

December 07, 2016

ARTICLE

Intellectual Property Weekly Abstracts Bulletin — Week of December 5

Patent Decision

Threatening cease and desist letters supporting claim under section 7(a) of the *Trade-Marks Act* in an Impeachment Action

Excalibre Oil Tools Ltd v. Advantage Products Inc., 2016 FC 1279

This decision concerned the validity and/or infringement of a number of claims in three Canadian Patents. The Plaintiffs in the impeachment action were collectively referred to as the Excalibre Parties. The Defendants in the impeachment action were collectively referred to as the API Parties. In a decision that turned on the facts, the Court held that some of the impugned claims were valid, but not infringed by any version of a torque anchor sold by the Excalibre Parties (the "CTA Torque Anchors").

In the impeachment action, the Excalibre Parties also brought a claim under section 7(a) of the *Trade-marks Act*, asserting that the API Parties damaged the Excalibre Parties' business relations through false and misleading statements. The Court agreed that the Excalibre Parties were entitled to damages against API. In this case, the evidence established the three essential elements required for a claim under section 7(a): 1) a false and misleading statement; 2) tending to discredit the business, wares or services of a competitor; and 3) resulting damages.

The Court considered a number of cease and desist letters, sent on behalf of API, to customers and former customers of the Excalibre Parties. Given the finding of no infringement, the Court found that the letters contained false and misleading statements. However, the Court noted that not every assertion of a patent or other intellectual property, which is subsequently held to be invalid, will be held to constitute a false and misleading statement per section 7(a).

The Court concluded that it was clear that all of the letters to Husky and the letter to Bronco (both customers or former customers) were threatening, and not simply informative, since they contained threats that they would be sued if they did not stop sourcing or purchasing CTA Torque Anchors. The statements were also found to discredit Excalibre's CTA Torque Anchors, as is generally the case with threatening cease and desist letters .

Turning to the third element required under section 7, the Court stated that it is settled law that evidence of actual or potential damage is a necessary element for finding liability. The Court found that the evidence established that the damage to the Excalibre Parties' business due to Bronco's and Husky's decisions to cease sourcing CTA Torque Anchors was caused by the false and misleading statements made in the letters. Thus, the Excalibre Parties were entitled to damages against API, which are to be determined in a reference after trial. However, the Court did not accept Excalibre Parties' argument that resulting damage included any cessation in sale of other Excalibre products to customers beyond the CTA Torque Anchors.

Appeal granted from Order to post security for costs where minority shareholder would be the sole source of the amount

Swist v. Meg Energy Corp., 2016 FCA 283

In the underlying proceeding, Jason Swist and CSL had commenced an action for patent infringement. The Federal Court had granted MEG Energy's motion for an Order requiring CSL post security for costs. In that motion, the Federal Court Judge found that CSL did not have any assets that could be used, directly or indirectly, to post security for costs; nor did Jason Swist, the majority shareholder of CSL. The Federal Court Judge then looked to the minority shareholder to determine if she had the financial means to provide funds to CSL. The minority shareholder in this case only owned 10% of the shares of CSL and had never been involved in the business of CSL. The Federal Court Judge was not satisfied that the minority shareholder was unable to provide security for costs and ordered CSL to post security for costs in the amount of \$195,785.70.

On appeal, the Court of Appeal held that it was an error in law, in determining whether CSL was impecunious, to consider whether the minority shareholder, in the circumstances of this case, could be the sole source of the amount that CSL would be required to post as security for costs. The Court of Appeal found that CSL had demonstrated that

it was impecunious for the purposes of Rule 417 of the *Federal Courts Rules*. The appeal was granted and the matter was referred back to the Federal Court to determine whether the case has merit for the purposes of Rule 417, and if so, whether the discretion provided in Rule 417 should be exercised.

Trademarks Decision

TMOB's decision refusing registration under section 12(1)(c) found to be reasonable
[*CEDC International SP. Z O.O v. Underberg KG and Underberg AG, 2016 FC 1172*](#)

The Federal Court dismissed an appeal of a decision of the Trademarks Opposition Board (TMOB) allowing an opposition to the registration of a trademark for the word "Żubrówka" in association with a flavoured vodka product. The TMOB had applied section 12(1)(c) of the *Trade-Marks Act* and found that the Applicant had failed to meet its burden of proof on a balance of probabilities that "Żubrówka" was not the name of the wares in the Polish language. In other words, the TMOB was not satisfied that "Żubrówka" was not a generic Polish word describing vodka flavoured with bison (or buffalo) grass.

The Court concluded that the complete evidentiary record provided ample support for the TMOB's finding that the Applicant's evidence was insufficient to meet its burden. The Court also noted that on this appeal, the Applicant added very little to the evidentiary record in support of its case and certainly not enough to require the Court to reconsider the TMOB's decision on the merits.

Supreme Court Updates

[*Google Inc. v. Equustek Solutions Inc., et al. \(British Columbia\) \(Civil\) \(By Leave\) \(Docket: 36602\)*](#)

On December 6, 2016, the Supreme Court heard the appeal in *Google Inc. v. Equustek Solutions Inc., et al.* The Court has reserved its Judgment. [A webcast of the Hearing can be found here.](#) The following is the summary provided by the Supreme Court:

Administrative law — Interlocutory orders — Injunctions — Private international law — Extraterritoriality — Communications law — Internet — Intellectual property — Industrial design — Interim injunction issued against non-party to litigation — Google prohibited from displaying impugned websites in Internet search results — Under what circumstances may a court order a search engine to block search results, having regard to the interest in access to information and freedom of expression, and what limits (either geographic or temporal) must be imposed on those orders? — Do Canadian courts have the authority to block search results outside of Canada's borders? — Under what circumstances, if any, is a litigant entitled to an interlocutory injunction against a non-party that is not alleged to have done anything wrong?

The plaintiffs sued their former distributors for unlawful appropriation of trade secrets, alleging that the distributors designed and sold counterfeit versions of their products. The plaintiffs obtained injunctions against the distributors, prohibiting them from carrying on any business online. When this proved ineffective, the plaintiffs sought a court order against Google, to prohibit it from displaying search results that included the distributors' websites.

The Supreme Court of British Columbia granted a worldwide injunction against Google, finding that it had territorial competence over Google and that it possessed an inherent jurisdiction to maintain the rule of law and protect its processes, which in appropriate circumstances may include an injunction against non-parties. In this case, the balance of convenience favoured granting an injunction. The Court of Appeal agreed that the court held jurisdiction over Google with respect to the injunction application. It also concluded that it was permissible to seek interim relief against a non-party. The power to grant injunctions is presumptively unlimited, and injunctions aimed at maintaining order need not be directed solely at the parties involved in litigation. In this case, an injunction with worldwide effect was justified.

Industry News

Health Canada has published a [Guidance Document: Information and Submission Requirements for Biosimilar Biologic Drugs.](#)

Health Canada has published a [Notice — Validation rules for regulatory transactions submitted to Health Canada in the electronic Common Technical Document \(eCTD\) format.](#)

By: [Chantal Saunders](#), [Beverley Moore](#), [Adrian J. Howard](#), [Jillian Brenner](#)

Services: [Intellectual Property](#), [Copyright](#), [Licensing](#), [Patents](#), [Trademarks](#)

Related Contacts & Expertise

Adrian J. Howard

Partner

 Ottawa

 AJHoward@blg.com

 [613.787.3557](tel:613.787.3557)

Beverley Moore

Partner

 Ottawa

 BMoore@blg.com

 [613.369.4784](tel:613.369.4784)

Chantal Saunders

Partner

 Ottawa

 CSaunders@blg.com

 [613.369.4783](tel:613.369.4783)

Related Expertise

Intellectual Property

Copyright

Licensing

Patents

Trademarks