BETWEEN:

UNDERWRITERS' SURVEY BUREAU LIMITED, ET AL (PLAINTIFFS) ..... } APPELLANTS;

AND

MASSIE & RENWICK LIMITED (DEFENDANT) ..... } RESPONDENT.

1941
June 23.
Sept. 8.

Copyright—Infringement and conversion of infringing copies—Inquiry to assess damages—Referee's report and appeal therefrom—No actual loss or damage sustained by plaintiffs—Nominal and exemplary damages—Report varied by increasing amount of exemplary damages—Copyright Act, R.S.C., 1927 c. 32.

In an action for infringement of copyright in fire insurance plans and rating schedules and conversion of infringing copies, it was held that infringement and conversion had been proved; (1938) Ex. C.R. 103 and (1940) S.C.R. 218. An inquiry to determine the damages suffered by the plaintiffs was ordered, the Registrar of this Court being appointed Referee.

By his report the Referee found that the plaintiffs had sustained no actual loss or damage as a result of the infringement and conversion; that the plaintiffs are entitled to recover the sum of $200 by way of damages for plans ordered by the judgment of the Court to be delivered up to plaintiffs and not so delivered, and the sum of $5,000 as nominal and exemplary damages.

On appeal by the plaintiffs to this Court, the report of the Referee was varied by fixing the amount of the exemplary damages at the sum of $10,000.

Held: That damages include any loss sustained by the plaintiffs due to the tortious act of the defendant and also any profit which the defendant made as a result of the infringement.

2. That the word "profit" referred to in the Copyright Act is not a synonym for benefit or convenience. This benefit or convenience cannot be estimated in terms of money.

3. That since the plans in this particular case had been copied and retained by the defendant for its own use the question of profit does not enter into the consideration of damages.

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4. That in the absence of proof of specific damage or actual loss the plaintiffs are entitled to recover damages at large, including nominal and exemplary damages.

APPEAL from the Report of the Referee appointed to ascertain the damages recoverable by the plaintiffs from the defendant under a judgmcnt obtained by the plaintiffs against the defendant for infringement of copyright in fire insurance plans and rating schedules and conversion of infringing copies.

The appeal was heard before the Honourable Mr. Justice Maclean, President of the Court, at Ottawa.

J. A. Mann, K.C. and *H. G. Lafleur* for appellants.

W. N. Tilley, K.C. and *O. M. Biggar, K.C.* for respondent.

The facts and questions of law raised are stated in the reasons for judgment of the learned President and in the Report of the Referee.

THE PRESIDENT, now (September 8, 1941) delivered the following judgment:

This is an appeal from a Report made by the Registrar under an Order of Reference made in this action to assess damages.

The action was one brought by the plaintiffs for the infringement of copyright and conversion of infringing copies, in what are known as fire insurance plans and rating schedules, which I fully described in my judgment pronounced in this action (1). The expenditures made by the plaintiffs in the production of such plans and schedules, particularly the former, involved some millions of dollars over a period of time, but it is only the insurance plans with which we are here concerned. Apparently the experience of some fire insurance companies had demonstrated the necessity of their joining together to share in the expense of producing the rate making machinery and facilities required to transact fire insurance throughout the country, including the production of plans such as are in question here, and the revision of the same from time to time; it was to this end that very substantial expenditures were made from time to time in the production and revision

(1) (1938) Ex. C.R. 103; (1938) 2 D.L.R. 31.

of the fire insurance plans here in question. It will be obvious that no single fire insurance company could afford the cost of producing and revising such plans; thus it was that a great number of companies joined together to divide the cost of producing and revising such works, which accounts for the great number of plaintiffs joined in this cause. Each plaintiff has an interest in the said plans, and each contributed to the cost of producing and revising such plans, upon a basis which I need not take time to explain.

In my judgment in this action I decided that the defendant had infringed the copyright of the plaintiffs in the insurance plans in question, which judgment was affirmed by the Supreme Court of Canada (1), and in due course a Reference was made to the Registrar to assess the damages. The Registrar found the plaintiffs entitled to damages at large, to nominal and exemplary damages, in the sum of $5,000; and he found the plaintiffs were entitled to recover the additional sum of $200 by way of damages for failure to deliver up to the plaintiffs certain plans as directed by the judgment pronounced in this action. From the assessment of damages made by the Registrar the plaintiffs asserted this appeal, but the defendant entered no appeal therefrom. While the subject of this appeal has given me considerable anxiety I think I may express the conclusion which I have reached, without the necessity of discussing in any detail the Report of the Registrar, and in comparatively short terms.

Briefly, the Registrar found, upon the evidence adduced before him, that the plaintiffs had sustained no actual loss or damage as the direct result of the infringements. I do not think that finding is open to adverse comment; and in the circumstances of the case I am not surprised that the plaintiffs were unable to establish specific damages directly attributable to the infringements. However, the Registrar concluded that the plaintiffs were entitled to recover damages at large, including exemplary and nominal damages, and in this connection he said: " I think the sum allowed in this case should be commensurate with the gravity of the tort committed, and in view of the special circumstances of this case and of the wilful and fraudulent

(1) (1940) S.C.R. 218; (1940) 1 D.L.R. 625.

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invasion of the plaintiffs' right of ownership in the plans in question, and acting as a jury, I have decided that the plaintiffs are entitled to recover from the defendant as damages at large, including exemplary and nominal damages, the sum of $5,000." Accordingly, he recommended in his Report that judgment be entered for the plaintiffs for such sum of $5,000, and for the further sum of $200, for the reason already explained, making altogether the sum of $5,200. In the case of *Exchange Telegraph Co.* v. *Gregory & Co.* (1), referred to by the Registrar in his Report, Lord Esher M.R. said: "A man who does such a wrongful act as the defendant has done lays himself open to be told by the tribunal before whom he appears, 'You have damaged the plaintiff. You have done a contemptible and fraudulent act against him, . . . and therefore you must have damaged him.' In such a case the jury may give any damages. It is not necessary to give proof of specific damage. The damages are damages at large." The facts of that case are in close analogy with the facts of the case under discussion.

It is the amount of the damages at large, the exemplary damages, found by the Registrar which is the subject of this proceeding, and the plaintiffs now ask to vary the Report of the Referee by increasing the amount of such damages. Rule 185 of the Exchequer Court Practice provides that the Report of a Referee may be confirmed, varied or reversed by the Court. The matter which I have to decide is therefore whether or not the damages found by the Registrar are in the circumstances adequate, and, if not, by what amount they should be increased. The matter for precise decision is not one which lends itself to any lengthy discussion.

I cannot escape the conviction that in the circumstances of this case the amount of the damages determined by the Registrar are inadequate, and, with great respect, I think the amount fixed by him should be increased. The defendant committed a series of infringements and acts of conversion against the owners of very costly and valuable works in which copyright subsisted, over a period of years, with deliberation, with persistency, with premeditated secrecy in several instances at least, and, in many

(1) (1896) 1 Q B D. at page 153.

instances, its managers and officers expressly directed its own employees and servants to commit the tortious acts of which the plaintiffs complained. While the possession of the plans thus secured, or the copies made thereof, was not perhaps the cause of a loss of insurance business to the plaintiffs, or a gain of insurance business to the defendant, yet they were convenient, useful and valuable facilities employed in the conduct of the defendant's business over a period of years, and probably their possession would reduce the defendant's cost of doing business in various sections of the country. The trial of this cause at one stage had to be adjourned to Toronto from Ottawa, when some of the plans in question and perhaps other material were required to be produced before the Court, because the defendant urged that the same could not be produced at Ottawa without causing a great inconvenience and possible interruption or delay in the conduct of the defendant's daily business. In order that the plaintiffs should protect their copyright in the plans, and prevent and discourage their infringement not only by the defendant but by other underwriters, who paid nothing for their production, the plaintiffs felt obliged to take the appropriate action against the defendant; and this action must have cost the plaintiffs a very substantial sum of money above any taxed costs recovered. But I apprehend that any such sum or sums would not afford a basis for the assessment of damages, and that, I think, was not urged upon me. In any event, the plaintiffs must have been put to much annoyance, inconvenience and disturbance, in the conduct of their businesses during the course of the litigation, which extended over a very lengthy period. This action the defendant resisted most strenuously at every step; it never approached the plaintiffs with a suggestion of any kind of a settlement, nor did it ever intimate, so far as I know, its willingness to abandon its infringements. Moreover, the defendant charged that the plaintiffs were guilty of a conspiracy contrary to the terms of the Combines Investigation Act, and also were guilty of an indictable offence under the Criminal Code, in the restrictions placed upon the use of such plans by persons other than the plaintiffs, and in their efforts to prevent their free and uninterrupted use by the defendant and others; and fur-

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ther, the defendant appeared to express great indignation that it should be called upon to answer to this action, or that it should be compelled to cease using the plaintiffs' plans and making copies of the same. It was said that the plaintiffs delayed the assertion of their rights in the copyrights in question and that thus the defendant was encouraged to its detriment to believe that the plaintiffs would never assert any monopolistic right in the said plans. At one stage in the history of these insurance plans perhaps the defendant would be entitled to some degree of sympathy on this account, but there came a time, long before this action ever came on for trial, when the defendant must have abandoned any hope that the plaintiffs would refrain from bringing an action and pursuing it to a conclusion.

It seems to me that in all the facts and circumstances of this case that the damages at large, the exemplary damages, determined by the Registrar, are inadequate and can hardly do justice in the premises; at least that is my view of the matter considering the magnitude and character of the infringements committed, and there is nothing more I can usefully say in support of that view. The assessment of damages in a case of this kind is, of course, difficult, but it seems to me that something should be added to the amount recommended by the Registrar and I propose to increase the same by $5,000, and to that extent vary the Report of the Registrar. I therefore fix the damages at $10,200.

The plaintiffs will have the costs of the Reference and of this appeal.

Judgment accordingly.

Following is the Report of Arnold W. Duclos, K.C., Registrar of the Exchequer Court of Canada, the Referee herein.

Aimé Geoffrion, K.C., J. A. Mann, K.C. and *H. G. Lafleur* for plaintiffs.

W. N. Tilley, K.C., O. M. Biggar, K.C. and *Christopher Robinson* for defendant.

This case comes before me as Referee, under an order made in the judgment of this Court, to assess the damages.

I think it would be advisable to give those parts of the judgments which may be material to the assessing of damages. By the judgment of this Court, it was ordered and adjudged that:

(1) each of the fire insurance plans of which particulars are set out in the list hereto attached and marked "A," and (2) each of the rating schedules, rate cards, rate books and slips, and underwriting rules, of which particulars are set out in the list hereto attached and marked "B," is the subject of subsisting copyright of which the plaintiffs or some of them are the owners with other persons, firms or corporations . . . that the defendant has infringed the said copyright in such of the aforesaid works as are specified in the list hereto attached and marked "C," by authorizing their reproduction on the dates and in the quantities mentioned in the said list "C" . . . that the plaintiffs are entitled to recover from the defendant all damages sustained by them by reason of the infringements aforesaid and in respect of the conversion of any infringing copies which the defendant is unable to deliver up . . . that the question of the amount of damages sustained by the plaintiffs by reason of any and all of the said infringements and conversions be referred to the Registrar of this Court for enquiry and report.

Reference is hereby made to Schedules "A," "B" and "C" aforesaid.

Upon appeal from the said judgment to the Supreme Court of Canada, it was by the said Court, on the 19th day of January, 1940, ordered and adjudged "that the said appeal should be and the same was allowed in respect of the rating material brought into existence after the first of January, 1924, and in other respects that the said appeal should be and the same was dismissed."

At the opening of the hearing, counsel for plaintiffs asked whether the entire record, including the evidence, exhibits and other documents on the trial before the Court, formed part of the exhibits and evidence on the reference in so far as the same might be material or pertinent. I told counsel that I considered all exhibits, evidence or other material in the record before the Judge presiding at the trial should be before me in so far as useful to me in the assessment of damages.

I then asked counsel for the plaintiffs whether he intended to file the six undertakings previously left with me (now filed as Exhibit No. 2), namely, undertakings by certain insurance companies to pay, in proportion therein mentioned, their respective shares of the damages and costs which might be found due by the defendant to the plaintiffs. The remarks made by counsel will be found

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in the transcription of the proceedings before me. I can see no reason or object in filing this exhibit before me. They are nothing more than undertakings by these companies to recoup the defendant for any amount which it might be condemned to pay.

Exhibit No. 1 which was filed on my suggestion, is not exactly what I had asked for, that is, particulars of their claim, but it sets out the evidence which the plaintiffs would adduce as a basis for damages alleged to have been sustained, substantially as follows:

1. What it would have cost the companies represented by Massie & Renwick Limited, namely, Northwestern National Insurance Company, National-Ben Franklin Insurance Company, Ensign Insurance Company, Girard Fire and Marine Insurance Company, Dominion Fire Insurance Company and Firemen's Insurance Company of Newark, for the years beginning 1927, to the end of June, 1940, approximately the last date upon which the infringing copies were returned.

2. The amount which it would actually have cost the companies to procure the plans and copies for themselves, their agents and representatives, the servicing or bringing up to date of plans, independent of reissues and revisions, included in No. 1.

3. As rating cards, cabinets and rate books are included in the annual assessments, the defendant should be called upon to pay, and the plaintiff will claim the value based upon actual cost of this material, which they retain, and in addition, the cost of the rating schedules infringed, as these are not for use except by rating inspectors, and alternatively the cost of producing them, or such value as the court may place upon them.

4. The actual value of plans which have not been returned based upon what it would have cost the six companies to have purchased them outright, and an additional value resulting from their being able to keep the infringing copies, add information to, and use them *ad infinitum*.

5. Damages at large, including exemplary and punitive damages.

Item 3 having subsequently been abandoned, the plaintiff's claim now resolves itself into three items; namely:

1. They claim, as an element of the damage sustained, what it would have cost the defendant to obtain the plans in question, e.g., what they or the insurance companies they represented would have been called upon to pay during the 13½ years referred to in the action, as members of the Association. (This covers Nos. 1 & 2 of the particulars Ex. No. 1.)

2. The costs of the plans which defendant by the judgment was ordered to deliver up to plaintiffs, and which order has not been complied with, e.g., plans not yet returned.

3. Damages at large, including exemplary and punitive damages.

The relationship between the plaintiffs, the Underwriters' Survey Bureau Limited, the Canadian Fire Underwriters' Association and its member companies, is fully explained and set out in the reasons for judgment of the President of this Court and of the Chief Justice of the Supreme Court of Canada, and will be referred to by me only in so far as may become necessary for the purpose of the reference herein.

In a sense this is an unusual, and in fact a unique case, but I see no reason why it should not be decided and the damages assessed under the general principles for the assessment of damages, the loss sustained by plaintiffs, and the profit made by defendant as direct results of the infringement.

I have been unable to find any case which is in its entirety similar to this case. A number of cases are reported where pictures, books and other works have been copied and sold, and one simply has to find the profit made, or the value, or fix a royalty. Such cases offer little trouble.

The general principles and the law as to the assessing of damages are well known, namely, that the damages must flow directly from the tortious act complained of and they must not be too remote; that is, the "pecuniary compensation for the injury (a person) has sustained by reason of the act or default of another."

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At page 82 of Halsbury, Vol. 10, 2nd Edition, it is stated that the underlying principle by which courts are guided in awarding damages is *restitutio in integrum:* "By this is meant that the law will endeavour, so far as money can do it, to place the injured person . . . in the position he occupied before the occurrence of the tort."

I quote here from a note on page 82 of the same volume:

> The whole region of inquiry into damages is one of extreme difficulty. You very often cannot even lay down any principle upon which you can give damages; nevertheless it is remitted to the jury, or those who stand in the place of the jury, to consider what compensation shall be given in money for what is a wrongful act.

At the same page Lord Lindley is reported as saying:

> It must be remembered that the rules as to damages can in the nature of things only be approximately just, and that they have to be worked out, not by mathematicians, but by juries.

In the case of *Hildesheimer* v. *W. & F. Faulkner, Limited* (1), also to be found at page 506 of Mayne on Damages under the word "Copyright." This was an action to recover penalties for sales of a million copies of pictures, and the Court of Appeal considered itself not bound to award for each offence a penalty of at least one farthing. Judgment was given for a lump sum, which, if divided by the number of offences, gave for each a fraction less than the least recognized coin of the realm.

In the case of *United Horse Nail Co.* v. *Stewart* (2), the remarks of Lord Kinnear, 3 R.P.C. 141, and Lord Watson, 5 R.P.C. 267, show that in assessing damages they were trying to find the "loss" sustained by the plaintiff, and only such loss as was the "natural and direct consequence of the respondent's (infringer's) acts."

In *Meters Ltd.* v. *Metropolitan Gas Meters Ltd.* (3), Cozens-Hardy M.R. is reported as saying that the matter before him (measure of damages in patent action) "is to be dealt with in the rough—doing the best one can, not attempting or professing to be minutely accurate" . . . And later, "dealing with the matter broadly, and as best we can as men of common sense."

Exchange Telegraph Co. Ltd. v. *Gregory & Co.* (4). This was a case where the matter of stock exchange prices was the subject of copyright. Lord Esher M.R. at page 153 says:

(1) (1902) Ch. D 552.
(2) (1885) 2 R.P.C. 122; 3 R.P.C. 139 and 5 R.P.C. 260.
(3) (1911) 28 R.P.C. 157 at 161.
(4) (1896) 1 Q.B.D. 147.

Persons to whom this information, supplied from hour to hour, is valuable must, if they could not get it in any other way, buy the plaintiff's newspaper. That is some damage. To say that the damage must be such as can be measured—that you must show how much the wrongful act complained of would injure the person against whom it was done—is no answer. In such a case the jury may give any damages. It is not necessary to give proof of specific damage. The damages are *damages at large.*

In addition to the above, I have referred to and consulted the following text books and authorities: Bowker (Amer.) Copyright 272 and 273; Weil (Amer.) Copyright Law 470, para. 1240, and page 476, para. 1266, and page 477; Copinger (Eng.) The Law of Copyright, page 158, and cases there referred to: *Brady* v. *Daly* (1); *Gross* v. *Van Dyke Gravure Co.* (2); and specially remarks of Learned Hand J. at p. 413 and of Lacombe J. at p. 414.

It appears, from the evidence of the plaintiffs and particularly from Exhibits 5 and 7, that if the defendant or rather the Insurance Companies it represented had been members of the C.F.U.A. during the 13½ years in question herein, these companies would have been assessed, as their share of the expenses of the C.F.U.A., the sum of $126,954.38 and further they would have had to pay plaintiffs or the Bureau, for copies of the plans defendant had, in the further sum of $30,945.10. Plaintiffs also claim interest on these sums from the date when each would have become payable if members. This interest claimed amounts to $44,198.34 on the first mentioned sum, and $8,509.89 on the latter sum, making a total claim of $210,607.71. Exhibits Nos. 7, 5 and 8 show the amount which each member of the Association would have saved, if the five companies above referred to had been members, and had shared in the expenses of the Association. It further appears that the defendant, as agent, could not become a member of the plaintiffs' Association but that it could get the plans and other material, if the five companies, for whom it acted as agent, became members and agreed to be bound by the Constitution and Rules of the Association; that the cost of the plans to it are multiplied by the number of companies it represented; that if only one of the companies it represented became a member of the C.F.U.A. it could not get the plans in question; that the Under-

(1) (1899) 175 U.S. p. 148 at p. 154.

(2) (1916) 230 Fed Rep. 412.

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writers' Survey Bureau, which replaced the old Plans Branch of the C.F.U.A., and the C.F.U.A. are non-profit organizations: that the Bureau, though a separate legal entity, is, in effect, a servant of the Association; that the Bureau does the work of preparing and amending plans, including the required field work, the preparation of the Rates Manuals, and renders a multiplicity of other services, such as inspection of industrial plants, sprinkler systems, and so forth. The cost of all these services is paid for by all the Member Companies in the proportion of their respective premium incomes. It follows that if five more companies become members, the assessments on the others would be reduced proportionately.

The evidence also proved the cost of the plans ordered to be delivered up by the judgment and not yet received by the plaintiffs.

There is no proof of what the damage at large might comprise or the amount claimed under this head. At p. 324-5 of the trial evidence it is stated that the same agent might represent both Board and Non-Board Companies. The only evidence adduced by the defendant was to explain the errors in the number of plans ordered to be delivered up and alleged to have not yet been received. It is clear from this that the amount claimed for plans not returned was excessive, and that, in the result, there remained only a few to be returned, which the defendant claims were destroyed or could not be found. The plaintiffs could not fix a price or the cost of these plans. It was finally admitted that the plans, reproduced by defendant or by others for it, would amount to something between 25 and 50. The value of this will be dealt with later.

Before entering upon the discussion of various items of damages claimed in Exhibit No. 1, I wish to dispose of the question of profits alleged to have been made by the defendant as resulting from the infringement.

During the course of the examination of Mr. Massie, the question was put by Mr. Geoffrion, K.C., as to the profits made by the six companies represented by the defendant. An objection was taken by Mr. Tilley, K.C. that the matter was not relevant to the inquiry and, it was argued, among other things, that the judgment only

referred to damages and that I was thereby prevented from making an inquiry as to the possible profits which the defendant might have made.

I cannot, I am afraid, adhere to the argument that the judgment refers only to damages and therefore restricts me accordingly. It seems to me that the word damages, used in the judgment, must be read in its broad sense, and would include damages due to loss sustained by the plaintiffs from the tortious act of the defendant, and also the profit which the defendant would have made from the infringement. I do not think that the word damages, as used in the judgment, is limitative in the sense which it is attempted to give it. The Act provides that the plaintiffs, upon proof of infringement of their copyright, may claim damages and in addition profits made by the defendants. This, of course, means profits made by the defendant as a result of the infringement. Where the plaintiffs prove clearly that the defendant's profit would have been theirs but for the infringement, these profits then become plaintiffs' loss and in that sense are an element of damage sustained by them, the plaintiffs.

Undoubtedly the fact that the defendant had these plans was a convenience to it in its business but it has not been proved, and, I doubt if proof is possible, that any profit was made by defendant due to such use, for so many considerations come into the question.

The choice of an insurance company, or its agent, is generally a matter of confidence in a particular company or its agent, or a question of friendship, or other considerations. I am perfectly satisfied that no insured chooses a particular insurance company for the reason that it had the plans in question; it is doubtful if he would know anything about it. In any event, it is useless to further elaborate, for, on the examination of Mr. Massie, after the objection and discussion above referred to, Mr. Massie declared it would be impossible for him to state what would be the profits, if any; and, moreover, I think that the word profits used and referred to in the Act is restricted to cases where, for instance, a book or other copyrighted work is illegally copied and sold at a profit. The word profit, as above referred to, could in no way be said to be a synonym for benefit or convenience and these last two words could not

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be estimated in dollars and cents. In this particular case the plans, as found by the judgment, were copied and retained by the defendant for its own use. Therefore on the evidence before me I find that the question of profit does not come into the consideration of damages at all.

In discussing the elements of damage as set out in Exhibit No. 1, it must be kept in mind that the tortious acts of the defendant alone, are to be taken into consideration, and only such as directly flow from and are due to the infringement by the defendant, and the damages must be a compensation for the *loss* sustained by the plaintiffs. I found it impossible to find any proof of *actual* damage (loss) sustained by the plaintiffs as resulting from the infringement. I think, however, that the defendant must pay something for its tortious act and for the invasion of the plaintiffs' property. There can be no doubt that even in the absence of proof of specific damage or actual loss the plaintiffs are entitled to judgment for a sum to be fixed, under the head of damages at large, including nominal, as explained further, and exemplary damages. I am of opinion that the authorities above cited and those to which I will refer amply justify such a course.

I now take up a discussion of the various items of damages as set out in Exhibit No. 1, with the amounts claimed under each head, save the last, damages at large, namely, Exhibits 5, 7 and 6. Items covered by paragraphs 1 and 2 of Exhibit No. 1, can conveniently be taken and discussed together, amounting in all to $210,607.71; this amount is what the plaintiffs claim the defendant, or rather the insurance companies it represented, would have been called upon to pay, as its or their share of the expenses of the Association for the plans, had it been a member of the C.F.U. Association for the 13½ years in question herein—or as Mr. Geoffrion, K.C. put it—the amount the defendant would have had to pay to do lawfully what it did unlawfully. Counsel for plaintiffs cited the case of *Watson, Laidlaw & Co. Ld.* v. *Pott, Cassells & Williamson* (1), and especially the remarks of Lord Justice Shaw, in support of this claim. I do not think this case is very helpful, for the court was dealing with patents, and their Lordships were called upon to assess damages

(1) (1914) 31 R.P.C. 104.

following upon the infringement of a patent, where it was proved that the plaintiff would not have made the sales made by the defendant and therefore could not claim damages for loss of sales; and his Lordship stated that in such a case the proper basis for assessing damages was on the principle of price or hire, to a royalty, where invasion of property has occurred. (See p. 120). In the instant case the defendant paid approximately $10,000 for obtaining the copies of the plans which they did get and the plaintiffs say that if the defendant had been members it would have cost them $30,000 to get the copies of the plans in question, and surely it cannot be said that the sum of over $200,000 would be a fair royalty in the premises.

The amount claimed is not a damage or loss suffered by the plaintiffs, due to the infringement, but is more in the nature of a punishment for refusing to join. Neither is it open to the plaintiff to say that as the defendant could only have got the plans and other material in question upon paying the sum claimed, therefore they lost this sum. Before 1927 defendant had no plans and is now carrying on without the plans and therefore they were not a necessity but a convenience. Moreover, the defendant could not be a member and would not have been allowed to join. True, the insurance companies it represented could probably have joined; thus defendant could have received these plans on payment of a price arbitrarily fixed, but these companies would not join.

I am of the opinion that this amount is not a loss sustained by plaintiffs as a result of the infringement, and therefore is not a damage sustained by them by reason of the infringement. There is no proof that the companies represented by defendant, if asked, would have become members; in fact, the opposite is evident, and therefore this amount was not lost to the plaintiffs, because of the infringement.

Before defendant could get plans, it must requisition and pay for them, as shown by Exhibit 5 and the evidence of Brown and Long, see Item 2 of the particulars, Exhibit No. 1. It is also worthy to note that as defendant represented five companies it is now charged for *five* copies or five times what it would have cost if it had represented

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only one company—further that had only one of the five companies become a member it could not have got the plans—nevertheless it is recognized that some agents represent both Board and Non-Board companies, and have the use of plans. This claim raises two questions:

(1) is this proposed manner of assessing damages a sound and proper way of fixing the amount of damages, and

(2) have the plaintiffs sustained any such sum or any sum in damages due to the infringement?

To the first question I would answer in the negative. There is a fallacy in this proposed basis for damage. Moreover, this sum, claimed, represents a multiplicity of services rendered the members none of which the defendant got. Witness Baldwin says there was a constant flow of information to members. This would cover reports and information regarding manufacturing or special risks, and other matters, none of which was available to the defendant. True, they authorized the copying of plans covered by the Copyright—but they did not get the amendments nor the many other services which the members enjoyed. It must be kept in mind also that the damages claimed under this head are based on the prices and charges which the plaintiff companies, for mutual benefit and protection, have agreed to pay, for the reason, *inter alia,* that there is a minimum price fixed for premiums, thus preventing price cutting among the member companies.

I am of opinion that this basis for assessing damages is unsound. It follows that the basis being unsound the damages claimed under this head must fall. Moreover, there is no proof that the plaintiffs have sustained this or any actual loss as a result of the infringement, under this head. I will deal later with the damages at large, but this item, depending as it does upon many contingencies is too remote to be allowed as damages. There is no proof that the act of defendant kept insurance companies from joining the ranks of the plaintiffs, though I can imagine that this might be so, but it was not even suggested. I am now faced with the necessity of assessing the damages at large—nominal and exemplary. These and any such damages defendant argues cannot be allowed and very able arguments were made by Mr. Tilley, K.C. and Mr. Biggar, K.C. in support of this contention.

Before discussing the question of damages at large, I will dispose of the item No. 4 or Exhibit No. 1—the cost of the plans copied and not delivered up to the plaintiffs—as ordered to do by the judgment herein. The claim under this head was originally for the sum of $5,366.04 but finally after further deliveries made, and after the testimony of Mr. Massie had been given, explaining errors in Exhibit No. 6, it was agreed that between 25 to 50 plans had not been returned, having been lost or destroyed, but plaintiffs could put no value on this. I am forced to arrive at a figure, basing it upon what evidence is to be found of record. I fix the damages for non-delivery of these plans at $200.

Now coming to Item No. 5 on Exhibit No. 1 "damages at large, exemplary and punitive." The concise and most able arguments of counsel on this point have been transcribed and form part of the proceedings before me, and I will not attempt to summarize them in this report, for to do them justice would necessitate my quoting at length.

In substance of course, defendant contended that there was no actual damage, and that I was not authorized under the judgment to go beyond that.

Mr. Tilley, K.C. cited the case of *Birn Bros.* v. *Keene* (1) and especially remarks of Peterson J., p. 285. The learned judge there says that in that case, the Master was wrong in including damages under the head of conversion, and that the damages to be assessed are such as have been occasioned by selling copies. "The damages are confined to damages for infringement and do not include damages for conversion." On page 286 the judge confirms an item for injury to trade, i.e., £210. He says:

> Now this was an extensive and deliberate piracy, and it was directed to what the defendants themselves admit was a substantial number of the plaintiffs' customers, and I have no doubt that the defendants have not in their admissions exaggerated the extent of their depredations on the plaintiffs' trade. Their conduct was aggravated by the fact that they offered the cards at a much lower price than that which the plaintiffs asked. In such cases as these the damages must necessarily be to a large extent a matter of conjecture but on the whole, having regard to the extent of the defendant's illicit operations, I am not prepared to disagree with the Master in his finding that £210 is a fair sum to be allowed under this head.

It is to be noted that the learned judge says "the damages must necessarily be to a large extent a matter of *conjecture.*"

(1) (1918) 2 Ch. D. 281.

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In the *Exchange Telegraph Co.* case above referred to (1), Lord Esher M.R. says:

'You have done a contemptible and fraudulent act against him, and have invaded his common law right, and therefore you must have damaged him.' In such a case the jury may give any damages. It is not necessary to give proof of specific damage. The damages are damages at large.

Extracts from the judgment of this Court are cited above at p. 2 and the Court has found there was damage from the infringement and referred the matter to the Referee to report as to the amount sustained. It appears from the reasons for judgment (2), that the Court found that the right of the plaintiffs in the plans in question was property belonging to the plaintiffs; that the defendant knew of the copyright in these plans and that it secretly, clandestinely and fraudulently authorized the copying of the same.

The President cites, at p. 114, the case of *Jefferys* v. *Boosey* (3), as follows:

"The nature of the right of an author in his work is analogous to the rights of ownership in other personal property, and is far more extensive than the control of copying, after publication in print, which is the limited meaning of copyright." Erle J.'s opinion as to the nature of copyright, and that of Lord Brougham in the same case, has been accepted by the courts as correct and authoritative. Lord Watson, in *Caird* v. *Sime* approves Lord Brougham's opinion In *Mansell* v. *Valley Printing Co.*, after referring to Lord Watson's judgment in *Caird* v. *Sime,* Cozens-Hardy M R. said: "The law thus laid down is based upon property, irrespective of implied contract or breach of duty. It does not depend upon property in the paper or manuscript. It is an incorporeal property." In the same case, Farwell L J. said: "Every invasion of right of property gives a cause of action for damages to the owner against the invader, whether the invasion be intentional or not, and whether it is innocent or malicious. This applies to all rights of property, real and personal, corporeal or incorporeal . . ."

At page 121 reference is made to sections 3, 17, 20 and 21 of the Copyright Act. The learned President cites:

S. 3 of the Act defines what is copyright. It states: "For the purposes of this Act 'copyright' means the sole right to produce or reproduce the work or any substantial part thereof in any material form whatsoever . . .; if the work is unpublished, to publish the work or any substantial part thereof . . . and shall include the sole right . . . to authorize any such acts as aforesaid." Therefore, the sole right to "publish," to "produce" or to "reproduce," is in the owner of the copyright, and the owner of the copyright is the only person who can "authorize" others to do the thing or things which the Act gives to him the sole right to do.

(1) (1896) 1 Q.B.D. 153, line 17. (2) (1938) Ex. C.R. 103.
(3) (1855) 24 L.J. Exch. 81 at 85.

From the remarks on pages 127 and 128 it is clear that the Court found that there was fraud in this case and the judgment as finally settled in this case provides that the plaintiffs are entitled to recover from the defendant all damages sustained by them by reason of the infringements aforesaid.

Mr. Biggar, in his argument based entirely upon the statute, contended that it is a statutory claim and that the claim must come within the statute. He cited section 20 which gives three distinct categories of claims, injunction, damages and accounts. He further stated that under the judgment as now approved by the Supreme Court the plaintiff is only entitled to *damages* "sustained" by them by reason of the infringement; that section 3 of the Act confers upon the owner the sole right to copy any original work, and that section 17, defining infringement, states that infringement is the act of doing without authority that which is conferred solely upon the owner of the copyright but that there is nothing in the Act making user by anyone an infringer; that the cause of action is complete upon the copying, reproducing or authorizing to reproduce without authority of the owner. Referring to the wording of the judgment "damages sustained," this does not limit the damages to "loss," but includes all classes of damages, actual or real, exemplary, nominal and punitive. It seems to me that if it is held that infringement is limited to unauthorized *reproducing* then there never would be damages (loss) *from such an act.*

Mr. Geoffrion, K.C. referred me to sec. 20 of the Copyright Act—which declares a person "entitled to all such remedies by way of injunction, damages, accounts, and *otherwise,* as are or may be conferred by law for the infringement of a right."

Now this is a clear case of a wilful and fraudulent invasion of the rights of the plaintiffs in their property, giving rise to a right to recover, nominal, exemplary and punitive damages, though actual damage is disproved.

I do not believe that the law contemplates allowing a wrongdoer to go scott free just because it is difficult or impossible to prove actual damages.

Mayne on Damages at page 2 says:

> The amount of damages recoverable depends upon the nature of the action and the evidence. Where the plaintiff gives no evidence of his

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loss, the damages generally are, but need not necessarily be, nominal, which are distinguished from small or contemptuous damages on the one hand, and from substantial and exemplary damages on the other.

And at page 5 says:

A distinction, however, must be taken here between absolute and relative rights. A man has an absolute right to have a promise performed, *or to keep his estate involate;* and he may sue and obtain nominal damages for an infringement of this right, although its maintenance is no benefit to him, and its violation no injury.

And at page 6 says:

Setting aside this exceptional class of cases, it may be broadly stated that an infringement of a right will support a claim to nominal damages, *though actual damage is disproved.*

And at page 7 says:

But the fact that damages cannot be assessed with certainty does not relieve the wrongdoer of paying damages for his wrong. In such a case the jury must do the best they can, although it may be that the amount of their verdict will really be a matter of guesswork.

In the United States the law provides for a minimum and maximum amount within which the jury or any one acting as such may assess the damages.

This is not so here, and the Referee, acting as a jury, must do the best he can to render justice between the parties.

Nominal damages are not necessarily small, and on this point I would like to quote from the remarks of the Earl of Halsbury, in the case of *The Mediana* (1). He says:

There is no doubt in many cases a jury would say there really has been no damage at all: "We will give the plaintiffs a trifling amount"—not nominal damages, be it observed, but a trifling amount; in other cases it would be more serious. It appears to me, therefore, that what the noble and learned Lords who gave judgment in your Lordships' House intended to point out, and what Lord Herschell gives expression to in plain terms, was that the unlawful keeping back of what belongs to another person is of itself a ground for real damages, not nominal damages at all. Of course I observe that it has been suggested that this was not an action for trover or detinue; but although those are different forms of action, the principle upon which damages are to be assessed does not depend upon the form of action at all. I put aside cases of trespass where a high-handed procedure or insolent behaviour has been held in law to be a subject of aggravated damages, and the jury might give what are called punitive damages. Leaving that aside, whatever be the form of action, the principle of assessing damages must be the same in all Courts and for all forms of what I may call the unlawful detention of another man's property.

(1) (1900) A.C. 113, at p. 118.

I would also refer to *Griffiths* v. *Fordyce Motors* (1), and especially the remarks of Phillips J.A. at p. 454 regarding exemplary damages and his quotation from Pollock on Torts, on the same page:

> Where there is great injury without the possibility of measuring compensation, by any numerical rule, and juries have been not only allowed but encouraged to give damages that express indignation at the defendant's wrong rather than a value set upon the plaintiff's loss.

I think the sum allowed in this case should be commensurate with the gravity of the tort committed, and in view of the special circumstances of this case and of the wilful and fraudulent invasion of plaintiff's right of ownership in the plans in question, and acting as a jury, I have decided that the plaintiffs are entitled to recover from the defendant as damages at large, including exemplary and nominal damages, the sum of $5,000.

Therefore, to summarize my holdings, for the reasons above given, and upon authorities above cited and referred to, and after careful reading of the evidence adduced before me, and before the Court, including the exhibits to which counsel referred me, both those filed before the Court at the trial and those filed on this Reference and after hearing the eminent counsel who were before me and the able arguments made for both sides, I have come to the following conclusions:—

1. That the basis for assessing the damages as set out in paragraphs 1 and 2 of Exhibit No. 1 is erroneous, fallacious and unsound.

2. That the sum of $210,607.71 claimed to be due on the basis above set out is not a fair sum to allow and such alleged damages are too uncertain and too remote.

3. That the plaintiffs have sustained no actual loss or damage as a result of the infringement.

4. That the plaintiffs are entitled to recover the sum of $200 by way of damages for the plans ordered by the judgment of the Court to be delivered up to plaintiffs and not so delivered.

5. That the plaintiffs are in the circumstances of this case entitled to nominal and exemplary damages, which I fix at the sum of $5,000.

(1) (1930) 4 D.L.R. 451

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6. That the defendant having made no offer of any amount, the plaintiffs are entitled to their costs of this Reference.

AND I DO RESPECTFULLY RECOMMEND that judgment be rendered accordingly for the sum of $5,200, with interest from date hereof and costs of Reference to be taxed.