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**Enforcing or Litigating Intellectual
Property/Information Technology Rights**

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Introduction

The *New Webster's Dictionary of Computer Terms*, 1990 edition, does not list any of the following words: "internet", "cyberspace", "website", "e-mail", "browser", "hyperlink", "domain name", or "search engine". This reminds us what a recent phenomenon the internet is. It is so recent that there is very little law about it.

One day, there may be specialized statutes dealing with the internet,¹ creating internet-based legal rights, and mechanisms for enforcing those rights. Until then, legal rights on the internet arise out of old fashioned areas of the law such as copyright, trade-marks, the common law of misappropriation of confidential information, and of course the law of contract and tort.

Litigation to enforce rights relating to the internet is therefore usually, in effect, intellectual property or information technology litigation. This paper will focus on how such claims are litigated, particularly where a reasonably quick result is needed. Intellectual property litigation is a specialized area of the law because the relevant statutory rights can be complex, and may be outside the expertise of many practitioners. As well, most (although certainly not all), IP/IT cases are litigated in the Federal Court of Canada, which may be unfamiliar to lawyers accustomed to the Ontario Court of Justice or other courts of general jurisdiction in the various provinces.

¹ For example, the federal government introduced legislation to protect the privacy of personal information in cyberspace in the House of Commons on October 1, 1998.

This paper will give a brief overview of IP/IT litigation practice, with special attention to techniques for getting speedy results.

In what court should the case be brought?

Because some IP/IT litigation can be brought in the Federal Court of Canada, the first issue may be whether to use the Federal Court of Canada or the court of general jurisdiction in the province, the Ontario Court of Justice.

The jurisdiction of the Federal Court is limited. It is a statutory court without inherent jurisdiction. That is, the Federal Court's jurisdiction over a case must arise from a specific federal statute, such as for example, the *Trade-marks Act*², the *Copyright Act*³, or the *Patent Act*.⁴ This arises from the original division of powers in the *British North America Act*, as it used to be called, which assigned jurisdiction over intellectual property to the federal government.⁵

The Federal Court usually has non-exclusive or concurrent jurisdiction over these areas, meaning that the case could also be brought in the Ontario Court of Justice. Often, the question of which court to proceed in will be a strategic one. Factors that may be considered might include how quickly a hearing date can be obtained, the degree of familiarity of the lawyer with the

² Section 55.

³ Section 37.

⁴ *Federal Court Act*, s.52, 54(2).

⁵ Heads 22 and 23 of section 91 of the *Constitution Act, 1867*.

procedure in the Federal Court or Ontario Court, or the perceived likelihood that a case will get a more sympathetic hearing in one court or the other.

The Federal Court has non-exclusive jurisdiction over "passing off" claims involving deception, misleading statements even though there may be no registration under the *Trade-marks Act* involved.⁶

A dispute over ownership of a "domain name", or a copyright claim about web-site content or database misappropriation could also be brought in either court.

Some IP/IT cases may not be brought in the Federal Court, as they arise from a provincial statute or common law. Cases involving breach or misuse of confidential information (such as a claim that departing employees have misappropriated confidential information about software or website development) would be outside the jurisdiction of the Federal Court, as would misappropriation of "personality" rights. Cases involving a dispute with a web-site or software designer would likely be contractual in nature, and therefore outside the jurisdiction of the Federal Court.

The Federal Court has exclusive jurisdiction over some intellectual property proceedings, such as for example, appeals from decisions of the Trade-mark Opposition Board⁷, applications to expunge a trade-mark registration⁸, or

⁶ *Trade-marks Act*, s. 7. See *Asbjorn Horgard A/S v. Gibbs/Nortac Industries* (1987) 4 C.P.R. (3d) 314.

⁷ *Ibid.* s. 56.

⁸ *Ibid.* s 57.

patent⁹, and judicial review applications under certain patent regulations relating to pharmaceuticals.¹⁰

Litigation remedies

In intellectual property litigation, the intent is often to stop someone from infringing rights (or, if representing the defendant, to prevent one's client from being prevented from doing something).

The collection of money damages or other remedies, while important, may be secondary to the overriding desire to stop the alleged infringement.

As a result, remedies such as interlocutory injunctions, *Anton Piller* orders, summary judgement, while by no means unique to intellectual property litigation, are perhaps used more frequently, and may be more central to the strategic decisions the practitioner must make.

Interlocutory injunction

An interlocutory injunction is the traditional weapon in the arsenal of the intellectual property litigator, because it is, or at any rate used to be, the quickest and surest way of stopping infringing activity quickly. The drawback of the normal trial process is that it is likely to take two years to

⁹ *Federal Court Act*, section 20.

¹⁰ *Patented Medicines (Notice of Compliance) Regulations*, SOR 93/-133, as amended.

get to trial. An interlocutory injunction is a court order prior to trial, ordering that the defendant stop some offending activity until the trial of the issue. Such an injunction can be obtained comparatively quickly, sometimes within days, or in an emergency even within hours.

There is a three part test:¹¹

- does the moving party have a *prima facie* or arguable case? The Supreme Court of Canada has stated that this threshold is low: all the moving party must show is that its case is not frivolous or vexatious.¹² As a practical matter, however, the perceived strength or weakness of the moving party's case, and the equities, may play a significant part in the motion judge's decision.
- will either side suffer "irreparable harm" if the injunction either is or is not granted? "Irreparable harm" is harm to the moving party that for some reason will not be compensable in damages at trial, perhaps because there will be unquantifiable loss of market position, loss of sales, or a danger that the responding party may go out of business or not have the financial resources to pay a damages award if one is made. A line of cases in the Federal Court of Appeal establishes that evidence of irreparable harm must be "clear and not speculative."¹³

¹¹ Most famously expressed in *American Cyanamid Co. v. Ethicon Ltd.* [1975] A.C. 396 (H.L.)

¹² *RJR Macdonald Inc. v. Canada (AG)* (1994), 54 C.P.R. (3d) 114 (S.C.C.)

¹³ *Syntex Inc. v. Novopharm Ltd.* (1991), 36 C.P.R. (3d) 129, *Centre Ice Ltd. v. National Hockey League* (1994), 53 C.P.R. (3d) 34, *Nature Co. v. Sci-Tech Educational Inc.* (1992), 41 C.P.R. (3d) 359.

- the "balance of convenience" i.e. which side will suffer greater disruption if the injunction either is or is not granted. This would include factors such as job losses, whether operating production lines would have to be shut down, the extent of effort and expense that might be required to comply with an interlocutory order (e.g. new signage, throwing out inventory), the extent of development work that might be involved in creating a new web-site.

The moving party must give an undertaking to pay the other side's damages, if it later appears the injunction was wrongly granted.

A factor which will weigh against the granting of an interlocutory injunction is delay on the part of the moving party. There is appellate level case law indicating that a delay of six months is too long as a general rule,¹⁴ but this factor will vary in importance, depending on the circumstances.

The court will sometimes, although not always, wish to maintain the "status quo" as of the time of the motion, pending trial.

If an interlocutory injunction is obtained, but the moving party does not push the case on to trial, the enjoined party may be able to bring a motion to have the injunction dissolved.¹⁵

¹⁴ *Turbo Resources Ltd. v. Petro Canada Inc.* (1989), 24 C.P.R. (3d) 1 at 23.

¹⁵ This occurred in *Ciba-Geigy v. Novopharm Ltd.* (1997) 77 C.P.R. (3d) 428, where the court dissolved an injunction that had been granted against the selling of a "lookalike" pharmaceutical tablet approximately two years before. The plaintiff had not taken steps to move the case on to trial.

Strategic factors to weigh before seeking an interlocutory injunction.

Because delay will lessen the chances of obtaining an injunction, the decision as to whether to seek an interlocutory injunction has to be made quickly.

At present, the Federal Court of Appeal decisions on "irreparable harm" are often the overriding factor. The key practical issue is often whether irreparable harm be established by affidavit that is "clear and not speculative". Careful thought has to be given as how the facts supporting irreparable would be set out in the supporting affidavit material.

Interlocutory injunction motions can be intense, both for the lawyer and client, and very expensive. Bringing such a motion forces the other side to start spending money very quickly, and generally raises the level of intensity of the dispute. This may be strategically useful, depending on the situation.

The above-mentioned Federal Court of Appeal decisions raising the threshold for "irreparable harm" to very high, and some might say unattainable, levels, may be somewhat less authoritative to judges of the Ontario Court trial division. There has been a trend in recent years towards commencing IP actions in the Ontario Court instead of the Federal Court, in the hope that an interlocutory injunction may be easier to obtain. For example, various interlocutory injunctions preventing the sale of "lookalike

pills" were denied in the Federal Court, Trial Division,¹⁶ but a similar injunction motion in the Ontario Court was granted.¹⁷ Nevertheless, it would be too strong a statement to say that the law governing interlocutory injunctions is different in the two courts.

Anton Piller orders

At present, the somewhat anarchic state of the internet means that many businesses have problems with hackers and pirates of various kinds. The possibility of obtaining an *Anton Piller* order should be kept in mind in such cases.

An *Anton Piller* order is a search warrant granted to a party in a civil dispute. The name comes from the English case where such a remedy was first granted.¹⁸

The order allows a party to arrive without warning at the premises of the other, and seize documents, infringing material etc. Such an order can be obtained from the court *ex parte*, meaning, without notifying the other party.

This can have a devastating effect on an infringer.

¹⁶ *Procter & Gamble Pharmaceuticals v. Novopharm* (1996), 68 C.P.R. (3d) 461, *Rhone-Poulenc v. Apotex* (1996), 71 C.P.R. (3d) 475, *Monsanto v. Novopharm* (1996), 72 C.P.R. (3d) 40, *Abbott v. Apotex* (May 26, 1998) 98-CV-139956, Ontario Court, General Division, unreported.

¹⁷ *Zeneca v. Apotex* (June 5, 1997) 97-CU-115309, Ontario Court, General Division, unreported, leave to appeal refused.

¹⁸ *Anton Piller K.G. v. Manufacturing Processes Ltd. et al.* [1976] 1 All E.R. 779 (C.A.)

There is a three part test for the granting of such an order:

- An extremely strong *prima facie* case;
- The damage , potential or actual, to the moving party of the defendant's activity must be very serious;
- There must be clear evidence that the defendants have in their possession incriminating documents or things, and that there is a real possibility that they may destroy such material before any application *inter partes* can be made.

It may be necessary for the moving party to post a bond with the Court when seeking the order, in case the defendant suffers damage because the order should not have been granted or its terms are abused.

On can easily imagine situations involving web-sites and the internet where an *Anton Piller* order would be appropriate (assuming the whereabouts of the malefactor can be determined). For example, the problem may be a computer hacker¹⁹, pornography, fraud,²⁰ or large-scale unauthorized distribution of proprietary material.²¹

¹⁹ For example, hackers recently managed to insert semi-pornographic pictures into the on-line version of the *New York Times*, which then had to be shut down.

²⁰ For example, although it is pre-internet case, Mr. Justice Rouleau granted an *Anton Piller* order in court file T-3144-90, dated December 3, 1990, to the *Toronto Star*. A man had sent out numerous fraudulent invoices by mail on faked *Star* stationery. Armed with the order, I then entered the man's apartment in Toronto with a police officer and articling student, and removed many boxes of fraudulent material.

Supporting affidavit evidence must set out why the order is necessary. Submissions are made to the judge in chambers. Normally, one seeks an interim injunction of the offending activity as part of the *Anton Piller* order.

A typical *Anton Piller* order would provide that:

- a copy of the order, and an explanatory letter, be provided to the defendant when the search is carried out.
- if the defendant wishes to dispute the order, or seek damages, or argue that the interim injunction should be set aside, he or she may appear in court on a certain date.
- the plaintiff's solicitors must be present when the search of the premises is carried out. They are to act as officers of the court, and see that the terms of the order are not violated.
- The defendant may be required in the order to answer questions as to the whereabouts of documents or things, or to provide information, such as for example, the name of suppliers.
- A list of what is removed from the premises should be provided to the defendant.

²¹ According to the "New York Times on the web", October 1, 1998, the *Los Angeles Times* and the *Washington Post* filed a copyright infringement against a web site, the *Free Republic* site, that posts their articles without permission.

The order will generally be limited to a certain location and time, although it is possible to get a so-called "rolling" *Anton Piller* orders, which may be in force for up to a year, and might apply to seizure of infringing material from street vendors and the like.²² These are also known as "John Doe" orders because the infringers may not be known by name. The defendants in the title of proceedings might therefore be "John and Jane Doe, being persons unknown".

When the search is to be done, it may be prudent to hire police officers or security guards to be present.

Anton Piller orders have raised concerns about civil liberties. This has been particular so in the UK, where clear abuses have occurred.²³ A Practice Direction has been developed by the courts in the UK as to the form such orders should take.²⁴

There has been some effort to develop a similar practice direction in Canada. A committee of the Patent and Trade-mark Institute of Canada (PTIC) is working on recommendations. So far, no practice direction has been issued, so far as I know, in either the Ontario or in the Federal Courts.

²² See for example *Fila Canada v. Jane Doe et al.*, (1996) 68 C.P.R. (3d) 1, in which Madame Justice Reed granted a "rolling" *Anton Piller* order and gave reasons discussing the appropriate safeguards that such an order should contain.

²³ See *Columbia Picture Industries and others v. Robinson and others* [1986] 3 All E.R. 338.

Summary judgment

Bringing a summary judgment motion may be a good way to get a judgement in a case quickly. Summary judgement is now available in both the Ontario Court²⁵ and the Federal Court of Canada,²⁶ although the Federal Court did not have a summary judgment rule until recently.²⁷ It is still somewhat unusual to resolve an intellectual property issue by summary judgment in the Federal Court, but it seems to be becoming more common.²⁸

Summary judgment can be granted on motion when significant facts are not in dispute, and there is therefore no issue requiring a trial, or "triable issue".

If, on the other hand, there is dispute in the expert evidence or some issue of credibility because witnesses disagree on factual points, then summary judgement will be refused; a trial is needed to assess credibility.

The motion is argued before a judge on the basis of affidavits and possibly cross-examination transcripts. In both the Ontario and Federal Court²⁹, the defendant cannot rest on mere denials in the pleadings, but must produce evidence at the hearing if it wishes to establish that the motion should be dismissed, because a trial is necessary.

²⁴ [1994] 4 All ER 52.

²⁵ *Rules of Civil Procedure*, Rule 20.

²⁶ *Federal Court Rules*, 1998, Rules 213 - 219.

²⁷ Rules 432.1 to 432.7 came into force January 13, 1994.

²⁸ For example, there have been several summary judgment cases involving relatively complex patent issues. *Heffco Inc. v. Dreco Energy Services Ltd.* (1997), 73 C.P.R. (3d), 284 *Pallmann Maschinenfabrik GmbH v. CAE Machinery*, (1995), 62 C.P.R. (3d) 26 (F.C.T.D.), *Hudson Luggage v. Toromont Publications*, (1995), 65 C.P.R. (3d) 216 (F.C.T.D.).

²⁹ *Federal Court Rules*, 1998, s. 432.2(1), *Rules of Civil Procedure*, s. 20.04(1).

For a plaintiff, summary judgement can be a good way to enforce a meritorious claim fast.³⁰ For a defendant, it may be a way to get rid of a frivolous case at comparatively low cost.³¹

It must be kept in mind that summary judgment proceedings have a downside risk in the Ontario Court. Bringing a summary judgement motion unsuccessfully might lead to an award of costs on a solicitor and client basis to the other party payable forthwith, unless the court finds the motion "although unsuccessful, was nonetheless reasonable."³² There is no such provision in the Federal Court Rules, 1998.

Alternative Dispute Resolution (ADR)

There are various types of mediation and arbitration available, involving varying degrees of informality. Private arbitration is available through retired judges, and other experienced persons. It can be also be done within the government court system.

Ontario has experimented with a pilot project whereby some actions in the court system are subject to compulsory mediation through a newly created Alternative Dispute Resolution Centre.³³

³⁰ See *Kraft Jacobs Suchard (Schweiz) AG v. Hagemeyer Canada Inc.*, [1998] O.J. No 415, where summary judgement was granted in a passing-off case involving chocolate bars.

³¹ *Cselko Associates v. Zellers* (1992) 56 C.P.R. (3d), where a copyright claim involving the Zellers' "Zeddy Bear" character was dismissed.

³² *Ontario Rule* 20.06(1),

³³ See *Practice Direction, Toronto Region, Alternative Dispute Resolution Pilot Project*, under Rule 49 in the *Rules of Civil Procedure*.

In the Federal Court, it is now common to have regular phone conferences over the course of the litigation with a judge, whose role is partly to monitor and direct the course of the litigation, but also to act as a mediator, if requested. The court can order a "dispute resolution conference" under the new Federal Court Rules.³⁴

If there is a mutual interest in getting the matter resolved quickly, such methods should be seriously considered.

Both Federal Court or Ontario judges are often happy to arrange a special settlement meeting, which is in effect a mediation, and this can often be an effective method of getting a matter resolved.

A word on the new *Federal Court Rules, 1998*

New Federal Court Rules came into force April 25, 1998, and apply to all on-going proceedings. As mentioned above, the new rules greatly increase the role of the court in the management of on-going proceedings, with a view to moving cases along quicker. Settlement discussion and a pre-trial conference³⁵ are now mandatory before a trial date will be set. Extensions of time to take steps in court proceedings are only allowed to a very limited extent.³⁶

³⁴ Rule 386

³⁵ Rules 257 and 258.

³⁶ Rule 7.

The changes were made partly in response to concerns that intellectual property litigation is too slow. It remains to be seen to what extent the Rule changes will result in faster and more efficient adjudication of disputes.

In time the internet and e-mail may begin to play a role in expediting the court process itself, through electronic filing of documents, but this lies in the future.