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Conflict between Contract Law and Copyright Law in Canada: Do Licence Agreements Trump Users' Rights?

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Do Licence Agreements Trump Users' Rights?

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I. Introduction

I argue in this paper that it is not a settled issue in Canadian law that copyright exceptions provided in the Canadian *Copyright Act* can be trumped by contractual agreement, and that a strong argument can be made that they cannot. I first frame the issue by discussing the increasing use of digital rather than print materials in academic libraries, and the potential conflict between subscription agreements and the *Copyright Act*. I then address three approaches (jurisdictional, purposive, and statutory right) that can be taken to determine whether contractual terms are preempted by statutory provisions, and conclude that, in Canada, copyright exceptions are statutory rights that cannot be removed by contract. Finally, I briefly discuss technological protection measures and argue that their recent inclusion in the *Copyright Act* does not necessarily indicate legislative support for private ordering.

II. Digital subscriptions: Framing the issue

Over the past two decades, academic libraries in Canada have increasingly acquired materials such as journals and monographs in electronic format. Correspondingly, access to these electronic materials is not via ownership of a tangible commodity, as it has been in the past. Instead, libraries enter into subscription licences — contracts that allow for access to electronic works in exchange for an annual payment.

From 2002 to 2009, electronic journal expenditures of members of the Association of Research Libraries (which includes some Canadian academic libraries) tripled, while total library materials expenditures went up by a factor of 1.3. Spending on electronic journals more than doubled from 25.05% of total materials expenditures to 56.33%.¹ Between 2009 and 2010, members of the Ontario Council of University Libraries spent \$63 million on their physical items collection (both monographs and serials) and \$60.5 million on their electronic collection. The libraries had subscriptions to about 80,000 print serial titles, and about 847,000 electronic titles.² The reasons for the move to electronic materials are varied: conservation of shelf space, user preference, lack of choice where a journal is only offered digitally, or a print subscription is not offered without a corresponding electronic subscription.³ Electronic journal subscriptions can be more cost efficient, taking into account such factors as the cost of the access licence, the time and effort to process the materials, storage costs (on- or off-site), and the number of times a particular title is accessed.⁴ Despite the cost advantages, libraries and university administrators continue to struggle with other implications of the increasing move to digital resources. “Academic libraries are in a new, electronic environment where the delineation of access to scholarly materials is not universally shared and must be carved out afresh.”⁵

¹ Martha Kyrrilidou & Shaneka Morris, comp, ed, “ARL Statistics 2008-2009” (Washington, DC: Association of Research Libraries, 2011), online: ARL <<http://www.arl.org/storage/documents/publications/arlstat09.pdf>>.

² Michael R Brundin & Alvin M Schrader, "National Statistical Profile of Canadian Libraries" (2012), online: CLA <<http://www.cla.ca/AM/Template.cfm?Section=Advocacy&Template=/CM/ContentDisplay.cfm&ContentID=13785>>.

³ Rachel Miller, “Acts of Vision: The Practice of Licensing” (2007) 32:1-2 *Collection Management* 173 at 183.

⁴ Michael D Cooper, “The Costs of Providing Electronic Journal Access and Printed Copies of Journals to University Users” (2006) 76:3 *Library Quarterly* 323, online: Penn State <<http://citeseerx.ist.psu.edu/viewdoc/summary?doi=10.1.1.154.6077>> [Cooper]; Andrew Odlyzko, “Open Access, Library and Publisher Competition, and the Evolution of General Commerce” (2013), online: arXiv <<http://arxiv.org/abs/1302.1105>> [Odlyzko].

⁵ Canadian Association of Research Libraries Copyright Committee Task Group on E-Books, "E-Books in Research Libraries: Issues of Access and Use" (2008) at 2, online: CARL <http://carl-abrc.ca/uploads/pdfs/copyright/carl_e-book_report-e.pdf> [CARL].

Physical containers of information (as opposed to the information itself) bear limitations in certain respects that restrict how they can be used: they are rivalrous, in that only one person can use them at one time; there is a certain amount of inherent excludability, in that a user must be in the same physical location as the good; and copying a larger portion of the information (such as a chapter or article) from the good generally takes more effort and expense than copying a small portion (such as a page). When information was housed primarily in physical containers, these limitations likely restrained a great deal of copying, simply because it was difficult or inefficient for a user to go to the trouble.

However, such impediments are reduced if not eliminated in the case of digital works available in a networked environment, where many users can access the information at the same time from any location with Internet access, and make identical copies of any proportion of the work with a mouse click.

From a purely law and economics perspective, the relative ease of copying electronic materials presents a difficulty for copyright owners: what is to stop a subscriber from making a digital copy that could then be used by anyone, making further subscriptions unnecessary? Copyright legislation limits copying to a certain extent, but exceptions to copyright infringement such as fair dealing and fair use provide users with an opportunity to use and share information in ways that can disrupt a publisher's business model.

In response, copyright owners have turned to private ordering in the form of contract law and technological protection measures as a means of controlling access to and use of electronic materials. Subscription agreements will often contain provisions that restrict the amount that one can copy from the work, or the purpose to which the copy may be put. There may a technological

limitation on, for example, how many pages can be printed from an electronic textbook. These contractual or technical limitations, however, can conflict with the public domain status of the particular work, or with the exceptions provided for in copyright legislation and interpreted by the courts.

The Supreme Court of Canada has recognized that an effective copyright law is a balance between the ability of the author or copyright owner to earn a reward for his or her creative efforts, and the interest of the public in having the opportunity to freely use the work in a meaningful way: “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.”⁶

Furthermore, in several of its decisions, the Court characterized fair dealing and other exceptions to copyright infringement as “users’ rights” rather than mere defences or loopholes. In 2004, the Court explained that these users’ rights were essential to the copyright regime:

Procedurally, a defendant is required to prove that his or her dealing with a work has been fair; however, the fair dealing exception is perhaps more properly understood as an integral part of the *Copyright Act* than simply a defence.... The fair dealing exception, like other exceptions in the *Copyright Act*, is a user’s right.⁷

⁶ *Théberge v Galerie d'Art du Petit Champlain inc*, 2002 SCC 34, [2002] 2 SCR at para 31, online: CanLII <<http://canlii.ca/t/51tn>> [Théberge].

⁷ *CCH Canadian v Law Society of Upper Canada*, 2004 SCC 13, [2004] 1 SCR at para 48, online: CanLII <<http://canlii.ca/t/1glp0>> [CCH].

In 2012 the Court reiterated these statements in two fair dealing cases, and stressed that the right belongs to the ultimate user.⁸ That fair dealing is a right of the user, rather than a privilege, is significant,⁹ and will be further discussed in the next section.

However, despite the Supreme Court's clear pronouncements, some universities take the view that contractual limitations always trump copyright exceptions, and claim as much in their copyright policies.¹⁰ The Canadian Association of Research Libraries issued a report stating that "if a library and a publisher agree in a contract that fair dealing will not apply to activities that are specified in the contract, then the contract's provisions prevail regardless of what the *Copyright Act* provides."¹¹ The Association of Universities and Colleges of Canada claims in its fair dealing guidelines that restrictions on use in a digital licence take precedence.¹² University administrators fear that failing to abide by the terms of the contract will result in loss of access to the materials, a lawsuit for breach of contract, or both. This is by no means a settled issue in Canadian law, and it may be argued that the courts would take quite a different view.

III. Contracts and the *Copyright Act*

In the United States, the relationship between contract law and copyright law has been addressed in a number of court cases and several academic articles.¹³ Yet, even in the U.S., "there is no

⁸ *Alberta (Education) v Canadian Copyright Licensing Agency (Access Copyright)*, 2012 SCC 37, [2012] 2 SCR 345 at para 22, online: CanLII <<http://canlii.ca/t/fs0v5>> [Alberta]; *Society of Composers, Authors and Music Publishers of Canada v Bell Canada*, 2012 SCC 36, [2012] 2 SCR 326 at para 34, online: CanLII <<http://canlii.ca/t/fs0vf>> [Bell].

⁹ David Vaver, "Copyright Defenses as User Rights" (2013) 60 *Journal of the Copyright Society of the USA* 601.

¹⁰ Lisa Di Valentino, "Review of Canadian University Fair Dealing Policies" (2013) at 28-31, online: SSRN <<http://ssrn.com/abstract=2263034>>.

¹¹ CARL, *supra* note 5 at 9.

¹² Association of Universities and Colleges of Canada, "Application of the Fair Dealing Policy for Universities: General Application" (2013) at 2, online: Scribd <<http://www.scribd.com/doc/165760807/1-Application-of-the-Fair-Dealing-Policy-For-Universities-General-Application>>.

¹³ see, for example, Niva Elkin-Koren, "Copyright Policy and the Limits of Freedom of Contract" (1997) 12:1 *Berkeley Technology Law Journal* 93, online : Berkeley <<http://www.law.berkeley.edu/journals/btlj/articles/vol12/Elkin-Koren/html/reader.html>>; Niva Elkin-Koren, "A Public-Regarding Approach to Contracting Over Copyrights" in R Cooper-Dreyfuss, D Leenheer Zimmerman & H

coherent rule for contract preemption that harmonizes the individual interest in freedom of contract and the societal interest in federal copyright policy.”¹⁴ From the jurisprudence and literature, however, three main approaches to the issue are apparent and may provide some guidance in a Canadian analysis: the jurisdictional approach, the purposive analysis approach, and the statutory rights approach.

III.1 Jurisdictional approach

In both Canada and the U.S., copyright is in the jurisdiction of the federal legislature, and copyrights cannot be created by provincial, state, or administrative bodies, or by the common law. The U.S. Constitution grants Congress the power “To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”¹⁵ In Canada, the *Constitution Act, 1867* empowers Parliament to make laws related to copyright.¹⁶

Section 301 of the U.S. *Copyright Act* explicitly provides that there are no copyrights beyond what is granted in § 106:

- (a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created

First, eds, *Expanding the Boundaries of Intellectual Property: Innovation Policy for the Knowledge Society* (Oxford: Oxford University Press, 2001) 191; I Trotter Hardy, "Contracts, Copyright and Preemption in a Digital World" (1995) 1 Richmond Journal of Law & Technology 2, online, RJLT <<http://jolt.richmond.edu/v1i1/hardy.html>>.

¹⁴ Christina Bohannon, "Copyright Preemption of Contracts" (2008) 67 Maryland Law Review 616, online: SSRN <<http://ssrn.com/abstract=1138251>>.

¹⁵ art I, § 1, cl 8, online: WikiSource <https://en.wikisource.org/wiki/Constitution_of_the_United_States_of_America>.

¹⁶ (UK), 30 & 31 Vict, c 3, reprinted in RSC 1985, App II, No 5, s 91, online: Government of Canada <<http://laws-lois.justice.gc.ca/eng/Const/page-1.html>>.

before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.¹⁷

The court can declare “any such right or equivalent right” to be invalid based on jurisdiction. In order for such a “right” to be preempted by the federal statute, it must be the same type of right, without any “extra element” that makes it qualitatively different.¹⁸ For example, in *Vault Corp v Quaid Software Ltd*, the 5th Circuit held that certain provisions of a Louisiana state law prohibiting the copying of software for any purpose was preempted by the U.S. *Copyright Act* because it granted greater protection to copyright owners (i.e. prohibiting decompiling of software, which is explicitly allowed in the federal statute).¹⁹

Per § 106, copyright owners have the “exclusive rights to do and to authorize any of the following...” but these rights are “subject to sections 107 through 122” (i.e. exceptions to exclusive rights, including fair use, the practice of which is not copyright infringement).²⁰ So, by the plain text of § 301, it appears that a contractual provision purporting to restrict reliance on copyright exceptions would be invalid, as § 106 rights themselves are limited by the exceptions. In other words, if the copyright owner’s exclusive rights granted by legislation do not extend into the realm of activities covered by the exceptions, a contract restricting the exceptions will, by the same token, extend the copyright owner’s rights, or create new ones. However, U.S. courts will sometimes rule that contractual claims are qualitatively different from copyright claims, in that there is a promise involved — that is, the other party to the contract promises to not use the

¹⁷ 17 USC § 301, online: LII <<http://www.law.cornell.edu/uscode/text/17>> [U.S. *Copyright Act*].

¹⁸ Kathleen K Olson, “Preserving the Copyright Balance: Statutory and Constitutional Preemption of Contract-Based Claims” (2006) 11 *Communication Law and Policy* 83 at 94-95.

¹⁹ 847 F2d 255 (5th Cir 1988), cited in Olson, *ibid* at 100.

²⁰ U.S. *Copyright Act*, *supra* note 17, § 106.

works in a certain way, and this promise is the extra element that avoids preemption.²¹ In *ProCD, Inc v Zeidenberg* (a much-discussed and criticized decision addressing shrink-wrap contracts), the 7th Circuit ruled that a breach of contract claim is not preempted by the federal statute because the agreement only binds the parties, whereas the federal statute (and state statutes) binds “the world”, so the rights granted are not strictly equivalent.²² Judge Easterbrook in *ProCD* took an economic approach, essentially treating the situation as a failure in information transparency that could have been remedied by the ability of the buyer to return the product and buy something else, despite the fact that the licence contract was not negotiated.²³

However, Judge Easterbrook did not go so far as to say that no contracts can be preempted by the statute,²⁴ although in some subsequent cases the courts have interpreted it that way.²⁵ In other cases, courts have ruled that rights granted by contract are not qualitatively different from those granted in the federal statute and are therefore preempted.²⁶ The nature of the U.S. court system has likely contributed to the inconsistency, as appeals courts in one circuit are not bound by decisions in other circuits.

The Canadian *Copyright Act* contains a provision similar to the U.S.’s § 301, at s 89:

²¹ Olson, *supra* note 18 at 95.

²² 86 F3d 1447 (7th Cir 1996) [*ProCD*], cited by Olson, *ibid*.

²³ Jacques de Werra, "Moving Beyond the Conflict Between Freedom of Contract and Copyright Policies: In Search of a New Global Policy for On-Line Information Licensing Transactions: A Comparative Analysis Between U.S. Law and European Law" (2003) 25:4 Columbia Journal of Law & the Arts 239 at 258, online: SSRN <<http://ssrn.com/abstract=2149796>> [de Werra].

²⁴ Olson, *supra* note 18 at 106; de Werra, *ibid* at 259-260.

²⁵ Olson, *ibid* at 110.

²⁶ Olson, *ibid* at 95.

No person is entitled to copyright otherwise than under and in accordance with this Act or any other Act of Parliament, but nothing in this section shall be construed as abrogating any right or jurisdiction in respect of a breach of trust or confidence.²⁷

The two provisions are not completely equivalent: while § 301 limits copyright (and equivalent rights) to those granted by the *Copyright Act*, the Canadian section allows for the possibility that the federal legislature might enact additional laws that grant copyrights. However, neither permits the creation of copyrights or copyright-like rights by provincial or state legislatures, or administrative regulators.

The exclusive rights of a copyright owner are set out in s 3(1) of the *Copyright Act*: “‘copyright’, in relation to a work, means the sole right to produce or reproduce the work or any substantial part thereof in any material form whatever...” Section 27 defines copyright infringement: “It is an infringement of copyright for any person to do, without the consent of the owner of the copyright, anything that by this Act only the owner of the copyright has the right to do.”

However, certain uses of the work are plainly not infringements of copyright, despite that they are undertaken without the permission of, or compensation to, the copyright owner. These “exceptions” include fair dealing (s. 29), reproduction of a work for a test or examination at an educational institution (s. 29.4(2)), and retransmission of a signal by a licensed retransmitter, subject to certain conditions (s. 31(2)). So, a copyright owner does not, by the plain text of the *Copyright Act*, have the right to prevent reliance on these exceptions.

Note that while s 81 addresses breaches of trust and breaches of confidence, it does not mention breach of contract. On the other hand, there are some provisions in the *Copyright Act* that permit some kinds of contracts and limit others. A copyright owner may assign or licence rights (s. 3)

²⁷ RSC 1985, c C-42, s 89, online: CanLII <<http://canlii.ca/t/7vdz>> [*Copyright Act*].

but assignments of copyright or licences must be signed by the owner or agent, otherwise they are not valid (s. 13(4)). Reversionary interest in a copyright devolves to author's estate 25 years after author's death despite any agreement to the contrary (s. 14(1)) Moral rights cannot be assigned, so that any contract or term purporting to assign moral rights would be void (s. 14.1(2)). Certain assignments of copyrights or licences will be adjudged void if they are not registered with the Registrar of Copyrights (s. 57(3)). Some of these provisions create rights (for example, the exclusive right to assign one's existing rights), and some explicitly disallow the creation of rights, or at least their transfer (for example, moral rights). None of them explicitly allow or disallow the transfer or waiver of users' rights by contract. While "it is not difficult to make a finding that a contract is either expressly or impliedly prohibited by statute", one should only do so if the implication is clear.²⁸ Like much of the law regarding copyright exceptions, it is necessary to look at the courts' interpretation of the statute.

In *Reference re Broadcasting Regulatory Policy CRTC 2010-167 and Broadcasting Order CRTC 2010-168*, the Supreme Court addressed whether the Canadian Radio-television Telecommunications Commission (CRTC) could promulgate regulations that would seem to conflict with the provisions of the *Copyright Act*.²⁹ The CRTC is a regulatory body established by the *Broadcasting Act* and empowered to issue licences to broadcasters and broadcast distribution undertakings (BDUs). The CRTC sought to introduce a regime whereby private broadcasters could negotiate with BDUs for compensation for the retransmission of their signals. The regime would also allow broadcasters to prohibit retransmission if negotiations are not fruitful.³⁰ The majority of the Court noted that such a regime would directly conflict with the

²⁸ *Still v Minister of National Revenue* (1987), [1998] 1 FC 549, online: CanLII <<http://canlii.ca/t/1pqw1>> [*Still*].

²⁹ 2012 SCC 68, online: CanLII <<http://canlii.ca/t/fv76k>> [*CRTC Reference*]

³⁰ *ibid* at para 1.

Copyright Act.³¹ Section 21 grants certain exclusive rights to broadcasters to authorize retransmission of signals by other broadcasters, while s 31(2) provides for an exception to broadcasters' rights in that a BDU — which is not a “broadcaster” within the meaning of the *Copyright Act*³² — may, under certain conditions, simultaneously retransmit local signals without authorization or payment of royalties. As noted above, the exception means that broadcasters do not have the right to prevent such retransmission or seek compensation for it. The Supreme Court said that were the CRTC to impose its regime, it would be creating a new right in conflict with s 89:

Contrary to s 89, the value for signal regime would create a new type of copyright by regulation or licensing condition.... The value for signal regime would create a new right to authorize retransmission (and correspondingly prevent retransmission if agreement as to compensation is not achieved), in effect, amending the copyright conferred by s 21.³³

The dissent, on the other hand, maintained that there is no conflict, because the CRTC has jurisdiction under the *Broadcasting Act* to regulate the conditions under which it will grant a licence.³⁴ The regime does not create new copyrights, but it imposes conditions on licensing.³⁵ One could perhaps consider this interpretation of the facts as akin to the “extra element” analysis in U.S. copyright law. The majority did not agree, however, calling the proposed regime “functionally equivalent” to an amendment of s 21 granting additional rights to broadcasters.³⁶

³¹ *ibid* at para 11.

³² *ibid* at para 50.

³³ *ibid* at para 81.

³⁴ *ibid* at para 123.

³⁵ *ibid* at para 120.

³⁶ *ibid* at para 82.

While ultimately the *CRTC Reference* decision prevents an *administrative body* from imposing conditions granting rights that are functionally equivalent to copyright, and an argument may be made that it would prevent such an imposition by way of a mass-market end-user agreement,³⁷ it does not directly rule that two parties cannot otherwise *voluntarily* contract to waive the ability to exploit copyright exceptions. However, the ratio can easily be applied to such an agreement. In order for the Court to decide whether or not the CRTC has the jurisdiction to enable broadcasters to negotiate with BDUs for compensation for retransmission of signal, it must be the case that broadcasters were not already entitled to do so. In fact, the regime under consideration would not *force* broadcasters and BDUs to negotiate, it would merely allow private local television stations to *choose* to negotiate.³⁸ In other words, it would create the environment for a contract where none existed before.

There is an important difference to consider, however, when applying this ratio to a situation where an academic library freely enters into a licensing agreement for access to electronic materials. Whereas the *CRTC Reference* case involved negotiations of the conditions under which a BDU may retransmit a signal, subscription agreements address copyright exceptions as conditions under which access to the electronic material is permitted. That is, the waiver of exceptions is a form of consideration, in addition to monetary payment, in exchange for access to the works. In this way, it can be argued that the contract does not create a new right that is functionally equivalent to those found in the *Copyright Act*, it is merely an agreement to not take advantage of copyright exceptions for the duration of the contract.

³⁷ Pascale Chapdelaine, “The Ambiguous Nature of Copyright Users’ Rights” (2013) 26.1 Intellectual Property Journal 1 at 40.

³⁸ *CRTC Reference*, *supra* note 29 at para 1.

Whether or not this type of voluntary agreement is permissible under the *Copyright Act* requires further analysis, including contemplation of the purpose of copyright legislation.³⁹

III.2 Purposive analysis approach

A freely-negotiated contract may not necessarily confer new rights that are equivalent to copyright; as Judge Easterbrook noted in *ProCD*, copyrights (and other rights conferred by legislation) are rights against the world, while contract terms bind only those who choose to be party to them.⁴⁰ If an individual does not want her fair dealing entitlements curtailed, she is free to walk away from the contract or return the product. The “invisible hand” of the free market, where producers offer their goods for a certain price (monetary or otherwise), and consumers spend what they choose, the market will be guided until it reaches a point where everybody benefits.

However, information, being non-excludable and non-rivalrous, does not easily lend itself to guidance by this invisible hand. Because it can be “consumed” by more than one person simultaneously, and is not lessened with each use, producers will not necessarily make any money from its creation. Copyright law creates artificial exclusion and rivalry in works of information and creativity, encouraging their creation by ensuring some kind of reward for the creator.

In Anglo-American countries such as Canada and the U.S., copyright law is utilitarian — its ultimate purpose is to promote progress in arts and science for the benefit of society as a whole. This purpose is directly addressed in the U.S. *Constitution*.⁴¹ Congress is given a constitutional

³⁹ “According to [*Cope v Rowlands* (1836), 150 ER 707], a finding that a contract is impliedly prohibited requires an examination as to the purpose or object underscoring the legislation” (*Still, supra* note 28.)

⁴⁰ de Werra, *supra* note 23 at 269.

⁴¹ *supra* note 15.

mandate to “promote the progress of science and the useful arts” by imposing an artificial monopoly on creative works; the monopoly is limited in order to encourage meaningful use of the works by that will further contribute to progress. The Supremacy Clause of the *Constitution* provides that the articles therein and federal statutes are the “supreme law of the land” and take precedence over state laws.⁴² Constitutional preemption doctrine has been argued to apply to contracts as well as state laws, and has been used by courts in striking down contractual provisions that disrupt the balance (between the interests of the creator and the interests of the public)⁴³ created by Congress in enacting copyright law.⁴⁴ But it is still not clear in the law whether a purposive approach leads to the preemption of all contract terms that conflict with copyright law, or only those of standard form, non-negotiated agreements.⁴⁵

Canada’s equivalent to the Supremacy Clause is found in s 52(1) of the Constitution Act, 1982: “The Constitution of Canada is the supreme law of Canada, and any law that is inconsistent with the provisions of the Constitution is, to the extent of the inconsistency, of no force or effect.”⁴⁶ However, the Canadian constitutional documents do not specify a purpose for the enactment of copyright laws.

As noted in Section II above, Canadian copyright law is considered by Canadian courts to be, as in the U.S., a balance. The approach differs from that of classical economics, where the market is expected to regulate itself. Copyright law is a recognition that some form of governmental

⁴² *ibid*, art VI.

⁴³ The House of Representatives report addressing the proposed fair use provision in 1976 stated that “it is the intent of this legislation to provide an appropriate balancing of the rights of creators, and the needs of users.” (U.S., House Judiciary Committee, *Copyright Law Revision* (HR No. 94-1476) (Washington, DC: U.S. Government Printing Office), online: Wikisource <[http://en.wikisource.org/wiki/Copyright_Law_Revision_\(House_Report_No._94-1476\)>](http://en.wikisource.org/wiki/Copyright_Law_Revision_(House_Report_No._94-1476)>).)

⁴⁴ see de Werra, *supra* note 23 at 270-271.

⁴⁵ *ibid* at 271.

⁴⁶ *Constitution Act, 1982*, being Schedule B to the *Canada Act 1982* (UK), 1982, c 11, online: Government of Canada <<http://laws.justice.gc.ca/eng/Const/index.html>>.

regulation is necessary to encourage creation *and* use of information and knowledge “goods”.

This regulation is backed by policy objectives. In *Théberge*, the Supreme Court said 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.⁴⁷

The Court in *CCH* cited *Théberge* and added that copyright exceptions such as fair dealing must not be interpreted restrictively, so as to avoid tilting the balance too far in favour of the copyright owner.⁴⁸ This idea was repeated in *Bell*.⁴⁹ Indeed, the Governor General, in his Speech from the Throne in 2011, announced the government’s intention to amend and modernize copyright law in a way that “balances the needs of creators and users.”⁵⁰ The Court in the *CRTC Reference* also noted the importance of the objective behind copyright law:

[A]lthough the exception to copyright infringement established in s 31 on its face does not purport to prohibit another regulator from imposing conditions, directly or indirectly, on the retransmission of works, it is necessary to look behind the letter of the provision to its purpose, which is to balance the entitlements of copyright holders and the public interest in the dissemination of works.⁵¹

⁴⁷ *supra* note 6 at para 31.

⁴⁸ *supra* note 7 at para 48.

⁴⁹ *supra* note 9 at para 11.

⁵⁰ David Johnston, *Speech from the Throne*, 41st Parl, 1st Sess, July 3, 2011, online: CBC <<http://www.cbc.ca/news/canada/the-speech-from-the-throne-1.1057204>>.

⁵¹ *CRTC Reference*, *supra* note 29 at para 70.

The value for signal regime would rewrite the balance between the owners' and users' interests as set out by Parliament in the *Copyright Act*.⁵²

Given the insistence that copyright exists to provide *limited* rights to creators and owners, it would be unusual if not counterproductive to allow copyright owners to defeat its purpose by extending those rights as a condition to access the work.

III.3 Statutory right approach and privity of contract

However, if the preceding sections are inconclusive as to whether two parties can or cannot come to a voluntary agreement that would, as a form of consideration, limit certain uses of a work that are otherwise permitted by the *Copyright Act*, it is still necessary to consider the notion of statutory rights in contract.

Freedom of contract is the principle whereby individuals may enter into agreements without governmental restriction; more specifically, they can alter their legal relationships towards one another, creating rights and duties, or transferring existing rights, for example. However, freedom of contract is not absolute — there are certain situations where one cannot enter into particular agreements. One cannot contract to commit an illegal act, for example. One can try, but such an agreement is unenforceable in the courts. Furthermore, certain statutes provide that an individual cannot contract to waive a particular right granted to him by the statute. The *Employment Standards Act* of Ontario does not allow employees to waive by contract the employment standards that have been enacted to protect him: “Subject to subsection (2), no employer or agent of an employer and no employee and agent of an employee shall contract out of our waive an employment standard and any such contracting out or waiver is void.”⁵³

⁵² *ibid* at para 76.

⁵³ SO 2000, c 41, s 5(1), online: CanLII <<http://canlii.ca/t/30f>>.

Similarly, the *Ontario New Home Warranties Plan Act* states that every vendor warrants to the owner that the home is free of defects, etc., and that these warranties apply despite any agreement to the contrary.⁵⁴

It is not necessary that the text of statute itself explicitly disallow such contracts; the courts may interpret a limitation based on the statute's purpose. In *Royal Trust v Potash* the Supreme Court considered whether the federal *Interest Act* permitted a mortgagor (Potash) to waive his entitlement to prepay his mortgage.⁵⁵ Section 10(1) of the *Interest Act* provides that if a non-corporate mortgagor pays a mortgage in full, plus three months further interest, after five years, the mortgagee may not charge further interest.⁵⁶ The statute does not use the word "right" to describe this section, but the Court characterized it as such.⁵⁷ Furthermore, the statute does not explicitly prevent the mortgagor from entering into agreements that waive this right. In this case, Potash renewed his mortgage twice whereby he was permitted only to prepay a maximum of 10% of the principal per year. Eight years after the execution of the original mortgage, Potash attempted to pay the entirety of the loan as per s 10(1) of the *Interest Act*. The court of first instance held that Potash had contracted out of his right and therefore could not have the mortgage discharged.⁵⁸ The appeals court reversed, ruling that one could not contract out of a right that is designed to protect the public, and if it were possible to waive the right of prepayment it would render the protection ineffectual, to the detriment of the public.⁵⁹ The appeals court discussed general propositions of waiver of statutory rights, citing *Halsbury's Laws of Canada*: "Individuals for whose benefit statutory duties have been imposed may waive

⁵⁴ RSO 1990, c O.31, ss 13(1), 13(6), online: CanLII <<http://canlii.ca/t/2lc>>.

⁵⁵ [1986] 2 SCR 35, online: CanLII <<http://canlii.ca/t/1ftqp>> [*Potash*].

⁵⁶ RSC 1985, c I-1, online: CanLII <<http://canlii.ca/t/7vh8>>.

⁵⁷ *Potash*, *supra* note 55 at para 1.

⁵⁸ *ibid* at para 9.

⁵⁹ *Potash v Royal Trust Co*, [1984] 4 WWR 210, 1984 8 DLR (4th) 459 (MCA) at para 49.

their right to the performance of those duties, unless to do so would be contrary to public policy or to the provisions or general policy of the statute imposing the particular duty or the duties are imposed in the public interest.”⁶⁰

The Supreme Court considered Royal Trust’s argument that a statute must expressly prohibit waiving or contracting out of the protections of s 10(1) and did not find it compelling. Instead, the Supreme Court agreed with Potash, and with the appeals court, that “s 10(1) was enacted in the public interest and that the long standing rule against contracting out or waiver should apply to it.”⁶¹ However, it did not agree that the renewals in this case represented a attempted to contract out of the statutory right; instead, Potash chose not to exercise the right at this time.⁶²

It has been noted above in Section II that the Supreme Court has, on various occasions, described copyright exceptions as “users’ rights”. It is important at this point to consider the word “right” and whether it is being used broadly (as a synonym for “interest” or “advantage”) or narrowly (as in a “claim”) — in other words, whether copyright exceptions can be considered “statutory rights” that cannot be overridden by contract. (It should first be noted that the term “statutory right” as applied to copyright exceptions was used in the *CRTC Reference*. Abella and Cromwell JJ, in their dissent, acknowledged that BDUs have a statutory right to retransmit signals under s 31(2), but that this right was intended by Parliament to be predicated on the conditions placed on retransmission licences by the CRTC pursuant to the *Broadcasting Act*.⁶³)

WN Hohfeld’s influential analysis of fundamental legal concepts is often invoked in a discussion of rights. Hohfeld grouped jural relations into pairs of opposites, and pairs of correlatives. For

⁶⁰ 44 Hals (4th) 596 at para 950, cited in *ibid* at para 33.

⁶¹ *Potash*, *supra* note 55 at para 40.

⁶² *ibid* at para 41.

⁶³ *CRTC Reference*, *supra* note 29 at para 117.

example, a “right” (narrowly construed) correlates with a “duty” — where one person has a right, another (or all others) have a corresponding duty to do or not do something. A right *in personam* corresponds to a duty owed by particular person, whereas a right *in rem* corresponds to a duty owed by all persons or a class of persons.⁶⁴ Rights can also be positive or negative, and corresponding with a duty to do something, or to not do something, respectively.⁶⁵ Hohfeld provides an example of a negative right *in rem*: “A’s right that B shall not manufacture a certain article as to which A has a so-called patent.”⁶⁶ Exclusive rights granted by copyright law would also fall into this categorization.

Rights are further contrasted with “privileges”, which correspond to “no right”. A privilege differs from a right in that there is no duty upon anyone else to do something or not do something, but there is also no right in others to make a claim against the individual. A privilege is “permission to do an act that would normally be a breach of a duty.”⁶⁷

Are copyright exceptions rights or privileges according to the above analysis? It has been argued that American fair use is only a privilege, while copyrights are rights. Fair use does not compel anyone else to do or not do something with respect to the object of the right, which in this case, is the particular use of copyrighted works. It is clear that a copyright owner has a right *in rem* in the use of her works, and users have a corresponding duty to refrain from using them without permission or compensation. This right is supported in the Canadian *Copyright Act* by statutory remedies that will legally require the user to compensate for the infringing use, pay other

⁶⁴ WN Hohfeld, “Fundamental Legal Conceptions as Applied in Judicial Reasoning” (1917) 26 Yale Law Journal 710 at 719, online: Yale Law School <http://digitalcommons.law.yale.edu/fss_papers/4378/>.

⁶⁵ *ibid.*

⁶⁶ *ibid.*

⁶⁷ Hunter Hogan, “A Hohfeldian Primer” [blog post] (20 December 2007) Legal Blog, online: Chicago-Kent College of Law <<http://www.kentlaw.edu/perritt/blog/2007/12/hohfeldian-primer.html>>.

damages, or refrain from using the work.⁶⁸ However, this right is limited by exceptions to infringement, such as fair dealing. Within the scope of copyright exceptions, the copyright owner does *not* have a right. The user, on the other hand is statutorily entitled to make certain uses of a work; by the plain text of the statute, the user has a privilege. If this entitlement were merely a privilege, the copyright owner would, correspondingly, have no right to prevent the use or seek remedy for it. If user rights are “rights” by the Hohfeldian conception, there would be a duty on the copyright owner to not interfere.⁶⁹

It is sometimes argued that there no right without a specific remedy. In the context of equity, this means that the breach of a right must lead to some sort of relief. An alternative, definitional, interpretation is that the very existence of a right depends on the availability of relief.⁷⁰ That is, a “right” must be accompanied by a means of enforcement or other remedy, otherwise it is merely a “privilege” or “freedom”. In *Black’s Law Dictionary*, a right is defined, inter alia, as “A legally enforceable claim that another will do or will not do a given act; a recognized and protected interest the violation of which is a wrong.”⁷¹ Examples of such remedies are found in ss 34-40 of the *Copyright Act*, whereby an owner or author may seek various sorts of relief for infringement of copyright. The provision protecting mortgagors in the *Interest Act* is supported by a remedy found in s 103(1)(c) of Manitoba’s *Real Property Act* — the aggrieved individual may apply to the court for an order compelling the mortgagee to discharge the loan.⁷²

Even where there is no statutory remedy provided for those who would like to enforce their rights, they are not completely devoid of options; a plaintiff may seek declaratory relief from the

⁶⁸ *Copyright Act*, *supra* note 27, s 34(1).

⁶⁹ The duty may also be on others, if it is a right *in rem*.

⁷⁰ Devlin Hartline, "Why Copyright is a Right and Fair Use is a Privilege" [blog post] (August 17, 2013), online: Law Theories <<http://lawtheories.com/?p=436>>.

⁷¹ 9th ed, *sub verbo* “right”.

⁷² CCSM, c R30, online: CanLII <<http://canlii.ca/t/8gm8>>.

court, in order to clarify the respective rights of the parties.⁷³ There must be a real, not hypothetical, issue to be considered, and a plaintiff with sufficient interest.⁷⁴ There need not be any actual wrong or even threat of one; it is enough that there is an uncertainty with respect to legal relations that has the potential to endanger a plaintiff's interests.⁷⁵

Although a declaratory judgment does not in itself lead to an award of monetary damages or an injunction, or coercion of performance or non-performance on the part of the other party, it is a *res judicata* (i.e., legally binding) and will settle any subsequent action by the other party relating to the particular set of facts.⁷⁶ A suit for declaratory relief may be impractical for many situations, but matters of practicality (i.e. whether such relief will in fact be sought) are not dispositive to the analysis of whether a freedom is a right.⁷⁷

There is precedent for declaratory relief with respect to fair dealing in Canada. In *CCH*, the Supreme Court granted a declaration that the Law Society does not infringe copyright when the Great Library makes photocopies of materials in accordance with its Access Policy.⁷⁸ This relief would not be necessary were fair dealing simply a defence to copyright infringement, or a privilege; the Court had already determined that the particular copies under consideration were in fact fair dealing. The order allowing the appeal could have ended there. However, the Court went further and issued to the Law Society a form of positive relief in the form of a declaratory judgment that any copying made within the scope of the library's policy is not an infringement of

⁷³ Lazar Sarna, *The Law of Declaratory Judgments*, 3d ed (Toronto: Thomson Canada Limited, 2007) at 1 [Sarna].

⁷⁴ *ibid* at 2.

⁷⁵ Edwin Borchard, *Declaratory Judgments*, 2d ed. (Cleveland: Banks-Baldwin Law Pub. Co., 1941) at 28.

⁷⁶ Sarna, *supra* note 73 at 31, citing *Canadian Warehousing Association v The Queen* (1968), [1969] SCR 176 at 178, online: CanLII <<http://canlii.ca/t/1xcg9>>.

⁷⁷ "A right is no less a right merely because all the steps necessary to be taken to ensure its enforcement have not yet been taken." (*Re Falconbridge Nickel Mines Ltd v Ontario (Minister of Revenue)*, [1981] 32 OR (2d) 240, 121 DLR (3d) 403 (Ont CA) at para 32, online: CanLII <<http://canlii.ca/t/g1j31>>, cited in *Esso Resources Canada Ltd v R* (1988), 22 FTR 110 (FTCD) at para 17.)

⁷⁸ *CCH*, *supra* note 7 at para. 90.

copyright. This act is in keeping with the Court's characterization of fair dealing as a right that imposes a corresponding duty on the copyright owner to refrain from interfering with its exercise. (Subsequently, York University filed a counterclaim against Access Copyright for a declaration that any reproduction that falls within the scope of York's Fair Dealing Guidelines constitutes fair dealing.⁷⁹)

The above analysis suggests that copyright exceptions are statutory rights that cannot be waived by contract. Although exceptions are not referred to as "rights" in the statute itself, they are implicated as such in the *CRTC Reference*; furthermore, this is not a necessary condition of a statutory right. There is no statutory obligation upon the copyright owner to facilitate the exercise of an exception, nor to refrain from taking action against it, but a user may apply to the court for a legally binding declaration.

In the Supreme Court decision *Robertson v Thomson Corp*, Lebel and Fish JJ said that "parties are, have been, and will continue to be, free to alter by contract the rights established by the *Copyright Act*."⁸⁰ It would seem, then, that statutory rights in copyright can be waived or transferred if one chooses. However, s 3 of the *Copyright Act* expressly permits a copyright owner to assign or licence exclusive rights, so that the material can be published. There is no such provision with regards to user rights.

Another important factor in the analysis of the relationship between contract law and copyright is that exceptions — although, like the exclusive rights of owners, are intended ultimately to benefit the public in general — are the right of the user. In a fair dealing analysis, for example, it

⁷⁹ *Access Copyright v York University*, Statement of Defence and Counterclaim (September 5, 2013), online: Scribd <<http://www.scribd.com/doc/165933322/AC-v-York-U-Defence-and-Counterclaim>>.

⁸⁰ 2006 SCC 43 (CanLII), 274 DLR (4th) 138 at para 58, online: CanLII <<http://canlii.ca/t/1pqw1>>.

is the ultimate user's perspective that is taken into account when determining the purpose of the dealing.⁸¹

DR Jones notes that “‘negotiated’ agreements supposedly allow the parties to arrive at the terms they bargained for. Yet these agreements do not affect only the two parties. They affect anyone who wants to borrow the work if there is a limitation on lending, and thus they affect a broader public interest.”⁸² While she was speaking here in terms of access to electronic books rather than use of them (such as copying), the point stands that the legal party to the contract — the party who negotiated and accepted the provisions — is not always the end user of the work. This is especially true in libraries, where materials are collected and maintained on behalf of patrons, who have not signed, and may not be aware of, subscription agreements.

In academic libraries, there are two primary classes of users: staff (including faculty), and students. Employment contracts will sometimes specify that the employee has a duty to adhere to all policies emanating from the employer, or it may be an implied term of the contract. Such policies may include a copyright policy indicating that certain uses of copyrighted material, although permitted by the *Copyright Act*, are barred by publishers' licence agreements.⁸³

The relationship between a university and its students is said to be one of *sui generis* contract; the student becomes a party to the contract by accepting the offer of admission, registering for courses, and paying tuition.⁸⁴ Documents such as the academic calendar and student handbook

⁸¹ *CCH*, *supra* note 7 at para 64; *Bell*, *supra* note 8 at para 34; *Alberta*, *supra* note 8 at para 22.

⁸² DR Jones, “Locked Collections: Copyright and the Future of Research Support” (2013) 105:4 Law Library Journal 425 at 443, online: SSRN <<http://ssrn.com/abstract=2356503>>.

⁸³ Often it is unclear whether a copyright policy is in fact a policy or merely a guideline.

⁸⁴ *Bella v Young*, 2006 SCC 3, 261 DLR (4th) 516, 1 SCR 108 at para 31, online: CanLII <<http://canlii.ca/t/1mfl2>>; *Hazanavicius v McGill University*, 2008 QCCS 1617, 2008 CarswellQue 3458 at para 58, online: CanLII <<http://canlii.ca/t/1wr83>>; *Wong v University of Toronto*, 1990 CarswellOnt 825, 45 Admin LR 113, 79 DLR (4th) 652 (Ont Dist Ct) at para 18.

are terms of the contract to which students are taken to have agreed,⁸⁵ but in many cases copyright is not mentioned in any of these documents (although plagiarism is usually addressed). University policies may form part of the contract as well.⁸⁶

However, the proposition that statutory rights cannot be waived by contract applies to employment contracts and study contracts as well as licence agreements. Furthermore, any restriction on a faculty member's ability to exercise exceptions such as fair dealing in their research and teaching may run afoul of a collective agreement.⁸⁷

Access to electronic resources is often predicated not only on signed subscription agreements (which may be negotiated) but also on so-called click wrap agreements. The end user agrees, by using the electronic resource, to abide by its terms and conditions. For example, WestlawNext Canada's Licence Agreement, found behind a link at the login page, defines "Subscriber" as "any person who/which accesses and/or uses the Features and/or data."⁸⁸ The User Agreement for the website of *The Chronicle of Higher Education* states that "You will be legally bound to these terms by accessing or using any part of the site, whichever occurs first."⁸⁹ (The agreement prohibits the creation of course books or educational materials using any of the site's content.) Such an agreement is not likely to be upheld, given the preceding analysis.

⁸⁵ *Rittenhouse-Carlson v Portage College*, 2009 ABQB 342 at para 72, online: CanLII <<http://canlii.ca/t/23vg2>>.

⁸⁶ *Lobo v Carleton University*, 2011 ONSC 4680.

⁸⁷ For example, the "Faculty Collective Agreement between The University of Western Ontario and The University of Western Ontario Faculty Association" protects the academic freedom of faculty members, including the right to "select, acquire, disseminate, or critique documents or other materials in the exercise of the Member's Academic Responsibilities." (2010) at 6, online: UWOFA <<http://uwofa.ca/collectiveagreements/>>.) The collective agreement for librarians and archivists contains a similar provision. ("Collective Agreement between The University of Western Ontario and The University of Western Ontario Faculty Association - Librarians and Archivists" (2011) at 11, online: UWO <http://www.uwo.ca/facultyrelations/libs_archs/collective_agreement.html>.)

⁸⁸ "Licence Agreement for WestlawNext Canada", online: Westlaw Carswell <<http://www.westlawcarswell.com/NR/rdonlyres/E1A0D543-3DA3-44A5-B34B-43C8A05FA231/0/OnlineSubscriberLicenceFinal.pdf>>.

⁸⁹ "The Chronicle of Higher Education User Agreement" (2013), online: Chronicle <<http://chronicle.com/article/user%20agreement/47435>>.

IV. Contracts and digital materials

In response to a claim that copyright exceptions such as fair dealing are statutory rights that cannot be waived in contract, copyright owners (and particularly publishers of electronic materials) might argue that the economic aspects of copyright have not been suitably addressed, and that copyright exceptions such as fair dealing are no longer necessary when access to materials is increased. Copyright owners would note that the fair dealing doctrine developed in an age of printed materials and cannot be cleanly imported into the digital environment. Certain uses of a work are permitted in order to ensure access to a work by as many people as possible. Although the *Copyright Act* does not address access per se, copyright law is predicated on the assumption that someone other than the author or creator will at some point use the material in some way, even if only to look at it. Fair dealing allows more than one person to have access to a work at the same time; an individual can copy small portions of the material for later reference and leave the physical good for the next user.

This argument comes from a “practicality” and “market failure” perspective of fair dealing — that it is cheaper and more efficient for copyright owners to ignore certain uses of a work than it is to control them or seek compensation for them.⁹⁰ In a digital environment, the cost and effort associated with a more thorough control over access to and use of a work is greatly reduced. For example, copying of a work can be limited contractually or by technological protection measures, and licensing fees can be easily collected through an online portal such as the Copyright Clearance Center.

⁹⁰ see Julie E Cohen, "Lochner in Cyberspace: The New Economic Orthodoxy of 'Rights Management'" (1998) 97:2 Michigan Law Review 462, online: SSRN <<http://ssrn.com/abstract=128230>> [Cohen].

Libraries will benefit from this regime: for example, there is not necessarily a limit on how many users can access materials at one time; printed materials will not become damaged, nor will they need to be replaced; storage costs are greatly reduced.⁹¹

Once access is assured by means of private contracts, there is no longer a need for copyright exceptions.⁹² The “invisible hand” will guide the market to an equilibrium that is (economically) beneficial for all.

Critics point out that such a “cybereconomic” theory of copyright does not fully consider the non-monetary factors of copyright policy. Treatment of information as a commodity on par with physical goods ignores or downplays the inherent social worth of information, and phenomena such as the network effect, where the value of a resource increases the more it is used. There is a presumption that scientific and creative progress is better served by private ordering rather than public regulation, but this presumption is simplistic and unproved.⁹³ For example, a cybereconomic argument does not adequately account for transformative uses of a work that are encouraged by fair dealing. Even supposing that private ordering would increase access to a work, thus diminishing the need to make reproductions for later use, there does not appear to be room to integrate works or parts of them into new creative endeavours. The *Copyright Act* was amended in 2012, adding, among other things, a “User-Generated Content” (UGC) exception that permits an individual to use a copyrighted work in the creation of a new work for non-commercial purposes.⁹⁴ This provision is intended to encourage the creation and dissemination of creative works by non-professionals (those who neither expect nor desire direct monetary

⁹¹ Cooper, *supra* note 4; Odlyzko, *supra* note 4.

⁹² It might even be argued that there would be no need for copyright law at all; the objective to encourage the production of creative works would be better met by contract law on its own. (Olson, *supra* note 18 at 117.)

⁹³ Cohen, *supra* note 90 at 489, 491.

⁹⁴ *supra* note 27, s 29.21(1).

reward), activities facilitated by digital technologies.⁹⁵ A subscription agreement or terms of use agreement that prohibits any copying of materials necessarily prevents the exercise of this right, as do agreements that allow copying but limit the types of uses to which the text, song, or video may be put. For instance, *The Chronicle of Higher Education*'s user agreement allows users to download and print content, but does not allow the creation of derivative works or educational materials.⁹⁶ Of course, copyright owners could allow these types of uses by those who are willing to pay a bit extra, but this is precisely the type of situation the UGC exception was enacted to avoid.

It also does not consider the difference in bargaining power that may be present. The Court in *Potash*, in deciding that Potash was not, in fact, contractually waiving his right to prepay a mortgage, considered whether there was an imbalance in bargaining power:

Contracting out or waiver, it seems to me, envisages a mortgagor's agreeing or acknowledging at the commencement of a five-year period that he has no option, that only one route is open to him and that is to renew with the same mortgagee. Potash did not have to sign any renewal if he did not want to. He did not contract out of his right to repay; he made a free choice not to exercise it.⁹⁷

A perfect free market presumes equality in bargaining power. In mass-market transactions involving click-wrap, unilateral terms of use, users have no choice but to accept the contract in order to access the information. There is no “bargaining” involved whatsoever: the user can

⁹⁵ see Teresa Scassa, “Acknowledging Copyright’s Illegitimate Offspring: User-Generated Content and Canadian Copyright Law” in Michael Geist, ed, *The Copyright Pentalogy: How the Supreme Court of Canada Shook the Foundations of Copyright Law* (Ottawa: University of Ottawa Press, 2013) 431, online: University of Ottawa Press <<http://www.press.uottawa.ca/the-copyright-pentalogy>>.

⁹⁶ *supra* note 89.

⁹⁷ *Potash*, *supra* note 55 at para 41.

agree to the terms or go without. Even in ostensibly negotiated agreements,⁹⁸ such as those between publishers and libraries, the nature of academic materials such as journals puts the libraries in a weaker position. Generally, academic journals are non-substitutable resources, and certain publications are considered essential for a library's collection.⁹⁹ An academic library's mandate is to support the teaching and research of its college or university, and if a department or faculty requires access to a given publication, the library does not necessarily have the power to "walk away". This, of course, has always been an issue in academic library collection management, but now the issue is not only the price of the material but also the use of it. The pressure to accept overly-restrictive terms has been eased somewhat by the rise of consortial licensing,¹⁰⁰ but publishers raise prices and bundle titles in an attempt to retain power over the acquisitions process.¹⁰¹

Various commentators have proposed changes to the copyright regime that take into account the new ways of accessing and using digital works. Jane Ginsburg calls this new way "experiencing" rather than "having".¹⁰² She argues that an "access right" is an integral part of copyright, and that copyright owners should accordingly be afforded protection, but that this exclusive right, like others in copyright, should be subject to exceptions and limitations on behalf of users.¹⁰³

⁹⁸ de Werra, *supra* note 23 at 363-364.

⁹⁹ Glenn S McGuigan, "Publishing Perils in Academe: The Serials Crisis and the Economics of the Academic Journal Publishing Industry" (2004) 10:1 *Journal of Business & Finance Librarianship* 13 at 18 [McGuigan].

¹⁰⁰ For example, the Canadian Research Knowledge Network is a consortium of universities that negotiates and acquires subscriptions to electronic materials on behalf of its members. The network has developed its own model subscription agreement for use in negotiations. (Canadian Research Knowledge Network, "Model Licence", online: CRKN <<http://crkn.ca/programs/model-license>>.)

¹⁰¹ McGuigan, *supra* note 99.

¹⁰² Jane C Ginsburg, "From Having Copies to Experiencing Works: The Development of an Access Right in U.S. Copyright Law" in Hugh Hansen, ed, *U.S. Intellectual Property Law and Policy*. Queen Mary Studies in Intellectual Property (Cheltenham, UK: Edward Elgar, 2006) 39.

¹⁰³ *ibid.*

Jacques de Werra asserts that we need to find a way to combine contract law and copyright law to address conflicts.¹⁰⁴ He suggests a legal test rather than legislative approach, and outlines the criteria that would be taken into account, much like the factors addressed in a fair dealing or fair use analysis.¹⁰⁵

V. Technological protection measures

Technological protection measures, or “digital locks”, are an additional method used by copyright owners to control access to or use of an electronic work. The 2012 amendment of the Canadian *Copyright Act* added prohibitions on the circumvention of digital locks and the creation of or dealing in circumvention tools or services.¹⁰⁶ Certain copyright exceptions such as reproduction for private purposes,¹⁰⁷ time-shifting,¹⁰⁸ and making backup copies¹⁰⁹ are expressly conditioned on the non-circumvention of digital locks.

Many of the economically-based arguments in favour of contractual ordering of copyright have been applied to digital locks. During House of Commons debates on Bill C-11, the Conservative government (who introduced the bill) focused on the economic aspects of access and use of works, and issues such as digital innovation, profit, and the creation of jobs:

Copyright law is about balance. It is about a balance between those who wish to purchase items and those who have created items.¹¹⁰

¹⁰⁴ de Werra, *supra* note 23 at 360.

¹⁰⁵ *ibid* at 362-369.

¹⁰⁶ *supra* note 27, ss 41-41.1.

¹⁰⁷ *ibid*, s 29.22.

¹⁰⁸ *ibid*, s 29.23.

¹⁰⁹ *ibid*, s 29.24.

¹¹⁰ *House of Commons Debates*, 41st Parl, 1st Sess, No 124 (15 May 2012) (Dean Del Mastro), online: Parliament of Canada <<http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=5588814&Language=E&Mode=1>>.

Let us say, for example, I am a creator and I choose to sell something that is locked. It is like if my colleague had a store of suits and decided that he would lock the store when there was nobody around. He could choose to lock it or unlock it but if he unlocked the store perhaps people would come into his store and take all of his suits. With that business model, unfortunately, he would go bankrupt.¹¹¹

While digital locks are similar to a standard form contract in that they (ostensibly) allow a copyright owner to unilaterally control access to or use of a digital work, some of the arguments against the validity of contract provisions that conflict with the *Copyright Act* cannot be applied to digital locks. The reason is that the digital lock provisions were duly enacted by Parliament and incorporated into the statute. However, the provisions (and versions of them in previous bills) have been criticized in journal articles, books, and blogs as being overly broad, anti-competitive, and possibly unconstitutional.¹¹²

The inclusion of digital locks in the bill seems to suggest that Parliament is supportive of private ordering within the copyright regime. Even if this were the case, the support does not necessarily extend to all uses of a work. The fair dealing and user-generated content exceptions, for example, are not explicitly conditioned on the non-circumvention of a digital lock. The digital lock

¹¹¹ *House of Commons Debates*, 41st Parl, 1st Sess, No 124 (15 May 2012) (Colin Carrie), online: Parliament of Canada <<http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=5588814&Language=E&Mode=1>>.

¹¹² Carys Craig, “Locking out Lawful Users: Fair Dealing and Anti-Circumvention in Bill C-32” in Michael Geist, ed, *From Radical Extremism to Balanced Copyright: Canadian Copyright and the Digital Agenda* (Toronto: Irwin Law, 2010) 177, online: Irwin Law <http://www.irwinlaw.com/content_commons/from_radical_extremism_to_balanced_copyright>; Jeremy F deBeer, “Constitutional Jurisdiction Over Paracopyright Laws” in Michael Geist, ed, *In the Public Interest: The Future of Canadian Copyright Law* (Toronto: Irwin Law, 2006) 89, online: Irwin Law <http://www.irwinlaw.com/content_commons/in_the_public_interest>; Andrew Yolles, “In Defence of a Defence—A Demonstrable Legitimate and Non-Infringing Purpose as a Full Defence to Anti-Circumvention Legislation” (2012) 10 *Canadian Journal of Law & Technology* 75. Blogs that discuss digital locks include those of Michael Geist <<http://www.michaelgeist.ca/tags/digital+locks>>, Ariel Katz <<http://arielkatz.org/archives/category/blog>>, Howard Knopf <<http://excesscopyright.blogspot.ca/search/label/tpm>>, and Meera Nair <<http://fairduty.wordpress.com/tag/tpms/>>.

provision itself does not forbid the circumvention of copy-control protection measures, only access-control measures (although it does forbid any person to “manufacture, import, distribute, offer for sale or rental or provide — including by selling or renting — any technology, device or component” if the primary use is to circumvent digital locks).¹¹³ Additionally, the Governor in Council may make regulations that allow circumvention of an access-control measure for the purpose of certain acts, or that require the copyright owner to provide access to a work protected by a digital lock.¹¹⁴

VI. Conclusion

While many in academic libraries assume that contract terms restricting certain uses of digital materials take legal precedence over copyright legislation that permits them, I have argued that the issue is not quite as clear cut in Canadian law. In fact, several arguments can be made that statutory copyright exceptions cannot be waived by contract (whether standard form or negotiated), and even if they could, those whose rights are being waived are generally not a party to the agreement. The purpose of the *Copyright Act* is to maintain a balance between the rights of the copyright owner and the rights of the user, ultimately benefiting the public via the progress of science and art, and there is no compelling evidence that Parliament intended that this balance should be disrupted by private ordering.

¹¹³ *Copyright Act*, *supra* note 27, s 41.1(1).

¹¹⁴ *ibid*, s 41.21(2).