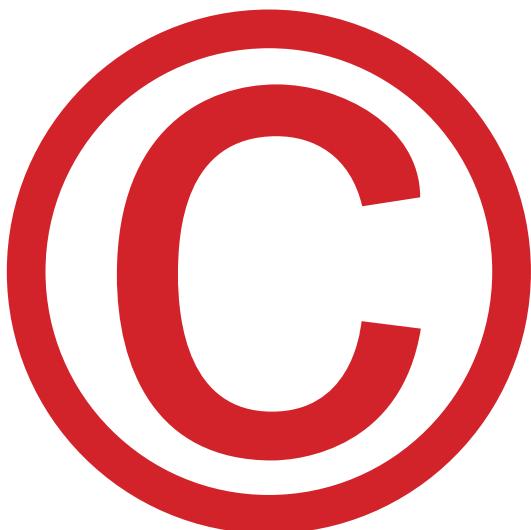


# Review of the Copyright Tribunal



## **CONTENTS**

1. Glossary
2. Introduction
3. Summary of recommendations
4. Copyright and the rôle of the Collecting Societies
5. The jurisdiction of the Tribunal
6. Previous considerations of the Tribunal
7. Proposals for practice before the Tribunal
8. Location, resources and composition of the Tribunal
9. Access to the Tribunal by Collecting Societies
10. Sections 128A and 128B of the CDPA
11. Appeals
12. Orphan works
13. Miscellaneous
14. Responses to request for comments

## **1. GLOSSARY**

ADR	alternative dispute resolution
BCC	British Copyright Council
BMR	British Music Rights
CBC	Copyright Board of Canada
CDPA	Copyright, Design and Patents Act 1988
CLA	Copyright Licensing Agency Ltd
Cmc	case management conference
CPR	Civil Procedure Rules
CT	Copyright Tribunal
DACS	Design and Artists Copyright Society
DCA	Department of Constitutional Affairs
Gowers	Gowers Review of Intellectual Property
IP	Intellectual Property
IPID	Intellectual Property & Innovation Directorate of the UK Intellectual Property Office
MCPS	Mechanical-Copyright Protection Society
MMC	Monopolies and Mergers Commission
OFT	Office of Fair Trading
PPL	Phonographic Performance Limited
PRS	Performing Right Society
PRT	Performing Right Tribunal
TMD	Trade Marks Directorate
VPL	Video Performance Limited

## **2. INTRODUCTION**

2.1 The Director of the Intellectual Property & Innovation Directorate of the UK Intellectual Property Office (IPID) commissioned us to undertake a review of the Copyright Tribunal (CT). We<sup>1</sup> were chosen on the basis that, as inter partes hearing officers for the Trade Marks Directorate (TMD), we had experience of a tribunal, the proceedings of which are generally considered to be efficient and relatively inexpensive. We are outsiders looking in, with neither axes to grind nor preconceived notions about the CT. We did not have a predetermined conclusion. No parameters were placed on our review. We have looked at all aspects of the work and the powers of the CT.

2.2 Our study of the CT began by the consideration and analysis of the “raw data”. This involved the consideration of every decision of the CT and its predecessor, the Performing Right Tribunal (PRT) (and any subsequent appeal judgments). Every case lodged with the CT from 2000 onwards was considered in detail: all the evidence, the correspondence and the transcripts of substantive and directions hearings of the cases (with the exception of the recent downloading case) were studied. This empirical data forms the cornerstone and the foundation of the review.

2.3 We found the two Monopolies and Mergers Commission (MMC) reports on collecting societies of great assistance: *Collective Licensing* report of 1988 and *Performing Rights* report of 1996. Michael Freegard and Jack Black’s book *The Decisions of the UK Performing Right and Copyright Tribunal* was also a boon to our work. Of course, *Copinger and Skone James on Copyright* (fifteenth edition) was always to hand. Similar systems in Canada and Australia were studied. We visited the Copyright Board of Canada (CBC) to study and discuss its workings. This was of immense help in setting up a comparator and acting as a catalyst to thought and analysis. We wish to express our immense gratitude to The Honourable Justice William J Vancise<sup>2</sup>, Stephen J Callary<sup>3</sup> and all the staff of the CBC for their help and kindness during our visit.

2.4 The views of licensees and licensors of rights and their representatives were canvassed by way of postal mail, e-mail and an announcement on the UK Intellectual Property Office website. Copies of the submissions that were received, and for which no confidentiality was sought, are reproduced at the end of this review. The views of the previous and current chairman, the deputy chairmen and the lay members of the CT were also canvassed.

2.5 A meeting was held with representatives of Phonographic Performance Limited (PPL). British Music Rights (BMR) organised a meeting at which representatives of various interested parties and lawyers involved in the work of the CT were present.

2.6 The recommendations that we make require extensive changes to the existing system. We have come to conclusions that are very similar to those of the MMC in its

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<sup>1</sup> David Landau – Principal Hearing Officer of the TMD; Chris Bowen – Assistant Principal Hearing Officer of the TMD.

<sup>2</sup> Chairman of the CBC.

<sup>3</sup> Vice-Chairman and Chief Executive Officer of the CBC.

two reports. They also correspond to some extent to the submissions that we received from interested parties. The nature of the problems and failings that have been identified has dictated the answers. The main recommendations that we make are interdependent; they are unlikely to achieve their aims if they are removed from the structure within which they have been framed.

### **3. SUMMARY OF RECOMMENDATIONS**

- (1) The CT should be balanced and have no disposition in favour of one side or the other. (4.11)
- (2) The Copyright Tribunal Rules 1989 should be repealed and the proceedings of the CT governed by the CPR and practice directions. (7.12)
- (3) There should be one standard form for all references to the CT. (7.14)
- (4) The fees of the CT should be abolished. (7.16)
- (5) The reasoning behind licence schemes and tariffs should be clearly shown. (7.22)
- (6) A challenge to the terms of a licence should be based on fact. (7.23)
- (7) The CT (with the extra resources mentioned in recommendation 18) should take an active part in formulating methodologies for the objectification of the criteria for the conditions of a licensing scheme or licence. (7.29)
- (8) Once an application has been made to the CT the case should be allocated to the chairman or deputy chairman, who should be responsible for all aspects of the case from thence forward. (7.32)
- (9) Once the counterstatement has been received a case management conference (cmc) should be called as soon as possible to direct the management of the case. (7.33)
- (10) The CT should ask for particular questions to be answered in the evidence. (7.34)
- (11) The CT should put clear limitations on the type and quantity of the evidence that is submitted. (7.34)
- (12) The emphasis should be on written rather than oral evidence. (7.35)
- (13) If a hearing is to take place it should be the subject of a strict timetable. (7.37)
- (14) Expert evidence should only be allowed if strictly necessary. If there is expert evidence it should be by a single, joint expert. (7.39)
- (15) The CT should set a target for the completion of all cases, from receipt of application, to issue of decision. (7.41)
- (16) Alternative Dispute Resolution (ADR) should be used when appropriate, there should be no compulsion to use it. (7.42)
- (17) The staff of the CT should be based in London and the UK Intellectual Property Office should supply the necessary accommodation. (8.10)

- (18) There should be a permanent staff of two who will report directly to the chairman of the CT. (8.21)
- (19) There should be no restriction on the number of deputy chairmen. (8.23)
- (20) The lay members should be abolished. (8.32)
- (21) The head of the CT should be called the President. (8.34)
- (22) The position of president/chairman should be salaried and an open recruitment exercise held for the appointment of the first and future presidents. (8.38)
- (23) An annual budget for the CT should be set by the president/chairman in conjunction with the UK Intellectual Property Office (8.39)
- (24) The CT should be responsible for all content on its own website but the UK Intellectual Property Office should manage and administer the site for the CT. (8.42)
- (25) Licensing bodies should be able to make references to the CT under sections 118 and 125 of the CDPA. (9.7)
- (26) The provisions of sections 128A and 128B of the CDPA should be reviewed. (10.9)
- (27) Whether there should be a reference to the CT under section 128(A) of the CDPA should be determined by the chairman of the CT. (10.11)
- (28) There should not be any change in the basis for appeal from a decision of the CT. (11.6)
- (29) The CT should be responsible for granting licences for the use of orphan works. (12.8)
- (30) The collecting societies should be referred to as licensing societies. (13.4)

## **4. COPYRIGHT AND THE RÔLE OF THE COLLECTING SOCIETIES**

4.1 The 1996 MMC report commented upon the difference between the philosophies behind copyright in mainland Europe and in the English speaking countries:

“4.3. Other countries have their own regimes. The droit d'auteur system which applies in most other European countries developed from considerations of natural justice, viewing the work of an author as the expression of his personality and acknowledging his fundamental human right to control exploitation of his work and to protect its integrity. The system applicable in the UK, and to a great extent in other English speaking countries, has by contrast as its primary basis the concept of safeguarding the skill, labour and investment of those responsible for the creation of works. Copyright under this system might be characterized as a right to prevent unauthorized people from dealing with others' intellectual property. Despite these conceptual differences, the kinds of materials and the forms of exploitation protected under both systems are essentially the same.”

4.2 The recitals of *Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society* define the European Union's perception of copyright:

“(9) Any harmonisation of copyright and related rights must take as a basis a high level of protection, since such rights are crucial to intellectual creation. Their protection helps to ensure the maintenance and development of creativity in the interests of authors, performers, producers, consumers, culture, industry and the public at large. Intellectual property has therefore been recognised as an integral part of property.

(10) If authors or performers are to continue their creative and artistic work, they have to receive an appropriate reward for the use of their work, as must producers in order to be able to finance this work. The investment required to produce products such as phonograms, films or multimedia products, and services such as 'on demand' services, is considerable. Adequate legal protection of intellectual property rights is necessary in order to guarantee the availability of such a reward and provide the opportunity for satisfactory returns on this investment.”

4.3 Copyright is not just about large, international undertakings; it is about the creators of works. It is also about small undertakings, the purpose of which is the promotion and propagation of works in which they believe; for every Universal Music Group there are many Hyperions, the LSO has its own record label and supplies ringtones. Great fortunes are not to be made in running Welsh language publishing houses and record labels. The currently much bandied term “creative industry” obscures the fact that the copyright system benefits individual creators as well as multi-national companies. It is also a term that lies with the old United Kingdom

philosophy of copyright rather than that of the European Union. *The labourer is worthy of his hire* and copyright is one of the principal tools that allow the creator to receive payment for his hire.

4.4 Some users make use of a large amount of copyright material in different ownerships eg clubs and radio stations playing music; it would be impractical and very expensive to try and identify and pay the individual owners of the copyright in all the music that is being played. Consequently, collecting societies have been formed which licence a large repertoire of copyright works. These societies have often been formed in response to changes in technology and use. The PPL was formed by EMI and Decca in May 1934. Its formation was due to a successful action under the Copyright Act of 1911 against Stephen Carwardine & Co, restaurant proprietors, to restrain use of a recording written by Auber and played by the LSO, in its tea and coffee rooms. The case established the principle that owners of sound recordings should be paid for the broadcasting and public performance of their works. In the *Report of the Committee to Consider the Law on Copyright and Designs* under the chairmanship of Mr Justice Whitford (*the Whitford Report*) presented to Parliament in March 1977 consideration was given to the effect of the photocopier:

"In view of the growth of reprography as a problem in the educational field since the time of the Gregory Committee, we have considered first the question whether there should be any express exceptions in favour of educational establishments at all. We feel that the fact that 'education' is a good cause is not in itself a reason for depriving copyright owners of remuneration. Nobody suggests that the makers of notebooks, compasses and rulers should supply these products to educational establishments free of charge. Although the types of material used in such places today are very different from the text books of the past and indeed are much more diverse, education is still in a large measure dependent upon the work of authors, artists and composers. Education is equally dependent upon the work of the publishers who first produced the material which the authorities want to copy for educational purposes. The majority of educational submissions were in fact of the view that, although they should be completely free to copy, it is right that they should pay copyright owners a reasonable fee in respect of the reproduction of copyright material."

4.5 The establishment of the Copyright Licensing Agency Ltd (CLA) was largely owing to *The Whitford Report*.

4.6 As the means to copy and diffuse copyright material grow and become easier to obtain, so the collecting societies become more important in obtaining appropriate recompense for their members. The explosion of digital technology has had enormous effects not just in relation to such obvious areas as the downloading of music from the Internet. The RAJAR (Radio Joint Audience Research Limited) radio listening figures for the final quarter of 2006 are at a record high. These figures show that radio listening is now effected through digital television, the mobile telephone and the computer as well as traditional radio apparatus.

4.7 The licences granted by the collecting societies affect the daily lives of virtually everyone in the United Kingdom; whether it be listening to the radio, the background

music in a café, the photocopying of part of a book in a university or attending a concert.

4.8 The collecting societies are non-profit making organisations. They represent their members, the creators and copyright owners, and the money that they collect, apart from administration costs, goes to those members. The work of the collecting societies is important in recompensing creators for the use of their material.

4.9 The collecting societies are often de facto monopolies, hence the two MMC reports. Many of the organisations to whom they grant licences are very large and very powerful. There is not always an inequality of power and resources. Indeed certain of the licensors can have considerably greater resources. Whether they are de facto monopolies or not, it is essential that the CT deals with them without any preconceptions. There appears to have been a certain predisposition against the collecting societies; to see the CT as a means of controlling them. Certainly the collecting societies consider that the decisions of the CT have been weighted against them.

4.10 In his speech to the Annual Convention of the Canadian Association of Broadcasters on 5 November 2006, the Honourable Justice William J Vancise, Chairman of the CBC, commented:

“The first misconception is that the Board protects the interests of copyright owners more than users. In fact, the Board’s rôle is to maintain a balance between copyright owners and users. It listens to what users and collectives have to say.”

(It is worth noting that the CBC was established some twenty years before the PRT.)

4.11 **In our view the above is the proper rôle of the CT. It should be balanced and have no disposition in favour of one side or the other.** Certain parts of the CDPA give rise to an inbuilt imbalance, where the licensees have greater rights than the licensors. Later on, this review deals with changes to help establish the balance.

## **5. THE JURISDICTION OF THE TRIBUNAL**

5.1 The CT was set up by the Copyright, Design and Patents Act 1988 (CDPA). The authors of *Copinger and Skone James on Copyright* (Fifteen edition) conveniently list the jurisdiction of the CT (footnotes excluded):

“Specifically it now has jurisdiction to hear and determine:

(1) Jurisdiction under Part I of the 1988 Act

(a) applications to determine the royalty or other remuneration to be paid to a copyright owner with respect to the cable re-transmission in certain circumstances of a wireless broadcast including a work owned by him;

(b) applications to determine the amount of equitable remuneration payable to authors of literary, dramatic, musical and artistic works and principal directors of films where their rental right concerning a sound recording or film has been transferred to the producer of the sound recording or film;

(c) references of proposed or existing licensing schemes dealing with copyright licences;

(d) applications with respect to entitlement to a copyright licence under a licensing scheme;

(e) references or applications with respect to licensing by a licensing body dealing with copyright licences;

(f) references by the Secretary of State of licences or licensing schemes in relation to the playing of sound recordings under section 128A of the 1988 Act;

(g) applications to settle the terms of payment or as to the reasonableness of any condition in relation to the use as of right of sound recordings in broadcasts;

(h) appeals against an order by the Secretary of State as to the coverage of a licensing scheme or licence in respect of reprographic copying by an educational establishment;

(i) applications to settle a royalty or other sum payable for lending of certain works to the public;

(j) applications to settle the terms of a copyright licence available as of right consequent on the exercise of their powers by the Secretary of State, the Office of Fair Trading and the Competition Commission;

(k) applications to settle the terms of payment under a compulsory licence in respect of information about a programme service;

(2) Jurisdiction under Part II of the 1988 Act

- (l) applications to determine the amount of equitable remuneration payable to performers where commercially published sound recordings of their performances are played in public or communicated to the public;
- (m) applications to give consent to the making of a recording of a performance on behalf of a performer who cannot be traced;
- (n) applications to determine the amount of equitable remuneration payable to performers where their rental right concerning a sound recording or film has been transferred to the producer of the sound recording or film;
- (o) applications to determine the royalty or other remuneration to be paid to the owners of the rights conferred by Part II of the 1988 Act in relation to a performance or recording of a performance with respect to the re-transmission by cable of a wireless broadcast including the performance or recording;
- (p) references of proposed or existing licensing schemes relating to performers' property right licences, namely for copying a recording of a performance or renting or lending of copies of such a recording to the public;
- (q) applications with respect to entitlement to a licence under a licensing scheme relating to performers' property right licences;
- (r) references and applications with respect to licensing by a licensing body dealing with performers' property right licences;
- (s) applications to settle the royalty or other sum payable for the lending of certain recordings treated as licensed by performers by virtue of an order of the Secretary of State;
- (t) applications to settle the terms of licences in respect of performers' property rights available as of right consequent on the exercise of their powers by the Secretary of State, the Office of Fair Trading and the Competition Commission;

(3) Other jurisdiction

- (u) applications to settle the royalty or other remuneration payable in respect of the use as of right of works in which revived copyright subsists;
- (v) applications to settle the remuneration payable in respect of the doing as of right with regard to performances in which revived performance right subsists of any acts which require the consent of the owner of such rights;
- (w) references and applications with respect to licensing schemes, licences and licensing bodies relating to licences in respect of the database right conferred

in respect of the contents of databases ("database right licences") and in particular:

- (i) references of proposed or existing licensing schemes relating to database right licences;
- (ii) applications with respect to entitlement to licences under a licensing scheme relating to database right licences;
- (iii) references or applications with respect to licensing by a licensing body dealing with database right licences;
- (iv) applications to settle the terms of a database right licence available as of right consequent on the exercise of their powers by the Secretary of State, the Office of Fair Trading and the Competition Commission;
- (x) equivalent references and applications with respect to licensing schemes, licences and licensing bodies relating to licences in respect of the publication right conferred on publishers of previously unpublished works in which copyright has expired;
- (y) applications to determine the royalty or other remuneration payable to the trustees for the Hospital for Sick Children in respect of the use of the play "Peter Pan" by Sir James Matthew Barrie."

5.2 The jurisdiction of the CT has been greatly extended since the original enactment of the CDPA. However, the cases that the CT have dealt with have almost invariably involved disputes with collecting societies, and these for the most part have involved the PPL or the Performing Right Society (PRS). The request under section 190 of the CDPA by Sianel Pedwar Cymru (S4C) for consent to make a recording from a previous recording is a very rare exception<sup>4</sup>. Consequently, this review is very much centred upon disputes involving collecting societies; although consideration is given to the potential rôle of the CT in relation to unlocatable copyright owners or orphan works (in the terms of the *Gowers Review of Intellectual Property (Gowers)*).

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<sup>4</sup> There is also the unreported section 190 case *Chris Sawyer* CT 63/98

## **6. PREVIOUS CONSIDERATIONS OF THE TRIBUNAL**

6.1 The CT was established by the Copyright, Design and Patents Act 1988 (CDPA). It is the successor to the Performing Right Tribunal (PRT) which was established by Part IV of the Copyright Act 1956. The workings of both the PRT and the CT have been the subject of adverse comment by the users, the MMC and by tribunal members.

6.2 Some of the criticism has been aimed at the decisions of the CT and the PRT eg *BBC v PRS* (PRT 22/67). It would be inappropriate for this review to comment on the substance of the decisions of the CT and the PRT.

6.3 There has been much criticism in the cost and delay of proceedings before the CT and the PRT.

6.4 In its 1988 report *Collective Licensing* the MMC recommended:

“(c) the Copyright Tribunal should be strengthened and changes made to its procedures in order to expedite its decisions;”

6.5 Various organisations making submissions to the MMC commented upon the workings of the CT. The BBC suggested the “adoption of procedural rules for the Copyright Tribunal designed to limit the time and expense of broadcasting remuneration cases”. The Music Users’ Council (MUC) “considered it impossible to refer relatively minor cases to the PRT because of the very high costs entailed”. The British Association of Leisure Parks, Piers and Attractions (BALPPA) and BEDA (the Bar Entertainment and Dance Association) commented upon the “slow and expensive proceedings of the PRT”. The Association of Telephone Information and Entertainment Providers Ltd (ATIEP) “considered recourse to the PRT to be impracticable because of the costs entailed and therefore urged the establishment of an effective and expeditious arbitration procedure”. The then chairman of the PRT commented upon its workings:

“6.19. The then Chairman of the PRT, Mr (now Sir William) Aldous, said the proceedings in the case of AIRC v PPL were not completely satisfactory. That case (unlike the generality of those put to the PRT) would have been more appropriate for the High Court, which could have handled discovery more effectively. The rules of procedure for hearings before the Copyright Tribunal were likely to be roughly the same as those for the PRT. The level of remuneration of members was such that it was likely to be difficult to secure people of the right calibre; it was desirable that members should be drawn from businessmen, civil servants and people with accountancy and legal qualifications: a good cross section was needed. Members should be more readily available for service, especially since the Copyright Tribunal would need to sit more often than the PRT. Sittings required careful scheduling because of other demands on the time of the Chairman and members, and minor disruptions could lead to prolonged delays because a quorum could not easily be reconvened. PRT experience suggested it was likely to take not less than 18 months to deal with any case that involved two rounds of evidence and

pleadings, and probably discovery. The PRT had only one part-time staff member; if greater resources were available it would be desirable for the PRT to be empowered to undertake investigations, but its task was basically that of fixing royalties. It was not the PRT's practice to penalize parties in costs. The PRT in general considered licence schemes referred to it and then decided what was reasonable in the circumstances. The PRT had not attempted (in AIRC v PPL) to deal with the question of the market price for sound recordings nor, more generally, did it take account of Government policy or, necessarily, of other matters of public interest; but it did take note of royalty rates in the EC."

6.6 The MMC commented upon the CT and the PRT in some detail:

"7.21. In considering the powers of the Copyright Tribunal we have taken careful note of the criticisms made of the PRT which it is to replace. The PRT (see paragraph 3.5) was established to constrain the monopoly power that is inherent in collective licensing of sound recording and performing rights. Only PPL, BPI and IFPI thought that the PRT had done this satisfactorily. In large measure the contrary view reflects the parties' perceptions, or direct experience, of the case of AIRC v PPL, which was before the PRT from 1978 to 1986. We make no comment on either of the PRT's judgments in AIRC v PPL, or any other cases, and nothing we say in this report is intended to imply criticism of those judgments. Nevertheless all concerned agree that future proceedings should not be so protracted. It is only fair to add that in the 32 years of its existence the PRT has dealt with 38 cases which, if AIRC v PPL is excluded, were not criticized for the length of their proceedings. The PRT's image, in our view, is distorted by AIRC v PPL. Nonetheless it is the image that is perceived by some copyright users who might otherwise have had recourse to the PRT.

7.22. In considering how the Copyright Tribunal might work we noted the Whitford Report's observation that the PRT:

... has in fact two functions. First, it has the power to confirm or vary licence schemes put into operation by licensing bodies, and second, it has the power to deal with applications by individuals or organizations, who are aggrieved because a licensing body refuses or fails to grant a licence in accordance with an existing licensing scheme, or where there is no applicable scheme because the licensing body unreasonably refuses or fails to grant a licence, or the proposed charges, terms and conditions of a licence are unreasonable.

These tasks would be reduced if our proposal for a statutory licence were adopted: the Copyright Tribunal would not need to involve itself in the second group of cases identified by Whitford (so far as broadcasting and public performance of sound recordings is concerned) save to the extent that it proved necessary to determine charges associated with the exercise of the statutory licence.

7.23. We also noted that the Franks Report on Tribunals identified five principal advantages that tribunals have over courts:

- (a) cheapness;
- (b) accessibility for the parties;
- (c) freedom from technicality;
- (d) speed; and
- (e) expert knowledge of the subject before them.

The principal concern of the Franks Report was with tribunals that dealt with issues arising between individuals and official authorities. We believe, however, that these advantages should apply no less to a specialized body such as the Copyright Tribunal. Against this background we have considered how the advantages that the Franks Report identified might be secured for the Copyright Tribunal, given the reputation for elaborate procedures, high costs and long delays that some of our witnesses associated with references to the PRT.

7.24. So far as cheapness is concerned, it would be misleading to suggest that the Copyright Tribunal could operate as a sort of Small Claims Court. The expense of running the Copyright Tribunal can be kept to a minimum by adopting simple procedures, but the preparation and presentation of the parties' cases will usually require professional legal advice, and how much is spent in that way must be for the parties to decide for themselves: it would be a foolish decision to forgo such advice if large sums were at stake. Certainly the collective licensing bodies cannot sensibly be criticized for relying on legal advice as a matter of course. On procedural economies, we have noted that it is the Government's declared intention to introduce rules for the Copyright Tribunal once it is established. We recommend these should empower the Copyright Tribunal to stipulate the length of hearings and strictly limit oral proceedings, enabling it to rely instead on written submissions to the fullest possible extent. One reason why we believe the Copyright Tribunal should be able to expedite its hearings is that only rarely will it have to determine difficult questions of fact. Normally its task will be limited to determining, in particular circumstances, what is a reasonable amount to pay for the use of copyright material. The sums involved may be large but the issues will be narrow. We do not think it necessary for the Copyright Tribunal to be charged additionally, as several witnesses urged, with deciding where the public interest lies in the disputes that are referred to it. This would be bound to increase the length of its proceedings and add to the costs of hearings. The Copyright Tribunal should therefore limit its consideration to the criteria set out in the Bill.

7.25. On accessibility, tribunals must be known to be open and available for use on reasonable terms. The PRT's fees have been low by comparison with those of the High Court and we do not expect the Copyright Tribunal's fees to

be a source of difficulty to users. But we doubt whether users will perceive the Copyright Tribunal as being available to deal with procedural matters (in the everyday sense that Magistrates' Courts are available to deal with their cases), unless a Registrar is in post to handle them. The Bill envisages that the Copyright Tribunal should have a Chairman and two Deputy Chairmen; that all three should be legally qualified; that there should be up to eight other members; and that references to the Copyright Tribunal should be dealt with by a group consisting of either the Chairman or one of the Deputy Chairmen and two of the other members. But if the Chairman and the two Deputy Chairmen are drawn from leading members of the Bar, as has been the case with the Chairman of the PRT, the heavy demands of their practices may rule out the possibility of early hearings. We recommend, therefore, that the Chairman should be either a retired High Court judge, or other person of similar standing, experienced in the law of intellectual property and be available to serve at short notice.

7.26. On freedom from technicality, we would rely in part on the drastic reduction of the length of oral proceedings and for the rest look to the Copyright Tribunal to produce the clearest possible written guidance to parties on the form, scope and content of the submissions put to it.

7.27. On speed, we would look to the Copyright Tribunal to provide a framework within which cases could be considered rapidly. The timetable laid down for the conduct of the case should be such that, subject to appeal to the High Court on legal issues, even the most complex case should be dealt with expeditiously.

7.28. On expert knowledge, we noted that the Bill does not require members of the Copyright Tribunal (other than the Chairman and Deputy Chairmen) to possess specific qualifications. Several witnesses suggested to us that some members should have knowledge of the licensing of intellectual property rights from the standpoint of both licensor and licensee: the subject is complex and technical, and the presence of specialists would enhance users' confidence in the proceedings. We had sympathy with that view. On the other hand, we noted that, under the Bill, the Copyright Tribunal will be required to consider references relating to all forms of collective licensing and that its constitution for the purposes of any proceedings will consist of its Chairman, or one of its Deputy Chairmen, and two ordinary members. We agree that not more than three members of the Copyright Tribunal should be needed to deal with any particular case: this would accord with the normal practice of most other tribunals. This does not rule out the possibility that the ordinary members will have a general knowledge of copyright, or of one or more of its applications (and this may well be a consideration that the Secretary of State would have in mind when making appointments). We believe, however, that it would add to the authority of the Copyright Tribunal, and to the acceptability of its decisions, if some of the ordinary members appointed by the Secretary of State were drawn from nominees of the collective licensing bodies and the leading users' associations. Such a practice would be analogous to that of industrial tribunals, where members are nominated by employers' associations and trades' unions. Alternatively, the Copyright Tribunal might draw on a panel of

assessors nominated in this way. In either case a balance of appropriate expertise could assist the (independent and legally-qualified) Chairman on the particular issues raised in individual cases.”

6.7 In its conclusions the MMC stated:

- “(vi) the Copyright Tribunal should be empowered to make an order requiring a user who adopted an unreasonably low figure to bear the costs of both parties (paragraph 7.19);
- (viii) any disputes arising on the amount of licence fees should be dealt with by the Copyright Tribunal (paragraph 7.19);
- (ix) the advantages of tribunals over courts, that the Franks Report identified, should be secured for the Copyright Tribunal (paragraph 7.23);
- (x) the rules for the procedure of the Copyright Tribunal should empower it to stipulate the length of hearings; to strictly limit oral proceedings; and to rely on written submissions to the fullest possible extent (paragraph 7.24);
- (xi) the Copyright Tribunal should not be charged with deciding where the public interest lies (paragraph 7.25);
- (xii) the Chairman of the Copyright Tribunal should be either a retired High Court judge, or other person of similar standing available to serve at short notice (paragraph 7.25);
- (xiii) the Copyright Tribunal's timetable for the conduct of a case should be such that even the most complex case should be dealt with expeditiously (paragraph 7.27); and
- (xiv) the ordinary members of the Copyright Tribunal should include some appointed by the Secretary of State who had been nominated by collective licensing bodies and the leading users associations; alternatively the Copyright Tribunal might draw on a panel of assessors nominated in this way (paragraph 7.28).”

6.8 The MMC’s 1996 report *Performing Rights* commented upon the CT in various passages.

“1.13. The interests of users of music are primarily protected through the Copyright Tribunal. A number of additional responsibilities are to be imposed on the Tribunal under statutory instruments soon to be made to implement recent EC Directives on intellectual property. We are concerned that, as currently staffed and financed, the Tribunal may find it difficult to respond adequately to the demands that may be made upon it.

2.92. We were most concerned, however, to hear that those who use the Tribunal felt that it provided neither a quick, cheap nor easy means of settling disputes. In the light of this, we took oral evidence from Mr Michael Bowers, the Chairman of the Tribunal, given to us in a personal capacity. He explained to us a number of the procedures which the Tribunal has adopted in order to simplify and speed up hearings. He said that a practice direction had been introduced in 1991 which outlined a timetable for hearings and attempted significantly to reduce the amount of time spent on opening speeches. He also encouraged the parties to settle disputes privately because it was ‘extraordinarily difficult’ for the Tribunal to make decisions about royalty

rates. Whilst we could understand his reasons for this, it did mean that there was a lack of recent case law and that this factor might itself protract disputes. However, in most of the cases which appeared before the Tribunal the sums involved were large and the parties wished to ensure that their respective cases were fully and professionally presented. We felt that this would inevitably work against inexpensive, quick and speedy settlements.

2.93. Mr Bowers also explained to us that one of the issues which had come up in a recent survey of Tribunal users was the fact that the Tribunal did not have any power to award interest on payments ordered to be made retrospectively. He thought this was unfair. We agree.

2.94. Users were also concerned that the Tribunal's present practice of awarding costs so as to reflect the outcome of the case acts as a deterrent, particularly to small users, to recourse to the Tribunal. We subsequently took evidence from a representative of the Intellectual Property Policy Directorate (IPPD) of the Patent Office, who explained that the Tribunal's procedures did give it considerable discretion in the way in which costs were awarded. We felt this would enable the Tribunal to recognize the different negotiating strengths of the parties involved.

2.95. Both Mr Bowers and the Patent Office representative explained to us that the Tribunal often took some time to deal with cases because its Deputy Chairmen tended to have long running professional commitments. The staff resources available to the Tribunal were severely limited.

2.108 Tariffs should reflect these differing uses and should not be distorted by the differing negotiating powers of the PRS and user groups. The Copyright Tribunal is in the best position to resolve these issues, though we believe its resources need to be strengthened (see paragraph 2.132).

2.132. Finally, we believe the staff resources and financial resources with which the Copyright Tribunal is currently required to operate may be inadequate. We are concerned by the number of important issues which may shortly be added to its jurisdiction, once the relevant statutory instruments have been made to implement the existing three EC Directives on Rental, Cable and Satellite and Duration of Copyright (see paragraph 4.6). There is also the future implementation of the Database Directive, still in draft form. We were told that additional funds might be made available should the workload require it. It is also important in appointing Deputy Chairmen that their availability should be taken into account. It seems unsatisfactory that the hearing of cases should risk being substantially delayed because of the professional or other commitments of the members. This was a particular concern expressed to us by the Chairman of the Tribunal.

4.40. We held meetings with the Chairman of the Tribunal, Mr Michael Bowers (who spoke in his personal capacity), and with a representative of the IPPD of the Patent Office, which supplies the Tribunal's secretariat. We were told that one reason for the protracted nature of proceedings before the Tribunal was often that their other professional commitments made it

impossible for the Tribunal's Deputy Chairmen to make the necessary time available except at long notice. This might interact with similar problems arising for Counsel acting for the parties. We were assured that consideration would be given to augmenting the administrative support made available to the Tribunal should the necessity for doing so become apparent. We noted in this connection that the resources, especially the legal resources, available to the IPPD were severely limited, and that the Government has not found it possible to implement relevant European Directives by the due date: proposals relating to the Rental Directive, for example, which was due to come into force on 1 July 1994, have been the subject of consultation but are not yet (November 1995) in final form.

6.9 In its submissions to the MMC BSkyB commented upon the CT:

“10.17. BSkyB considered that the Copyright Tribunal provided a check on the PRS, but one which fell far short of these qualities recognized as the goals of a just civil dispute procedure. It was under-resourced and operated slowly and expensively, applying adversarial procedures. It usually took two years from reference to determination and was very expensive in terms of costs of preparation and representation (including expert evidence) and absorption of management time. There was no alternative method of dispute resolution, for example nothing equivalent to ACAS in the employment sector. The new draft statutory instruments did not address these concerns. They made no change in the basic functioning of the Tribunal and did not envisage any speedier means of facilitating negotiations.”

6.10 In *Universities UK Ltd v Copyright Licensing Agency Ltd, Design and Artists Copyright Society Ltd* [2002] RPC 36, Christopher Floyd QC, acting as chairman of the CT, made various comments upon the conduct of the case.

“13 One feature of these references which has concerned all three members of this Tribunal is the scale and consequent cost of the proceedings before us. We were provided with 24 lever-arch files of materials to read in advance of the hearing. The written evidence is extensive, and extremely detailed. No point, however irrelevant, is allowed to go unanswered, with the result that the second round witness statements turned out in some cases to be longer than the original ones. We think that the Tribunal should consider in future at the directions hearing whether unrestricted second round evidence of this kind should be permitted. It was certainly not helpful in the present case.

14 It should further be borne in mind that the issues in references to the Copyright Tribunal are those defined by the pleadings. There is no point in going to the trouble and expense of having pleadings if the evidence is then allowed to touch on every aspect of the licensing scheme which is the subject of approval or dissatisfaction by the party concerned and whether or not relevant to any pleaded issue. We feel that this basic principle was not fully complied with in this case.

15 No doubt as a result of the volume of material thus created, it was originally suggested that 15 hearing days would be necessary to dispose of the

case. We set it down for 10 days. In the result only eight sitting days were necessary. Proceedings of the magnitude which the parties or their advisers contemplated in this case are not necessary to resolve the issues which arise for decision.

16 To do its job effectively the Copyright Tribunal must be accessible at reasonable cost. It exists at least in part to prevent unreasonable terms being imposed on licensees who have little choice but to take a licence. Yet in the present case we heard evidence from both sides that a reference to the Copyright Tribunal was regarded as a last resort: a failure of a most serious kind. The reason for this view is the perception that the proceedings are necessarily extremely costly, intolerably lengthy and highly complex. The danger that lurks in such a state of affairs is that the cost of a reference to the Tribunal could be seen as an incentive to the acceptance of unreasonable terms, in conflict with the above objective.

17 Aspects of Copyright Tribunal proceedings (for example, its special rules about cross examination) are deliberately designed to save time and cost. The same philosophy should be applied to the written stages.

110 There is much force in this argument. The Tribunal has certainly paid close attention to evidence of previous agreements between the same parties before. The current licence is good evidence of what the parties themselves regarded as reasonable, or perhaps we should say, what the parties themselves regarded as *insufficiently unreasonable* to refer to the Copyright Tribunal. But its relevance to the proceedings is no more than that.”

6.11 As can be seen problems have been identified and solutions suggested for a long time. The position and practice of the CT have not changed since either of the MMC reports.

6.12 The criticisms of the costs of Intellectual Property (IP) litigation are legion. Lord Justice Longmore in *Sportswear Spa, Four Marketing Ltd v Stonestyle Ltd* [2006] ETMR 66 stated:

“75 It is a well-known and rather disturbing fact that it costs far more to resolve intellectual property disputes in England than in other parts of the EEA. This case is a good example. The parties have elected to spend considerable sums of money in making detailed submissions about three paragraphs of a pleading, before any trial of what may be called the merits of the dispute will take place.”

6.13 *Gowers* comments on many occasions on the costs of IP litigation in the United Kingdom.

6.14 Similar criticisms about cost and delay have been voiced against the CBC and Copyright Tribunal of Australia; see - *A Report on the Copyright Collectives Operating in Canada* by C Craig Parks and *The Simpson Report: Review of Australian Copyright Collecting Societies*. The Copyright Law Review Committee of Australia’s report *Jurisdiction and Procedures of the Copyright Tribunal of*

December 2000 made various recommendations in relation to the Australian Copyright Tribunal. Those that might be pertinent to the consideration of the CT are reproduced below:

“19.10 The Committee recommends that more presidential and non-presidential members be appointed to the Tribunal. The non-presidential members should be people with relevant industry experience and care should be taken to ensure that there is an even representation of people from both copyright owner and user backgrounds among appointees.

20.29 The Committee recommends that, where appropriate, the Tribunal employ the case management mechanisms of the Federal Court. It should also use other strategies, such as deciding matters on the papers, if appropriate.

20.30 The Committee does not recommend that the Tribunal be required to hand down preliminary determinations.

20.31 The Committee recommends that the Tribunal be given the same express power to control the use of expert evidence as the Federal Court, including power to appoint experts to assist it in dealing with technical evidence and to receive expert evidence by using the panel approach.

21.23 The Committee recommends that collecting societies adopt ADR for the resolution of their disputes with copyright users and potential users, as well as their disputes with members.

21.24 In keeping with the earlier recommendation (at paragraph 20.29) for the Tribunal to adopt a more active case management approach, the Committee recommends that the Copyright Tribunal should encourage parties to explore ADR and should have the power to compel them to do so where the Tribunal thinks it is appropriate.

21.25 The Committee recommends that the Copyright Tribunal utilise the Federal Court mediation service as an effective form of ADR. It should also be able to refer matters for private mediation.

24.06 The Committee recommends that collecting societies notify parties that they may take up a dispute with the Copyright Tribunal (including an outline of its procedures and functions) at the time of sending out notifications of decisions regarding licence applications. The Committee acknowledges that this may not always be necessary, depending on the constituency of the particular collecting society.”

## **7. PROPOSALS FOR PRACTICE BEFORE THE TRIBUNAL**

7.1 We reproduce below a breakdown of the Copyright Tribunal Rules 1989:

Rule 1 - Citation and commencement.

Rule 2 - Interpretation.

### **References and applications with respect to licensing schemes**

Rule 3 – Commencement of proceedings under sections 118, 119, 120, 121 and 122 of the CDPA.

Rule 4 - Application for special leave under sections 120 and 122 of the CDPA.

Rule 5 - Advertisement of reference or application under sections 118, 119, 120, 121 and 122 of the CDPA.

Rule 6 – Objection to applicant’s credentials.

Rule 7 – Intervener’s application,

Rule 8 – Objections to intervener’s credentials.

Rule 9 – Written response by operator of scheme or intervener.

Rule 10 – Amendment of statement of case and answer.

Rule 11 – Chairman’s directions.

Rule 12 – Application for directions.

Rule 13 – Consolidation of proceedings under sections 118, 119, 120, 121 and 122 of the CDPA.

Rule 14 – Procedure and evidence at hearing.

Rule 15 – Representation and rights of audience.

Rule 16 – Withdrawal of reference or application.

Rule 17 – Decision of Tribunal.

Rule 18 – Publication of Decision.

Rule 19 – Effective date of order.

## **References and applications with respect to licensing by licensing bodies**

Rule 20 – Commencement of proceedings – under sections 125, 126 and 127 of the CDPA.

Rule 21 – Application for special leave under section 127(2) of the CDPA.

Rule 22 – Procedure and decision of Tribunal - rules 10-16 apply to references or applications under rules 20 and 21 and rules 18-19 apply to a decision under rule 20.

Rule 23 – Intervener’s application.

## **Appeals against orders made by the Secretary of State**

Rule 24 – Commencement of appeal proceedings under section 139 of the CDPA against orders made under sections 137 and 138 of the CDPA.

Rule 25 – Procedure and decision of Tribunal - rules 10-16 and 18-19 apply to appeals under rule 24.

Rule 26 – Intervener’s application.

## **Applications and references with respect to use as of right of sound recordings in broadcasts and cable programme services**

Rule 26A – Commencement of proceedings under sections 135D, 135E and 135F of the CDPA (includes publication).

Rule 26B – Application for special leave under section 135F(2) of the CDPA.

Rule 26C – Procedure and decision of Tribunal - rules 10-16 apply to references or applications under rules 26A and 26B and rule 18 applies to decisions under rule 26A.

Rule 26D – Intervener’s application.

## **Application to settle the royalty or other sum payable**

Rule 27 – Commencement of proceedings under section 142 of the CDPA.

Rule 28 – Application for special leave under section 142(4) of the CDPA.

Rule 29 – Procedure and decision of Tribunal - rules 10-16 apply to an application under rules 27 and 28 and rules 18-19 apply to a decision under rule 27.

Rule 30 – Intervener’s application.

## **Applications to settle terms of licence as of right**

Rule 31 – Commencement of proceedings under section 144(4) of the CDPA.

Rule 32 – Procedure and decision of Tribunal - rules 10-16 apply to applications under rule 31 and rule 18 applies to decisions under rule 31.

Rule 33 – Intervener’s application.

**Application for Tribunal’s consent on behalf of performer**

Rule 34 – Commencement of proceedings under section 190 of the CDPA.

Rule 35 – Inquiries by Tribunal (includes publication).

Rule 36 - Procedure and decision of Tribunal - rules 10-16 and 18-19 apply to an application under rule 34.

Rule 37 - Intervener’s application.

**Application for Tribunal’s determination of royalty payable to the Hospital for Sick Children**

Rule 38 – Commencement of proceedings under paragraph 5 of Schedule 6 of the CDPA.

Rule 39 – Application for special leave for the review of an order under paragraph 5(3) of Schedule 6 of the CDPA.

Rule 40 – Procedure and decision of Tribunal - rules 10-16 apply to applications under rules 38 and 39 and rule 18 applies to decisions under rule 38.

Rule 41 – Intervener’s application.

**Use of information as of right application to settle terms of payment**

Rule 41A – Commencement of proceedings under Schedule 17 of the Broadcasting Act 1990 (includes publication).

Rule 41B – Application for special leave for the review of an order under paragraph 6(2) of Schedule 17 of the Broadcasting Act 1990.

Rule 41C – Procedure and decision of Tribunal - rules 10-16 apply to applications under rules 41A and 41B and rule 18 applies to decisions under rule 41A.

Rule 41D – Intervener’s application.

**Appeal to the court from decision of Tribunal and suspension of Tribunal’s orders**

Rule 42 – Notice of appeal under section 152 of the CDPA (includes publication).

Rule 43 – Application for suspension of order - rules 10-16 apply to applications made under rule 43 and rule 18 applies to decisions under rule 43 (includes publication).

Rule 44 – Intervener’s application.

Rule 45 – Effect of suspension of order.

### **Miscellaneous and general**

Rule 46 – Application of Arbitration Acts.

Rule 47 – Enforcement of Tribunal’s orders in Scotland.

Rule 48 – Costs.

Rule 49 – Fees.

Rule 50 – Service of documents.

Rule 50A – Notice of intention to exercise rights conferred by section 135C or paragraph 4 of Schedule 17 of the Broadcasting Act 1990.

Rule 51 – Time.

Rule 52 – Office hours.

Rule 53 – Failure to comply with directions.

Rule 54 – Power of Tribunal to regulate procedure.

Rule 55 – Transitional provisions and revocation of previous Rules.

### **Schedules**

Schedule 1 – Fees in relation to forms and directions under rule 12.

Schedule 2 – Provisions of Arbitration Acts.

Schedule 3 – Forms.

### **Categorisation of rules**

#### **Commencement of proceedings**

Rule 3 – Commencement of proceedings under sections 118, 119, 120, 121 and 122 of the CDPA.

Rule 20 – Commencement of proceedings – under sections 125, 126 and 127 of the CDPA.

Rule 24 – Commencement of appeal proceedings under section 139 of the CDPA against orders made under sections 137 and 138 of the CDPA.

Rule 26A – Commencement of proceedings under sections 135D, 135E and 135F of the CDPA (includes publication).

Rule 27 – Commencement of proceedings under section 142 of the CDPA.

Rule 31 – Commencement of proceedings under section 144(4) of the CDPA.

Rule 34 – Commencement of proceedings under section 190 of the CDPA.

Rule 38 – Commencement of proceedings under paragraph 5 of Schedule 6 of the CDPA.

Rule 41A – Commencement of proceedings under Schedule 17 of the Broadcasting Act 1990 (includes publication)

### **Application for special leave**

Rule 4 - Application for special leave under sections 120 and 122 of the CDPA

Rule 21 – Application for special leave under section 127(2) of the CDPA.

Rule 26B – Application for special leave under section 135F(2) of the CDPA.

Rule 28 – Application for special leave under section 142(4) of the CDPA.

Rule 39 – Application for special leave for the review of an order under paragraph 5(3) of Schedule 6 of the CDPA.

Rule 41B – Application for special leave for the review of an order under paragraph 6(2) of Schedule 17 of the Broadcasting Act 1990.

### **Procedure and decision of Tribunal**

Rule 22 – Procedure and decision of Tribunal - rules 10-16 apply to references or applications under rules 20 and 21 and rules 18-19 apply to a decision under rule 20.

Rule 25 – Procedure and decision of Tribunal - rules 10-16 and 18-19 apply to appeals under rule 24.

Rule 26C – Procedure and decision of Tribunal - rules 10-16 apply to references or applications under rules 26A and 26B and rule 18 applies to decisions under rule 26A.

Rule 29 – Procedure and decision of Tribunal - rules 10-16 apply to an application under rules 27 and 28 and rules 18-19 apply to a decision under rule 27.

Rule 32 – Procedure and decision of Tribunal - rules 10-16 apply to applications under rule 31 and rule 18 applies to decisions under rule 31.

Rule 36 - Procedure and decision of Tribunal - rules 10-16 and 18-19 apply to an application under rule 34.

Rule 40 – Procedure and decision of Tribunal - rules 10-16 apply to applications under rules 38 and 39 and rule 18 applies to decisions under rule 38.

Rule 41C – Procedure and decision of Tribunal - rules 10-16 apply to applications under rules 41A and 41B and rule 18 applies to decisions under rule 41A.

### **Intervener's application and objections thereto**

Rule 7 – Intervener's application.

Rule 8 – Objections to intervener's credentials.

Rule 23 – Intervener's application.

Rule 26 – Intervener's application.

Rule 26D – Intervener's application.

Rule 30 – Intervener's application.

Rule 33 – Intervener's application.

Rule 37 - Intervener's application.

Rule 41 – Intervener's application.

Rule 41D – Intervener's application.

Rule 44 – Intervener's application.

### **Other**

Rule 1 - Citation and commencement.

Rule 2 - Interpretation.

Rule 5 - Advertisement of reference or application under sections 118, 119, 120, 121 and 122 of the CDPA.

Rule 6 – Objection to applicant's credentials.

Rule 9 – Written response by operator of scheme or intervener.

Rule 10 – Amendment of statement of case and answer.

Rule 11 – Chairman's directions.

Rule 12 – Application for directions.

Rule 13 – Consolidation of proceedings under sections 118, 119, 120, 121 and 122 of the CDPA.

Rule 14 – Procedure and evidence at hearing.

Rule 15 – Representation and rights of audience.

Rule 16 – Withdrawal of reference or application.

Rule 17 – Decision of Tribunal.

Rule 18 – Publication of decision.

Rule 19 – Effective date of order.

**NB: Rules 10-16 and 18-19 are adopted in the procedure and decision of Tribunal under rules 22, 25, 26C, 29, 32, 36, 40 and 41C.**

Rule 35 – Inquiries by Tribunal (includes publication).

Rule 42 – Notice of appeal under section 152 of the CDPA (includes publication).

Rule 43 – Application for suspension of order - rules 10-16 apply to applications made under rule 43 and rule 18 applies to decisions under rule 43 (includes publication).

Rule 45 – Effect of suspension of order.

Rule 46 – Application of Arbitration Acts.

Rule 47 – Enforcement of Tribunal's orders in Scotland.

Rule 48 – Costs.

Rule 49 – Fees.

Rule 50 – Service of documents.

Rule 50A – Notice of intention to exercise rights conferred by section 135C or paragraph 4 of Schedule 17 of the Broadcasting Act 1990.

Rule 51 – Time.

Rule 52 – Office hours.

Rule 53 – Failure to comply with directions.

Rule 54 – Power of Tribunal to regulate procedure.

Rule 55 – Transitional provisions and revocation of previous rules.

7.2 The Rules are pernickety, repetitious, at times otiose<sup>5</sup> and restrictive. Schedule 3 to the Rules also includes a plethora of forms. (These forms do not actually exist, they are just there as a template.) The CBC works without any statutory rules; this gives it the flexibility to adapt procedures to particular cases. We cannot see that the rules assist the CT in its workings; indeed the very opposite is the case, they hamper it. There is a groundswell of opinion that the Civil Procedure Rules (CPR) should govern the procedures of the CT.

7.3 In order to control proceedings and to adapt them to suit particular cases the CT should have a good deal of flexibility.

7.4 The CPR has been specifically formulated with the aim of improving access to civil justice. One of their prime purposes is to implement the overriding objective. The overriding objective is explained in rules 1.1, 1.2, 1.3 and 1.4 of the CPR:

“Rule 1.1 The overriding objective

1.1

The overriding objective

- (1) These Rules are a new procedural code with the overriding objective of enabling the court to deal with cases justly.
- (2) Dealing with a case justly includes, so far as is practicable—
  - (a) ensuring that the parties are on an equal footing;
  - (b) saving expense;
  - (c) dealing with the case in ways which are proportionate—
    - (i) to the amount of money involved;
    - (ii) to the importance of the case;
    - (iii) to the complexity of the issues; and
    - (iv) to the financial position of each party;
  - (d) ensuring that it is dealt with expeditiously and fairly; and
  - (e) allotting to it an appropriate share of the court's resources, while taking into account the need to allot resources to other cases.

Rule 1.2 Application by the court of the overriding objective

1.2

Application by the court of the overriding objective

The court must seek to give effect to the overriding objective when it—

- (a) exercises any power given to it by the Rules; or
- (b) interprets any rule.

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<sup>5</sup> Eg rule 54 is otiose as it is the nature of a tribunal that it has the power to regulate its own procedure, see for instance *Langley v North West Water Authority* [1991] 3 All ER 610, *Pharmedica GmbH's Trade Mark Application* [2000] RPC 536 and *Rhone-Poulenc Rorer International Holdings Inc v Yeda Research and Development Co Ltd* [2006] RPC 24. Rule 13 (consolidation of proceedings) is otiose as this is a matter within the inherent jurisdiction of the Tribunal.

**Rule 1.3 Duty of the parties**

1.3

**Duty of the parties**

The parties are required to help the court to further the overriding objective.

**Rule 1.4 Court's duty to manage cases**

1.4

**Court's duty to manage cases**

(1) The court must further the overriding objective by actively managing cases.

(2) Active case management includes—

(a) encouraging the parties to co-operate with each other in the conduct of the proceedings;

(b) identifying the issues at an early stage;

(c) deciding promptly which issues need full investigation and trial and accordingly disposing summarily of the others;

(d) deciding the order in which issues are to be resolved;

(e) encouraging the parties to use an alternative dispute resolution procedure if the court considers that appropriate and facilitating the use of such procedure;

(f) helping the parties to settle the whole or part of the case;

(g) fixing timetables or otherwise controlling the progress of the case;

(h) considering whether the likely benefits of taking a particular step justify the cost of taking it;

(i) dealing with as many aspects of the case as it can on the same occasion;

(j) dealing with the case without the parties needing to attend at court;

(k) making use of technology; and

(l) giving directions to ensure that the trial of a case proceeds quickly and efficiently.”

7.5 The overriding objective should apply to the CT as much as to the courts and other judicial and quasi judicial fora. By adopting the CPR the CT will have the overriding objective as part and parcel of its system. Adherence to the overriding objective will expedite matters and cut costs.

7.6 The CPR covers every possible aspect of procedures before the CT. They are familiar to the chairman, the deputy chairmen, the lawyers and the majority of parties to proceedings.

7.7 The CPR covers various, specific matters that we have considered in our review:

- i) costs to reflect the behaviour of the parties;
- ii) summary judgment;
- iii) security for costs;
- iv) single, joint experts.

Points i and iv are dealt with elsewhere in this review.

7.8 It may be unlikely that summary judgment will be appropriate to references to the CT but it does no harm for the CT to have the power.

7.9 Under the Rules it is not certain whether security for costs<sup>6</sup> can be granted (see *The Association of British Concert Promoters v The Performing Right Society* [2003] EWHC 2572 (Ch)). The adoption of the CPR should remove any doubt as to this matter.

7.10 In tandem with the CPR the CT can issue practice directions to regulate business before it. Practice directions can indicate the form in which a reference to the CT should be made. As stated elsewhere in this review, specific directions should be tailored to the conduct of individual cases; taking into account the nature of the issues and the parties.

7.11 The combination of the CPR and practice directions will allow the CT to combine control with flexibility.

**7.12 We recommend that the Copyright Tribunal Rules 1989 are repealed and that the proceedings of the CT are governed by the CPR and practice directions.**

7.13 It is difficult to see the purpose of the plethora of forms for a reference to the CT. The key matters will be in the pleadings. We are of the view that one standard form attached to the pleadings should be used for all references. This form would simply record the essential administrative details, such as the names and addresses of the parties and their representatives.

**7.14 We recommend that there should be one standard form for all references to the CT.**

7.15 There are a variety of fees for serving notice and applications for directions. The fees are £30, £15 and £10. At this level the fees do not act as a deterrent to a frivolous action, neither do they make any significant contribution to the costs of the CT. The fees can only be seen as an annoyance. Whilst we note that *Gowers* recommends that fees should reflect costs, the nature of the Tribunal makes this very difficult to achieve. If fees were to reflect costs, it could act as a deterrent to those with limited resources who wish to make use of the Tribunal; any increased fees could be as high or even considerably higher than the cost of a disputed licence. We are, therefore, of the view that the best course of action is to abolish the fees.

**7.16 We recommend that the fees of the CT are abolished.**

7.17 In his evidence in *Universities UK Ltd v Copyright Licensing Agency Ltd, Design and Artists Copyright Society Ltd* [2002] RPC 36 Professor Zellick said:

“When I began these negotiations I started with the, perhaps, simple preference of the scholar and academic, which I once was, that there ought to be a rational basis for being able to arrive at a figure; one that I could commend to my colleagues in the CVCP<sup>7</sup> and that would not need a lot of justification; it would be self-evidently acceptable and correct.”

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<sup>6</sup> One party can seek security for costs when it is concerned that the other party does not have the resources to meet any eventual award of costs. If granted, an amount to cover the security will normally be lodged with the body making the order. Part 25 II of the CPR covers security for costs.

<sup>7</sup> CVCP – Committee of Vice Chancellors and Principals of the United Kingdom.

7.18 Professor Zellick was disappointed in his hopes. In that case, in the hearing, the negotiations were compared to the haggling in a bazaar. The sampling system that was used to ascertain the amount of photocopying taking place was hopelessly flawed.

7.19 The major disputes before the CT mostly revolve around the tariff for a licence. We assumed that the evidence in proceedings would be centred on actuarial figures and projections; that there would be detailed evidence as to the basis of the rates for a tariff, equally that an association querying a licence would supply similarly detailed evidence. We were disappointed. What we were faced with, was enormous quantities of evidence, most of it of little or no relevance, much of it repetitive. One was faced with quantities of affidavits on one side in which numerous individuals stated that they wanted to receive more money, on the other side there were numerous individuals stating that they did not want to pay more; indeed wanted to pay less. It was difficult to see of what help the evidence would be to the CT in reaching its decision.

7.20 In most disputes there have been lengthy negotiations before the case has been referred to the CT. Despite this, there is still often an absence of clear explanation behind a licensing scheme; this equally applies to sampling systems. The methodology and practice of sampling systems should be clear and robust. Sampling systems are often key to licensing schemes as they:

- i) show the amount of copyright material used at large;
- ii) may determine how much individual licensees pay;
- iii) may determine how much the copyright owners receive.

7.21 If there is not clarity in the basic terms of pounds, shillings and pence at the beginning, it will be difficult for the CT to come to a decision firmly rooted in the facts. This lack of clarity is also present in the pleadings of the parties. The proceedings rapidly become bogged down in masses of evidence and procedural issues; they are lost in the fog of law.

7.22 The routing of the scourges of cost and delay must begin before any reference to the CT. It is essential that new or amended licences or tariffs are explained in detail. **The reasoning behind the licence and tariff should be clearly shown. This must be based on hard facts and figures, actuarial calculations and projections. This data should include the projected effect on different types of licensees. The reasoning behind a tariff must be clearly open to consideration and analysis<sup>8</sup>.** All the supporting documentation relating to the proposed tariff or licence should be readily available to licensees or potential licensees. If the results of a sampling exercise are part of the basis for the conditions of the licence, there must be full disclosure of the methodology used and how it was applied in

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<sup>8</sup> This approach will be most effective in relation to new schemes. Where there is an amendment to an existing scheme, there will often be an attack on the terms of the existing scheme as well as upon the amended scheme. However, that the amendment has an objective basis behind it will still give a much firmer base to the consideration of the merits of the case.

**practice<sup>9</sup>; this should equally apply if the sampling system determines the amount that individual licensees pay.**

**7.23 This discipline cannot be a one sided affair. A challenge to the terms of a licence should have the firm basis of solid, cold fact. A challenger should also produce actuarial figures and projections, with full disclosure of the basis for the calculations. If there is an attack on a sampling system, whether in methodology and/or practice, this should be the subject of detailed, factual analysis.**

7.24 In his speech to the Annual Convention of the Canadian Association of Broadcasters on 5 November 2006, the Honourable Justice William J Vancise commented:

“The worst thing to do is to only provide evidence that seeks to discredit the collective’s proposed approach. Collectives will get a tariff, because they’re entitled to one. The best way to respond to a collective’s proposed methodology is to suggest a better alternative that the Board can accept and use.”

7.25 For the CT to make a decision firmly rooted in evidence, this approach seems to be essential. An alternative methodology should also be firmly based upon actuarial calculations and projections, with full disclosure of the supporting documentation.

7.26 Without this sort of information from both sides the CT is making at best a purblind decision.

7.27 The advantages of this approach are two fold:

- i) awareness of the reasoning behind and the effects of a licence may obviate the need to go to the CT;
- ii) awareness of the reasoning behind and the effects of a licence will give a greater chance of successful mediation.

7.28 The theory is all very well, the difficulty is in changing habit and practice. There has to be an incentive for parties to act in the manner suggested. We consider that costs will represent both stick and carrot. If cases are dealt with more quickly, or if they never come to the CT, or if whilst before the CT they are settled through alternative dispute resolution (ADR), there will be savings in the costs of the parties. The costs award at the end of the proceedings should reflect whether the parties have complied with the requirements set out above. It will, of course, be necessary to take into account the size and status of applicants to the CT. Leeway will have to be given for those with limited resources; otherwise there could be a de facto bar to access to the CT.

**7.29 It is envisaged that the CT, with the extra resources that we recommend elsewhere, should take an active part in formulating criteria for the objectification of the criteria for the conditions of licensing schemes or licences.**

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<sup>9</sup> The criteria set out by Mr Justice Whitford in *Imperial Group plc & Another v. Philip Morris Limited & Another* [1984] RPC 293 for surveys give a useful starting point for the way a sampling exercise should be approached and the nature of the information that needs to be disclosed.

**It should publish a practice direction as to what data it expects should be provided to support the basis for the terms and conditions of licences. The officials of the CT should assist collecting societies by discussing the basis of proposed licences and sampling systems. Such discussions should, of course, not be seen to indicate approval of a particular scheme or a sampling system; simply, they would be an assistance to the collecting society to make their reasoning plain. This would benefit not just the collecting society but also licensees, who will be better able to understand the logic behind a scheme or sampling system. The same sort of assistance should be available to licensees who wish to propose different terms for licence schemes and licences.**

7.30 The history of the PRT and CT is one of disputes that have spiralled out of control, which have been marked by cost and delay. The CT is seen as a desperate option. It ill serves the collecting societies and the licensees. The cost and delay are not intrinsic to the nature of the CT (or the PRT) but for the most part are caused by the behaviour of the parties. Proceedings must be controlled firmly from the outset to avoid the twin scourges of cost and delay.

7.31 As we propose elsewhere, the CT should work within the parameters of the CPR and its own practice directions.

**7.32 Once an application has been made to the CT the case should be allocated to the chairman or deputy chairman, who should be responsible for all aspects of the case from thence forward.** This will mean that the person hearing the case will have familiarity with it and it should be dealt with in a consistent manner. It also means that the chairman/deputy chairman can set out a timetable for the case that takes into account their other commitments.

**7.33 Once the counterstatement has been received a case management conference (cmc) should be called as soon as possible to direct the management of the case. A timetable should be set out. The parties should be advised of the nature of the evidence that should be filed and to what it should be directed. The conduct of the case should be specific to the particular case.** This is the practice of the CBC; again we refer to the speech of the Honourable Justice William J Vancise:

“Il faut garder à l'esprit que la Commission est capable d'adapter des procédures à chaque cas. Les parties non représentées par avocat ont constaté que le personnel et les membres cherchent à les accommoder. La Commission cherche habituellement à procéder de façon aussi informelle que possible. Si les participants et leurs procureurs acceptent d'accélérer le processus, de traiter uniquement de questions pertinentes et de demander moins d'information de la part des autres, nous sommes prêts à les aider.”<sup>10</sup>

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<sup>10</sup> It should be borne in mind that the Board can adapt its procedures for particular cases. Parties not legally represented have stated that the staff and members try to accommodate them. The Board as a matter of practice looks to proceed in as informal a way as possible. If the parties and their attorneys want to speed up the process, to deal solely with the pertinent issues and to ask for less information from the other parties, we are ready to assist them. (Our translation)

**7.34 As with the CBC, the CT should ask for particular questions to be answered in the evidence. It should put clear limitations on the type and quantity of the evidence that is submitted.** The CT should make it clear that it will be robust in striking out irrelevant evidence and that excessive and/or irrelevant evidence will be taken into account in any costs award. The parties must be in no doubt that they are limited to the parameters of their pleadings. They should not believe the pleadings are a moveable feast to be amended and adapted as the case proceeds. There is no reason that evidence from the parties has to be filed on a sequential basis. It will expedite proceedings if the parties file their evidence at the same time. Clear deadlines should be given for the filing of the evidence.

**7.35 The cases before the CT depend on fact, even if the evidence often does not seem to address this; the emphasis should be on written evidence.**

7.36 Study of the transcript of hearings shows that the greater part of the time of hearings is spent in going over what happened in negotiations and what can only be described as “point scoring”. Pertinence and precision are not the watchwords.

**7.37 If a hearing is to take place it should be the subject of a strict timetable.** There is no reason why the submissions of the parties cannot be put into writing rather than expressed verbally. Oral submissions should have a strict guillotine upon them. If there is to be cross-examination of witnesses it should be on matters that will affect the decision of the CT and so should be strictly controlled by the CT. If witnesses are to be called for cross-examination it should be for the purpose of the proceedings ie the cross-examination will be directly relevant to the decision about the scheme or licence. This should be achieved by:

- the strict control of the hearing by the chairman/deputy chairman;
- a guillotine being set on the time for any cross-examination;
- costs to reflect the behaviour of the parties at the hearing.

### **Expert witnesses**

“Instead what answer we get depends on the question we put, the experiment we arrange, the registering device we choose. We are inescapably involved in bringing about that which appears to be happening.”<sup>11</sup>

7.38 Parties choose expert witnesses who will support their cases. No doubt they give honest answers but the parameters of their analysis and the results are inevitably skewed by the perspective that they have. (This is not to suggest that they deliberately construct the parameters of their work to get a false result or that they falsify the results.)

**7.39 The CT should always consider whether expert testimony is actually necessary. If there is need for expert testimony it should be subject to the control of the CT. In our view, unless there are exceptional and compelling reasons, any expert evidence should be by a single, joint expert as per rule 35.7 of the CPR.**

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<sup>11</sup> *Law without law* by Professor John Wheeler

## **Time limits**

7.40 Delay can never be compensated for in costs. In the case of the CT delay has serious consequences in the consequent uncertainty; one side does not know what its income will be, the other does not know what its expenditure will be. As far as possible delay must be ruthlessly rooted out of the system.

**7.41 The CT should set a target for the completion of all cases, from receipt of application, to issue of decision. We cannot see that there can be any excuse for cases, which are being diligently prosecuted, to last for more than eighteen months.** (This figure does not even take into account that in most cases there have been extensive negotiations prior to a reference to the CT.) Eighteen months, in our view, should be the very maximum period allowed; the CT may wish to discuss with its users whether a tighter time frame is appropriate. This period includes the time for writing and issuing a decision. It may also be the case that the parties in a particular case desire an accelerated timetable; this could be agreed at the initial cmc.

## **Alternative Dispute Resolution (ADR)**

7.42 ADR is not a universal panacea, it can be expensive and actually add to the costs of a dispute. Barriers should not be put to access to the CT through cost; there will be some parties who cannot bear the cost of ADR. **In some circumstances the parties know that ADR will not resolve the issues. Consequently, we are of the view that ADR should not be compulsory. Its use should reflect the circumstances of the parties and the particular dispute.** The parties should be reminded of the possibility of ADR and asked if they consider that it would be helpful at various stages of the proceedings. If the parties are to use ADR it should be when they are ready to; it should not be forced upon them at an early stage; the premature use of ADR will increase the costs and possibly lead to the entrenchment of positions. Of course, if the parties feel that ADR will be helpful at an early stage this should be encouraged. Hopefully, with objectified evidence, the parties will be better able to see the position of the other and ADR will be seen as a useful tool. ADR has already played a rôle in proceedings before the CT; *The Association of British Concert Promoters v The Performing Right Society* CT 77/02 was settled through mediation.

## **8. LOCATION, RESOURCES AND COMPOSITION OF THE TRIBUNAL**

8.1 As has been indicated elsewhere, criticism of proceedings before the CT (and the PRT) have a lengthy pedigree. Recommendations about how to improve the workings of the CT have been made, *inter alia*, by the MMC and a chairman of the PRT, Sir William Aldous<sup>12</sup>. Their recommendations have never been acted upon. The criticisms of the CT are in four main areas:

- delay and expense;
- lack of resources;
- constitution of the membership of the CT;
- relationship of the CT with the UK Intellectual Property Office.

8.2 In this chapter of the review we look at the last three criticisms, as well as some other aspects of the workings of the CT.

8.3 In commenting upon the membership of the CT and its resources we are not looking at individuals, past or present, but the positions themselves within the structure and system.

8.4 The business of the CT is important. Potentially it has an impact on the life of everyone, covering such matters as ringtones, photocopying in schools and universities, downloading music and the radio being played in a hairdresser's premises. The work of the CT affects the businesses that use copyright material, the businesses that produce copyright material and the creators of copyright material. Decisions of the CT make differences in expenditure and income of millions of pounds on an annual basis. This is why enormous resources are devoted to cases. The legal costs are enormous, in some cases in the millions of pounds.

8.5 The Ockham's razor solution to the problems of the CT is to dissolve it; to transfer its responsibilities to the court system; let the issues be decided by a High Court judge. However, we consider that the findings of the MMC in its 1988 report still hold good:

“7.23. We also noted that the Franks Report on Tribunals identified five principal advantages that tribunals have over courts:

- (a) cheapness;
- (b) accessibility for the parties;
- (c) freedom from technicality;
- (d) speed; and
- (e) expert knowledge of the subject before them.

The principal concern of the Franks Report was with tribunals that dealt with issues arising between individuals and official authorities. We believe, however, that these advantages should apply no less to a specialized body such

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<sup>12</sup> Sir William Aldous became a leading IP judge, finishing his judicial career as the IP specialist in the Court of Appeal.

as the Copyright Tribunal. Against this background we have considered how the advantages that the Franks Report identified might be secured for the Copyright Tribunal, given the reputation for elaborate procedures, high costs and long delays that some of our witnesses associated with references to the PRT.

7.24. So far as cheapness is concerned, it would be misleading to suggest that the Copyright Tribunal could operate as a sort of Small Claims Court. The expense of running the Copyright Tribunal can be kept to a minimum by adopting simple procedures, but the preparation and presentation of the parties' cases will usually require professional legal advice, and how much is spent in that way must be for the parties to decide for themselves: it would be a foolish decision to forgo such advice if large sums were at stake. Certainly the collective licensing bodies cannot sensibly be criticized for relying on legal advice as a matter of course. On procedural economies, we have noted that it is the Government's declared intention to introduce rules for the Copyright Tribunal once it is established. We recommend these should empower the Copyright Tribunal to stipulate the length of hearings and strictly limit oral proceedings, enabling it to rely instead on written submissions to the fullest possible extent. One reason why we believe the Copyright Tribunal should be able to expedite its hearings is that only rarely will it have to determine difficult questions of fact. Normally its task will be limited to determining, in particular circumstances, what is a reasonable amount to pay for the use of copyright material. The sums involved may be large but the issues will be narrow. We do not think it necessary for the Copyright Tribunal to be charged additionally, as several witnesses urged, with deciding where the public interest lies in the disputes that are referred to it. This would be bound to increase the length of its proceedings and add to the costs of hearings. The Copyright Tribunal should therefore limit its consideration to the criteria set out in the Bill."

8.6 The CT does not just deal with well funded undertakings. It has references from small undertakings who could not afford the cost of a High Court action; for whom the very thought of going to the High Court would be a deterrent. There could be no balance between licensees and licensors as the small licensees would be denied the ability to redress their grievances and concerns; quite recently the forum of the CT allowed a small undertaking, Radio North Angus, to come to an understanding with the PPL.

8.7 The lack of resources of the CT has been commented upon as a failing by collecting societies, by the MMC and by the current chairman<sup>13</sup>. The CT has been akin to a volcano, dormancy followed by eruptions; currently, with the downloading cases and section 128A references the volcano is very active. This has, not surprisingly, given rise to a problem in the allocation of resources. If the contents of this review are acted upon there will be much for the CT to do, to implement the changes and to take on its expanded rôle. We will return later to the exact nature of the resources that will be required.

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<sup>13</sup> His Honour Judge Fysch

## **Location**

8.8 The hearings of the CT are in London. The chairman and deputy chairman are based in London. The parties and their lawyers are almost always in London. The secretary to the CT is in Newport. The secretary has done sterling work, although she has other UK Intellectual Property Office duties. Evidence and correspondence is delivered to Newport and then has to be sent to London. Communication between the chairman and the secretary has to be via telephone, e-mail and facsimile transmission. This all creates delay. It would be much easier for the chairman to discuss matters directly with the secretary to the CT. Responses to the parties would be much quicker and easier if the secretary was based in London. Everything tells us that the staff of the CT should be where the work is, and that is in London.

8.9 Someone has to supply the accommodation to the CT. Owing to the historical links between the UK Intellectual Property Office and the CT and the UK Intellectual Property Office's existing office space in London, it seems most convenient for the UK Intellectual Property Office to supply and maintain office accommodation for the CT in London both for the administration of the tribunal and for the conduct of hearings. (If the UK Intellectual Property Office's hearing rooms in London are not adequate for the task it will be for the CT to arrange for alternative accommodation.)

**8.10 We recommend that the staff of the CT should be based in London and that the UK Intellectual Property Office should supply the necessary accommodation.**

## **Rôle of the CT and its staffing**

8.11 First and foremost the CT must fulfil its statutory duties.

8.12 In another part of this review we have commented upon the rôle that we recommend that the CT should play in relation to orphan works.

8.13 Elsewhere in this review we have recommended that the CT assists licensors in formulating criteria for the objectification of the criteria for the conditions of licences. We have also recommended that it should publish a practice direction as to what data it expects should be provided to support the basis for the terms and conditions of licences. We have also recommended that the officials of the CT should assist collecting societies by discussing the basis of proposed licences and sampling systems and that the same sort of assistance should be available to licensees who wish to propose different terms for a licence. If the staff of the CT undertake such work they will develop a relationship with licensors and licensees, which is the position in Canada. The CT would be acting to limit the costs and delays if a dispute arises; they could also be helping to stop a dispute developing.

8.14 In order for the CT to deal with disputes it would be helpful if there was a bank of knowledge. This would encompass such matters as:

- i) extensive knowledge of earlier cases;
- ii) a knowledge as to how similar disputes are dealt with in other jurisdictions and the criteria that other jurisdictions use;

iii) extensive knowledge as to the various licensing schemes and licenses of the collecting societies.

8.15 The staff could build up and record this knowledge, which would then be available for the CT. Members of the CT would also be in a position to discuss the ramifications of this knowledge with staff members.

8.16 In our experience of trade mark disputes, legally complicated and/or evidence heavy cases benefit from having assistance in analysis of the issues and evidence. The hearing officer will have studied all the evidence thoroughly but will benefit from the perspective of and discussions with another. At the moment the chairman of the CT has no one who can help analyse evidence; to help identify the key issues and undertake relevant research.

8.17 Correspondence is regularly received at the UK Intellectual Property Office from individuals or small businesses querying the necessity to obtain licences from collecting societies or the tariffs of the licences. It would seem appropriate for the staff of the CT to have the task of giving full, detailed and comprehensible responses; responses that would be aided by the knowledge of the collecting societies, their schemes and licences that has been built up (see above).

8.18 There is and will be increasing administrative work, if our recommendations are accepted.

8.19 It is our view that, at the beginning of the changes to the CT, two permanent staff should be employed in London. A person of UK Intellectual Property Office A3 grade, to undertake administrative work, and a person of UK Intellectual Property Office C2 grade, to undertake the research and analysis work. These staff do not need to be recruited from the UK Intellectual Property Office; clearly their suitability for the tasks is the prime concern. The complement of the staff of the CT should then be reviewed annually by the chairman.

8.20 In order to make sure that there is a separation between the policy and administrative functions of the UK Intellectual Property Office and the judicial function of the CT, we are of the view that the staff of the CT should report directly to the chairman who shall have sole responsibility for them.

**8.21 We recommend that there is a permanent staff of two who will report directly to the chairman of the CT.**

### **Composition of the CT**

8.22 Under section 145(2) of the CDPA there are two deputy chairman. We can see no reason for a restriction on the number of people who are appointed to the position of deputy chairman; the greater the number the greater the flexibility and availability.

**8.23 We recommend that there is no restriction on the number of deputy chairmen.**

8.24 It has been submitted to us that the chairman of the CT should be a serving High Court judge; we were told that such a person would have the advantages of the authority of their position and be able to tailor his or her timetable to the requirements of the CT. High Court judges are busy individuals, their priorities could be such that the CT would play second fiddle to their court work. Below, we make recommendations about the position and rôle of the chairman; recommendations that would effectively exclude the possibility of serving High Court judges sitting as the chairman.

8.25 It was submitted that serving barristers might have a conflict of interest and so might not be available for certain cases as deputy chairmen. It was suggested that at least one of the deputy chairmen could be a High Court judge. As far as we are aware, conflict of interest has so far not been a problem. By getting rid of the limit on the number of deputy chairmen, there should be less of a likelihood of a conflict of interest. It was suggested to us that a barrister would have less standing than a High Court judge when sitting. It is common practice for Chancery QCs to sit as Deputy Judges, with neither problems of conflicts of interest or an absence of gravitas. There is also a presumption that High Court judges would have both the time and inclination to sit as deputy chairmen. We cannot see that there is any reason to change the criteria for the appointment of deputy chairmen.

8.26 The nature of the lay members of the CT has been questioned; as has the lack of transparency in the criteria for appointments. The first MMC report recommended that they be chosen for having specific expertise that is relevant to the CT. At the moment this does not appear to be the basis for their appointment.

8.27 The position of the PPL in relation to the lay members of the CT is as follows:

“The lay/expert members should have a good knowledge of copyright licensing and to preserve the balance of interests between the two parties, at least one should have direct experience as a rightholder and at least one should have direct experience as a user of copyright”.

8.28 The CLA submitted:

“3.4 The perception of unfairness would be further reduced if the membership of the panel dealing with a particular reference reflected the interests of both users and of licensors, and had some relevant experience and/or expertise in the matter at issue. A balance between conflicting interests is achieved in the Employment Tribunal where the panel consists of an employer representative and an employee representative in addition to the lawyer chairman. This is also often the case in relation to arbitration panels.

3.5 The criteria for selection of lay members are not disclosed and greater transparency in the selection criteria and procedure would help address some of the concerns of collecting societies. The lay members need to have, and be seen to have, the appropriate experience to deal with complicated cases where much information needs to be absorbed before the issues can be addressed.....”

8.29 The British Copyright Council (BCC) also submitted that the lay members should have industry expertise.

8.30 There is a presumption in the above submissions that appropriate people could be recruited. If they could, they would have to be able to fit in with the timetable of the chairman/deputy chairman of a case. They would quite possibly have to lose money, as the daily rate of payment is £186 plus expenses. Those who have the necessary expertise are quite likely to be involved in the area under consideration and so there is a good chance of a conflict of interest. Rather than creating “balance” in the CT, they could just maintain polarised positions; born of their backgrounds. An individual’s expertise in a particular sphere does not mean that he or she can analyse evidence and contextualise it within the framework of the law, which is what the work of the CT involves.

8.31 In discussions, we questioned why there was a need for lay members. The reaction suggested that the interests are not necessarily wedded to the idea of lay members. The tribunals of the UK Intellectual Property Office consist of one hearing officer and can involve large amounts of evidence and complicated legal issues; the judgments of the Chancery Division involve highly complex matters with one judge sitting. Sitting without lay members will allow the chairman/deputy chairman complete control of the timetable. It will mean that time will not have to be spent going through evidence with lay members and explaining issues to them. It means that the sittings of the CT will not be hostage to the fortune of the availability of lay members. The abolition of the lay members will help in the streamlining of the work and procedures of the CT. Under other recommendations in this review, there will be support for research and analytical work and any expert evidence will normally be from a joint, single expert; all of which will aid a chairman/deputy chairman sitting alone.

**8.32 We recommend that the lay members should be abolished.**

8.33 Under our recommendations the position of the chairman will change. He or she will be directly responsible for staff who will be working for him or her. A change of nomenclature will clearly identify this change in the duties of the chairman. It will also be symbolic of the changes in the ways that the CT works and in its relationship with licensors, licensees and the UK Intellectual Property Office. Consequently, we consider that the title of chairman should be changed to president; which also has the advantage of being gender neutral.

**8.34 We recommend that the head of the CT should be called the President.**

8.35 The duties of the chairman/president will increase. He or she will need to direct the staff of the CT. We expect that he or she will be driving forward the changes in culture and practice in the CT. It is likely that he or she will be meeting licensors and licensees to help build the change of culture. This will be in addition to sitting as chairman/president in cases. Consequently, we consider that the position of the chairman/president should be salaried. It is difficult to estimate the amount of time that the chairman/president will spend on these duties. However, we consider for the first year of the new position that seventy paid days should be allocated. The chairman/president after the first year could then consider what the future time

requirements are likely to be. Owing to the importance and complexity of the work of the CT, and the recommendations that we make below re appropriate appointments, we consider that the pro rata rate of pay should be based on the salary of a High Court judge.

8.36 It has been previously suggested that the chairman/president could be a retired High Court judge. The PPL submitted that the authority of the CT's decisions would not be increased if judges, who for reasons of policy, were prevented from sitting as High Court judges because of their age were then allowed to be chairmen or deputy chairmen of the CT. The CLA noted the recommendation of the MMC that the chairman should be a retired High Court judge and did not defer from this position. It seems to us that retired High Court judges, or retired Court of Appeal judges, have a number of attributes. They will have the gravitas of their former positions which will be of enormous advantage when controlling the management of cases and controlling legal representatives. They will be used to deciding complex issues of fact and law. They will have the advantage of having the time to devote to the duties without conflicts of other duties. They will have knowledge of the application of the CPR. We cannot see that age should preclude a candidate; it is the ability to do the job that is important. We do not consider that the chairman/president has to be a former judge of the High Court or Court of Appeal but we certainly do not consider that it should be a bar, and there are clear advantages to the chairman/president having held such a position.

8.37 What we are recommending is effectively a new position; taking into account the increased duties and the paid nature of the post. The president's rôle will be very different to that of the chairman. It would, therefore, seem necessary to advertise for the position of chairman/president. The users of the CT have clearly and reasonably expressed a desire for transparency in appointments. The position of chairman/president should, therefore, always be openly advertised listing the criteria for the post holder. The advertising of the position will have the added advantage in drawing a line between the CT before reform and after; it will allow the CT to start with a tabula rasa; to demonstrate that a change in the workings of the CT has taken place.

**8.38 We recommend that the position of president/chairman should be salaried and that an open recruitment exercise be held for the appointment of the first and future presidents.**

## **Budget**

8.39 Our recommendations have cost implications. **We recommend that the president/chairman of the CT should set its budget in discussions with the UK Intellectual Property Office.**

## **Website**

8.40 The natural way that the CT should disseminate information is through its website and through e-mail. At the moment the CT website is part of the UK Intellectual Property Office website. As the CT is an independent body this seems inappropriate. The CT should have its own website, with a hyperlink from the UK

Intellectual Property Office website. It would be a burden for the CT to have to administer its own website. **The CT should be responsible for all content on its own website but the UK Intellectual Property Office should manage and administer the site for the CT; this will include the setting up of the website. There should be a written agreement as to the terms of service that the UK Intellectual Property Office provides.**

### **Departmental responsibility**

8.41 Submissions have been made in relation to the responsibility for the CT moving from the UK Intellectual Property Office to the Department of Constitutional Affairs (DCA). The PPL has seen potential conflicts of interest, especially in relation to section 128A of the CDPA. The PPL has referred to the *Report of the Review of Tribunals* by Sir Andrew Leggatt:

“3.31 The Copyright Tribunal decides, where the parties cannot agree between themselves, the terms and conditions of licences offered by, or licensing schemes operated by, collective licensing bodies in the copyright and related rights area. The licensing body is usually a party to the dispute. There is therefore a complex mixture of disputes between individuals, and regulatory disputes. There might be some theoretical case for transfer to the High Court, but the few consultation responses we received about this tribunal argued for more expert participation by non-lawyer members with specialised knowledge of the industry, rather than less. There are significant similarities in the tribunal’s work to that of the tribunals in the Regulatory Division which will form part of the Tribunals System. We therefore recommend that the Copyright Tribunal should also form part of the Tribunals System and be supported by the Tribunals Service, and that it can conveniently be allocated to the Regulatory Division.”

8.42 The members of the CT have no link to the UK Intellectual Property Office. We do not think that anyone would suggest that the members could or would be influenced by the UK Intellectual Property Office. The main concern seems to revolve around potential conflicts of interest. Our recommendations in relation to section 128A and the responsibility of the staff to the chairman/president will hopefully dispel any concerns over conflict of interest.

8.43 We are agnostic on the position. The key issue to us is that the CT has the resources and structure to do its job efficiently; that is the proof of the pudding.

## **9. ACCESS TO THE TRIBUNAL BY COLLECTING SOCIETIES**

9.1 Both the CLA and the PPL commented on the inability of collecting societies to refer a proposed licensing scheme or licence to the CT; this is covered by sections 118 and 125 of the CDPA:

“118 (1) The terms of a licensing scheme proposed to be operated by a licensing body may be referred to the Copyright Tribunal by an organisation claiming to be representative of persons claiming that they require licences in cases of a description to which the scheme would apply, either generally or in relation to any description of case.

(2) The Tribunal shall first decide whether to entertain the reference, and may decline to do so on the ground that the reference is premature.

(3) If the Tribunal decides to entertain the reference it shall consider the matter referred and make such order, either confirming or varying the proposed scheme, either generally or so far as it relates to cases of the description to which the reference relates, as the Tribunal may determine to be reasonable in the circumstances.

(4) The order may be made so as to be in force indefinitely or for such period as the Tribunal may determine.

125 (1) The terms on which a licensing body proposes to grant a licence may be referred to the Copyright Tribunal by the prospective licensee.

(2) The Tribunal shall first decide whether to entertain the reference, and may decline to do so on the ground that the reference is premature.

(3) If the Tribunal decides to entertain the reference it shall consider the terms of the proposed licence and make such order, either confirming or varying the terms, as it may determine to be reasonable in the circumstances.

(4) The order may be made so as to be in force indefinitely or for such period as the Tribunal may determine.”

9.2 Section 154 of the Australian Copyright Act 1968 allows for a licensor to refer a proposed licence scheme to the Copyright Tribunal:

“(1) Where a licensor proposes to bring a licence scheme into operation, he or she may refer the scheme to the Tribunal.

(2) The parties to a reference under this section are:

(a) the licensor referring the scheme; and

(b) such organizations or persons (if any) as apply to the Tribunal to be made parties to the reference and, in accordance with the next succeeding subsection, are made parties to the reference.

(3) Where an organization (whether claiming to be representative of persons requiring licences or not) or a person (whether requiring a licence or not) applies to the Tribunal to be made a party to a reference, and the Tribunal is satisfied that the organization or person has a substantial interest in the operation of the scheme to which the reference relates, the Tribunal may, if it thinks fit, make that organization or person a party to the reference.

- (4) The Tribunal shall consider a scheme referred under this section and, after giving to the parties to the reference an opportunity of presenting their cases, shall make such order, either confirming or varying the scheme, as the Tribunal considers reasonable in the circumstances.
- (5) An order (other than an interim order) of the Tribunal under this section may, notwithstanding anything contained in the licence scheme to which it relates, be made so as to be in force either indefinitely or for such period as the Tribunal thinks fit.
- (6) Where a licence scheme has been referred to the Tribunal under this section, the licensor may do either or both of the following things:
- (a) bring the scheme into operation before the Tribunal makes an order in pursuance of the reference;
  - (b) withdraw the reference at any time before the Tribunal makes an order in pursuance of the reference, whether the scheme has been brought into operation or not.
- (7) If the scheme is not brought into operation before an order is made in pursuance of the reference, the scheme as confirmed or varied by the order comes into operation, notwithstanding anything contained in the scheme, forthwith upon the making of the order.
- (8) After the making of an order in pursuance of the reference, the scheme as confirmed or varied by the order remains in operation, notwithstanding anything contained in the scheme, so long as the order remains in force.”

9.3 In discussions with the PPL it was argued that licensees use the threat of a reference to the CT in negotiations; knowing the cost and delay that this will bring. It is the “nuclear option”. However, as the collecting society cannot refer a proposed scheme or licence to the CT, the position is asymmetrical. In terms of equity there is something to be said for the position advanced by the PPL and CLA.

9.4 As we have indicated elsewhere we consider it desirable that the CT is seen as fair and balanced in its position to licensors and licensees. By granting the right to a collecting society to refer a proposed licensing scheme or licence, there will be greater balance between the parties.

9.5 If there is an impasse in negotiations, it does not seem unreasonable that a collecting society should be able to try and overcome the impasse with a reference to the CT; delay and uncertainty are a bane to its members. This does not seem to be a particularly radical step; to some extent it can be seen as being akin to seeking a declaration of non-infringement before the High Court<sup>14</sup>. There is no indication that section 154 of the Australian Copyright Act 1968 has caused problems in Australia.

9.6 If only one party of the dispute can refer the matter to the CT there is an inbuilt presumption that the other party is in the wrong; the referrer is the “wronged party”.

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<sup>14</sup> The owner of certain intellectual property rights may go to the High Court to have a ruling that it is not infringing the intellectual property rights of a third party. This normally happens when the third party has indicated that it considers that there is or might be infringement see, for instance, *Point Solutions Limited v Focus Business Solutions Limited and Focus Solutions Group PLC* [2007] EWCA Civ 14 and Article 92 (c) of Council Regulation 40/94 (the Community trade mark regulations).

**9.7 It is our recommendation that licensing bodies should be able to make references to the CT under sections 118 and 125 of the CDPA.**

9.8 The Design and Artists Copyright Society (DACS) in its submission, recommended a large expansion of the powers of the CT. It suggested that ‘licensing bodies and operators of licensing schemes should also be provided with an entitlement to refer non-compliant copyright consumers to the Copyright Tribunal’. Dealing with those who do not purchase licences requires, *inter alia*, the power to fine and ban the use of the copyright material. Their suggestion would change the basis of the CT completely, effectively turning into a court. “Non-compliant copyright consumers” are quite properly the subjects of the court system<sup>15</sup>.

9.9 DACS’s submissions goes on to suggest further expansion of the powers of the CT. It wants the CT to regulate the contracts between freelance creators and large media corporations. DACS considers that unfair standard contracts are being used. DACS is asking for the CT to venture into the realm of contract law; to intervene between commissioners and creators. We are aware that this is a matter of concern amongst various of the creative professions<sup>16</sup>, however, we cannot see that it can be part of the remit of the CT. DACS is effectively asking the CT to regulate the affairs between commissioners and creators.

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<sup>15</sup> See for instance the recent case before Mr Justice Briggs brought by the PPL against a Burnley publican.

<sup>16</sup> See for instance the National Union of Journalist’s 1995 response to the European Commission’s green paper “Copyright and Related Rights in the Information Society”

## **10. SECTIONS 128A AND 128B OF THE CDPA**

10.1 A separate section has been devoted to these parts of the CDPA owing to the strong representations that the PPL have made in respect of them. These sections of the Act read as follows

### **“128A Notification of licence or licensing scheme for excepted sound recordings**

- (1) This section only applies to a proposed licence or licensing scheme that will authorise the playing in public of excepted sound recordings included in broadcasts, in circumstances where by reason of the exclusion of excepted sound recordings from section 72(1), the playing in public of such recordings would otherwise infringe the copyright in them.
- (2) A licensing body must notify the Secretary of State of the details of any proposed licence or licensing scheme for excepted sound recordings before it comes into operation.
- (3) A licence or licensing scheme, which has been notified under subsection (2), may not be operated by the licensing body until 28 days have elapsed since that notification.
- (4) Subject to subsection (5), the Secretary of State shall take into account the matters set out in subsection (6) and then either—
  - (a) refer the licence or licensing scheme to the Copyright Tribunal for a determination of whether the licence or licensing scheme is reasonable in the circumstances, or
  - (b) notify the licensing body that he does not intend to refer the licence or licensing scheme to the Tribunal.
- (5) If the Secretary of State becomes aware—
  - (a) that a licensing body has failed to notify him of a licence or licensing scheme under subsection (2) before it comes into operation; or
  - (b) that a licence or licensing scheme has been operated within 28 days of a notification under subsection (2),subsection (4) does not apply, but the Secretary of State may at any time refer the licence or licensing scheme to the Tribunal for a determination of whether the licence or licensing scheme is reasonable in the circumstances, or may notify the licensing body that he does not intend to refer it to the Tribunal.
- (6) The matters referred to in subsection (4) are—
  - (a) whether the terms and conditions of the proposed licence or licensing scheme have taken into account the factors set out in subsection (7);
  - (b) any written representations received by the Secretary of State;
  - (c) previous determinations of the Tribunal;
  - (d) the availability of other schemes, or the granting of other licences, to other persons in similar circumstances, and the terms of those schemes or licences; and
  - (e) the extent to which the licensing body has consulted any person who would be affected by the proposed licence or licensing scheme, or

organisations representing such persons, and the steps, if any, it has taken as a result.

- (7) The factors referred to in subsection (6) are—
- (a) the extent to which the broadcasts to be shown or played by a potential licensee in circumstances mentioned in subsection (1) are likely to include excepted sound recordings;
  - (b) the size and the nature of the audience that a licence or licensing scheme would permit to hear the excepted sound recordings;
  - (c) what commercial benefit a potential licensee is likely to obtain from playing the excepted sound recordings; and
  - (d) the extent to which the owners of copyright in the excepted sound recordings will receive equitable remuneration, from sources other than the proposed licence or licensing scheme, for the inclusion of their recordings in the broadcasts to be shown or played in public by a potential licensee.
- (8) A proposed licence or licensing scheme that must be notified to the Secretary of State under subsection (2) may only be referred to the Tribunal under section 118 or 125 before such notification takes place.
- (9) A proposed licensing scheme that has been notified to the Secretary of State under subsection (2) may only be referred to the Tribunal under section 119 after the Secretary of State has notified the licensing body that he does not intend to refer the licensing scheme to the Tribunal.
- (10) If a reference made to the Tribunal under section 118 or 125 is permitted under subsection (8) then—
- (a) the reference shall not be considered premature only because the licence or licensing scheme has not been notified to the Secretary of State under subsection (2); and
  - (b) where the Tribunal decides to entertain the reference, subsection (2) to (5) shall not apply.
- (11) Nothing in this section shall be taken to prejudice any right to make a reference or application to the Tribunal under sections 120 to 122, 126 or 127.
- (12) This section applies to modifications to an existing licence or licensing scheme as it applies to a proposed licence or licensing scheme.
- (13) In this section and in section 128B, any reference to a “licence” means a licence granted by a licensing body otherwise than in pursuance of a licensing scheme and which covers works of more than one author.

## **128B References to the Tribunal by the Secretary of State under section 128A**

- (1) The Copyright Tribunal may make appropriate enquiries to establish whether a licence or licensing scheme referred to it by the Secretary of State under section 128A(4)(a) or (5) is reasonable in the circumstances.
- (2) When considering the matter referred, and after concluding any such enquiries, the Tribunal shall take into account—
- (a) whether the terms and conditions of the proposed licence or licensing scheme have taken into account the factors set out in section 128A(7); and
  - (b) any other factors it considers relevant,
- and shall then make an order under subsection (3).

(3) The Tribunal shall make such order—

- (a) in the case of a licensing scheme, either confirming or varying the proposed scheme, either generally or so far as it relates to cases of any description; or
- (b) in the case of a licence, either confirming or varying the proposed licence, as the Tribunal may determine to be reasonable in the circumstances.

(4) The Tribunal may direct that the order, so far as it reduces the amount of charges payable, has effect from a date before that on which it is made.

If such a direction is made, any necessary repayments to a licensee shall be made in respect of charges already paid.

(5) The Tribunal may award simple interest on repayments, at such rate and for such period, ending not later than the date of the order, as it thinks fit.”

10.2 These sections of the CDPA were inserted by the Copyright and Related Rights Regulations 2003 (SI 2003/2498). The authors of *Copinger and Skone James on Copyright* (fifteenth edition) explain and comment upon these provisions at paragraphs 29-80 and 29-81:

**“Background.** Before the coming into force of the Copyright and Related Rights Regulations 2003, the showing or playing in public of a broadcast or cable programme to an audience who had not paid for admission to the place where this occurred (e.g. a shop or public house) did not infringe any copyright in any sound recording included in the broadcast. This has now changed. Such showing or playing does infringe the sound recording copyright if the recording is an "excepted" recording, that is a recording of music whose author is not the author of the broadcast (there are exceptions where the playing is by a non-profit-making organisation or is necessary for demonstrating or repairing equipment). As will be apparent, most recordings which are likely to be played in these circumstances are in fact "excepted" recordings and accordingly a licence will be necessary. In practice, such a licence will need to be obtained from PPL, which owns the United Kingdom rights to play substantially all commercially released sound recordings in public.

**New section 128A of the 1988 Act: general.** Given the large number of persons who will require a licence to play excepted recordings in public, it was inevitable that PPL would introduce a licensing scheme. Any such scheme would ordinarily have been subject to review by the Copyright Tribunal under the general provisions as to licensing schemes. However, the 2003 Regulations do not simply leave the position subject to the general law. Rather, they make provision (in a new section 128A of the 1988 Act) for any proposed licence or licensing scheme to be referred to the Secretary of State before it comes into operation. The Secretary of State then has a choice as to whether to notify the proposed licence or scheme to the Copyright Tribunal or to allow it to be implemented. The purpose of adopting this machinery is not wholly clear. However, it may be that the Government considered that the users of broadcasts might not have sufficient resources to make a reference to the Tribunal under the ordinary law. At the time of writing it is understood that

PPL and the Secretary of State are in the course of discussions about a proposed scheme.”

10.3 At paragraph 29-85 the authors comment on the interaction with the CT's general jurisdiction:

**“Interaction with the Copyright Tribunal's general jurisdiction.** As has already been made clear, in the absence of this machinery, the Tribunal would have jurisdiction over the licence or scheme under its general jurisdiction, which is discussed below. Accordingly, it was necessary for provision to be made as to the interaction of the two regimes. That provision is as follows. First, the terms of a licence or scheme which must be notified to the Secretary of State under section 128A may be referred to the Tribunal under its general jurisdiction over *proposed* licences or schemes (under sections 118 and 125 of the 1988 Act), but only if this is done before the notification to the Secretary of State takes place. If this occurs, two special provisions apply. First, the reference is not to be considered premature merely because the licence or scheme has not been notified to the Secretary of State. Secondly, if the Tribunal decides to entertain the reference, the section 128A machinery ceases to have effect; thus, there is no obligation to refer the proposed licence or scheme to the Secretary of State and the Secretary of State has no power to refer it to the Tribunal. The second express provision in relation to the interaction of the two regimes is that if a proposed licensing scheme has been notified to the Secretary of State, but has then come into operation, the entitlement to refer it to the Copyright Tribunal under section 119 of the 1988 Act (that is, as an *existing* scheme) is postponed until the Secretary of State has notified the licensing body that he does not intend to refer it to the Tribunal. Finally, it is provided that nothing in section 128A is to prejudice any right to make a reference or application to the Tribunal under certain specified sections of the 1988 Act. These sections, which are all considered below, provide for the following (in brief): the right to refer a scheme back to the Tribunal after it has already ruled on it under sections 118, 119 or 128A (section 120); the right to apply for a licence under an existing scheme (section 121) and to apply for a review of a decision made on such an application (section 122); the right to refer an expiring licence to the Tribunal (section 126); and the right to apply for a review of an order of the Tribunal made under sections 125, 126 or 126B of the 1988 Act, in the latter case where the order did not relate to a licensing scheme (section 127).”

10.4 As the first supplement to the fifteenth edition notes, a practice direction has been issued by the CT in relation to section 128A references.

10.5 The PPL commented as follows upon sections 128A and 128B:

“36. The Copyright & Related Rights Regulations 2003 introduced a new jurisdiction for the Copyright Tribunal set out in Sections 128A & 128B. These new procedures change the Copyright Tribunal from being a party vs party system to an investigating Tribunal.

37. The new procedures are not necessary. There is a well established jurisdiction enabling copyright users who play copyright works in public (or their representatives) to refer the relevant tariffs to the Tribunal. Guidance from the Court of Appeal protects those users in respect of the costs of such references.

38. As noted in paragraph 7 above, there was no consultation on these changes. Indeed, no attempt has been made to explain why the changes were necessary or appropriate. The reason given by the UK Government was that the circumstances in which broadcast sound recordings might be played in public could be different from the circumstances in which CDs and tapes are used but it is difficult to see how any such differences require or justify an alternative jurisdiction for the Tribunal.

39. Also noted above (at paragraph 8) is the fact that there was no need for the changes. PPL has a good record on public performance licensing (indeed, its record is much better than that of the PRS, which is not subject to the procedures).

40. In the first references under Section 128B it is interesting that a consortium of copyright users (represented by Eversheds) have indicated a preference for the Tribunal's traditional jurisdiction.

41. The weakness in the investigative approach is two-fold. Firstly, the users of copyright are not formally a party to the proceedings. Secondly, there is a risk that the Tribunal's position as an independent arbiter in party-party cases will be prejudiced by its investigatory role."

10.6 It worthy of note that the authors of *Copinger and Skone James* are uncertain as to the reasoning behind the introduction of sections 128A and B.

10.7 Section 128A covers matters that are also potentially the subject of action under other parts of the CDPA, hence the drafting to include references to deal with this overlap. The matters covered by section 128A could be dealt with in the "normal way" under sections 118 and 125 of the CDPA.

10.8 In deciding whether there should be a reference to the CT, the Secretary of State will take into account any written representations (subsection 6(c)). Common commercial sense is likely to lead licensees or their trade associations to make submissions; the worst outcome that they face is that the terms of the licensing scheme or licence are as originally drafted, they are in a no lose situation in making a reference.

**10.9 We recommend that the provisions of sections 128A and 128B of the CDPA are reviewed.**

## **Separation**

10.10 Concern was expressed to us about the rôle of the Secretary of State in the reference. The staff who decide policy in relation to copyright, IPID, also decide on

whether a reference should be made to the CT. *Gowers* (recommendation 48) called for a clear split between delivery and policy directorates. In the case of sections 128A and 128B, IPID is deciding the policy in relation to copyright and also making decisions as to what should be referred to the CT. It is also regularly in contact and discussion with the various interests involved. These two rôles could be seen as involving a potential conflict of interest. To put clear space between the policy making arm of the Secretary of State and the decision to make a reference to the CT, the decision should be taken out of the Department of Trade and Industry altogether. A simple mechanism is for the chairman of the CT to decide if there is a *prima facie* case for the CT to consider.

**10.11 We recommend that whether there should be a reference to the CT under section 128(A) of the CDPA should be determined by the chairman of the CT.**

## 11. APPEALS

11.1 Under section 152 of the CDPA appeals from decisions of the CT can only be made on a point of law:

- “(1) An appeal lies on any point of law arising from a decision of the Copyright Tribunal to the High Court or, in the case of proceedings of the Tribunal in Scotland, to the Court of Session.
- (2) Provision shall be made by rules under section 150 limiting the time within which an appeal may be brought.
- (3) Provision may be made by rules under that section –
  - (a) for suspending, or authorising or requiring the Tribunal to suspend, the operation of orders of the Tribunal in cases where its decision is appealed against;
  - (b) for modifying in relation to an order of the Tribunal whose operation is suspended the operation of any provision of this Act as to the effect of the order;
  - (c) for the publication of notices or the taking of other steps for securing that persons affected by the suspension of an order of the Tribunal will be informed of its suspension.”

11.2 Mr Justice Jacob<sup>17</sup> commented on the limitations of the appeal route from the CT in *Phonographic Performance Ltd v Virgin Retail Ltd* [2001] EMLR 6<sup>18</sup>:

“14 Appeal is therefore not a very promising road upon which a dissatisfied party can embark. However the road does exist in a suitable case. It is not totally impassable.

15 PPL's case is not based on any alleged misconstruction of the Act. The appeal is based on a claim that the Tribunal has taken into account matters which it should not have done and neglected others which it should have done. It is said that its overall reasoning is so fallacious that it is irrational. There was no dispute that there are: certain well-known bases on which dissatisfaction with a finding of fact can be presented as a challenge on a point of law. Paragraph 70 of volume 1 of *Halsbury's Laws*, 4th ed., sets out the principle: "Errors of law include misinterpretation of a statute or other legal document or a rule of common law; asking oneself and answering the wrong question, taking irrelevant considerations into account or failing to take relevant considerations into account when purporting to apply the law to the facts; ...; giving reasons which disclose faulty legal reasoning or which are inadequate to fulfil any express duty to give reasons ... Determination of the

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<sup>17</sup> Now Lord Justice Jacob

<sup>18</sup> The appeal was subject to the Rules of the Supreme Court, which were replaced by the CPR.

primary facts is not an error of law, but to making a finding unsupported by any evidence is an error of law" *per* Sir Richard Scott V.-C. in Candy Rock."

16 I would add this. Many of the questions faced by the Tribunal are of fact and degree, for instance whether a prior agreement or decision of the Tribunal can be used as a comparator for the case in hand. Adapting the words of Lord Simon of Glaisdale in the tax case of Ransom v. Higgs [1974] S.T.C. 359 at 561: There lies a "no man's land" of fact and degree where it is for the Tribunal to evaluate whether the prior agreement or decision is an appropriate comparator or not. The court can only interfere where the degree of fact is so inclined towards one frontier or the other as to lead it to believe that there is only one conclusion to which the Tribunal could reasonably have come."

11.3 DACS submitted that the limitation for appeal on a point of law was too onerous.

11.4 In Canada the ability to challenge a decision of the CBC is limited, as the only way to do this is to seek judicial review.

11.5 The most likely reason for a challenge to a decision of the CT is that the tariff determined by the CT is disputed. The CT has to consider a number of factors and issues in making its decisions. There are no simple right and wrong answers. It has to come to a view on everything before it; that a party does not agree with the view is not necessarily the basis for an appeal. If the basis of appeal was relaxed, the parties are likely to be going to the High Court in the hope that it would substitute its view for that of the CT; not because there is a fundamental error in the decision but because the decision is not liked. If there is a finding unsupported by any evidence, there is an error of law and an ability to appeal. So the appeal route is not so restricted as it might seem at first blush. A relaxation of the basis for appeal would be likely to lead to a rehearsing of all that had gone before; a dissatisfied party would be seeking a second bite of the cherry, which is not the purpose of appeal. With a relaxation of the basis for an appeal the High Court would be located in the "no man's land".

**11.6 Taking into account the nature of the work of the CT, we do not consider that there should be any change in the basis for appeal from a decision of the CT.**

## 12. ORPHAN WORKS

12.1 “Orphan works” are copyright works where the copyright owners are unlocatable. (In its annual reports the CBC refers to unlocatable copyright owners.) Use of the work is prevented as permission to use it cannot be granted as the copyright owner cannot be found. Canada already has a system to allow for the use of such works, where the proposed user has shown that there have been serious attempts made to locate the owner of the work. Section 190 of the CDPA already gives the CT some powers in relation to such works.

“190 - (1) The Copyright Tribunal may, on the application of a person wishing to make a copy of a recording of a performance, give consent in a case where the identity or whereabouts of the person entitled to the reproduction right cannot be ascertained by reasonable inquiry.

(2) Consent given by the Tribunal has effect as consent of the person entitled to the reproduction right for the purposes of –

- (a) the provisions of this Part relating to performers' rights, and
- (b) section 198(3)(a) (criminal liability: sufficient consent in relation to qualifying performances),

and may be given subject to any conditions specified in the Tribunal's order.

(3) The Tribunal shall not give consent under subsection (1)(a) except after the service or publication of such notices as may be required by rules made under section 150 (general procedural rules) or as the Tribunal may in any particular case direct.

(4) [...]

(5) In any case the Tribunal shall take into account the following factors –

- (a) whether the original recording was made with the performer's consent and is lawfully in the possession or control of the person proposing to make the further recording;
- (b) whether the making of the further recording is consistent with the obligations of the parties to the arrangements under which, or is otherwise consistent with the purposes for which, the original recording was made.

(6) Where the Tribunal gives consent under this section it shall, in default of agreement between the applicant and the person entitled to the reproduction right, make such order as it thinks fit as to the payment to be made to that person in consideration of consent being given.”

12.2 There have been 2 section 190 cases in the history of the CT (see Jurisdiction of the Copyright Tribunal chapter).

12.3 Currently, section 190 of the CDPA is the sole mechanism for dealing with orphan works. It is a very limited provision. *Gowers* has proposed that *Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society* be amended so that there is a provision for the use of orphan works (see 4.91 – 4.101 of *Gowers* re orphan works).

12.4 Section 77 of the Canadian Copyright Act gives the power to grant licences to use works the authors of which cannot be located:

“77 (1) Where, on application to the Board by a person who wishes to obtain a licence to use

- (a) a published work,
- (b) a fixation of a performer's performance,
- (c) a published sound recording, or
- (d) a fixation of a communication signal

in which copyright subsists, the Board is satisfied that the applicant has made reasonable efforts to locate the owner of the copyright and that the owner cannot be located, the Board may issue to the applicant a licence to do an act mentioned in section 3, 15, 18 or 21, as the case may be.

(2) A licence issued under subsection (1) is non-exclusive and is subject to such terms and conditions as the Board may establish.

(3) The owner of a copyright may, not later than five years after the expiration of a licence issued pursuant to subsection (1) in respect of the copyright, collect the royalties fixed in the licence or, in default of their payment, commence an action to recover them in a court of competent jurisdiction.

(4) The Copyright Board may make regulations governing the issuance of licences under subsection (1).”

12.5 In 2004-2005, 38 applications were filed and 16 licences issued for the following types of works: 13 x plans, 1 x cartoon, 1 x lyrics, 1 x musical work. In 2005-2006, 52 applications were filed and 27 licences issued for the following types of works: 12 x plans, 6 x literary works, 2 x musical works, 2 x posters, 2 x film works, 1 x images and diagrams, 1 x transparencies, 1 x photographs. In 2005-2006, 2 applications were dismissed.

12.6 To grant a licence to use another's work is a serious step; the nature of the step suggests it is a decision that should be made in the arena of a judicial or a quasi-judicial body. Taking into account section 190 of the CDPA and the Canadian example, it seems to us that the CT is the appropriate body to deal with orphan works; if there is the appropriate amendment to the Directive.

12.7 Recommendation 14a of *Gowers* is that the UK Intellectual Property Office should issue guidance on what will constitute a reasonable search for an author. If the CT has responsibility for orphan works in addition to those covered by section 190, it would seem appropriate for the CT to issue such guidance.

**12.8 We recommend that if an amendment to the Directive in relation to orphan works is made, then the CT should be responsible for granting licences for their use and should issue any necessary guidelines.**

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## 13. MISCELLANEOUS

### **Double jeopardy**

13.1 BMR made the following recommendation in its submissions:

“The prevention of double jeopardy for collecting societies by providing a clear demarcation between the responsibilities of the dispute resolution body for commercial purposes (Copyright Tribunal for tariffs and licensing terms) and the more regulatory control as regards competition issues arising from the often dominant position of collecting societies (the OFT) or copyright policy issues within the Patent Office.”

13.2 (This review has elsewhere addressed the matter of the relationship between copyright policy within the UK Intellectual Property Office and the CT.)

13.3 The line that BMR draws between the rôle of the Office of Fair Trading (OFT) and the CT are not necessarily as clear cut as it suggests. There may be competition issues in relation to a scheme or licence, which are more proper for the OFT to consider than the CT. Anyway, neither this review nor the UK Intellectual Property Office can fetter the OFT in the exercise of its powers. If the OFT indicates that it is going to look at matters that interests consider are more appropriate to the CT, then those interests can make submissions to the OFT to that effect.

### **Nomenclature**

13.4 In discussions with the PPL it was suggested to us that the collecting societies should be referred to as licensing societies; the term collecting societies does not reflect the function of the societies, to licence the use of copyright material. (In Canada the societies are referred to as collective societies (or sociétés de gestion<sup>19</sup>).) The term “licensing societies” is a better description of their purpose; it indicates that they supply a benefit, as well as collecting money in recompense for that benefit. **We, therefore, recommend that the collecting societies are referred to as licensing societies.**

### **Future**

13.5 The European Commission has issued a recommendation “on collective cross-border management of copyright and related rights for legitimate online music services”. One of the recommendations is:

“3. Right-holders should have the right to entrust the management of any of the online rights necessary to operate legitimate online music services, on a territorial scope of their choice, to a collective rights manager of their choice,

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<sup>19</sup> Management/administration societies.

irrespective of the Member State of residence or the nationality of either the collective rights manager or the right-holder.”<sup>20</sup>

13.6 The Commission goes on to recommend:

“15. Member States are invited to provide for effective dispute resolution mechanisms, in particular in relation to tariffs, licensing conditions, entrustment of online rights for management and withdrawal of online rights.”

13.7 The CT needs to fulfil the rôle of providing an effective dispute resolution mechanism for pan-European licence schemes, as far as the dispute touches upon the United Kingdom. We cannot see that this requires any further recommendations. The flexibility that we recommend for the CT, means that it should be able to adapt its practices to any new challenge that arises.

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<sup>20</sup> The MCPS (Mechanical-Copyright Protection Society) – PRS Alliance has already entered an agreement with EMI Music Publishing and the German collecting society GEMA to clear the rights of EMI’s Anglo-American songs for on-line and mobile usage across Europe.

## **14. RESPONSES TO REQUEST FOR COMMENTS**

14.1 The responses that we received to our request for comments are reproduced here in full. Responses were received from:

Radio North Angus Ltd

Professor Philip Leith

Music Users' Council (UK)

Design and Artists Copyright Society (DACS)

British Music Rights (BMR)

Phonographic Performance Limited/Video Performance Limited (PPL/VPL)

British Copyright Council (BCC)

The Copyright Licensing Agency (CLA)



# Radio North Angus Ltd.

**87.7 FM  
96.6 FM**

*Independent Local and  
Healthcare Radio Service*

Web: <http://www.radionorthangus.co.uk>  
E-mail: [info@radionorthangus.co.uk](mailto:info@radionorthangus.co.uk)

Company No.  
SC 245875

Registered Charity No.  
SC 019260

Registered Office:  
Rosemount Road  
Arbroath  
Angus  
DD11 2AT

Your ref: 8/04

9 March 2006

Mr Chris J Bowen  
The Patent Office  
Room 2B46  
Concept House  
Cardiff Road  
Newport  
South Wales  
NP10 8QQ

Dear Mr Bowen

### **Review of the Copyright Tribunal**

I refer to your letter of 7 March 2006 regarding the review of the Copyright Tribunal.

I was perfectly satisfied with the arrangements, and therefore have no comment or recommendation to make.

I would mention, however, that I was greatly impressed by the helpfulness of Miss Jill Durdin, and her successor.

Kind regards

A handwritten signature in black ink, appearing to read 'Malcolm J B Finlayson'.

**Malcolm J B Finlayson**  
Managing Director

**Local Radio Across Angus**

**From:** Philip Leith <p.leith@qub.ac.uk>  
**To:** <chris.bowen@patent.gov.uk>  
**Date:** Thu, Apr 13, 2006 10:20 pm  
**Subject:** Copyright Tribunal Review

Dear Mr Bowen,

a relatively simple improvement which could be made to the Copyright Tribunal workings would be to make the decisions available on-line (as a small number already are). I requested that the Tribunal consider posting decisions to Bailii ([www.bailii.org](http://www.bailii.org)) some months ago and am still awaiting a reply. I therefore take this opportunity to further raise the point.

Yours,

Philip Leith

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**MUSIC USERS' COUNCIL (UK)**

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**President: Rt Hon Lord Pendry PC   Director: John W Clarke**

**18 May 2006**

Mr C J Bowen  
The Patent Office  
Room 2B46  
Concept House  
Cardiff Road  
NEWPORT NP10 8QQ  
Royaume Uni

Dear Mr Bowen

**Review of the Copyright Tribunal  
Views of the Music Users' Council**

Apart from the current reference to the Tribunal under the new S.128 of the Act the majority of experiences of the Copyright Tribunal on the part of Music Users' Council members have been from some time in the past.

Memories of these cases indicate that the system remains an expensive process but sometimes necessary in order to counter obdurate copyright societies. In effect the Tribunal is seen as the only safeguard for users against monopolistic organisations in trying to achieve "fair play".

It is our view that in any consideration of changes to the working methods of the Tribunal attention should be paid to streamlining the process so that with faster decision making costs may be reduced. The expense of the current way in which the Tribunal works is considerable for many smaller users and can, frequently, put them between a rock and a hard place – whether to grudgingly accept a licensing regime or face spending money they do not have.

Perhaps one way of achieving this reduction in costs would be a hybrid of the S.128 whereby a first hearing would take place through written evidence alone and if a resolution does not happen after this stage a further hearing would take place with face to face cross-examination of witnesses.

While welcoming the recent introduction of the Patent Office's mediation service, something that the MUC has been campaigning for many years, it remains to be seen

how it will work in practice. However, perhaps consideration could be given to a compulsory mediation process as a first step in resolving a dispute and a reference to the Tribunal only if this process fails.

Finally, we hope that in this review the Patent Office will investigate the likely future for countering perceived unfair licence tariffs in the context of European-wide cross-border licensing regimes. This is the main point of the Commission's Recommendation on this subject. We pose the question: would the Tribunal have any power in the European situation between, for example, an UK user and a German collecting society? We seriously think that UK government should forcibly use its negotiating position via UK Rep and the European Council to open up this issue, as it will surely arise sooner or later.

Thank you for this opportunity to present our views.

Yours sincerely



John W Clarke  
Director



**Submission to:**

The Patent Office

**Inquiry:** Review of the Copyright Tribunal

**For the attention of:**

Mr C J Bowen  
The Patent Office  
Room 2B46  
Concept House  
Cardiff Road  
NEWPORT  
NP10 8QQ

**From:**

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Due by: Wednesday 31 May 2006

**Submitted by**

Joanna Cave, Chief Executive, Design and Artists Copyright Society (DACS)

**Introduction**

DACS was established in 1984 as a not-for-profit organisation to promote and protect the copyright and related rights of artists and visual creators.

DACS currently represents over 50,000 artists and their heirs, comprising 36,000 artists, in addition to 16,000 photographers, illustrators, craftspeople, cartoonists, architects, animators and designers, including some of the biggest names in contemporary visual arts as well as many emerging and unknown artists.

DACS belongs to an international network of visual artists organisations; we currently hold reciprocal agreements with 32 other societies in 27 countries. In addition, DACS belongs to the following international federations: EVA, IFFRO, and CISAC.

Under our membership agreements right-holders mandate DACS to act as an exclusive agent in the exercise of those rights granted to creators of artistic works under s. 16 of the Copyright, Design & Patents Act 1988 (as amended) ("The Act") on behalf of its members.

DACS achieves its objectives of promoting and protecting visual creators' intellectual property rights (IPRs) by offering the following services:

- transactional licensing and individual rights management as an agent for our UK and international membership;
- collective rights management for the entire UK visual repertoire through participation in a range of collective licensing schemes, with the addition of mandates from fourteen professional associations and trade unions representing visual creators;
- artist's resale right administration: new service of collection and distribution of resale royalties to be launched by DACS as a result of the implementation of the *EU Directive 2001/84/EC on the resale right for the benefit of the author of an original work of art*.

For further information on DACS' activities, please refer to our official website: [www.dacs.org.uk](http://www.dacs.org.uk).

## **Overview**

DACS would like to thank the Patent Office for seeking its opinion and welcomes this inquiry into the workings and procedures the Copyright Tribunal.

DACS is in the privileged position to submit its comments in the light of its direct experience of the work of the Copyright Tribunal. DACS participated as intervenor in the reference *Universities UK v Copyright Licensing Agency Ltd and Design and Artists Copyright Society Ltd CT71/00. 72/00. 73/00, 74/00. 75/01 [2002] I.P.D.*

### **The Copyright Tribunal: access to justice?**

The creation of special courts, tribunals and other adjudicatory bodies is a relatively recent phenomenon in the civil justice system of England and Wales. The rationale behind their creation is normally explained as follows:

1. they reduce the number of cases that would otherwise have to go to court, consequently reducing the length of trials and the waiting list for them;
2. special tribunals usually consists of experts in the field, who are in a better position to deal with the matters referred to them without undue delays;
3. their procedures and internal workings are meant to be simpler and more informal than those in normal courts. The ultimate aim is that users are enabled to prepare and present their cases themselves, providing they receive appropriate guidance by the tribunal in question.

Bearing in mind that these are the goals of the civil justice system when creating a special tribunal and/or court, DACS suggests that the Copyright Tribunal seems to miss the target on point 1 and 3, consequently eliminating the advantages that it is supposed to confer to its users.

#### **• Costs and lengthy procedures**

Despite the aim to simplify and reduce the formalities of the civil law system, the proceedings before the Copyright Tribunal are commonly perceived as "extremely costly, intolerably lengthy and highly complex" (as declared in *Universities UK v Copyright Licensing Agency Ltd and Design and Artists Copyright Society Ltd CT71/00. 72/00. 73/00, 74/00. 75/01 [2002] I.P.D.*), and a reference to the Copyright Tribunal is often regarded as a "last resort" (*ibid.*).

- Instead of being the natural third party for disputes concerning copyright (as far as the jurisdiction of the Tribunal is concerned), the Copyright Tribunal has become a forum avoided rather than sought.

Parties to disputes tend not to represent themselves, appointing in preference legal professionals for all stages of the process. Expertise in this complex area of law is inevitably expensive. Proceedings may last for months. The only conclusion that can be drawn is that the Copyright Tribunal is not an alternative to the oft-criticised civil justice system, but simply represents a change of venue for an equally expensive and lengthy trial.

Additionally, there is no general rule that the unsuccessful party is liable for the payment of the successful party's costs. In any event, quite often there is not a clear-cut winner/loser distinction; consequently there can be too much variability in the allocation of costs. These circumstances may well render a referral to the Tribunal a huge financial risk to non-profit organisations with no reserve capacity to fund an appearance before the Tribunal. Ultimately this is unlikely to be of benefit to those for whom the organisation undertakes its activities.

#### **• Jurisdiction and specific functions: equal before the law?**

DACS is aware that the jurisdiction of the Tribunal is limited and does not extend to all copyright licences. It would be contrary to the principle of freedom of contract and the Berne Convention to grant to a public body the right to control all possible licensing arrangements. Consequently, Tribunal jurisdiction extends only to the licensing schemes of licensing bodies as defined in s. 116 *et seq.* of the Act.

DACS appreciates the logic behind this decision but would contest the fact that licensing bodies are only allowed to defend themselves before the Copyright Tribunal. The clear policy is that only licensors (in the form of operators of licensing schemes) can be referred to the Copyright Tribunal, whereas big corporate copyright users (licensees) cannot.

- DACS believes that the jurisdiction of the Copyright Tribunal should be extended in two areas: (1) right of appearance before the Tribunal and (2) the subject matter, in particular:

**1. Right of appearance:**

In addition to the entitlement to defend themselves, licensing bodies and operators of licensing schemes should also be provided with an entitlement to refer non-compliant copyright consumers to the Copyright Tribunal;

**2. Subject matter**

DACS believes that corporate copyright users should be capable of being referred to the Tribunal by either individuals or the collecting societies (and where relevant, professional associations/trade unions) to which they belong.

We have observed the emergence and rapid growth in the use of unfair standard contracts for the transfer of intellectual property rights.

- In particular, the convergence of multiple content platforms into the hands of a number of large content providers has created a form of dominant position in the market of copyright use: i.e. there are innumerable creators of copyright works keen to have their work published and communicated to the public, and only a handful of users, all of whom therefore have a strong bargaining position.
- Freelance creators are increasingly presented with unfair standard contracts for the use of their work by large media corporations. One example, in widespread circulation, is a Standard Terms of Business document of a UK commissioning broadcaster in which creators are asked to agree to the following:
  - the agreement will regulate present and future commissions – there is no opportunity for the creator to renegotiate the terms
  - creators are asked to assign their copyright
  - creators are asked to waive their moral rights irrevocably and unconditionally
  - the physical ownership of the works passes to the commissioning party
  - the commissioning party has the exclusive right to exploit the work and the creator needs to obtain permission from the commissioning party to retain copies of the work and exploit it for non-commercial exploitation
  - if permission is granted, copies of the artistic work will be given to the artist at the artist's expense
  - the artist is also requested to credit the commissioning broadcaster

DACS believes that the Copyright Tribunal should extend its jurisdiction to monitor and control the nature of standard terms contracts for the transfer of intellectual property rights or contracts individually negotiated between parties with evidently unequal bargaining power.

**• Procedural matters**

Currently the Tribunal is conducted as an adversarial procedure. We believe that there is scope for lessening the adversarial nature of the Tribunal, and maximising the benefits of the Tribunal by development of a range of measures which could align the procedures of the Tribunal more closely with the principles of case management defined in the Civil Procedure Rules for the civil courts.

Other measures in the civil justice system could be applied to the Tribunal, including creating mechanisms for mediation, conciliation and dispute resolution.

As far as the appeals system is concerned, appeals can be made to the High Court on points of law arising from a decision of the Copyright Tribunal. DACS finds the system inconsistent for two reasons:

1. appeals to the High Court reintroduce disputes brought before the Copyright Tribunal in the normal civil justice system, eliminating the alleged advantages associated with outsourcing the administration of justice to special tribunals. DACS suggests the possibility of exploring the creation of a two-tier system within the Copyright Tribunal, effectively granting to users an appeals system without having to renounce to the intended advantages;
2. in view of the current jurisdiction of the Copyright Tribunal as to subject matter, it will be difficult, if not impossible, to establish an error of law if the appeal is in respect of the tariffs determined by an order of the Copyright Tribunal. The test to establish whether the Copyright Tribunal erred in law in determining a royalty amount is if the Tribunal did something which no other court, if asked to adjudge on the same matter, could have regarded as reasonable. DACS believes that the test is too difficult to meet, and thereby effectively prevents the appellant from having the case heard by a superior court.

With regards to the order issued by the Copyright Tribunal, DACS understands that the Tribunal has the power to backdate the effect of its order on a scheme referred to it to a date earlier than that on which the order is made. Licensing bodies receiving such an order will be under the obligation to make any necessary repayments (or further payments) in respect of royalties already collected. In addition, interest may be charged on top of the repayments (limited to licensing involving the communication to the public right).

DACS finds this an excessive measure for two reasons:

1. royalties collected may have been distributed by the time the Copyright Tribunal communicates its order, especially in consideration of the length of the proceedings. Once monies reach the bank account of the thousands of rights holders represented by licensing bodies, it will be impossible to ask for the money back in order to refund the licensee. The licensing body will be in the position of having to make the repayments from other sources. Company reserves are one option, but not all such organisations are in a position to develop a reserve in the first instance, or may be prevented politically from building a reserve, on the basis that the reserve comprises monies belonging to rightsholders, and not to the organisation. This is certainly true of a number of the not-for-profit licensing bodies.
2. repayments and interests on the repayments add to the exorbitant costs associated with proceedings before the Copyright Tribunal.

- **Final observation**

DACS believes that the Copyright Tribunal does not currently meet the goals associated with the creation of special tribunal and courts.

As suggested in the present submission, DACS would encourage the Copyright Tribunal to consider extending its jurisdiction, revisiting the nature of its proceedings (in particular with regard to time and costs) and to consider the creation of a two-tier adjudicatory body to finally achieve a complete emancipation from the courts system.

As observed elsewhere, copyright industries account for over 8% of the UK's GDP<sup>1</sup>. The importance of copyright to the UK economy cannot be underestimated and calls for the creation of an independent state body in charge of regulating the market sector as well as offering an efficient self-standing dispute resolution mechanism outside the normal court system.

DACS would encourage consideration of the creation of a UK Copyright Office, featuring a Copyright Tribunal (with a court of first instance and an appeals chamber) as well as an alternative dispute resolution facility for parties wanting to settle dispute by means of mediation, negotiation or arbitration.

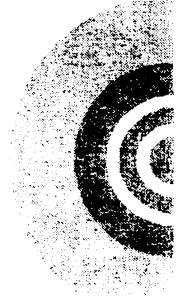
**Design and Artists Copyright Society**  
May 2006

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<sup>1</sup> *The Contribution of Copyright and Related Rights to the European Economy*, European Commission, 2003.

31<sup>st</sup> May 2006

**Review of the Copyright Tribunal  
British Music Rights comments**



British Music Rights is the consensus voice of Britain's composers and songwriters, music publishers and their collecting societies. The members of British Music Rights are the British Academy of Composers & Songwriters, the Music Publishers Association (MPA), the Mechanical-Copyright Protection Society (MCPS) and the Performing Right Society (PRS).

**I. Significance of Copyright Tribunal decisions**

Licences and licensing schemes operated by our collecting society members (MCPS and PRS) are subject to supervision by the Copyright Tribunal. Referral to the Copyright Tribunal is typically instigated by commercial music users such as broadcasters, record companies, telecommunications companies; but also by licensees whose businesses are not premised predominantly on music use, such as airlines. The decisions of the Tribunal have a significant impact on the income of composers, songwriters and music publishers who rely on collecting societies to collect and distribute royalties for

- (1) the exercise of the performing right in musical and literary works, including the right to perform the work in public and to communicate the work to the public (PRS) and
- (2) the administration of the "mechanical" rights to copy the work, and to rent or lend the work to the public (MCPS).

The MCPS-PRS Alliance is the operational alliance through which these societies streamline their activities e.g. by providing a Joint Online Licence for online services.

Our comments are limited to the UK Copyright Tribunal, and do not relate to the possible dispute resolution system for cross border conflicts on online licensing as suggested in the Commission Recommendation (2005/737/EC) dated 18<sup>th</sup> October 2005. We have seen the submission by the British Copyright Council and agree with the points expressed in their response.

**II. General**

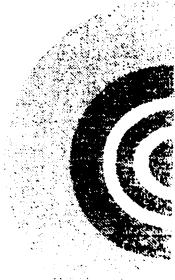
We welcome recent changes following the Woolf Reforms as well as the wording of the 1995 Practice Direction (as amended), in particular the guidance to the parties with a view to achieving a just, expeditious and economical disposal of proceedings.<sup>1</sup> Further improvements to the Copyright Tribunal could include:

- **A more commercial approach taking into account the commercial reality of the negotiations between collecting societies and commercial users;**
- **Transparency in appointment of Tribunal members and provision of sufficient training on copyright and its licensing in particular for lay members;**
- **The prevention of double jeopardy for collecting societies by providing a clear demarcation between the responsibilities of the dispute resolution body for commercial matters (Copyright Tribunal for tariffs and licensing terms) and the more regulatory control as regards competition issues arising from the often dominant position of collecting societies (the OFT) or copyright policy issues dealt with in the Patent Office.**



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<sup>1</sup> Para 1 of the 1995 Practice Direction dated 7<sup>th</sup> April 2004



### III. Detailed comments

#### 1. The Role of the Tribunal

##### **More commercial approach**

The main function of the Copyright Tribunal is to "decide, where the parties cannot agree between themselves, the terms and conditions of licences offered by, or licensing schemes operated by, collective licensing bodies in the copyright and related rights area."<sup>2</sup>

This is essentially a dispute resolution mechanism for commercial disputes. Therefore it is vital that the Copyright Tribunal considers fully the commercial reality in determining the appropriate licensing terms and conditions. The commercial focus of a dispute on the negotiations between collecting societies and commercial users should be at the heart of the Tribunal's statutory task of "conclusively establishing the facts of a case and of coming to a decision which is reasonable in light of those facts." This is all the more important since decisions of the Copyright Tribunal only are appealable to the High Court on points of law (and not on commercial facts).

The Patent Office should take steps to counter any potential perception amongst parties affected by Tribunal decisions that the inherent purpose of proceedings is the regulation of collecting societies and the prevention of their "abusive" conduct. The implicit presumption that any licensing terms and conditions proposed by collecting societies are unreasonable simply because of the de facto monopolistic nature of collecting societies is unsatisfactory. Perhaps this is explicable because of the historical position of its predecessor, the Performing Right Tribunal (PRT) established "to control possible abuse of monopolies in the performing rights field."

However, this is not the purpose of the Copyright Tribunal under the 1988 Act and we would welcome clarification wherever appropriate that any regulatory considerations regarding collecting societies are outside the remit of the Copyright Tribunal and that the purpose of the Tribunal is to provide a neutral and fair dispute resolution forum with a focus on the commercial issues.

##### **Recommendation:**

We strongly welcome the proposal outlined in the Patent Office's recent Innovation Support Strategy consultation document, that the Government benchmarks tribunal practices and proceedings against those in other national IP offices. We recognise that the German equivalent to the Copyright Tribunal, the Deutsche Marken und Patent Amt focuses their considerations on the financial circumstances and economic considerations of the dispute.

##### **Double jeopardy**

As referred to above, the Office of Fair Trading (OFT) has a very broad regulatory remit often dealing with disputes between members and their collecting societies.<sup>3</sup> However, its broad remit would include disputes between users and collecting societies on all manner of issues including potentially specific disputes on licensing schemes and tariffs. This renders collecting societies exposed to the risk of double jeopardy.

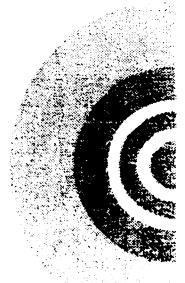
##### **Recommendation**

It should be clarified that the OFT is a competition authority and should hence not deal with matters which are essentially commercial disputes about tariffs and licensing terms and conditions, where the appropriate forum is the Copyright Tribunal.

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<sup>2</sup> [www.patent.gov.uk](http://www.patent.gov.uk)

<sup>3</sup> The Performing Right Society also provides for an Appeal Panel to deal with disputes with their members



### **Neutral Administration**

Any system supervising commercial negotiations on licensing tariffs needs to be recognised as neutral by the parties involved. We see, therefore, some attraction in ensuring that the administration of the Copyright Tribunal is quite distinct from the policy making body, the Patent Office's Intellectual Property & Innovation Directorate. We have seen the submission of PPL and are interested in exploring further the prospect of transferring the administration of the Copyright Tribunal to the Department for Constitutional Affairs but have not had an opportunity to consider it fully.

#### **Recommendation**

In addition to a more commercial approach outlined above, to explore whether neutrality could be accentuated if the administration of the Copyright Tribunal were removed to a body unconnected to the policy making Patent Office's Intellectual Property & Innovation Directorate, such as the Department for Constitutional Affairs.

## **2. The Structure of the Tribunal**

### **Transparency of appointment and provision of adequate training for lay members**

In order to ensure the commercial approach referred to above it is essential that the lay members of the Tribunal have either relevant experience or adequate training. The lay members cannot be expected to have the necessary detailed knowledge of the music business and the role of collecting societies; the training should also draw on the expertise of all parties since disputes between collecting societies and commercial users are usually extremely complex.

#### **Recommendations**

We suggest more transparency on the selection criteria for the appointment of the members of the Copyright Tribunal in so far as they are not set out in the Terms and Conditions of Appointment for Ordinary Members.

We suggest the creation of a programme of adequate training for lay members, in consultation with interested parties such as collecting societies.

## **3. Conduct of Proceedings**

### **Efficiency**

Cost and time efficiency is of essence for both collecting societies and commercial users. In our experience this criteria corresponding with the guidance provided in the Practice Direction for a "just, expeditious and economical disposal of proceedings"<sup>4</sup> is not always met. Moreover, the procedure is such that parties generally feel compelled to instruct senior lawyers to represent them, and the costs and length of proceedings are generally excessive.

#### **Recommendation**

We suggest to emulate fully the reforms introduced in the UK in April 1999 by Lord Woolf updating UK procedural law by reforming civil procedure rules with the objective to provide an easy, timely and cost - efficient procedure for the Courts and Tribunals. The overriding objective of the Woolf reforms in civil proceedings is the resolution of a conflict rather than successes based on procedural strategy.

### **Pre - Trial Procedure/ Mediation**

We are receptive to the obvious benefits of pre - trial dispute resolution: this clarifies the subject matter of the dispute and might lead to an agreement before the case has to be heard. Any pre - trial resolution of the conflict will be more cost efficient and will maintain healthy business relationships between the parties involved.

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<sup>4</sup> C.f. footnote 1

In its recent press release on their new Mediation Service as an alternative to expensive litigation,<sup>5</sup> the Patent Office acknowledged that "Intellectual Property disputes and litigation in general place a burden on businesses both in terms of cost and time."

We wholeheartedly welcome this initiative offering facilities for mediation and/ or a mediator; we agree with the benefits of mediation for settling a dispute efficiently as outlined by the Patent Office.<sup>6</sup>

This will encourage the parties to engage in informal and private discussions with an independent mediator with a view to reaching a pre - trial agreement which should lead more readily to solutions than a dispute at the Copyright Tribunal which invariably will be more adversarial. Pre - trial discussions between the parties will also help to focus the dispute by singling out the specific issues of disagreement.

#### Recommendation

Whilst the Mediation Service seems primarily intended to resolve patent and trademark disputes, we hope that it will also cover copyright disputes. Furthermore, we suggest the introduction of a strong incentive for disputing parties to employ mediation services. This could be framed along the lines of the requirements under UK civil procedure rules to consider any form of Alternative Dispute Resolution as an alternative means of resolution at every stage of proceedings.

#### **Summary Applications**

We also support the proposal set out in the BCC's submission for the possibility of early assessment of the issues by the Chairman to consider applications to dismiss references on the basis that they are premature, vexatious or abusive.

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<sup>5</sup> <http://www.patent.gov.uk/media/pressrelease/2006/0304.htm>

<sup>6</sup> <http://www.patent.gov.uk/about/ippd/mediation/>





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## Review of the Copyright Tribunal

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Patent Office invitation for comments, 8 March 2006

### Executive Summary

The Copyright Tribunal plays a key role within the creative industries. It is the ultimate recourse for resolving disputes on tariffs between the rightholders and users whenever the rights are managed collectively. Like a court, it operates an adversarial system of justice, a tried and tested method of resolving commercial disputes.

Although the Tribunal hears a relatively small number of cases, a single decision can have significant financial consequences. As the Tribunal's decision is likely to apply to parties other than those before the Tribunal (or is likely to be relevant to those parties), the amounts at stake are substantial, especially as copyright becomes an increasingly valuable commodity in the knowledge economy.

Following the Leggatt Review of Tribunals and other developments, a number of improvements have recently been made to the Copyright Tribunal.

- The appointment of Michael Fysh QC as Chairman is likely to mean that hearings are easier to arrange (as he is likely to have more flexibility than previous chairmen and deputy chairmen).
- The Tribunal appears to be less willing to give the benefit of the doubt to applicants (which it appears to have done in the past, even when the merits of their case and their conduct of the proceedings have been open to question).

PPL<sup>1</sup> and VPL<sup>2</sup> welcome these changes and suggest a number of areas for further improvements of the Copyright Tribunal, including adopting the key finding of the Leggatt Review, that the Copyright Tribunal should be administered by the Lord Chancellor.

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<sup>1</sup> PPL is the UK collecting society licensing on behalf of 40,000 performers and 3,000 record companies. See Appendix B for more details.

<sup>2</sup> VPL is the UK collecting society licensing on behalf of 1,000 music video producers. See Appendix B for more details.

## Summary Recommendations

- **Lord Chancellor.** The Copyright Tribunal should be administered by the Lord Chancellor's Department of Constitutional Affairs, just like any other party vs party court. It is inappropriate for it to be administered by the policy-making department of Government.
- **Chairman.** Because of the need for timely hearings and decisions in a fast-moving environment, High Court Judges from the Chancery Division should be available to sit should the Chairman of the Copyright Tribunal be unavailable for any reason.
- **Lay/expert members.** The lay/expert members should have a good knowledge of copyright licensing and, to preserve the balance of interests between the two parties, at least one should have direct experience as a rightholder and at least one should have direct experience as a user of copyright.
- **Training.** In order to ensure the lay/expert members understand the copyright licensing environment, they should visit some of the collecting societies to see how they operate in practice.
- **Rules and Procedure.** Some of the rules and procedures of the Copyright Tribunal need updating to ensure equality of representation between the parties. In general, they should follow the legal standards established in the Civil Procedure Rules.
- **Section 128A&B<sup>3</sup>.** The new s.128A&B procedure turns the Copyright Tribunal from a party vs party court to an investigating Tribunal. This weakens the decision-making process and adds nothing to the protection of either party. It should be removed.

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<sup>3</sup> All references are to sections of the Copyright, Designs and Patents Act 1988 unless stated otherwise.

## **A. THE COPYRIGHT TRIBUNAL'S PLACE IN THE JUDICIAL SYSTEM**

1. The key feature of the Copyright Tribunal has been its adversarial approach to resolving disputes between parties. This is in our view the best procedure for determining tariffs and operating conditions, which should reflect the market conditions.

### ***Government***

2. As a body set up to resolve disputes between parties, the Copyright Tribunal is similar to a Court, but with a specific remit. Like a court, it should therefore be independent of Government and, in particular, the policy-making departments which relate to copyright. In recent meetings with the DTI, for example, officials have found it necessary to explain how they are not involved with Tribunal proceedings.
3. One of the key findings of the Leggatt Review of Tribunals<sup>4</sup> was that the Copyright Tribunal should move to the Lord Chancellor's department. Sir Andrew Leggatt recommended that "the administration of tribunals should become the responsibility of the Lord Chancellor". He noted that the Copyright Tribunal was a party vs party system, more like a court, whereas most tribunals are citizen vs state. There was some debate as to whether the Copyright Tribunal should be administered alongside the courts or the other tribunals. On balance, Sir Andrew Leggatt thought the similarities with other tribunals slightly outweighed the party vs party synergies with the courts. He therefore recommended that "the Copyright Tribunal should form part of the Tribunals System, allocated to the Regulatory Division and supported by the Tribunals Service." This recommendation was accepted by the Lord Chancellor in 2003 but has yet to be implemented.
4. PPL and VPL supported this recommendation and we still concur that the Copyright Tribunal should be administered by the Department for Constitutional Affairs (the Lord Chancellor's Department). This would help to confirm the separation between the policy making aspect of the Patent Office and the administrative function of operating the Tribunal.

### ***Jurisdiction***

5. The scope of the Tribunal's jurisdiction was altered by the introduction of Section 128A and Section 128B in 2003. This new regime accompanied the amendments made to Section 72 (with the result that in certain circumstances a licence from PPL is now required if a copyright user plays in public sound recordings contained in a broadcast).
6. Unfortunately there was no consultation on the introduction of this new jurisdiction which has turned the Copyright Tribunal into an investigating tribunal in this one area of licensing.
7. PPL was particularly disappointed in the imposition of a new regulatory regime, involving governmental supervision, when there was no suggestion (let alone

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<sup>4</sup> *Tribunals for Users – One System, One Service: Report of the Review of Tribunals*, Sir Andrew Leggatt, 2001

evidence) that PPL had acted unfairly in the past in setting rates for the public performance of sound recordings. We deal with this in more detail below in part D of this response.

8. Leaving aside the question of whether the new investigative procedure under Section 128A is appropriate for commercial disputes, PPL submits that the new regime does need amending. In particular, PPL queries whether it is necessary to go through the detailed procedure set out in Section 128A simply because it wants to make a minor change to its terms and conditions. If the users wished to make any amendments to the terms and conditions in respect of 'Section 72 uses', they would not be able to use the Section 128B procedure as they are not party to the action.

#### ***Equal Treatment of Parties***

9. Notwithstanding that the Copyright Tribunal has taken steps recently to treat the parties equally, there remains one obvious aspect of the legislation which discriminates against PPL and other collecting societies. PPL is unable itself to refer a proposed licence to the Tribunal, whereas a user can. This anomaly should be addressed to afford both parties equal access and equal treatment.

#### ***Precedential Judgements***

10. In its submissions in respect of the Leggatt Review, PPL and VPL said that the Tribunal should continue to operate by taking into account precedents and that the right of appeal to the High Court should remain. PPL and VPL are not aware of any proposals to change these aspects of the Tribunal and so do not make any further submissions in this document.

## **B. COPYRIGHT TRIBUNAL MEMBERSHIP**

#### ***Chairmen***

11. The Monopolies and Mergers Commission ("MMC") was concerned that if the Chairman and Deputy Chairmen of the Copyright Tribunal were drawn from leading members of the Bar the heavy demands of their practices could rule out the possibility of early hearings. Mr Bowers, a former Chairman of the Tribunal, and the Patent Office both subsequently noted the Deputy Chairmen, being practitioners, are heavily in demand and can be booked up for months in advance. The MMC therefore recommended that the Chairman should be either a retired High Court judge, or other person of similar standing, with experience in the law of intellectual property and available to serve at short notice.
12. The MMC noted that the members of the Copyright Tribunal did not have to possess specific qualifications. It expressed sympathy with the view of some witnesses that some members should have knowledge of the licensing of intellectual property rights from the standpoint of both the licensor and licensee. It believed that the authority of the Copyright Tribunal, and the acceptability of its decisions, would be increased if some of the ordinary members of the Tribunal were drawn from nominees of the collective licensing bodies and the leading users' associations, observing that such a practice would be analogous

to employment tribunals.

13. PPL and VPL both ask for serving High Court judges to be included among the Chairman and Deputy Chairmen of the Copyright Tribunal. We note that the Leggatt Report identified that responses about the Copyright Tribunal asked for more expert participation by non-lawyers, not less. However, we do not see any contradiction in requesting serving High Court judges to be added to the panel of Chairmen and seeking more expert participation by non-lawyers. The first request is not made at the expense of the latter – the two requests address different concerns.
14. There are two main reasons why it would be appropriate to have High Court judges on the panel:
  - The difficulties of scheduling hearings when the Chairmen are drawn from practising barristers and solicitors, who have limited time and can be prevented from sitting due to conflicts of interest<sup>5</sup>.
  - The risk of conflicts of interest when the Chairmen (or their firms) may act for parties before the Tribunal (or for parties closely related to them). This risk is increased due to the statutory obligation on the Copyright Tribunal to take account of other decisions (so that a decision in one application might well have an influence on a decision to be made in another application in which a party connected to the Chairman is involved).
15. PPL and VPL do not consider that retired High Court judges should be appointed to the Tribunal. The authority of the Tribunal's decisions would not be increased if judges who, for reasons of policy, were prevented from sitting as High Court judges because of their age were then allowed to be Chairmen or Deputy Chairmen of the Tribunal.

#### ***Lay Members and Expertise***

16. In the course of submissions in *Phonographic Performance Limited v Candy Rock* in the Court of Appeal in March 2000, Lord Justice Aldous stated that the whole purpose of the Tribunal is that the members can use their own expertise about what goes on in the industry, recalling that the tribunals that he had sat on had always had at least two members who had knowledge of the industry.
17. The MMC has expressed sympathy with the view of some witnesses that some members should have knowledge of the licensing of intellectual property rights from the stand point of both the licensor and the licensee. It believed that the authority of the Tribunal, and the acceptability of its decisions, would be increased if some of the ordinary members of the Tribunal were drawn from nominees of the collecting licensing bodies and the leading users' associations, observing that such a practice would be analogous to that in what are now Employment Tribunals (where members are nominated by employers associations and by trade unions).<sup>6</sup>

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<sup>5</sup> For example, in MCE, PPL was forced to object to a conflict of interest of the then Chairman, Mr Christopher Tootal.

<sup>6</sup> Collective Licensing Cm 530 paragraph 7.28.

18. The Leggatt Report concluded that one of the distinctive advantages of tribunals was that their decisions are made jointly by a panel of people who pool legal and other expert knowledge<sup>7</sup> and that the clearer the distinctive contribution and expertise for which non-lawyers are added to the tribunal, the better focussed and more effective their performance is.<sup>8</sup>
19. The Leggatt Report also recommended that lay members should be recruited on the basis of the particular contribution that they can make to the tribunal's work and the criteria for the lay member to be appointed to the Tribunal should be explicitly stated in recruitment material<sup>9</sup> and that there should be a discretion as to whether lay members should sit (save where, as in the Employment Tribunal, they have a particular function to fulfil – there representing the experience of employers and of employees). PPL and VPL agree with this recommendation.
20. PPL and VPL consider that the lay members should be familiar with the industry within which licensing bodies operate, the value to copyright owners of their rights, the value of collective licensing and the development of the uses and applications of copyright (particularly in view of the rapid advances in technology). It is difficult to assess the current Tribunal in this regard as no information is provided as to the background of the lay members of the Tribunal or the way in which they are selected.
21. The lay members should perhaps be renamed expert members so they have something clear to contribute to the procedure. These expert members should have a good knowledge of copyright licensing and, to preserve the balance of interests between the two parties, at least one should have direct experience as a rightholder and at least one should have direct experience as a user of copyright. Ideally, one should be an economist to bring an understanding of the commercial dynamics between the two parties and the underlying value of the music to both the user and the rightholder.

#### ***Training of Lay/Expert Members***

22. Furthermore, there should be more training for the lay/expert members of the Copyright Tribunal. PPL and VPL understand that, currently, the lay members of the Copyright Tribunal are given half a day's training. This is likely to be insufficient as the lay members need to be familiar with the principles of copyright law and the operation of copyright licensing (including the value of collective licensing).
23. In order to ensure the lay members understand the copyright licensing environment, it might be appropriate for them to visit some of the collecting societies, in addition to general training in the principles of copyright law.

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<sup>7</sup> Leggatt Report paragraph 1.2.

<sup>8</sup> Leggatt Report paragraph 7.24.

<sup>9</sup> Leggatt Report paragraph 7.23.

## **C. COPYRIGHT TRIBUNAL PROCEDURES**

24. The Copyright Tribunal Rules are set out in a statutory instrument (1989 SI No 1129, as amended by 1991 SI No 201 and 1992 SI No 4667). The Copyright Tribunal has also issued its own practice directions.

### ***Civil Procedure Rules***

25. The current rules do need to be amended. For example, there are no provisions in these rules for some of the jurisdictions given to the Copyright Tribunal following amendments to the 1988 Act. Furthermore, many of the rules are derived from the Arbitrations Act 1950, which causes confusion as that statute has been repealed.
26. We have set out in Appendix A the jurisdictions which do not appear to be provided for by the Copyright Tribunal Rules (although in some cases amendments are only required if an order is made activating the jurisdiction).
27. In addition, a previous Tribunal Chairman, Mr Christopher Tootal, noted<sup>10</sup> that the Tribunal would take account of the Civil Procedure Rules ("CPR"). This accords with the findings of the Leggatt Review which concluded that case management procedures should approximate to modern court procedure. Adopting the CPR would have an additional advantage in that they take account of proportionality, thus addressing many of the issues concerning treatment of the parties.
28. PPL and VPL agree with this conclusion and suggest that the revised Copyright Tribunal Rules should be consistent with the CPR.

### ***Treatment of Parties***

29. A collecting society such as PPL or VPL acts on behalf of thousands of record companies and performers, many of whom would not have the facilities to arrange for the licensing of their sound recordings by themselves. These record companies and performers benefit enormously from PPL and VPL, allowing them to continue their valuable work in their creative endeavours and in their efforts in promoting sales in the UK and throughout the world. There is a risk that such benefits can be taken for granted and the Tribunal's focus is on the licensee rather than on the licensor and the licensee.
30. In a number of cases the parties opposing PPL have been substantial commercial enterprises and have been represented by City solicitors. Indeed, often they have had a bigger turnover than PPL and in the most significant tribunal cases, they are monopsonists. However, while PPL and VPL believe that the Tribunal may have the laudable intention of trying to ensure that copyright users are not deterred from exercising their statutory rights, the experience of PPL has been that the Tribunal has given the impression that the copyright user has been given the benefit of the doubt. The following examples highlight some of the difficulties that collecting societies face in dealing with some copyright users.

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<sup>10</sup> At the interim hearing in proceedings involving Retail Broadcast Services Ltd and PPL (November 1998).

### ***The AEI proceedings***

31. In *AEI v PPL*, the position of the licensee was aptly summarised in the Court of Appeal's decision on costs. It held that the licensee would have gone to the Tribunal regardless of whether PPL had been reasonable or unreasonable.<sup>11</sup> This point is further illustrated by the licensee's attitude towards PPL's operating conditions. It made a separate reference in respect of those conditions but then accepted those conditions at the hearing and PPL was awarded its costs by the High Court and the Court of Appeal.

### ***RBS and MBS***

32. Retail Broadcast Services Limited ("RBS") and MBS Datacom Limited ("MBS") were two closely linked companies who both made applications to the Tribunal. The liquidator of RBS found that services were switched from RBS to MBS, contrary to affidavit evidence provided to the Tribunal. MBS subsequently was liquidated as well, leaving PPL with no opportunity to recover substantial amounts of licence fees. PPL is concerned that RBS and MBS were given too many opportunities to evade their responsibilities.
33. Furthermore, RBS drove up the costs of the proceedings, often serving evidence late or in partial compliance with Tribunal orders. To take just one example of the difficult stance adopted by RBS, it wished to demonstrate that its services were similar to those of a commercial radio station. It relied in part upon its membership of the trade association for such stations (a rather weak point). Rather than simply stating the fact of its membership, it served as its evidence the complete membership pack of the trade association (including health and safety rules). A key point to note is that the Tribunal's treatment of applicants such as RBS has greater consequences than simply giving the benefit of doubt to the applicant as it can prejudice other operators.

### ***Virgin Retail***

34. PPL provided detailed expert evidence that showed that the applicant's service was not comparable to that of a commercial radio station. Unfortunately the Tribunal overlooked the written evidence and instead seized upon the comment in cross-examination that the two services sounded alike. On this flimsy basis the Tribunal decided that the services were comparable. The Tribunal's decision was overturned on appeal. Not only was the Tribunal's reasoning flawed, but its mistake resulted in increased costs for both parties. Furthermore, it caused additional costs for another broadcaster, who started Tribunal proceedings on the basis of the Tribunal's decision but subsequently withdrew them.

### ***Ish Leisure***

35. In *Ish Leisure*, PPL was refused an extension of time, despite asking in advance, whereas RBS and others were given retrospective extensions.

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<sup>11</sup> *AEI Rediffusion Music Limited v Phonographic Performance Limited* [1999] 2 All ER 299 (CA), 310-311 per Mantell LJ.

#### **D. SECTIONS 128 A & B**

36. The Copyright & Related Rights Regulations 2003 introduced a new jurisdiction for the Copyright Tribunal set out in Sections 128A & 128B. These new procedures change the Copyright Tribunal from being a party vs party system to an investigating Tribunal.
37. The new procedures are not necessary. There is a well established jurisdiction enabling copyright users who play copyright works in public (or their representatives) to refer the relevant tariffs to the Tribunal. Guidance from the Court of Appeal protects those users in respect of the costs of such references.<sup>12</sup>
38. As noted in paragraph 7 above, there was no consultation on these changes. Indeed, no attempt has been made to explain why the changes were necessary or appropriate. The reason given by the UK Government was that the circumstances in which broadcast sound recordings might be played in public could be different from the circumstances in which CDs and tapes are used<sup>13</sup> but it is difficult to see how any such differences require or justify an alternative jurisdiction for the Tribunal.
39. Also noted above (at paragraph 8) is the fact that there was no need for the changes. PPL has a good record on public performance licensing (indeed, its record is much better than that of the PRS, which is not subject to the procedures).
40. In the first references under Section 128B it is interesting that a consortium of copyright users (represented by Eversheds) have indicated a preference for the Tribunal's traditional jurisdiction.
41. The weakness in the investigative approach is two-fold. Firstly, the users of copyright are not formally a party to the proceedings. Secondly, there is a risk that the Tribunal's position as an independent arbiter in party-party cases will be prejudiced by its investigatory role.

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<sup>12</sup> *AEI Rediffusion Music Limited v Phonographic Performance Limited* [1999] 2 All ER 299 (CA).

<sup>13</sup> Analysis of Responses and Government Conclusions (2003).

## **E. ENFORCEMENT**

42. The procedure for enforcing an order of the Tribunal is slow and complicated (as in the case of *RBS*, the procedure allows a recalcitrant party additional time to delay complying with its obligations). Currently, it is necessary to convert the order into a High Court order. A simpler approach would be for an order of the Tribunal to be enforced as if it was an order of the High Court.

**PPL/VPL  
May 2006**

**Contact: [dominic.mcgonigal@ppluk.com](mailto:dominic.mcgonigal@ppluk.com)**

## APPENDIX A

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### **List of Sections Not Covered by Practice Directions**

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#### **Copyright Designs and Patents Act 1988**

- Section 66: Determination of the fee to be paid to owners of the copyright in works that the Secretary of State makes the lending of which treated as licensed (should the Secretary of State make a relevant order).
- Section 73A: Determination of the fee to be paid to owners of copyright works for cable transmission of a broadcast to an area outside of the broadcast area.
- Section 93C: Determination of the amount of equitable remuneration to an author due to exploitation of the rental right.
- Section 182D: Determination of the amount of equitable due to performer for public performance of a sound recording of a qualifying performance.
- Section 191H: Determination of the amount of equitable remuneration to a performer due to exploitation of the rental right.

#### *Schedule 2*

- Paragraph 14A: Determination of the fee to be paid to performers in respect of the rental or lending of copies of films and sound recordings.
- Paragraph 19: Determination of the fee to be paid to performers for cable transmission of a broadcast to an area outside the broadcast area.

#### *Schedule 2A (Licensing of performer's property rights along similar lines to licensing of Copyright)*

- Paragraphs 3, 4 & 5: Disputes regarding terms of a licensing scheme or proposed licensing scheme
- Paragraphs 6 & 7: Disputes regarding eligibility for or exclusion from a licensing scheme

Paragraphs 10, 11 & 12: Disputes regarding licences not in a licensing scheme but from a licensing body.

Paragraph 17: Determining application to settle terms of a licence as of right of performer's property rights granted due to competition issues.

### **The Duration of Copyright and Rights in Performance Regulations 1995**

Regulations 24 and 25: Determination of reasonable royalty for acts done involving a work when copyright is revived.

Regulations 34 and 35: Determination of reasonable royalty for acts done involving a work when performer's rights are revived.

### **Copyright and Rights in Databases Regulations 1997**

Regulation 24 and Schedule 2, paragraphs 3-7, 10-12 and 15 for rights in databases along parallel lines to those in Schedule 2A of the CDPA.

## APPENDIX B

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### Briefing note on PPL and VPL

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#### PPL Facts and Figures

- Licenses on behalf of 4,000 record companies and 40,000 performers.
- Licenses 200 TV channels and 300 radio stations broadcasting recorded music, as well as over 200,000 pubs, nightclubs, restaurants, shops and other places playing recorded music in public.
- Has negotiated bilateral agreements with 20 other collecting societies to collect overseas airplay royalties.
- Collected £86.5m in airplay royalties for performers and record companies in 2005.
- Distributes revenue using a comprehensive track-based system – analysing over 17m uses of recorded music reported by TV and radio stations, background music suppliers and venues playing recorded music in public. All track plays are matched to PPL's repertoire database CatCo, containing information on 8.5m tracks.
- Distributes to all the performers – featured artists, session musicians and backing vocalists – as well as the record companies that create the sound recordings that are played.
- Is the largest performer/producer collecting society in the world.

#### PPL Recent Achievements

- In 2005, achieved a 5.4% growth in net revenue for the rightholders.
- In the last five years, has increased net revenue by nearly 50%, generating an additional £25m payable to record companies and performers, and almost halved the cost/revenue ratio.
- In 2005, PPL's CatCo was selected as the database underpinning the official combined download and singles chart.
- In 2003, distributed over £25m in back royalties based on improved information on track ownership and performer line-up.
- Signed the IFPI Simulcast Agreement in 2002 and the Webcast Agreement in 2003 paving the way for multi-territorial licences.

### **PPL and Performers**

- In 2001, set up the Performers Forum with AURA, Equity, MPG, MU and PAMRA.
- Located several thousand artists due royalties as a result of the joint RoyaltiesReunited campaign.
- In January 2003, two performer representatives joined the PPL Board as attendees, followed a year later by a third.
- In 2003, signed two Memorandums of Understanding laying down the principles for closer cooperation and collection of overseas airplay royalties.
- At the 2004 AGM, voted to create three Performer Director positions on the PPL Board. The three Performer Directors, representing the interests of the entire performer community, are now John Smith, Nigel Parker and Gerald Newson.
- In 2006, obtained clearance from the OFT to create a new structure for PPL, integrating collection and distribution of UK and overseas royalties for all performers.

### **VPL Facts and Figures**

- Represents 1,000 music video producers.
- Licenses 60 TV channels broadcasting music videos, including 25 specialist music channels.
- Licenses around 2,000 pubs, nightclubs and other places playing music videos in public.
- Collected £12.8m in airplay royalties for music video producers in 2005.
- Analyses usage information from TV stations and background music services for distribution to rightholders.
- Offers a sourcing service, Music Mall, for back catalogue video clips and other footage.
- Is the largest music video collecting society in the world.

### **VPL Recent Achievements**

- Recently concluded a licence with MTV on behalf of independent companies throughout Europe.
- In 2003, integrated management operations with PPL resulting in cost efficiencies to rightholders.
- Concluded licence arrangements for new video on demand services, such as Home Choice, NTL and Telewest, and the new store forward and narrowcast services.

- Announced a video digitisation project to provide online delivery of music videos to users.

**May 2006**

# **BRITISH COPYRIGHT COUNCIL**

## **Review of the Copyright Tribunal**

The British Copyright Council is an association of bodies representing those who create, or hold interests or rights in, literary, dramatic, musical and artistic works in which rights of copyright subsist under the United Kingdom's copyright law (Copyright, Designs and Patents Act 1988 as amended), and those who perform such works (see the attached list).

Members of the Council include a number of the UK's collecting societies which are subject to the Copyright Tribunal. The Review is also of interest to the many thousands of individual creators, performers and publishers represented by the professional associations, industry bodies and trade unions which make up the remainder of our membership. These individuals and SMEs are members of the collecting societies which license their works and represent their interests.

The Council welcomes this review of the Tribunal. We believe that improvements could be made to the way in which it works and we have raised the need to reform the Tribunal with Patent Office officials on a number of occasions in the past. In March 2003 at its regular consultation meeting with officials the Council made a presentation on the subject and proposed a number of possible solutions. The views expressed by Council members at that time remain largely unchanged.

The Council notes the appointment of Judge Michael Fysh, QC as the new Chairman of the Tribunal. Judge Fysh combines expertise in copyright with a knowledge of dispute resolution procedures from the Patents County Court. We hope he will play an active part in this consultation and welcome his appointment.

### **Objectives**

In proposing changes to the Copyright Tribunal, the Council's objectives are to:-

- Reduce the cost and time involved in cases laid before the Copyright Tribunal;
- Lessen the adversarial nature of the Tribunal by simplifying procedures;
- Improve the expertise and balance of interests represented by Tribunal members;
- Raise awareness of authors' interests, as members of collecting societies, and as distinct from the collecting society itself;
- Consider potential issues for the future, such as the [potentially] increasing numbers of challenges on the scope of licences.

The Council believes that existing Tribunal procedures contribute to many of the problems which both rights owners and user interests experience during Tribunal cases. For example, the very high cost, both in terms of finance and of time, of Tribunal cases is in part due to extensive paperwork, preparation of evidence and of witnesses, etc. Its procedures also encourage an adversarial approach and inhibit speedy resolution of conflicts.

# BRITISH COPYRIGHT COUNCIL

The Council would prefer to see a Tribunal which is led by a desire for dispute resolution i.e. solution led, rather than being led by procedure. It is with this in mind that we suggest the following:

## **Possible solutions**

- ***Review Tribunal procedures to achieve a less adversarial approach***

We believe the Tribunal should introduce a mediation or conciliation or other active dispute resolution element into its work on a range of levels.

This could take the form of an automatic first stage meeting or preliminary hearing between the Tribunal Chairman and representatives of each side in a case aimed at isolating and identifying the issues in dispute. This would be akin to the case management role of the civil courts under the Civil Procedure Rules.

We note that issues initially cited by users in Tribunal cases do not always turn out to be the main issue on which the case ultimately turns. Identification of the main issues at an early stage would reduce the length of time which cases currently take, as well as the evidential workload thereby reducing the resulting costs for both parties.

This preliminary stage of a reference could be fairly flexible with a general aim of settling disputes in the most appropriate way. Therefore it may be that some issues could be dealt with in a more informal manner such as in a voluntary committee for dispute resolution. The Tribunal and the collecting societies could work together through a code of practice to introduce such a voluntary committee which obviously would not make decisions but would explore the possibility of consensus on appropriate issues. The Committee could include representatives of both rights owners and users. Such a committee would go some way in reducing costs. More complex issues may, however, be more appropriately considered in a more formal dispute resolution framework.

- ***Obligation to use mediation***

In order for such a procedure to be effective a method of encouraging the use of mediation if the Chairman of the Tribunal felt the matter appeared appropriate for mediation and also to use his discretion in the matter of costs in the event of a party's unreasonable non compliance with that recommendation. This procedure would again be similar to the civil procedure process where a judge can use his discretion in this area, perhaps reflecting any lack of cooperation in the award of costs.

We note the recent introduction of The Patent Office Mediation Service which though aimed at all forms of IP appears to anticipate a much greater take up by Patent and Trade Mark interests. We feel that such a service could provide an appropriate service for smaller users, in most cases individuals and SMEs.

In addition we wonder whether the Patent Office Mediation Service could play a useful role in the preliminary stages of Tribunal cases.

# BRITISH COPYRIGHT COUNCIL

- *Reducing costs*

As already stated, a preliminary hearing as an automatic first stage may go some way to reducing costs for all concerned.

However, BCC members feel that there are some cases where a hearing akin to a summary judgment proceeding would be appropriate. For example, where a challenge by a user is based on a previous Tribunal decision and no new issues arise in the reference, the Chairman of the Tribunal should be in a position to state that the case is inadmissible.

In addition, where there is no pre-existing decision, but the reference is clearly mischievous or spurious or even wholly premature in the light of on-going negotiations or market developments, the Chairman should be in a position to reject the reference at an early point.

- *Composition of the Tribunal*

The BCC members feel that the effectiveness of the Tribunal could be greatly improved by a review of the composition and expertise of the Tribunal panel, as suggested in the British Music Rights response to the Leggatt Review.

One option might be to retain a legally qualified Chairman (with two deputies). However, the current panel of between two and eight ordinary members could be replaced with two people with industry expertise, one appointed for their appropriate expertise for each side of the case and selected by the parties to the referral. An alternative solution, if the ordinary members do not have industry expertise, would be to provide thorough training in copyright and copyright licensing to ensure a proper understanding of the role and function of collecting societies. Our members would be very pleased to work with the Tribunal to provide information on the way in which such Societies operate.

Such training could follow the pattern already established by the Patent Office which, we understand, trains its Hearing Officers.

We also strongly agree with the point made by British Music Rights in their submission to this current review, that transparency in the appointment of Tribunal members is essential.

- *Responsibilities of the Tribunal*

The duties of the Tribunal should take into account the position of the members of the collecting society and not just the collecting society itself. Ordinary members of the Tribunal and users sometimes have difficulty in recognising that individual authors, publishers and creators are affected by decisions of the Tribunal rather than the collecting societies which represent them.

At present the Tribunal has some guidance as regards factors to be taken into consideration when making its decision (s.129 CDPA). It would be helpful to the parties of Tribunal references if there were more certainty in the factors to be

# BRITISH COPYRIGHT COUNCIL

considered. In the area of setting tariffs, for example it would be useful if there were an obligation on the Tribunal to give detailed consideration to the commercial reality of negotiations between collecting societies and commercial users.

- ***The Tribunal has powers over licensing schemes but what about powers over users of licensing schemes?***

The Tribunal's powers could be extended to allow it to make orders over users on certain issues e.g. refusal to take a licence, under-licensing, order to make a non-copying declaration, orders to third parties for disclosure.

- **Note on the nature of collecting societies**

As mentioned in the introduction to this submission, our membership includes those who are represented by collecting societies as well as collecting societies themselves.

They are individual rights owners who choose to license their rights or certain of their rights, collectively through their collecting societies which are, in the main, not for profit companies limited by guarantee wholly owned and governed by those members. Collecting societies are not large commercial companies.

It is vital that this is understood when considering matters relating to the *de facto* monopolistic nature of such societies. It is why Tribunal panel members should have a proper understanding of the role of collecting societies and copyright licensing. It is also why the Tribunal should better understand the commercial aspects of negotiations between collecting societies and commercial users. Finally, it is why there is a need for greater clarity and differentiation between the roles and responsibilities of the Copyright Tribunal and the Office of Fair Trading.

31<sup>st</sup> May 2006

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# **BRITISH COPYRIGHT COUNCIL**

Members of the British Copyright Council:

**Association of Authors' Agents**

**Association of Illustrators**

**Association of Learned and Professional Society Publishers**

**Association of Photographers**

**Authors' Licensing and Collecting Society**

**British Association of Picture Libraries and Agencies**

**British Computer Society**

**British Equity Collecting Society**

**British Institute of Professional Photography**

**Broadcasting Entertainment Cinematograph and Theatre Union**

**Chartered Institute of Journalists**

**Design and Artists' Copyright Society**

**Directors' and Producers' Rights Society**

**Equity**

**Mechanical Copyright Protection Society**

**Music Managers' Forum**

**Music Publishers' Association**

**Musicians' Union**

**National Union of Journalists**

**Performing Artists' Media Rights Association**

**Performing Right Society**

**Periodical Publishers' Association**

**Publishers Association**

**Publishers' Licensing Society**

**Royal Photographic Society**

**Society of Authors**

**Writers' Guild of Great Britain**

## **CLA Submission on the Review of Copyright Tribunal**

### **1. Introduction**

- 1.1 CLA welcomes the opportunity to comment on the workings of the Copyright Tribunal and to comment on what measures might be taken to improve it. At the time of the Leggatt Review of Tribunals, CLA was engaged in its first Copyright Tribunal Claim and thus had no prior experience on which to draw and so did not participate in that review.
- 1.2 The Copyright Tribunal is intended to provide a speedy and inexpensive resolution to disputes, but CLA did not find either to be the case. As a result of its experience of the Copyright Tribunal, and irrespective of the merits of any scheme promulgated by CLA, CLA would have to consider seriously in another Claim whether the costs involved were justified and in its members' best interests.
- 1.3 Historically the Tribunal is believed to have been more sympathetic to users than to copyright owners. The concerns of Collecting Societies have been well documented in the past and many of them were raised in the CLA response to the Gowers Review of Intellectual Property (a copy of which is attached for convenience as Appendix 2).
- 1.4 The aim of any review of the Tribunal must be to produce a simple, low cost and swift process that is fair; fair not only to users, but fair to copyright owners who are entitled both morally and legally to fair remuneration for the use of the products of their creative efforts.

### **2. Purpose of the Tribunal**

- 2.1 The Copyright Tribunal is charged with the task of setting terms of licensing schemes, or of licences provided by licensing bodies which are reasonable in the circumstances. What is "reasonable" should be seen from a perspective of both user and rightsholder and in particular should have regard to the right of the copyright owner to receive fair remuneration for the use of their works and that any exceptions should be strictly limited by application of the Berne Convention 3 step test.

- 2.2 The origins of the Copyright Tribunal were rooted in the view of the UK government that some counter-balance to the perceived monopolistic power of Collecting Societies was required. The Performing Rights Tribunal was created in 1956 following the Government's declaration when the Berne Convention was revised by the Brussels Act in 1951. This declaration was that it remained "free to promulgate any legislation... necessary in the public interest to prevent or remedy any abuse of the exclusive rights belonging to a copyright owner". The PRT was renamed the Copyright Tribunal and given a wider jurisdiction under the CDPA 1988. Thus the legislative framework under which the Copyright Tribunal operates embeds the notion that it is there to defend users against powerful and monopolistic Collecting Societies.
- 2.3 An inherent feature of collecting societies is that they possess a degree of market power in that they may offer the only feasible route for a user to obtain a collective licence. Yet without them rightsholders would be unable to authorise or to license every use of their works and to enforce their rights as enshrined in the Berne Convention. This benefits not merely rightsholders but also users who are able to obtain licences from a single body thereby saving themselves considerable time and administrative expense.
- 2.4 The perception that collecting societies are more powerful than their users is also in many cases misplaced. It should be noted that the resources available to CLA, both in terms of manpower and money, are considerably more limited than those available to many of its licensees.
- 2.5 The rationale for the ability of users to refer a licensing scheme or a licence issued by a licensing body to a Tribunal (and note there is no comparable right for the collecting society) is based on the assumption that that is their only alternative as they are unable to influence the terms of the licence or licensing scheme or unable to negotiate terms on a fair basis. This is simply untrue in many cases. Large and well funded licensees are quite capable of negotiating on an equal basis – indeed in many cases it is the licensee who holds the greater degree of negotiating power given the difficulties that rightsholders have to prove cases of copyright infringement and to obtain appropriate payment through licence fees.
- 2.6 Furthermore, it should be noted that collecting societies face a "double jeopardy" risk due to the concurrent jurisdiction of the Copyright Tribunal – currently seen as extension of the

government's historic monopoly concerns about collecting societies – and competition law itself. One should be exclusive of the other.

### **3. Composition of the Panel**

- 3.1 Copyright Tribunal cases are generally lengthy and complex involving a mix of extensive detail and potentially complicated questions of law. The Copyright Tribunal panel needs to reflect this in terms of its composition.
- 3.2 The call for the Chairman of the Copyright Tribunal to be a judicial appointment is long documented. CLA welcomes the appointment of Judge Michael Fysh, QC but feels that it should be a requirement that the Chairman or Deputy Chairman hold judicial office.
- 3.3 The Monopolies and Mergers Commission in its inquiry on collective licensing recommended that the Chairman be either a retired High Court judge or other person of similar standing with experience in the law of intellectual property and available to serve at short notice. Practising barristers or solicitors may well be perceived to have a conflict of interest, as well as finding it difficult to schedule the necessary time to hold the hearing as speedily as possible, and at a time that is convenient to the parties.
- 3.4 The perception of unfairness would be further reduced if the membership of the panel dealing with a particular reference reflected the interests both of users and of licensors, and had some relevant experience and/or expertise in the matter at issue. A balance between conflicting interests in each side is achieved in the Employment Tribunal where the panel consists of an employer representative and an employee representative in addition to the lawyer chairman. This is also often the case in relation to arbitration panels.
- 3.5 The criteria for selection of lay members are not disclosed and greater transparency in the selection criteria and procedure would help address some of the concerns of collecting societies. The lay members need to have, and be seen to have, the appropriate experience to deal with complicated cases where much information needs to be absorbed before the issues can be addressed. This is particularly important given the way that the evidence is presented to the Tribunal. It is presented in writing in the first instance and not subject to examination in chief; only those witnesses that the other party wishes to cross examine actually appear before

the Tribunal. It is assumed that the panel members have already mastered the detail and can therefore follow the arguments being advanced to them.

#### **4. Pleadings**

- 4.1 Copyright Tribunal proceedings have all the trappings of judicial proceedings, but without some of their rigour. The collecting societies in particular are often presented with the worst of both worlds in that they are forced to the trouble and expense of dealing with potentially wide ranging pleadings, but without the certainty that these will define completely the cause of action. Broadly constructed pleadings may disguise what is in fact the main complaint.
- 4.2 CLA believes that there is an important case for mediation (see paragraph 6 below), but this should generally be at a stage prior to any Copyright Tribunal proceedings. However, as the Copyright Tribunal has the power to issue binding decisions on matters on fact and law (and which cannot be appealed on matters of fact) it is important that the proceedings should be subject to the normal rules of evidence. CLA therefore believes that pleadings are essential, as is the current requirement for each side to formulate the terms of a licensing scheme or licence which it believes would be reasonable in all the circumstances.
- 4.3 Although pleadings involve considerable expense, they are helpful in defining the ambit of the dispute between parties. In CLA's Copyright Tribunal case, the first round evidence from the Claimant went well beyond the issues identified in the pleadings and CLA could not afford to take the risk of simply ignoring this material and not commenting on it in its second round evidence. This added very considerably to CLA's costs and was commented upon unfavourably in the decision of the Copyright Tribunal in that reference. CLA believes that a much more robust approach ought to be taken by the Chairman of the Tribunal in striking out evidence on matters not put in issue through pleadings.
- 4.4 In addition, CLA proposes that the standard directions are amended to provide that the Statement of Case of all parties may not be amended without the permission of the Copyright Tribunal so that provision can be made as to the costs incurred as a result of such amendments.

## **5. Disclosure**

- 5.1 In CLA's Copyright Tribunal case, it was at a considerable disadvantage because of the absence of any obligation on the Claimant to disclose material in advance of exchange of first round evidence. Most Copyright Tribunal references turn on the use by, and value to, the user of the relevant copyright material. That data inevitably is in the hands of licensees. CLA believes that time and money would be saved were the licensee required to provide standard disclosure in accordance with the Civil Procedure Rules, at least in relation to these elements, prior to exchange of first round evidence. CLA believes this could lead to major savings and cost for both sides.

## **6. Mediation**

- 6.1 As mentioned in its submission to the Gowers Review, CLA believes that parties wishing to launch a reference to the Tribunal should first seek to resolve the dispute through mediation.
- 6.2 The Patent Office has established its mediation service. Although this seems to have had mainly patent and trademark disputes in mind, there is no reason why it could not be extended to cover copyright disputes.
- 6.3 Consideration of mediation prior to launching a reference should become obligatory. At present the standard practice directions for the Copyright Tribunal make no provision in relation to mediation; this is out of step with the requirements of the CPR. This would prevent parties being ambushed by Claimants who can launch a reference – without any prior notice to the Respondent – as a negotiating ploy to apply pressure and to improve their bargaining position. Indeed this is specifically recognised in the Copyright Tribunal Notice (25th May 1996) where it states that it is aware that references are sometimes begun by parties simply to preserve their negotiating position. Given that only the users can launch a reference, this is not only deeply unfair, but of course is not in keeping with the spirit of the Woolf reforms. It leads unnecessarily to the commencement of full scale litigation proceedings which, once started, can be more difficult to stop.
- 6.4 CLA proposes that the regime applying in the Commercial Court should be adopted by the Copyright Tribunal so that as a result the parties would be obliged to consider resolving their

dispute through mediation in the hope that this would be successful saving substantial time and money for all concerned. Parties who did not observe this requirement would need to explain their refusal to mediate and would risk an adverse costs award.

- 6.5 Added to CLA's proposals for earlier disclosure, this should enable disputes to be addressed openly and fairly at an early stage and could reduce the number of references. This would be of benefit to users as well, as it would offer them another alternative to launching a full scale reference.

## **7. Rights of Licensing Bodies**

- 7.1 As noted above, licensing bodies have no right to launch a reference (other than where a Licence or Licensing Scheme has already been the subject of a reference). This always places them unfairly in the position of "defendant".
- 7.2 CLA, as with all other licensing bodies, acts on behalf of its copyright owners. This sometimes leads to a perception that it is the licensing body against whom the user is litigating rather than against the rightsholders it represents. This may falsely reinforce the notion of the "weak" user needing protection against the "strong" licensing body. CLA is a non profit making organisation whose revenues (after deduction of running expenses) are passed on to its rightsholders: the authors, artists and other visual creators and publishers whose efforts contribute so significantly both to the economic and cultural well being of the UK. It is they who are most affected by the decisions handed down by the Tribunal. As stated above, they often are unable to enforce their rights individually for reasons of practicality or cost. In reviewing the Copyright Tribunal, it needs to be born in mind that they too have, or should have, rights.
- 7.3 These should include, as mentioned above, the right for their collecting societies to launch a reference in appropriate circumstances, or to require users to consider mediation before proceedings are commenced. A Copyright Tribunal should also have power to grant orders against users, e.g. disclosure of copying practices and volumes and/or to order a "no copying" declaration where the user insists that copying is not undertaken. Such declaration should be subject to the Statutory Declarations Act 1835 with the appropriate penalties for a false declaration. We appreciate that this would require an extension to the jurisdiction of the Tribunal.

## **8. Factors to be Considered in a Reference**

- 8.1 The Tribunal ought to have a greater regard to existing agreements where freely and fairly entered into by the parties. Once the parties have reached an agreement, the Tribunal should be wary of imposing its own judgement on what it considers is reasonable in all the circumstances where it differs from the position of the parties mutually agreed after negotiation. This is particularly so given that only the user can refer the contract to the Tribunal. In effect, it can "tear up" the contract whereas the licensing body is obliged to continue to honour it.
- 8.2 The Tribunal ought not to exercise its jurisdiction to review what was a binding contract. To do so diminishes the incentive for the licensing body to enter into such negotiations and to try to reach a mutually acceptable agreement in the first place. A licensing body ought not to be discouraged from granting concessions in an attempt to reach a settlement if it fears that this is but one step in a process which can be litigated before the Tribunal and lead to yet further claims for reduction.
- 8.3 If the Tribunal is to retain a jurisdiction in these circumstances, it should perhaps be required to have regard to guidelines similar to those set out in Schedule 2 of the Unfair Contract Terms Act 1977 (indications of the reasonableness of an exemption clause). This includes the relative bargaining strength of the parties and any inducements offered to accept the contract. The Tribunal should not intervene in the absence of strong evidence of a significant change in circumstances, and as indicated above this ought to apply on a reciprocal basis to allow the licensing body also to launch a reference.
- 8.4 When the Copyright Tribunal's jurisdiction comes into play, there should be no presumption that a licensing scheme or a licence granted by a licensing body is unreasonable unless the collecting society proves to the contrary – it is certainly the perception of CLA that this is the case in practice. Rather, where a licensing scheme or licence has been agreed following detailed negotiations, the presumption should be the opposite; it should be for the complainant user to show that what they had agreed to was unfair.

## **9. Hearing Room**

- 9.1 On a practical note, the accommodation for the Copyright Tribunal hearings is unsatisfactory. There is insufficient space if members of the public and parties attend in numbers. Further, some of those attending have a view of the panel or witness which is obscured by columns. CLA proposes that suitable alternative accommodation be found for the hearings.

## **10. Summary of Recommendations**

- 10.1 A summary of the recommendations proposed in this submission are contained in Appendix 1.

M T Delaney

10th July 2006

## **APPENDIX 1**

### **Summary of Recommendations**

- Overlapping jurisdiction of Copyright Tribunal and competition law to be resolved.
- Chairman and Deputy Chairman of the Tribunal to be a judicial appointment.
- Lay members of Panel to have appropriate experience and expertise – selection criteria to be disclosed and appointment process to be more transparent.
- Lay members to represent a balance between users and licensing bodies.
- Pleadings to be retained but rules of evidence enforced more rigorously.
- Requirement for parties to a dispute to formulate proposed terms of licensing scheme to be retained.
- Statement of Case not to be amended without permission.
- Standard disclosure of evidence after Statement of Claim in accordance with CPR.
- Mediation – consideration of it to be compulsory as in Commercial Court with requirements to explain refusal and risk of adverse cost orders.
- Licensing bodies to have rights to launch reference in appropriate circumstances.
- Copyright Tribunal to have power to issue orders to users (e.g. disclosure of copying habits and no copying declarations).
- Copyright Tribunal to have regard to guidelines on when it is appropriate to review a binding contract.
- The onus should be on the Claimant to show that a licence/licence scheme that has been agreed between the parties is unfair.
- Improved accommodation for the Hearings should be found.

## APPENDIX 2

### **CLA's Submission to the Gowers Review (minus appendices)**

## **Introduction**

This submission provides firstly some background on The Copyright Licensing Agency Ltd (“CLA”), its operations and licence sectors and then follows the Gowers Review call for evidence in addressing general questions and specific issues. It highlights items listed in the call for evidence that are not addressed. It does not highlight any other issues. CLA is happy for this submission to be made available to the public.

## **1 Background**

CLA is the UK’s Reproduction Rights Organisation (“RRO”). It represents the interests of the authors, artists and publishers of books, journals and periodicals in connection with reprography including certain forms of digital reproduction.

### **1.1 Economic importance**

Creativity is an important driver of economic growth.

The book, journal and periodical publishing industry is of significant importance to the UK’s economy. A report to the European Commission in October 2003 (but based on data for the year 2000) measured the contribution of Copyright and Related Rights to the European Economy. This report is attached as supporting evidence. It estimated that copyright industries as a whole represent 7.1% of GDP in the UK. It suggests that print media accounts for 1.79% of GDP. Figures from the ONS and the Publishers Association show that book publishing alone, which generates about £5bn per annum, represents 0.5% of GDP at factor cost. A further £1bn could be added for journals.

Figures alone, however, do not tell the whole story and may underestimate the contribution of the publishing industry. The information produced by the publishing industry is a vital input to many other key sectors of the economy, particularly the high-value added parts of the “Knowledge Economy”. Arguably, the publishing industry’s £5bn is the keystone on which the whole Knowledge Economy depends.

Copyright is essential to the publishing industry, which depends on it to realise the full value of the creative input of the UK’s authors and artists and to support its contribution throughout the economy. Without copyright – and copyright protection – there could not be a viable publishing industry in the UK.

#### **1.1.1 Education and training**

Information provision is arguably the most important component of Education. Education, at all levels, is dependent on books and journals; a healthy publishing industry provides up-to-date books and journals (in both print and digital form) to the education sectors from primary schools to universities. Training and life long learning are equally dependent on it.

### **1.1.2 Research and Development**

Scientific, technical and medical publishing supports R&D activities both in industry and in academia in the provision of information and, through the peer-review process, in benchmarking and assessing value.

### **1.1.3 Healthcare**

Publishing supports healthcare through information management, education and training, and research and development.

### **1.1.4 Professional services**

The professional services sector, including financial services and the legal profession, is also heavily dependent on information including published information.

### **1.1.5 Export**

The UK is a significant net exporter of published content, building on the international strengths of the English language. The Publishers Association estimates the value of book exports alone as being £1.3bn.

### **1.1.6 Environmental considerations**

The growth generated through creativity requires no direct energy inputs or other physical resources; arguably, creativity is the only indefinitely sustainable source of economic growth. A creative economy built around the media industries of which book and journal publishing is a part is a fundamentally low-carbon economy.

## **1.2 CLA status and ownership**

### **1.2.1 Ownership**

CLA is a not-for-profit company limited by guarantee. Its owners are the Authors' Licensing and Collecting Society (ALCS) and the Publishers Licensing Society (PLS), through whom it deals with authors and publishers respectively. It represents the interests of visual artists through an association agreement with the Design and Artists' Copyright Society (DACS).

CLA is a member of the Alliance Against IP Theft (the "Alliance") and has had the benefit of reading their submission to which it has also contributed.

### **1.2.2 Business**

CLA earns its income through collective licensing. CLA issues licences authorising a limited amount of copying, beyond the limited copying permitted by law, in consideration of licence fees. These fees are distributed (after deduction of CLA's operating subvention) to the authors, artists and publishers whose works are copied.

In the financial year ended 31<sup>st</sup> March 2005, CLA collected £42m on behalf of

its member organisations. The cumulative figure for the 5 years to 31<sup>st</sup> March 2005 was £178m of which £24m was from overseas.

This represented net export earnings of £7.9m over the same period.

CLA's latest published Annual Review (including extracts from its latest Report and Accounts) is attached as supporting evidence.

#### **1.2.3 Authority**

CLA's authority to license copying derives from its agreements with its member societies, DACS and RROs. The ALCS and DACS membership agreements and the mandates (non-exclusive licences) granted to PLS by publishers provide the chain of authority for the domestic repertoire. This covers the large majority of copying provided for by the licence. In order to provide licensees with as fully a comprehensive a repertoire of works as practical, CLA operates indemnity-backed collective licences. This means that its licensees, with relatively few exceptions, are able to copy beyond CLA's strict authority to do so. Licensees are indemnified by CLA against any legal action arising from such copying and CLA itself assumes the associated risk.

CLA has reciprocal agreements with counterpart organisations (RROs) in other countries, which enable it to authorise the copying of non-UK works to enlarge the repertoire.

However derived, CLA's authority is in all cases non-exclusive; the copyright owner retains the right to license directly, or to grant other parties the non-exclusive rights to license. CLA is "licensing body" as defined in Chapter VII of the Copyright, Design and Patents Act 1988 (the "CDPA").

#### **1.2.4 Sectors served**

CLA issues licences to organisations in all sectors of the economy. Virtually all the UK's schools, colleges and universities are licensed by CLA to enable them to copy extracts from books, journals and periodicals. Similarly a large number of commercial organisations are licensed as are most government departments, the NHS and the British Library. CLA also issues licences to Press Cuttings Agencies and other information providers enabling them to keep their clients up-to-date on important news and development relevant to their businesses.

A selection of Press Releases issued in the last few years, either by CLA or jointly with user representative bodies, highlighting the benefit of the various CLA licensing schemes is attached as supporting evidence.

## **2 General Questions**

### **2.1 How IP is awarded**

Copyright, being an unregistered right, is not awarded, it arises. Treaty obligations, specifically the Berne Convention (“Berne”), mean that there is no scope to make copyright subject to formalities such as registration.

The lack of registration formality is consistent with Berne, and provides an easy and flexible regime for the creation of copyright. This barrier-free system should be retained.

The UK does have a fixation requirement – that is a work must be manifested in some form – which is optional under Berne. A number of European countries do not have a fixation requirement (thus, copyright may subsist in works in a purely oral tradition). However, the fixation requirement provides evidential clarity and should also be retained.

### **2.2 How IP is used**

Copyright provides a foundation for all contracts in the content industries; in the absence of copyright, the contractual regulation of the business would be all but impossible.

### **2.3 How IP is licensed and exchanged**

The economic value of a work protected by copyright is only fully realised through publication and/or making available to the public. This is an act requiring the consent (i.e licence) of the copyright holder. A work that remains unread makes no immediate contribution to the economy (although it may eventually add to the cultural archive of the nation); by licensing its publication, the author ensures that its value can be realised.

Broadly speaking, therefore, the copyright regime should encourage licensing and ensure that writing, visual creation and publication earn a fair reward.

#### **2.3.1 A universal defence**

Exceptions to copyright are jurisdiction-specific; the licence of the copyright holder is, by definition, a universal defence to an action for copyright infringement. Licensing works across borders; exceptions (in general) do not.

#### **2.3.2 Primary Sales Licences**

Works published in digital form require a copyright licence in order that they may be read. Thus, in the digital world, the primary sales contract for content must be a copyright licence (by contrast with the print world, where it is a contract for the sale of goods).

#### **2.3.3 Indemnity-backed licences**

Copyright is a strict liability right (i.e. knowledge that an act is infringing is irrelevant as far as the law is concerned) and therefore, in order not to infringe, those who would copy lawfully should be satisfied as to the strict chain of title

from author to ultimate licensee. This is clearly impractical and it is usual to rely on permission from a publisher, thereby tacitly assuming that the publisher has appropriate authority from the copyright owner to grant such permissions.

It is standard practice for all formal licences of copyright, at any stage in the chain, to incorporate warranties and/or indemnities, which insulate those further down the chain from upstream faults in the title.

#### **2.3.4 Indemnity-backed collective licensing**

Indemnity-backed collective licensing formalises this approach and permits the associated risk to be pooled. CLA maintains that indemnity-backed collective licensing is a simple, flexible way of licensing any commercially valuable acts of copying. This is so regardless of faults or errors in the upstream chain of title and operates even when the copying is on a very small scale. This system operates without many of the costs associated with maintaining such an upstream chain.

Further, indemnity-backing ensures that licensees can rely on a comprehensive, and broadly-defined repertoire, which significantly reduces the licence compliance costs for licensees.

However, in purporting to license copying in respect of which it may not enjoy strict authorisation, a collective licensing body such as CLA is itself technically infringing copyright. It therefore exposes itself to a risk of costly litigation.

CLA maintains a List of Excluded Works to ensure that rightsholders who do not wish their works to be covered by a collective licence can opt-out. This is now to be internet-based and changes can take rapid effect, which further protects rightsholders' interests.

#### **2.3.5 Statutory support**

s.136 of the Copyright, Designs and Patents Act 1988 provides limited support to the principle of indemnity-backed collective licensing.

CLA would welcome further statutory support, in particular through a limited immunity to litigation for copyright infringement, subject to immediate rightsholder exclusion on notice. This is equivalent to the "take-down-on-notice" provisions which apply to Internet service providers.

#### **2.3.6 Ease of negotiating licences; barriers to licensing**

Collective licensing provides a solution to the difficulties which might otherwise be encountered by individual users wishing to obtain permission to copy from copyright works. It would clearly be a time consuming and expensive burden to track down the copyright owner of a given work prior to copying on each occasion – if indeed it were possible at all. The system would be equally inefficient from the copyright owner's perspective in having to deal with such multiple requests and handling the micro payments involved.

CLA's licences are easy to obtain and simple to administer. Most are "blanket" licences allowing the user to make a one off payment to cover its copying requirements for the licence period (generally a year) with little formality. Some licensees will be asked periodically to participate in a minimum impact

audit or survey of what they have copied over a sample period of a few weeks.

The licences are easy to administer and relatively inexpensive, with the Copyright Tribunal providing a statutory backdrop to ensure that the licence fees demanded are reasonable.

In short, CLA believes that users do not face any real barrier or difficulties in obtaining licences in respect of its current mandate.

## **2.4 How IP is challenged and enforced**

### **2.4.1 Specific Problems in Enforcement**

There are several difficulties which a collective licensing body faces when trying to enforce copyright:

#### **a) Rights to take legal action**

Under UK law, an infringement of copyright is actionable only by the copyright owner, exclusive licensee or, in some limited circumstances, a non-exclusive licensee.

A collective licensing body such as CLA operating under a non-exclusive mandate does not therefore have an automatic right to sue. CLA has to obtain specific authority from the copyright owner or owners for each proposed action. This is time consuming and costly, often prohibitively so. The difficulties where multiple rightsholders have been affected by infringing acts are commensurately greater. Where immediate injunctive relief is sought, CLA's lack of locus standi renders the possibility of prompt and effective action almost impossible.

The EU Directive on the Enforcement of Intellectual Property Rights (the "Enforcement Directive") required member states to ensure that "intellectual property collective rights management" bodies were entitled to apply for the application of measures, procedures and remedies necessary for the enforcement of intellectual property rights.

CLA (and many other interested parties) submitted that a change to UK law was required to comply with this and it seemed that the government was in agreement and included relevant provisions in draft regulations. Regrettably it now appears to have changed its mind; if so, we believe that UK law will be deficient in not providing a clear statutory right for representative bodies to take action and that this will be damaging to the enforcement of intellectual property rights and, by extension, to those industries within the UK that rely on IP. CLA's submission to the consultation on the UK implementation of the Enforcement Directive sets out the arguments more fully and is attached as supporting evidence.

#### **b) Obtaining evidence of infringement of Intellectual Property in the workplace**

CLA also faces difficulties in obtaining the necessary evidence of copying to launch an action. Copying and/or scanning and e-mail distribution of copyright works is widespread in the office environment, yet there is little awareness of the need for a copyright permission. Sometimes the requirement is blatantly ignored.

Evidence of unlawful copying in a private workplace is notoriously hard to obtain – it is almost invisible – and it is too easy for companies to deny that it is occurring or to argue falsely that one or other of the various statutory exceptions apply (see section 3 Specific Issues below).

There is a low perception of risk and the weak nature of the sanctions that might be applied to the infringer do not act as a sufficient deterrent to those organisations who need, but do not take, a licence.

Personal liability for directors is limited to their actual knowledge. This allows directors to avoid any possibility of personal liability by issuing, but not enforcing, ‘no copying’ policies and denying knowledge. This provides little incentive for them to ensure their company does not infringe copyright and unreasonably throws the burden of compliance back onto their employees. They are supposed to judge if there is a relevant statutory exception covering the entirety of their copying and the use to which it is put (unlikely) or be able to seek an individual permission (impractical) or to cease copying (equally unlikely).

CLA concurs with the submission of the Alliance on this important matter, including the submission that the various copyright presumptions afforded by the law should not to be specifically disappplied in the case of criminal remedies under s.107 as is currently the case. UK law should provide a general presumption of subsistence of copyright and a presumption of a lack of permission or licence for the defendant to copy or otherwise exploit a copyright work.

c) Damages

UK law approaches the issue of damages on a compensatory basis. Individual acts of copyright infringement may sometimes only be measured in pence, although the harm to the publishing industry, and the costs of enforcement, may be much greater. UK law does provide that ‘additional damages’ as the justice of the case may require may be imposed having regard (inter alia) to the flagrancy of the infringement (s.97 CDPA). But this is still viewed as being part of a compensatory, not penal, regime, and is rarely applied. It does not amount to the “effective, proportionate and dissuasive” civil remedies that the EU Directive on Enforcement requires.

UK law should embrace more wholeheartedly that notion of penal damages to act as a genuine deterrent to copyright infringement. This might be done by establishing statutory damages; examples from other countries are given in the Alliance submission.

d) Anonymous Evidence

The difficulty of obtaining the necessary evidence has already been referred to. Where interim remedies are sought (such as a Search and Seizure order) the current bar on the use of anonymous evidence presents a further difficulty. Realistically such evidence is only likely to come from employees of an infringing company who are for obvious reasons likely to be reluctant to provide such evidence against their employer. This is the case despite the provisions of the Public Interest (Disclosure) Act 1998 (“PIDA”) which has not proved in practice to be a sufficient comfort to employees intending to disclose facts about their employer. The relative stringency of the requirements that have to be met before a disclosure becomes “protected” and

the uncertainty of PIDA's application make it unlikely that an average employee would risk their livelihood by giving open evidence about copying activities against their employer.

#### **2.4.2 Cost barriers to enforcing copyright**

Many of the problems of obtaining evidence also lead to an increase in direct and indirect costs. The costly nature of the Copyright Tribunal – as a form of ADR – is dealt with below. It is worth mentioning two further problems:

a) The requirements for a supervising solicitor in search and seizure orders

The requirement that a claimant must instruct, and pay, for an independent solicitor to be present during the execution of a search order adds significantly to the costs burden of obtaining evidence. It acts as a significant deterrent to a claimant considering whether to apply for such relief. It is inconsistent with the approach of the Woolf reforms to civil litigation and, given the general duty of a solicitor to the court in executing orders and the wide case management powers of the court, probably unnecessary.

b) Trading Standards

s.107 (A) CDPA provided that it is the duty of every local weights and measures authority to enforce the provisions of s.107 CDPA establishing the criminal liability of a person making or dealing with infringing articles. It gave such authorities the power to make test purchases, to enter premises and to seize goods and documents. Unfortunately this provision has yet to come into force due, we understand, to a lack of funding. Such provisions, if enacted, would provide a valuable tool for those seeking to enforce copyright and other IP, as well as emphasising the government's commitment to the enforcement of copyright to help sustain a viable publishing industry as well as all those other industries dependent ultimately on the existence of copyright. It would also assist in tackling the burgeoning amount of criminal activity that this lack of official enforcement helps to spawn.

#### **2.4.3 Use of ADR and the Copyright Tribunal**

The Copyright Tribunal, first established as the Performing Rights Tribunal by the Copyright Act 1956, operates under the framework contained in the CDPA. It has jurisdiction over licences and licensing schemes operated by licensing bodies and so is not, strictly speaking, a form of alternative dispute resolution. It is a quasi-judicial court of first instance and is not therefore a mediation process. Users may refer licences, or licensing schemes, to the Tribunal so, once referred, its use is not optional for collecting societies. However collecting societies do not themselves have the right to initiate a reference to the Tribunal.

Copyright Tribunal proceedings are adversarial in process, requiring the full panoply of pleadings, detailed procedural rules and rules of evidence. They are thus costly and time consuming; they have not proved in practice to provide a simple, low cost and flexible way of settling disputes. Conceived originally as a counter balance to the perceived potential for collecting societies to abuse their near monopoly power, the Copyright Tribunal is

generally believed by individual authors and publishers affected by its decisions to be pro-user; a view enhanced by the inability of copyright owners to launch a reference themselves and by the cost awards that have been made over the years by the Tribunal.

The use of, indeed a requirement for, mediation would be welcome. It is surprising that the Woolf reforms to the civil procedure system do not apply to Copyright Tribunal proceedings. There is no requirement for a user to attempt to settle a dispute or to seek mediation before launching a reference to the Tribunal. Indeed often proceedings are launched by users as a negotiating tactic to apply pressure to the collective societies. There is no scope for the defendant to request a stay of proceedings to allow for ADR in an attempt to settle the proceedings or indeed for the Tribunal to impose such a stay, or to include the refusal to engage in ADR as a consideration in its cost awards.

The Patent Office has recently launched a mediation service; it is too soon to comment on how effective this will prove to be in addressing some of the concerns that have been expressed by copyright owners about the Copyright Tribunal.

In addition to mediation, CLA believes that copyright owners would be encouraged to believe that balance between the interest of users and copyright owners was achieved if the jurisdiction of the Tribunal were extended over users in certain respects and to allow copyright owners to initiate a reference. This could include refusals to take a licence; alternatively an order to make a 'no copying' declaration subject to the Statutory Declarations Act 1835 so that there would be sanctions for a false declaration. It could, in appropriate cases, include orders for disclosure (including orders to third parties for disclosure) relating to copying volumes and habits, use of copying and/or value of copies made. This would help to counterbalance the difficulties faced by copyright owners in obtaining evidence of infringement referred to above.

There are significant costs involved in preparing the defence to what are often wide-ranging pleadings without any real sense of what may prove to be the main complaint. The combined effect of the adversarial nature of Copyright Tribunal pleadings, the lack of an overriding objective encouraging the parties to use ADR to settle without engaging in proceedings, and a lack of active case management to narrow the case to issues in dispute necessarily increases the length of the proceedings and the hearings, as well as the costs incurred – and generally born disproportionately by the defendant collecting society. Very often issues initially cited by users in Tribunal cases prove not to be the main issue on which the case ultimately turns, which is the complete opposite of what the Woolf reforms were attempting to achieve.

There are many other issues to do with procedure and process of the Tribunal that require consideration, which are to be addressed as part of the separately announced Patent Office review of the way in which the Copyright Tribunal works to which CLA will be separately submitting.

#### **2.4.4 Barriers to efficient enforcement internationally**

Although not the primary focus of this response to the Call for Evidence it is worth noting that the patchwork of different regimes and exceptions

permitted by the EU Directive on Copyright and Related Rights in the Information Society (the “Copyright Directive”) means that the EU is very far from having a harmonised copyright law. Collecting societies in member states operate under very different systems. The different exceptions allowed, along with the various models of statutory licence and levy schemes, render community wide licensing almost impossible and prevents the creation of genuine and fair competition between collective management organisations throughout Europe.

### **3 Specific Issues**

*Specific issues not addressed in this submission:*

- *Current term of protection for sound recordings and performers' rights;*
- *Copyright – licensing of public performances*
- *Copyright – designated archive status*
- *Patents – utility patents*
- *Pharmaceutical Supplementary Protection Certificates*
- *Trade Marks – international issues*
- *Designs – registered designs and unregistered design rights*

#### **3.1 Copyright Exceptions: fair use and fair dealing**

The scope for copyright exceptions is limited by the Copyright Directive, which sets out an exhaustive list of permitted acts. Member States of the EU may not enact permitted acts beyond those set out in the Copyright Directive.

It is worth reiterating the point made in 2.3.1 above, that a licence is a universal defence and applies in all jurisdictions, whereas exceptions to copyright are jurisdiction-specific, even within the EU and despite the best efforts of the Commission to harmonise exceptions in the Copyright Directive.

The Berne “three step test” was incorporated into the Copyright Directive. The three step test requires that exceptions to the exclusive right of the copyright owner to authorise reproductions:-

- shall be permitted only in certain special cases;
- provided that reproduction does not conflict with a normal exploitation of the work;
- and provided that such reproduction does not unreasonably prejudice the legitimate interest of the author.

The Copyright Directive required that the permitted exceptions and limitations should, in all cases, be subject to the above tests. The UK government declined to incorporate these principles specifically into UK law. It refused to introduce the test as such into UK law as a general constraint on exceptions, but preferred to continue with its existing practice of using the test as a standard in framing exceptions to copyright. The government’s view was that the various exceptions to copyright contained in the CDPA (as amended following the UK implementation of the Copyright Directive) were considered to comply with the three step test.

CLA and many other rightsowners and representative bodies disagreed with this view and feel that the UK government has failed to implement the Copyright Directive correctly and that many of the exceptions do not comply with the three step test where they may result in detriment to the legitimate interest of the rightsholder or conflict

with the normal exploitation of the work. It should now be considered that licensing a copyright work through a collective licensing scheme such as CLA is a normal exploitation of the work and a legitimate interest of a rightsholder. To the extent that copying is permitted by law without compliance with the 3 step test, it follows that it must be contrary to the Copyright Directive. What is said below about specific exceptions, and indeed all other exceptions within the CDPA, must be read subject to this overriding concern.

### **3.1.1 “Fair use”**

Fair use is a defence to a claim of copyright infringement in the USA. In the UK, it was part of the common law until the Copyright Act of 1911, which replaced it with the statutory defence of fair dealing. In the United States, “fair use” was codified into the statutes in 1976.

### **3.1.2 “Fair Dealing”**

Fair dealing (which should not be confused with the US concept of “fair use”) was introduced in the Copyright Act of 1911 (which brought UK law into line with the Berne Convention), to replace the then common-law defence of fair use.

The UK’s statutory fair dealing defences were changed in 2003 with the implementation of the Copyright Directive. Specifically, it was established that copying for the purposes of commercial research was not fair dealing, which removed an ambiguity that had been in place since at least 1956.

The availability of simple copying licences from CLA and (in the case of works published in digital form, direct from publishers as part of the primary licence) means that commercial research of UK organisations is not significantly hindered by the new tighter definition.

### **3.1.3 The Library Privileges**

The library privileges contained in ss.38-39 of the Copyright, Designs and Patents Act 1988 are analogous to the s.29 exception for fair dealing for the purposes of research or private study, and have similarly been limited by the implementation of the Copyright Directive.

#### **a) Licensed Alternatives**

The removal of the library privileges exception from copying for the purposes of commercial research in 2003 meant that it was possible that some libraries might have had to refuse to make copies in some cases which previously have made under the library privilege. In response to this, and to ensure that no library would have to refuse a legitimate request from a commercial researcher for a copy, CLA introduced two simple licensing schemes, a “Low-volume Document Delivery Licence” for organisations (such as the libraries of learned societies) which mainly supplied copies remotely, and a Sticker Scheme for walk-in researchers in public libraries.

#### **b) Extra-territorial application**

UK libraries use the UK exceptions to make copies which are delivered overseas (“document delivery”), into jurisdictions where the UK legislation

does not apply. This can undermine attempts by local copyright owners to protect copyright, and undermines the right of those other jurisdictions to determine their own copyright laws in line with the treaties.

There is a substantial international trade in licensed document delivery which is undermined by this use for export purposes of an exception which was enacted with the requirements of the UK's researchers and students.

### **3.1.4 Further exceptions**

Statutory reform is a blunt and expensive instrument to permit copying in certain special cases, requiring Parliamentary time as well as substantial departmental resources.

Appropriate voluntary licensing is a better solution where rightsholders are willing to grant such rights and the thrust of the Copyright Directive is to encourage licensing wherever possible.

CLA is equipped to administer indemnity-backed collective licences, provided the majority of rightsholders are willing, for most circumstances involving books, journals or periodicals. Where a case can be made for such uses, rightsholders should be encouraged to implement collective licensing before the parliamentary and departmental resources are committed to statutory reform, and activist pressure groups calling for such changes should be encouraged to open discussion first with rightsholders and their representatives, and only when all such discussion fails to take the matter up with Parliament.

#### **a) Copying for readers with a visual impairment**

The Copyright (Visually Impaired Persons) Act 2003 introduced a new exception to copyright, in response to a long period of lobbying by visually-impaired people (VIPs) and their representatives.

Rightsholders had already introduced a set of Joint Industry Guidelines serving the same purpose as the first part of that Act, following lengthy consultation with visually-impaired people, and CLA now operates a licensing scheme giving free permission to organisations producing accessible editions of published works.

These schemes (which the Act supports, but which do not require its existence) have substantially removed the copyright impediments to the production of accessible versions of works; there remain technical and economic impediments which joint consultation between rightsholders, VIPs and their representatives are addressing.

## **3.2 Copyright – digital rights management**

CLA has long had an interest in digital rights management, which has the potential to complement collective licensing in the administration of copyright.

CLA does, however, have certain reservations about current digital rights management technologies:

- the lack of interoperability between different DRM systems threatens to unbalance

the market and place too much power in the hands of service providers to the detriment of authors, publishers and their readers.

- Inappropriate use of DRM technology can reduce accessibility to those with a visual impairment or other disability. CLA and rightsholders are committed to making works accessible on equivalent commercial terms to everyone regardless of ability;
- most seriously of all, DRM is predicated on a relationship of distrust between rightsholders and their customers, the paying and reading public. This distrust is, in the long term, deeply harmful to the industry. In the book and journal publishing sector, some publishers are now pursuing a policy of trust, rather than DRM, particularly with institutional customers who operate strong internal copyright compliance policies.

### **3.2.1 DRM and Collective Licensing**

DRM is sometimes positioned as an alternative to collective licensing, particularly in European countries where collective licensing is on a statutory basis remunerated through levy systems.

Voluntary collective licensing, as practised in the UK, is however complemented by appropriate DRM solutions, and appropriately managed, DRM and collective licensing together can rebuild the relationship of trust between copyright holder and reader.

## **3.3 Copyright – orphan works**

Orphan works – where the copyright owner cannot be traced – present a significant clearance problem for many users of copyright material, particularly in libraries and archives.

Indemnity-backed collective licensing, however, *already* provides a simple solution.

Where orphan works are published books, journals or periodicals, they are already covered by CLA licences for the copying of extracts. CLA and its member organisations ALCS, PLS and DACS themselves already face the problem of tracing the copyright owner and remitting any licence fees collected to them.

For copying orphan works to an extent, or in a manner, beyond what is permitted by a CLA licence (for example the digitisation of works of historical interest or the copying of unpublished works) CLA would strongly advocate much further exploration of the possibility of a broader indemnity-backed collective licensing solution for orphan works, rather than immediate implementation of a statutory exception.

## **3.4 Legal Sanctions on IP infringement**

Voluntary collective licensing, as practised in the UK, always allows rightsholders to opt-out of any scheme. This is important to preserve rightsholders' interests.

Collective licensing enables wider use to be made of content, without undermining rightsholders' economic interests, and it is CLA's contention that the statutory regime should encourage (but not mandate) collective licensing.

### **3.4.1 Calculating the quantum of damages**

If a collective scheme exists, covering a particular type of work and a particular use of that work, its existence is relevant to the calculation of the quantum of damages applicable in any infringement action, whether or not the work in question is included in the scheme. The level of licensing fees a rightsholder would have earned had the infringing act been licensed through a collective scheme is a useful yardstick for assessing damages.

## **3.5 Parallel imports and international exhaustion**

CLA is concerned by the unequal operation of exceptions to copyright in the European Union, specifically in the field of document delivery.

CLA accepts the principle of community exhaustion where the rightsholder's consent has been granted, but – in accordance with community law – this cannot apply to copies which are put into circulation as a result of a statutory exception and thus without the consent of the rightsholder.

A number of libraries in the European Union are, however, circulating copies made under their national exceptions.

## **3.6 Coherence between Competition Policy and IP policy**

Intellectual property rights, including copyright, confer limited monopoly rights and therefore have implications for competition.

### **3.6.1 Exclusive copyright licences**

Exclusive licences, such as the licence granted by an author to a publisher, are essential to the healthy functioning of the industry in order to justify the substantial investment made by the publisher in the author's work. The publisher acquires a monopoly in the work licensed and is thus able to commit resources to its development.

### **3.6.2 Non-exclusive licences**

Most retail licences, including the primary sales licences referred to above, are non-exclusive. Non-exclusive licences raise far fewer competition concerns.

All CLA licences are non-exclusive, as are the mandates given by publishers to PLS and by authors, through the membership agreement, to ALCS. This means that they are always free to license the same copying directly with the user concerned; this provides CLA with an incentive to keep its licences efficient.

## **4 Conclusion**

The key recommendations in this submission are:

- The “fixation” requirement under Berne be retained, but no registration formality to be introduced into UK law.
- Voluntary licensing should be encouraged and the need for further exceptions, or a widening of existing exceptions, avoided. No private copying exception is required.
- The Berne 3 step test should be specifically incorporated into UK law.
- Company Directors liability for copyright infringement to be established.
- Article 4 of the Enforcement Directive to be implemented into UK law to give intellectual property collective rights management bodies the legal standing to sue.
- Trading Standards provisions of the CDPA to be brought into force.
- Damages regime to include possibility of penal damages as a deterrent.
- Limited immunity to claims for copyright infringement for collecting societies provided they are subject to a notice and take down procedure.
- Presumptions of copyright ownership to apply in criminal matters.
- Requirement for supervising solicitors in search and seizure orders to be abolished.
- Copyright Tribunal to be reformed to allow copyright owners to have recourse to it and to build in a requirement for mediation prior to launching a Tribunal claim.

The Copyright Licensing Agency Ltd – 19th April 2006

Supporting Evidence Attachments:

1. EU report on Contribution of Copyright and Related Rights to European Economy
2. CLA's Review 2005 (including Report and Accounts)
3. Press Releases.
4. CLA's submission on UK implementation of Enforcement Directive.

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