

## ***Compo Company Limited v. Blue Crest Music Inc. et al*** **(1980) 1 S.C.R. 357.**

### **INTRODUCTION**

Compo Company was sued for making records. This can be an infringement of copyright under the *Copyright Act*.<sup>1</sup> The involvement of the company was limited to pressing copies from a master acetate provided by Canusa Records, the company which had done the actual studio work and marketed to the public the records pressed by Compo. Compo was held to be making records.

Copyright in Canada is a purely statutory right<sup>2</sup> which, in any literary, artistic, dramatic or musical work, is regarded as a bundle of rights.<sup>3</sup> In the case of a musical work these rights include the right to publish an unpublished work, the right to reproduce the work in sheet music form (the "graphic" right), the right to perform the work in public, the right to communicate the work by radio communication, and the right

to make any record, perforated roll, cinematograph film, or other contrivance by means of which the work may be mechanically performed or delivered.<sup>4</sup>

This last right has been called the "mechanical" right<sup>5</sup> though the mechanisms needed to perform the work include devices of an electrical or magnetic nature. The records or contrivances used today are usually discs, tapes or film sound tracks. It was the mechanical right that was in issue in the Compo case.

A person who violates these rights is an infringer irrespective of his knowledge of their existence.<sup>6</sup>

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<sup>1</sup>Copyright Act, R.S.C. 1970, c. C-30.

<sup>2</sup>*Ibid.*, at s. 45.

<sup>3</sup>*Ibid.*, at s. 3(1).

<sup>4</sup>*Ibid.*, at s. 3(1) (d). Another right is to authorize any of the above-listed acts.

<sup>5</sup>Or the "mechanical" and "synchronization" right, the latter pertaining to films and television.

<sup>6</sup>*Ibid.*, at s. 17(1); compare with s. 17(4).

The different rights which make up copyright may be separately assigned and licensed to different people<sup>7</sup> but in the Compo case it appears that the plaintiffs owned the entire copyright in the musical work in question, a work entitled "There Goes My Everything."

Copyright in a musical work did not, historically, always include all the rights mentioned above. The mechanical right first received statutory recognition in the United States in 1909<sup>8</sup> and in England in 1911<sup>9</sup>, and in both countries the legislation which conferred the mechanical right simultaneously watered it down by providing for a system of compulsory licensing.<sup>10</sup> The reason for this was that before the introduction of the mechanical right, record manufacturers had been able to make records of musical works without payment to any copyright owner. When it was suggested that the copyright laws should be amended to require them to pay, many record manufacturers feared that they would be put out of business, and that control over the making of records would fall into the hands of a few powerful firms.<sup>11</sup> Provision was therefore made in the copyright legislation of the U.S. and England to enable anyone to obtain a license to make records, on payment of compensation to the owner of the mechanical right, if the owner had himself made records or permitted someone else to do so. This scheme was adopted in Canada in 1921<sup>12</sup> when the mechanical right was introduced into Canadian copyright legislation. The mechanical right was defined in the same way as it had been in England in 1911, and the language of the Canadian compulsory licensing section (now s. 19) was similar to the corresponding English provisions. By the statute the royalty payable to the copyright owner was fixed at two cents for each playing surface, perforated roll or other contrivance.

The license obtained pursuant to s. 19 may be called a compulsory license or, as the Supreme Court preferred to call it in the Compo case,

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<sup>7</sup>*Ibid.*, at s. 12(4). Thus, it is usual to transfer the public performing right (other than the "grand" right for dramatic performances) to a society which collects and administers such rights, usually CAPAC or PRO Canada; the other rights may be assigned to a music publisher, who may license record manufacturers, frequently through an agent such as the Harry Fox Agency or CMRRA (the Canadian Musical Reproduction Rights Agency Limited, who applied, unsuccessfully, for leave to intervene in the Compo appeal to the Supreme Court of Canada).

<sup>8</sup>U.S. Copyright Act of March 4, 1909, s. 1(e), conferring, inter alia, the exclusive right, in the case of a musical composition, "to make . . . any form of record in which the thought of an author may be recorded and from which it may be read or reproduced." In the Compo case, the Supreme Court referred to s. 101(e) of this 1909 Act, which referred to "Unauthorized manufacture" of discs etc. for use in mechanical music-producing machines.

<sup>9</sup>1 and 2 Geo. 5, c. 46, s. 1(2) (d), in the same terms as Canadian s. 3(1) (d).

<sup>10</sup>U.S. Copyright Act of March 4, 1909, s. 1(e); 1 and 2 Geo. 5, c. 46, s. 19(2)(7).

<sup>11</sup>*Copinger & Skone James on Copyright*, 11th ed. (1970), ss. 771-774; *Nimmer on Copyright* (1979), s. 8.04(c); Korman (1976) A.P.L.A. Bulletin 682 at 688.

<sup>12</sup>11-12 Geo. 5, c. 24, which came into force January 1, 1924, and has been subject to only minor amendments since then.

a statutory license. The Compo case raised the important economic issue as to who needs to obtain this license when records are made, an issue which had to be resolved by the process of statutory construction.

## FACTUAL BACKGROUND

A company named Canusa Records Inc. had caused the following things to be done without any license from the plaintiffs who owned the copyright in the work "There Goes My Everything." A musical arrangement of the work was made in which the melody was copied. The lyrics were translated into French.<sup>13</sup> Musical artists were engaged to perform the arrangement in this French version, and the performance was recorded on a master tape. The master tape was delivered to R.C.A. who prepared from it a master disc (or "acetate"). The master disc was given to Compo, a custom presser who, from the master disc, produced dies with which they pressed a quantity of copies which were delivered to Canusa or its distributor. Compo was being paid for these services by, or on behalf of, Canusa who arranged for their sale to the public. It was not the habit of custom pressers to concern themselves with what was on the master disc or whether licenses had been or would be obtained from the owners of the mechanical rights.

The issue was: did such a presser "make any record" or, in the language of the French version of the Act, "confectionner toute empreinte"?

## FEDERAL COURT OF CANADA

At the trial in the Federal Court of Canada, Collier, J. concluded that all the foregoing steps constituted the "making of a record" by Canusa. No appeal was taken from this part of the decision.<sup>14</sup> However Collier, J. was persuaded that Compo had not made records within the meaning of the Copyright Act, nor had Compo "produced or reproduced the work"<sup>15</sup> or a translation thereof. His reasoning was that one had to consider what was the "real" copying involved, and in his view this was

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<sup>13</sup>Copyright in a work includes the sole right to produce, reproduce, perform or publish any translation of the work: *Supra*, footnote 1 at s. 3(1)(a).

<sup>14</sup>(1975) 17 C.P.R. (2d) 149. There were other issues considered at the trial but not appealed; these will not be reviewed here.

<sup>15</sup>These are the introductory words of s. 3(1), Copyright Act; *Supra*, footnote 1.

... the taking of the music or melodic line of "There Goes My Everything," arranging the score, authorizing and directing a performer to produce or reproduce the melody or tune by instruments or voice, and having it permanently retained in some form — on the facts here, by means of a master tape. Compo had nothing to do with producing or reproducing in that sense. It merely performed a service in transposing what had been produced or reproduced on to a material which could be marketed by those who had done what I have termed the real copying.

As to the right "to make any record" he said:

The making of the offending records here was not, in my view, the pressing, but the earlier process carried out by the Canusa group.<sup>16</sup>

He referred to what the position would have been had Canusa obtained a voluntary or a compulsory license to make records, a matter as to which Compo had made no inquiry. If there had been a license to Canusa, his Lordship's view was that Compo would not be an infringer even if Canusa failed to pay royalties due under the license. If Compo could be branded a potential infringer, Compo should be able to take advantage of the compulsory license provisions of s. 19, but his Lordship thought that Compo could not do so because s. 19 contemplates that the licensee not only makes but sells records, and Compo did not sell records and would therefore have no knowledge as to what royalties were to be paid.<sup>17</sup>

## FEDERAL COURT OF APPEAL

On appeal to the Federal Court of Appeal it was held, in brief reasons given by Jackett, C.J., that Compo had made records. There was no discussion of the reasons given by Collier, J. The Court of Appeal dealt with the issue as follows:

The appellants had the "sole right" to make the contrivances (records) in question and, without the appellants' permission, the respondent made them. It is true that Canusa, which defendant started at an earlier stage in the course of events and arranged with the respondent to make the records, was also an infringer of the appellants' right because it caused the respondent to make the records; however, the immediate tortfeasor is not exonerated from liability by reason of the liability of the various tortfeasor.

An examination of the record shows that what was done was done in the Province of Quebec but the matter was argued in the Trial Division and in this Court on the assumption that the principles applicable did not differ from the common law principles.<sup>18</sup>

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<sup>16</sup>*Supra*, footnote 14, at 160.

<sup>17</sup>s. 19(1)(b), Copyright Act, *Supra*, footnote 1, requires the person who makes the records to pay royalties "in respect of all such contrivances sold by him."

<sup>18</sup>30 C.P.R. (2d) 14 at 16.

## SUPREME COURT OF CANADA

In the Supreme Court of Canada, Estey, J. delivered the reasons for judgment. Before his appointment to the bench he had been familiar with copyright matters and commercial reality. He found little assistance in the decision of the Court of Appeal. He noted that the issue was not one of common law or property law but statutory law, and that it does not assist the interpretative analysis to import tort concepts.<sup>19</sup> He did not find it necessary to decide whether Canusa made the records. Canusa had not appealed. If Compo made the records, Canusa might have authorized Compo's act, but authorization is a separate violation of the statute.<sup>20</sup>

However the Supreme Court agreed with the result in the Court of Appeal. In discursive reasoning of its own it found:

(1) There is a factual and commercial parallel between the record publisher (Canusa) and presser (Compo) and the publisher and printer of literary works; the printer has been held in England to be liable for reproducing a literary work, and the publisher separately liable for authorizing the printing.<sup>21</sup> The fact that the printer would have no copyright, whereas a separate copyright might arise in the pressed record,<sup>22</sup> vesting in Canusa,<sup>23</sup> did not spoil the parallel in the view of the court.<sup>24</sup>

(2) U.S. decisions dealing with "manufacture" of records indicated to the Court that a presser may be regarded as a manufacturer.<sup>25</sup> So did Canadian taxing statutes. The Court found it easier to conclude that a record presser "makes" records than that he "manufactures" them.<sup>26</sup>

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<sup>19</sup>Also, Jackett, C.J.'s reference to vicarious liability was not the best choice of words, since it seems that Compo was an independent contractor.

<sup>20</sup>*Supra*, footnote 1, at s. 3(1).

<sup>21</sup>*Ash et al v. Hutchinson & Co. (Publishers) Ltd. et al* (1936) 2 All. E.R. 1496 (C.A.).

<sup>22</sup>*Supra*, footnote 1, at s. 4(3).

<sup>23</sup>*Ibid.*, at ss. 10, 12(1).

<sup>24</sup>It is of interest, however, that the old cases in England and the United States have held that a record is not a "copy" of a musical work: *Copinger & Skone James on Copyright*, 11th ed (1971) s. 772.

<sup>25</sup>The most recent U.S. Case considered by the Court was *Leo Feist, Inc. et al v. Apollo Records et al* (1969) 300 F. Supp. 32, affd. (1969) 418 F. 2d 1249 (C.A. 2), cert. denied (1970) 398 U.S. 904. In Feist the presser was not a party, but the court held that Mastertone which prepared master tapes was not a "manufacturer." Estey, J. seems to have considered a presser to be more like a manufacturer because the presser is engaged in large scale production, though it seems that Mastertone played the more creative role.

<sup>26</sup>However, as can be seen from note (8) above, the U.S. statute seems to have equated making and manufacturing.

(3) Dictionary definitions of "manufacture" and "make" were said to be consistent with the Court's conclusion.

The Supreme Court was not persuaded by Collier, J.'s proposition that Canusa was the "real" maker.<sup>27</sup> Collier, J. had placed reliance on the compulsory licensing provisions in s. 19 but the Court said that examination of the workings of that section was digressive from the issue. In the view of the Court,

... in the realities of commerce, the application of this section is limited to the situation where the presser is the maker of the matrix or master.

The reasoning apparently is that the only person interested in a license under s. 19 would be someone who acquires copyright in the records produced pursuant to that section, and by s. 10 of the Act the person who acquires the copyright is the owner of the master (or his assignee), which Compo was not. Compo, who made no master, acquired no copyright, and sold no records, was held to be a record maker but not a record maker for whom the Court thought s. 19 was designed.<sup>28</sup>

## IMPLICATIONS OF THE DECISION OF THE SUPREME COURT OF CANADA

On the Supreme Court's analysis, someone in the position of Compo is well advised either to go into the business of making masters as well as pressings, and obtain its own compulsory or voluntary licenses from the owners of mechanical rights, or ensure that whoever makes the master obtains a voluntary license which includes the right to have records pressed by an independent contractor like Compo. There is nothing in the statute to suggest that a licensee under s. 19 may assign

<sup>27</sup>The Court did not discuss an argument that the scope of the mechanical right should be considered in the light of Article 13 of the Berne Convention, introduced in 1908 at the Berlin revision and providing:

The authors of musical works shall have the exclusive right of authorizing (1) the adaptation of those works to instruments which can produce them mechanically; (2) the public performance of the said works by means of those instruments.

The English Act of 1911 and the Canadian Act provided for the mechanical right in fulfillment of this Convention obligation, which is now included in the Rome revision to which Canada has adhered (Schedule III to the Copyright Act). It was contended that the "adaptation" to which the Convention refers requires more than pressing from a master made by someone else, and that "to make any record" should be construed as requiring more than pressing.

Nor did the Court discuss an argument based on the use in ss. 3, 4, 12 and 19 of derivatives of several different French verbs, "confectionner," "fabriquer," "faire," "executer" and "creer," whereas the English version uses the verb "make" in all those contexts.

<sup>28</sup>The Australian view is that a record presser is a manufacturer, and that a party in the position of Canusa (Reader's Digest) is not, but the Australian statute expressly provides for the case where the manufacturer is not the person who sells to the public, and also has a definition of when a record is made: *R.C.A. Ltd. v. Commissioner of Taxation* (1977) 51 A.L.J.R. 602.

his license or grant sublicenses to record pressers.<sup>29</sup> Their Lordships suggested that Compo might protect itself contractually with whoever hires Compo, but if Compo is not satisfied about the ability of the Canusas of this world to defend it, or must do its own researches to try to ascertain whether any purported license comes from the owner of the mechanical rights, or must itself seek a license from such owner, the process of producing records may be slowed, costs may go up, and many small entrepreneurs in the position of Canusa may have problems in getting their records pressed by the few companies that have pressing facilities.<sup>30</sup> This, of course, may be a necessary consequence if copyright owners are to be protected.

A point which the Court did not apparently consider is that records can be produced in a much simpler manner than Canusa undertook to do. Instead of arranging the music and hiring musicians one may be a record or tape pirate and simply duplicate someone else's record. This is a way of "making a record" for which no compulsory license is available in Canada,<sup>31</sup> and it is not easily distinguishable from pressing copies.<sup>32</sup>

In obiter, Estey, J. said that no unauthorized exercise of the owner's mechanical rights in a work can produce in the wrongdoer a copyright in the resultant record. This is a doubtful proposition. Section 4 of the Copyright Act provides that copyright "shall subsist" in certain works, and says nothing about whether the making of the works was authorized or unauthorized by owners of copyright in underlying works. This may be contrasted with the position in the United States where the current statute expressly provides that "protection for a work employing pre-existing material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully."<sup>33</sup> To

<sup>29</sup>Cf *Re Her Majesty and Fitzpatrick* (1981), 29 O.R. (2d) 371 (Ont. C.A., patent license). The question was considered but not decided in the High Court of Australia in *R.C.A. Ltd. v. Commissioner of Taxation* (1977) 51 A.L.J.R. 602. The position may be different with a consensual copyright license where the copyright owner does not rely on the skill or reputation of whoever may do the pressing: *Edward B. Marks Music Corporation v. Foulton* (1949) 171 F. 2d. 905 and 908 (C.A.2). A licensee may employ agents, but merely to call someone an agent does not make him one: *Howard and Bullough, Ltd. v. Tweedales and Smalley* (1895) 12 R.P.C. 519 at 527-528 (Chitty, J.).

<sup>30</sup>On the application for leave to appeal to the Supreme Court there was filed an affidavit of Terry Lynd, president of the Canadian Recording Industry Association and of CBS Records Canada Ltd. indicating that such consequences might follow, and stating as of 1976 that approximately one-half of the records and tapes produced in Canada were custom manufactured for the account of others. See also an affidavit of Alexander Muir filed on the application of CMRRA to intervene.

<sup>31</sup>s. 19(3). It was held in numerous cases in the United States, even before legislation was introduced to confer copyright in a record, that tape pirates infringed the copyright in musical compositions under U.S. ss. 1(e) and 101(e), referred to in note (8) above: see, eg., *Fame Publishing Co. Inc. v. Alabama Custom Tape, Inc.* (1975), 184 U.S.P.Q. 577 (C.A.5).

<sup>32</sup>Note also that the definition of a "plate" in s. 2 refers to a matrix by which records are "made": this clearly suggests that to press from a matrix is to make.

<sup>33</sup>17 U.S.C. 102(a). The U.S. Copyright Act of 1909, s. 7, conditioned copyright upon obtaining the consent of the owner of copyright in the underlying work.

make a compilation, or a derivative work such as an abridgment, adaptation, arrangement, dramatization or translation may infringe copyright, as may the making of a record or photograph. But it may also involve the exercise of considerable originality.<sup>34</sup> Whether a court of equity will aid an infringer by enforcing his copyright is another question.<sup>35</sup>

Copyright cases have the peculiarity that they often deal with matters about which the public is curious, but the decisions themselves turn on dry statutory language and it usually takes a rather strong commercial or professional interest to force oneself to read them. The same must apply to writing the decisions, and it would be easy for a judge to say, with Diplock, L.J.:

Points of construction are short; judgments about them ought to be.<sup>36</sup>

However the Supreme Court in its reasons in the Compo case explored fully the arguments that were made, and the parties could have no complaint that their arguments were not seriously considered. It is encouraging also that the Court was willing to study the legislation and cases from the United States, that prolific source of both copyright works and decisions about them.

**W. L. HAYHURST, Q.C.\***

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<sup>34</sup>*Gramophone Company Limited v. Stephen Cawardine and Company*, (1934) 1 Ch. 450 at 455 (Maugham, J.).

<sup>35</sup>These issues are discussed in *Copinger & Skone James on Copyright*, 11th ed. (1971), ss. 145-149, and in *Lahore on Intellectual Property in Australia, Copyright* (1977) ss. 340-343. A similar issue arises with respect to obscene and other imprudent works: *Copinger*, ss. 224-228; *Lahore*, s. 339; Goldsmith, "Sex and The Copyright Lawyer" (1967) *P.T.I.C. Proceedings* 167; but it may be questioned whether even an equitable defence should be available: *Mitchell Brothers Film Groups v. Cinema Adult Theatre* (1979), 203 U.S.P.Q. 1041 (C.A. 5).

<sup>36</sup>*Reymes-Cole v. Elite*, (1965) *R.P.C.* 102 at 155.

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