[HIGH COURT OF AUSTRALIA.]

J. C. WILLIAMSON LIMITED . . . . APPELLANT;
PLAINTIFF,

AND

METRO-GOLDWYN-MAYER THEATRES LIMITED AND ANOTHER . . . } RESPONDENTS.
DEFENDANTS,

ON APPEAL FROM THE SUPREME COURT OF VICTORIA.

H. C. OF A. 1937.

MELBOURNE, *Mar.* 8, 23.

Latham C.J., Rich, Dixon and McTiernan JJ.

Copyright—Licence—Right to produce and perform musical play—Exception of motion picture film rights—Sound pictures included in exception.

By an agreement made in September 1924 the owner of the dramatic and performing rights in a musical play granted to the plaintiff the sole right to produce and perform the play, but the agreement excepted "the motion picture film rights," which were expressly reserved to the grantor. At the time of the agreement both parties knew that sound films had been made but they were not then of commercial importance.

Held, by *Rich*, *Dixon* and *McTiernan* JJ. (*Latham* C.J. dissenting), that the agreement made a reservation in favour of the grantor of so much of the exclusive performing right as would allow the exploitation of the commercial exhibition of moving pictures as practised at the time and as it might be developed or improved during the life of the copyright, and that the reservation covered sound pictures as well as silent films.

Decision of the Supreme Court of Victoria (Full Court): *J. C. Williamson Ltd.* v. *Metro-Goldwyn-Mayer Theatres Ltd.*, (1937) V.L.R. 67, affirmed.

APPEAL from the Supreme Court of Victoria.

In an action commenced in the Supreme Court of Victoria by J. C. Williamson Ltd. against Metro-Goldwyn-Mayer Theatres Ltd.

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and Metro-Goldwyn-Mayer Ltd., a special case, which was substantially as follows, was stated for the opinion of the Supreme Court:—

1. On 16th September 1924 one Arthur Hammerstein of New York (party of the first part) entered into an agreement under seal with the plaintiff (party of the second part) whereby for the consideration therein set forth he purported to grant to the plaintiff the sole and exclusive right, licence and privilege to produce and perform throughout the Commonwealth of Australia, the Dominion of New Zealand and the Union of South Africa the musical play in two acts entitled "Rose Marie," book and lyrics by Otto Harbach and Oscar Hammerstein 2nd with music by Rudolf Friml and Herbert Stothart therein referred to upon the terms and conditions thereinafter specified.

Clause 6 of the agreement provided:—"It is mutually and specifically understood and agreed that all publishing rights to the said book, music and lyrics of the said musical play 'Rose Marie' are especially reserved from this agreement. And it is mutually and specifically understood and agreed also that this contract in no way includes the motion picture film rights to the said musical play which are expressly reserved by the party of the first part."

Clause 8 of the agreement provided:—"The party of the first part reserves from this contract all motion picture film rights of the said play 'Rose Marie' but agrees not to sell or lease any of the said motion picture film rights or authorize the manufacture or exhibition of the said subject in Australia, New Zealand or the Union of South Africa, until two years after the signing of this contract for the said play by the party of the second part."

2. The method of making and exhibiting a silent picture of a play is as follows:—In correct lighting and appropriate scenic surroundings actors perform the movements and expressions appropriate to their parts scene by scene before a camera which pictorially records the same in a continuous and rapid succession of photographs. The visual picture is recorded by means of the action of light on a sensitized celluloid film which when developed is called a "negative," the darker visible objects appearing in it relatively light and the lighter visible objects relatively dark. The negative is then printed by

means of light on another strip of sensitized film and then the relatively lighter and darker objects appear upon it as in nature, but without colour in most instances. The result is a long strip of celluloid film upon which is printed a series of pictures of the scenes and of the actors and their movements and expressions. Such a picture is reproduced for public exhibition by means of a machine through which the film is run. A powerful light behind the film projects the pictorial images in rapid succession through a lens upon a white sheet or screen where they are visible to those present and produce the illusion of reality. The machine is driven by a motor and can be operated at a speed differing from that at which the photographs were made. The words or sound in the play are not recorded or produced and no loud speakers or other devices for reproducing the dialogue are used. During the exhibition of the picture brief explanations and descriptions of the play are from time to time conveyed to the audience by interrupting the succession of pictorial images and projecting upon the screen written words interpolated in the film at appropriate places.

3. The method of making and exhibiting a sound picture is as follows :—In order to make and produce such a picture the play is performed scene by scene by actors acting and speaking their parts in correct lighting and appropriate scenic surroundings before a machine. This machine records on celluloid film a picture of the movements and expressions of the actors in their scenic surroundings and also records the words, music and sounds uttered by them in or accompanying the performance. The movements and expressions of the actors are recorded in a continuous and rapid succession of photographs and the sounds are recorded on what is called a " sound track " on the film at the side of the pictorial photograph. The film with visual picture and sound thus recorded upon it is developed and is called a " negative," the darker visible objects appearing in it relatively light and the lighter visible objects relatively dark. The negative is then printed by means of light on another strip of sensitized film, so that the relatively lighter and darker visible objects appear upon it as in nature but still without colour in most instances. The result is a long strip of celluloid film the greater parts of the width of which is taken up by the visual pictures of the scenes

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with the actors, while at one side is a narrow strip known as the " sound track " on which are recorded the words, music and sounds uttered by the actors or accompanying the performance. When the sound or talking picture comes to be reproduced for public exhibition and presentation the film is run through a machine by means of which (*a*) a powerful light behind the film projects the pictorial images in rapid succession through a lens upon a white sheet or screen and (*b*) the action of a special light upon the " sound track " of the film causes the words, music and sounds of the play to be reproduced so that the appropriate pictorial images and the sounds are synchronized and the audience hears and sees them together.

4. In the year 1924 and prior to the making of the agreement it was common knowledge of the parties thereto as persons interested in the business of providing public entertainment:—(*a*) That for a long period silent pictures of dramatic works could be and had been made and exhibited according to the method described in par. 2 commercially and for the purpose of profit and that films for pictures of this description were the only motion picture films then being manufactured or exhibited which were of commercial importance. (*b*) That experiments had been made to discover a method and many patents had been applied for and granted in respect of apparatus for (i) the synchronization of motion pictures with sound reproduced by means of records similar to gramophone records; (ii) recording sound on film photographically and reproducing the same simultaneously with the visual images photographed thereon. (*c*) That demonstrations before scientific bodies and the like had been given of the results of various of such patents. That experiments for so recording sound on film and so reproducing the same had been made and that sound pictures made in accordance with such experiments had been discussed in the public press in the United States of America and a few had been publicly exhibited in various picture theatres in New York as items in programmes of both sound and silent pictures.

5. The sound pictures publicly exhibited prior to the making of the said agreement were few in number and were not of commercial importance. During the ensuing period improvements continued to

be made and their use was extended and from 1926 to the present time they have gradually and almost entirely displaced silent pictures.

The questions for the opinion of the court were:—

Whether the right, licence and privilege to produce and perform the musical play entitled "Rose Marie" purported to be granted to the plaintiff by the agreement—

(1) extend to or include the right to prevent the exhibition in public of a sound picture thereof?

(2) extend to or include the right to prevent the supply and distribution of a film whereby a sound picture of the said work may be exhibited in public?

Mann C.J., who heard the special case, held that the expression "motion picture film rights" was limited to rights in connection with motion pictures in the ordinary sense of the word "pictures" as visual reproductions, and that it did not cover aural reproductions, and answered both questions in the special case in the affirmative. The Full Court of the Supreme Court reversed this decision, holding that the right to reproduce by means of a film both action and sound synchronously fell within the description of "motion picture film rights": *J. C. Williamson Ltd.* v. *Metro-Goldwyn-Mayer Theatres Ltd.* (1).

From this decision the plaintiff appealed to the High Court.

Eager K.C. (with him *Hudson*), for the appellant. The contract was made in 1924 before talking pictures were commercially in use. What was contemplated by the agreement was representation by a silent film. The reservation of "motion picture film rights" refers only to the presentation of motion pictures as known in 1924 and does not include talking pictures. Sec. 1 (2) of the schedule to the *Copyright Act* 1912 relates to the right to reproduce the work in public and can be infringed by a reproduction by wireless (*Chappell & Co. Ltd.* v. *Associated Radio Co. of Australia Ltd.* (2)). The term "motion picture" is not applicable to a picture which includes sound. Sec. 5 (2) gives the owner the right to assign the copyright and to split his rights by assigning his pictorial rights to one and

(1) (1937) V.L.R. 67.

(2) (1925) V.L.R. 350; 47 A.L.T. 12.

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his sound rights to another (*Kalem Co.* v. *Harper Bros.* (1)). The document reserves, not the " film " rights, but the " motion picture " film rights. This expression is not applicable to a reproduction of the human voice (*Pathé Pictures Ltd.* v. *Bancroft* (2)).

Wilbur Ham K.C. and *Lewis*, for the respondents. On the proper construction of the contract moving pictures include talking pictures (*L. C. Page & Co. (Inc.)* v. *Fox Film Corporation* (3)). In *Pathé Pictures Ltd.* v. *Bancroft* (2) the contrast was between " moving picture films " and " cinematograph films " and the judge said that the right to reproduce the work in cinematograph films would cover the voice as well as the picture, but that the right to reproduce it in " moving picture films " did not. The sound cannot be separated from the film. People go to see the picture with its accompanying sounds.

Eager K.C., in reply, referred to *Performing Right Society Ltd.* v. *Hammond's Bradford Brewery Co.* (4) ; *Copinger* on *Copyright*, 7th ed., (1936), pp. 108, 207.

Cur. adv. vult.

Mar. 23. The following written judgments were delivered :—

LATHAM C.J. This is an appeal by special leave from the judgment of the Full Court of Victoria reversing a judgment of *Mann* C.J. upon a special case. The learned Chief Justice gave judgment in favour of the plaintiff. The determination of the questions asked in the special case depends upon the interpretation of an agreement dated 16th September 1924 under which the owner of all the dramatic and performing rights in and to a musical play entitled " Rose Marie " granted to the plaintiff the sole and exclusive right, licence and privilege to produce and perform the play throughout Australia and New Zealand and South Africa upon the terms and conditions of the agreement. The agreement contained this provision :

" It is mutually and specifically understood and agreed also that this contract in no way includes the motion picture film rights to the

(1) (1911) 222 U.S. 55.
(2) (1933) MacGillivray's Copyright Cases 403.
(3) (1936) Unreported.
(4) (1934) Ch. 121, at p. 129.

said musical play which are expressly reserved by the party of the first part."

In another clause it was provided that " the party of the first part reserves from this contract all motion picture film rights of the said play 'Rose Marie.' " One defendant proposes to produce a talking picture of the play and the other defendant proposes to supply and distribute films for that purpose. The plaintiff instituted an action claiming an injunction. The special case submits the following questions for the determination of the court :—

" Whether the right, licence and privilege to produce and perform the musical play entitled 'Rose Marie' purported to be granted to the plaintiff by the said agreement—(1) extend to or include the right to prevent the exhibition in public of a sound picture thereof; (2) extend to or include the right to prevent the supply and distribution of a film whereby a sound picture of the said work may be exhibited in public."

The facts stated in the special case show that what is known as a talkie picture may be produced by passing through a machine a film which includes both photographs of scenes and what is known as a sound track at the side of the photographs. A light behind the film projects the picture images upon a screen and the action of a special light upon the sound track causes words, music and sounds to be reproduced so that, in the case of a play, the audience both sees and hears the play. In the year 1924, when the agreement was made, both parties to the agreement knew that silent pictures were being made and exhibited commercially for the purposes of profit, and that sound films had been made and had been publicly exhibited but had not then become of commercial importance.

Mann C.J. held that the expression " motion picture film rights " was limited to rights in connection with motion pictures in the ordinary sense of the word " pictures " as visual reproductions, and that it did not cover aural reproductions. In my opinion this decision was right. The Full Court reversed the judgment of *Mann* C.J., holding that the right to reproduce by means of a film both action and sound synchronously fell within the description of " motion picture film rights." In the judgment of the Full Court it is stated that the learned Chief Justice emphasized too greatly

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the word " picture " in this composite phrase and too little the word " film." The Full Court also based its judgment in part upon what the members of the Full Court regarded as the strange result of taking the opposite view, namely, the result that the right to produce a silent motion picture would be in one person and the right to produce (by means of a film) sounds accompanying such a picture would be in another person.

I am unable to attach great weight to the latter argument. It is an argument from convenience which should not affect the interpretation of language unless there is an ambiguity in the words which cannot be resolved by applying ordinary principles of construction. But in my opinion there is nothing particularly strange in the result mentioned. Rights of copyright are of several kinds and they can be and frequently are divided in ownership, e.g., one person may have the sole right to reproduce a musical work by making gramaphone records and another person may have the sole right of performing that musical work in public. In such a case a public performance by means of gramaphone records can be given only by co-operation of the two persons. It is common knowledge that in the case of scenic and educational films, news films, and many others, the pictures are obtained or produced separately from the descriptive account or comment which may accompany the exhibition of the pictures. A sound film can exist by itself quite independently of any motion picture film. In the present case there would be nothing very surprising if a silent motion picture of Rose Marie could be given only by one party and a " talkie picture " only by co-operation of both parties. It has been urged that the right to use the sound track separately from the right to show accompanying visual pictures would be so useless that such a separation of rights could not be considered to be within the contemplation of the parties. I am unable to agree in this contention. By the use of a sound track a complete speaking and singing presentation of the play may be given, as is frequently done in the broadcasting of plays.

It is, however, unnecessary to advert to any of these considerations if the words of the contract are unambiguous. The parties are bound by the natural meaning of the words which they have used even if the result may be unexpected. The phrase to be considered

is " motion picture film rights." In the first place it is clear that the rights reserved by this phrase are confined to film rights. No right which is not connected with the production, sale or use of a film is included within the phrase. But it is equally true that the rights covered by the words are confined to picture rights. There is no reason for emphasizing one part of the phrase rather than another part of the phrase. The films to which the reservation in the agreement relates are films so far, but only so far, as they can properly be described as picture films and not so far as they serve other purposes than that of producing pictures. Further, the only picture rights which are reserved are " motion picture " rights. A production of sound cannot properly be described as a motion picture. A motion picture is what used to be called an " animated " picture as distinct from a still picture. The word " motion " refers to visually perceived motion. It does not appear to me that the word can properly be applied in any sense to sound productions.

It is true that in the case of many talkie films the sound track happens to be upon the same film as the photographs which are used in producing the visual pictures. This, however, is by no means necessarily the case, as is shown by examples which I have already given. If the sound track were on a separate film which was shown synchronously with the visual picture film, it could not have been contended that the sound film was part of the picture film. If two such films were fastened together for simultaneous use, they would still be essentially different things producing essentially different results. If this were done the circumstance that the sounds could be presented to the same audience at the same time as the pictures could not have been relied upon for the purpose of including the sound film within the denomination " motion picture film." It is conceivable that by the progress of invention other senses than those of sight and hearing might be stimulated by the public exhibition of a film. But it would not follow that the whole film, producing visual and other sensations, could therefore properly be described as a motion picture film.

I am therefore unable to agree with the decision of the United States Circuit Court of Appeals in *L. C. Page & Co. (Inc.)* v. *Fox Film Corporation* (1). In that case it was held that in a

(1) (1936) Unreported.

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particular agreement the words " moving picture rights " did include rights with respect to sound films. The learned judge who decided the case said " ' Talkies ' are but a species of the genus motion pictures ; they are employed by the same theatres, enjoyed by the same audiences and nothing more than a forward step in the same art. Essentially the form and area of exploitation were the same." In my opinion the facts mentioned by the learned judge do not justify his conclusion. The fact that the same audience in the same theatres enjoyed both moving pictures strictly so called and sound films does not show in any way that the sound films are a development or a forward step in the art of moving pictures. The addition of a new element, namely, sound, is very important in relation to moving pictures, but it is the addition of a different feature and not a development of a formerly existing feature. The difference between a picture which appeals only to the eye and a reproduction of sound which appeals only to the ear is, in my opinion, a difference in kind : neither can be regarded as merely accessory to, or as a development of, the other.

On the other hand I agree with the reasoning in *Pathé Pictures Ltd.* v. *Bancroft* (1). In this case *Swift* J. was called upon to interpret a contract which, after referring to cinematograph films and cinematograph rights, granted a sole and exclusive licence to produce a particular work in " moving picture films." It was held that the distinction drawn between cinematograph films and moving picture films justified the conclusion that in that agreement the phrase cinematograph films was used to include other than moving picture films. That circumstance does not exist in the present case, but the learned judge in considering the meaning of the words " moving picture films " drew a clear distinction between reproduction of a play in moving pictures and reproduction of a play in recorded voice films. He said : " It is inappropriate language to talk of picturing the voice. You record it, you repeat it, you announce it, you deliver it ; but you do not picture it. When you picture a thing it is something which is called to the eye of the imagination which may picture something ; but nobody ever pictures the human voice ; they hear it ; and if it has been recorded, it is repeated to

(1) (1933) MacGillivray's Copyright Cases 403.

them." In my opinion this statement fairly states the common use of language and I respectfully agree with it.

In my opinion the appeal should be allowed and the judgment of the learned Chief Justice should be restored.

RICH, DIXON AND MCTIERNAN JJ. This appeal arises out of an action brought *quia timet* for infringement of copyright. The plaintiffs, who are the appellants, claim to be the owners of the performing right, except the motion picture film rights, in a musical play. They seek to restrain the defendants respondents from exhibiting sound films. They say that the exception covers silent films only and does not extend to the exhibition of sound films. The agreement conferring the appellants' rights and containing the exception was made in September 1924, before talking pictures had taken the place of silent films. Their contention is based on this fact considered with the manner in which the agreement, particularly the exception, is expressed.

The parties are agreed that, at the time of the contract, silent films were the only motion picture films being manufactured or exhibited which were of commercial importance. Experiments had then been made to discover a method of combining the synchronous reproduction of sound with the projection of moving pictures and many patents had been obtained for apparatus for the purpose. The devices included the photographic recording of sound upon film so as to reproduce the sound simultaneously with the visual image. Experiments of this kind had been conducted and sound pictures so made had been discussed in the public press in the United States and a few such pictures had been publicly exhibited in various picture theatres in New York as items in programmes of both sound and silent pictures. The parties to the agreement were interested in the business of providing public entertainment and knew all this.

The agreement appears to have been made in New York. Under it the respondents, who are an Australian company, took the sole and exclusive right, licence and privilege to produce and perform the musical play in Australia, New Zealand and South Africa. The consideration was the final payment of a lump sum and a royalty consisting of a percentage of the gross receipts of each and every

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Rich J. Dixon J. McTiernan J.

performance of the musical play given by the appellants. But the lump sum was to be applied towards satisfaction of the royalties. All publishing rights were expressly reserved by the grantors. The exception of motion picture film rights was made by two clauses. One of them provided that it was specifically understood and agreed that the contract in no way included the motion picture film rights to the musical play which were expressly reserved by the grantors. The other clause stated that the grantors reserved from the contract all motion picture film rights of the play, but agreed not to sell or lease any of the said motion picture film rights or authorize the manufacture or exhibition of the said subject in Australia, New Zealand, or South Africa until two years after the signing of the contract by the appellants. There is, of course, no dispute that if it were not for the exception or reservation the grant of the general performing right would cover the exclusive right to exhibit motion pictures, whether silent pictures or sound pictures. The question, therefore, turns upon the extent of the exception.

In the Supreme Court of Victoria, *Mann* C.J. took the view that the reproduction of the work in sound was not within the exception or reservation and, therefore, that the exhibition of a talking picture involved an infringement of the appellants' rights.

The Full Court, consisting of *Lowe*, *Gavan Duffy* and *Martin* JJ., reversed his decision and held that the reservation covered sound pictures as well as silent films. We agree in their opinion.

The intention of the agreement appears to us to be to make a reservation in favour of the grantors of so much of the exclusive performing right as would allow the exploitation of the commercial exhibition of moving pictures as practised at the time and as it might be developed or improved during the life of the copyright. The appellants took the general performing right, which would enable them to produce the musical play in Australia, New Zealand and South Africa, and a protection for two years against such competition as would arise from the exhibition in those countries of the films made in America or elsewhere out of elements or materials constituting the play. But we do not think that they were meant to obtain any right themselves to exhibit or, after the two years, exclude

others from exhibiting the mechanical products which then formed or might thereafter form the ordinary means of conducting the moving-picture business.

The agreement must be construed in the light of the circumstances and conditions attending the matters upon which the agreement was to operate, and it is conceded that a knowledge of the relevant circumstances and conditions was common to the parties. The combination of sound with the visual exhibition of films was then threatened. Whatever opinions they may have held about the probability or imminence of the development so threatened, the parties to the contract knew that if it took place, it would or might affect the regular business in the production and exhibition of moving pictures and do so in a very important manner. The simultaneous oral and visual mechanical reproduction of the play by means of films could not be regarded as so entirely different from the exhibition of motion pictures as then commercially practised that it would altogether fall outside the reservation and form part of the general performing right granted to the appellants. So far as it was visual, such a reproduction would, we think, necessarily involve an exercise of or an infringement of the motion picture film rights reserved or excepted and the parties must be taken to have so understood. Upon the appellants' view the only alternative is that the agreement divides the right to exhibit sound films between the parties to it. That they entertained an actual intention to do so seems to us to be very unlikely.

One of the chief considerations relied upon in opposition to the view taken by the Full Court, and shared by us, is the use of the word "picture" in the expression "moving picture film rights." We quite concede that the sounds produced at the exhibition of a talking film cannot be described as pictured or as a picture. But the whole expression is a compendious description of that part of the copyright in the play which relates to films by which moving pictures are produced. When the purpose of the reservation and the state of the art are considered, it appears to us that those rights necessarily included the privilege or monopoly of every form of mechanical reproduction or exhibition which developed in the business of entertainment by motion picture films.

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Sound pictures appear to us not only such a development but one necessarily within the proximate contemplation of the parties.

In our opinion the appeal should be dismissed.

Appeal dismissed with costs.

Solicitors for the appellant, *Sir Robert Best & Hooper.*

Solicitors for the respondents, *Moule, Hamilton & Derham.*

H. D. W.

[HIGH COURT OF AUSTRALIA.]

MERCER . . . . . APPELLANT;
PLAINTIFF,

AND

THE COMMISSIONER FOR ROAD TRANSPORT AND TRAMWAYS (NEW SOUTH WALES) } RESPONDENT.
DEFENDANT,

ON APPEAL FROM THE SUPREME COURT OF NEW SOUTH WALES.

H. C. OF A. 1936.

SYDNEY, *Dec.* 3, 24.

Latham C.J., Rich, Dixon, Evatt and McTiernan JJ.

Negligence—Affirmed by jury—Rider—Verdict for defendant entered by trial judge—Electric trams—Equipment—Failure to provide safety device—General practice—Collapse of driver—Remoteness of risk.

The fact that the ordinary or general practice adopted by those in the same trade as a defendant does not include a precaution the absence of which is relied on by a plaintiff as establishing negligence does not of itself negative negligence.

The plaintiff claimed damages from the Commissioner for Road Transport and Tramways for negligence. The plaintiff was a passenger in the first car of a two-car tram of the defendant when the driver collapsed at the controls. The electric motor continued working and forced the tram to travel with great velocity