



NOV 11 1997

T-239-97

BETWEEN:

MR. SAFETY CHECK SYSTEMS INC.

Plaintiff

- and -

**BRAKE SAFE INC.; SPECTRA PRODUCTS INC.;
SPECTRA INC.; GERALD THIBODEAU and TRACEY THIBODEAU**

Defendants

REASONS FOR ORDER

CULLEN J.:

The applicants, who are the defendants in the main action, move for an Order, pursuant to Rule 469, for an interlocutory injunction restraining the respondent by its officers, directors, employees and agents, from making any false or misleading statements attempting to discredit the business, wares or services of the applicants as well as continuing with trade libel, and from making such statements in breach of subsection 7(a) of the Canadian *Trade-marks Act*.

This motion is in relation to a main action concerning direct and indirect infringement of the respondent's patent for a bolt-on brake adjustment gauge.

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THE FACTS

The background facts of this case are largely as set out in my reasons, dated September 30, 1997, regarding a previous motion in the same action.¹

The main facts supporting the applicants' "false and misleading statements" allegation against the respondent are briefly summarized below.

The respondent sent letters to some of the applicants' customers stating the respondent's ownership of the patent for the brake gauge, and advising that anyone who infringes this patent by making, selling or using any device falling within the scope of the patent will be liable to pay damages or profits to the respondent.

The applicant Gerald Thibodeau sent a letter, dated February 26, 1997, alleging unfair and prohibited trade practices to the applicant. Copies of this letter were sent, by the applicants' counsel, to three companies who were customers or potential customers of Spectra Products Inc., and who had allegedly received the respondent's letter referred to in the preceding paragraph.

The respondent distributed copies of advertisements comparing the respondent's product with "Cheap Lookalikes." The applicants' product is not specifically named as a "cheap lookalike."

The applicants sent the respondent a letter alleging libel, and unfair competition under the *Trade-marks Act*, subsection 7(a), due to the comparative advertising.

The respondent's solicitors sent opinion letters, dated August 15, 1997, to some of the applicants' customers and/or distributors alleging infringement and threatening legal action to enforce the respondent's patent rights against any infringing parties.

¹ *Mr. Safety Check Systems Inc. v. Brake Safe Inc., Spectra Products Inc., Gerald Thibodeau and Tracey Thibodeau* (September 30, 1997), Doc. T-239-97 (Fed. T.D.).

DISCUSSION

Interlocutory Injunctions: general principles

I outlined the relevant principles in the application of interlocutory injunctions in the reasons referred to above.² They are equally applicable in the present motion, and there is no need to re-iterate them here. However, for the sake of emphasis, the following general statement of the law bears repeating: the interlocutory injunction is exceptional relief and should only be granted with great caution, since it pronounces judgment in very substantial matters without the opportunity for a full and comprehensive trial.³ The grant of an interlocutory injunction is not a common occurrence in patent cases, principally because in most cases damages will be an adequate remedy.⁴

Analysis

1. Serious issue

The onus is on the applicants to show that there is a serious issue. The threshold issue of serious issue is resolved on an extremely limited review of the case on the merits.

The applicants submit that it would be just and equitable for this Court to order the respondent to stop sending the letter as found in Exhibits 13(a), (b), and (c) to the applicants' customers, as well as to stop the respondent from disseminating the comparative charts, as they are all misleading and inaccurate.

The respondent submits that all the statements contained in the documents referred to above are true and accurate.

² See note 1.

³ *Frank Brunckhorst Co. v. Gainers Inc.* (1993), 46 C.P.R. (3d) 421 (Fed. T.D.).

⁴ *Cutter Ltd. v. Baxter Travenol Laboratories Ltd.* (1980), 47 C.P.R. (2d) 53 at 55 (F.C.A.).

I have reviewed the respondent's letter dated February 26, 1997, which is a subject of this motion. I agree with counsel to the respondent that it would appear that none of the statements contained in that letter, taken by themselves, are false or inaccurate. However, the effect of sending a letter like that to the applicants' customers may be a different matter.

I have reviewed the legal opinion letter from the respondent's counsel, dated August 15, 1997, which is, again, a subject of this motion. I agree with counsel to the respondent that it would appear that none of the statements contained in that letter, taken by themselves, are false or inaccurate. However, the effect of sending a letter like that, from a lawyer's office, to the applicants' customers may, again, be a different matter.

I have reviewed the comparison charts to which the applicants refer. The comparison is in respect of the infringement of the patent. A judicial pronouncement on these comparison charts requires a review of the technical merits of the case.

As I found in the previous motion I heard in this case,⁵ an extremely limited review of the case on the merits leads me to conclude that there are several real issues that need determination on the basis of findings of fact and credibility. As well, there are several complex legal issues that need resolution regarding ownership/co-ownership, inventorship, and infringement, to name a few. Credibility and issues going to the very heart of infringement cannot be determined in this motion. It appears that there may even be two different products at issue here. Such issues require a full-blown trial.

I believe that there may be a serious issue as to whether the activities of the respondents could be in breach of subsection 7(a) of the Canadian *Trade-marks Act*. I agree with counsel to the applicants that this Court has jurisdiction to make determinations on this provision, and on all of the documents at issue in this motion. Although, at times the present issues may seem like a breach of contract situation, the issues are,

⁵ See note 1.

nevertheless, clearly all tied to the patent dispute before this Court. However, because of the complexity of the case, the trade-marks question is better answered after a full exposition of the facts at issue, such as that which would occur in a trial, and not as a preliminary matter as it has been presented here.

The question of whether the respondent's statements are false and misleading is inextricably tied to the issues that must be resolved at trial. There is no way to divorce the applicant's allegations from the resolution of the main action. There is no way to pronounce on these allegations without the resolution of the main action.

For the above reasons, I am not convinced that there is a serious issue that must, or even could, be resolved in a preliminary way. Nevertheless, because I do not believe that the applicants' case is frivolous or vexatious, it is now prudent to consider the second and third prongs of the interlocutory injunction test.

2. Irreparable Harm

The applicants submit that the loss of goodwill due to the respondent's activities may very well be irreparable. The applicants further submit that it may become impossible for the applicants to regain their market position. As a result, the applicants suffer irreparable harm at the hands of the respondent, and damages do not provide the applicants with an adequate remedy.

The respondent submits that it is entitled to inform customers of its patent, the patent's ownership, and of the respondent's solicitor's opinion with respect to infringement. The alternative to sending out informative "cease and desist" letters would be to needlessly start lawsuits.

There is no evidence that any customer would not buy the applicants' product in the future, that is, after trial, if the applicants are successful.

There is no real evidence before this Court of the loss of good will alleged by the applicant.

Conclusion -- irreparable harm: As I found in the previous motion in this case,⁶ it is not enough to show that irreparable harm "may very well" to result from a failure to grant an interlocutory injunction in a patent case. The applicant must demonstrate that it "would suffer" irreparable harm.⁷

3. Balance of convenience

There is no need to determine the balance of convenience issue here, because the applicants' case fails on the serious issue and irreparable harm tests.

CONCLUSION

It is legitimate to ask whether this is a matter that is better settled in the marketplace, rather than through a Court-imposed "gag-order" on the respondent. Regardless of the answer to this question, I believe that it is inappropriate to grant an interlocutory injunction where the subject matter of the injunction is so tied up with the subject matter of the main action, whose resolution calls for complex findings of fact and law. To grant an interlocutory injunction in such a case would amount to pronouncing judgment in the main action, without having had the benefit of hearing the main action.

Furthermore, I am concerned that granting this application would have the effect of opening the floodgates to similar applications every time a letter is written or comparative information is published that the applicants or the respondent thinks is unfair.

⁶ See note 1.

⁷ *Syntex Inc. v. Novopharm Ltd.* (1991) 36 C.P.R. (3d) 129 at 135 (F.C.A.).

The applicants make a point regarding the Rules of Professional Conduct and the duty of the lawyer to encourage public respect for, and try to improve, the administration of justice. However, because this case cries out for a full trial, it would be pre-mature to comment on the effect of the public statements made by the respondent's counsel.

The burden is on the applicants to establish a serious issue, irreparable harm, and the balance of convenience. The applicants have failed to discharge this burden.

Accordingly, this application is dismissed, with costs in the cause.

OTTAWA, ONTARIO

October 23, 1997.

B. Cullen

J.F.C.C.

FEDERAL COURT OF CANADA
TRIAL DIVISION

NAMES OF SOLICITORS AND SOLICITORS ON THE RECORD

COURT FILE NO.: T - 239 -97
STYLE OF CAUSE: MR. SAFETY CHECK SYSTEMS INC. v. BRAKE SAFE
INC.ET AL.
PLACE OF HEARING: TORONTO, ONTARIO
DATE OF HEARING: 25TH DAY OF SEPTEMBER 1997

REASONS FOR ORDER OF THE HONOURABLE MR. JUSTICE CULLEN

DATED 23rd OCTOBER 1997

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