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# Finding the copyright balance: originality, authorisation and fair dealing in Canadian and New Zealand law

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## Introduction

Copyright law is based on a balance between the need to provide incentives and rewards to authors on the one hand, and the need to ensure new creators have adequate access to existing works on the other. Recent years have seen a trend in copyright law toward extending rights for rights holders at the expense of users and the public domain. This trend has continued<sup>1</sup> despite extensive critique from commentators internationally. At a normative level, debate continues over how copyright provisions should be interpreted in order to preserve the copyright balance, and in order to facilitate access to copyright works, particularly access for new creators.

A recent case from the Supreme Court of Canada contributes to these debates. In 2004 that Court issued its landmark copyright decision *CCH Canadian Ltd v Law Society of Upper Canada*.<sup>2</sup> The case is an important one in relation to the interpretation of originality, authorisation, and the fair dealing exceptions.

The Law Society of Upper Canada maintained and operated the Great Library at Osgoode Hall in Toronto, a reference and research library and one of the largest law collections in Canada. The Great Library provided a request-based photocopy service for law society members, the judiciary, and other authorised researchers. Under this service, legal materials were copied by staff and delivered to requesters in person, by mail, or by fax. The Law Society also maintained self-service photocopiers in the Great Library for use by library patrons.

In 1993 a group of publishers, CCH Canadian Ltd, Thomson Canada Ltd, and Canada Law Book Inc, commenced copyright infringement actions against the Law Society. The publishers sought a declaration of subsistence and ownership of copyright in eleven specific works: reported judicial decisions; headnotes; an annotated Martin's Ontario Criminal Practice 1999; a case summary; a topical index; a textbook; and a monograph. The publishers sought a declaration that the Law Society had infringed copyright when the Great Library reproduced a copy of each of these works, and sought a permanent injunction prohibiting the Law Society from reproducing these eleven works as well as any other works that the publishers published. The Law Society denied liability and counterclaimed for a declaration that copyright is not

infringed when a single copy of a reported decision, case summary, statute, regulation or a limited selection of text from a treatise is made by the Great Library staff or one of its patrons on a self-service photocopier for the purpose of research.<sup>3</sup>

The Supreme Court of Canada's decision was delivered by Chief Justice McLachlin. The Court decided the case in favour of the Law Society. In so doing, it took an approach to copyright law generally, and to specific provisions of Canada's Copyright Act, that is of considerable relevance to interpretation of the New Zealand Copyright Act. This article reviews this approach, and compares it to existing New Zealand judicial approaches to these issues. It argues that the Supreme Court of Canada's approach is robust and firmly based in copyright principle and copyright history. It has much to offer to New Zealand Courts interpreting New Zealand copyright law.

## The Copyright Act and the Copyright Balance

In *CCH Canadian Ltd v Law Society of Upper Canada*, the Supreme Court first reviewed copyright principles generally. McLachlin CJ adopted the explanation of Binnie J in *Theberge v Galerie d'Art du Petit Champlain inc*<sup>4</sup> that:

The Copyright Act is usually presented as a balance between promoting the public interest in the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator.... The proper balance among these and other public policy objectives lies not only in recognizing the creator's rights but in giving due weight to their limited nature.

McLachlin CJ said that, in interpreting the Copyright Act, Courts should strive to maintain an appropriate balance between these two goals. She said that the case required the Court to interpret the scope of both owners' and users' rights under the Copyright Act, including what qualified for protection, what was required to find that copyright had been infringed through authorization, and the effect of the fair dealing exceptions under the Act. The decision reflects the Court's careful analysis of copyright policy, and specific findings are informed by the wider normative debates.

## Originality

On the question of originality, McLachlin CJ said that:<sup>5</sup>

Since copyright protects only the expression or form of ideas, "the originality requirement must apply to the expressive element of the work and not the idea".

The Judge referred to the competing views of originality in copyright law internationally, that is, the "sweat of the brow" theory<sup>6</sup> as compared to the requirement of a degree of creativity for originality.<sup>7</sup> She held that the correct position fell between these two extremes. She said that:<sup>8</sup>

For a work to be "original" within the meaning of the Copyright Act, it must be more than a mere copy of another work. At the same time, it need not be creative, in the sense of being novel or unique. What is required to attract copyright protection in the expression of an idea is an exercise of skill and judgment. By skill, I mean the use of one's knowledge, developed aptitude or practised ability in producing the work. By judgment, I mean the use of one's capacity for discernment or ability to form an opinion or evaluation by comparing different possible options in producing the work. This exercise of skill and judgment will necessarily involve intellectual effort. The exercise of skill and judgment required to produce the work must not be so trivial that it could be characterized as a purely mechanical exercise. For example, any skill and judgment that might be involved in simply changing the font of a work to produce "another" work would be too trivial to merit copyright protection as an "original" work.

The Court reached this conclusion having regard to: (1) the plain meaning of "original"; (2) the history of copyright law; (3) recent jurisprudence; (4) the purpose of the Copyright Act; and (5) that this constitutes a workable yet fair standard.<sup>9</sup>

On the first factor, the Judge said that the plain meaning of "original" suggested at least some intellectual effort, as is necessarily involved in the exercise of skill and judgment. The plain meaning of "original" implied not just that something is not a copy. The Judge cited Professor Gervais, who said that "[w]hen used to mean simply that the work must originate from the author, originality is eviscerated of its core meaning. It becomes a synonym of 'originated', and fails to reflect the ordinary sense of the word".<sup>10</sup> The Judge next considered the second factor, the meaning of "original" in the history of copyright, and said that the idea of "intellectual creation" was implicit in the notion of literary or artistic work under the Berne Convention.<sup>11</sup>

On the third factor, recent jurisprudence, the Judge noted that in recent cases some Canadian Courts had begun to question the "sweat of the brow" standard.<sup>12</sup> She also noted that, in Canada, as in the United States, copyright protection does not extend to facts or ideas but is limited to the expression of ideas. The concerns of the United States Supreme Court in *Feist*<sup>13</sup> about the "sweat of the brow" doctrine's improper extension of copyright over facts also

therefore resonated in Canada. McLachlin CJ however expressed reservations about going as far as the United States Supreme Court in requiring that a work possess a minimal degree of creativity to be considered original.

The Judge next considered the fourth factor, the purpose of copyright. She held that an approach to originality that required the exercise of skill and judgment was in accord with the purpose of copyright, which was to balance the public interest in promoting the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator. She said that:<sup>14</sup>

When Courts adopt a standard of originality requiring only that something be more than a mere copy or that someone simply show industriousness to ground copyright in a work, they tip the scale in favour of the author's or creator's rights, at the loss of society's interest in maintaining a robust public domain that could help foster future creative innovation....<sup>15</sup> By way of contrast, when an author must exercise skill and judgment to ground originality in a work, there is a safeguard against the author being overcompensated for his or her work. This helps ensure that there is room for the public domain to flourish as others are able to produce new works by building on the ideas and information contained in the works of others.

In relation to the fifth factor, the Judge said that requiring the exercise of skill and judgment was a workable yet fair standard. The "sweat of the brow" standard was too low. It shifted the balance of copyright protection too far in favour of the owner's rights, and failed to allow copyright to protect the public's interest in maximizing the production and dissemination of intellectual works. She said that the creativity standard, however, was too high and that it implied that something must be novel or non-obvious, and that these concepts were more properly associated with patent law. A standard requiring the exercise of skill and judgment in the production of a work avoided these difficulties and provided a workable and appropriate standard for copyright protection, consistent with the policy objectives of the Copyright Act.

The Judge concluded that the test for originality was that a work must have originated from the author, not be copied, and must be the product of the exercise of skill and judgment that is not so trivial that it could be characterised as a purely mechanical exercise. On the facts, all of the works at issue were held to be original. They had all originated from their authors and were not mere copies. They were the product of skill and judgment that was not trivial.

New Zealand Courts have yet to finally resolve an approach to originality. The only direct judicial consideration of the international debate on originality post-*Feist* remains the useful but ultimately inconclusive discussion provided by McGeachan J in *Telecom v Colour Pages*,<sup>16</sup> an interlocutory injunction case concerning originality in Telecom's yellow pages. McGeachan J considered both the *Feist* and the "sweat of the brow" approaches, and concluded that:<sup>17</sup>

I do not think the legal position is clear at all. The authorities are not particularly persuasive either way. Some important policy elements may well need careful consideration, not least the "sweat of the brow" approach dismissed in the USA, but not so obviously irrelevant under traditional English approaches. There may be relevant economics questions. There could be local New Zealand expectations and needs which warrant thought....

The Court of Appeal also considered the issue of originality in *Land Transport Safety Authority of New Zealand v Glogau*,<sup>18</sup> and indicated that the present standard of originality is effectively close to the "sweat of the brow" approach. The Court of Appeal acknowledged that the case did not actually raise issues currently debated internationally as to the test for originality in compilations such as directories and databases where no more is involved than collection and arrangement of common material. However McGechan J appeared to endorse the "sweat of the brow" approach, saying that:<sup>19</sup>

Where the originality is low, it is to be expected that anything other than almost exact reproduction will not support an inference of copying amounting to infringement, whereas where there is a higher degree of originality in the work an inference of copying will more readily be drawn even where the degree of similarity is less. In this way the reward in the scope of protection will tend to be related to the degree of originality. Retaining a low threshold for protection therefore presents no real harm.

In 2004, in *University of Waikato v Benchmarking Services Ltd*,<sup>20</sup> the Court of Appeal said that:<sup>21</sup>

The threshold test for originality is not high. The determining factor is whether sufficient time, skill, labour, or judgment has been expended in producing the work. As confirmed in the *Wham-O Manufacturing* case, copyright is not concerned with the originality of ideas but with the form of their expression. As the Court stated:

The originality that is required by the Act relates to the manner in which the claimant to the copyright has expressed his thought or ideas. The Act does not require that the work be novel in form but that it should originate from the author and not be copied from another work.

Somewhat confusingly in *University of Waikato v Benchmarking Services Ltd*, the Court of Appeal went on to identify "a number of unusual or unique features which clearly result from the expenditure of significant creative effort and skill",<sup>22</sup> suggesting perhaps a higher standard of originality than that described. Nevertheless, New Zealand Courts generally appear to apply a "sweat of the brow" standard of originality.

The Ministry of Economic Development also takes the view that New Zealand maintains a "sweat of the brow" approach to originality in copyright law. In its 2002 *Position Paper on Digital Technology and the Copyright*

*Act 1994*,<sup>23</sup> the Ministry took the view that a compilation could be considered original for the purposes of copyright where a database producer had contributed sufficient time, skill and effort in selecting and arranging the data or information.<sup>24</sup> The Ministry considered that there did not seem to be any need to extend protection for non-original databases beyond protection as compilations, and recommended retaining the status quo, on the basis that the low threshold test for originality in New Zealand provides adequate protection.<sup>25</sup>

New Zealand Courts are likely to be asked to confront the originality issue more directly in coming years. The "sweat of the brow" approach requiring only skill and labour, without judgment, is likely to become less sustainable internationally. While Australia retains a similarly low standard,<sup>26</sup> it is likely that this standard will be reviewed, especially in light of the decision of the Supreme Court of Canada.

The new Canadian approach to originality in *CCH Canadian Ltd v Law Society of Upper Canada* is thoughtfully reasoned and workable. It avoids the difficulties associated with the very low "sweat of the brow" standard, and is more applicable to the New Zealand context than is the *Feist* decision, which depends heavily in its reasoning on the copyright clause in the United States Constitution. It also does not set a standard so high as to unreasonably disadvantage authors, and it is still a standard much lower than that required under patent law. It is an approach entirely available within the international obligations imposed by Berne and TRIPS, and an approach which is congruent with copyright policy in preserving the copyright balance. There is much to commend it to New Zealand Courts.

### Authorisation

In Canada, as in New Zealand, it is an infringement of copyright for anyone other than the copyright owner to authorise the exercise of the copyright owner's rights.<sup>27</sup> "Authorise" in both jurisdictions means to "sanction, approve and countenance".<sup>28</sup> In *CCH Canadian Ltd v Law Society of Upper Canada*, McLachlin CJ said that "countenance" in the context of authorizing copyright infringement must be understood in its strongest dictionary meaning, namely, "[g]ive approval to; sanction, permit; favour, encourage".<sup>29</sup> She said that authorisation is a question of fact that depends on the circumstances of each particular case and can be inferred from acts that are less than direct and positive, including a sufficient degree of indifference.<sup>30</sup> However, she said that a person does not authorise infringement by authorising the mere use of equipment that could be used to infringe. Courts should presume that a person who authorises an activity does so only so far as it is in accordance with the law. This presumption may be rebutted if it is shown that a certain relationship or degree of control existed between the alleged authoriser and the persons who committed the copyright infringement.

The Judge considered the decision of the High Court of Australia in *Moorhouse v University of New South Wales*.<sup>31</sup> In that case the High Court held that the provision of

photocopiers for patrons' use in a university library constituted authorisation. Gibbs J said that:<sup>32</sup>

[A] person who has under his control the means by which an infringement of copyright may be committed – such as a photocopying machine – and who makes it available to other persons, knowing, or having reason to suspect, that it is likely to be used for the purpose of committing an infringement, and omitting to take reasonable steps to limit its use to legitimate purposes, would authorize any infringement that resulted from its use.... Although in some of the authorities it is said that the person who authorizes an infringement must have knowledge or reason to suspect that the particular act of infringement is likely to be done, it is clearly sufficient if there is knowledge or reason to suspect that any one of a number of particular acts is likely to be done.

On the facts, the university made available books and photocopying machines, and it must have known that it was likely that a user might make an infringing copy. It had the power to control both the use of the books and the use of the machines. The University did not adopt reasonably sufficient measures to prevent infringement. Supervision of the machines was ineffective, and no adequate copyright notice was placed on the machines. For these reasons the university was held to have authorised the making of infringing copies.

McLachlin CJ in *CCH Canadian Ltd v Law Society of Upper Canada* was critical of the *Moorhouse* decision, and said that it was inconsistent with previous Canadian and British approaches to this issue. She said that the *Moorhouse* approach to authorisation shifted the balance in copyright too far in favour of the owner's rights and unnecessarily interfered with the proper use of copyrighted works for the good of society as a whole. On the facts she held that the Law Society did not authorise infringement by maintaining self-service photocopiers in the Great Library for use by its patrons. She said there was no evidence that the photocopiers had been used in a manner that was not consistent with copyright law. The Law Society's posting of a copyright notice over the photocopiers did not rebut the presumption that a person authorises an activity only so far as it is in accordance with the law. Further, even if there was evidence of the photocopiers having been used to infringe copyright, the Law Society lacked sufficient control over the Library's patrons to permit the conclusion that it sanctioned, approved or countenanced the infringement.

The Supreme Court of Canada's finding is thus in conflict with the finding in *Moorhouse*. The Canadian approach is, however, reconcilable with the decision of the House of Lords in *CBS Songs Ltd v Amstrad Consumer Electronics plc*.<sup>33</sup> This was a case that considered whether the manufacture and sale of twin-deck tape-recording machines with a tape-to-tape recording facility constituted authorisation. In the case, Lord Templeman approved *Falcon v Famous Players Film Co*,<sup>34</sup> where it was accepted that "authorise" meant "sanction, approve, and

countenance", and "to authorise" meant "to grant or purport to grant to a third person the right to do the act complained of, whether the intention is that the grantee shall do the act on his own account, or only on account of the grantor". Lord Templeman said that *Amstrad* did not sanction, approve or countenance an infringing use of their machine. "*Amstrad* conferred on the purchaser the power to copy but did not grant or purport to grant the right to copy."<sup>35</sup> He distinguished *Moorhouse* on the basis that while the library had control over the use of the photocopying machine, *Amstrad* had no control over the use of its machines once they were sold. *Amstrad* did not grant or purport to grant the right to copy, and it made this clear in its advertising.

The *Amstrad* case raised policy issues similar to those arising in the United States in relation to other technologies that can be used for infringing copyright, such as video-recorders in *Sony*,<sup>36</sup> and file-sharing software allowing copying of music in *Grokster*.<sup>37</sup> These technologies are capable of both infringing and non-infringing uses. In the United States, the fact that a product is capable of substantial or commercially significant non-infringing uses is an important element in escaping liability for contributory copyright infringement.

The Canadian decision in *CCH Canadian Ltd v Law Society of Upper Canada* undermines the authority of *Moorhouse* in a New Zealand context. The effect of the House of Lords decision in *Amstrad* was to narrow the application of *Moorhouse*. It must now be in doubt whether a New Zealand Court would follow *Moorhouse*, even on similar facts, and it is argued that the reasoning in *Amstrad* and *CCH Canadian Ltd v Law Society of Upper Canada* is to be preferred. Considerations of copyright balance will be directly relevant in the context of a research library where people seek access to information for transformative uses, suggesting the need for an interpretation consistent with the freedom of expression right in the New Zealand Bill of Rights Act 1990.

### Fair Dealing

In New Zealand, as in England, Australia, and Canada, users' rights in copyright law are narrowly drafted and are restrictive. In New Zealand, the rights are set out in the Copyright Act 1994, Part III – Acts Permitted in Relation to Copyright Works. Permitted acts are listed in ss 40-93. There are provisions covering incidental copying,<sup>38</sup> fair dealing for the purposes of criticism, review and news reporting;<sup>39</sup> and fair dealing for the purposes of research or private study.<sup>40</sup> There are also detailed provisions covering copying for education, copying by librarians and archivists, public administration, and provisions relating to particular categories of works. New Zealand has few decided cases on the users' rights provisions.<sup>41</sup> The decision in *CCH Canadian Ltd v Law Society of Upper Canada* is therefore of particular interest as it offers a broad overall framework for interpretation, based explicitly on copyright principle.

The Supreme Court of Canada considered the scope of the Canadian fair dealing exceptions.<sup>42</sup> The Canadian provisions are broadly similar to the equivalent New Zealand Copyright Act provisions.<sup>43</sup>

The Great Library offered a custom photocopy service under which it photocopied legal materials from its collection on the request of lawyers, law students, members of the judiciary or authorised researchers, sending photocopies to the requesters. The question for the Court was whether this service fell within the fair dealing defence under s 29, which provides that "fair dealing for the purpose of research or private study does not infringe copyright."

McLachlin CJ said that, while procedurally a defendant is required to prove that his or her dealing with a work has been fair; the fair dealing exception is perhaps more properly understood as an integral part of the Copyright Act than simply a defence. Any act within the fair dealing exception will not be an infringement of copyright. The fair dealing exception, like other exceptions in the Act, is a user's right. She said that maintaining the proper balance between the rights of a copyright owner and users' interests required that it not be interpreted restrictively. She said that, in order to show that a dealing was fair under s 29, a defendant must prove: (1) that the dealing was for the purpose of either research or private study and (2) that it was fair. Section 29 was open to those who could show that their dealings with a copyrighted work were for the purpose of research or private study. "Research" must be given a large and liberal interpretation to ensure that users' rights were not unduly constrained. Research was not limited to non-commercial or private contexts.

The Act did not define "fair" and whether something was fair was a question of fact. Citing *Hubbard v Vosper*<sup>44</sup> and the United States doctrine of fair use, the Court approved a list of factors as a useful analytical framework to govern determinations of fairness in future cases. The factors to be considered (although they would not all arise in every case) in assessing whether a dealing was fair were: (1) the purpose of the dealing; (2) the character of the dealing; (3) the amount of the dealing; (4) alternatives to the dealing; (5) the nature of the work; and (6) the effect of the dealing on the work. In relation to the purpose of the dealing, the Judge said that the allowable purposes under the Act were research, private study, criticism, review, or news reporting, and these purposes should not be given a restrictive interpretation or this could result in the undue restriction of users' rights. Courts should attempt to make an objective assessment of the user/defendant's real purpose or motive in using the copyrighted work. Some dealings, even if for an allowable purpose, may be more or less fair than others; research done for commercial purposes may not be as fair as research done for charitable purposes.

The Judge said that in assessing the character of the dealing, Courts must examine how the works were dealt with:<sup>45</sup>

If multiple copies of works are being widely distributed, this will tend to be unfair. If, however, a single copy of a work is used for a specific legitimate purpose, then it may be easier to conclude that it was a fair dealing. If the copy of the work is destroyed after it is used for its specific intended purpose, this may also

favour a finding of fairness. It may be relevant to consider the custom or practice in a particular trade or industry to determine whether or not the character of the dealing is fair.<sup>46</sup>

In relation to the amount of the dealing, the Judge said that both the amount of the dealing and the importance of the work allegedly infringed should be considered in assessing fairness. If the amount taken from a work was trivial, the fair dealing analysis need not be undertaken at all because the Court will have concluded that there was no copyright infringement. The quantity of the work taken will not be determinative of fairness, but it can be relevant.<sup>47</sup>

It may be possible to deal fairly with a whole work....<sup>48</sup> The amount taken may also be more or less fair depending on the purpose. For example, for the purpose of research or private study, it may be essential to copy an entire academic article or an entire judicial decision. However, if a work of literature is copied for the purpose of criticism, it will not likely be fair to include a full copy of the work in the critique.

Courts should also consider alternatives to dealing with the infringed work in assessing fairness. Availability of a non-copyrighted equivalent to the work should be considered, and Courts should attempt to determine whether the dealing was reasonably necessary to achieve the ultimate purpose. For example, if a criticism would be equally effective if it did not actually reproduce the copyrighted work it was criticizing, this may weigh against a finding of fairness.

A further consideration in assessing fairness is the nature of the work. Reproduction with acknowledgement of an unpublished work could lead to wider dissemination, which is one of the goals of copyright law. On the other hand, if the work was confidential, this might suggest unfairness.<sup>49</sup>

The final factor was the effect of the dealing on the work. Whether the reproduced work will compete with and affect the market for the original work is an important factor, but not the only factor nor the most important factor that a Court must consider in assessing fairness.

On the facts, the Supreme Court of Canada held that the Law Society did not infringe copyright by providing single copies of the publishers' works to its members through its photocopy service. The Court found that the Law Society's dealings with the works were for the purpose of research within s 29 of the Copyright Act.<sup>50</sup>

Although the retrieval and photocopying of legal works are not research in and of themselves, they are necessary conditions of research and thus part of the research process. The reproduction of legal works is for the purpose of research in that it is an essential element of the legal research process. There is no other purpose for the copying; the Law Society does not profit from this service.

The dealings were also held to be fair within s 29, having regard to the relevant factors. The Great Library's Access Policy provided reasonable safeguards that the materials were used for the purpose of research and private

study. Single copies of works were provided for research. The policy was that the Library would exercise its discretion to ensure that the amount of the dealing with the copyright works was reasonable. It was not apparent that there were alternatives to the photocopy service. The nature of the works as legal materials also suggests fairness, because of the public interest in access to the law. There was no evidence to suggest that the market for the works had decreased as a result of the service. The Court therefore found that the Law Society did not infringe copyright by providing single copies of the publishers' works to its members through its photocopy service, because this service constituted fair dealing for the purpose of research or private study within s 29.

The Supreme Court decision offers a principled framework for interpretation of users' rights provisions. It is a broader approach than that taken by New Zealand Courts, but it is broadly reconcilable with the limited existing New Zealand case law. For example, in *TVNZ Ltd v Newsmonitor*,<sup>51</sup> Blanchard J in the High Court considered fair dealing for research or private study in relation to the activities of a news monitoring organization. He held that research is "clearly something of which a business organization is capable".<sup>52</sup> He also said that:<sup>53</sup>

A fair dealing is simply a reasonable use. What is reasonable must be judged by looking at the nature of the works themselves and the purpose for which the defendant dealt with them.

Factors to be considered included the quantity of material taken and any depreciating effect the dealing has on the worth to the plaintiff of the work. These factors also appear in the framework established in *CCH Canadian Ltd v Law Society of Upper Canada*, but the Supreme Court of Canada offers a more comprehensive approach to fair dealing.<sup>54</sup>

In *Copyright Licensing Ltd v University of Auckland & Ors*<sup>55</sup> the High Court was asked to interpret specific exceptions to copyright infringement under the Copyright Act 1994, in relation to copying by universities. The universities argued that other statutory provisions, including s 161 of the Education Act 1989 giving universities autonomy and providing for academic freedom, s 14 of the New Zealand Bill of Rights Act providing for freedom of expression, and any implied licence, were relevant to interpretation. However Salmon J said that he did not find it necessary to refer to external material in interpreting the Act, and that he was able to resolve any difficulties by considering the way in which the various provisions related to each other. Salmon J declined to take a broad and liberal approach to interpretation of the provisions in Part III of the Act, but he took a purposive approach not in conflict with the Supreme Court of Canada approach. Some aspects of the Judge's reasoning in *Copyright Licensing* have been seen as producing restrictive results. For example, Salmon J placed emphasis on the need for a specific request to be made where copying is done by or on behalf of a person for the purpose of fair dealing under the exceptions. The effect was that, under s 43, a university could make copies for students on specific request, but it could not make copies before the commencement of the semester without any

request from the student.<sup>56</sup> In *CCH Canadian Ltd v Law Society of Upper Canada*, the Supreme Court of Canada said that the exceptions should not be given a restrictive interpretation that could result in undue restriction of users' rights.<sup>57</sup> However, it also said that the character of the dealing was a factor in fairness, and that wide distribution of multiple copies will tend to be unfair.<sup>58</sup> On the facts, the Law Society's copying was only undertaken in response to specific requests. It provided only single copies of works; there was no evidence it was disseminating multiple copies to multiple members of the legal profession.<sup>59</sup> The result is therefore not in conflict with the decision in *Copyright Licensing*.

New Zealand Courts could therefore usefully adopt the Supreme Court of Canada's overall approach in future fair dealing cases, and this could be achieved without departing from existing New Zealand jurisprudence. Existing New Zealand case law on fair use is consistent with the Canadian approach, and the New Zealand cases can be accommodated within the Supreme Court of Canada's framework.

The Supreme Court of Canada's approach has much to recommend it. The Court took a robust approach to fair use, an approach informed by the history and purpose of copyright law. Central to the Court's reasoning was a concern to preserve the copyright balance between promoting the public interest in the encouragement and dissemination of works and providing adequate rewards for creators. It balanced owners' and users' rights, with a concern to maintain access as well as providing incentives to authors, in the interests of promoting innovation overall.

It is arguable that the nature of the subject-matter in this case - legal materials - may have had an impact on the decision, in that access to legal materials implicates a particular public interest in the administration of, and access to, justice. Arguably, too, access to legal materials is of particular interest to the judiciary. Nevertheless, the case is not decided on those narrow grounds. In addition, the Court did not accept the invitation to make its decision on constitutional grounds under the Canadian Charter of Rights and Freedoms. The decision is firmly rooted in the principles of copyright law and policy. It is carefully reasoned and authoritative, and may be seen as a landmark decision on copyright users' rights.

The Canadian approach avoids the much-criticised approach taken by United States Courts in interpreting the fair use right. In the United States, s 107 of the Copyright Act of 1976<sup>60</sup> provides that fair use of a copyrighted work is not an infringement of copyright. The section provides that:

In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include-

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit 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.

The factors are unweighted, and the provision is open to criticism as being manipulable. Courts have given considerable weight to the fourth factor of market harm,<sup>61</sup> and increasingly interpreted this factor as permitting fair use only where "market failure" is present. This is based on the idea that copyright exists to protect a copyright owner's market.<sup>62</sup> In this context, Courts have interpreted market failure as existing where a market for the work is not operating for technical reasons,<sup>63</sup> or because of a copyright owner's refusal to license,<sup>64</sup> or because the use the defendant will make of the work will confer public benefits for which the user cannot pay the copyright owner.<sup>65</sup> This "market failure" approach has been criticised as excessively narrowing fair use and excessively limiting users' rights, so that the copyright balance is tilted too far toward the rights of copyright owners.<sup>66</sup> The Canadian approach gives some weight to market harm, but avoids focusing on this factor to the exclusion of other factors by emphasising the need for balance between owners' and users' rights.

The Canadian approach also firmly establishes that fair use is not confined to non-commercial use, and that research carried out for the practice of law constitutes research or private study. McLachlin CJ also made it clear that the fact that research is done for commercial purposes may be a relevant factor counting against a finding of fair dealing, but it does not prevent the activity constituting "research", and it will not alone be determinative of fairness. This contrasts with the position in the United Kingdom, where since October 2003 the research fair dealing exception has been reduced to non-commercial research only.<sup>67</sup> This was achieved by legislation giving effect to the European Copyright Directive.<sup>68</sup> It is not the position in New Zealand, where the legislative exception is not limited to non-commercial use.

## Conclusion

The decision of the Supreme Court of Canada in *CCH Canadian Ltd v Law Society of Upper Canada* is a carefully reasoned decision based on copyright history and copyright principle. It is a decision from a Commonwealth jurisdiction with which New Zealand has much commonality on copyright law and policy. On originality, it steers a middle way between the United States *Feist* approach and the much criticised "sweat of the brow" approach, and the reasoning is free of inapplicable constitutional overtones. On authorisation, it avoids the excessively protective approach in *Moorhouse* and adopts an approach closer to that in *Amstrad*, an approach arguably already applicable in New Zealand. On fair dealing, it establishes a thoughtful framework which seeks to balance competing rights in order to maximise the public good by promoting innovation. It is a decision that has much to commend it to New Zealand Courts. It is to be hoped that the New Zealand judiciary will give it careful consideration in forthcoming cases.

## Footnotes

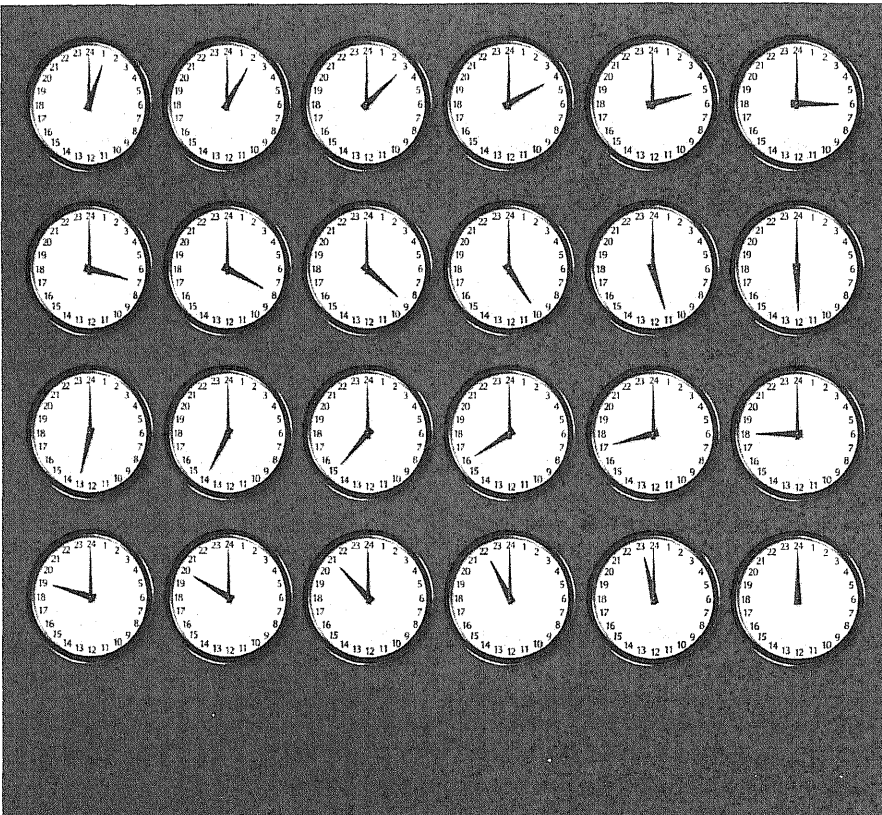
1. See, for example, Carmen Vietri "The Free Flow of Information or the Flow of Free Information?" (2005) 4 NZIPJ 48, which advocates amending the Copyright Act to restrict copying by libraries on behalf of library users.
2. [2004] 1 SCR 339, 2004 SCC 13, (2004) 60 IPR 650.
3. The publishers also filed a cross-appeal in which they submitted that the Law Society also infringed copyright by faxing and by selling copies of their works through its photocopy service, and that the Great Library did not qualify for the library exemption under the Copyright Act. The Court dismissed the cross-appeal. It found no secondary infringement by the Law Society; the fax transmissions were not communications to the public and the Law Society did not sell copies of the publishers' works. Since the Court held that the Law Society's dealings with the publishers' works were fair, it was not necessary to decide whether the Great Library qualified for the library exemption, but the Court found that it did.
4. [2002] 2 SCR 336, 2002 SCC 34, (2004) 60 IPR 650, paras 30 and 31.
5. Ibid, para 14, citing S Handa, *Copyright Law in Canada* (2002), p 209.
6. Citing as examples *University of London Press, Ltd v University Tutorial Press, Ltd* [1916] 2 Ch 601 and *U & R Tax Services Ltd v H & R Block Canada Inc* (1995) 62 CPR (3d) 257 (FCTD).
7. Citing as examples *Feist Publications Inc v Rural Telephone Service Co* (1991) 499 US 340 and *Tele-Direct (Publications) Inc v American Business Information, Inc* [1998] 2 FC 22 (CA).
8. *CCH Canadian Ltd v Law Society of Upper Canada* [2004] 1 SCR 339, 2004 SCC 13, (2004) 60 IPR 650, para 16.
9. Ibid, para 17.
10. D J Gervais "Feist Goes Global: A Comparative Analysis of the Notion of Originality in Copyright Law" (2002) 49 *J Copyright Soc'y USA* 949 at 961.
11. Berne Convention for the Protection of Literary and Artistic Works (Berne, 9 September 1886; 77 BFSP 22; Cm 1212). The Judge here referred to S Ricketson *The Berne Convention for the Protection of Literary and Artistic Works: 1886-1986* (1987), p 900.
12. Citing as an example *Tele-Direct (Publications) Inc v American Business Information, Inc* [1998] 2 FC 22 (CA).
13. *Feist Publications Inc v Rural Telephone Service Co* (1991) 499 US 340.
14. *CCH Canadian Ltd v Law Society of Upper Canada* [2004] 1 SCR 339, 2004 SCC 13, (2004) 60 IPR 650, para 23.
15. Citing J Litman, "The Public Domain" (1990), 39 *Emory LJ* 965, at 969, and C J Craig "Locke, Labour and Limiting the Author's Right: A Warning against a Lockean Approach to Copyright Law" (2002) 28 *Queen's LJ* 1.
16. (High Court, Wellington, CP 142-97, 14 August 1997, McGechan J). See also Bram van Melle "The Copyright Act 10 Years On" (2004) 4 NZIPJ 2.
17. *Telecom v Colour Pages* (High Court, Wellington, CP 142-97, 14 August 1997, McGechan J) 16.
18. [1999] 1 NZLR 261 (CA).
19. *Land Transport Safety Authority of New Zealand v Glogau* [1999] 1 NZLR 261, 271.
20. (2004) 8 NZBLC 101,561 (CA).
21. Ibid, para 27.
22. Ibid, para 42.
23. Ministry of Economic Development *Digital Technology and the Copyright Act 1994: Position Paper* (December 2002),

- available at [http://www.med.govt.nz/busl/int\\_prop/digital/position/index.html](http://www.med.govt.nz/busl/int_prop/digital/position/index.html).
24. Ibid, para 147.
  25. Ibid, para 149.
  26. *Desktop Marketing Systems Pty Ltd v Telstra Corporation Ltd* (2002) 55 IPR 1.
  27. Copyright Act RSC 1985 c C-42 (Canada), s 27(1), Copyright Act 1994 (NZ), ss 16 and 29. The United States does not have an equivalent authorisation provision. Cases which would be treated as authorisation cases in Canada or New Zealand are in the United States commonly treated as cases of vicarious or contributory infringement. See for example *Sony Corp of America v Universal City Studios Inc* (1984) 464 US 417; *Fonovisa Inc v Cherry Auction Inc* (1996) 76 F 3d 259 (9<sup>th</sup> Cir); *A & M Records Inc v Napster Inc* (2001) 239 F 3d 1004 (9<sup>th</sup> Cir); and *MGM Studios Inc v Grokster Ltd* (2004) 380 F 3d 1154 (this last decision is currently under appeal to the USSC).
  28. *Muzak Corp v Composers, Authors and Publishers Association of Canada, Ltd* [1953] 2 SCR 182 at 193; *De Tervagne v Beloeil (Town)* [1993] 3 FC 227 (TD); and *CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] AC 1013, [1988] 2 All ER 484, (1988) 11 IPR 1 (HL). For a discussion of the meaning of "authorise" in the New Zealand context, see Paul Apáthy "Napster and New Zealand: Authorisation under the Copyright Act 1994" (2002) 33 VUWLR 287.
  29. Citing *The New Shorter Oxford English Dictionary* (1993), vol 1, p 526.
  30. Citing *CBS Inc v Ames Records & Tapes Ltd* [1981] 2 All ER 812 (Ch D), at 823-24.
  31. [1976] RPC 151.
  32. *Moorhouse v University of New South Wales* [1976] RPC 151, 159.
  33. [1988] AC 1013; [1988] 2 All ER 484; (1988) 11 IPR 1 (HL).
  34. [1926] 2 KB 474.
  35. *CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] AC 1013, [1988] 2 All ER 484, (1988) 11 IPR 1 (HL), 11.
  36. *Sony Corp of America v Universal City Studios Inc* (1984) 464 US 417.
  37. *MGM Studios Inc v Grokster Ltd* (2004) 380 F 3d 1154 (this decision is currently under appeal to the USSC, and concerns that innovation may be stifled by expanding liability in these cases is one issue in the appeal).
  38. Copyright Act 1994 (NZ), s 41.
  39. Ibid, s 42.
  40. Ibid, s 43. Section 43(3) provides that, in determining whether copying constitutes fair dealing for the purposes of research or private study, a Court must have regard to (a) the purpose of the copying; (b) the nature of the work copied; (c) whether the work could have been obtained within a reasonable time at an ordinary commercial price; (d) the effect of the copying on the potential market for, or value of, the work; and (e) where part of a work is copied, the amount and substantiality of the part copied taken in relation to the whole work.
  41. The principal decisions are *TVNZ Ltd v Newsmonitor* [1994] 2 NZLR 91 and *Copyright Licensing Ltd v University of Auckland* [2002] 3 NZLR 76, (2002) 53 IPR 618 (HC).
  42. The relevant fair dealing provisions in the Canadian Copyright Act provide that:  
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  
(iv) 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.  
30.2(1) It is not an infringement of copyright for a library, archive or museum or a person acting under its authority to do anything on behalf of any person that the person may do personally under section 29 or 29.1.
  43. Copyright Act 1994, ss 42 and 43.
  44. [1972] 1 All ER 1023 (CA), 1027.
  45. *CCH Canadian Ltd v Law Society of Upper Canada* [2004] 1 SCR 339, 2004 SCC 13, (2004) 60 IPR 650, para 55.
  46. Citing *Sillitoe v McGraw-Hill Book Co (UK)* [1983] FSR 545 (Ch D).
  47. *CCH Canadian Ltd v Law Society of Upper Canada* [2004] 1 SCR 339, 2004 SCC 13, (2004) 60 IPR 650, para 56.
  48. For example there might be no other way to criticize or review certain types of works such as photographs. See also *TVNZ Ltd v Newsmonitor* [1994] 2 NZLR 91, 110, where Blanchard J said that "[a] fair dealing can in some circumstances be one which uses the entire work".
  49. Citing *Beloff v Pressdram Ltd* [1973] 1 All ER 241 (Ch D), 264.
  50. *CCH Canadian Ltd v Law Society of Upper Canada* [2004] 1 SCR 339, 2004 SCC 13, (2004) 60 IPR 650, para 64.
  51. [1994] 2 NZLR 91.
  52. *TVNZ Ltd v Newsmonitor* [1994] 2 NZLR 91, 106.
  53. Ibid, 107.
  54. The approach is also consistent with the United Kingdom Court of Appeal decision in *Pro Sieben Media AG v Carlton UK Television Ltd* [1999] 1 WLR 605, [1999] FSR 610, [1998] Imm AR 525 (CA).
  55. (2002) 53 IPR 618 (HC).
  56. Ibid, 629.
  57. *CCH Canadian Ltd v Law Society of Upper Canada* [2004] 1 S.C.R. 339, 2004 SCC 13, (2004) 60 IPR 650, para 54.
  58. Ibid, para 55.
  59. Ibid, para 67.
  60. 17 USCA § 107. In the New Zealand Copyright Act, the factors in s 43(3) for determining whether copying constitutes fair dealing for the purposes of research or private study are an adaptation of the factors in § 107.
  61. In *Harper & Row Publishers, Inc v Nation Enterprises* (1985) 471 US 539, 566 the Supreme Court (Justice O'Connor) said that "[t]his last factor is undoubtedly the single most important element of fair use". In *Campbell v Acuff-Rose Music, Inc* (1994) 510 US 569, 590 the Supreme Court held that "[m]arket harm is a matter of degree, and the importance of this factor will vary, not only with the amount of harm, but also with the relative strength of the showing on the other factors". However, since *Campbell* Courts have continued to treat the fourth factor as the most important: see, for example, *Princeton University Press v Michigan Document Services Inc* (1996) 99 F 3d 1381 (6<sup>th</sup> Cir) (en banc).
  62. In support of this proposition, the Supreme Court has cited Wendy Gordon "Fair Use as Market Failure: A Structural and Economic analysis of the Betamax Case and its Predecessors"



## Finding the copyright balance

- 82 Colum L Rev 1600 (1982), cited in *Harper & Row Publishers, Inc v Nation Enterprises* (1985) 471 US 539, 559.
63. For example, where transaction costs are high. *Sony Corp v Universal City Studios, Inc*, (1984) 464 US 417, 451 is often interpreted as having been decided on this basis, although the language in the Sony opinion does not actually support this interpretation. In *American Geophysical Union v Texaco Inc* (1994) 60 F 3d 913 (2d Cir) the Second Circuit took this approach, finding a sufficiently developed licensing market (although the dissent disagreed on this point). In *Princeton University Press v Michigan Document Services, Inc* (1996) 99 F 3d 1381 (6<sup>th</sup> Cir) (en banc) the Sixth Circuit made a similar finding that market failure was not present because a licensing market already existed.
  64. That is, "endowment effects". See Wendy Gordon "The 'Market Failure' and Intellectual Property: a Response to Professor Lunney" 82 BU L Rev 1031, 1033 (2002). Parody is an example: *Campbell v Acuff-Rose Music, Inc* (1994) 510 US 569, 591-594.
  65. That is, the presence of "positive externalities". See Wendy Gordon "Fair Use as Market Failure: A Structural and Economic analysis of the Betamax Case and its Predecessors" (1982) 82 Colum L Rev 1600, 1630.
  66. See for example Glynn S Lunney "Fair Use and Market Failure: Sony Revisited" 82 BU L Rev 975. Wendy Gordon has also more recently argued for a broader concept of market failure, which asks "when can we as a society not safely rely on the bargain between owner and user to achieve social goals?": Wendy Gordon "The 'Market Failure' and Intellectual Property: a Response to Professor Lunney" (2002) 82 BU L Rev 1031, 1034, and 1037.
  67. Copyright and Related Rights Regulations 2003 (SI 2003 No 2498) (UK).
  68. 2001/29/EC.



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