

Date: 20060619

**Dockets: A-2-06
A-3-06**

Citation: 2006 FCA 227

**CORAM: LÉTOURNEAU J.A.
NOËL J.A.
PELLETIER J.A.**

BETWEEN:

**ADACEL TECHNOLOGIES LTD.,
ADACEL INC. and CAE INC.**

Appellants (Defendants)

and

NAV CANADA

Respondent (Plaintiff)

Heard at Ottawa, Ontario, on June 8, 2006.

Judgment delivered at Ottawa, Ontario, on June 19, 2006.

REASONS FOR JUDGMENT BY:

PELLETIER J.A.

CONCURRED IN BY:

**LÉTOURNEAU J.A.
NOËL J.A.**

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REASONS FOR JUDGMENT

PELLETIER J.A.

[1] This is an appeal of the decision of Pinar J., reported at 2005 FC 1678, dismissing an appeal from the decision of Prothonotary Aronovitch dismissing the appellants' (defendants in the action) motion for an order for further and better particulars. The motion arose in the context of an action by Nav Canada alleging infringement of copyright in certain software, the GAATS software, which it claims to have acquired from the Federal crown in the context of the *Civil Air Navigation*

Services Commercialization Act S.C. 1996 c. 20. Nav Canada alleges that the appellant CAE Inc., who was once licensed to use the technology by the Minister of Transport, has breached its copyright in the GAATS software by selling products incorporating the software to others and by licensing the appellants Adacel Inc. and/or Adacel Technologies to use the software in products which they sell.

[2] The appellants sought particulars from the respondent on a number of issues, only two of which are material to this appeal. The first is the means by which the respondent acquired the rights which it claims in the software; the second is the basis upon which the respondent alleges that its copyright has been infringed.

[3] The Prothonotary adopted as her own 34 of the 35 paragraphs of the respondent's submissions and found that the pleadings were sufficient to allow the appellants to plead to the claims against them. In her view, the matters in respect of which further particulars were sought were matters best taken up at examination for discovery.

[4] On appeal to the Federal Court, the motions judge dismissed the appeal. He adopted paragraphs 6 to 12 of the respondent's submissions with respect to the issue of the means by which the respondent acquired title to the software, and paragraphs 13 to 18 of the same submissions with respect to the basis upon which infringement was alleged.

[5] As an aside, it is entirely open to a judge or prothonotary to adopt, in whole or in part, the submissions of one or the other of the parties, but it would add to the clarity and to the coherence of their reasons, as well as simplifying the task of working with the record, if the parts which they adopt were reproduced, either in their reasons or as an annex to their reasons. Otherwise, only a person with access to the entire record at the time of reading the reasons is able to appreciate their true import.

[6] The standard of review of a prothonotary's discretionary decision is well known. The Court should not interfere unless the prothonotary has acted upon a wrong principle, or a misapprehension of the facts, or unless the question is vital to the "final issue" in the case (*Canada v. Aqua-Gem Investments Ltd*, [1993] 2 F.C. 425 at 454).

[7] The question of the means by which the respondent acquired the title to the rights it asserts arises because of subsection 13(4) of the *Copyright Act*, which provides as follows:

(4) The owner of the copyright in any work may assign the right, either wholly or partially, and either generally or subject to limitations relating to territory, medium or sector of the market or other limitations relating to the scope of the assignment, and either for the whole term of the copyright or for any other part thereof, and may grant any interest in the right by licence, but no assignment or grant is valid unless it is in writing signed by the owner of the right in respect

(4) Le titulaire du droit d'auteur sur une oeuvre peut céder ce droit, en totalité ou en partie, d'une façon générale ou avec des restrictions relatives au territoire, au support matériel, au secteur du marché ou à la portée de la cession, pour la durée complète ou partielle de la protection; il peut également concéder, par une licence, un intérêt quelconque dans ce droit; mais la cession ou la concession n'est valable que si elle est rédigée par écrit et signée par le titulaire du droit

of which the assignment or grant is made, or by the owner's duly authorized agent. qui en fait l'objet, ou par son agent dûment autorisé.

[8] It has been held that the plaintiff is bound to plead its chain of title and that the failure to do so can be fatal to the plaintiff's claim. See *Durand & Cie v. La Patrie Publishing Co. Ltd* (1951), 15 C.P.R. 86 and *Havana House Cigar and Tobacco Merchants Ltd v. Nieni* (1980), 80 C.P.R (3rd) 132 as to the first point, and *Unipeixe-Exportadora De Peixe Limitada v. J. Gaspar and sons.* (1980), 48 C.P.R.(2nd) 7 as to the second.

[9] Counsel for the respondents candidly admitted that if subsection 13(4) applies, the question of whether or not there is a written agreement is a material fact. However, he argues that subsection 13(4) does not apply to the respondent's acquisition of the copyright. The submission is that since the Crown can convey title to copyright without the need for a written agreement, it necessarily follows that Nav Canada can acquire title from the Crown without a written agreement.

[10] The prothonotary rejected the appellants' motion on the basis that the statement of claim was complete in that it disclosed from whom, when and what rights were acquired. She went on to say that "The exact method by which those rights were transferred is a matter of evidence, not particulars".

[11] The difficulty is this. Just as the plaintiff is not required to plead to anticipate a defence, the defendant is not required to plead to every hypothetical possibility. The respondent could have

acquired its interest in the software by operation of law, by assignment, by licence or in other ways limited only by the considerable ingenuity of the intellectual property bar. So long as the mode of transfer does not give rise to a defence, it is correct to say that it is only the fact of title to the copyright which is material. But where one of those modes of transfer (written agreement) may give rise to a specific defence (invalidity of the assignment by reason of a failure to specifically refer to the copyright), the question of whether that mode of transfer was employed becomes material. Where a defendant demands particulars of the mode of transfer, the plaintiff cannot avoid the question by refusing to disclose the mode of transfer. To hold otherwise is to require the defendant to assume the facts for the purpose of pleading a defence based on that assumption, when those facts are material and known to the respondent. This is not a case of requiring the appellants to plead in the alternative, as suggested by counsel, but rather a case of requiring them to plead in the dark.

[12] The Prothonotary erred in principle in failing to recognize that subsection 13(4) of the *Copyright Act* made the issue of a written agreement material because it gave rise to a possible defence based on the existence of the agreement and its terms. It was therefore an appropriate subject for an order for further and better particulars and should not have been left to be addressed in the course of examinations for discovery. It is the pleadings which define the scope of the examinations for discovery, not the other way around. The motions judge ought to have intervened to make the order which the prothonotary ought to have made.

[13] Turning to the second issue in the appeal, the appellants point out that the question before the motions judge was not the question which was argued before the prothonotary. Before the latter,

the appellants argued that they were entitled to particulars of the infringing computer code, something which the respondent would be hard pressed to identify without having access to the appellants' software. Before the motions judge, the appellants abandoned their argument as to the computer code and argued instead that they were entitled to know the source of the respondent's belief that they were infringing its copyright.

[14] The appellants relied on the following passage from *Bean v. Noble* (1993), 51 C.P.R. (3d) 161 (Ont. Ct., Gen. Div.), a case which also dealt with an allegation of infringement of copyright in a computer program:

On the other hand, from a practical point of view, the plaintiff would not be in a position to produce parts of the defendant's programme as, unlike a book where the hard copy is available to the public, the computer programme would only be available to those who had purchased it from the defendant.

The plaintiff should, however, be able to expand on this paragraph by stating the source of such information. This also applies to para. 17 where the plaintiff alleges that he discovered that the defendant was producing "Mechanical Contrivances" (computer discs) of the defendant's Derivative Program and selling them to podiatrists. The plaintiff must, at least, explain the source of such information.

[15] The appellants say that they are entitled to know the source of the respondent's allegation that its copyright has been infringed. When questioned, counsel for the appellant CAE agreed that he was not asking for the name of the person who told the respondent of the possible infringement, but rather the facts upon which the respondent relied in alleging infringement.

[16] With respect, neither the source of the information nor the facts which lead the respondent to believe that infringement has occurred, is a matter which requires an order for further and better particulars. Section 27 of the *Copyright Act* says that it is an act of infringement “for any person to do, without the consent of the owner of the copyright, anything that by this Act only the owner of the copyright has the right to do.” Section 3 of the Act says that the copyright, in relation to a work, means “the sole right to produce or reproduce the work or any substantial part thereof in any material form whatever, ... if the work is unpublished, to publish the work or any substantial part thereof, and includes the sole right ...to produce, reproduce, perform or publish any translation of the work...”. To allege infringement is to allege that the defendant has reproduced a work or a substantial portion of a work without the consent of the owner. Thus the material facts are the existence of the work, the ownership of copyright in the work, the existence of the infringing work and the absence of the owner’s consent to the production or reproduction of the work. The respondent has pleaded all of those facts. Nothing further is required to allow the appellants to respond to the claim. The means by which the plaintiff has become aware of these facts is not material.

[17] For those reasons, I would not grant the appellants any relief with respect to this ground of appeal.

[18] In the end result, I would allow the appeal with costs and set aside the part of the Federal Court’s decision relating to the production of particulars concerning the means by which the respondent acquired the copyright which it asserts. Proceeding to make the order that the Federal

Court should have made, I would allow with costs the appeal from the decision of the prothonotary in respect of this issue and order the respondent to provide the appellants the particulars of the means by which they acquired the copyright in the GAATS software, by agreement or otherwise. If the rights were acquired by agreement, the respondent shall comply with Rule 206.

“J.D. Denis Pelletier”

J.A.

“I agree
Gilles Létourneau J.A.”

“I agree.
Marc Noël J.A.”

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKETS: A-2-06, A-3-06

APPEAL FROM THE JUDGMENT OF THE FEDERAL COURT DATED 21, 2005, NO. T-157-05

STYLE OF CAUSE: Adacel Technologies Ltd. et al. v. NAV Canada

PLACE OF HEARING: Ottawa, Ontario

DATE OF HEARING: June 8, 2006

REASONS FOR JUDGMENT BY: Pelletier J.A.

CONCURRED IN BY: Létourneau J.A. Noël J.A.

DATED: June 19, 2006

APPEARANCES:

Mr. Dominic Desjarlais FOR THE APPELLANT
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Mr. Bruce Carr-Harris
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