September 2011 Vol. 51, No. 1

ILLINOIS STATE BAR ASSOCIATION

INTELLECTUAL PROPERTY

The newsletter of the Illinois State Bar Association's Section on Intellectual Property Law

Two new procedural options for trade mark infringement claims in the Federal Court of Canada

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Two recent decisions of the Federal Court of Canada and the Federal Court of Appeal offer new procedural options to pursue trade mark infringers in Canada. Traditionally, trade mark owners seeking an injunction, damages, lost profits or other substantive relief for infringement have done so by way of an action culminating in a trial, and typically only after a protracted period of discovery and a number of interlocutory motions. However, in its decision issued June 27, 2011 in *Louis Vuitton Malletier S.A. v. Singga Enterprises (Canada) Inc.*,[1] the Federal Court for the first time granted judgment under new summary trial provisions of the *Federal Court Rules,*[2] including an injunction and significant damages awards for trade mark and copyright infringement, thereby setting a meaningful precedent for the expedited procedure. In another recent decision in *BBM Canada v. Research in Motion Limited,*[3] the Federal Court of Appeal held that an application—a summary procedure akin to a motion with no discovery—may be used to pursue an injunction and damages for trade mark infringement and that such claims are not confined to proceeding as an action.

Actions

In the Federal Court of Canada, an action typically involves lengthy and onerous pre-trial procedures. Prior to trial before a judge, parties will submit pleadings, engage in documentary discovery, oral examinations for discovery, and in some cases the exchange of expert reports. Various interlocutory motions for particulars, to strike pleadings, for further discovery and for other pre-trial relief are the norm. Without settlement, it can easily take two or three years or longer before the parties get to trial. "Autopsy discovery," as it is called, is largely responsible for the delay:

> This type of discovery has become common place and occurs when discovery itself becomes the objective—to uncover as much as possible from the other side however marginally relevant. One is in danger of losing perspective and becoming enmeshed in discovery, which should be only an intermediate process between pleading and trial, rather than focusing on obtaining only matters necessary and relevant for the trial on issues as defined by the pleadings.[4]

Indeed, the Federal Court has taken notice. In a recent practice direction entitled "Streamlining Complex Litigation," the court set a goal of facilitating "where possible" through effective case management the scheduling of trials within two years of the commencement of a proceeding.[5] Much of the direction focuses on reforming the discovery process.

Summary Trial

A further initiative by the court to provide litigants with more expeditious access to justice introduced new rules providing for a summary trial. The amendments to the *Federal Courts Rules* establishing the new summary trial procedure came into force December 10, 2009.[6] The rules were amended in order to allow the court to dispose summarily of actions in a greater range of circumstances than previously allowed, which were restricted to matters where there was "no genuine issue for trial," and had been judicially interpreted to prevent summary judgment where credibility was an issue, where the evidence was conflicting and/or where the outcome of the motion turned on the drawing of inferences.[7]

The new rules allow a party to bring a summary trial motion on all or some of the issues raised in the pleadings at any time after the defendant files a statement of defence. The motion proceeds on the basis of affidavit evidence, however, cross-examinations may be ordered to proceed in open court. The rules also specifically provide for the court to draw an adverse inference if a party fails to cross-examine on an affidavit or to file responding or rebuttal evidence. The circumstances in which the court may grant judgment are broadly defined:

> If the Court is satisfied that there is sufficient evidence for adjudication, regardless of the amounts involved, the complexities of the issues and the existing of conflicting evidence, the Court may grant judgment either generally or on an issue, unless the Court is of the opinion that it would be unjust to decide the issues on the motion.[8]

Somewhat surprisingly, given the apparent broad applicability of the summary trial rules, it was not until the *Louis Vuitton* case that the court first issued judgment on a motion brought under the amended rules.

The *Louis Vuitton* decision

Louis Vuitton and Burberry sued various retailers and Web-vendors for trade mark and copyright infringement in regard to the branding of their respective luxury goods. The summary trial motion proceeded largely undefended on the basis of what appears to have been extensive and detailed evidence filed by the plaintiffs. Citing case law developed under similar rules in the British Columbia courts, the Federal Court adopted the following principles to govern the disposition of summary trial motions:

- The onus of proof is the same as at trial: the party asserting the claim or defence must prove it on a balance of probabilities.
- If a judge can find the facts as he or she would upon a trial, the judge should give judgment, unless to do so would be unjust, regardless of the complexity or conflicting evidence.
- In determining whether summary trial is appropriate, the court should consider factors such as the amount involved, the complexity of the matter, its urgency, any prejudice likely to arise by reason of delay, the cost of taking the case forward to a conventional trial in relation to the amount involved, the course of the proceedings and any other matters that arise for consideration.[9]

Relying on a prior counterfeiting case decided by summary trial in the British Columbia courts and the fact that the defendants neither filed their own evidence nor cross-examined on the plaintiffs', the court had little difficulty issuing an injunction and awarding damages to the plaintiffs. Significantly, the damages award totalled $2.48 million, of which $500,000 constituted punitive damages, signalling that the summary trial rules will not be limited to cases of lesser pecuniary importance.

Applications

In contrast to a traditional action, an application is designed to be a summary proceeding. Commenced by notice of application and supported by affidavit evidence, in an application a party is required to put the bulk of its case and supporting evidence forward at the outset. The responding party then delivers its evidence. Cross-examinations are conducted before the exchange of written arguments and a hearing is held before a judge. There is no discovery other than cross-examination. Applications are routinely heard in a matter of months. Even some of the most complex applications brought under the *Patented Medicines (Notice of Compliance) Regulations*[10] addressing the validity and infringement of drug patents are routinely decided in less than 24 months.

Despite their summary nature, applications, like actions, have been the subject of a practice direction to facilitate timely hearing dates. Entitled "Early Hearing Dates for Applications in the Federal Court," the direction allows parties to seek a hearing date at "any time" either by agreement or through case management, stating "[t]he Court will endeavour to accommodate early requests for hearing dates whenever possible."[11]

The *Federal Courts Rules* define the proceedings that may be brought by way of application as those: "required or permitted by or under an Act of Parliament to brought by application, motion, originating notice of motion, originating summons or petition or to be determined in a summary way."[12] The BBM case addresses whether a claim for trade mark infringement, passing off and depreciation of goodwill falls within these circumstances.

The *BBM* Decision

The case arises out of a dispute involving nine trade marks owned by BBM and alleged infringement by RIM's Black Berry Messenger or BBM instant messenger application. BBM chose to proceed against RIM by way of application seeking an injunction and damages for trade mark infringement, depreciation of goodwill and passing off. On motion, RIM obtained an order that the proceeding be converted to an action. The motions judge held that an action was the most appropriate way to proceed. The Federal Court of Appeal reversed.

The court's reasoning is technical and focuses on interpreting the *Federal Courts Rules* and the *Trade-marks Act* to decide the issue of whether the grounds and relief sought are proper subject matter for an application. Much of the analysis turned on section 53.2 of the *Trade-marks Act*, which allows courts to make any order considered appropriate where satisfied that "any act has been done contrary to this Act." The *Trade-marks Act*, however, is silent on how to commence such proceedings. The court relied heavily on the principle of promoting access to justice that is as expeditious and proportionate as possible to interpret the silence in favour of allowing BBM to proceed by application:

> The Act serves two purposes: to protect consumers and to facilitate the effective branding of goods (see *Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, 2006 SCC 22, [2006] 1 S.C.R. 772 at paragraphs 21 to 23). The purpose of that portion of the Act that follows under the heading "Legal Proceedings" is to provide legal redress for violations of the Act. In my view, the purpose of the Act in general, and the "Legal Proceedings" section in particular, is best met by an interpretation that promotes access to the courts that is as expeditious and proportionate as possible. To facilitate expeditious and proportionate access to justice, section 53.2 of the Act should be interpreted as permitting proceedings to be brought either by application or by action. This would allow access in an appropriate case to the more summary application process. Nothing in the wording of the Act precludes this interpretation.[13]

Notably, the court concludes by making clear that it decided the technical statutory interpretation issue of whether matters of trade mark infringement may proceed by way of application rather than whether BBM's particular application was itself appropriate. The court stated that its disposition of the appeal does not preclude the respondent from later moving for such relief as may be required as a result of the proceeding being commenced by way of application.[14] Indeed, RIM has since brought a second motion to convert BBM's application into an action. As the date of submission of this article, the motion had been heard but no judgment issued.[15]

Looking forward

Regardless of the outcome of RIM's second motion, the fact remains that an application may now, at least for some cases, provide trade mark owners with a more expeditious route to meaningful substantive relief when their rights are infringed. Similarly, the summary trial procedure followed in the *Louis Vuitton* case provides another potential shortcut to the enforcement of trade mark rights. It will be interesting to see how these procedures develop in the Federal Court. One may expect that cases that previ-

ously could not justify the expense of litigation may now be brought utilizing either of these options. ■

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1. *Louis Vuitton Malletier S.A. v. Singga Enterprises (Canada) Inc.*, 2011 FC 776 [*Louis Vuitton*].

2. *Federal Courts Rules*, SOR/98-106, as am.

3. *BBM Canada v. Research in Motion Limited*, 2011 FCA 151 [*BBM*].

4. *AstraZeneca Canada Inc. v. Apotex Inc,*. 2008 FC 1301 at para. 6.

5. Federal Court Notice to the Parties and the Profession, "Streamlining Complex Litigation," May 1, 2009.

6. See *Federal Courts Rules*, r. 213, 216.

7. *Louis Vuitton, supra* note (i) at para. 14.

8. *Federal Courts Rules,* r. 216(6)

9. *Louis Vuitton*, *supra* note (i), at paras. 95 - 97.

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

11. Federal Court Notice to the Parties and the Profession, "Early Hearing Dates for Applications in the Federal Court," November 18, 2010.

12. *Federal Courts Rules,* r. 300(b).

13. *BBM, supra* note (iii) at para. 28.

14. *BBM*, *supra* note (iii) at para. 36.

15. It should be noted that the court does refer to an earlier passing off case, *PharmaCommunications Holdings Inc. v. Avencia International Inc.*, 2008 FC 828; aff'd 2009 FCA 144, that had proceeded by way of application. The issue of whether the application was improperly commenced does not, however, appear to have been raised.