

Federal Court



Cour fédérale

Date: 20160603

Docket: T-1112-13

Citation: 2016 FC 613

Ottawa, Ontario, June 03, 2016

PRESENT: The Honourable Mr. Justice Hughes

BETWEEN:

**E. MISHAN & SONS, INC. AND
BLUE GENTIAN, LLC**

**Plaintiffs
(Defendants by Counterclaim)**

and

**SUPERTEK CANADA INC.,
INTERNATIONAL EDGE, INC. AND
TELEBRANDS CORP.**

**Defendants
(Plaintiffs by Counterclaim)**

JUDGMENT AND REASONS

[1] Each of the Plaintiffs and Defendants have brought motions for summary judgment in this action. Each motion is opposed. For the Reasons that follow, I will grant summary Judgment declaring the Industrial Design Registration No. 146,676 invalid and Order a Summary Trial with respect to Supertek's claim under section 7(a) of the *Trademarks Act*.

[2] The following is an Index to the topics covered in these Reasons, by paragraph number:

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I. BACKGROUND

[3] A review of the history of this action is appropriate. The Plaintiff, Blue Gentian, LLC [Blue Gentian] is the owner of Canadian Patent 2,779,882 [the 882 patent] and Canadian Industrial Design Registration No. 146,676 [the 676 design]. Both the patent and design relate to an expandable garden hose comprising an inner flexible stretchable hose encased by an outer fabric hose affixed at both ends with customary garden hose fittings. This hose is said to have

been devised by Michael Berardi, a principal of Blue Gentian. Essentially, the hose is quite compact when no water pressure is applied, the outer fabric hose is wrinkled up over the unexpanded inner hose; when water pressure is applied, the inner hose stretches to a length such as twenty-five, fifty or seventy-five feet, only to be constrained by the length of the outer fabric hose which is stretched out to its unwrinkled length.

[4] The Plaintiff, E. Mishan & Sons, Inc., [Emson] is a licensee of the patent and design at issue, and is responsible for having hoses incorporating their features made and for marketing those hoses to retail customers in Canada and elsewhere.

[5] The Defendant, Supertek Canada Inc., [Supertek] sells in Canada hoses that have been alleged by the Plaintiffs to infringe the 882 patent and 676 design. It often markets these hoses on an “As seen on TV” basis.

[6] The Defendant, Telebrands Corp., promotes and sells hoses such as those of Supertek on TV and sells them, as promoted on TV, to customers including Canadians.

[7] The Defendant, International Edge, Inc., [International Edge] is a New York corporation that supplies hoses of the type at issue to non-US wholesale customers. This Defendant essentially plays no further role in these proceedings as it has discontinued its counterclaim respecting validity of the design at issue, and did not make a counterclaim for damages on any basis.

[8] The action, as instituted by the Plaintiffs, alleged infringement by the Defendants of both the 882 patent and 676 design. The action as instituted also included Home Depot of Canada, Inc. as a Defendant but the action was discontinued as against Home Depot on January 28, 2014. The Defendants defended the action and counterclaimed alleging that both 882 patent and 676 design registration were invalid, and that certain aggressive marketing strategies were employed by the Plaintiffs respecting customers and prospective customers of the Defendants in Canada, in asserting the patent and design violated the provisions of section 7(a) of the *Trademarks Act*, RSC 1985, c. T-13, and sections 36 and 52 of the *Competition Act*, RSC 1985, c. C-34.

[9] A Bifurcation Order was granted by Prothonotary Alto on January 20, 2014 whereby the issues in this action were bifurcated. Issues respecting infringement and validity of the 882 patent were to proceed first while remaining issues respecting the design and *Trademarks Act* and *Competition Act* were to be heard only after final determination of the patent issues.

[10] A trial respecting validity and infringement of the 882 patent proceeded before me in March 2014. On April 17, 2014, I issued a Judgment declaring that the claims at issue of the 882 patent are and always were invalid and void, that the infringement action was dismissed, and that Case Management of the balance of the issues should be requested. That Judgment was affirmed by the Federal Court of Appeal on July 14, 2015.

[11] On July 10, 2014, agents for Blue Gentian wrote to the Canadian Industrial Design Office stating, in respect of the 676 design:

*Subject to the terms of this letter, Blue Gentian, LLC., owner,
hereby irrevocably dedicates to the public all rights that it may*

hold in and to the design defined in Canadian Industrial Design No. 146,676 entitled EXANDABLE HOSE ASSEMBLY.

The present dedication is made without any prejudice to the rights of the owner or licensee under any other patent, pending patent application, design or pending design application other than the present Canadian industrial design and in particular, but without limitation, does not dedicate any foreign designs or patents.

[12] On June 9, 2014, the Plaintiffs' solicitors served and filed a Notice of Discontinuance of their industrial design part of the action. It said:

The Plaintiffs wholly discontinue all claims of industrial design infringement of Industrial Design Registration No. 146,676 against the defendants made in the present action.

[13] On the same day, June 9, 2014, the Plaintiffs' solicitors wrote to the Defendants' solicitors providing a covenant not to sue the Defendants or their customers for infringement of the 676 design. The letter said:

Pursuant to the Federal Courts Rules, we hereby serve upon you a notice of discontinuance with respect to the claim for industrial design infringement in the above-noted action.

In addition, the plaintiffs provide the following covenant which is designated, along with this letter, as "Confidential Information" pursuant to the protective order of January 20, 2014 in Court File No. T-1112-13:

*E. Mishan & Sons, Inc. and Blue Gentian, LLC
covenant not to sue Supertek Canada Inc.,
Telebrands Corp. and International Edge, Inc., or
their customers, for infringement of Canadian
Industrial Design Registration No. 146,676 for any
products manufactured, sold, or distributed by
Supertek Canada Inc., Telebrands Corp. or
International Edge, Inc., including the Pocket Hose,
Pocket Hose Deluxe, and the Pocket Hose Ultra.*

In view of this covenant and the notice of discontinuance all summary judgment issues are now moot. Please advise if the defendants intent to continue to pursue the allegation under section 7(a) of the Trade-marks Act and section 52 of the Competition Act so that we may advise the court accordingly.

[14] On October 15, 2014, the Defendant International Edge served and filed a Discontinuance of all its claims respecting invalidity and non-infringement of the 676 design.

[15] On May 30, 2016, the day before these motions were heard, the Defendant/Plaintiff by Counterclaim, Telebrands Corp., filed a Notice of Discontinuance wholly discontinuing its counterclaim in this action.

II. THE PRESENT MOTIONS

a) Plaintiffs' Motion

[16] The Plaintiffs (Defendants by Counterclaim) have brought a motion for summary judgment to dismiss the remainder of the counterclaim in this action. In particular, the Plaintiffs' Notice of Motion dated February 29, 2016 seeks:

1. *An order dismissing the remaining counterclaim issues, including the relief pleaded in paragraphs 32(b) (as it relates to the 676 Design), (c), and (e) through (j) of the Fresh Amended Statement of Defence and Counterclaim ("Remaining Counterclaim Issues") filed March 21, 2014.*
2. *Costs of and incidental to the Remaining Counterclaim Issues, including this motion, on a solicitor-client basis, together with the plaintiffs' disbursements and taxes; and,*

3. *Such further and other relief as this Honourable Court may seem just.*

[17] The Plaintiffs, in their Fresh Amended Memorandum of Fact and Law, in support of their motion for summary judgment dated April 27, 2016, state that they seek the following relief:

126. The plaintiffs seek an order dismissing the counterclaim with costs.

127. In the event the Court finds that there is a genuine issue for trial, the plaintiffs request that the court hold a summary trial or mini-trial on the issues which raise a genuine issue so the counterclaim can be resolved in a summary manner.

[18] The Defendants, in their Memorandum of Fact and Law dated August 17, 2015, ask that the Plaintiffs' motion be dismissed with costs.

[19] The Plaintiffs' motion was supported by an affidavit and Reply affidavit of Edward J. Mishan, President of Emson, and an affidavit of Jack Guindi, Retail Sales Manager of Emson who was the person responsible for selling product such as the hose at issue to customers including Canadian Tire and Wal-Mart in Canada. Each of Mishan and Guindi were cross-examined.

[20] The Defendants provided the affidavit of Patrick Noiseux, Vice President of Sales and Marketing for Supertek Canada. He was cross-examined.

b) Defendants' Motion

[21] The Defendants' motion for summary judgment seeks the following in their Amended Notice of Motion dated February 18, 2016:

1. *Summary Judgement:*

a) *declaring that Canadian Design Registration No. 146676 (the "676 Design") is invalid and ordering that the '676 Design be expunged from the Register of Industrial Designs;*

...

2. *Alternatively, summary trial of the above issues relating to the invalidity of the '676 Design;*

3. *The costs of this motion; and*

4. *Such further and other relief as this Honourable Court may permit.*

[22] The Defendants, in their Fresh as Amended Memorandum of Fact and Law, also dated February 18, 2016, state that they seek the following Order:

40. An Order granting summary judgment dismissing the Plaintiffs/Defendants by Counterclaim's claim for infringement of the '676 Design, and granting the Defendants/Plaintiffs by Counterclaim's counter claim for a declaration that the '676 Design is invalid and an order expunging the '676 Design from the Register of Industrial Designs, with costs.

[23] The Plaintiffs, in their Memorandum of Fact and Law dated May 17, 2016, state that they seek an Order dismissing the Defendants' motion for a declaration of invalidity of the 676 design, with costs.

[24] The Defendants' motion was supported by two affidavits of Alexander Manu, an expert in Industrial Design, upon which there was cross-examination. Manu gave the opinion that the design, as registered, was not valid. He also provided a copy of a decision of a French Court respecting an apparently similar design registered in France. The Defendants also provided an affidavit of Michael Burgess, an articling student in the Defendants' solicitors' office attesting as to the purchase of certain hoses referred to in the Manu affidavit. Burgess was not cross-examined.

[25] The Plaintiffs filed the affidavit of Gary Arkin, a partner in the firm acting as agent for the Plaintiffs respecting the 676 design, attesting to the letter dated July 10, 2014, aforesaid, filed with the Industrial Design Office. He was not cross-examined. The Plaintiffs also filed the affidavit of Kristina Zilic, a summer student with the Plaintiffs' solicitors' office attaching a decision of a Netherlands Court respecting a design apparently similar to that at issue here, a Discontinuance filed in this action, and the letter dated June 9, 2014, aforesaid, sent by the Plaintiffs' solicitors to the Defendants' solicitors containing a covenant not to sue. Zilic was cross-examined

III. ISSUES

[26] With respect to the Plaintiffs' motion, the issue is whether the Court should allow the motion for summary judgement thereby dismissing the remaining counterclaim issues. If the motion is not granted, should a summary trial be Ordered.

[27] With respect to the Defendants' motion, the issue is whether the Court should grant summary judgment declaring the 676 design invalid or should it Order a summary trial in respect thereof.

IV. PRINCIPLES RESPECTING SUMMARY JUDGMENT AND SUMMARY TRIALS

[28] Rules 213 to 219 of this Court provide that the Court may grant summary judgment if the Court "is satisfied there is no genuine issue for trial with respect to a claim or defence". The powers of the Court are set out in Rule 215:

215 (1) If on a motion for summary judgment the Court is satisfied that there is no genuine issue for trial with respect to a claim or defence, the Court shall grant summary judgment accordingly.

(2) If the Court is satisfied that the only genuine issue is

(a) the amount to which the moving party is entitled, the Court may order a trial of that issue or grant summary judgment with a reference under rule 153 to determine the amount; or

(b) a question of law, the Court may determine the question and grant summary judgment accordingly.

(3) If the Court is satisfied that there is a genuine issue of fact or law for trial with respect to a claim or a defence, the Court may

215 (1) Si, par suite d'une requête en jugement sommaire, la Cour est convaincue qu'il n'existe pas de véritable question litigieuse quant à une déclaration ou à une défense, elle rend un jugement sommaire en conséquence.

(2) Si la Cour est convaincue que la seule véritable question litigieuse est :

a) la somme à laquelle le requérant a droit, elle peut ordonner l'instruction de cette question ou rendre un jugement sommaire assorti d'un renvoi pour détermination de la somme conformément à la règle 153;

b) un point de droit, elle peut statuer sur celui-ci et rendre un jugement sommaire en conséquence.

(3) Si la Cour est convaincue qu'il existe une véritable question de fait ou de droit

- | | |
|--|--|
| <p><i>(a) nevertheless determine that issue by way of summary trial and make any order necessary for the conduct of the summary trial; or</i></p> <p><i>(b) dismiss the motion in whole or in part and order that the action, or the issues in the action not disposed of by summary judgment, proceed to trial or that the action be conducted as a specially managed proceeding.</i></p> | <p><i>litigieuse à l'égard d'une déclaration ou d'une défense, elle peut :</i></p> <p><i>a) néanmoins trancher cette question par voie de procès sommaire et rendre toute ordonnance nécessaire pour le déroulement de ce procès;</i></p> <p><i>b) rejeter la requête en tout ou en partie et ordonner que l'action ou toute question litigieuse non tranchée par jugement sommaire soit instruite ou que l'action se poursuive à titre d'instance à gestion spéciale.</i></p> |
|--|--|

[29] Thus, this Court may grant summary judgment in whole or in part; it may determine a question of law; it may order a summary trial and, of course, it may dismiss the motion for summary judgment.

[30] The Supreme Court of Canada in *Hryniak v Mauldin*, [2014] 1 SCR 87 recently considered how and when summary judgment provisions should be implemented by the Court. That Court called for a shift in culture; access to justice should be proportionate, timely and affordable; the best forum for resolving a dispute may not be the most painstaking procedure. I repeat what Justice Karakatsanis, for the Court, wrote at paragraphs 23 to 25 and 28:

23 This appeal concerns the values and choices underlying our civil justice system, and the ability [page98] of ordinary Canadians to access that justice. Our civil justice system is premised upon the value that the process of adjudication must be fair and just. This cannot be compromised.

24 *However, undue process and protracted trials, with unnecessary expense and delay, can prevent the fair and just resolution of disputes. The full trial has become largely illusory because, except where government funding is available,¹ ordinary Canadians cannot afford to access the adjudication of civil disputes.² The cost and delay associated with the traditional process means that, as counsel for the intervener the Advocates' Society (in Bruno Appliance) stated at the hearing of this appeal, the trial process denies ordinary people the opportunity to have adjudication. And while going to trial has long been seen as a last resort, other dispute resolution mechanisms such as mediation and settlement are more likely to produce fair and just results when adjudication remains a realistic alternative.*

25 *Prompt judicial resolution of legal disputes allows individuals to get on with their lives. But, when court costs and delays become too great, [page99] people look for alternatives or simply give up on justice. Sometimes, they choose to represent themselves, often creating further problems due to their lack of familiarity with the law.*

...

28 *This requires a shift in culture. The principal goal remains the same: a fair process that results in a just adjudication of disputes. A fair and just process must permit a judge to find the facts necessary to resolve the dispute and to apply the relevant legal principles to the facts as found. However, that process is illusory unless it is also accessible - proportionate, timely and affordable. The proportionality principle means that the best forum for resolving a dispute is not always that with the most painstaking procedure.*

[31] The Federal Court of Appeal subsequently considered the *Hryniak* decision in *Her Majesty the Queen in Right of Manitoba v Her Majesty the Queen in Right of Canada and Roger Southwind*, 2015 FCA 57. Justice Stratas, for that Court, while acknowledging the differences between the Ontario Court rules respecting summary judgment and the rules of the Federal Court in that regard, recognized that the imperatives of securing the just, most expeditious and least expensive determination of every proceeding, as established in Federal Courts Rule 3, must

guide the interpretation and application of all the Rules of this Court. He wrote at paragraphs 14 to 16:

[14] The summary judgment rules in the Federal Courts Rules were amended just six years ago to take into account the sorts of considerations discussed in Hryniak and the challenges posed by modern litigation: see SOR/2009-331, section 3. Foremost among these amendments was the introduction of an elaborate and aggressive summary trial procedure in Rule 216, available in accordance with the specific wording of the Federal Courts Rules. I turn now to the specific wording of Rules 215 and 216.

[15] Under Rule 215(1) of the Federal Courts Rules, where there is “no genuine issue for trial” the Court “shall” grant summary judgment. The cases concerning “no genuine issue for trial” in the Federal Courts system, informed as they are by the objectives of fairness, expeditiousness and cost-effectiveness in Rule 3, are consistent with the values and principles expressed in Hryniak. In the words of Burns Bog Conservation Society v. Canada, 2014 FCA 170, there is “no genuine issue” if there is “no legal basis” to the claim based on the law or the evidence brought forward (at paragraphs 35-36). In the words of Hryniak, there is “no genuine issue” if there is no legal basis to the claim or if the judge has “the evidence required to fairly and justly adjudicate the dispute” (at paragraph 66). Hryniak also speaks of using “new powers” to assist in that determination (at paragraph 44). But under the text of the Federal Courts Rules those powers come to bear only later in the analysis, in Rule 216.

[16] Where, as the Federal Court found here, there is a genuine issue of fact or law for trial, then the Court “may” (i.e., as a matter of discretion), among other things, conduct a summary trial under Rule 216: Rule 215(3). As is evident from Rule 216, summary trials supply the sort of intensive procedures for pre-trial determinations that the Court in Hryniak (at paragraph 44) called “new powers” for the Ontario courts to exercise.

[32] In respect of the two motions before me, I am guided by Rule 3 and Rules 213 to 219 of our Court, and the principles set out in *Hryniak* and *Southwind* above.

V. RELEVANT LEGISLATION

[33] The subject matter of these two motions brings into play the *Industrial Design Act*, the *Trademarks Act* and, until recently, the *Competition Act*.

a) *Industrial Design Act*

[34] The *Industrial Design Act*, RSC 1995, c. I-9, was enacted almost a hundred years ago and has been the subject of much criticism in the ensuing years. Several amendments were passed by Parliament (S.C. 2014, c. 39) to come into force on a day fixed by Order of the Governor in Council. As of yet, that day had not arrived.

[35] The *Act* provides in the Definitions, section 2, that a “design” or “industrial design” means features of shape, configuration, pattern or ornament and any combination of those features that, in a finished article, appeal to and are judged solely by the eye:

Definitions

2 In this Act,

...

design or industrial design
means features of shape,
configuration, pattern or
ornament and any combination
of those features that, in a
finished article, appeal to and
are judged solely by the eye;
(*dessin*)

Définitions

2 Les définitions qui suivent
s'appliquent à la présente loi.

...

*ensemble Réunion d'objets du
même genre généralement
vendus ou destinés à être
utilisés ensemble et auxquels
sont appliqués le même dessin
ou des variantes du même
dessin. (set)*

[36] Subsection 5.1(a) prohibits registration of a design having features applied to a useful article that are dictated solely by the utilitarian function of the article:

5.1 No protection afforded by this Act shall extend to

(a) features applied to a useful article that are dictated solely by a utilitarian function of the article; or

5.1 Les caractéristiques résultant uniquement de la fonction utilitaire d'un objet utilitaire ni les méthodes ou principes de réalisation d'un objet ne peuvent bénéficier de la protection prévue par la présente loi.

[37] Subsection 6(1) provides that a design shall be registered if it is not identical with or does not closely resemble a design already registered:

6 (1) The Minister shall register the design if the Minister finds that it is not identical with or does not so closely resemble any other design already registered as to be confounded therewith, and shall return to the proprietor thereof the drawing or photograph and description with the certificate required by this Part.

6 (1) Si le ministre trouve que le dessin n'est pas identique à un autre dessin déjà enregistré ou qu'il n'y ressemble pas au point qu'il puisse y avoir confusion, il l'enregistre et remet au propriétaire une esquisse ou une photographie ainsi qu'une description en même temps que le certificat prescrit par la présente partie.

[38] Subsection 7(3) provides that a Certificate of Registration, in the absence of proof to the contrary, is sufficient evidence of the design, of the originality of the design and, *inter alia*, compliance with the Act:

7 (3) The certificate, in the absence of proof to the contrary, is sufficient evidence of the design, of the originality of the design, of the name of the proprietor, of the person named as proprietor being proprietor, of the

7 (3) En l'absence de preuve contraire, le certificat est une attestation suffisante du dessin, de son originalité, du nom du propriétaire, du fait que la personne dite propriétaire est propriétaire, de la date et de l'expiration de

commencement and term of registration, and of compliance with this Act. *l'enregistrement, et de l'observation de la présente loi.*

[39] Subsection 7(3) in referring to the “originality of the design” has been taken to establish a requirement, beyond that established by subsection 6(1) of the Act, that, in order to be validly registered, a design must also be “original”. Justice Diner of this Court referred to the requirements of originality in his recent decision in *AFX Licencing Corporation v HJC America, Inc.*, 2016 FC 435 at paragraphs 106 to 111:

[106] Unlike the grounds in subsection 6(1) and paragraph 6(3)(a), which the Act clearly describes, originality is a criterion of validity that is mentioned, but not defined, in the Act. Instead, its definition is found in the case law. In Clatworthy & Son Ltd v Dale Display Fixtures Ltd, [1929] SCR 429 at 433 [Clatworthy], the Supreme Court described it as follows:

...to constitute an original design there must be some substantial difference between the new design and what had theretofore existed. A slight change of outline or configuration, or an unsubstantial variation is not sufficient to enable the author to obtain registration.

[107] Originality in industrial design is a higher threshold than originality in copyright: “[i]t seems to involve at least a spark of inspiration on the part of the designer either in creating an entirely new design or in hitting upon a new use for an old one” (Bata Industries Ltd v Warrington Inc, [1985] FCJ No 239, 5 CPR (3rd) 339, at 347 (FCTD)); see also Bodum at para 97).

[108] There are similarities between the infringement analysis and the originality analysis for the purposes of determining validity. As with infringement, the role of functionality in a design plays a role (“when an article is primarily functional, minimal differences may suffice for a conclusion of originality” (Rothbury at para 38)), as does prior art (“to constitute an original design there must be some substantial difference between the new design and what had theretofore existed” (Clatworthy at 433)). Furthermore, as with infringement, the review of the features of the design relative to the prior art must be from the perspective of the informed consumer (Rothbury at para 31).

[109] *Originality, per subsection 7(3), is thus a broader criterion than either subsection 6(1) or paragraph 6(3)(a), since it requires that the applied-for design be “substantially different” from the prior art (see Bodum at para 96) and applies even if the prior art in existence is not registered. It is distinct from the condition under subsection 6(1), which gives an additional level of protection to already registered designs, and it is distinct from paragraph 6(3)(a), which speaks specifically to the publication of the exact design and which I interpret as a mechanism to encourage applicants to seek registration of their new designs in a timely fashion.*

[110] *To sum up, a registrable design (i) must differ substantially from the prior art (be “original”), (ii) cannot closely resemble any registered designs (as per subsection 6(1)), and (iii) cannot have been published more than a year before application for registration (as per paragraph 6(3)(a).*

[111] *By way of obiter, I note that one might ask how a design could differ substantially from the prior art (i.e. be “original” and thus survive on subsection 7(3) grounds), but then so closely resemble a previously registered design as to be confounded with it (i.e. fail on subsection 6(1) grounds). A separate and distinct ground of originality, in other words, appears to render subsection 6(1) superfluous. I note only that expected amendments to the Act appear to make no distinction between registered and unregistered prior art in the assessment of the registrability of an applied-for design.*

[40] Subsection 22(1) provides that the Federal Court may, on the suit of any person aggrieved by any entry in the Register, expunge or vary the Register:

22 (1) The Federal Court may, on the information of the Attorney General or at the suit of any person aggrieved by any omission without sufficient cause to make any entry in the Register of Industrial Designs, or by any entry made without sufficient cause in the Register, make such order for making, expunging or varying any entry in the Register as the

22 (1) La Cour fédérale peut, sur l'information du procureur général, ou à l'instance de toute personne lésée, soit par l'omission, sans cause suffisante, d'une inscription sur le registre des dessins industriels, soit par quelque inscription faite sans cause suffisante sur ce registre, ordonner que l'inscription soit faite, rayée ou modifiée, ainsi

Court thinks fit, or the Court may refuse the application. *qu'elle le juge à propos ou peut rejeter la demande.*

[41] Section 24 provides that an order expunging or varying a Registration shall be sent to the appropriate Minister and the Register shall thereupon be rectified or altered accordingly:

<i>24 A certified copy of any order of the Federal Court for the making, expunging or varying of any entry in the Register of Industrial Designs, or for adding to or altering any registered industrial design, shall be transmitted to the Minister by an officer of the Registry of the Court, and the Register shall thereupon be rectified or altered in conformity with the order, or the purport of the order otherwise duly entered therein, as the case may be.</i>	<i>24 Une copie certifiée d'une ordonnance du tribunal prescrivant d'effectuer, de rayer ou de modifier une inscription sur le registre des dessins industriels, ou de faire une addition ou une modification à un dessin industriel enregistré, est transmise au ministre par un fonctionnaire du greffe du tribunal; après quoi, le registre est rectifié ou modifié conformément à l'ordonnance transmise, ou la teneur de cette ordonnance est autrement dûment inscrite sur le registre, selon le cas.</i>
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[42] At this point, I contrast the provisions of subsections 22(1) and section 24 of the *Industrial Design Act* with sections 60(1) and 62 of the *Patent Act*, RSC 1985, c. P-4, which provides that a patent may be impeached; that is, declared void in the whole or in part, by the Federal Court whereupon the Court's Order may be filed in the Patent Office and the patent, or part thereof, is thereupon held to be "void and of no effect":

<i>60 (1) A patent or any claim in a patent may be declared invalid or void by the Federal Court at the instance of the Attorney General of Canada or at the instance of any interested person.</i>	<i>60 (1) Un brevet ou une revendication se rapportant à un brevet peut être déclaré invalide ou nul par la Cour fédérale, à la diligence du procureur général du Canada ou à la diligence d'un intéressé.</i>
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...

62 A certificate of a judgment voiding in whole or in part any patent shall, at the request of any person filing it to make it a record in the Patent Office, be registered in the Patent Office, and the patent, or such part as is voided, shall thereupon be and be held to have been void and of no effect, unless the judgment is reversed on appeal as provided in section 63.

...

62 Le certificat d'un jugement annulant totalement ou partiellement un brevet est, à la requête de quiconque en fait la production pour que ce certificat soit déposé au Bureau des brevets, enregistré à ce bureau. Le brevet ou telle partie du brevet qui a été ainsi annulé devient alors nul et de nul effet et est tenu pour tel, à moins que le jugement ne soit infirmé en appel en vertu de l'article 63.

[43] The difference is important because the *Industrial Design Act* provides that a Court Order as to invalidity may be registered with the Design Office and the registration is thereupon rectified. Under the *Patent Act*, a Court Order, once filed with the Patent Office, renders the patent void and of no effect. It is a timing difference; a design registration is struck out *only when* the Court Order is filed, a patent is void and of no effect once a Court Order to that effect is filed, thus the patent *never was* valid.

[44] It must be noted that the *Industrial Design Act* makes no provision for the dedication to the public of any registered design. Neither does the *Patent Act* but the *Patent Act* makes provisions for a disclaimer where the patentee has acknowledged that there were mistakes in the patent (see: section 48). Nonetheless, a practice of dedication to the public of some or all of the claims of a patent has come about, the effect of which has been held to be that the Court will consider such a dedication to be a public statement by a patentee that it no longer wishes to enforce part or all of a patent. I wrote in *Merck & Co. v Apotex Inc.*, 2006 FC 524 (aff'd without reference to this point, 2006 FCA 323) at paragraphs 164 to 166:

[164] There is no provision in the Canadian Patent Act or Rules for dedicating a patent or claims, to the public. There is a provision for disclaiming a patent or part of a patent however, that practice arises under section 48 of the Patent Act which requires a disclaimer to be based upon some mistake, accident or inadvertence. What happens if there was no mistake, accident or inadvertence but the patentee no longer wishes to possess the monopoly granted to it by a patent or certain of its claims?

[165] A patent is a monopoly, and each claim is a separate definition of that monopoly, that arises only if someone makes an application for that monopoly. The grant of a patent comes from the federal government, but only when sought by an applicant. Once the applicant receives the grant, it is free to exploit that monopoly by practicing or licensing the invention, or to ignore it. To ignore what others may be doing in infringing upon that monopoly may give rise to defences of laches, acquiescence or the like if, at a later date, the patentee wishes to enforce that monopoly. An unused monopoly may also give rise to compulsory licenses to practice the invention.

[166] If the patentee wishes not just to ignore its monopoly but to advise the public that it has done so, it is entirely within the patentee's right to make a public statement to that effect. Just as a patentee may craft the monopoly by appropriate draughtsmanship of the claims, it may tell the public, by appropriate draughtsmanship, that which it chooses to ignore or no longer enjoy.

[45] The Federal Court of Appeal made note of the practice of dedication of claims of a patent in *Sandoz Canada Inc. v Abbott Laboratories*, 2010 FCA 168, per Dawson J.A. for the Court at paragraphs 39 to 58, but did not find it necessary to consider the matter any further than to say that for the purposes of that appeal, the patent is to be construed without reference to the dedicated claims.

b) Trademarks Act

[46] In this case, the Court is dealing with subsection 7(a) of the *Trademarks Act*, RSC 1985,

c. T-13 which provides:

<i>7 No person shall</i>	<i>7 Nul ne peut :</i>
<i>(a) make a false or misleading statement tending to discredit the business, goods or services of a competitor;</i>	<i>a) faire une déclaration fausse ou trompeuse tendant à discréditer l'entreprise, les produits ou les services d'un concurrent;</i>

[47] This provision finds its genesis in the *Paris Convention for the Protection of Industrial Property*, 1883, as amended several times, to which Canada is a signatory. Article 10bis of that Convention provides:

- (1) *The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.*
- (2) *Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.*
- (3) *The following in particular shall be prohibited:*
 - (i) *all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;*
 - (ii) *false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;*
 - (iii) *indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.*

[48] To the extent that section 7(a) is applied to patent, trademark or copyright, it appears that the Court will accept its constitutional validity (see: *ITT Hartford Life Insurance Co. of Canada v American International Assurance Life Co.* (1997), 79 C.P.R. (3d) 441 (FC) per Nadon J. at page 447). This has been held to include registered industrial designs (see: *Benisti Import-Export Inc. v Modes TXT Carbon Inc.* (2002), 20 C.P.R. (4th) 125 per Morneau P. at pages 129 – 131).

[49] The most significant case is the decision of the Supreme Court of Canada in *S & S Industries Inc. v Rowell*, [1966] S.C.R. 419. That case dealt with a patentee whose lawyer sent “cease and desist” letters to customers of a competitor threatening to take patent infringement proceedings against the customers if they purchased product from the competitor. No such action was taken so the competitor brought an action for damages under subsection 7(a) of the *Trademarks Act*. The Supreme Court held that there was no express requirement that the false or misleading statements be made with knowledge of their falsity or that they be made maliciously. Martland J., for the majority, wrote at pages 424 - 425:

Section 7 of the Trade Marks Act replaces s. 11 of The Unfair Competition Act, c. 38, Statutes of Canada 1932. So far as s. 7(a) is concerned, the scope of the subsection was extended beyond s. 11(a) by making it applicable to a "misleading statement" as well as to a false statement.

The combined effect of ss. 7(a) and 52 of the Trade Marks Act is to create a statutory cause of action for which damages may be awarded if a person is damaged by false or misleading statements by a competitor tending to discredit the claimant's business, wares or services. The essential elements of such an action are:

- 1. A false or misleading statement;*
- 2. Tending to discredit the business, wares or services of a competitor; and*

3. Resulting damage.

*There is no express requirement that the false or misleading statements be made with knowledge of their falsity, or that they be made maliciously. To interpret these provisions as though such elements were implied would be to construe them as merely restating rules of law which already existed. I do not think this approach is a proper one. The Unfair Competition Act was a statutory code to provide for fair dealing in trade. Section 11 was based upon Article 10 bis of the International Convention for the Protection of Industrial Property, made at the Hague, November 6, 1925, to which Canada was a party. When interpreting the provisions of a code, the correct course is that stated by Lord Herschell in *Bank of England v. Vagliano Brothers* [[1891] A.C. 107 at 144, 64 L.T. 353.]. He was there discussing the approach taken by the Court of Appeal in construing a provision of the Bills of Exchange Act, in relation to the state of the law before the Act was passed, and he said:*

My Lords, with sincere respect for the learned Judges who have taken this view, I cannot bring myself to think that this is the proper way to deal with such a statute as the Bills of Exchange Act, which was intended to be a code of the law relating to negotiable instruments. I think the proper course is in the first instance to examine the language of the statute and to ask what is its natural meaning, uninfluenced by any considerations derived from the previous state of the law, and not to start with inquiring how the law previously stood, and then, assuming that it was probably intended to leave it unaltered, to see if the words of the enactment will bear an interpretation in conformity with this view.

In my opinion, the natural meaning of s. 7(a) is to give a cause of action, in the specified circumstances, in respect of statements which are, in fact, false, and the presence or absence of malice would only have relevance in relation to the assessment of damages.

The circumstances of this case bring the respondent within the provisions of s. 7(a) and accordingly, in my opinion, the appeal should be dismissed with costs.

[50] Spence J. wrote a concurring decision in which he held that even if malice were an element, malice had been shown because the patentee, once the competitor showed that it

intended to contest the allegations of infringement, settled the outstanding actions. He wrote at page 433:

It would appear, therefore, that the defendant, after it had received express notice that the plaintiff denied he was guilty of infringement and intended to claim damages for such actions on the part of the defendant as are the subject of the claim in this action, proceeded with the most significant expedition to settle an action avoiding any test therein of the validity of its patent, and also effectively removing any contest thereof or assistance in the contest by a large manufacturer and a very large distributor. In addition, the defendant deprived the plaintiff of an opportunity to sell his wares in a very considerable market.

Therefore, in my view, this consideration of the circumstances demonstrates that there was evidence to show that what the defendant stated was so stated without reasonable and probable cause. There was, therefore, evidence of malice upon which the learned Exchequer Court Judge could have found for the plaintiff even if such were a necessary element of the proof and his judgment should not be interfered with.

c) Competition Act

[51] Subsection 52(1) of the *Competition Act*, RSC 1985, c. C-34, as amended, provides that no person shall, for the purpose of promoting a product, knowingly or recklessly, make a representation that is false or misleading in any material respect. Subsequent subsections stipulate a number of matters such as matters that need not be proved.

52 (1) No person shall, for the purpose of promoting, directly or indirectly, the supply or use of a product or for the purpose of promoting, directly or indirectly, any business interest, by any means whatever, knowingly or recklessly make a representation to the public that is false or misleading in a

52 (1) Nul ne peut, de quelque manière que ce soit, aux fins de promouvoir directement ou indirectement soit la fourniture ou l'utilisation d'un produit, soit des intérêts commerciaux quelconques, donner au public, sciemment ou sans se soucier des conséquences, des indications fausses ou trompeuses sur un point

material respect.

important.

[52] Section 36 of that *Act* provides that a person who has suffered loss or damage in respect of such misrepresentation may sue in this Court for damages.

36 (1) Any person who has suffered loss or damage as a result of

(a) conduct that is contrary to any provision of Part VI, or

(b) the failure of any person to comply with an order of the Tribunal or another court under this Act,

may, in any court of competent jurisdiction, sue for and recover from the person who engaged in the conduct or failed to comply with the order an amount equal to the loss or damage proved to have been suffered by him, together with any additional amount that the court may allow not exceeding the full cost to him of any investigation in connection with the matter and of proceedings under this section.

36 (1) Toute personne qui a subi une perte ou des dommages par suite :

a) soit d'un comportement allant à l'encontre d'une disposition de la partie VI;

b) soit du défaut d'une personne d'obtempérer à une ordonnance rendue par le Tribunal ou un autre tribunal en vertu de la présente loi,

peut, devant tout tribunal compétent, réclamer et recouvrer de la personne qui a eu un tel comportement ou n'a pas obtempéré à l'ordonnance une somme égale au montant de la perte ou des dommages qu'elle est reconnue avoir subis, ainsi que toute somme supplémentaire que le tribunal peut fixer et qui n'excède pas le coût total, pour elle, de toute enquête relativement à l'affaire et des procédures engagées en vertu du présent article.

[53] There has not been any significant jurisprudence respecting the application of these provisions to registered industrial designs and only incidentally in respect of patents. As I will discuss, the claim in respect of the *Competition Act* has been dropped from the counterclaim.

VI. DEFENDANTS' MOTION – INDUSTRIAL DESIGN REGISTRATION VALIDITY

[54] I will turn first to the Defendants' (Plaintiffs by Counterclaim) summary judgment motion to have the registration of the 676 design registration declared to be invalid. By Defendants', I mean the one remaining counterclaimant respecting the design, Supertek.

[55] The evidence I have from the Defendants is the opinion evidence of an expert, Manu, set out in two affidavits upon which there was cross-examination, and an affidavit of an articling student. Included was a decision of a French Court declaring invalid a registered design apparently similar to that at issue here.

[56] The Plaintiffs filed no expert affidavit as to the design. They filed an affidavit of a summer student attaching a decision of a Netherlands Court apparently holding valid the registration of a design apparently similar to that at issue here.

[57] First, I will deal with the decisions of the French and Netherlands Courts. I have no evidence as to the relevant laws in those countries respecting the matters at issue in those Courts. Without more, I cannot come to any proper conclusions as to the nature and effect of those decisions. Therefore, those decisions will play no part in my determination here.

[58] Turning to the expert evidence, the Plaintiffs have not provided any expert evidence of their own either to rebut the Defendants' expert or to support the validity of the design registration at issue. In fact, it is clear that the Plaintiffs have no interest in supporting the

registration of the design having dedicated it to the public, discontinued the assertion of the design infringement portion of this action, and provided a letter containing a covenant not to sue.

[59] The Plaintiffs rely on portions of their cross-examination of the Defendants' expert and some argument expressing their lawyer's views as to the validity of the design registration.

However, having read the two affidavits of Manu and his cross-examination, I am satisfied that his opinion, as summarized in paragraph 38 of his first affidavit, is sound:

38. In my opinion, the subject matter of the '676 Design is not an original design. It is not the result of an intentional design, and lacks consistent form and repeatability. And, is dictated solely by the utilitarian form of an expandable hose assembly comprised of an elastic tube in a fabric cover.

[60] The Plaintiffs have not satisfactorily rebutted this opinion. I find that the 676 design is not original and is dictated solely by function.

[61] The Plaintiffs object to the filing of the second (supplemental) affidavit of Manu in reply essentially on the basis that it attaches a copy of the decision of the French Court and makes comments about it. As I have said previously, the decision of the French Court has played no part in my decision here thus this objection need not be considered.

[62] The Plaintiffs' main arguments respecting the Defendants' attack on the validity of the design registration are; first, that the matter is moot since the registration has been dedicated to the public and, second, that the Defendants are not "persons aggrieved" within the meaning of subsection 22(1) of the *Industrial Design Act*; thus cannot seek to have the registration expunged or varied.

[63] First, as to mootness, the Plaintiffs' agent filed a letter with the Industrial Design Office dated July 10, 2014 whereby the registration was "irrevocably" dedicated to the public. I find that this letter does not render the question of validity moot. The effect of such a "dedication" is questionable, and the "dedication" was made after the counterclaim as to invalidity in this action was filed. Whatever the dedication may mean, it had no effect prior to July 10, 2014. The issue is not moot.

[64] Second, as to whether the Defendants are "persons aggrieved" given not only the dedication but also the Discontinuance of the Plaintiffs' claim respecting the design and the lawyer's letter with a "covenant" not to sue, I find that these actions by the Plaintiffs, all unilateral, cannot serve to eliminate the Defendants' status as persons aggrieved.

[65] The lawyer's letter containing the "covenant" and its Notice of Discontinuance is, at best, a unilateral offer. The last paragraph of the letter invites action by the Defendants to discontinue its pursuit of remedies in this action:

Please advise if the defendants intend to continue to pursue the allegation under section 7(a) of the Trade-marks Act and section 52 of the Competition Act so that we may advise the court accordingly.

[66] The Defendants did not so advise the Plaintiffs and, in fact, one of them is continuing to pursue some of these allegations in this action. The unilateral offer was never accepted.

[67] The Plaintiffs, try as they might, cannot unilaterally strip the Defendants of their right to challenge the validity of the design registration as "persons aggrieved".

[68] I find that there is no genuine issue for trial respecting the validity of the registration of the 676 design. The Defendants have a continuing right to challenge that registration as persons aggrieved; the registration is not moot having regard to the “dedication”, the only expert evidence is that of the Defendants which evidence I find to be sound; the design is not original and is dictated solely by utilitarian function. The decisions of the French and Netherlands Courts play no part in this determination.

[69] I will, therefore, declare that the 676 design registration should be expunged and my Judgment to that effect should be registered with the Industrial Design Office.

VII. PLAINTIFF’S MOTION FOR SUMMARY JUDGMENT – SECTION 7(a) of the TRADEMARKS ACT

[70] The Defendants (Plaintiffs by Counterclaim) have, in their Memorandum of Fact and Law dated May 17, 2016, in response to the Plaintiffs’ motion for summary judgment, substantially reduced the scope of their counterclaim. They wrote:

Supertek is not pursuing its claim under s. 52 of the Competition Act. For its part, the Plaintiff by Counterclaim, Telebrands Corp. (“Telebrands”) intends to discontinue its counterclaim since the value of the claim is speculative.

[71] Remembering that International Edge has made no counterclaim and that, the day before these motions were to be heard, Telebrands discontinued its counterclaim, the only remaining issue (aside from the validity of the design registration dealt with above) is Supertek’s claim under section 7(a) of the *Trademarks Act*. Supertek’s Counsel, at the hearing of the motions, further narrowed Supertek’s claim to that respecting only two potential customers, Canadian Tire

and Wal-Mart Canada, and to two years only, 2013 and 2014. The Plaintiffs' motion is therefore directed to having that reduced claim dismissed on summary judgment or to have the Court Order a summary trial in respect of that reduced claim.

[72] Having reviewed the evidence and heard Counsel for each of the parties, I am, to use a double negative, not satisfied that there is no genuine issue with respect to Supertek's remaining counterclaim. That counterclaim essentially depends on what Emson's representatives, Mishan and Guindi, told representatives of Canadian Tire and Wal-Mart Canada about the 676 design and the 882 patent and threats of a lawsuit in respect thereof. The evidence I have in respect of such matters is equivocal and the credibility of witnesses, including Mishan and Guindi, will play a part in a proper determination of this matter. I am guided by the principles expressed by Pelletier J.A. in *Suntec Environmental Inc. v Trojan Technologies, Inc.* (2004), 31 CPR (4th) 241 (FCA), that where there are concerns as to credibility of witnesses, the Court should be cautious as to granting summary judgment.

[73] For instance, there are in evidence e-mails from Wal-Mart Canada personnel saying "*I have been told if you have variation of the XHose then you are infringing on patents...*" and "*I have no desire to look at this if there is [sic] patent issues*".

[74] Similarly, there are e-mails from Canadian Tire personnel saying "*We met with Emson yesterday and they are threatening a legal action...*" and an e-mail from Mishan to Canadian Tire personnel saying "*...the inventor of those Xhose Patents is very litigious*" and listing six different lawsuits including three in Canada.

[75] Mishan and Guindi, in their first affidavits, say that they “*do not recall*” discussing intellectual property or litigation matters with these customers. In their second affidavits, they deny making any threats or asking that purchase orders be cancelled. The cross-examination of them appear to be evasive and fail to give clear and direct answers to questions in this area.

[76] Defendant/Plaintiff by Counterclaim Supertek has led no direct evidence from the relevant persons at Canadian Tire or Wal-Mart Canada. E-mails such as those referred to above were put in evidence but there is no evidence from the authors of those e-mails.

[77] Given the state of the evidence before me, I cannot conclude that there is no genuine issue for trial. I would like to hear from the relevant people at Canadian Tire and Wal-Mart Canada by subpoena, if necessary. I would like to have Mishan and Guindi give evidence in person in Court.

[78] As to damages sustained by Supertek, if any, I have evidence that Canadian Tire cancelled two orders and, except for one independent dealer in Ontario, never placed further orders for the hoses at issue with Supertek. Wal-Mart Canada never placed any order for such hoses with Supertek. Whether the cancellation of orders or failure to place orders was as a result of whatever Emson may have said or done will have to be proven. The quantum of damages, if any, for cancelled or lost orders will have to be proven. All of this will require some form of trial.

[79] I proposed to the parties that the matter could proceed by way of summary trial. The evidence that is already in could remain as trial evidence. Mishan and Guindi could appear in person to give evidence. Appropriate witnesses from Canadian Tire and Wal-Mart Canada could give evidence; whether in person by subpoena or by affidavit and cross-examination, is a matter to be determined. Evidence as to damages and quantum could be led by fact or, if necessary, expert evidence. The parties agreed that they could consider these and other matters that may be relevant and come up with a proposal as to a schedule for a summary trial. The proposal could be made within the next ten (10) days.

[80] Costs of these motions will be left for disposition by the Judge hearing the summary trial.

JUDGMENT

FOR THE REASONS PROVIDED HEREIN:

THIS COURT'S JUDGMENT is that:

1. Canadian Industrial Design Registration Number 146,676 is invalid and is to be expunged from the Register upon the filing of this Judgment with the Industrial Design Office;
2. A summary trial is to be held in respect of the Defendant/Plaintiff by Counterclaim Supertek Canada Inc.'s claim under section 7(a) of the *Trademarks Act*. The parties are to submit a proposed schedule in respect thereof within ten (10) days from the date of this Order;
3. Costs of these motions are reserved to the Judge hearing the summary trial.

"Roger T. Hughes"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1112-13

STYLE OF CAUSE: E. MISHAN & SONS. AND BLUE GENTIAN, LLC v
SUPERTEK CANADA INC., INTERNATIONAL EDGE,
INC. AND TELEBRANDS CORP.

PLACE OF HEARING: TORONTO, ONTARIO

DATE OF HEARING: MAY 31, 2016

JUDGMENT AND REASONS: HUGHES J.

DATED: JUNE 3, 2016

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