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Hon. Dan Ruimy, MP
Chair, Standing Committee on Industry, Science and Technology
Sixth Floor, 131 Queen Street
House of Commons
Ottawa, ON K1A 0A6
Canada

Dear Mr. Ruimy:

Thank you for the opportunity to make submissions in respect of the review of the *Copyright Act* (Canada). I have practiced entertainment law and intellectual property law for more than fifteen years, and have been an adjunct professor at Osgoode Hall Law School and Western University's Faculty of Law. I am also currently a PhD student at Osgoode Hall Law School, where my dissertation research focuses on copyright licensing. I submit these comments in my personal capacity, representing only my own views, and not on behalf of any client or on behalf of any law firm or other organization with which I am associated.

Many of the submissions to the Standing Committee address "big picture" elements of the Act and the copyright regime generally. I am writing about a discrete, granular matter: I write to recommend the repeal of the "reversion" mechanism found in Section 14 of the *Act*. It is convoluted, its application is confusing, and its presence adds additional complexity to a copyright system that is already renowned for its often-perplexing operation. The arguments contained in this submission are adapted from my article "Long Time Coming: Copyright Reversionary Interests in Canada", published in *Développements récents en droit de la propriété intellectuelle (2013)*, volume 375 (Barreau du Québec; Éditions Yvon Blais). That article explores in detail the history and application of the reversion mechanism; the article is available for download via my SSRN author page: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2368464

A basic description of the reversion mechanism is that it deems void any assignments, grants or exclusive licences that a deceased author entered into during their lifetime and re-vests copyright in the author's heirs twenty-five years after the death of the author. By way of example, imagine the following scenario: a writer wrote a novel in 1975 and transferred the copyright in that novel to a publisher in 1978; the author then died in 2000, meaning that copyright in the novel will subsist until December 31, 2050. The reversion mechanism will cause the copyright in that novel to revert to the author's heirs in 2025, irrespective of the wording of the author's contract with the publisher. An Ontario court decision described the reversion mechanism as intended to "relieve against hardship suffered by the impoverished families of deceased authors".[1]

[1] *Anne of Green Gables Licensing Authority v Avonlea Traditions Inc.* (2000) 4 CPR (4th) 289 (Ont SCJ) at para. 83.

Section 14 should be repealed with immediate effect from the date of repeal, such that the reversion mechanism is entirely excised from our copyright law and no longer applies to any work, irrespective of when the work was created, when the author entered into an assignment or grant, or when the author died. Only such a comprehensive elimination of the reversion mechanism will serve the purpose of simplifying Canadian copyright law. Many other Commonwealth countries apart from Canada have repealed their equivalent of Section 14: the United Kingdom repealed it with effect from 1956, New Zealand in 1963, South Africa in 1965 and Australia in 1969. The repeal should not be done in the partial manner in which repeal was effected in the United Kingdom, where the reversion mechanism lingers on, still applicable to grants made on or before June 1, 1957. As noted by one commentator, the continued operation of the reversion mechanism in the United Kingdom "can be something of a trap";[2] though it should go without saying, we should strive to draft and revise our legislation in ways which do not lead to pitfalls for the unwary.

Arguments favouring repeal of the Canadian reversion mechanism were once relatively common – but perhaps because the onrushing wave of digital technology made other copyright issues of more immediate concern, mention of the repeal of the reversion mechanism fell away. In 1977 Consumer and Corporate Affairs Canada published proposals for copyright reform which called for the repeal of the reversion mechanism on the basis that its existence "might adversely affect the author's … bargaining position" and that the various complicated exceptions to its application "remove[d] the intended effect of the section".[3] In a 1984 publication from the same Ministry, the reversion mechanism was described as "an inequitable intrusion into the ability of the parties to agree to expiration terms of their own choosing".[4] In summarizing their recommendations for reform, the authors of the report highlighted that "the public interest is best served by clear delineations that remove ambiguities…".[5] Earlier that decade, Barry Torno strongly criticized the reversion mechanism because it was "an unacceptably paternalistic approach to the treatment of authors on the part of a benevolently disposed legislature", going on to state:

> "Such provisions perpetuate the stereotypical image of the author as the gifted but 'congenitally irresponsible' artist who cannot be expected assume full responsibility for the consequences of his actions and must be guarded against himself [citation omitted. It is submitted that such a perception: (a) constitutes an insult and a disservice to authors; (b) is not in keeping with the societal value placed on treating each citizen as responsible for his own acts; …".[6]

While the foregoing arguments in favour of repeal of the reversion mechanisms stand on their own merits, I wish to supplement them by reference to the purposes of copyright as described by the Supreme Court of Canada. In particular, I refer to the language used by Justice Binnie in the *Théberge* decision:

> "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 (or, more accurately, to prevent someone other than the creator from appropriating whatever benefits may be generated)."[7]

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[2] Garnett, James and Davies, *Copinger and Skone James on Copyright* (14th ed.) (1999) at §5-110.

[3] Consumer and Corporate Affairs Canada, *Copyright in Canada Proposals for a Revision of the Law* (April 1977), page 76.

[4] *From Gutenberg to Telidon: A White Paper on Copyright: Proposals for the Revision of the Canadian Copyright Act,* published by the Departments of Consumer and Corporate Affairs, and of Communications, 1984, Library of Parliament Call Number Z565 E76 at page 57.

[5] *Ibid.* at page 88.

[6] Barry Torno, *Term of Copyright Protection in Canada: Present and Proposed* (Consumer and Corporate Affairs Canada, 1980) at page 39.

[7] 2002 SCC 34 at paras. 30-31.

The primary argument in favour of repealing the reversionary interest is that it fails to accord with the fundamental purposes of the *Copyright Act* as articulated by the courts. Because the reversion mechanism operates to weaken security of tenure for owners and licensees by injecting considerable uncertainty regarding the duration of the period for which they will enjoy their rights, and because it complicates the task of identifying the owner(s) of rights, the mechanism does not function to "obtain a just reward" for the creator (indeed, as described below, it may operate to achieve exactly the opposite result) and it can function to hinder dissemination of works to the public. In short, the reversion mechanism does significant damage to the predictable operation of the *Copyright Act* without any evidence that it accomplishes the goals of the copyright regime writ large or even the more modest purported goal of protecting the putatively impoverished families of authors.

Because of the reversionary interest, transferees and licensees[8] of rights from living authors have no predictable way of knowing how long they will enjoy their rights if the author who granted them the rights remains alive. Only once the author is deceased will they be definitively able to assess the duration of copyright in the work they have acquired. Of course, similar uncertainty attends all acquisitions and licenses of copyrighted works from living authors: the term of copyright protection is in all circumstances unknown until the author passes away. However, because of the reversionary interest, the uncertainty is compounded: the acquiror of rights in a work whose author is alive not only does not know when copyright will expire (which will occur fifty years after the author dies), but does not know when the rights they have acquired will be removed from their control by operation of the reversionary interest. All they can know with certainty is that the law says they will lose the rights for which they have bargained twenty-five years after the author's death, and twenty-five years before copyright in the work expires. They do not know when the applicable twenty-five year period will commence. They do not know whether an author's estate or heirs will be informed enough to become aware of the reversionary interest and assert ownership – because the existence of the reversionary interest is not widely known, relatively few author heirs will assert their rights. Such uncertainty is anathema to informed planning of commercial undertakings.

There are numerous uncertainties about the operation of the reversion mechanism left unanswered by the Act. How does it impact subsequent assignments and licences (e.g., if the author transfers copyright to A, then A transfers the copyright to B, does the reversion cause B to lose their rights)? Is continued use by a transferee/licensee during the reversion period (*i.e.*, before an heir asserts their reversionary ownership interest) an act of infringement? How does the reversion mechanism affect moral rights? Each of these unanswered questions exacerbates the confusion amongst owners (and their lawyers).

The reversionary interest thus wreaks some counter-intuitive results: given the uncertainty of their ownership and the fact that they will not be legally entitled to exploit rights in the work during the last twenty-five years of the copyright term, informed assignees and licensees will be inclined to discount the value they are prepared to pay up-front to an author for a work (in those situations where they are seeking rights for a period longer than twenty-five years). Similarly, owners will be disinclined to invest resources towards the exploitation of a work which is nearing the reversionary threshold, because they will be uncertain whether an author's heirs will assert a reversionary claim; they may be reluctant to allow someone else to enjoy the post-reversion fruits of their investment, or they may deliberately undercut the market value of the work in order to obtain positional advantage during negotiations with the heirs to re-acquire the rights after reversion.

[8] Assuming, of course, that the licence in question has a duration of more than twenty-five years.

Additionally, the theoretical foundation of the reversionary interest is weak. It is unclear why, aside from sentimental reasons, the heirs of authors should be entitled to an ownership interest in works which the author licensed or sold during his or her lifetime. No other form of intellectual property – indeed, no other form of property whatsoever – is treated in this fashion. Except for copyright-protected works, it is never the case that an asset which was once owned by a deceased individual is suddenly snatched from its current owners at some arbitrary point in time after the previous owner's death and bestowed upon the previous owner's heirs.

The reversion mechanism also functions arbitrarily. If our concern is to ensure that the heirs of creators are not left destitute, why would we require them to wait twenty-five years to enjoy the benefit of the reversion? And we should note that the operative word in the foregoing sentence is "heirs", and not "family". The reversionary interest operates to benefit heirs, whoever they may be – whether family, friends, business associates, acquaintances, corporations, charities, educational institutions, or otherwise (indeed, in one of the few reported cases involving the reversion mechanism, the heir was the author's landlord[9]). Because there is no "means test" on the reversion, the reversion benefits heirs not only whoever or whatever they may be, but it does so wholly irrespective of the financial circumstances in which they find themselves: the wealthy heir benefits just as much as the bankrupt heir.

For all of the foregoing reasons the reversion mechanism contained in Section 14 of the *Copyright Act* should be repealed.

Best regards,

Bob Tarantino

[9] *Kelley Estate (Winkler) v Roy*, 2002 FCT 950.