Federal Court of Appeal

Cour d'appel fédérale

Date: 20150420

Docket: A-415-13

Citation: 2015 FCA 100

CORAM: **STRATAS J.A.**
WEBB J.A.
SCOTT J.A.

BETWEEN:

IMPERIAL MANUFACTURING GROUP INC.
and HOME DEPOT OF CANADA INC.

Appellants

and

DECOR GRATES INCORPORATED

Respondent

Heard at Toronto, Ontario, on September 2, 2014.

Judgment delivered at Ottawa, Ontario, on April 20, 2015.

REASONS FOR JUDGMENT BY: STRATAS J.A.

CONCURRED IN BY: WEBB J.A.
SCOTT J.A.

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REASONS FOR JUDGMENT

STRATAS J.A.

[1] The appellants appeal from the Order dated November 26, 2013 of the Federal Court (*per* Justice Gleason): 2013 FC 1189.

[2] In the Federal Court, the appellants moved for particulars of certain allegations in the respondent's statement of claim. The Federal Court dismissed the motion. The appellants, Imperial Manufacturing and Home Depot, appeal from the dismissal.

[3] For the reasons set out below, I would dismiss the appeal with costs.

A. Basic facts

[4] In this case, the respondent, Decor Grates Incorporated, has sued the appellants for infringement of certain industrial designs. It was granted registrations for two designs for floor heating grates under the *Industrial Design Act*, R.S.C. 1985, c. I-9.

[5] In the Federal Court, the appellants moved for an order for particulars. Discussions ensued and the discussions helped to narrow the parties' dispute.

[6] When the matter came before the Federal Court, the particulars sought fell into three categories:

- Particulars as to the store locations and outlets where the products of Decor Grates are sold, as well as the scope and nature of its products, and the duration it has been selling its products (for paragraph 2 of the statement of claim);

- Particulars regarding both industrial designs, including how and when each design was created and finalized, the names and addresses of those who created the designs, their relationship with Decor Grates and copies of any agreements or assignments (for paragraph 6 of the statement of claim);

- Particulars of all floor registers sold by Decor Grates to the appellant, Home Depot, from the late 1990's to January 2013 (for paragraph 10 of the statement of claim).

[7] The Federal Court set out the principles that govern the granting of particulars (at paragraph 3):

> The rules applicable to requests for particulars and pleadings are well-established and require a party to plead with sufficient particularity to set out the basis for its claim or defence so as to inform the other party of the case it has to meet, allow it to prepare its responding pleading, avoid surprise and appropriately limit and shape the scope of discovery and evidence at trial (see *e.g. Gulf Canada Ltd. v. Mary Macklin*, [1984] 1 F.C. 884 (C.A.)). As the plaintiff correctly notes, the scope of permissible requests for particulars is narrower at the pleading stage than later on in the litigation or during discovery (see *e.g. Quality Goods IMD Inc. v. RSM International Active Wear Inc.* (1995), 63 C.P.R. (3d) 499 (F.C.T.D.) at para. 2). Moreover, a party is not entitled to request particulars of information within its knowledge unless the pleading is otherwise faulty through its failure to plead a necessary material fact, and a request for particulars equivalent to a fishing expedition, to determine if there is a factual basis for a potential defence, is not appropriate (see *e.g. Quality Goods* at paras. 2-3; *Windsurfing International Inc v. Novaction Sports Inc.* (1987), 18 C.P.R. (3d) 230 (F.C.T.D.) at para. 17; *Embee Electronics Agencies Ltd. v. Agence Sherwood Agencies Inc.* (1979), 43 C.P.R. (2d) 285 (F.C.T.D.) at para. 3).

[8] I see no error in the Federal Court's summary of the relevant principles, though later I shall offer some further guidance on the relevant principles.

[9] In the Federal Court, the appellants submitted, as they submit in this Court, that the particulars are relevant to certain defences to Decor Grates' claim of infringement. The appellants would like to advance two defences:

- The appellants query whether Decor Grates is a "proprietor" under the *Industrial Designs Act*, R.S.C. 1985, c. I-9. Under that Act, registrations may be granted only to "proprietors" of industrial designs. Section 12 of the Act states that the "author of the design is the first proprietor of the design, unless the author has executed the design for another person for…consideration, in which case the other person is the first proprietor." Section 13 of the Act provides for transmission of proprietorship through assignment, which must be registered with what was known as the Office of the Commissioner of Patents (now the Canadian Intellectual Property Office).

- The appellants query whether they have a defence under paragraph 6(3)(*b*) of the Act. That paragraph provides that the Minister shall refuse to issue a registration if the application for registration is filed more than one year after the design is published anywhere. The appellants wish to investigate whether this may have happened, triggering the paragraph 6(3)(*b*) defence.

[10] The Federal Court acknowledged that the two defences do exist in law and can potentially arise in a case such as this. However, it denied the request for particulars, finding that the appellants had embarked upon a "fishing expedition" (at paragraph 8):

> The [appellants] argued that they are entitled to the requested particulars as they concern potential defences, and, therefore, are material facts. With respect, I disagree and instead believe that the requests constitute an impermissible "fishing expedition" to discover whether there might be a defence open to the defendants, which is not the subject of a proper request for particulars. As Justice Marceau noted in *Embee* [*Electronics Agencies Ltd. v. Agence Sherwood Agencies Inc.* (1979), 43 C.P.R. (2d) 285 (F.C.T.D.)] at para. 3, a defendant should not be allowed to use a request for particulars "as a means to go on a fishing expedition in order to discover some grounds of defence still unknown to him". That is precisely what the defendants seek to do here with respect to the facts outside their knowledge; they seek the particulars to determine if grounds for the two potential defences exist.

[11] Later, the Federal Court added that the particulars were simply not relevant (at paragraph 10):

> Here, on the other hand, the requested particulars are not an essential element of the plaintiff's claim as under [sub]sections 7(3) and 9 of the [*Industrial Design Act*]. The fact of registration is all that the plaintiff must establish to prove its entitlement to the exclusive right to use the registered designs. The information the defendants seek concerns potential defences and is not a requisite element of the plaintiff's claim.

[12] In refusing the particulars, the Federal Court also relied on the fact that some of the particulars sought were known to the appellant, Home Depot, and could be shared with the appellant, Imperial Manufacturing. It noted the law to the effect that a party cannot seek particulars when the information underlying those particulars lies within its own knowledge. The Federal Court added that the particulars sought went far beyond what was necessary to trigger the defences and included many "extraneous elements that would be time-consuming to locate."

[13] The appellants appeal to this Court on all issues.

B. Analysis

(1) Standard of review

[14] In this Court, the parties agree that deference is to be accorded to the Federal Court's decision unless the Federal Court proceeded "on a wrong principle, gave insufficient weight to relevant factors, misapprehended the facts or where an obvious injustice would result": *David Bull Laboratories (Canada) Inc. v. Pharmacia Inc.*, [1995] 1 F.C. 588 at page 594, 58 C.P.R. (3d) 209 at page 213 (C.A.); *Reliance Comfort Limited Partnership v. The Commissioner of Competition*, 2013 FCA 129 at paragraphs 3-4; *Apotex Inc. v. Canada (Governor in Council)*, 2007 FCA 374, 370 N.R. 336 at paragraph 15. The parties say that this is the standard of review to be applied in appeals from discretionary orders of the Federal Court in interlocutory matters.

[15] In their memorandum of fact and law, the appellants take this one step further, suggesting, on the basis of *Apotex*, above at paragraph 15, that if the Federal Court "has given insufficient weight to relevant factors," this Court can "substitute the [Federal Court's] discretion for its own."

[16] As will be seen below, the appellants do submit that the Federal Court erred in law. But, relying upon the cases, above, they also submit that the Federal Court weighed the relevant factors improperly and so this Court should reweigh those factors and substitute its discretion for that of the Federal Court.

[17] The appellants' submission that the improper weighing of matters entitles this Court to intervene requires closer examination.

[18] Discretionary orders, such as the one in issue in this case, are the result of applying law to the facts of particular cases – in other words, they are questions of mixed fact and law.

[19] In a ruling binding upon us, the Supreme Court has held that the standard of review for questions of mixed fact and law is "palpable and overriding error" unless there is an extricable legal principle at issue: *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235. If there is no extricable legal principle or error of law, the standard of review is "palpable and overriding error": *Housen*; see also *H.L. v. Canada (Attorney General)*, 2005 SCC 25, [2005] 1 S.C.R. 401.

[20] The line of authority on the standard of review of discretionary interlocutory orders of the Federal Court, cited in paragraph 14, above, began with the *David Bull* decision in 1995. This Court has applied this line of authority – I shall call it the *David Bull* line of authority – as if it were a separate rule of law that stands apart from the more general standard of review jurisprudence from the Supreme Court in *Housen*.

[21] Despite *Housen*, the *David Bull* line of authority on the standard of review persists. As a result, counsel coming to this Court have to consider whether the matter they are litigating is interlocutory and discretionary. If so, the *David Bull* line of authority applies; if not, *Housen* applies. This raises problems.

[22] First, there is the problem of *stare decisis*. *Housen* is a decision of the Supreme Court, binding on all. In those cases, the Supreme Court provided the definitive word on the standard of review in civil cases. It did not make informal comments of the sort we might be tempted to distinguish. Rather, it analyzed the matter thoroughly – examining precedent, doctrine and legal policy – and it pronounced clearly and broadly on the matter, without any qualifications or reservations. For example, it did not carve out any special exceptions based on whether the matter being appealed is interlocutory or final, or whether discretionary orders are somehow different from issues of mixed fact and law, or whether the matter is a motion, or a particular type of motion, or something else. So the *David Bull* line of authority seems to persist these days as a bit of an anomaly.

[23] With one exception, the Supreme Court has applied the *Housen* standard of review in all civil cases before it. In the one exception, the Supreme Court suggested in a single isolated sentence that, among other things, an appellate court could interfere where the lower court "gives no or insufficient weight to relevant considerations": *Penner v. Niagara (Regional Police Services Board)*, 2013 SCC 19, [2013] 2 S.C.R. 125 at paragraph 27. However, less than a year later, the Supreme Court dropped "no or insufficient weight to relevant considerations" as a ground to interfere. It reaffirmed that discretionary decisions should be disturbed only if the court "misdirected itself" or "came to a decision that is so clearly wrong that it resulted in an injustice": *Hryniak v. Mauldin*, 2014 SCC 7, [2014] 1 S.C.R. 87 at paragraph 83. Misdirection means instructing oneself improperly on the law, in other words an error of law. And a decision that is so clearly wrong that it resulted in an injustice is another way of saying that there has been an obvious error that affects the outcome of the case – in other words, palpable and overriding

error. *Hryniak* expresses the *Housen* standard. Today, the *Housen* standard remains the basis upon which appellate courts can interfere with discretionary decisions.

[24] The second problem with the *David Bull* line of authority is the practical difficulty it can cause when litigants try to apply it. While discretionary orders are not usually hard to spot, in some cases it can be unclear whether a particular order is interlocutory or final: see, *e.g.*, *Ontario Federation of Anglers and Hunters v. Alderville Indian Band*, 2014 FCA 145, 461 N.R. 327.

[25] Third, to some extent, now that we have *Housen*, the continued existence of the *David Bull* line of authority is redundant. The *David Bull* line of authority suggests that this Court should interfere where the first instance court has proceeded on a wrong principle. But that is just a different way of saying, to use the language in *Housen*, that there has been an error on an extricable point of law. As for the giving of insufficient weight to relevant factors, misapprehending the facts or causing an obvious injustice, if severe enough, these can qualify under *Housen* as a "palpable and overriding error." So I do not take the *David Bull* line of authority, properly interpreted and applied, to be saying anything much different from *Housen*: and for a similar observation made in substance by this Court, see *Elders Grain Co. v. Ralph Misener (Ship)*, 2005 FCA 139, [2005] 3 F.C. 367 at paragraphs 6-13. As a matter of language, though, the *David Bull* line of authority, unlike *Housen*, does not capture the "palpable and overriding error" concept and, as a result, offers the false hope that appellate courts will interfere on the basis of reweighings.

[26] This takes me to the fourth problem with the *David Bull* line of authority. It poses a trap for the unwary. Read literally, it allows this Court to interfere where the Federal Court has given "insufficient weight to relevant factors." This sounds like an invitation to this Court to reweigh the evidence before the Federal Court and substitute our own opinion for it. Many counsel appearing in our Court construe it as such, asking us on appeal to do just that. As we shall see, that is what the appellants are asking us to do here. But, plainly, this is not what we ever do: see, *e.g.*, *Peguis First Nation v. Canada (Attorney General)*, 2014 FCA 7, 456 N.R. 239; *Sandoz Canada Inc. v. Abbott Laboratories*, 2010 FCA 168, 404 N.R. 356 (where, despite citing the *David Bull* line of authority, this Court applied the *Housen* standard of "palpable and overriding error").

[27] Fifth, there is no rationale that would support the standard of review on discretionary matters or matters of mixed fact and law in the Federal Courts being different from the standard of review applied by other courts across Canada. No other court in Canada uses a formulation of the standard of review similar to that set out in the *David Bull* line of authority. In the interests of simplicity and coherency, all other jurisdictions apply *Housen* on all standard of review cases across the board. And so should we: see also *Apotex Inc. v. Bristol-Myers Squibb Co.*, 2011 FCA 34, 414 N.R. 162 at paragraph 9.

[28] Sixth, the provenance of the *David Bull* formulation of the standard of review calls it into question. *David Bull* simply asserts it, without any explanation in law or legal policy. The only authority it relies upon is *Nabisco Brands Ltd.-Nabisco Brands Ltée. v. Proctor & Gamble Co. et*

al. (1985), 5 C.P.R. (3d) 417 at page 418, 62 N.R. 364 (Fed. C.A.). There, in extremely brief reasons, the Court stated:

> The Appellant has a preliminary hurdle to surmount to successfully appeal a discretionary, interlocutory order. It must satisfy the Court that, in refusing to exercise her discretion in favour of the applicant on a motion to strike all or part of a pleading, the Motions Judge clearly erred in her appreciation of the nature of the pleading or that she proceeded on a wrong principle.

Clear error in the "appreciation of the nature of the pleading" on a motion to strike would probably qualify today as "palpable and overriding error" on a question of mixed fact and law justifying appellate intervention, as would proceeding "on a wrong principle." But *David Bull* seems to have gone beyond the defensible articulation of the standard of review set out in *Nabisco* and added "giving insufficient weight to relevant factors."

[29] To eliminate these problems and in the interests of simplicity and coherency, only the *Housen* articulation of the standard of review – binding upon us – should be used when we review discretionary, interlocutory orders. In accordance with *Housen*, absent error on a question of law or an extricable legal principle, intervention is warranted only in cases of palpable and overriding error.

(2) The merits of the appeal

[30] The appellants submit that the Federal Court erred in legal principle when it stated that "the fact of registration is all the plaintiff must establish to prove its entitlement to the exclusive right to use the registered designs."

[31] In my view, this sentence cannot be viewed in isolation. First, the purpose of particulars must be kept front of mind.

[32] Courts grant motions for particulars of allegations in a statement of claim when defendants need them in order to plead. In short, the purpose of particulars is to facilitate the ability to plead. Put another way, without the particulars on an important point, the party cannot plead in response.

[33] This is to be distinguished from discoveries and, in particular, what courts must consider before ordering a discovery witness to answer a question. There, the Court considers whether the information sought is relevant and material to the legal and factual issues in the proceeding and consistent with the objectives set out in Rule 3 of the *Federal Courts Rules*, S.O.R./98-106.

[34] The appellants seem to have a discovery purpose in mind. They seem to be supporting their request for particulars on the basis that the information they seek is relevant and material to the legal and factual issues in the case. In paragraph 32 of their memorandum of fact and law, they submit that the provision of particulars will enable them "to appreciate the facts on which the case is founded and better understand [Decor Grates'] position." But these matters are relevant to the propriety of information sought on discovery, not whether particulars in a statement of claim should be granted because a party needs them in order to plead.

[35] In paragraphs 31 and 32 of their memorandum of fact and law, the appellants suggest that the provision of the particulars would have a "significant impact" on their statement of defence

by affecting its "submission, structure and tone." Here again, the appellants misapprehend the purpose of particulars. They are not supplied because they will make a pleading better or more forceful. They are supplied because without them they cannot plead in response to an important point.

[36] Had this been a request for information during a discovery, the appellants might be on firmer ground. Subsection 7(3) of the *Industrial Design Act* creates a rebuttable presumption, not a conclusive presumption. Subsection 7(3) provides as follows:

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 commencement and term of registration, and of compliance with this Act. [my emphasis]	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 l'enregistrement, et de l'observation de la présente loi. [je soulinge]

[37] If subsection 7(3) set up a conclusive presumption, then all questions concerning facts inconsistent with the presumption would be out of bounds. But subsection 7(3) sets up only a rebuttable presumption. Provided a party has some evidence that conflicts with the certificate (*i.e.*, "proof to the contrary"), it can rely upon that evidence in support of an allegation in its statement of defence that the presumption is rebutted to the extent of the conflict. For example, if the appellants have information suggesting that Decor Grates is not a "proprietor" because it is not or cannot be an author of the design in issue, it can plead an allegation based on that conflicting fact as "proof to the contrary." Depending on the circumstances, a party may be able to draw wider inferences from the conflicting evidence and make a wider allegation that other aspects of the presumption are also rebutted. But if the appellants do not have any conflicting

evidence at all, they cannot plead they have "proof to the contrary." To do so would be an abuse of process: *Merchant Law Group v. Canada Revenue Agency*, 2010 FCA 184, 321 D.L.R. (4th) 301 at paragraph 34; *Canada (National Revenue) v. JP Morgan Asset Management (Canada) Inc.*, 2013 FCA 250, [2014] 2 F.C. 557 at paragraph 45.

[38] The appellants also submit that the judge erred in finding that their request for particulars was a "fishing expedition." Here, the Federal Court set out the law relating to the *Industrial Design Act* and subsection 7(3) of that Act in particular, and did not err on any legal point. As a result, the Federal Court's finding that the appellants are engaged in a "fishing expedition" – a search by an empty-handed party looking for something to grasp onto – is a question of mixed fact and law heavily suffused by facts. Therefore, in order to succeed on this, the appellants must persuade us that the Federal Court committed a palpable and overriding error.

[39] Further, the Federal Court made other supplementary findings in support of its decision, namely that some of the particulars sought were known to the appellant, Home Depot, those particulars could be shared with the appellant, Imperial, the particulars sought went far beyond what was necessary to trigger the defences, and many of the particulars sought include many "extraneous elements that would be time-consuming to locate." To some extent, some of these concerns seem more appropriate to the issue whether a question should be answered on discovery rather than whether a party needs the information in order to plead. But they are largely factual in nature. Here again, to set these findings aside, the appellants must persuade us that the Federal Court committed a palpable and overriding error.

[40] Palpable and overriding error is a high standard: see, *e.g.*, *Canada v. South Yukon Forest Corporation*, 2012 FCA 165, 431 N.R. 286; *Waxman v. Waxman* (2004), 186 O.A.C. 201, 44 B.L.R. (3d) 165 (C.A.) at paragraphs 278-84. In *South Yukon*, this Court expressed the standard as follows (at paragraph 46):

> Palpable and overriding error is a highly deferential standard of review: *H.L. v. Canada (Attorney General)*, 2005 SCC 25, [2005] 1 S.C.R. 401; *Peart v. Peel Regional Police Services* (2006), 217 O.A.C. 269 (C.A.) at paragraphs 158-59; *Waxman*, *supra*. "Palpable" means an error that is obvious. "Overriding" means an error that goes to the very core of the outcome of the case. When arguing palpable and overriding error, it is not enough to pull at leaves and branches and leave the tree standing. The entire tree must fall.

[41] In this case, the appellants have not persuaded me that the threshold of palpable and overriding error has been met. All of the Federal Court's findings of mixed fact and law (including matters of discretion) and findings of fact have a basis in the evidence. Put another way, there is no error that is obvious and goes to the very core of the outcome reached.

[42] The appellants also submit that the costs order made by the Federal Court should be set aside. One reason is that the Federal Court's judgment must be set aside on appeal. For the above reasons, there are no grounds to set aside the Federal Court's judgment. The appellants also submit that, in making its costs award, the Federal Court should have taken into account Decor Grates' late delivery of requested particulars on the eve of the hearing. However, in the Federal Court the parties agreed that costs should follow the event and that they be fixed in the amount of $1,500. Thus, the appellants' submission is without merit.

C. Proposed disposition

[43] For the foregoing reasons, I would dismiss the appeal with costs.

"David Stratas"

J.A.

"I agree
Wyman W. Webb J.A."

"I agree
A.F. Scott J.A."

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET:	A-415-13

APPEAL FROM AN ORDER OF THE HONOURABLE JUSTICE GLEASON DATED NOVEMBER 26, 2013, DOCKET NO. T-1419-13

STYLE OF CAUSE:	IMPERIAL MANUFACTURING GROUP INC., and HOME DEPOT OF CANADA INC. v. DECOR GRATES INCORPORATED
PLACE OF HEARING:	TORONTO, ONTARIO
DATE OF HEARING:	SEPTEMBER 2, 2014
REASONS FOR JUDGMENT BY:	STRATAS J.A.
CONCURRED IN BY:	WEBB J.A. SCOTT J.A.
DATED:	APRIL 20, 2015

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