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MASSIE & RENWICK, LIMITED (DEFENDANT) ..... } APPELLANT;

AND

UNDERWRITERS' SURVEY BUREAU LIMITED AND OTHERS (PLAINTIFFS).. } RESPONDENT;

AND

J. E. CLEMENT, INC., AND OTHERS (INTERVENANTS).

*Feb. 3, 5.
*Mar. 19.

UNDERWRITERS' SURVEY BUREAU LIMITED AND OTHERS (PLAINTIFFS).. } APPELLANTS;

AND

MASSIE & RENWICK, LIMITED (DEFENDANT) ..... } RESPONDENTS;

AND

J. E. CLEMENT, INC., AND OTHERS (INTERVENANTS).

ON APPEAL FROM THE EXCHEQUER COURT OF CANADA

Copyright—Fire insurance plans—Infringement—Conversion—Injunction—Defence—Conspiracy—Combine—Relevancy—Right of action barred—Sections 21 and 24 of the Copyright Act, R.S.C., 1927, c. 32—Section 82 of the Exchequer Court Act.

The action is one for infringement and conversion of copyright which the plaintiffs claim in fire insurance plans, and also for an injunction, damages and delivery up of infringing reproductions. The defendant pleaded *inter alia* that the plaintiffs combined and conspired together to prevent defendant from obtaining copies of the plans in question. Plaintiffs applied to have struck out those paragraphs of the statement of defence relating to the alleged combine and conspiracy; and the Exchequer Court of Canada granted such application. The defendant also alleged that the plaintiff's right of action, as to most of the works upon which the action was brought, had been barred by section 24 of the *Copyright Act* and the Exchequer Court of Canada held that such section was applicable to claims made under section 21 of the Act for the recovery of possession or in respect of conversion.

Held, reversing the first part of the judgment of the Exchequer Court of Canada ([1937] Ex. C.R. 15), that this Court should not be called upon, on the pleadings as they stand, to say whether or not the allegations in the above-mentioned paragraphs would be sufficient to justify the court in withholding an injunction and that the matter in dispute should be referred back to trial. The question whether a court will grant an injunction or not is a question of discretion, but limited; every threatened violation of a proprietary right which, if it were committed, would entitle the party injured to an action at law, entitles him,

*PRESENT:—Duff C.J. and Rinfret, Davis, Kerwin and Hudson JJ.

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prima facie, to an injunction, and the onus is upon the defendant of rebutting such presumption by showing that damages will be adequate compensation to the plaintiff for the wrong done him or that on some other ground he is not entitled to equitable relief. In considering whether such grounds exist for refusing such relief in this case, the trial court ought to have regard to the conduct of the plaintiffs and especially to the fact, if such fact were established, that the application for the injunction was merely one step in the prosecution of a scheme in which the plaintiffs had combined to further some illegal object injurious to the defendant.

Held, also, affirming the second part of the judgment of the Exchequer Court of Canada, that, without expressing any opinion on the question whether section 24 of the *Copyright Act* would in all cases affect a claim under section 21, inasmuch as the language of section 24 cannot be said to be capable of only one necessarily exclusive meaning precluding its application to claims under section 21 of the character hereinafter mentioned, there is reasonable ground for deciding that such application was within the probable intention of Parliament. The words "in respect of infringement of copyright" in section 21 are capable of a construction by which the phrase would extend to a claim under such section, as in the present case, where the infringing copy with which the claim is concerned is a copy the making and importing of which constituted infringement in the pertinent sense.

APPEALS from the judgment of the President of the Exchequer Court of Canada (1), on questions of law stated for determination in advance of the trial of the action.

The material facts of the case and the questions at issue are stated in the above head-note and in the judgment now reported.

O. M. Biggar K.C. and *H. Cassels K.C.* for the defendant, appellant and respondent.

J. A. Mann K.C. and *W. D. Herridge K.C.* for the plaintiffs, respondents and appellants.

W. B. Scott K.C. for the intervenants.

DUFF C.J.—In addition to the judgment delivered by Mr. Justice Hudson on behalf of the Court, it is, perhaps, advisable that I should add a word on the question of jurisdiction.

No objection was taken to the jurisdiction by the respondents in either appeal and, during the course of the argument, it was stated from the bench that, notwithstanding the unfortunate wording of section 82 of the *Exchequer Court Act,* the judgments appealed from might be considered as judgments in the nature of a judgment on demurrer and the appeals proceeded accordingly.

(1) [1937] Ex. C.R. 15.

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The judgment of the Court was delivered by

HUDSON J.—This action was brought by the plaintiffs in the Exchequer Court of Canada, alleging among other things an infringement of copyright by the defendant and claiming an injunction, damages and delivery up of infringing reproductions. The defendant admitted that it had obtained and used reproductions of certain of the documents of the kind referred to in the statement of claim but denied that the plaintiffs had any copyright in them. It also alleged that the plaintiffs' right of action, if any, had been lost by laches and acquiescence and that it was in any event barred as to most of the works upon which the action was brought by section 24 of the *Copyright Act* or alternatively by certain provincial statutes of limitation. It also pleaded that the plaintiffs were disentitled to succeed on the ground that they had combined and conspired together to prevent the defendant from competing with the plaintiffs in the business of fire insurance and that the course they had pursued for some twenty-five years, particularly in relation to certain agreements with the original holders of the copyright in question, and certain legal proceedings including the present action, had been adopted in order to attain the object of such conspiracy and combination. The defendant invokes section 498 of the Criminal Code and the provisions of the *Combines Investigation Act,* both of which specifically refer to conspiracies and combines in respect of insurance (1). The plaintiffs moved to strike out the allegation with respect to conspiracy and on the return of this motion this question and also a question as to the application of the statutes of limitation pleaded by defendant with respect to infringing documents were directed to be heard as preliminary questions of law.

The first of these questions was answered by the President of the Exchequer Court of Canada in favour of the plaintiffs and the second in favour of the defendant. Both parties appeal to this court.

The first question submitted was—

Whether the plaintiffs would be disentitled to succeed in this action if the defendant established the allegations contained in paragraphs 7, 8, 10, 11, 12, 13, 14, 15, 18, 19, 22 and 23 of the statement of defence which relate to acts done by the plaintiffs or some of them in combination.

(1) *Reporter's note:*—The above thirteen lines are a summary of the paragraphs of the statement of defence mentioned in the first question submitted, stated *infra.*

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The plaintiffs seek the aid of the court to protect a property right, but the remedy sought is in part an equitable one, i.e. an injunction.

The law governing the court in granting or refusing an injunction is correctly stated in Ashburner's Principles of Equity (2nd Ed. 1933), page 343:

> Where the court has jurisdiction to grant an injunction, the question whether it will grant it or not is a question of discretion. It is not bound to grant an injunction merely because A threatens and intends to violate a legal right of B. But the tendency of the decisions in recent years is to limit the discretion of the court, and it may be laid down that every threatened violation of a proprietary right which, if it were committed, would entitle the party injured to an action at law, entitles him, *prima facie*, to an injunction, and the onus is upon the defendant of rebutting the presumption in favour of an injunction, by showing that damages will be an adequate compensation to the plaintiff for the wrong done him, or that on some other ground he is not entitled to equitable relief.

In considering whether such grounds exist for refusing this relief, the court would, unquestionably, have regard to the conduct of the plaintiffs and, especially to the fact, if such fact were established, that the application for the injunction was merely one step in the prosecution of a scheme in which the plaintiffs had combined to further some illegal object injurious to the defendant. Taking this view, I do not think that this court should be called upon at the present time to say whether or not the allegations in the above-mentioned paragraphs of the statement of defence would be sufficient to justify the court in withholding an injunction. The matter should be referred back to trial without expressing at present any opinion one way or the other as to the sufficiency of the allegations in the statement of defence.

This course was adopted by the Privy Council in dismissing an appeal from the decision of this court in the case of *McLean* v. *The King* (1). The decision of the Privy Council is not reported but was given on the 10th July, 1908. The judgment delivered by Lord Loreburn, L.C., was as follows:

> The question in this appeal arises on a demurrer. If, on any reasonable construction of the respondent's petition of right, a cause of action could be proved, then the respondent (the suppliant) would be entitled to succeed. It will be for the learned judge who hears the case, when the facts have been proved, to decide whether a cause of action has or has not arisen, but it is not for their Lordships to express an opinion beforehand, on the pleadings as they stand.

(1) (1907) 38 Can. S.C.R. 542.

Accordingly their Lordships will humbly advise His Majesty to dismiss this appeal. In accordance with the undertaking given on behalf of the Attorney-General for Canada when special leave to appeal was granted, the appellant will pay the respondent's costs of the appeal as between solicitor and client.

The appeal in respect of the first question should, therefore, be allowed and the order of the learned President should be set aside—with costs in the cause.

The second question submitted was—

Whether any of the statutory provisions set up in paragraph 20 of the statement of defence constitute a bar to the plaintiffs' action in respect of any of the documents referred to in the schedules to the statement of defence and if any of them constitute such a bar, which of them do so, and to which of the remedies prayed by the plaintiffs do they respectively apply.

The learned President gave only a partial answer to this question, holding that section 24 of the *Copyright Act* was applicable to claims made under section 21 for the recovery of possession or in respect of conversion. From this decision the plaintiffs appealed.

Section 21 reads as follows:

21. All infringing copies of any work in which copyright subsists, or of any substantial part thereof, and all plates used or intended to be used for the production of such infringing copies, shall be deemed to be the property of the owner of the copyright, who accordingly may take proceedings for the recovery of the possession thereof or in respect of the conversion thereof.

and section 24 as follows:

24. An action in respect of infringement of copyright shall not be commenced after the expiration of three years next after the infringement.

These sections are part of a group of sections in the Act under the heading of "Civil Remedies," section 24 being at the end of this group. There is in the Act no other limitation or prescription in respect to actions arising thereunder.

It would appear to be unnecessary to express any opinion on the question whether section 24 of the *Copyright Act*, which is a reproduction of section 10 of the English Act, would, apart from the considerations about to be mentioned, affect a claim under section 21 of the Canadian Act, which is section 7 of the English Act.

The words "in respect of infringement of copyright," although by no means an apt description of a claim made under section 21, are capable of a construction by which the phrase would extend to a claim under such section if the infringing copy with which the claim is concerned is a

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copy the making and importing of which constituted infringement in the pertinent sense.

The Canadian statute must be assumed to contemplate proceedings in the Exchequer Court of Canada for the purpose of enforcing the rights created by section 21 as well as proceedings in provincial courts. This circumstance suggests various considerations which would appear to be of no inconsiderable weight. First of all, it would seem to be improbable that Parliament contemplated a uniform period of limitation throughout Canada in respect of actions admittedly falling within section 24 and differing periods of limitation as regards claims asserted in the provincial courts under section 21. Then, there is a great practical difficulty if section 24 has no application to claims under section 21. It is at least plausibly debatable whether such proceedings under the statute would be within the field of operation of provincial statutes of limitation; and as regards one of the provinces, especially having regard to the terms of the French version, it is at least arguable whether the period of prescription would not be thirty years.

We think we are entitled to assume that the Parliament was not entirely oblivious to these considerations and, as the language of section 24 cannot be said to be capable of only one necessarily exclusive meaning precluding its application to claims under section 21 of the character mentioned, there would appear to be reasonable ground for holding that such application was within the probable intention of Parliament.

The appeal in respect of the second question should be dismissed with costs. There will be no costs to or against the intervenants.

Defendant's appeal allowed, costs in the cause. Plaintiffs' appeal dismissed with costs.

Solicitors for the defendant: *Cassels, Brock & Kelly.*

Solicitors for the plaintiffs: *Mann, Lafleur & Brown.*

Solicitors for the intervenants: *MacDougall, Macfarlane, Scott & Hugessen.*