



MEMORANDUM
PRIVILEGED AND CONFIDENTIAL

TO: The University of British Columbia, University of Toronto, University of Calgary, University of Manitoba, University of New Brunswick and Simon Fraser University

FROM: Richards Buell Sutton LLP

DATE: April 5, 2018

RE: Limitation Period Defences (pursuant to Section 43.1 of *Copyright Act*) under Copyright Infringement Claims
File No. 44099-0001

ISSUES FOR CONSIDERATION

We were asked to consider whether the potential retroactive liability and application of the Statement of Proposed Royalties to be Collected by Access Copyright for the Reprographic Reproduction, in Canada, of Works in its Repertoire for Post-Secondary Educational Institutions, 2011-2013 (the “**Interim Tariff**”), Statement of Proposed Royalties to be Collected by Access Copyright for the Reprographic Reproduction, in Canada, of Works in its Repertoire for Post-Secondary Educational Institutions, 2014-2017, and subsequent tariffs for post-secondary educational institutions, (collectively, the “**Access Copyright Tariffs**”) are limited and statute-barred by virtue of the 3 year limitation period imposed under Section 43.1 of the *Copyright Act* R.S.C., 1985, c. C-42 (the “**Act**”), and whether such statutory limitation period could be relied upon to limit the potential liability of an institution pursuant to the terms of the Access Copyright Tariffs.

STATUTORY AND CASE LAW REVIEW

(1) Section 43.1 of *Copyright Act*, R.S.C., 1985, c. C-42

Section 43.1 of the Act provides as follows:

43.1 (1) Subject to subsection (2), a court may award a remedy for any act or omission that has been done contrary to this Act only if

(a) the proceedings for the act or omission giving rise to a remedy are commenced within three years after it occurred, in the case where the plaintiff knew, or could reasonably have been expected to know, of the act or omission at the time it occurred; or

(b) the proceedings for the act or omission giving rise to a remedy are commenced within three years after the time when the plaintiff first knew of it, or could reasonably have been expected to know of it, in the case where the plaintiff did not know, and could not reasonably have been expected to know, of the act or omission at the time it occurred.

(2) *The court shall apply the limitation or prescription period set out in paragraph (1)(a) or (b) only in respect of a party who pleads a limitation period.*

(2) Case Law

(a) *Statutory Limitation Period*

Section 43.1(1) of the Act provides that a court may only award a remedy for an act or omission contrary to the Act if proceedings are commenced within 3 years after the later of: (i) the date the act or omission occurred (if the plaintiff knew, or could reasonably have been expected to know, of the act or omission at the time it occurred); or (ii) the date the plaintiff first knew, or could have reasonably have been expected to know, of the act or omission having occurred. Section 43.1(2) provides that a court shall only apply the limitation period in the event it is pled by the party seeking to rely on such limitation period.

The limitation period provided in s. 43.1 of the Act applies to past acts, notably restricting the awarding of damages for copyright infringement. An owner of copyright who waits more than 3 years to bring proceedings may in certain cases still sue the infringer. For example, this may be appropriate when there would be no way that the owner of the copyright could have become aware of the infringement any earlier, and has since brought the action with all due diligence. In *Warner Brothers-Seven Arts Inc. v CESM-TV Ltd.* (1971), 65 CPR 215 (Ex. Ct.) (“**Warner Brothers**”), the court considered whether the plaintiffs, by the exercise of reasonable diligence, could have discovered the defendant’s infringement earlier than was done. Since the infringement was not discovered until private documents of the defendant (station logs) were voluntarily produced by the defendant for the plaintiff’s inspection, the court determined that the limitation period applied from the date that the plaintiffs actually discovered the infringement, and not from the date of the infringing acts.

In *Philip Morris Products SA v Marlboro Canada Ltd*, 2010 FC 1099¹, the plaintiffs sold a cigarette product. Internationally, the product was called “Marlboro” but in Canada, the plaintiffs did not use the mark “Marlboro” in association with the product. The dispute originated with a new 2006 “no-name” product. The defendants responded to the launch alleging that this new brand infringed their trade-mark. The plaintiffs amended their Statement of Claim and alleged that the 1996, 2001 and 2007 versions of the defendants’ Marlboro package were substantial copies of their copyrighted label.

The court determined that the limitation period would preclude the awarding of any remedies for infringements occurring prior to 2005 and held that the plaintiffs knew, or reasonably ought to know of the Marlboro packaging prior to 2005. Further, the applicant acknowledged that it knew about the respondent’s infringement since September 2007. The applicant did not bring this proceeding within the limitation period prescribed by section 41(1) of the *Copyright Act*² and was therefore time-barred from raising copyright infringement in respect of that work.³

¹ On appeal (*Marlboro Canada Limited v. Philip Morris Products S.A.*, 2012 FCA 201), the Federal Court of Appeal did not discuss the limitation period issue.

² *Copyright Act*, RSC 1985, c C-42 (set out a 3 year limitation period for civil remedies, which the Court would apply when it was pled by a party (s. 41(2)))

³ *Philip Morris Products SA v Marlboro Canada Ltd*, 2010 FC 1099 at para 353; also see *Warman v. Fournier*, 2012 FC 803 at para 15

In *Warman v. Fournier*, 2012 CF 803, the applicant alleged infringement by the respondents of his copyright in three works, one of which included a speech authored by the applicant (the “**Warman Work**”). The Warman Work was the subject of a limitation period defence raised by the respondents. The court held that the applicant acknowledged that he knew of the respondent’s infringement of the Warman Work since September 2007. As a result, he did not bring the proceeding within the limitation period prescribed by the Act and was time-barred from raising copyright infringement in respect of that work.⁴

The applicant advanced the argument that he learned of a subsequent infringement in 2010 which, unlike the initial infringement, did not fall outside of the limitation period. The court held that this allegation was not substantiated by evidence. The only infringement of the Warman Work established by the evidence fell outside of the statutory limitation period.⁵

In *Actuate Canada Corporation v. Symcor Services Inc.*, 2016 ONCA 217, Xenos IP and Actuate Canada Corporation sued the licensee Symcor Services Inc. (“**Symcor**”) for breach of contract and infringement of the plaintiff’s copyright in certain proprietary software. Symcor asserted that to the extent that the plaintiff’s claim referred to damages suffered prior to January 25, 2010, the plaintiff’s claims were statute barred by the *Limitations Act*, 2002, SO, c. 24 as well as s. 43.1 of the *Copyright Act*.

The motion judge ordered that the limitation defence would be considered as part of the trial on the issue of damages. The motion judge determined that the limitation issue was premature because the licence breaches were ongoing, and that the limitation defence would, “at best, reduce the number of years for which Xenos could seek damages.”⁶ The motion judge declined to dismiss the motion for summary judgment on the basis of the limitation period defence, as the limitation period defence would be a component of the damages hearing.

Further, we note that there is case law in Quebec which discusses the application of prescription to an action involving the collection of royalties due under a private copying tariff to the plaintiff, a royalty collection agency (*Canadian Private Copying Collective c. 9075-9077 Québec Inc.*, 2008 QCCS 3410).⁷

In the *Access Copyright v. York* decision⁸, the Federal Court of Canada ruled that the Interim Tariff is mandatory and enforceable against York University, with respect to copying activities engaged in by York employees for the period from September 1, 2011 to December 31, 2013. Access Copyright filed its Statement of Claim on April 8, 2013. It appears that any infringing activities of York in contravention of the Interim Tariff were within the appropriate statutory limitation period.

(b) Continuing Infringement

The owner of copyright, however, is not precluded from requesting an injunction for acts of infringement which continue.⁹ It still has to be demonstrated that the infringement continued after the limitation period had expired.

⁴ *Warman v. Fournier*, 2012 CF 803 at para 15

⁵ *Warman v. Fournier*, 2012 CF 803 at paras 16-17

⁶ *Actuate Canada Corporation v. Symcor Services Inc.*, 2016 ONCA 217 at para 93

⁷ Only the French version of this decision is currently available. We have requested an English translation, and will post this as soon as it is received.

⁸ *Canadian Copyright Licensing Agency v. York University*, 2017 FC 669

⁹ *Warner Brothers-Seven Arts Inc. v CESM-TV Ltd.* (1971), 65 CPR 215 (Ex. Ct.)

Where there has been one or more ongoing acts of infringement, the limitation period under the Act may not prevent a party from seeking a remedy. This issue is discussed in *Royal Conservatory of Music v. Macintosh (Novus Via Music Group Inc.)*, 2016 FC 929 (“**Royal Conservatory**”).

In 1999, Conservatory Canada published an eleven-level series of graduated musical books for the piano under the name “The New Millennium Series” (the “**Series**”). In 2011, Conservatory Canada began planning for a “120th Anniversary Edition” of the Series (the “**Anniversary Edition**”). Novus then published a new 2014 edition of the Series (the “**2014 Edition**”). The respondents asserted that the 2014 Edition was unchanged from the 2012 Anniversary Edition, because it comprised a digitized scan of the earlier 2012 Edition with very minor, non-material changes

The respondents in *Royal Conservatory* argued that the claim was barred by the three-year limitation period set out in subsection 43.1(1) of the Act.¹⁰ The respondents submitted that the last royalty payment was made by Waterloo (the publisher of the Series) in 2006 and that, while the applicants were aware that they were owed royalty payments for the series, they made no effort to address this issue until 2014.

Citing *Wall v Horn Abbott Ltd*, 2007 NSSC 197, the Federal Court in *Royal Conservatory* considered it unnecessary to decide whether each edition constituted a new publication for the purposes of paragraph 43.1(1)(b) as follows:

*[A]lthough claims relating to breaches that occurred more than three years preceding the commencement of this proceeding are barred, ongoing breaches within the three years and following the commencement of this proceeding are not.*¹¹

The Federal Court held that the Anniversary and 2014 Editions were either considered part of one continuous publication of the Series and therefore, one ongoing breach, or alternatively, the 2014 Edition, which was the allegedly infringing publication, was a separate publication and in either event, the alleged infringement was addressed within the limitation period.¹²

DISCUSSION

In the event that copyright infringement proceedings are commenced by Access Copyright to pursue an institution which has not made royalty payments under the terms of the Access Copyright Tariffs, a limitation defence could be pled by such institution, and in accordance with our case law analysis above, such defence could prevent Access Copyright from pursuing royalties pursuant to the Access Copyright Tariffs with respect to acts of copyright infringement for any period earlier than 3 years prior to the commencement of such proceedings (the “**Limitation Period**”). There is case law that supports the position that if a plaintiff such as Access Copyright becomes aware of, ought to have known, discovers or acknowledges an act of copyright infringement by an institution (“**Knowledge Date**”) and does not bring an action within the 3 year limitation period prescribed by the Act, such action or claim is time-barred.

The limitation period provisions would not prevent Access Copyright from commencing proceedings to recover royalties under the Access Copyright Tariffs, provided that such proceedings are commenced within the 3 year statutory limitation period commencing on the

¹⁰ *Royal Conservatory of Music v. Macintosh (Novus Via Music Group Inc.)*, 2016 FC 929 at para 43

¹¹ *Wall v Horn Abbott Ltd*, 2007 NSSC 197 (CanLII) at para 474

¹² *Royal Conservatory*, supra note 8 at para 91

Knowledge Date, but they may be able to be relied upon to limit the scope and magnitude of royalties that could be pursued under the Access Copyright Tariffs.

However, the following issues could present concerns with respect to the favourable application of the statutory limitation period:

- For acts of copyright infringement can be characterized as ongoing breaches (for example, posting of a copyrighted work onto a university learning management system, if such posting were in breach of applicable copyright laws and continued during the Limitation Period) that commenced before the Limitation Period but were subsequently brought into the Limitation Period due to their ongoing nature, Access Copyright could take the position that since such infringement continued during the Limitation Period, and the infringing activity was not discovered by Access Copyright until the Knowledge Date, that Access Copyright would be entitled to payment of royalties for periods earlier than the commencement of the Limitation Period.
- The *Warner Brothers* decision also shows that a limitation period defence may not apply in cases where copyright infringement is concealed, and a copyright owner could not have become aware of or discovered infringement any earlier, and has since brought the action with all due diligence.
- The owner of copyright is not precluded from requesting an injunction for acts of infringement which continue, or from seeking remedies for acts of copyright infringement that are properly brought within the limitation period.

There is a reasonable chance that the statutory limitation period pursuant to s. 43.1 of the Act, if pled by an institution, would reduce the number of years for which Access Copyright could seek payment of royalties under the Access Copyright Tariffs. However, there is still some uncertainty due to the issues discussed above, and also due to the unique nature of royalties that are payable (and that were determined to be mandatory and enforceable against York University in the *Access Copyright v. York* decision¹³) pursuant to copyright tariffs, and the lack of sufficient case law considering the application of statutory limitation periods under the Act in the specific context of copyright tariff proceedings (as opposed to general copyright infringement proceedings).

¹³ *Canadian Copyright Licensing Agency v. York University*, 2017 FC 669