
IN THE COPYRIGHT TRIBUNAL

**[2013] NZCOP 18
COP 004/2013**

UNDER Part VIII of the Copyright Act 1994

AND

IN THE MATTER of a Licensing Scheme for the copying of certain copyright works
by Universities

BETWEEN **COPYRIGHT LICENSING LIMITED**

Applicant

AND

**THE UNIVERSITY OF AUCKLAND, THE UNIVERSITY OF
WAIKATO, MASSEY UNIVERSITY, VICTORIA UNIVERSITY OF
WELLINGTON, LINCOLN UNIVERSITY, THE UNIVERSITY OF
CANTERBURY, THE UNIVERSITY OF OTAGO and THE
AUCKLAND UNIVERSITY OF TECHNOLOGY**

Respondents

TRIBUNAL: Warwick Smith, Deputy Chairperson

HEARING: At Auckland on 16 and 17 September 2013

**RESERVED DECISION OF DEPUTY CHAIRPERSON ON RESPONDENTS'
APPLICATION FOR ORDERS AS TO THE NATURE OF THE REFERENCE AND AS
TO PREMATURITY**

24 December 2013

Counsel for Applicant: Mr AH Brown QC and Mr J Wach

Counsel for Respondents: Mr RJ Katz QC

Introduction

[1] By interlocutory application filed on 9 May 2013 (“**the Application**”), the Respondents seek a declaration as to the true nature of the documents comprised in a formal reference to the Copyright Tribunal (“**the Tribunal**”) made by the Applicant (“CLL”) on 28 February 2013. While CLL says that what it has referred to the Tribunal is a “proposed licensing scheme” under s 149 of the Copyright Act (“**the Act**”), the Respondents contend that what has been referred is a proposed licence, to which the provisions of s 157 of the Act apply. They seek a declaration to that effect.

[2] The second part of the Application seeks a declaration that the reference to the Tribunal (which I will refer to hereafter as “**the Reference**”) was made prematurely. Whether the Reference is held to be a reference of a proposed licence (as the Respondents contend) or of a proposed licensing scheme (as CLL contends), the Respondents say that the Tribunal should exercise its power (under s 149(2) or 157(2) of the Act as appropriate) to decline to entertain it. CLL denies that the Reference was premature.

[3] The Application was heard as an interlocutory matter by myself, sitting alone as Deputy Chairperson of the Tribunal, under s 213(2) of the Act.

Background

[4] The following summary of the events leading up to the Reference is taken from affidavits filed in support of the Application by Mr Wills, an executive officer at the University of Auckland, and in opposition by Ms Paula Browning, CLL’s chief executive.

[5] The Applicant is a not-for-profit copyright licensing body, which represents New Zealand authors and publishers of text-based works. In that capacity, it acts as agent in negotiating copyright licences on behalf of New Zealand publishers and New Zealand owners of copyright in copyright works. Pursuant to reciprocal agreements with Reprographic Rights Organisations in many overseas countries, it also represents owners and licensees of copyright works in those countries.

[6] The Respondents are the eight universities in New Zealand.

[7] CLL has had successive licensing arrangements in place with all universities in New Zealand since 1994. Until this year, those arrangements were set out in licence agreements negotiated between CLL and representatives of the universities. Initially there were seven universities who were parties to the arrangements, but that number rose to eight when the Auckland University of Technology was granted university status from 1 January 2000. No other institutions were parties to these agreements.

[8] A committee comprised of the Vice-Chancellors of each of the Respondents (the committee is now known as “Universities New Zealand”, or “UNZ”) has appointed a copyright expert group to advise the Respondents on copyright matters, and a negotiating team which negotiates copyright licences for the eight universities. Since the 1990s, the negotiating team, with delegated authority from UNZ, has negotiated copyright licences with CLL on behalf of all of the universities. Mr Wills said in his affidavit that it has at all times been the consistent position of the eight universities that they would negotiate and settle terms applicable to all eight universities, as if one.

[9] It appears that it was not always easy for CLL and the Respondents to reach agreement. In March of 2000, CLL filed an application with the Tribunal, naming each of the eight New Zealand universities as respondents. While that reference was still

pending, CLL sought a declaration from the High Court in respect of certain issues which had arisen over the extent of the Respondents' "fair dealing" rights under Part III of the Act. Those issues were resolved by a judgment of Salmon J dated 22 February 2002.¹ Following that decision, the parties reached agreement on the terms for a new form of licence, and copyright licences between CLL and the Respondents were completed in 2003. They provided for the Respondents to make reprographic and digital reproductions within New Zealand of extracts from published copyright material in which copyright was owned by parties represented by CLL. Individual "Licence Agreements" were entered into between CLL and each of the Respondents, and each such licence agreement was on exactly the same terms. The 2003 agreement, and subsequent licence agreements between CLL and each of the Respondents entered into in 2007, were for terms of five years. The most recent licence agreements between the parties were for terms expiring on 31 December 2012.

[10] Negotiations for the completion of new licensing arrangements, which would have effect from 1 January 2013, began in March of 2012. Mr Wills and Ms Melanie Johnson, legal counsel at the University of Auckland, met with Ms Browning late in that month to discuss how the parties would proceed with the negotiations for a new form of licence agreement.

[11] There was some correspondence between the parties in May 2012, but by late August it appears that not much progress had been made. On 29 August, Ms Browning wrote to Mr Wills indicating that she was keen to get the drafting of a new blanket licence underway, but would be out of the country for most of October. She sought Mr Wills' feedback on CLL's proposals which had been discussed to date.

[12] Some further correspondence passed between the parties in September, and a meeting between representatives of the parties was scheduled for 5 November 2012.

[13] On 23 October 2012, Ms Browning sent a revised form of draft licence to Mr Wills. Among other new provisions, the revised draft licence provided for an increase in the blanket licence fees payable by the Respondents, from the then-current \$20 per equivalent full-time student ("**EFTS**") to \$28 per EFTS.

[14] Mr Wills raised a number of objections to the proposed revised terms, by letter dated 25 October 2012. Although the views set out in Mr Wills' 25 October letter were his own personal views, he indicated that he thought a number of issues arising from the redrafting of the existing licence agreement by CLL's lawyers would be "deal breakers". Mr Wills indicated his view that "some universities may well walk away if told this is what you are now seeking". In his affidavit, Mr Wills stated that the new form of licence agreement submitted to him on 23 October 2012 was in fact a completely new licence, with far more restrictive terms than the extant licence.

[15] Mr Wills did not receive any substantive response from CLL to his reply letter dated 25 October before the scheduled 5 November meeting.

[16] Representatives of the parties duly met on 5 November 2012. Mr Wills and Ms Browning were both present at the meeting. Mr Wills' evidence was that Ms Browning announced at the meeting that the form of licence which CLL had submitted on 23 October was withdrawn, and that CLL would revert to the terms of the existing licence. Mr Wills stated that Ms Browning said that that would allow the parties to focus on the price of the licence rather than the other terms.

¹ *Copyright Licensing Limited v University of Auckland and Others* (2002) 53 IPR 618.

[17] Ms Browning's evidence on what transpired at the 5 November 2012 meeting was slightly different. She accepted that, in an effort to keep the focus on the key issue of the licence royalty, she said that CLL would be prepared to withdraw the revised form of licence submitted on 23 October. However she stated that she did not unilaterally withdraw the 23 October proposal; she only suggested a willingness to do so if this would help negotiations on the licence fee. She said that it immediately became clear when the licence fee was discussed that the parties were very far apart. As she put it, the Respondents' negotiating team's position was "absolutely rigid" – it would not agree to anything other than a new licence agreement on identical terms to the 2008 to 2012 licensing scheme, a two year term, and an unchanged licensing fee (\$20 per EFTS). Her evidence was that Mr Wills also stated at the 5 November meeting that it would be "impossible" for UNZ to consider a consumer price index adjustment in the licence fee.

[18] According to Mr Wills, each time the parties met or had email correspondence after the 5 November 2012 meeting on the subject of the terms of a new licence, the discussion was in relation to the then-extant licence. The topics traversed included:

- (a) length of term of any rollover or extension;
- (b) fee per EFTS;
- (c) the possible inclusion of add-ons such as a digital component.

Mr Wills said that the parties did not correspond or negotiate at all in December 2012 (or thereafter) over the terms of the draft licence which had been proposed by CLL in October 2012.

[19] Although there were further meetings and correspondence, and a mediation was proposed by CLL, the parties were unable to agree on terms for new copyright licences after the meeting of 5 November 2012. CLL was unwilling to proceed on the basis of the existing licence fee, and the Respondents were not prepared to agree to any increase.

[20] On 21 December 2012, CLL advised the Respondents' negotiating team that it was prepared to extend the term of the expiring licence to 28 February 2013.

[21] While some further communications took place between the parties in January and February of 2013 (including some without prejudice communications and discussions), no agreement on terms for a new licence was agreed. The Reference was filed with the Tribunal on 28 February 2013.

The Reference

[22] At paragraph 8 of the Reference, CLL stated that it intended to "establish a new licensing scheme" under which the Respondents might secure non-exclusive licences to copy "the copyright works" for authorised educational purposes. The "copyright works" were said to comprise published literary or dramatic works and artistic works (published as part of or incidental to literary or dramatic works). The proposed "Licensing Scheme" would come into force on 1 March 2013. Standard terms of a proposed non-exclusive licence were attached to a Statement of Case filed with the Reference.

[23] The Statement of Case pleaded that the proposed "Licensing Scheme" would replace the previous 2008 – 2012 Licences "under the previous Licensing Scheme granted to the respondents and signed variously in late 2007". It recorded that, by agreement between the parties, the term of the previous (2008 – 2012) Licences

extended until 28 February 2013, and it referred to the unsuccessful negotiations the parties had undertaken between March 2012 and February 2013.

[24] The Statement of Case specifically pleaded certain respects in which the proposed form of licence differed from the current form of licence. The following changes from the current licence were pleaded:

- (a) The Proposed Licensing Scheme would be for a term of four years commencing on 1 March 2013 and expiring on 31 December 2016.
- (b) Under the Proposed Licensing Scheme, the copyright works available for licensing and use for authorised educational purposes would be extended to include New Zealand newspapers and magazines (formerly separately licensed to the Respondents by a separate licensing body).
- (c) The \$20 rate per EFTS would be increased to \$26 for the first year of the term, and thereafter would increase at the start of each year by the annual consumer price index (“CPI”) rate.
- (d) Amended provisions were included in the Proposed Licensing Scheme relating to the carrying out of a survey at each university, once during the proposed four year term.
- (e) The Proposed Licensing Scheme introduced a new provision for the carrying out of compliance audits of each licensee, to ensure compliance with its licence.

[25] The Statement of Case recorded that CLL had proposed to the Respondents that they continue operating under the current licence so as to avoid any infringement of copyright.

[26] The form of licence attached as Schedule 1 to the Statement of Case was headed “University Licence Agreement”. CLL (as agent for New Zealand publishers and copyright owners and certain Reproduction Rights Organisations overseas) was named as a party, and the other party would be one of the “Specified Universities” (defined in the form of licence to mean “any one or all of the Universities listed in Schedule 1”). The only universities listed in Schedule 1 to the form of licence were the eight universities named as Respondents to the Reference.

[27] Recital A in the “Background” section of the referred form of licence recorded that:

“This Agreement is one of a number of identical agreements made between CLL and each of the Specified Universities pursuant to a licensing scheme for all New Zealand universities.”

[28] The referred form of licence contained a number of provisions which clearly contemplated the involvement in the administration of the licence of two bodies or groups who have acted (and presumably continue to act) for all of the Respondents. For example, clause 5.5, in a section dealing with “Survey and Compliance Audit”, provided that CLL would work in consultation with UNZ to determine the order in which the licensee and other Specified Universities would participate in a survey during the term of the agreement. And clause 6 of the referred form of licence provided as follows:

“6. CONFIDENTIALITY AND PRESERVATION OF RIGHTS

- 6.1 Subject to the terms of this Agreement, CLL acknowledges that all information acquired by CLL pursuant to this Agreement concerning the copying of copyright material by the Licensee or any authorised person (whether supplied by the Licensee or an authorised person or otherwise received by CLL) shall be held by CLL in strict confidence and shall not be disclosed to any other person.
- 6.2 Nothing in 6.1 shall prevent CLL from reporting to copyright owners (or their representatives) aggregate figures for copying by the Specified Universities (collectively) of any copyright material (“**the aggregate data**”).
- 6.3 CLL undertakes that the aggregate data (if any) released under 6.2 above does not identify a specific University either directly or indirectly and that information relating to the date or time of the copying of particular publications will not be disclosed.
- 6.4 CLL may, at the request of UNZ, provide UNZ with the aggregate data, or parts thereof.
- 6.5 UNZ and the Licensee will treat any such data supplied by CLL under 6.4 above as confidential between the parties.
- 6.6 CLL and the Licensee acknowledge that none of the following:
- (a) The acceptance of this Licence by the Licensee;
 - (b) The acceptance of Licences in identical form by other Specified Universities; and;
 - (c) Any discussions or negotiations preliminary to those acceptances;
- is to be taken as:
- (i) an acknowledgement that copyright subsists in any copyright material so as to cause its copying by the Licensee or an authorised person to be an unlawful infringement of that copyright; or
 - (ii) indicative of any such infringement.

...”

[29] Clause 7 of the referred form of licence dealt with the subject of termination for cause. Clause 7.1 conferred on each party the right to terminate the agreement upon the occurrence of certain specified events. However, clause 7.2 provided that neither party would exercise its right to terminate under the clause without prior consultation with the UNZ Copyright Expert Group. (The “UNZ Copyright Expert Group” was defined in the referred form of licence as the group appointed by UNZ (or a duly appointed subcommittee thereof) to make recommendations to UNZ and to the Vice-Chancellor of each of the Specified Universities on matters relating to copyright, including negotiations with CLL on the matters pertaining to the agreement.)

[30] Clause 8 of the referred form of licence contained an indemnity by CLL to the licensee, against claims and liabilities arising out of the copying by authorised persons of copyright material in compliance with the licence. The clause provided CLL with a discretion to take over the control of the conduct of any negotiations on an indemnified

claim under the clause, but CLL would not be permitted to settle any claim under the clause without prior notice to, and consultation with, the UNZ Copyright Expert Group.

[31] Clause 9.2 provided that, during the term of the licence, the UNZ Copyright Expert Group would seek to reach agreement on the granting by CLL and the acceptance by the Specified Universities of subsequent licences. Clause 9.3 went on to provide that the parties were not to enter into any subsequent agreement that was not identical with the agreement to be entered into with each of the Specified Universities. This provision was described as being for the benefit of, and enforceable by, all or any of the Specified Universities.

[32] Clause 9.5 of the referred form of licence set out a formal authority from the licensee to UNZ Copyright Expert Group, to exercise on behalf of the licensee all of the powers and authorities conferred on UNZ Copyright Expert Group by the Licence, subject only to prior consultation with the licensee where that was required. At clause 9.6, the licensee would agree to be bound by the unanimous recommendations of the UNZ Copyright Expert Group made in the exercise of that authority. And under clause 9.7, all matters requiring discussion or consultation with the licensee would be conducted with the UNZ Copyright Expert Group (provided that nothing in the clause would prevent CLL from discussing day-to-day management and operation issues under the agreement with the licensee or its staff).

The Respondents' Reply

[33] The Respondents' Reply to CLL's Statement of Case was submitted on 10 May 2013. The Reply contained various admissions and denials, including (of particular relevance to the Application) a denial that the document referred by CLL was a "licensing scheme" to which section 149 of the Act applies. The Respondents pleaded affirmatively that what has been referred by CLL is a licence.

Particulars supplied by CLL

[34] In response to a request from the Respondents, CLL provided further particulars of the allegations in its Statement of Case. The particulars were provided on 19 June 2013 and 4 September 2013. It is not necessary for the purposes of the Application to refer to the particulars supplied on 4 September 2013. However, the particulars provided on 19 June 2013 included the following:

"The facts relied upon for the contention that the document referred to is a licensing scheme

- (a) The applicant has referred a proposed licensing scheme to the Tribunal that it proposes to operate from 1 March 2013;
- (b) The applicant is a licensing body;
- (c) The proposed licensing scheme relates to copyright in literary, dramatic and artistic works published as part of or identical to a literary or dramatic work, including New Zealand newspapers and magazines;
- (d) The proposed licensing scheme covers the works of multiple authors and publishers and provides blanket coverage for all works falling within subparagraph (c) above;
- (e) The proposed licensing scheme relates to licences available to each of the respondent universities (being educational establishments) from 1 March

2013 for copying the works falling within sub-paragraph (c) above by or on behalf of the universities;

The classes of cases in which the applicant is willing to grant copyright licences

The classes of cases in which the applicant is willing to grant copyright licences with effect from 1 March 2013 comprise:

- (a) Licensees which are universities in New Zealand; and
- (b) The copying of published literary or dramatic works and artistic works published as part of or identical to a literary or dramatic work, including New Zealand newspapers and magazines, for the educational purposes of the licensee.

The terms on which copyright licences would be granted by the applicant in each of those classes of cases

The terms on which copyright licences will be granted under the licensing scheme to the individual universities are the terms of the Proposed Licence which is attached to the Statement of Case at Schedule 1.

The parties other than the respondents to whom the licensing scheme relates

The licensing scheme does not relate to any person other than the respondents.”

The Application

[35] The following orders sought were sought in the Application:

- “1.1 Declaring that the document referred is not a licensing scheme within the meaning of sections 149 to 150 of the Act.
- 1.2 Declaring that if, contrary to the contention of the Respondents, the document referred is a licensing scheme, that it should not be entertained by the Tribunal on the grounds that it is premature.
- 1.3 Directing that if the document referred is a licence pursuant to section 157 of the Act that it should not be entertained by the Tribunal on the grounds that it is premature.
- 1.4 Directing that the costs of the application and any order thereon be reserved.”

[36] The grounds pleaded in support of the first of the two declarations sought in the Application (referred document not a licensing scheme) were that the referred document does not set out:

- (a) the classes of cases in which CLL is willing to grant copyright licences;
- (b) the terms on which copyright licences would be granted in each of those classes of cases;
- (c) the persons other than the Respondents to whom the licensing scheme relates;
- (d) the terms applicable to those persons to whom the licensing scheme relates other than the Respondents.

[37] In support of its prematurity application, the Respondents referred to the 2012 negotiations between the parties for a new licence or licences, and pleaded that the referred form of licence is not the same licence as either the licence which expired on 31 December 2012 or the form of licence which had been sent to the Respondents on 23 October 2012. The Respondents contended that there had never been any negotiation or engagement to reach agreement on the terms of the referred form of licence, and that CLL and the Respondents should be required to negotiate and seek to settle the terms and conditions of the referred form of licence, leaving only matters not resolved to be determined by the Tribunal.

[38] The Application was supported by Mr Wills' affidavit sworn on 9 May 2013.

CLL's Notice of Opposition to the Application

[39] CLL filed a notice of opposition on 24 May 2013. In it, CLL set out its contention that it had sufficiently referred a licensing scheme under s 149 of the Act. In particular, it contended that the Reference adequately set out the classes of cases in which CLL as operator of the licensing scheme was willing to grant copyright licences, and the terms on which the copyright licences would be granted in those classes of cases.

[40] CLL denied that the Reference was premature, contending that the parties had reached an impasse in negotiations over key provisions, and that the Respondents had signalled their complete opposition to CLL's proposals as to royalty rate and any changes to the licensing scheme in respect of surveys and any compliance audit. CLL also asserted that there is no statutory requirement that a licensing body must have the agreement of the proposed licensees prior to filing a reference with the Tribunal under s 149 of the Act, and that, by the Application, the Respondents were seeking to delay the Reference. CLL pointed to the absence of any provision in the Act empowering the Tribunal to award interest on any increase in royalty rate that it might award. It sought an award of costs on the Application.

[41] In support of its notice of opposition, CLL filed the affidavit of Ms Browning sworn on 24 May 2013.

Hearing

[42] The Application was heard over two days on 16 and 17 September 2013. In the course of the hearing, it appeared that there might be benefit to the parties in my deferring giving a decision on the Application, to allow the parties further time to identify which aspects of the referred documents would likely be in dispute in the event of the Tribunal deciding to entertain the Reference. By Minute dated 18 September 2013, I made certain directions designed to facilitate the identification by the parties of the aspects likely to be in dispute, and directed that counsel were to advise the Tribunal by Monday, 14 October 2013 whether a decision was required on the Application. I directed that, unless both parties confirmed by that date that no decision was required, I would proceed to give a decision on the Application.

[43] On 10 October 2013, counsel for CLL advised that his client required a decision on the Application.

[44] By Minute dated 2 December 2013, I sought further written submissions from the parties on particular issues outlined in the Minute. Memoranda in response to that Minute were filed by the Applicant on 6 December 2013, and by the Respondents on 16 December 2013.

Discussion – the Nature of the Reference – Licensing Scheme or Licence?

Relevant Statutory Provisions – Licensing Schemes

[45] A “licensing scheme” means a scheme setting out –

- “(a) the classes of cases in which the operator of the scheme, or the person on whose behalf the operator acts, is willing to grant copyright licences; and
- (b) the terms on which copyright licences would be granted in those classes of cases; and

for the purpose of this definition a *scheme* includes anything in the nature of a scheme, whether described as a scheme or as a tariff or by any other name.”²

[46] Sections 148 to 155 of the Act provide for references and applications to the Tribunal with respect to certain licensing schemes. Under s 148 of the Act, references and applications to the Tribunal may be made in respect of licensing schemes that –

- “(a) (i) are operated by licensing bodies; and
- (ii) relate to copyright in literary, dramatic, musical, or artistic works ... and
- (iii) cover works of more than 1 author; and
- (iv) relate to licences for copying the work or performing, showing, or playing the work in public or communicating the work to the public; or

...

- (d) ... authorise –
- (i) Copying of literary, dramatic, musical, or artistic works` or the typographical arrangements of published editions by or on behalf of educational establishments;

...”³

[47] The definition of “educational establishment” in section 2 of the Act includes any “institution” within the meaning of s 159(1) of the Education Act 1989 that is not conducted for profit. The definition of “institution” in s 159(1) of the Education Act includes universities.

[48] Under s 149(1) of the Act, the terms of a licensing scheme (being one of the kinds of licensing scheme described in s 148) that:

- (a) is proposed to be operated by a licensing body; and
- (b) is proposed to apply generally or in relation to any description of cases –

may be referred to the Tribunal. The reference may be made either by the operator of the proposed scheme or by an organisation claiming to be representative of persons

² Section 2 of the Act.

³ Section 148(a) and (d) of the Act.

claiming that they require licences in cases of a description to which the scheme would apply.

[49] Where a proposed licensing scheme has been referred to the Tribunal under s 149(1), the Tribunal must first decide whether to entertain the reference, and it may decline to do so on the ground that the reference is premature.⁴

[50] If the Tribunal decides to entertain the reference, it is required to 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.⁵

[51] Any order the Tribunal may make on such a reference may be made so as to be in force indefinitely or for such period as the Tribunal may determine.⁶

[52] The effect of an order of the Tribunal made on such a reference is set out in s 152 of the Act. Under s 152(1), a licensing scheme that has been confirmed or varied by an order of the Tribunal under s 149 “shall be in force ... so far as it relates to cases of the description in respect of which the order was made, so long as the order remains in force”.

[53] Section 152(2) of the Act provides as follows:

“(2) While an order is in force, a person who, in a case of a class to which the order applies,-

- (a) pays to the operator of the scheme any charges payable under the scheme in respect of a licence covering the case in question or , if the amount cannot be ascertained, gives an undertaking to the operator to pay the charges when ascertained; and
- (b) complies with the other terms applicable to such a licence under the scheme –

shall be in the same position as regards infringement of copyright as if that person had at all material times been the holder of a licence granted by the owner of the copyright in question in accordance with the scheme.”

[54] Section 153 of the Act deals with the situation where a person claims, in a case covered by a licensing scheme, that the operator of the scheme has refused to grant to that person (or procure the grant to that person) of a licence in accordance with the scheme, or has failed to do so within a reasonable time after being asked. Such a person may apply to the Tribunal for a licence.⁷

[55] If the Tribunal is satisfied that such a claim is well-founded, s 153(4) requires the Tribunal to “make an order declaring that, in respect of the matters specified in the order, the applicant is entitled to a licence on such terms as the Tribunal may determine to be applicable in accordance with the scheme or” Again, any such order may be made so as to be in force indefinitely or for such period as the Tribunal may determine.⁸

⁴ Section 149(2) of the Act.

⁵ Section 149(3) of the Act.

⁶ Section 149(4) of the Act.

⁷ Section 153(1) of the Act.

⁸ Section 153(5) of the Act.

[56] Section 155 of the Act provides that:

“Where the Tribunal has made an order under s 153 and the order remains in force, the person in whose favour the order is made shall, if that person –

- (a) pays to the operator of the scheme any charges payable in accordance with the order or, if the amount cannot be ascertained, gives an undertaking to pay the charges when ascertained; and
- (b) complies with the other terms specified in the order,–

be in the same position as regards infringement of copyright as if that person had at all material times been the holder of a licence granted by the owner of the copyright in question on the terms specified in the order.”

Relevant statutory provisions – Licences

[57] Sections 157 to 160 of the Act apply to certain kinds of licence granted by a licensing body *otherwise than under a licensing scheme* (the Tribunal’s emphasis). The licences to which sections 157 to 160 apply include:

- “(a) Licences that –
- (i) relate to copyright in literary, dramatic, musical, or artistic works ...; and
 - (ii) cover works of more than 1 author; and
 - (iii) authorise the copying of the work or the performance, showing, or playing of the work in public or the communication of the work to the public; and
- ...
- (d) [licences that] authorise the copying of literary, dramatic, musical or artistic works or the typographical arrangements of published editions by or on behalf of educational establishments.”

[58] Under s 157, the terms on which a licensing body proposes to grant a licence may be referred to the Tribunal by the licensing body or by the prospective licensee.

[59] As with the reference of a proposed licensing scheme, the Tribunal must first decide whether to entertain a reference made under s 157, and may decline to do so on the ground that the reference is premature.⁹

[60] If the Tribunal decides to entertain a reference made under s 157, it is required by s 157(3) to “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. As with a licensing scheme, any such order may be made so as to be in force indefinitely or for such period as the Tribunal may determine.

[61] The effect of an order of the Tribunal made on the reference to it of a proposed licence, is set out in section 160. While the order remains in force, the person entitled to the benefit of the order shall, if that person –

⁹ Section 157(2) of the Act.

- “(a) pays to the licensing body any charges payable in accordance with the order or, if the amount cannot be ascertained, gives an undertaking to pay the charges when ascertained; and
- (b) complies with the other terms specified in the order,—

be in the same position as regards infringement of copyright as if that person had at all material times been the holder of a licence granted by the owner of the copyright in question on the terms specified in the order.”

The Parties’ Submissions on the Nature of the Reference

The Respondents

[62] For the Respondents, Mr Katz submitted that the licensing scheme/licence distinction is important in this case, because the Tribunal’s jurisdiction to vary a proposed licence under s 157 is significantly broader than its jurisdiction to vary a proposed licensing scheme under s 149. As he put it, the Tribunal “cannot rewrite a licensing scheme, but it can rewrite a licence”.

[63] In support of the Respondents’ contention that the Tribunal has broader variation powers under s 157, Mr Katz referred to a number of authorities. The first was the decision of the Tribunal in the *Trust Power* reference.¹⁰ The reference in that case concerned an acknowledged licensing scheme which was already in operation, and the reference was made by Trust Power Limited and Public Relations Institute of New Zealand (“PRINZ”) under s 150 of the Act, which confers on the Tribunal a similar power to confirm or vary a licensing scheme in circumstances where a dispute has arisen between the operator of the scheme and (either) a person claiming that he or she requires a licence in a case of a description to which the scheme applies, or an organisation claiming to be representative of such persons. The particular licensing scheme in issue was a scheme operated by NZ Press Association which provided for licensed copying of newspaper and magazine material. Some licensees were individual entities; others were clippings bureaux.

[64] The Tribunal in the *Trust Power* reference described the extent of its “confirming or varying” jurisdiction under section 150 in the following terms:

“[92] ... it is important to note that the power is only to confirm or vary. It does not include the power to substitute or significantly change a scheme to such an extent that it becomes something completely different. ... There is no doubt that there exists the power to vary or alter licence terms but one must be careful to ensure that the cumulative effect of a number of variations does not completely rewrite the entire scheme. ...

[140] The scheme as a whole must be viewed in terms of what can be confirmed or varied. (*Audio Visual Copyright Society Ltd v The University of Auckland* [2003] 1 NZLR 417 at 423). The scheme cannot be cancelled nor can the scheme be replaced or substituted with a new one. To do so would be to go beyond the meaning of the word “vary”. ...

[145] The New Zealand Tribunal has in the past paid most regard to the scale of charges of any licence scheme under review and less regard to other elements of the scheme. This does not mean that the Tribunal cannot consider other elements or aspects of the scheme.”

¹⁰

Trust Power Limited v NZ Press Association [2005] NZCOPYT 1; decision 27 July 2005.

[65] The Tribunal in the *Trust Power* reference referred to the impact of a licensing scheme on an individual licensee, in the following terms:

“It is obvious that not every scheme is going to suit every licensee. Some are bound to be affected by the scheme to a greater extent than others. In general terms however, a scheme should be reasonable overall to satisfy the overall needs of licences. Care must be taken, therefore, to ensure that excessive weight is not placed upon the particular impact of the scheme or a part thereof upon a particular organisation, and the Tribunal should not lose sight of the importance of the overall generality of the scheme as it applies to all licensees. In considering whether or not a variation should be made to accommodate some of the particular needs of particular licensees then care must be taken to ensure that such a variation or modification does not unduly impact upon the concept of the overall reasonableness of the scheme in terms of the generality of all licensees. ...”

[66] Mr Katz also referred to an earlier interlocutory ruling in the *Trust Power* reference,¹¹ in which the Tribunal Chair noted (in response to a submission that, given that there were some organisations that had accepted the scheme, any variations in terms of pricing should be for individual members of PRINZ), that “the individual licences cannot be a subject of Tribunal determination but either the scheme can be approved as a whole or varied in such a manner as the Tribunal considers reasonable”.

[67] Mr Katz submitted that the reason the Tribunal in *Trust Power* was not prepared to countenance rewriting the scheme was that to do so would have involved creating or drafting a new scheme which would not necessarily have been appropriate for all other potential licensees who might have been within the class of case to which the particular reference related. On the argument advanced for the Respondents, where a licensor contemplates a bespoke or individual licensing arrangement, the licence document must be a licence under s 156 and following. In such a case, the Tribunal’s power under section 157(3) to confirm or vary the terms of the licence allows greater latitude to customise or individualise the terms of the licence, to accommodate the particular circumstances of the licensor and the licensee (with no implications for other prospective licensees in other classes of case).

[68] Mr Katz also submitted that the Tribunal’s s 149(3) jurisdiction to confirm or vary the proposed scheme “either generally or so far as it relates to cases of the description to which the reference relates”, does not permit the Tribunal to carve out a group or category of cases of a limited description, whilst leaving the licensing scheme intact in relation to other classes of case. All those in the “classes of cases” or “cases of the description” would by default be bound, yet be unrepresented.

[69] He referred to the decision of the Court of Appeal in *Audio-Visual Copyright Society Ltd v University of Auckland*¹² (“the AVCOS case”), in which the issue was whether the Act required the relevant scheme to be accepted by one or more licensees before it could be said to be “in operation” for the purposes of s 150 of the Act. There was no issue as to whether the document in question was a licensing scheme or a licence – it was common ground that the Court was dealing with either a licensing scheme which was in operation (s 150), or a proposed licensing scheme to which s 149 applied. The Court of Appeal held that there is no jurisdiction for the Copyright Tribunal under either section to deal with the terms of individual licences.

¹¹ Decision of Judge Harvey dated 4 August 2004.

¹² [2003] 1 NZLR 417.

[70] Mr Katz relied on the *AVCOS* case for the proposition that, in the case of a licensing scheme, there appears to be very limited power to consider individual provisions of the scheme and vary them to suit the purposes of the parties.

[71] Mr Katz submitted that the only persons to whom the alleged “scheme” is available in this case are the eight universities, and all eight on the same terms. He submitted in those circumstances that there are no “classes of cases” in respect of which CLL is willing to grant licences, and therefore there is no “licensing scheme” as defined in s 2 of the Act. There is only one class of case – all eight universities. Additionally, there are no different terms on which copyright licences would be granted ‘in those classes of cases’.”

[72] Mr Katz also referred to the Tribunal decision in the *Saturn v Sky* reference,¹³ a case concerning a licensing scheme in which the Tribunal held that even if there is only one class of case in respect of which licences would be granted, there may still be a “licensing scheme”. The single class of case in *Saturn* was “wire, co-axial or fibre cable television operators in New Zealand”. Mr Katz submitted that, in *Saturn v Sky*, at least all or any of the persons falling within the description “wire, co-axial or fibre cable television operators in New Zealand” would be within the class to whom Sky was willing to grant licences. By contrast, the Reference in this case does not define any classes or groups of prospective licensees without regard to the type of customers they may be – they are all, and are only, universities. There is no distinction between the eight universities, and nor does the proposed licence by CLL seek to draw any distinction. There is not even one class of case; there is in effect, only one respondent.

[73] Alternatively, the Respondents argued on the basis of *Saturn v Sky* that a licensing scheme must identify “standard terms” on which licences would be granted, and that in the present case the terms going beyond the fixing of the rate or tariff cannot be regarded as “standard terms”. The Respondents contended that there is nothing to suggest that the proposed terms would apply in any other context beyond the referred document, “so there is no basis to suggest that they are “standard” let alone usual business terms that apply to all in the class of case”. The Respondents submitted that the Tribunal cannot be satisfied that the referred document sets out the classes of case, or with sufficient certainty, the terms on which licences would be granted depending on the category of user.

[74] Mr Katz also referred to the High Court decision of MacKenzie J in the appeal from the Tribunal’s decision on the *Trust Power* reference.¹⁴ In his decision, MacKenzie J referred to the definition of “licensing scheme” in the Act, and noted (at para [13]) that the definition contemplates that there will be different classes of cases in which copyright licences will be granted, and different terms attaching to the licences for the different classes. Mr Katz reiterated the point that in this case there are no different classes of cases or different terms attaching to the licences for those different classes of cases. He submitted that the Reference therefore cannot be a reference of a licensing scheme; there is a single tariff and only one licence.

[75] The Respondents also relied on s 151 of the Act in support of their argument that there must be more than one class of case (i.e., beyond just the eight universities) for the Reference to qualify as a reference of a licensing scheme. Once an order has been made by the Tribunal under s 149 or s 150, and that order remains in force, s 151 limits further references of a licensing scheme to the Tribunal in relation to the same

¹³ *Saturn Communications Ltd v Sky Network Television Limited* (1997) 8 TCLR 26.

¹⁴ *New Zealand Press Association Ltd v Trust Power Ltd and Another*, CIV-2005-485-1695, High Court, Wellington, MacKenzie J, 27 March 2006.

description or classes of cases, except where the Tribunal grants special leave. The Respondents' argument was that this provision contemplates that there must be different classes or descriptions of cases all covered by a scheme.

[76] Support for that interpretation was said to be provided by the decision of the United Kingdom Copyright Tribunal in *Cutbot Ltd v Newspaper Licensing Agency Limited*.¹⁵ In that case, the UK tribunal commented on section 120 of the Copyright Designs and Patents Act 1988 ("the CDPA"), the United Kingdom equivalent of New Zealand's s 151, in the following terms:

"9. ... Section 120(1) refers to cases of the same description because it is only those cases in which there might be a reason to seek to limit further references. Even if a licensing scheme has already been considered by the tribunal, there is no reason to restrict a further reference of the same scheme as long as it relates to a genuinely different case. On the other hand, the law generally seeks finality, the avoidance of multiplicity of proceedings and to discourage or prevent the re-opening of disputes which have been decided."

[77] The Respondents argued that that approach is consistent with a "licensing scheme" being an across-the-board generic scheme, with different categories or classes of licensees rather than one group only.

[78] Mr Katz invited me to conclude that the referred form of licence itself has the flavour of a licence, rather than standard terms under a licensing scheme. He submitted that there is no "setting out" as to the classes of case or cases in respect of which CLL is prepared to grant licences, and no reference to tertiary institutions as a group, of which universities would be merely a subset (the referred form of licence is entitled "University Licence Agreement", not "Tertiary Institutions Licensing Scheme"). Recital A in the referred form of licence states that it is "one of a number of identical agreements made between CLL and each of the specified universities pursuant to a licensing scheme for all New Zealand universities". And Recital D states that the referred document "replaces the licence agreement that existed" previously between the parties. In those circumstances, Mr Katz asked rhetorically: "If the previous agreement was a licence agreement, why is the referred document a licensing scheme?"

[79] The Respondents also referred to the *Working Men's Club* decision of the High Court in the United Kingdom,¹⁶ in which the judge held that a licensing scheme "is something in the nature of a standing invitation to treat: a setting out of the terms on which [the relevant licensing body] is willing to grant licences. Setting out those terms is a unilateral act of [the licensing body] for which the acceptance or agreement of users, like clubs, is unnecessary". That description of a licensing scheme was accepted by the New Zealand Court of Appeal in the *AVCOS* case.

[80] Applying the *Working Men's Club* case, Mr Katz submitted that a licensing scheme contemplates a unilateral act of the licensing body to publish or promulgate a scheme that is all-embracing, and that is all that is required for there to be a licensing scheme in operation. It is then available to any and all who come within the classes of cases as set out in the scheme who require a licence. In this case, there was no such publishing of a scheme: CLL offered a bespoke licence to the universities, and to no others.

[81] Finally, the Respondents referred to Laddie, *The Modern Law of Copyright and Designs* (4th edition, Volume 1), where licensing schemes and individual licences under the equivalent provisions of the UK legislation were referred to in the following terms:

¹⁵ *United Kingdom Copyright Tribunal 120/2012*, 31 January 2013.

¹⁶ *Working Men's Club and Institute Union Ltd v Performing Right Society Limited* [1992] RPC 227.

“References and applications in relation to licences

27.36 The Tribunal has, in addition, to its jurisdiction over licensing schemes, a parallel jurisdiction over individual licences granted by a licensing body otherwise than in pursuance of a licensing scheme ... This jurisdiction was conferred upon the Tribunal because of the emergence of collective licensing arrangements of the type entered into between the Copyright Licensing Agency and groups of local education authorities. These arrangements are not schemes but contractual agreements between the licensing body and the user.”

CLL

[82] For CLL, Mr Brown submitted that the Reference is a reference of a licensing scheme within the meaning of s 148 of the Act. He drew attention to the wide definition of “licensing scheme” in section 2 of the Act, under which the concept of a “scheme” includes “anything in the nature of a scheme, whether described as a scheme or as a tariff or by any other name”. Mr Brown submitted that the phrase “setting out” in the s 2 definition of “licensing scheme” should be given its ordinary meaning of “indicating, declaring or recording”. No particular degree of formality is required.

[83] In answer to the Respondents’ submission that the referred document cannot be a licensing scheme when there is only one identified class of case, CLL relied on s 33 of the Interpretation Act 1999:

“Words in the singular include the plural and words in the plural include the singular”.

[84] With reference to the decision of McKenzie J on the appeal from the Tribunal’s decision in the *Trust Power* reference, Mr Brown pointed out that while at paragraph [13] the Judge noted that the definition of “licensing scheme” in the Act “contemplates that there will be different classes of cases in which copyright licences will be granted, and different terms attaching to the licences for the different classes”, the Judge went on to note in the very next paragraph of the decision that “... (a) There may be more than one ‘class of case’ in which licences may be granted under a licensing scheme ...”. Mr Brown submitted that this last observation clearly proceeded on the basis that there may be only one description or class of case in a scheme (otherwise, why mention it?).

[85] Mr Brown relied on *Saturn v Sky* in support of CLL’s argument that it is perfectly permissible for a licensing scheme under the Act to provide for only one class of case. He also referred to the second decision of the Tribunal in *PPNZ v RadioWorks Limited and the Radio Network Limited*,¹⁷ in which the relevant licensing scheme comprised just one class of case, namely “persons engaged in the broadcasting and simulcasting of records and sound recordings whose gross income in a financial year exceeded \$5 million”. Mr Brown noted that the same argument now being raised by the Respondents (that the reference is not a reference of a licensing scheme) was also raised by the two respondents in the *RadioWorks* reference. Although the respondents in that reference were prepared to proceed on the basis that what had been referred was a licensing scheme, the Tribunal nevertheless made an express finding that that was the position.

[86] CLL then submitted that there is no mischief in having a single class of case in a licensing scheme. In support of that submission. Mr Brown referred to s 161 of the Act, which gives the Tribunal an overall supervisory power, when determining what is

¹⁷ COP 19/2007; [2010] NZCOP 1.

reasonable on a reference relating to either a licensing scheme or a licence, to ensure that there is no unreasonable discrimination. The section requires the Tribunal to ensure that there is no unreasonable discrimination between (i) licensees or proposed licensees under the scheme or licence in the reference before the Tribunal, and (ii) licensees under other schemes or licences granted by the same licensing body. Mr Brown submitted that the ameliorating power contained in s 161 means that there can be no mischief in a licensing scheme which provides for only one class of case.

[87] Mr Brown also referred to the High Court's characterisation of a licensing scheme as a "standing invitation to treat" in the *Working Men's Club* decision in the United Kingdom. As the Court in that case put it, "if the clubs dislike the terms enough they may not apply for licences, in which case there will be no licences. There will still, however, have been a licence scheme. I would add that the argument that a tariff is not a licence scheme until it is accepted would be wholly unworkable. Who or how many of its users – some 1,600 in the case of clubs – have to accept it?"¹⁸

[88] Mr Brown submitted that the "terms" of the proposed licensing scheme in this case are the terms of the proposed licence attached to the Statement of Case at Schedule 1. He submitted that CLL has at all times been, and remains, willing to grant a licence in these classes of cases, and on those terms, to each and every Respondent on identical terms.

[89] In answer to the Respondents' submission that the Reference must be a reference of a licence, and not a licensing scheme, because the Tribunal has greater powers to confirm or vary the terms of a particular licence (but is more confined with a licensing scheme), Mr Brown submitted that the Respondents' argument does not accurately reflect the correct position, either generally or in respect of the Reference. Mr Brown referred to the various principles for the exercise of its "confirm or vary" jurisdiction under s 150 outlined by the Tribunal in the *Trust Power* reference, and noted that (with the caveat that s 150 of the Act is only concerned with references where a dispute has arisen and the reference relates to cases of the same description as that in which the dispute arose) the principles outlined are equally valid under s 149. He submitted that these various principles show that the Tribunal's powers to confirm or vary a licensing scheme are not limited to just term and royalty, but may include other provisions. In the present case, CLL has itself specifically raised in its Statement of Case the amended provisions relating to survey, the new provision for the ability to carry out a compliance audit, and the proposed increase in licence fees, and the Respondents have taken issue with them in their Reply. As Mr Brown put it in his written submissions, "these terms are therefore in issue in the Reference".

[90] Mr Brown also pointed to the homogeneous nature of the group of prospective licensees under the referred form of licence, and submitted that when regard is had to the nature of this group, some of the so-called difficulties raised by the Respondents as to the Tribunal's jurisdiction disappear. Where a scheme covers a wide and disparate group of prospective licensees, the Tribunal is obliged, as indicated in *Trust Power*, to look at the scheme as a whole, and not just the position of individual licensees. But the Tribunal's powers to confirm or vary the licensing scheme are naturally less constrained where the Tribunal is only required to consider one single class of licensee whose interests are closely aligned. CLL's position was that the Respondents would not be disadvantaged in any way if the Reference were accepted as a reference of a licensing scheme, rather than a reference of a licence.

¹⁸ *Working Men's Club*, supra, at 592.

[91] The fact that the referred document offers the identical licence to all licensees, does not convert this into a single licence. Mr Brown submitted that that is so for the following two reasons:

- (a) Each of the eight universities is an autonomous body with its own governance and operations. A licence with the University of Auckland is plainly not a licence with Victoria University of Wellington.¹⁹
- (b) The fact that the same licence is offered to each potential licensee pursuant to the licensing scheme is simply a function of consistent and fair treatment. The Tribunal is hardly likely to confirm as reasonable a licence which treats parties in similar circumstances in quite different ways or, for example, applies a different tariff.

[92] CLL also rejected the argument that s 151 of the Act contemplates that a licensing scheme must have different classes of case. The expressions used in s 151 (“in a case of the description to which the order applies”, “cases of that description”, and “the same description of cases”), equally contemplate that there may be only one description of case.

[93] CLL contended that the Respondents’ submissions relating to the referred document itself do not advance their argument that what has been referred is a licence and not a licensing scheme. Paragraph 8 of the Reference expressly states that CLL “intends to establish a new licensing scheme ... under which universities may secure non-exclusive licences to copy the copyright works for authorised educational purposes”. The particulars to that paragraph specify the commencement date, and that the standard terms of the non-exclusive licence are attached as a schedule to the Statement of Case filed with the Reference. The Statement of Case pleads that the licensing scheme will come into force from 1 March 2013, and will apply to all licensees which are universities in New Zealand. The Respondents’ submissions focus on the licence only, and ignore the provisions of the Reference which outline the licensing scheme and state that the licence offered pursuant to that scheme is attached to the Statement of Case. Between the formal Reference document and the Statement of Case, the class of cases is clearly stated.

[94] Mr Brown referred to the *AVCOS* case, noting that the Court of Appeal made it clear that there is no obligation to publish a licensing scheme. It is perfectly permissible to file an application directly with the Tribunal in relation to a proposed licensing scheme. Further, the course adopted by CLL in this case is exactly the same as the approach taken in *PPNZ v MediaWorks and The Radio Network Limited*, where PPNZ filed its proposed licensing scheme with the Tribunal ahead of the commencement date.

[95] Finally on the nature of the reference, CLL referred to the reference filed by it in 2000 with the Tribunal, and the originating application subsequently filed in the High Court seeking answers to various legal questions. In the course of his judgment on that originating application,²⁰ Salmon J referred to the fact that CLL operates “a licensing scheme” in respect of the universities.²¹

¹⁹ Mr Brown noted that the same point was taken by counsel for the Respondents in a memorandum to the Tribunal dated 21 March 2013. In that memorandum, counsel for the Respondents had submitted that it was inappropriate that the Respondents had been cited as one group, comprising all eight New Zealand universities, and suggested that “Each university may well have its own and therefore different position to adopt before the Tribunal ...”.

²⁰ See paragraph [9] and footnote 1 above.

²¹ *Copyright Licensing Limited v University of Auckland and Others* (2002) 53 IPR 618 at [1] – “... since 1995 the plaintiff has operated a licensing scheme under the Act under which it has licensed

Supplementary Submissions in Response to the Tribunal's Minute dated 2 December 2013

[96] The Tribunal's Minute of 2 December 2013 invited the parties to make further submissions on the following two questions:

- “(a) On the true construction of the referred documents, would a licence in the form attached as Schedule 1 to the Statement of Case be made available to a single Respondent, if others of the Respondents did not wish to take up licences in the same form?
- (b) If the answer to Question 1 is “no”, can the referred documents still constitute a “proposed licensing scheme” under s 149 of the Act?”

[97] CLL was invited to file a Memorandum addressing those questions, and the Respondents were given seven days to file a Memorandum strictly in reply.

[98] CLL submitted that an individual Respondent university *would* be entitled to a licence in the form attached to the Statement of Case, even if others of the Respondents elected not to take up the proposed licence. CLL submitted that the Respondents have each chosen to deal with CLL through UNZ, and that although the referred form of licence refers in a number of places to UNZ and the UNZ Copyright Expert Group (both being bodies which have represented all eight Respondents), those provisions had been inserted in previous licensing schemes at the request of the licensees and UNZ. CLL submitted that from its point of view, these clauses were not necessary. Further, CLL submitted that none of the provisions in the proposed licence which contemplated the involvement of UNZ or the UNZ Copyright Expert Group would in any way preclude the proper operation of the licensing scheme if only one of the Respondents were to take up a licence.

[99] CLL also gave notice in its memorandum that if (contrary to its submissions) I were to find that any one of the clauses in the referred form of licence which contemplated the involvement of UNZ or the UNZ Copyright Expert Group was determinative on this issue in the Respondents' favour, CLL would immediately amend the Reference to remove the particular clause.

[100] Dealing with the question of how section 152(2) of the Act would operate if only one of the Respondents were to take up a licence (and in particular how a single university, acting on its own, could “comply” with the various provisions of the referred form of licence which contemplate the involvement of UNZ and/or the UNZ Copyright Expert Group), CLL repeated its submission that a single university *would* be entitled to take up a licence under the proposed Licensing Scheme. It submitted that, by paying CLL the licence fee, and by complying with the other terms contained in the licence under the licensing scheme, such university would be deemed to be the holder of a licence granted by CLL under the scheme under s 152(2).

[101] On the hypothetical question of how s 153 of the Act would operate in the event of CLL refusing to grant a licence to one university because the other universities had elected not to participate in the scheme, CLL emphasised that that would be a highly unlikely scenario – it has no intention of declining a licence to any of the eight

for a fee, each of the defendant universities (with the exception of the Auckland University of Technology which has only recently had university status conferred on it), to reprographically copy published copyright material for distribution to students on the terms set out in the individual licences.”

Respondents who is willing to comply with the terms of the proposed form of licence. However, in the unlikely event of CLL refusing to grant a licence to a single university in those circumstances, CLL submitted that it *would* be open to the licensee to make an application for a declaration that it was entitled to a licence on such terms as the Tribunal might determine to be applicable in accordance with the scheme or, as the case may be, to be reasonable in the circumstances.

[102] In his Memorandum, Mr Katz agreed that the first question in the Tribunal's Minute should be answered in the affirmative. As he put it at paragraph 10 of his Memorandum: "There is nothing that requires all 8 universities to take up a licence. It is just that those who do, must take a licence on identical terms to one another". He nevertheless submitted that it would be "artificial" to suggest that there is a licensing scheme in place because any university may elect not to take up a licence. He repeated the submission that there is in effect only one licensee, or one class of case.

[103] Mr Katz traversed a number of other matters in his reply Memorandum. I will refer to them later in this decision.

LICENSING SCHEME OR LICENCE – DISCUSSION AND FINDINGS

[104] The Respondents spent some time at the hearing of the Application pressing the submission that the Tribunal's jurisdiction to vary a proposed licensing scheme under s 149 of the Act is not as broad as its jurisdiction to vary a proposed licence referred under s 157. Mr Katz expressed concern, in particular, that that is the result of the decisions in the *AVCOS* case and in the *Trust Power* reference, including the interlocutory ruling of the Tribunal Chair made on 4 August 2004 in that reference. He submitted that in the case of a s 157 licence, those concerns do not arise: the licence is specific, with no prospect of ramifications for other potential licensees (because there will be none).

[105] It seems to me that there are a number of points to be made in respect of that submission. First, I am not sure that the Respondents' concerns are necessarily justified in this case, where there are only eight members of the nominated "class", all of which have been named as Respondents in the Reference. Secondly, whether the Reference is a reference of a proposed scheme under s 149 or a proposed licence under s 157, the Tribunal's jurisdiction will be limited to "confirming or varying" what has been referred. It seems to me that the reason for the use of the "confirm or vary" formula in both s 149 and s 157 is probably that Parliament was simply recognising that the Tribunal has no jurisdiction under either section unless and until something has been *proposed* by the licensing body, and that neither section compels licensing bodies to make proposals.²² In those circumstances, it is wholly understandable that the Tribunal's power should have been limited, under both sections, to varying the licensing body's proposal, and not substituting for it something quite different. Indeed, the *Trust Power* and *AVCOS* cases make it clear that the principal reason the Tribunal cannot "rewrite" a proposed licensing scheme under s 149, or substitute for the proposed scheme a scheme which is quite different, is that to do so would be to go beyond the statutory jurisdiction to "vary" the licensing scheme. I cannot see why that reasoning should not apply equally to the identical ("confirm or vary") wording in s 157(3) of the Act.

²² See for example, the Tribunal's decision in *Phonographic Performances (NZ) Limited v RadioWorks Limited and The Radio Network of New Zealand Limited* [2010] NZCOP 1 at [17]:

"In order for [an application under s 149] to be made there must be a proposed licensing scheme. That is not a compulsory licence because the copyright owner is not obliged to propose a licensing scheme."

[106] Thirdly, there is nothing in the *AVCOS* case which would prevent the Tribunal from considering individual terms within a standard form of licence which has been put forward as part of a proposed licensing scheme. Certainly care would have to be taken in dealing with a proposed licensing scheme to ensure that excessive weight was not placed upon the particular impact of the scheme or a part thereof upon a particular prospective licensee, and in considering whether or not a variation should be made to accommodate some of the particular needs of a particular licensee or licensees: any variation or modification must not unduly impact upon the concept of the overall reasonableness of the scheme in terms of the generality of licensees.²³ However, in this case the “class” for which CLL contends does appear to be a homogeneous group, and Mr Wills stated in his affidavit that it has at all times been the consistent position of the eight universities that they would negotiate and settle terms applicable to all of them, as if one.²⁴

[107] A fourth factor in this case is that CLL has itself put in issue in its Statement of Case all of the amended licence provisions which were known by it to be contentious, and the Respondents have addressed each of those issues in their Reply.

[108] In all of those circumstances, it seems to me that, in this case, any differences in the extent of the Tribunal’s powers depending upon whether the Reference is a reference of a proposed licensing scheme or a proposed licence, may turn out to be more apparent than real. However, that is not something I need to determine on the Application, and I will not attempt to do so. The issue on the Application, or at least this part of it, is: “What has been referred? A proposed licensing scheme or a proposed licence?” That question must be answered by considering what has been referred to the Tribunal, and the evidence produced on each side, and I do not think my decision on the “proposed licensing scheme or proposed licence” issue should be informed by whatever might be the consequences of that decision as regards the scope of what may be the subject of evidence and argument at a substantive hearing. Either what was referred was a proposed licensing scheme or it was a proposed licence. Thereafter, the cards must lie where they fall.

[109] Mr Katz submitted that, for there to be a proposed licensing scheme under the Act, there must be more than one “class of case”. I do not accept that submission. I agree with Mr Brown’s submission that s 33 of the Interpretation Act 1999 applies, so that the words “the classes of cases” used in the plural form in the definition of “licensing scheme” in s 2 of the Act, include the singular. That interpretation was adopted in the *Saturn v Sky* reference, and I see no reason to adopt any different interpretation in this case. The decision of McKenzie J on the appeal from the Tribunal’s decision in the *Trust Power* reference does not in my view require any different interpretation. While at paragraph [13] of his judgment McKenzie J did note that the definition of “licensing scheme” contemplates that there will be different classes of cases in which copyright licences will be granted, and different terms attaching to the licences for the different classes, the language used by the judge in the following paragraph of his judgment (“... (a) There may be more than one ‘class of case’ in which licences may be granted under a licensing scheme ...”) suggests that the Judge had no intention of limiting the definition of “licensing scheme” in the way for which the Respondents now contend. Nor was the particular point with which I am presently concerned before McKenzie J on the *Trust Power* appeal. The Tribunal’s earlier decision in *Saturn v Sky* was not mentioned by

²³ Trust Power reference, para [149].

²⁴ Wills affidavit, para 6. Mr Wills stated in that paragraph that “No distinction or differentiation was drawn, between any of the 8 universities save as to the period when each university participated in a survey of copyright works copied for educational purposes under the licences.”

McKenzie J, and it seems improbable that the decision would not at least have been referred to if the Court had intended to overrule it.

[110] A further consideration is that, if the Respondents' contention were correct, licensing bodies would be unable to propose or operate licensing schemes under the Act in some circumstances where one would have thought it obvious they should be able to do so. For example, it is difficult to see why Parliament would have intended to exclude from the definition of "licensing scheme" the situation where several hundred prospective licensees, all running the same kind of business, required the same kind of copyright licence for the same repertoire of copyright works. There might well be only one "class of case" in that scenario, and it is difficult to see any policy or other reason why the relevant licensing body in that situation should not be entitled to make use of the statutory provisions relating to licensing schemes.

[111] Section 151 of the Act does not in my view support the argument that there must be more than one class of case for the Reference to qualify as a reference of a licensing scheme. Section 151 applies where the Tribunal has on a previous reference of a licensing scheme, made an order with respect to the scheme. Subsection (1) provides that, while the order remains in force, the operator of the scheme, or a person claiming that he or she requires a licence in a case of the description to which the order applies, may again refer the scheme, "so far as it relates to cases of that description", to the Tribunal. However, a licensing scheme in respect of which the Tribunal has made an order cannot be referred again without the special leave of the Tribunal, in respect of the same description of cases, at a time earlier than the end of the period of 12 months from the date of the order on the previous reference (or, if the order was made so as to be in force for 15 months or less, the beginning of the period of three months immediately before the expiry of the order).

[112] In my view, the expressions "in a case of the description to which the order applies", "cases of that description", and "the same description of cases" used in s 151 are neutral on the question of how many "descriptions of cases" might be contained within a given licensing scheme. The relevant parts of s 151 are intended to prevent re-litigation over the terms of a particular part of a licensing scheme within the relevant prescribed period after those terms have been confirmed or varied by order of the Tribunal. I accept CLL's submission that the relevant words in s 151 equally contemplate that there may be only one description of case.

[113] For those reasons, I do not accept the Respondents' submission that, for a referred document to qualify as a "licensing scheme" under the Act, there must be more than one identified "class of case".

[114] Nor do I accept the Respondents' submissions, based on *Saturn v Sky*, that a licensing scheme must identify "standard terms", and that the terms in this case cannot be regarded as "standard", let alone usual business terms that apply to all in the class of case. In my view, the requirement that licensing terms in a licensing scheme must be *standard* means no more than that the same terms must be available to all users requiring licences in the same class of case.

[115] While the definition of "licensing scheme" in the Act does not require the existence of more than one "class of case", or "description of case", that does not answer the question of what *is* required for the proposal to qualify as a licensing scheme. Turning to that question, the starting point must be the *Workingmen's Club* case, in which it was held that a licensing scheme is "something in the nature of a standing invitation to treat: a setting out of the terms on which [the licensing body] is willing to grant licences. The setting out of those terms is regarded as a unilateral act of the licensing body, for which

the acceptance or agreement of prospective licensees is unnecessary". A licensing scheme does not require the participation of anyone other than the licensing body, and, as the Court put it in the *Workingmen's Club* case:

"If the clubs dislike the terms enough they may not apply for licences, in which case there will be no licences. There will still, however, have been a licence scheme."

[116] The *Workingmen's Club* case was followed by the Tribunal in the (first instance) decision on the striking out application in the *AVCOS* case, and the Court of Appeal in the *AVCOS* case referred to the *Workingmen's Club* characterisation of a licensing scheme (as set out above), with apparent approval.

[117] Both counsel also referred to the decision of the United Kingdom Copyright Tribunal in *Candy Rock Recording Limited v Phonographic Performance Limited*.²⁵ That case was concerned with a reference to the UK Tribunal of a licensing scheme for the dubbing of sound recordings onto tapes and CDs, for the purpose of hire to third parties. A preliminary question was whether the licensing body was operating a licensing scheme, as defined in s 116 of the CDPA. The UK Copyright Tribunal referred to the decision of the High Court in the *Workingmen's Club* case, accepting that a licensing scheme is "something in the nature of a standing invitation to treat". While the licensing body in *Candy Rock*, did operate a licensing scheme or schemes, the UK Tribunal found that there was no licensing scheme or schemes covering the dubbing of sound recordings. Where the licensing body received an enquiry for a dubbing licence, it would send out a standard letter and a questionnaire, and a standard form of licence, and the applicant for the licence would be required to disclose certain information relating to its business, its proposed client base, and the quality of the proposed dubbing. The applicant in *Candy Rock* submitted that the effect of the methodical manner in which the licensing body had prescribed classes of case in which it was willing to grant copyright licences, the methodical manner in which it dealt with applicants for dubbing licences, and the very existence of a standard form licence or licences for dubbing, together constituted a licensing scheme which included dubbing.

[118] The UK Tribunal did not accept that submission. It took the view that the documents and evidence merely showed that the licensing body obtained the information it required in order to consider and decide in its discretion how it would deal with each application it received for a dubbing licence. It was not regarded as sufficient to establish the existence of a "licensing scheme" that the documents showed the licensing body "moving towards the grant of a licence or towards the objective of a scheme". The dubbing questionnaire did not amount to any kind of invitation to treat, and the standard letter issued by the licensing body did not evidence any willingness to grant dubbing licences; it just provided information to enable prospective applicants to decide whether they wished to proceed with an application for a dubbing licence. Nor in the context was the standard form licence any indication of a "willingness" to grant dubbing licences. The documents (whether looked at separately or taken together) did not amount to any systematic arrangement for the granting of, or a general or methodical indication of willingness to grant, dubbing licences.

[119] In *Universities UK Limited v Copyright Licensing Agency Limited*,²⁶ a decision of the UK Copyright Tribunal, the UK Tribunal dealt with a case that had some similarities with the present case, in that it was concerned with the licensing of higher education institutions to make copies of copyright works. The applicant was Universities UK Limited, an organisation which represented the interests of higher education institutions

²⁵ UK Copyright Tribunal; Reference No. CT 343/96; decision 6 November 1996.

²⁶ [2002] RPC 36; decision 13 December 2001.

in the UK. The respondent was Copyright Licensing Agency (“**CLA**”), which was the relevant licensing body. CLA had issued a blanket form of licence to the higher education institutions, and it was common ground between the parties that the licence was part of a licensing scheme under s 116(1) of the CDPA. One of the terms of the licence was a restriction on copying to the extent that the copying fell within the definition of a “course pack”. The issue for the UK Tribunal was whether its jurisdiction extended to varying the provision under which course pack copying was excluded from the (acknowledged) licensing scheme. At paragraph 58 of the decision, the UK Tribunal set out the definition of a “licensing scheme” under the CDPA, and then referred to the system operated by the licensing body under which licences could be granted to the higher education institutions on an *ad hoc* basis, for the purposes of copying for course packs. That system was referred to as the Copyright Licensing Agency Rapid Clearance Service (“**CLARCS**”), and copying for use in course packs was required to be the subject of a separate payment and individual clearance through the CLARCS service. At paragraph 58 of its decision, the UK Tribunal concluded that the CLARCS system was really the converse of the definition of a licensing scheme. The UK Tribunal described CLARCS as “part of the arrangement operated by the [licensing body] where the ‘operator’ is indicating that it may not be willing to grant licences, or at least may not be willing to grant licences without a further opportunity to consent. Furthermore, the terms on which it will grant those licences are not in any sense ‘set out’, as they will vary depending on the transaction.”

[120] A further decision referred to by Mr Katz in his oral submissions, was the decision of the UK Copyright Tribunal in *Romeike & Curtice Limited v The Newspaper Licensing Agency Limited*.²⁷ Mr Katz noted that this case was concerned with a licence (as opposed to a licensing scheme), even though the relevant licensing body had a standard form of licence and there were a number of licensees. However, I did not find this case particularly helpful, as it appears that the particular form of licence which Romeike & Curtice Ltd referred to the UK Tribunal was not the licensing body’s standard form of licence, but a particular form of licence which had been the subject of negotiation between the parties (see paragraph 1.3 of the decision). In those circumstances the reference was a reference of a proposed form of licence which was particular to Romeike & Curtice, and there was no need for the UK Tribunal to consider the difference between a proposed licensing scheme and a proposed licence.

[121] Mr Katz also cited a passage from *Laddie* (4th edition)²⁸, which suggested that the UK equivalent of s 157 of the Act was introduced to cover the emergence of collective licensing arrangements of the type entered into by Copyright Licensing Agency and “groups of local education authorities”. These arrangements were said to be “contractual agreements between the licensing body and the user”, and not licensing schemes.

[122] I did not derive much assistance from this paragraph in *Laddie*, primarily because it did not provide any information about the terms of the “collective licensing arrangements” which were said to have “emerged”. Without more, I can only conclude that the arrangements cannot have been “standing invitations to treat” of the kind referred to in *Workingmen’s Club*.

[123] Neither party was able to refer me to any decision of the New Zealand Tribunal which has considered in any detail the difference between a proposed licensing scheme and a proposed licence. Mr Brown referred to the decision of the Tribunal in *Phonographic Performances (NZ) Limited v Radioworks Limited and Another*, but the point does not appear to have been argued in that case, as the respondents were

²⁷ [1999] EMLR 142.

²⁸ Reproduced at para 81 of this decision.

prepared to proceed on the basis that the reference was a reference of a licensing scheme. The Tribunal said that it was satisfied that that was in fact so, but it did not set out the reasons on which it based that view. The decision is helpful in one respect, however, and that is that the proposed licensing scheme in *RadioWorks* covered only the two named respondents, and no other broadcasters. That fact was apparently considered insufficient to render the proposal a proposed licence, as opposed to a proposed licensing scheme. I think it follows *a fortiori* in this case that the fact that there are eight prospective licensees, all of them named as Respondents to the Reference, is insufficient on its own to require a finding that what has been referred to is not a proposed licensing scheme.

[124] The arrangements between CLL and the universities, which were in place in the late 1990s, were referred to by Salmon J in his judgment in *Copyright Licensing Ltd v University of Auckland* as a “licensing scheme”, but the particular point with which this part of the Application is concerned was not in issue in that case, and I accept Mr Katz’s submission that his clients are not estopped by the judgment of Salmon J from contending that what has been referred to the Tribunal in this case is a proposed licence, and not a proposed licensing scheme.

[125] Applying such authority as there is to the facts of this case, I note first that this is not a case where CLL has reserved to itself “a further opportunity to consent”, to use the language adopted by the UK Tribunal in the *Universities UK Limited* case. On the face of it, there is nothing in the referred form of licence which would suggest that, if one of the Respondents were to apply for a licence under the proposed “scheme”, CLL could or might decline to grant that university a licence in the form attached to the Statement of Case until some further issue or matter was resolved. However, the requirement in the *Workingmen’s Club* formulation that a licensing scheme must be a “unilateral act for which the acceptance or agreement of users is unnecessary” raises a particular issue in this case, where the referred form of licence expressly contemplates the participation of umbrella organisations (UNZ and UNZ Copyright Expert Group) whose role is to represent the interests of every member of the proposed “class”. The question arises in those circumstances whether CLL has proposed something which is capable of having an ongoing “life of its own”, in the sense contemplated by the Court in *Workingmen’s Club*, independently of whether it is agreed to or accepted by any prospective user.

[126] Also, if the Reference is a reference of a licensing scheme, section 152 (2) of the Act will apply to it. If section 152(2) applies, it seems to me that each of the eight Respondents must qualify as a “person” under the subsection, and so be entitled to act unilaterally (i.e. without reference to what the other universities might or might not do) by paying to CLL the prescribed charges and complying with other terms set out in the referred form of licence, and thus (if the claimed scheme is confirmed by the Tribunal) obtain the protection provided by s. 152(2).

[127] The language of s 157, dealing with proposed licences, contemplates that there will be an identified “prospective licensee”. In principle, I can see no reason why the words “prospective licensee” in s 157 of the Act would not be equally applicable to an unincorporated group of persons, with whom a licensing body wished to enter into a copyright licence on the basis that all of the unincorporated group must agree to the terms of the same form of licence. And if the reality of a given proposal were that the licensing body did not intend to bind itself to do anything at all unless and until a prospective licensee (or every member of an identified “target group” of prospective licensees) agreed to the proposed licence terms, I do not believe the proposal would qualify as a *standing* invitation to treat: it would be a proposed licence, not a licensing scheme.

[128] Considering these statutory provisions together with the *Workingmen's Club* decision, it seems to me that the core question is whether, on their true construction, the documents constituting the Reference were in reality a proposal directed to a named group of individuals to act jointly in taking up the proposed form of licence (so that CLL would not be bound to do anything unless and until they all did so), or whether CLL intended to take on an immediate obligation, under which any of the Respondents would be entitled to act unilaterally and take up a licence in the form proposed, and thus obtain the protection conferred by the licence and (subject to confirmation of the proposed scheme) s 152(2) of the Act. In the first of those situations, there would be no "standing invitation to treat" – nothing which could be said to have an existence regardless of whether any prospective user elected to take up a licence. There would be no licensing scheme. But in the second situation, it seems to me that there *would* be a licensing scheme, at least if the referred documents sufficiently set out the classes of cases in which the operator of the scheme was willing to grant copyright licences, and the terms on which those licences would be granted in each of those classes of case.

[129] With that core question in mind, I asked the parties to provide me with further submissions on whether, on their true construction, the referred documents *would* permit a single Respondent to take up a licence under the scheme if others of the Respondents elected not to do so. In the event, both parties said that the referred documents would allow that to occur: in his memorandum filed on 6 December, Mr Brown said that CLL's intention was and is that any of the named Respondents may act unilaterally and take a licence under the proposed scheme, and that position was accepted by the Respondents in Mr Katz's reply memorandum.

[130] Given the parties' agreement on that point, the Reference will therefore be a reference of a proposed licensing scheme if it has sufficiently set out:

- (a) the classes of cases in which the operator of the scheme is willing to grant copyright licences; and
- (b) the terms on which copyright licences would be granted in those classes of cases.

[131] In my view, those matters *are* sufficiently set out in the Reference. First, the Reference quite clearly stated (paragraph 8) that CLL intended to establish a new licensing scheme, under which universities might secure non-exclusive licences to copy certain copyright works for authorised educational purposes. The relevant "copyright works" were defined in paragraph 2 of the reference as including published literary or dramatic works and artistic works (published as part of or incidental to literary or dramatic works). The Reference stated when the proposed licensing scheme would come into force, and it sufficiently identified a class of case in which CLL, as operator of the proposed licensing scheme, was willing to grant copyright licences (non-exclusive licences would be granted to "universities to copy, for authorised educational purposes, the copyright works defined in paragraph 2 of the Reference and referred to in the form of licence agreement). I have already held that a licensing scheme as defined in the Act does not require an applicant to identify more than one "class of case" in which the operator of the scheme is willing to grant licences.

[132] The requirement that a licensing scheme must set out "the terms on which copyright licences would be granted in those classes of cases" is also sufficiently met in this case. The particulars provided under paragraph 8 of the Reference expressly state that the standard terms of non-exclusive licence which were attached to the Statement of Case filed with the Reference, are to be regarded as having been included in the Reference, "as if pleaded in full".

[133] There is no argument that CLL is a “licensing body” as defined in the Act, and in my view the referred documents (Reference, Statement of Case, and standard terms of non-exclusive licence) sufficiently *set out* the requisite elements of a licensing scheme as defined in the Act. I am satisfied that the referred documents *do* constitute a “standing invitation to treat”, of the kind referred to in the *Workingmen’s Club* case. The parties’ are agreed that what CLL has published would permit a single member of the relevant class of prospective users to take a licence on the published standard terms, and there is nothing in the referred documents in the nature of CLL reserving to itself a discretion to decide in the future whether or not to grant a licence falling within the relevant class of case when a user in that class requires a licence. In all those circumstances, I am satisfied that what has been referred is a licensing scheme as that expression is defined in s 2 of the Act, and that it has been properly referred to the Tribunal under s 149. I therefore decline to make the declaration sought by the Respondents at paragraph 1.1 of the Application.

[134] The various matters put forward by Mr Katz in his reply Memorandum do not alter that conclusion. The fact that subsequent universities electing to take a licence on the proposed standard terms (after any one university has been the first to do so) must take up their licences on the same terms as the first electing university, seems to me to be no more than a normal incident of the operation of a licensing scheme. The scheme sets out standard terms on which copyright licences would be granted in a particular class or classes of case, and when a Tribunal order has been made in respect of that class of case, users may obtain the protection of s 152(2) by paying the appropriate charges to the operator of the scheme and complying with “the other terms applicable to such a licence under the scheme”. Those “other terms” can only refer to the standard terms referred to in paragraph (b) of the definition of “licensing scheme” in s 2, which terms will have been published by the licensing body when the scheme was proposed or published.

[135] Furthermore, the Court of Appeal in the *AVCOS* case stated at para 30:

“It follows from these provisions that the licensing scheme must be one in which licences will be available on the same terms to persons requiring licences in a case to which the scheme would apply”

[136] Although Mr Katz submitted that the Court of Appeal in the *AVCOS* case went too far with that statement, and that the statement itself was *obiter dicta*, I see no reason in this case to depart from those views expressed by the Court of Appeal, which seem to me to be entirely correct.

[137] The concern expressed by Mr Katz on the Respondents’ behalf that the universities will each have different positions, and that “one size does not fit all”, seems to me to be an issue which is likely to arise to some degree in every licensing scheme. As the Tribunal noted at para 149 in its decision on the *Trust Power* reference, “it is obvious that not every scheme is going to suit every licensee. Some are bound to be affected by the scheme to a greater extent than others. In general terms, however, a scheme should be reasonable overall to satisfy the overall needs of licensees....”

[138] Mr Katz also raised in his supplementary submission the spectre of unreasonable discrimination as between his client universities if the Tribunal is unable to confirm or vary the scheme to ensure that the needs of any one university are not prejudiced. The risk of such discrimination would be there, Mr Katz submitted, because the Tribunal does not have the ability to tailor the terms of individual licences issued pursuant to a licensing scheme, to suit the needs of individual universities.

[139] That submission seems to me to give insufficient weight to the fact that CLL, as a licensing body, had the right to propose a licensing scheme if it wished to do so. And the fact that the terms of a given licensing scheme might not suit the needs of every prospective licensee cannot affect the question of whether what has been proposed is or is not a licensing scheme: it is either a proposed licensing scheme or it is not.

[140] Mr Katz referred to a “real risk of discrimination” between the universities, as the extent of remunerable copying will vary enormously between the individual universities. My attention was not drawn to any evidence supporting that “enormous variation”.

[141] On the same general point, Mr Katz referred to s 161 of the Act, which requires the Tribunal, in determining what is reasonable on a reference or application relating to a licensing scheme or licence, to “exercise its powers so as to ensure that there is no unreasonable discrimination between licensees, or prospective licensees, under the scheme or licence to which the reference or application relates and licensees under other schemes operated by, or other licences granted by, the same person”.

[142] In my view, this section is not directed to the issue of unreasonable discrimination as between persons who are licensees or prospective licensees in classes of cases to which the relevant reference to the Tribunal itself applies. I accept Mr Brown’s submission on this point, that the section requires the Tribunal to ensure that there is no unreasonable discrimination between (i) licensees or proposed licensees under the scheme or licence in the reference before the Tribunal, and (ii) licensees under other schemes or licences granted by the same licensing body.

[143] In respect of the various clauses in the referred form of licence which contemplate the involvement of UNZ and/or UNZ Copyright Expert Group, Mr Katz accepted that these provisions are neutral, and could apply to any one or more universities who elected to take up a licence. There was no argument that, because of the contemplated involvement of these “umbrella organisations”, the referred form of licence could only be workable if all of the universities took up licences in the same form.

[144] Mr Katz did draw attention to clause 9.3 of the referred form of licence, under which the parties to the licence would be required to agree not to enter into any subsequent agreement that was not identical to the agreement to be entered into with each of the Specified Universities. That provision of the licence must be read with clause 9.2, which provided for CLL and the UNZ Copyright Expert Group to negotiate, during the term of the licence, to seek to reach agreement on the granting of subsequent licences.

[145] I do not think these clauses render the proposed form of licence any less of a “standing invitation to treat”, as discussed in *Workingmen’s Club*. Each of the Respondents remained free to elect to take up a licence in the proposed form, or not, and in my view clauses 9.2 and 9.3 do no more than provide for negotiations to take place on the terms of a new scheme, which would apply to the same class of case, from the expiry of the present proposed scheme. A licensing body is quite entitled to conduct negotiations over the form of a future licensing scheme (see the *AVCOS* case at para [30]), and there is nothing in clauses 9.2 and 9.3 which would *require* any individual university to take up a licence in any form that might be agreed between CLL and the UNZ Copyright Expert Group.

Prematurity

The Parties' Submissions

The Respondents

[146] In essence, the Respondents say that the Tribunal should not trouble itself with a clause by clause review of the terms of the referred document. If what has been referred is a licensing scheme, the Tribunal does not have jurisdiction to undertake such a review, and (whether it is a licensing scheme or a licence) any clause by clause discussion is an exercise for the parties, and not for the Tribunal. As Mr Katz put it in his written submissions:

“The only proper course is for the parties to engage, discuss, debate and settle the terms of the licence which they are able to do, and then come before the Tribunal in respect of those provisions that keep them apart. That is what the prematurity provisions in sections 149(2) and 157(2) are there for.”

[147] Mr Katz pointed out that CLL and the Respondents have never engaged over the referred document. Nor was the completely new document proffered by CLL's lawyers on 23 October 2012 the subject of any discussion or debate over its terms before it was withdrawn just 10 days later at the 5 November meeting.

[148] Mr Katz noted that there is little case law on s 149(2) or 157(2) of the Act. The only case to which he was able to refer was the decision of the UK Copyright Tribunal in *Candy Rock Recording Ltd v Phonographic Performance Ltd*.²⁹ The issue in that case was whether the UK Tribunal had jurisdiction to entertain the reference under s 125(2) of the Copyright, Designs and Patents Act 1988 (UK) (“the CDPA”), which is identical to s 157(2) of the Act.

[149] Having determined that the relevant letter was indeed a proposed licence under the UK equivalent of s 157 of the Act, the UK Tribunal noted that the statutory discretion to decline to entertain a reference “is an unusual discretion which we consider should be exercised sparingly and judicially on a practical view of the disputes between the parties”. The UK Tribunal went on to note the licensing body's submission that the reference (made by the prospective licensee) was premature “on the ground that it would be better for the parties to negotiate further and for it to become clear whether the Applicant will or will not give [certain undertakings called for in the licensing body's proposal]”.

[150] The UK Tribunal in *Candy Rock* was not prepared to say that the parties should negotiate further, and it declined to exercise its discretion “to deprive the Applicant of the opportunity to obtain remedy under [UK] s 125”.

[151] Mr Katz's submission on *Candy Rock* noted that the licensing body's objection to jurisdiction in the *Candy Rock* reference would (if successful) have left the prospective licensee without a licence to use the relevant copyright materials at all, and that in those circumstances it was “hardly surprising” that the Tribunal decided to entertain the reference. He submitted that this is a different case, as the Respondents have an agreement with CLL to use the copyright materials and pay the royalty to CLL (at the 2012 rate) pending the outcome of the Reference.

²⁹

CT 34/1996, 6 November 1996.

[152] Noting the licensing body's contention in *Candy Rock* that "it would be far better for the parties to negotiate further ..."; Mr Katz submitted that the same position applies in the Reference. Such discussions as took place between the parties in late 2012 were not concerned with the referred document – all such discussions and negotiations related to the then extant licence. CLL's solicitors also advised that there was no dispute on the general terms of that licence. On that basis, Mr Katz submitted that it was wrong for Ms Browning to contend that the parties were at an impasse.

[153] Mr Katz also referred to the interlocutory decision of Judge Harvey in the *Trust Power* reference,³⁰ in which it was held that, in considering the s150 reference, the Tribunal was not concerned with the question of whether or not the process leading up to the establishment of the relevant scheme was reasonable.³¹ Mr Katz submitted that if the absence of appropriate prior consultation cannot be considered at the substantive hearing of the Reference, then the Tribunal should pause long and consider hard whether the absence of prior consultation makes the Reference premature. And if the Reference is in fact a reference of a licensing scheme (and the Tribunal has no ability to consider the position of individual licences), there is all the more need for the parties to engage before coming before the Tribunal. Mr Katz referred to *Saturn v Sky* in submitting that it is not for the Tribunal to fix inter-partes contractual terms, an exercise which the Tribunal is not suited to do.

[154] Finally, Mr Katz submitted that if CLL is correct and the Respondents are wrong on the prematurity issue, the Tribunal will be faced with two phases to the Reference – (i) determining Tribunal-competent issues such as rates/tariff, and (later) (ii) settling remaining terms in the event that the parties have been unable to agree on them. Mr Katz submitted that the delay and cost in such a process would be unthinkable.

CLL

[155] For CLL, Mr Brown began by highlighting a significant difference between the relevant provisions in the Act and the corresponding statutory framework in the United Kingdom. Under the CDPA, a proposed scheme may *only* be referred to the UK Copyright Tribunal by an organisation claiming to be a representative of persons claiming that they require licences. The operator of a proposed licensing scheme has no statutory right to refer the scheme to the Tribunal. By contrast, a proposed licensing scheme may be referred to the Tribunal under the Act either by the operator or by an organisation claiming to be representative of persons claiming that they require licences.

[156] Notwithstanding that difference between the Act and the CDPA, the relevant "prematurity" provision of the CDPA (s 118(2)) is identical to s 149(2) of the Act.

[157] Mr Brown submitted that the prematurity provision was inserted in the CDPA as a safeguard to protect against situations where an organisation representing licensees "jumps the gun" on a proposed licensing scheme, and refers it to the Tribunal before it has been finalised (and therefore properly "proposed") by the licensing body.³² In support of that proposition, Mr Brown relied on the following statement in Laddie:

³⁰ *Trust Power Ltd v New Zealand Press Association*, COP 14, 4 August 2004.

³¹ *Ibid* at paras 41 and 84(i). At para [84](i) of the decision, Judge Harvey noted that the imposition by the licensing body of the licensing scheme upon end-users of print media clippings without any prior consultation with the users was not a matter within the Tribunal's jurisdiction. Judge Harvey went on to say: "It goes to the process by which the scheme was developed and put in place. Matters antecedent to the formation of the scheme are not within the Tribunal's jurisdiction."

³² That was the case in *Candy Rock*.

“It is clear from s 118 that the ability to make a Reference to the Tribunal arises only if there is a definite proposed scheme on offer. There is no general ability for a copyright user or group of users to require a copyright owner or licensing body to propose a scheme or licence. The power of the Tribunal to dismiss a Reference as premature is an additional safeguard in this respect.”³³

[158] On the interpretation advanced by CCL, the prematurity provisions in s 149(2) and 157(2) of the Act are necessary to avoid wasting the Tribunal’s time. If, for example, a licensing body disputed that the terms put forward to the Tribunal by an organisation of licensees were truly what it had proposed or intended to propose as a licensing scheme, or if the licensing body had not even yet proposed a scheme, recourse to s 149(2) would be appropriate.

[159] CLL submitted that the ability of the Tribunal to decline to entertain a reference *brought by an operator of a licensing scheme* based on prematurity, is something of an anomaly. As Mr Brown put it in his submissions, “It is difficult to see that a proposed licensing scheme which properly meets the requirements of a licensing scheme as to identification of the class or classes could ever be premature”. In support of this last proposition, Mr Brown called in aid certain comments of the Court of Appeal in the *AVCOS* case, which he submitted make it clear that it is a matter of discretion for the licensing body whether it elects to refer a scheme to the Tribunal under s 149 before the scheme comes into operation, or whether it simply notifies affected parties that the scheme is available, and advises them of its terms. (In the latter case, the licensing body may also refer the matter to the Tribunal under s 150 if a dispute has arisen.) The Court of Appeal in the *AVCOS* case noted that, unlike the position with a reference under s 150, it is not necessary for there to be any dispute before a reference is made under s 149 (although the existence of a dispute does not preclude jurisdiction under that section). Mr Brown submitted that there is no pre-condition in the relevant provisions of the Act (or in the Court of Appeal’s explanation of them in the *AVCOS* case) that an operator must negotiate on the referred scheme as a preliminary step to filing a reference. The presence of negotiations, successful or unsuccessful and whether before or after a referral, will not mean that a proposed scheme under s 149 is invalid or inoperative.³⁴

[160] Mr Brown also noted that, in *PPNZ v MediaWorks Limited & Another*,³⁵ the proposed licensing scheme was referred to the Tribunal under s 149(1) in very similar circumstances to the present case: the parties had not been able to agree on the proposed licensing scheme. No claim was made in that case that the reference was premature, and nor could any such claim have been made.

[161] So CLL’s position is that an operator’s unilateral act of referral is sufficient alone to satisfy s 149.

[162] In case that submission was not successful, Mr Brown went on to address the Respondents’ contention that the Reference is premature because of the parties’ failure to engage on the specific terms of the form of licence submitted with the Reference. First, Mr Brown submitted that the Tribunal has no direct power to require the parties to negotiate. Secondly, he submitted that the parties are at an “absolute impasse” as to the key terms of the referred licence: the evidence demonstrates that there is no prospect of agreement on the key issues of royalty payment, survey requirements, or compliance

³³ Laddie, 4th Edition, para 27.24.

³⁴ Citing the *AVCOS* case at para [30].

³⁵ COP 19/2007.

audits. He submitted that that is confirmed by the Respondents' Reply filed in the Reference.

[163] In support of the contention that the parties had reached an impasse on the appropriate royalty, Mr Brown referred to Mr Wills' 25 October 2012 letter, and its reference to "deal breakers" and the possibility that "some universities may well walk away if told this is what you are now seeking". Mr Brown also referred to Ms Browning's evidence of the negotiating team's "absolutely rigid" stance on the issues of royalty and CPI increase at the 5 November 2012 meeting.

[164] Mr Brown drew attention to a 14 December 2012 email, in which, Mr Wills stated:

"We are authorised to agree to a fee of \$20 per EFTS with no CPI adjustment and a roll-over of the existing terms. We find nothing in your submissions to date which suggest an increase in the fee can be justified. ... If there is any interruption in the availability of copyright materials staff will stop using the CLL materials and direct students to electronic database services we already pay for. If this happens the role of CLL will quickly vanish."

[165] Mr Brown also referred to the Respondents' refusal on 20 December 2012 to accept a mediation proposal from CLL on the question of an appropriate royalty rate³⁶, and to a without prejudice meeting between the parties held on 5 February 2013 in respect of which Ms Browning's evidence was that "it was obvious that the parties were even further apart".³⁷

[166] Mr Brown emphasised that in each of the communications referred to, the Respondents' position regarding royalty rate remained unchanged. No indication was given at any time that a compromise could be reached; indeed the opposite was indicated.

[167] On the question of the new provisions for surveys and compliance audits, Mr Brown noted that, at the meeting on 5 November 2012, the Respondents' position was that they would not agree to anything other than a new licence on identical terms to the 2008 – 2012 licensing scheme (i.e., without the proposed provision for inspection for confirming compliance).³⁸ He noted that that position was reiterated on 14 November 2012³⁹ and 12 December 2012.⁴⁰

[168] Generally, Mr Brown submitted that the tenor of the negotiations was that there would either be a deal on the Respondents' terms, or no deal at all.

[169] Finally in support of the submission that there was an impasse in the negotiations, Mr Brown pointed to evidence of an admission by Mr Wills at the meeting on 5 November 2012 that he had not advised the other universities (i.e., apart from the University of Auckland) of the terms of the draft licence CLL had submitted on 23 October 2012.⁴¹ Mr Brown submitted that the evidence of the negotiations shows that the Respondents took a predetermined position, which no amount of negotiation would change. In those

³⁶ Browning affidavit, paras 55 to 56.

³⁷ Browning affidavit, para 61.

³⁸ Browning affidavit, para 40.

³⁹ Browning affidavit, para 46.

⁴⁰ Browning affidavit, para 49.

⁴¹ Browning affidavit, para 44 – Mr Brown advised at the meeting that he had "done CLL a favour" by not advising the other universities of the terms of the Draft Licence CLL had tabled on 23 October 2012. How could UNZ negotiate, on behalf of the Universities, on the terms of the new licence when the Draft Licence (containing CLL's proposed terms) had not even been presented to them?"

circumstances, CLL decided that the appropriate course was to exercise its right to put forward a proposed scheme unilaterally, and have it considered by the Tribunal under s 149. This was said to be the only means to attain certainty and avoid further delay.

[170] CLL submitted that that course of action was perfectly reasonable in the circumstances, and in no sense “premature”.

PREMATURITY – DISCUSSION AND FINDINGS

[171] The only reported case (on the CDPA equivalent of s 157(2) of the Act) appears to be *Candy Rock Recording Limited v Phonographic Performance Limited*. In *Candy Rock*, the UK Tribunal noted that the statutory discretion to decline to entertain a reference is an unusual discretion, to be exercised sparingly and judicially on a practical view of the disputes between the parties. The UK Tribunal rejected a request from the licensing body that the reference should not be entertained (on the grounds of prematurity) because “it would be better for the parties to negotiate further ...”

[172] Under the CDPA, the operator of a proposed licensing scheme has no statutory right to refer the proposed scheme to the Tribunal. References of licensing schemes under the CDPA are made only by licensees or prospective licensees, or organisations representing those interests. In that context, the authors of *Laddie* note that the power of the Tribunal to dismiss a reference as premature operates as “an additional safeguard” in the event that licensees should act too early, before the licensing body has proposed any definite scheme.⁴²

[173] In New Zealand, the licensing body itself may refer a proposed scheme (s 149), or a licensing scheme which is in operation, where a dispute has arisen (s 150).

[174] Notwithstanding that difference between the CDPA and the Act, I believe that the comments of the UK Tribunal on the nature of the Tribunal’s “prematurity” discretion (“to be exercised sparingly and judicially on a practical view of the disputes between the parties”), are equally applicable in New Zealand. Furthermore, I accept Mr Brown’s submission that, where a reference is made by the licensing body itself, the scope for the Tribunal to exercise its jurisdiction to decline to entertain a reference is likely to be more limited. That is principally because the licensing body does not have to use the s 149 procedure at all – it may simply publish a licensing scheme and treat it as operative. In that situation there may still be a reference to the Tribunal for confirmation or variation of the scheme (under s 150), but that will only occur where some dispute has arisen. Importantly, there is no provision in s 150 equivalent to s 149(2), under which the Tribunal could refuse to entertain a s 150 reference on the grounds that it was made prematurely.

[175] If a licensing body has the option of simply publishing a licensing scheme and then operating it, without reference to the Tribunal at all, it is not immediately obvious what kinds of circumstances would be sufficient to justify a finding of “prematurity” if the same scheme had first been referred to the Tribunal for confirmation under s 149. Perhaps some incompleteness or contingency in a proposed licensing scheme would be enough in the circumstances of a particular case, but nothing of that sort has been advanced by the Respondents in this case.

[176] Beyond those observations, I think it is unnecessary to speculate on what might or might not constitute sufficient grounds for a prematurity finding in other cases. It is enough for present purposes to record my agreement with the UK Tribunal’s view that

⁴² Laddie, 4th Edition, para 27.24.

the s 149(2) jurisdiction is an unusual one, which is to be exercised sparingly and judicially, and with regard to the practicalities of the particular reference, and to add that those observations are likely to be particularly important where the reference has been made by the licensing body itself.

[177] Turning to the facts of this case, Mr Katz's principal point in support of the Respondents' prematurity argument was that there has never been any engagement between the parties over the referred document, and that the only proper course now is for the parties to engage, discuss, debate, and settle the terms of a licence, and then come before the Tribunal in respect of those provisions that keep them apart. He submitted that "that is what the prematurity provisions in s 149(2) ... are there for". In answer to those submissions, Mr Brown submitted that there is no pre-condition in the relevant provisions of the Act (or in the Court of Appeal's explanation of them in the AVCOS case) that an operator must negotiate on the referred scheme as a preliminary step to filing a reference. The presence of negotiations, successful or unsuccessful, and whether before or after a referral, will not mean that a proposed scheme under s 149 is invalid or inoperative.

[178] I accept CLL's submissions on this point. There is nothing in s 149 of the Act (or in s 157 for that matter) which requires a licensing body to "propose" anything at all, and if it elects to do so, nothing in the Act which would compel it to negotiate with prospective licensees before it either (i) refers a proposed licensing scheme to the Tribunal under s 149, or (ii) commences operating a licensing scheme (which it may elect to do without first seeking the Tribunal's confirmation of the scheme).

[179] Nor do I think there could be any general "implied" obligation on a licensing body to consult or negotiate before it proposes or publishes a licensing scheme. In cases where there were hundreds of prospective licensees, who had no single representative, with whom would the licensing body consult or negotiate?

[180] And the Respondents in this case have not identified anything in the nature of a specific contractual or other *obligation* on CLL to continue negotiations before it referred any proposed licensing scheme. In essence, the Respondents' case is no different from that advanced unsuccessfully by the licensing body in *Candy Rock*, namely that "it would be better" for the parties to negotiate further. In the circumstances of this case, I am not satisfied that such a claim can form a proper basis for the Tribunal to decline to entertain the Reference.

[181] Nor do I accept that the fact that at the substantive hearing of the Reference the Tribunal might not have jurisdiction to concern itself with the question of whether the process leading up to the establishment of the scheme was reasonable, calls for any different view. The Respondents have not persuaded me by evidence and argument on the Application, that there has been anything in the process leading up to the Reference which would justify a prematurity finding under s 149(2), and this decision must be based on that evidence and those arguments.

[182] Mr Katz referred to the Tribunal's inability to consider the position of individual licences within a licensing scheme, and submitted that it will not be appropriate for the Tribunal at the substantive hearing to fix inter-partes contractual terms. In reply, Mr Brown repeated certain submissions made for CLL on the "licensing scheme or licence" question, including the submission that the ability of the Tribunal at the substantive hearing of the reference to traverse individual clauses in the referred form of licence, might not be as constrained as the Respondents suggest. He noted in particular that the Court of Appeal in the AVCOS case was simply saying that while the Tribunal cannot deal individually with the terms of particular licences within a licensing scheme, it

can look at individual clauses in the scheme which will apply to all users in a particular class of case.

[183] In the end, it seems to me that the Respondents' concerns expressed in this submission do not, either alone or in combination with other submissions made for the Respondents, raise any issue which would call for the Tribunal to exercise its jurisdiction to decline to entertain the Reference on the ground of prematurity. In my view, CLL was entitled to refer a proposed licensing scheme, and it has done so. The Respondents have not identified any *obligation* on CLL (statutory or other) to continue negotiating with them, and the s 149(2) jurisdiction is to be exercised "sparingly and judicially on a practical view of the disputes between the parties" (*Candy Rock*). If my finding that what has been referred to the Tribunal is a licensing scheme rather than a licence affects the scope of what may be argued before the Tribunal at the substantive hearing of the Reference (something which it is not necessary for me to decide in this decision), that will be an issue to be addressed by the Tribunal in due course.

[184] I also accept CLL's submission that by the time the Reference was filed, the parties *had* reached an impasse in the negotiations which were conducted in 2012 and early 2013. The Respondents had made it clear that they would not agree to anything more than the then-current fee of \$20 per EFTS, with no CPI adjustment, and if CLL was not prepared to issue new licences to the Respondents at that rate I think it was reasonable for CLL to conclude that the prospects of agreement being reached within any reasonable timeframe were remote. And if there was an impasse on an issue which CLL saw as fundamental, I do not think that CLL could reasonably have been expected to continue negotiations on other aspects of the proposed form of licence, knowing that no agreement would eventuate. It was entitled in those circumstances to take the view that any further negotiations would likely be a waste of time, and look to its other options.

[185] It remains to mention that Mr Katz did make certain submissions on the issue of prematurity in his memorandum dated 16 December 2013. The submissions were made in response to CLL's indication that, if the Tribunal were to find that any particular clause in the referred form of licence had the effect of converting what was intended to be a proposed licensing scheme into a proposed licence, then CLL would amend the referred form of licence to delete any such clause or clauses. In the event, I have not made any such finding, so the issue of possible amendment of the referred documents cannot form any basis for a prematurity argument.

[186] For the foregoing reasons, I am not satisfied that the Reference is premature within the meaning of s 149(2) of the Act. I accordingly decline to make the declaration sought by the Respondents at paragraph 1.2 of the Application.

Summary of Findings

[187] The Reference is a reference of a proposed licensing scheme under s 149 of the Act, and not a reference of a proposed licence under s 157.

[188] The Reference has not been shown to be premature within the meaning of s 149(2) of the Act, and there is no basis for the Tribunal to decline to entertain the Reference on that ground.

[189] The Application is accordingly dismissed.

Costs

[190] In its notice of opposition, CLL sought costs on the Application. I will receive memoranda from counsel on the issue of costs if they are unable to agree. Any memorandum seeking costs by CLL is to be filed by **24 January 2014**. The Respondents may file a memorandum in reply by **7 February 2014**.

The Future Conduct of the Reference

[191] It will be necessary to establish a timetable for the future conduct of the proceedings. I invite counsel to confer with a view to filing a joint memorandum by **31 January 2014**, setting out the timetable or other orders they consider necessary and/or appropriate. If the parties are unable to agree on a joint memorandum, individual memoranda are to be filed. If necessary, I will then convene a directions conference on the next reasonably available date, and give such further directions as may then seem appropriate.

DATED at AUCKLAND this 24th day of December 2013

Warwick Smith
Deputy Chairperson
Copyright Tribunal