

1953

BETWEEN :

Oct. 8, 9

1955

Aug. 23

COMPOSERS, AUTHORS AND PUBLISHERS ASSOCIATION OF CANADA, LIMITED

PLAINTIFF;

AND

SANDHOLM HOLDINGS LIMITED, NAT SANDLER AND THOMAS HOLMES

DEFENDANTS.

Copyright—Right of performing rights society to sue for fees in Exchequer Court—The Exchequer Court Act, R.S.C. 1927, c. 34, s. 22(c)—The Copyright Act, R.S.C. 1927, c. 32, s. 20(c)—The Copyright Amendment Act, 1931, S. of C. 1931, c. 8, ss. 10, 10A, 10B(7), 10B(8), 10B(9)—Powers of Copyright Appeal Board—Right to fix fees, charges and royalties for licenses taken from performing rights societies and vested in Copyright Appeal Board—Right to license fees not contractual but statutory—Plaintiff not entitled to damages or injunction.

The defendant corporation operated a cabaret in Toronto in which it provided entertainment of which music formed a part. It obtained a license from the plaintiff for the performance of the musical works in which the plaintiff owned the performing rights, the license being for the year 1951-52 and thereafter from year to year until terminated. On November 5, 1952, the plaintiff sent the defendant a letter purporting to cancel this license as at November 15, 1952 for nonpayment of license fees but on November 10, 1952, the defendant paid the fees for 1952. On November 13, 1952, the plaintiff issued another license to the defendant. The defendant did not pay the license fees for 1953, and on April 7, 1953, the plaintiff sent the defendant a letter purporting to cancel the second license. Notwithstanding the nonpayment of license fees the defendant continued to perform the plaintiff's musical works and the plaintiff brought action claiming the unpaid license fees, damages for infringement of copyright and an injunction.

Held: That the Exchequer Court has been vested with jurisdiction to hear and determine an action for license fees in respect of the issue of a license by a performing rights society for the performance of musical works in which it owns the performing rights.

2. That it was within the competence of Parliament to vest this Court with such jurisdiction.
3. That since the establishment of the Copyright Appeal Board the performing rights societies have no right to fix the fees, charges or royalties for the issue or grant of their licenses but in lieu of their former right have been given a statutory right to sue for or collect the fees certified as approved by the Copyright Appeal Board. It is the only fee fixing body.
4. That the plaintiff has a statutory right to license fees for the license issued by it and if, during the currency of this license, the defendant performed any of the plaintiff's musical works it did so with the plaintiff's consent and could not be an infringer of its copyright.
5. That in fact the defendant's license was never cancelled and the plaintiff is not entitled to damages or an injunction.
6. That the only right to license fees given to a performing rights society by The Copyright Amendment Act, 1931, is in respect of the issue or grant of licenses for the performance of all or any of its works in Canada during the calendar year in respect of which the statement of fees was filed by the society. There is thus a statutory right to license fees for a license for that calendar year. That is the only right to license fees conferred by the Act. Consequently, once the plaintiff issued or granted its license it was entitled to sue for and collect the license fees for the calendar year and that was its only remedy.
7. That the fact that a licensee might have to pay more for a license under Tariff No. 6 than the original amount or be entitled to a refund does not affect the validity of the Tariff.
8. That the provision in Tariff No. 6 that the plaintiff had the right to examine the defendant's books did not affect its validity. The said provision was incorporated into the Tariff by the plaintiff and not by the Copyright Appeal Board. All that it was called upon to do and all that it did was to fix the fees, charges or royalties which the plaintiff could lawfully charge for an annual license containing such a provision and subject to such condition.

ACTION by plaintiff for license fees, damages and injunction.

The action was tried before the President of the Court at Toronto.

H. E. Manning, Q.C. and *D. W. Mundell, Q.C.* for plaintiff.

E. A. Goodman for defendants.

The facts and questions of law raised are stated in the reasons for judgment.

1955
 COMPOSERS,
 AUTHORS
 AND
 PUBLISHERS
 ASSOCIATION
 OF CANADA,
 LIMITED
v.
 SANDHOLM
 HOLDINGS
 LIMITED
et al.

1955

COMPOSERS,
AUTHORS
AND
PUBLISHERS
ASSOCIATION
OF CANADA,
LIMITED
v.
SANDHOLM
HOLDINGS
LIMITED
et al.

THE PRESIDENT now (August 23, 1955) delivered the following judgment:

The main issue in this action is whether the plaintiff is entitled to recover in this Court from the defendant Sandholm Holdings Limited, hereinafter simply called the defendant, unpaid license fees in respect of the issue by it to the defendant of a license to perform in public all or any of the musical works in which it owned the performing rights and, if so, whether it is entitled to any other remedy.

The facts are not in dispute. The defendant has since December 1, 1951, operated a cabaret on Adelaide Street in Toronto, known as the Club One-Two, in which it has provided entertainment of which music forms a part and has performed in public musical works in which the plaintiff owns the performing rights. On February 9, 1952, the plaintiff's licensing manager requested that the defendant should take out a license from it and on February 21, 1952, the defendant paid the plaintiff \$100 on account of the fees for such a license. On February 22, 1952, the plaintiff issued its license No. G3349 to the defendant whereby it became entitled for the year 1951-52 and thereafter from year to year until the license was terminated as set out therein to perform at the Club One-Two non-dramatic renderings of all or any of the musical works in which the plaintiff had the performing rights, subject to payment of the license fees as approved from time to time by the Copyright Appeal Board under Section 10B of The Copyright Amendment Act, 1931, Statutes of Canada, 1931, Chapter 8, as enacted by section 2 of Chapter 28 of the Statutes of Canada, 1936.

The fees approved for 1952 were as set out in *The Canada Gazette*, Vol. 86, Extra No. 5, dated March 27, 1952, and for 1953 as set out in *The Canada Gazette*, Vol. 87, Extra No. 3, dated February 23, 1953. In each case the fees payable by such a person as the defendant were as set out in Tariff No. 6. In all cases to which this tariff applied the fee was a proportion of the total amount paid for all entertainment of which music formed a part, including the amount paid to the orchestra, vocalists and all other entertainers. Tariff No. 6 for the year 1952 contained, *inter alia*, the following terms:

On or before the last day of January, 1952, a payment shall be made to the Association on account of the 1952 fee, such payment to be the annual license fee due on the basis of the actual amount expended on

entertainment during the year 1951. Payment of this fee shall be accompanied by a report of the actual expenditure or entertainment during the year 1951.

.....

A report shall be made of the actual amount expended on entertainment during the calendar year 1952, and an adjustment of license fee paid to the Association shall be made. Any additional fees due on the basis of actual amount expended shall be paid to the Association. If the fee due is less than the amount paid in advance, the licensee shall be credited with the amount of such overpayment.

Tariff No. 6 for the year 1953 contained similar terms, the only differences being those of dates.

On May 20, 1952, the defendant sent the plaintiff a statement of the estimated amount actually paid by it for entertainment for the year 1951, namely, \$5,000, and the estimated amount to be paid for the year ending December 31, 1952, namely, \$50,000. On May 21, 1952, the plaintiff billed the defendant for \$392.50, being the amount of fees payable for the first half of 1952, and on July 31, 1952, the defendant sent the plaintiff a cheque for \$392.50 in payment thereof. On August 6, 1952, the plaintiff sent the defendant a statement of the fees payable for the six months ending December 31, 1952, namely \$392.50. The defendant delayed payment of this amount and on November 5, 1952, the plaintiff sent the defendant a letter purporting to cancel the license as at November 15, 1952, and directing it to discontinue performances of its copyright music. On November 10, 1952, the defendant sent the plaintiff a cheque for \$392.50 which paid the fees for 1952, subject to the amounts estimated as paid for entertainment in that year proving to be correct.

On November 13, 1952, the plaintiff wrote the defendant enclosing its license No. 1375 for 1952 and thereafter from year to year until terminated. On January 22, 1953, the plaintiff billed the defendant for \$785 on account of the license fee for 1953 and requested it to report its actual expenditure on entertainment during 1952 so that the necessary adjustment of the fee for that year could be made. On April 7, 1953, the plaintiff's licensing manager spoke to the defendant's secretary-treasurer, the defendant Holmes, requesting a statement of the defendant's actual expenditure for 1952 and a payment on account of the fees for 1953 and the said Holmes promised to comply with this request

1955
 COMPOSERS,
 AUTHORS
 AND
 PUBLISHERS
 ASSOCIATION
 OF CANADA,
 LIMITED
 v.
 SANDEHOLM
 HOLDINGS
 LIMITED
et al.
 ———
 Thorson P.
 ———

1955
 COMPOSERS,
 AUTHORS
 AND
 PUBLISHERS
 ASSOCIATION
 OF CANADA,
 LIMITED
 v.
 SANDHOLM
 HOLDINGS
 LIMITED
et al.

Thorson P.

within a week but on April 26, 1953, he denied that he had made any such promise. In any event, the defendant has never sent the desired statement or made any payment of fees for 1953. On April 16, 1953, the plaintiff wrote the defendant notifying it that License No. 1375 was suspended and requesting it to discontinue all performances of the copyright music which the plaintiff was empowered to license.

Although the defendant did not pay any license fees for 1953 it continued after the purported suspension of its license by the letter of April 16, 1953, to perform in public, that is to say, in its cabaret, musical works in which the plaintiff owned the performing rights.

The plaintiff then brought the present action. It alleged in the original statement of claim that the said performances by the defendant after the suspension of the license constituted infringements of its copyright and that it had suffered damage by reason thereof and it sought to recover damages for the said infringements in addition to the unpaid license fees. It also sought an injunction restraining the defendant from further performance of the musical works in which it owned the performing rights until all fees payable by the defendant and all further fees payable in respect of any performances by the defendants or any of them should have been paid.

The plaintiff succeeded in obtaining an interlocutory injunction as prayed in its statement of claim but this was lifted on payment into Court by the defendant of the sum of \$1,000.

It is clear that if the plaintiff had sued in the appropriate court, as it had a right to do, it would have been entitled to judgment for the unpaid license fees for 1953 and 1952 if any fees for that year over and above the amounts already paid by the defendant were found payable. The amount of the fees which it was entitled to charge respectively for 1952 and 1953 was fixed by Tariff No. 6 in the statements of fees approved for each of such years by the Copyright Appeal Board. Its right to sue for the amounts so approved was conferred by subsection (8) of section 10B of The

Copyright Amendment Act, 1931, as enacted by section 2 of Chapter 28 of the Statutes of Canada, 1936, which provided as follows:

10B.(8) The statements of fees, charges or royalties so certified as approved by the Copyright Appeal Board shall be the fees, charges or royalties which the society, association or company concerned may respectively lawfully sue for or collect in respect of the issue or grant by it of licenses for the performance of all or any of its works in Canada during the ensuing calendar year in respect of which the statements were filed as aforesaid.

1955
COMPOSERS,
AUTHORS
AND
PUBLISHERS
ASSOCIATION
OF CANADA,
LIMITED
v.
SANDHOLM
HOLDINGS
LIMITED
et al.

Under this provision the plaintiff's right to recover fees from the defendant in respect of the issue of license No. G.3349 to it does not depend on a contract between it and the defendant but it is a statutory right. Nor is the amount of its entitlement dependent on any promise or contractual obligation on the part of the defendant. It is fixed by the section at the amount certified as approved by the Copyright Appeal Board, being in this case the amount as determined under Tariff No. 6.

Thorson P.

At the commencement of the trial I had doubt whether the plaintiff had a right to sue for license fees in this Court. This was based on the assumption that the plaintiff's cause of action was based on a contract between subject and subject. My doubt was twofold, firstly, whether this Court had been vested with jurisdiction to entertain such an action and, secondly, if so, whether it was within the competence of Parliament to vest such jurisdiction in it.

I am now satisfied that there is no reason for this doubt. A consideration of the relevant statutes makes it clear that this Court has been vested with jurisdiction to hear and determine such an action as this. I refer first to section 22(c) of the Exchequer Court Act, R.S.C. 1927, Chapter 34, as amended by section 3 of chapter 23 of the Statutes of Canada, 1928, which reads as follows:

22. The Exchequer Court shall have jurisdiction as well between subject and subject as otherwise,

(c) in all other cases in which a remedy is sought under the authority of any Act of the Parliament of Canada or at Common Law or in Equity, respecting any patent of invention, copyright, trade mark, or industrial design.

In my view, the present action is within the ambit of this enactment for the plaintiff seeks a remedy respecting copyright under the authority of an Act of the Parliament of Canada, namely, subsection (8) of section 10B of The

1955
 COMPOSERS,
 AUTHORS
 AND
 PUBLISHERS
 ASSOCIATION
 OF CANADA,
 LIMITED
 v.
 SANDEHOLM
 HOLDINGS
 LIMITED
 et al.

Thorson P.

Copyright Amendment Act, 1931, which I have already cited. The plaintiff issued a license to the defendant to perform musical works in which it owned the performing rights, a segment of copyright, and Parliament has given it a statutory remedy against its licensee. The action is thus not an action to enforce a contractual right but to enforce a statutory remedy. In my view, this sufficiently distinguishes the present case from *McCracken v. Watson* (1).

My next reference is to subsection 6 of section 20 of the Copyright Act, R.S.C. 1927, chapter 32, as enacted by section 7 of The Copyright Amendment Act, 1931, which reads as follows:

20(6) The Exchequer Court of Canada shall have concurrent jurisdiction with provincial courts to hear and determine all civil actions, suits, or proceedings which may be instituted for violation of any of the provisions of this Act or to enforce the civil remedies provided by this Act.

This section disposes of any doubt that Parliament has given this Court jurisdiction to hear and determine such an action as this for it is clearly a civil action to enforce the civil remedy provided by subsection (8) of section 10B of The Copyright Amendment Act, 1931. In view of the enactments to which I have referred I have now no hesitation in finding that this Court has been vested with jurisdiction to hear and determine an action for license fees in respect of the issue of a license by a performing rights society such as the plaintiff for the performance of musical works in which it owns the performing rights.

I now come to the question whether it was within the competence of Parliament to vest this Court with such jurisdiction. This involves a consideration of the scheme of the legislation under consideration. By section 10 of The Copyright Amendment Act, 1931, it was provided, *inter alia*, that every performing rights society should from time to time file with the Minister, being the Secretary of State, at the Copyright Office, statements of all fees, charges or royalties which it proposed from time to time to collect in compensation for the issue or grant of licenses for or in respect of the performance of its musical works in Canada and that, under certain circumstances, the Governor in Council might from time to time revise or otherwise prescribe the fees, charges or royalties which it

(1) [1932] Ex. C.R. 83.

might lawfully sue for or collect in respect of the issue or grant of such licenses. And it was also provided that the society was not entitled to sue for or collect any fees, charges or royalties in excess of those specified in the statements filed by it or of those revised or otherwise prescribed by Order of the Governor in Council. It is clear that under this scheme the right of the performing rights society to fix its fees was subject to governmental control but not wholly taken away. The Governor in Council was authorized to step in if the performing right society unduly withheld the issue of licenses or proposed to collect excessive fees or otherwise conducted its operations in a manner deemed detrimental to the interests of the public. The supervision of the license fees of performing rights societies and the safeguarding of the users of music against their monopolistic powers and their abuse lay with the government but, subject to such supervision, the performing rights societies were free to fix the amounts of their license fees as well as the terms of their licenses and the conditions to which they were subject. But in 1936 a drastic and fundamental change was made by An Act to Amend the Copyright Amendment Act, 1931, Statutes of Canada, 1936, Chapter 28. By section 2 of this Act, section 10 of The Copyright Amendment Act, 1931, as amended in 1935 by Chapter 18 of the Statutes of Canada, 1935, was repealed and sections 10, 10A, 10B and 10C substituted. These sections are still in force except that section 10C is spent. The essential feature of the change was that the fixing of fees, charges and royalties for the issue or grant of licenses was taken away from the performing rights societies and vested in the Copyright Appeal Board, an administrative body established under section 10B. The new scheme may be outlined briefly. Section 10 requires every performing rights society, on or before the first day of November in each and every year, to file with the Minister at the Copyright Office statements of all fees, charges or royalties which it proposes during the ensuing calendar year to collect in compensation for the issue or grant of licenses for or in respect of the performance of its works in Canada. The requirement of an annual filing of proposed fees for the ensuing calendar year was new. Section 10A requires the Minister to publish the proposed statements in the *Canada Gazette* and to notify that any person having any objection

1955
 COMPOSERS,
 AUTHORS
 AND
 PUBLISHERS
 ASSOCIATION
 OF CANADA,
 LIMITED
 v.
 SANDHOLM
 HOLDINGS
 LIMITED
et al.
 Thorson P.

1955
 COMPOSERS,
 AUTHORS,
 AND
 PUBLISHERS
 ASSOCIATION
 OF CANADA,
 LIMITED
 v.
 SANDHOLM
 HOLDINGS
 LIMITED
 et al.
 Thorson P.

to the proposals contained in them must lodge particulars in writing of his objections with the Minister at the Copyright Office on or before a date specified in the notice. After this date the Minister must refer the statements and any objection received to the Copyright Appeal Board. Section 10B deals with the composition of this body, its powers and its duties. Subsection 6 of section 10B provides that as soon as practicable after the Minister has referred the statements and the objections, if any, the Board is to proceed to consider the statements and objections and may itself, notwithstanding that no objection has been lodged, take notice of any matter which in its opinion is one for objection. The Board must give the performing rights society an opportunity to reply to any objection. The Board's power to deal with the statements is so important that I set it out as it appears in subsection (7) of section 10B, which reads as follows:

(7) Upon the conclusion of its consideration, the Copyright Appeal Board shall make such alteration in the statements as it may think fit and shall transmit the statements thus altered or revised or unchanged to the Minister certified as the approved statements. The Minister shall thereupon as soon as practicable after the statements so certified publish them in the *Canada Gazette* and furnish the society, association or company concerned with a copy of them.

Then subsection (8) of section 10B, which I have already cited, sets out the right of the performing rights society to sue for and collect the fees certified as approved by the Copyright Appeal Board.

So far as I am aware the Copyright Appeal Board was a unique institution. Canada was the only country in which the fixing of the fees, charges or royalties of performing rights societies was taken from them and vested in an administrative body such as the Copyright Appeal Board. The change was a radical one. It is, I think, clear that it was considered undesirable that a performing rights society should be able to fix the fees which the user of its musical works must pay for a license. It is also apparent that it was thought wise that the function of exercising supervision over the license fees of performing rights societies should not be performed by the Government but be entrusted to an outside body under the chairmanship of a person who holds or has held high judicial office. It would not be unfair to say that the Copyright Appeal Board was set up

as a buffer between the Government and the users of performing rights societies' musical works. Their power to fix their license fees was taken from them. They were obliged to submit their proposed fees to public scrutiny and music users were given the right to lodge objections to the proposed fees and have their objections considered by the Copyright Appeal Board. It is the only fee fixing body. The result is that the performing rights societies have now no right to fix the fees, charges or royalties for the issue or grant of their licenses but in lieu of their former right have been given a statutory right to sue for or collect the fees certified as approved by the Copyright Appeal Board. The fees for a license to perform the musical works in which a performing rights society owns the performing rights are no longer a matter of contract between the society and the user of the music but a matter of statutory fixation by the Copyright Appeal Board. Consequently, we are not here concerned with any question of contract between subject and subject. Thus the assumption on which I based my doubt as to the competence of Parliament is without foundation. The legislation under consideration is clearly legislation on the subject of copyright and, as such, within the competence of Parliament under head 23 of section 91 of the British North America Act. That being so, it was within the competence of Parliament to vest this Court with jurisdiction to hear and determine such an action as this.

It follows from what I have said that the plaintiff is entitled to judgment for the license fees properly payable to it as computed in accordance with Tariff Item No. 6.

By its statement of claim as originally framed the plaintiff sought payment of its license fees and also damages for infringement of its copyright after the alleged suspension of its license by the letter of April 16, 1953, and an injunction to restrain such alleged infringement while the license fees remained unpaid.

Since the plaintiff is entitled to license fees for the years 1952 and 1953 it is obvious that it cannot also recover damages for infringement of copyright during these years. The two remedies are inconsistent. The plaintiff's entitlement to fees is a statutory remedy for the issue of its license to the defendant to perform in public the musical

1955
 COMPOSERS,
 AUTHORS
 AND
 PUBLISHERS
 ASSOCIATION
 OF CANADA,
 LIMITED
 v.
 SANDHOLM
 HOLDINGS
 LIMITED
et al.
 Thorson P.

1955
 COMPOSERS,
 AUTHORS
 AND
 PUBLISHERS
 ASSOCIATION
 OF CANADA,
 LIMITED
 v.
 SANDHOLM
 HOLDINGS
 LIMITED
et al.
 Thorson P.

works in which it owned the performing rights. If, during the currency of this license, the defendant performed any of such musical works it did so with plaintiff's consent and could not be an infringer of its copyright. Counsel for the plaintiff properly conceded that if the plaintiff was entitled to the license fees it was not also entitled to damages for infringement of copyright. This is elementary. The defendant cannot be the plaintiff's licensee to perform its copyright musical works and at the same time infringe its copyright in them.

In the original statement of claim the plaintiff alleged suspension of its license and infringement of its copyright after such alleged suspension but at the trial this position was abandoned. In the amended statement of claim it was alleged that since the defendant had paid the license fees for 1952 prior to November 15, 1952, the date at which the alleged cancellation was to go into effect, license No. G.3349 was re-instated by the issue of license No. 1375 and was still in force and was continuously acted upon by the defendant. I do not agree that license No. G.3349 was re-instated by license No. 1375. The fact is that License No. G.3349 was never cancelled. The letter of November 5, 1952, was really a notice of cancellation on November 15, 1952, if the 1952 fees were not paid prior to that date. Since they were paid on November 10, 1952, the purpose of the notice was accomplished and the threatened cancellation, even if permissible, never went into effect. Consequently, the issue of license No. 1375 was unnecessary and had no effect, with the result that the purported suspension of it was a nullity. Thus, on the plaintiff's own allegations in its amended statement of claim, the defendant continued to be a licensee during the whole of the year 1953. That being so, its performance of the plaintiff's copyright musical works on April 27, 1953, and subsequently were done with the plaintiff's consent and could not constitute infringement of its copyright.

There is another reason for this conclusion. It was not within the competence of the plaintiff to suspend or cancel the defendant's license at any time during the year 1953. As I read subsection (8) of section 10B of The Copyright Amendment Act the only right to license fees given to a performing rights society, such as the plaintiff, is in respect

of the issue or grant of licenses for the performance of all or any of its works in Canada during the calendar year in respect of which the statements of fees were filed by the society. There is thus a statutory right to license fees for a license for that calendar year. That is the only right to license fees conferred by the Act. Consequently, once the plaintiff issued or granted its license it was entitled to sue for and collect the license fees for the calendar year and that was its only remedy. It could not in the absence of statutory authority suspend or cancel the license during the calendar year for which it had filed its statements of fees and thereby put the defendant in the position of being an infringer of its copyright. Subsection (9) of section 10B of the Act makes it clear that if any person had tendered or paid to the performing rights society the fees, charges or royalties which the Copyright Appeal Board had approved he could have performed the musical works in which the society claimed the performing rights and the society would not have had any right of action or any right to enforce any civil or summary remedy for infringement of its copyright. It seems clear to me that a person, such as the defendant, to whom a license had been issued and who had thereby become liable for the license fees for the calendar year for which the society had filed its statements cannot be in a worse position. As I see it, there was no statutory authority for the cancellation or suspension of the defendant's license either in 1952 or in 1953 and it could not, therefore, be an infringer of the plaintiff's copyright or liable to it in damages. It follows from what I have said that the plaintiff's claim for damages must be dismissed.

It also follows that the plaintiff's claim for the injunction sought by it must fall. Since the defendant was the plaintiff's licensee during the year 1953 it had a right to perform all or any of the musical works in which the plaintiff owned the performing rights, notwithstanding the fact that it had not paid the license fees. The plaintiff had a statutory right against the defendant to sue for and collect such fees and that was the only right against the defendant which it had. The plaintiff's claim for an injunction is, therefore, dismissed.

What I have said really disposes of the action but there are certain arguments advanced on behalf of the defendant which call for consideration.

1955
 COMPOSERS,
 AUTHORS
 AND
 PUBLISHERS
 ASSOCIATION
 OF CANADA,
 LIMITED
 v.
 SANDHOLM
 HOLDINGS
 LIMITED
et al.
 Thorson P.

1955
 COMPOSERS,
 AUTHORS
 AND
 PUBLISHERS
 ASSOCIATION
 OF CANADA,
 LIMITED
 v.
 SANDHOLM
 HOLDINGS
 LIMITED
et al.
 Thorson P.

Pursuant to leave granted at the trial counsel for the defendant amended the statement of defence by alleging that there was a licensing agreement between the defendant and the plaintiff, that this was a contract not to be performed within the space of one year from the making thereof, that there was no memorandum in writing of the said contract within the meaning of section 4 of the Statute of Frauds, R.S.O. 1950, Chapter 371, and that, consequently, the licensing agreement was not enforceable. In my view, there is no substance in this contention. In the first place, as I have pointed out, the plaintiff's right to license fees does not depend on a contract between the plaintiff and the defendant or any promise by the defendant to pay them. The plaintiff's right, with the defendant's corresponding liability, is statutory. Consequently, section 4 of the Statute of Frauds does not apply to it. Secondly, even if it were conceded that there was a licensing agreement between the parties it was not a contract that was not to be performed within the space of one year from the making thereof within the meaning of section 4 of the Statute of Frauds. It was fully performed by the plaintiff on the issue of its license and nothing more remained to be done by it. Moreover, it was terminable by either party at the end of the year and could, therefore, be performed within the year. Consequently, the contract, even if it could be so described, was not within the ambit of section 4 of the Statute of Frauds and did not have to be in writing.

It was also urged that Tariff No. 6 was not authorized by the Act and was, therefore, invalid. Two attacks on its validity were made. The first contention was that it was essential that a prospective licensee should, at the beginning of the year, know exactly what the amount of his license fee for the year should be, that he should not be called upon to pay more than such amount or be entitled to any refund, that he could not know in advance by reference to Tariff No. 6 what his license fee for the year would be under it, and that, consequently, the tariff was not the kind of tariff contemplated by the Act. It followed, so it was contended; that it was not within the jurisdiction of the Copyright Appeal Board to approve it and that it was, therefore, invalid. A similar argument was made and rejected in *Composers, Authors and Publishers Association of Canada*

Limited v. Maple Leaf Broadcasting Co. Ltd. (1). There is also a simple answer to the attack in this case which would not have been applicable in the case cited. A prospective licensee under Tariff No. 6 would know in advance exactly the amount of money which he would have to pay in order to obtain a license under it, namely, the proper proportion of the amount actually expended by him for entertainment in the previous year. Payment of this amount would entitle him to a license. Thereafter, the matter of amount would be exclusively within his control. He could save himself from paying more or from getting any refund simply by holding the amount of his expenditure for entertainment at the same level as during the previous year. If he spent more or less the amount he would have to pay in addition to the initial amount or the amount he would be entitled to receive by way of refund would be entirely within his control and the result of his own actions.

1955
 COMPOSERS,
 AUTHORS
 AND
 PUBLISHERS
 ASSOCIATION
 OF CANADA,
 LIMITED
 v.
 SANDHOLM
 HOLDINGS
 LIMITED
et al.
 Thorson P.

The second attack on the validity of Tariff No. 6 was on the ground that there was no statutory authority for the inclusion in it of the provision giving the plaintiff the right to examine the defendant's books. The provision to which exception was taken reads as follows:

The Association shall have the right, by its duly authorized representative, at any time during customary business hours, to examine books and records of account of the licensee to such extent as may be necessary to verify any and all such statements rendered by the licensee.

It was argued that the inclusion of this provision was not authorized by the Act, that the Copyright Appeal Board did not have jurisdiction to approve a tariff containing it and that Tariff No. 6 was, therefore, invalid.

A similar argument was made in the *Maple Leaf Broadcasting Company* case (*supra*) and rejected both in this Court and in the Supreme Court of Canada. The matter is of such importance that I quote the remarks of Cameron J. on the subject in full. After setting out the submission of counsel for the defendant in that case that the insertion of a similar provision in Tariff No. 2 was *ultra vires* the Copyright Appeal Board, he said, at page 147:

This contention has caused me a good deal of concern. It is clear that the Board is not given any express power in the Act to incorporate such a provision in its approved statements. I have stated above that in

(1) [1953] Ex. C.R. 130; [1954] S.C.R. 624.

1955
 COMPOSERS,
 AUTHORS
 AND
 PUBLISHERS
 ASSOCIATION
 OF CANADA,
 LIMITED
 v.
 SANDHOLM
 HOLDINGS
 LIMITED
et al.
 Thorson P.

my opinion the Board did have implied powers which were reasonably necessary to enable it to carry out the duties imposed upon it. Having found that the Board did have the power to fix a tariff of rates on the basis of the income or on the gross revenue of a licensee, it seems to me also that it must necessarily have power to impose reasonable conditions upon those licensees who desired to take advantage of an annual licence or other type of licence where the tariff was based in some way or other on income, on gross revenue, or in any way other than on a fixed dollar amount. The condition here imposed seemed not only reasonable, but absolutely necessary if suitable protection were to be afforded to the plaintiff. I do not suggest that any of the proprietors of the broadcasting stations are dishonest in any way. But it is patent that the plaintiff could be defrauded out of its just revenue by an unscrupulous proprietor unless it had an opportunity of verifying the licensee's statements and payments by inspection of its records. Indeed, counsel for the defendant, while arguing that the inclusion of this clause invalidated the whole of Tariff 2, practically conceded that if a tariff validly established were based on income, the Board must confer on the plaintiff some way of checking on the accuracy of the licensee's statements. It may well be that the broadcasting stations resent any one having knowledge of the particulars of their gross revenue, particularly as a substantial part thereof is derived from sources other than from the use of music. On the other hand, it is well known that in contracts providing for the use of patents or for the right to reproduce works in which copyright subsists, it is a very common, if not a general practice, to provide for verification of the amount of such user by conferring on the licensor the right to inspect the books of the licensee. In establishing a tariff for an annual licence under which the licensee was entitled to use any or all of the works of the plaintiff, the Board was conferring on the licensee something of a very useful and valuable nature. It was necessary in doing so that consideration should be given to the rights of the plaintiff and that was done by adding the clause in question. For these reasons I have reached the conclusion that it was not beyond the powers of the Board to append that clause to Tariff 2.

In the result I must hold that Tariff 2, including the concluding paragraph thereof, was *intra vires* the Board.

When the matter came before the Supreme Court of Canada the decision of Cameron J. was affirmed by a three to two decision. Cartwright J. delivered the majority opinion of the Court, speaking also for Kerwin C.J. and Taschereau J. After setting out the purpose of the action, namely, to determine whether the statements of fees, charges and royalties filed by the plaintiff and the statements as modified and approved by the Copyright Appeal Board were valid statements within the meaning of sections 10, 10A and 10B of The Copyright Amendment Act, he said that he agreed with the conclusions of the trial judge that the attacks on their validity should be rejected and that he was in substantial agreement with his reasons.

Later, he dealt with the validity of the inclusion in Tariff No. 2 of the provision giving the plaintiff the right to examine the licensee's books and said, at page 631: ...

Once it has been held that the Board was acting within its powers in fixing fees at a stated percentage of the gross revenue of a licensee it appears to me to follow that it must be within its powers to approve or prescribe the manner in which the amount of such gross revenue is to be ascertained or verified.

In their dissenting judgments Rand J. would have deleted from Tariff No. 2 the provision in question on the ground that it was not a necessary provision and was severable and Locke J. was of the opinion that it was not within the power of the Copyright Appeal Board to approve a tariff containing such provision.

While I am in complete agreement with the conclusion reached by Cameron J. that Tariff No. 2 in the case before him was *intra vires* the Copyright Appeal Board I respectfully suggest that there are statements in his remarks that attribute to the Board action which, in my opinion, it was not called upon to take, and did not take. For example, it was not accurate to suggest that the Copyright Appeal Board incorporated the provision in question in Tariff No. 2 or that it imposed its condition upon the plaintiff's licensees. It did not do so. The provision was incorporated by the plaintiff itself in the statements which it filed with the Secretary of State and to the extent that it sought to impose a condition on licensees the condition was imposed by the plaintiff. All that the Board was called upon to do and all that it did was to fix the fees, charges or royalties which the plaintiff could lawfully charge for an annual license containing such a provision and subject to such condition. The provision is a common one in licensing agreements for the use of various forms of industrial property where the license fees, royalties or charges are computed on a basis other than a fixed dollar amount. Indeed, it would be quite astonishing to see a licensing agreement of that sort without such provision. But it would have been competent for the plaintiff to have filed a statement without it in which case the Board might well have fixed a higher scale of fees, charges or royalties than it did for a license subject to such a condition. It was also not accurate to suggest that the Board in establishing a tariff for an annual license was conferring on the defendant something of a very useful

1955

COMPOSERS,
AUTHORS
ANDPUBLISHERS
ASSOCIATION
OF CANADA,
LIMITED

v.

SANDHOLM
HOLDINGS
LIMITED
et al.

Thorson P.

1955
 COMPOSERS,
 AUTHORS
 AND
 PUBLISHERS
 ASSOCIATION
 OF CANADA,
 LIMITED
 v.
 SANDHOLM
 HOLDINGS
 LIMITED
et al.
 Thorson P.

and valuable nature and that it was necessary in doing so that consideration should be given to the rights of the plaintiff and that was done by adding the clause in question. The Board did not confer any benefit on the defendant. Such benefit as it received from the right to use the plaintiff's musical works came to it by way of its license from the plaintiff to do so. All that the Copyright Appeal Board did was to fix the amount of the license fee which the plaintiff could sue for and collect from it. Nor is it correct to say that the Board added the provision out of consideration for the plaintiff's rights. It did not do so. It was the plaintiff that inserted the provision as one of the conditions of the issue of its license and the Board fixed the fees for such a license.

Moreover, I am of the opinion that it was not the purpose of the legislation to which I have referred to give the Copyright Appeal Board power to determine the terms and conditions of the licenses issued by a performing rights society to persons wishing to perform its copyright musical works. What Parliament was concerned with was to take away from such societies their right to fix the fees, charges or royalties for the issue of their licenses and vest the fee fixing function exclusively in the Copyright Appeal Board. This radical change was a drastic interference with the contractual rights of the performing rights societies. But the Act should not be construed as making any greater interference with such rights than was necessary to accomplish its purpose. Thus, as I see it, the rights of the performing rights societies, apart from their right to fix their fees, have not been taken away. They are still free, subject to the Act, to fix the terms of their licenses and stipulate the conditions to which they are subject.

It follows from what I have said that the Copyright Appeal Board, apart from its function of fixing the fees for the licenses issued by performing rights societies and its powers incidental to the performance of such functions, does not have power to determine the terms of such licenses or the conditions to which they are subject. Thus, it is for the performing rights society, subject to the Act, to determine the terms of its licenses and stipulate the conditions to which they are subject and for the Copyright Appeal Board to fix the amount of the fees, charges and royalties

which it may sue for and collect in respect of the issue of the license in the terms and subject to the conditions determined by it. It is, of course, within the power of the Copyright Appeal Board to do whatever may be necessary to the discharge of its statutory function.

Thus, I am of the view that it would not have been competent for the Board to insert the provision referred to if it had not been inserted by the plaintiff but that is quite a different thing from saying that it could not approve a statement of fees with such a provision contained in it.

For the reasons given I reject the submission of counsel for the defendant in the case at bar that the Copyright Appeal Board did not have power to approve Tariff No. 6 and that it was invalid.

I do not read the reasons for judgment of Cartwright J. in the *Maple Leaf Broadcasting Company* case (*supra*) as running counter to what I have said, nor do they expressly confirm it. I should also point out Locke J. was strongly of the opinion that the only license contemplated by the legislation was a simple permission by the performing rights society to perform its musical works during the ensuing year and that neither it nor the Copyright Appeal Board has the power to impose further terms such as that of the provision in question.

While there is now no possible doubt, in view of the decision in the *Maple Leaf Broadcasting Company* case (*supra*), that a tariff, such as Tariff No. 6, including the provision under discussion is valid and within the jurisdiction of the Copyright Appeal Board to approve, there remains a conflict of judicial opinion on whether or to what extent the performing rights societies may fix the terms of their licenses or the conditions to which they are subject and whether the Copyright Appeal Board has any such powers, apart from its fee fixing duty and its right to do what is reasonably necessary to perform it. Under the circumstances, I suggest that there should be legislative clarification of the matter.

Only the license fees for 1952 and 1953 are involved in this action. Since the defendant has not sent the plaintiff a statement of the actual amount expended by it for entertainment in 1952 it is not possible to state the amount of license fees for 1952, if any, to which the plaintiff is entitled

1955
 COMPOSERS,
 AUTHORS
 AND
 PUBLISHERS
 ASSOCIATION
 OF CANADA,
 LIMITED
 v.
 SANDHOLM
 HOLDINGS
 LIMITED
et al.
 Thorson P.

1955
 COMPOSERS,
 AUTHORS
 AND
 PUBLISHERS
 ASSOCIATION
 OF CANADA,
 LIMITED
 v.
 SANDHOLM
 HOLDINGS
 LIMITED
 et al.

or whether the defendant is entitled to a refund. There will, therefore, be a reference to the Registrar or a Deputy Registrar to ascertain this amount. The amount of the plaintiff's entitlement for 1953 will also be referred. There will, therefore, be judgment for the plaintiff as against the defendant for the amount of license fees for 1952 and 1953 to which it is entitled as computed in accordance with Tariff No. 6 on the report of the Registrar or Deputy Registrar.

Thorson P.

There remains only the question of costs. The plaintiff is entitled to its costs as against the defendant to be taxed in the usual way, except as to the proceedings for the interim injunction and the payment into and out of Court.

The action as against the individual defendants herein will be dismissed, but without costs.

Judgment accordingly.