostino, *supra* note 25 at 338; Emir Aly Crowne Mohammed, "Parody as fair dealing in Canada: a guide for lawyers and judges", (2009) 4 Journal of Intellectual Property Law & Practice 468 at 468, cited in Graham Reynolds, "Necessarily Critical? The Adoption of a Parody Defence to Copyright Infringement in Canada", (2009) 33:2 Man LJ 243 at 244.

72 Michael Geist, "My Fair Copyright for Canada Principles", Michael Geist Blog (17 January 2008) online: Michael Geist <http://www.michaelgeist.ca/content/view/2572/125/>.

73 Geist, "Copyright Consultation", *supra* note 2.

74 Samuel Trosow, "Why Copyright Fair Dealing Needs Flexibility", The Lawyers Weekly 29:41 (12 March 2010) (QL) [Trosow].

A previous consultation, conducted in 2001, generated approximately 700 responses, and was considered successful.[75] The 2009 consultation, on the other hand, was an unequivocal success. It generated "over 8000 submissions, two packed town halls, nearly a dozen roundtables, thousands of comments in an online discussion forum, and hundreds of news articles, blog postings, and tweets." [76] These submissions included maintaining the status quo, adopting fair use, adding additional exceptions to the fair dealing's exhaustive list, and adding the words "such as" to section 29 to make the examples illustrative rather than exhaustive.

C. Bill C-11

Bill C-11 is a set of amendments to the *Copyright Act* proposed by the federal government.[77] This bill covers a variety of issues, but the amendments relevant to fair dealing are found in clause 21 which states, "Section 29 of the Act is replaced by the following:

29. Fair dealing for the purpose of research, private study, education, parody or satire does not infringe copyright." [emphasis in original][78]

As clause 21 of Bill C-11 indicates, in light of *CCH*, the federal government has proposed to add further exceptions to the exhaustive list found in sections 29-29.2 of the *Copyright Act*. This appears to be contrary to the Supreme Court's holding in *CCH* that fair dealing must not be interpreted restrictively. Does Bill C-11 represent the best way to address fair dealing going forward?

VII. EXPANDING FAIR DEALING OR ADOPTING FAIR USE – WHICH IS BEST FOR CANADA?

At the most basic level, both fair dealing and fair use attempt to accomplish the same goal. Both moderate creators' monopolies over their copyrighted works by allowing the public to use these works, without permission, in appropriate circumstances.[79] Many submissions to the National Consultation on Copyright Policy *recommended* either expanding

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75 Geist, "Copyright Consultation", *supra* note 2.
76 *Ibid*.
77 Bill C-11, *supra* note 3.
78 *Ibid*, at cl 21.
79 Fassen, *supra* note 39.

the fair dealing exception or adopting the U.S. doctrine of fair use.[80] What is clear is that any changes to the law should reflect the changing nature of Canadian society; a society that is increasingly using copyrighted materials in interactive, creative and transformative ways.[81]

A. Adopting Fair Use

Unlike fair dealing, fair use is referred to as an open-norm model.[82] This is because the list of purposes provided in the U.S. Copyright Act is non-exhaustive. This allows American courts to expand the exception to suit the ever-evolving nature of business, technology and social practices. [83] Although any fair dealing must fit into at least one of six pre-determined categories these are not defined in the Canadian *Copyright Act*. .[84] This was evident in the *CCH* decision, where the definition of "research" was at issue. Thus, fair use has the advantage of judicial discretion over rigid, poorly defined categorical exceptions.

Furthermore, fair dealing requires that when using copyrighted material for the purposes of criticism, review, and news reporting, the source, and the name of the author, performer, broadcaster or maker must be mentioned.[85] This is not a requirement under the fair use exception. Although this requirement provides the copyright owner with greater public exposure, a user who otherwise conformed to the fair dealing requirements could be liable for copyright infringement due to a simple omission.

Adopting fair use in Canada however, could have several drawbacks. Fair use can lead to uncertainty amongst both copyright owners and users. This uncertainty could lead to expensive litigation.[86] Even worse, this uncertainty could lead to a 'chilling effect' whereby users are afraid to take advantage of the fair use provision for fear of litigation. Far from encouraging innovation and creativity, this would accomplish the opposite. This uncertainty may also have an adverse effect on a large

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80 See e.g. Alan Cooper, "Submission to Canadian Copyright Consultation Process" *Copyright Consultations* (15 September 2009), online: Canada <http://copyrightconsultation.gc.ca>.

81 Trosow, *supra* note 74.

82 Fassen, *supra* note 39.

83 *Ibid*.

84 *Ibid*.

85 *Ibid*.

86 Dan Glover & Barry Sookman, "Why Canada Should Not Adopt Fair Use: A Joint Submission to the Copyright Consultations" (2009) 22 IPJ at 30 (WL) [Glover & Sookman].

number of contracts entered into between copyright holders and users of their copyrighted works.[87]

Adopting fair use would put Canada at odds with much of the Commonwealth. Australia, the United Kingdom and New Zealand each considered adopting a fair use approach, but all rejected it in favour of targeted reforms to fair dealing.[88] The reasons for these rejections included international treaty compliance and the lack of lengthy judicial interpretation that has served to provide American courts with clarification and boundaries.[89]

B. Expanding Fair Dealing

Arguably, expanding fair dealing is necessary in order to ensure that the exception will be effective in the face of modern economic, societal and technological change.[90] There are two basic options for expanding fair dealing: the "new exceptions" approach and the "such as" approach.

i. The "New Exceptions" Approach

The federal government, in clause 21 of Bill C-11, has adopted the "new exceptions" approach.91 This approach entails legislating new exceptions for fair dealing, namely, education, parody and satire. The inflexible nature of the exceptions remains, but the list of allowable purposes has been expanded. 92 This rigid approach has a possible benefit; it would address the uncertainty at the root of the "chilling effect" that opponents of fair use fear, by clarifying what dealings are considered fair. However, due to the rapid nature of societal changes, the new exceptions list risks being "past its best before date" relatively quickly.93 In fact, this issue contributed to the need for the 2009 National Consultation on Copyright Policy.

ii. The "Such As" Approach

The "such as" approach entails adding the words "such as" or "including" to section 29 of the *Copyright Act*. This would transform the

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87 *Ibid* at 41.
88 *Ibid* at 31.
89 *Ibid* at 41.
90 Fassen, *supra* note 39.
91 Bill C-11, *supra* note 3, at cl 21.
92 *Ibid*.
93 *Ibid*.

present exceptions into a suggestive list rather than an exhaustive one.[94] Rather than being limited by the confines of the legislation, courts would be able to create new exceptions as long as they (1) qualified as "fair" and (2) conformed to the purposes of the *Copyright Act* by encouraging creativity. This approach would make it similar to the American fair use provision. The advantage to this approach is that it would be flexible enough to adapt to societal changes as they arise.[95] The disadvantage, however, would be that the possibility for uncertainty could lead to the same "chilling effect" as the fair use exception. This would have a negative effect on creativity and innovation.

iii. Would the "Such As" Approach Lead to a 'Chilling Effect'?

Opponents of the "such as" approach suggest that it could lead to a "chilling effect" in the marketplace of ideas because users might not want to take advantage of an uncertain exception which could possibly lead to litigation.[96] However, would the "such as" approach lead to this "chilling effect" any more than the "new exceptions" approach would? As the Supreme Court held in *CCH*, "[i]n order to maintain the proper balance between the rights of a copyright owner and users' interests, it [fair dealing] must not be interpreted restrictively".[97] In light of this, the Court greatly expanded the 'research' exception to include research done for financial profit. Additionally, in the case *Productions Avanti Ciné-Vidéo Inc. c. Favreau*, the Quebec Court of Appeal held, "[p]arody normally involves the humorous imitation of the work of another writer, often exaggerated, for purposes of criticism or comment".[98] Parody is now included as one of the enumerated exceptions under s 29. However, the CCH decision seems to recommend judicial discretion in the expansion of the fair dealing exception, not in the number of enumerated purposes, but in the scope. This broad and liberal approach to the exhaustive exceptions could, therefore, lead to the same level of uncertainty as adopting the "such as" approach.

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94 *Ibid*.
95 Fassen, *supra* note 39.
96 Glover & Sookman, *supra* note 86.
97 *CCH*, *supra* note 1 at 48.
98 *Productions Avanti Ciné-Vidéo Inc. c. Favreau* (1999), 177 DLR (4th) 568, 1 CPR (4th) 129 at 12.

VIII. WHICH APPROACH BEST SUITS CANADA?

The approach that best suits Canada is the "such as" approach to expanding fair dealing. Fair use is an American concept, developed over 150 years of judicial interpretation. As previously debated in Australia, New Zealand, and the United Kingdom, adopting this doctrine into Canada may lead to unpredictable applications. Additionally, the fair use doctrine does not require proper sourcing. Sourcing can lead interested parties to the original copyrighted work, thereby increasing its potential market, and is not something that should be abandoned.

The "new exceptions" approach advocated by the federal government is inflexible and thus not in the best interest of Canadians. Technological and societal advancements can quickly limit its effectiveness. Furthermore, it is not in line with the *CCH* decision, which held that the fair dealing provision should not be interpreted restrictively, but in a broad and liberal manner.

This leaves the "such as" approach. This approach allows for judicial discretion in the face of societal progress as it is technologically neutral.[99] Many of those who made submissions to the National Consultation on Copyright Policy also favoured it.[100] This approach, coupled with the sourcing requirement, could lead to a larger potential market for copyrighted materials. As discussed above, this approach would lead to no more uncertainty than the "new exceptions" approach, as the possibility for uncertainty is present in each. Finally, judicial discretion would not be absolute, as any court would first need to find that the fair dealing was in fact "fair" by applying the six factors enumerated in *CCH*. The "such as" approach, therefore, provides the most flexibility while ensuring that a minimal amount of marketplace confusion would arise. It may also have the benefit of avoiding problems relating to treaty obligations.

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99 Fassen, *supra* note 39.

100 See e.g. Katherine Chiang, "Submission to Canadian Copyright Consultation Process" *Copyright Consultations* (15 September 2009), online: Canada <http://copyrightconsultation.gc.ca>.

IX. FAIR DEALING AND THE INTERNET

Technology is ever evolving and with new advancements, the issue of copyright infringement becomes more difficult to interpret and address.[101] Prior to the digital age, large scale copying of materials was costly, difficult and often resulted in quality degradation. Now, however, digital copies are nearly identical to the original source and can be transmitted in a cost efficient manner.[102] Consumers who believed that they could do whatever they wanted with content that they had purchased could disseminate it on the internet.[103] The widespread popularity of the internet has led to confusion concerning the law of copyright, as evidenced in the Supreme Court of Canada decision *Robertson v Thompson Corp.*[104]

Robertson v Thompson Corp

This case was concerned with whether newspaper publishers were entitled to republish freelance articles in electronic databases without consent or compensation.[105] The Court recognized that advancements in computer technology had significantly altered the newspaper industry. Databases that were once kept in paper-filled "morgues" are now being kept in online databases.[106] The Court held that the transfer of articles from their newspaper format to Info Globe Online (the online database) was no mere conversion of the newspaper from the print realm to the electronic world.[107] This was because the online database compiled individual articles and presented them outside of the context of the original newspaper. This, in the Court's opinion, led to the creation of a new collective work, not just a reproduction of an existing collective work.[108] Newspaper publishers do not have the right to reproduce the work of freelance authors outside of their collective works – the newspapers themselves.

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101 Monkman, *supra* note 8 at 4.
102 *Ibid*.
103 Lessig, *supra* note 5 at 173.
104 2006 SCC 43 [*Robertson*].
105 *Ibid* at 1.
106 *Ibid* at 9.
107 *Ibid* at 10.
108 *Robertson*, *supra* note 104 at 47.

X. FACTORS IN DETERMINING FAIR DEALING: REVISITED

Much like the current fair dealing exception, several of the six factors enumerated in *CCH* for determining whether or not a dealing is fair have become less relevant in the face of rapid technological change. As such, courts will need to refine these factors going forward. The following proposed changes are based on the assumption that Canada will eventually adopt the "such as" approach to amending fair dealing. These proposed changes are based heavily on the copyright law of the United States, and not the copyright laws of Canada's commonwealth partners. This is because the U.S. fair use doctrine provides the most flexible framework for uses of copyrighted works. Australia, New Zealand, and the United Kingdom, on the other hand, all follow the exhaustive, and therefore restrictive, fair dealing approach.[109]

1. The Purpose of the Dealing

Currently, the purpose of the dealing will be fair if it is one of the allowable purposes under sections 29-29.2 of the *Copyright Act*.[110] Under the broader "such as" approach, however, dealings could be considered fair under a wider range of purposes. Although the purpose of the dealing will still be an important consideration, rather than determining if the dealing fits within one of the enumerated purposes, courts should consider whether the purpose of the dealing is one that furthers the aims of copyright law, for example, by stimulating progress for the intellectual enrichment of the public.[111] As such, it would be wise to integrate the American concept of transformation. A fair purpose would therefore be met if the new work is transformative of the copyrighted material. As noted earlier, "[t]he use must be productive and must employ the quoted matter in a different manner or for a different purpose from the original".[112] This approach would allow for the flexibility recommended in *CCH*.

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109 Glover & Sookman, *supra* note 86 at 30.
110 *Copyright Act*, *supra* note 4 at ss 29-29.2.
111 Leval, *supra* note 7 at 1107.
112 *Ibid* at 1111.

2. The Nature of the Work

This factor concerns the nature of the original copyrighted work. The court in *CCH* was concerned primarily with confidentiality. Technological advancements, however, have led to a new concern. In recent years, "digital locks" or "technological protection measures" have grown in popularity. These locks are designed to prevent users from improperly using copyrighted materials. In response to this trend, new technologies have emerged to circumvent these locks, which have become a serious concern of the federal government. Clause 47 of the proposed Bill C-11 would amend section 41[113] of the *Copyright Act* by adding, "No person shall...circumvent a technological protection measure within the meaning of paragraph (a) of the definition of "technological protection measure" in section 41".[114] If this provision becomes part of the law of copyright in Canada, whether the person creating the dealing circumvented any "technological protection measures" should be considered under this factor to determine if the dealing was fair.

It is still possible that all digital works will adopt "technological protection measures" to prevent copyright infringement. If this were to occur, it would severely restrict the availability of these works for fair dealings, and, in turn, stymie the purpose of copyright law itself by limiting creativity. Thus, the importance of not circumventing "technological protection measures" under the "Nature of the Work" factor may be severely diminished in the near future. It is important, however, not to become too fixated on the particulars of technologies, as copyright laws should be technologically neutral since technology-specific provisions can become outdated.[115] If anything, this example accurately portrays the difficulties of applying rigid factors in the face of rapid technological change.

3. The Character of the Dealing

Presently, the distribution of multiple copies of the new work will tend to lead to the determination that the dealing was unfair. In the internet age, however, it is possible to create one copy of a work and have

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113 Currently, section 41 of the *Copyright Act* deals with the limitation period for civil remedies not protection measures.

114 Bill C-11, *supra* note 3 at cl 47.

115 Trosow, *supra* note 74.

it viewed, and downloaded, by millions of people. As such, this factor is not an important consideration when considering dealings posted to the internet. Notably, section 107 in the U.S. *Copyright Act* [116] does not include a consideration of the number of copies produced when determining whether a work qualifies under the fair use exception.

4. The Clean Hands Requirement

Although it is not found in section 107 of the U.S. *Copyright Act*, several American courts have considered whether the alleged infringer of a copyrighted work demonstrated good faith.[117] This factor could be highly relevant in a case that is currently proceeding through the American judicial system. In 2008, artist Shepard Fairey used a photograph, copyrighted by the Associated Press, to create the now famous "Hope" image of President Barack Obama.[118] This image led to sales of hundreds of thousands of posters and stickers.[119] The Associated Press began litigation for copyright infringement against Fairey in early 2009.[120] Although the poster in question is highly transformative of the copyrighted photograph, a finding of fair use has become increasingly unlikely due to Fairey's handling of the situation. When launching a pre-emptive lawsuit against the Associated Press, Fairey claimed that his poster was based on a photograph of Obama seated next to actor George Clooney.[121] After Fairey filed his lawsuit, however, he admitted that he submitted false images and deleted other images in order to conceal his actions.[122]

The term 'fair dealing' implies that the dealing in fact, should be fair. Users should not be permitted to rely on the fair dealing exception if they themselves have not acted fairly. Any dishonesty on the part of the person

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116 US *Copyright Act*, *supra* note 11 at s 107.

117 Robert B. Standler, "Fair Use: No Excuse for Wholesale Copyright Infringement in the USA" *Dr. Robert B. Standler's professional homepage* (27 September 2009), online: Dr. Robert B. Standler's professional homepage < http://www.rbs2.com/unfair.pdf> at 17; *Harper & Row, supra* note 31 at 561; *Nunez v Caribbean Intern News Corp,* 235 F 3d 18, 23 (1st Cir 2000).

118 "AP Sues For Copyright Infringement on Obama 'Hope' Posters", *Fox News* (4 February 2009) online: Fox News <http://www.foxnews.com/politics/2009/02/04/ap-sues-copyrightinfringement-obama-hope-posters/>.

119 *Ibid*.

120 *Ibid*.

121 Larry Neumeister, "NY Judge Urges Settlement In Obama Poster Dispute", *Associated Press* (28 May 2010) online: New York Post <http://www.nypost.com/p/news/local/ny_judge_urges_settlement_in_obama_U7ejgNraJlx5ovNHJOS6zI >.

122 *Ibid*.

using copyrighted materials, designed to hide intentions or sources, should be a bar to a finding of fair dealing, and this factor should be considered in any fair dealing examination.

XI. Conclusion

It is clear that the current copyright law in Canada has become outdated due to recent technological advancements; this is especially true of the fair dealing exception. Although the amendments in Bill C-11 greatly expand this exception, as evidenced by the previous case study, a more flexible approach is preferable. Canada should adopt the "such as" approach instead of adopting fair use or Bill C-11's "new exception approach." Not only would the "such as" approach allow for judicial flexibility in the face of technological change, but it would conform to the holding in *CCH* that fair dealing should not be interpreted restrictively, and would no more lead to a "chilling effect" in the actions of Canadians than the "new exceptions" approach would.

The six factors for determining fair dealing that were enumerated in *CCH* would serve as safeguards to protect copyright holders from excessive judicial discretion. However, these factors also risk becoming outdated. Specifically, "The Character of the Dealing" factor, which involves a determination of the number of copies produced by the user, is an irrelevant consideration for works posted to the internet. As such, in order to remain flexible going forward, it would be preferable to adopt the six amended factors recommended in this paper. The proposed changes serve to reign in judicial discretion, thereby helping to prevent the "chilling effect" on the marketplace of ideas, while remaining flexible in the face of further technological improvements. Canadian copyright law needs a way forward, and the "such as" approach, in combination with the six amended *CCH* factors, provides the best possible solution for the fair dealing exception.