

Federal Court



Cour fédérale

Date: 20221101

Docket: T-713-17

Citation: 2022 FC 1492

Ottawa, Ontario, November 1, 2022

PRESENT: Mr. Justice Pentney

BETWEEN:

**WORTHWARE SYSTEMS
INTERNATIONAL INC.**

Plaintiff

and

RAYSOFT INC.

Defendant

ORDER AND REASONS

I. **Introduction**

[1] The Plaintiff, Worthware Systems International Inc. [Worthware] seeks an Order under Rule 238 in the nature of a “Norwich Order”, to compel Mr. Richard Lalancette to provide information regarding the clients of the Defendant, Raysoft Inc. [Raysoft]. Mr. Lalancette is the sole director, President and Secretary, and the only shareholder of the Defendant Raysoft.

[2] This motion arises in a patent infringement action between competitors in the highly competitive field of cellular telephone sales and service.

[3] Worthware says it needs the Order so that it can consider taking action against the direct infringers of its patent. It claims that it cannot obtain this information from any other source, and that it has otherwise satisfied the requirements for a Norwich Order. Raysoft objects, on the basis that the Plaintiff is bound by a prior Order of this Court refusing to require Mr. Lalancette to provide the customer information in the context of examination for discovery. Raysoft also argues that the Plaintiff has failed to meet the test for a Norwich Order.

[4] For the reasons that follow, I dismiss the Plaintiff's motion.

[5] In light of the fact that the proceedings in this case are in both official languages, and as required by paragraph 20(1)(b) of the *Official Languages Act*, R.S.C. 1985, c. 31 (4th Supp), the Order and Reasons are being issued in both official languages.

II. Background

[6] This motion arises in the context of a patent infringement action between competitors in the field of software relating to cellular telephone sales and services. Worthware is the owner of Canadian patent number 2,515,486 titled "Internet Based Cellular Telephone Service Accounting Method and System" [the '486 Patent]. The patent claims a method and system for registering a new wireless telephone user from a retail store without having to re-key (or re-type) the

customer's information in various databases during the process of registering a new cellular customer.

[7] The problem that the patent addresses is simple. A customer seeking to purchase a new cellular telephone generally wants to purchase the phone and the phone service at the same time, so that they can leave the store with a functioning cellular telephone. The vendors selling such products can provide both the phone and the agreement and service activation with the service provider. In order to do this, these stores have access to the proprietary software of the cellular service provider, which enables them to register customers and activate the service at the time of sale. This involves inputting details regarding both the cellular phone and the customer into the service provider's system.

[8] In addition, however, the vendor also needs to record some of the same information in their own system, for business record-keeping purposes. That would involve re-typing much of the same information which was entered in the process of registering the customer with the cellular service provider and activating the phone. The Plaintiff claims that it has developed a product that eliminates the need for re-typing all of this information, which allows the vendor to provide better and quicker service to the customer while reducing the risk of human error. It markets this product under the trademark "CellSell."

[9] Worthware claims that Raysoft is selling a product that infringes its patent, by marketing a product that performs a similar function, under the trademark "Complus". In May 2017, Worthware launched an action for patent infringement against Raysoft, and by the time of this motion, it had opted to seek damages for infringement rather than an accounting for profits.

[10] On July 5, 2021, Worthware brought a motion seeking an Order to compel Richard Lalancette to disclose to the Plaintiffs: the names and addresses of all customers of the Defendant [referred to as the “Dealers”] which have used the Defendant’s Complus software on or after May 16, 2011; the respective dates after May 16, 2011 on which the Dealers commenced and (if applicable) ceased using the Defendant’s Complus software; and the number of retail outlets that are owned by each of the Defendant’s Dealers, the respective address of each store, and the respective dates on which each store commenced and (if applicable) ceased using the Defendant’s Complus software.

[11] The Plaintiff’s original motion, filed on July 5, 2021, sought an order to compel Mr. Lalancette to disclose the requested information, and was brought pursuant to Rule 233 of the Federal Courts Rules, SOR/98-106. Just prior to the hearing, Worthware filed a motion to amend its Notice of Motion, in which it also invoked Rule 238 in support of its request for an order authorizing Worthware to examine Mr. Lalancette in order to obtain the requested information. The Defendant did not oppose the motion to amend, noting that it could have cost consequences. Because the late amendment did not change the substance of the proceeding, it was granted and the matter proceeded as a motion under Rules 233 and 238.

III. Issues

[12] The only issue is whether the Norwich Order should be granted to the Plaintiff, and – depending on the outcome of that issue – whether costs should be awarded to either party.

IV. Analysis

A. *Legal Framework*

[13] The law governing the award of Norwich Orders in Canada is not in dispute in this matter. In *Rogers Communications Inc. v Voltage Pictures, LLC*, 2018 SCC 38 [*Voltage*] at paragraph 18, the Supreme Court of Canada confirmed that the party seeking such an order must show:

- a. [a bona fide claim] against the unknown alleged wrongdoer;
- b. the person from whom discovery is sought must be in some way involved in the matter under dispute, he must be more than an innocent bystander;
- c. the person from whom discovery is sought must be the only practical source of information available to the applicants;
- d. the person from whom discovery is sought must be reasonably compensated for his expenses arising out of compliance with the discovery order in addition to his legal costs;
- e. the public interests in favour of disclosure must outweigh the legitimate privacy concerns.

(citations and emphasis omitted)

[14] There is no doubt that a Norwich Order can be granted, in an appropriate case, to enable a patent owner to seek to vindicate its rights: see *Glaxo Wellcome PLC v Minister of National Revenue*, [1998] 4 FC 439 (C.A.).

B. *Arguments of the Parties*

[15] Worthware submits that it has satisfied all of these requirements:

- its evidence shows a very strong case that the Defendant's Complus software infringes the '486 Patent;
- Mr. Lalancette is not a party to the present proceeding but he has unrestricted access to, and knowledge of, the direct infringers, and he is "mixed up" in the ongoing infringement of Worthware's Patent;
- it has no other way to identify the alleged direct infringers other than from the Defendant and its sole director and officer, Mr. Lalancette;
- it requires the names and addresses of all of the Defendant's Dealers to permit it to accurately calculate its damages in the infringement proceedings and so that it can institute proceedings against each Dealer to claim compensation and damages for their alleged infringement of the '486 Patent;
- Mr. Lalancette has ready access to the information, because he is the sole director, President and Secretary of the Defendant, and so compensation should not be an issue; and
- the public interest favours disclosure; there is no significant privacy concern because the alleged direct infringers (the Defendant's Dealers) openly operate their businesses, whereas the Plaintiff's interests in protecting its patent rights are of great concern.

[16] Worthware's core argument is that its request for disclosure is separate from the underlying action against Raysoft, which is based on the claim that Raysoft is indirectly infringing its patent by inducing infringement by the Dealers. Worthware says it brought this motion in the context of this action to avoid a multiplicity of proceedings, but it argues that the grounds for the request are separate and distinct from the basis for its action against Raysoft. As a patent owner, Worthware argues it has the right to know the identity of the direct infringers.

[17] In addition, Worthware claims it needs to pursue the Dealers because it has no confidence in the information it has received from Raysoft about the number of dealers and stores that are directly infringing its patent. It doubts Raysoft's ability to meet any damages award that might be granted at the end of trial, and so in order to preserve its rights, Worthware is seeking the identities of the Dealers in order to launch proceedings against them.

[18] The Defendant opposes this motion, on three main grounds. First, it argues that the motion is simply an attempt to evade the effect of a prior Order of this Court. The Plaintiff was denied an Order to require Mr. Lalancette to provide the exact information sought in the present motion. They did not appeal that prior Order and so are bound by it. A Norwich Order, which is equitable relief, should not be granted in such circumstances.

[19] Second, Raysoft argues that Worthware has failed to meet an essential requirement, because it has failed to show that Mr. Lalancette is the sole source of the relevant information. The names and addresses of Raysoft's clients are held within its corporate records, and thus Mr. Lalancette is not the only source.

[20] Finally, Raysoft argues that Worthware does not need to sue the Dealers, because it will receive full compensation for its losses if it succeeds in the underlying action. Raysoft contends that Worthware only seeks to obtain the names and addresses of its Dealers as so that it can try to sell them its software. Both companies compete in a relatively small and highly competitive market, and Raysoft argues that the Court should not support Worthware's tactic by granting the Order.

C. *Discussion*

[21] I am not persuaded that, in all of the circumstances of the case, it is just and equitable to grant a Norwich order. In particular, I find that Worthware has not established that Mr. Lalancette is the only practical source of the information it seeks. Therefore, the requested order will not be granted. Because this is a preliminary motion and the underlying proceeding may go to trial, I will confine my analysis to the essential elements necessary to explain my decision.

[22] It has long been recognized that a Norwich Order is extraordinary equitable relief, derived from the equitable bill of discovery, in order to provide a means of obtaining necessary information from a third party. In *GEA Group AG v Ventra Group Co*, 2009 ONCA 619, Justice Cronk stated: "The important point is that a Norwich order is an equitable, discretionary and flexible remedy. It is also an intrusive and extraordinary remedy that must be exercised with caution" (para 85). This caution has been previously applied by this Court: see *ME2 Productions, Inc. v Doe*, 2019 FC 214 at para 47.

[23] A core element of the test is that the party seeking the order must show that it is necessary because the party named is the only practical source of the information. This is an

ironclad element of the test, and it requires more than showing that the party against whom discovery is sought is the most convenient or easiest source of access.

[24] In this case, this is fatal to the Plaintiff's request. Worthware's motion is supported by the affidavit of its President, Mr. Ronald Moss. In his affidavit, Mr. Ross explains why Worthware needs the order:

29. Other than from the Defendant and its sole director and officer, Richard Lalancette, Plaintiff has no way to identify the alleged direct infringers, the Defendant's Dealers, to obtain their respective names and addresses and the addresses of their respective Stores.

[25] This is an acknowledgement that the Defendant holds the necessary information, as would be expected in the ordinary course of business. Furthermore, the Plaintiff asked for the very information it now seeks during the examination for discovery of Mr. Lalancette, who testified as the Defendant Company's sole representative. The Defendant objected, and the Case Management Judge considered the matter in the context of refusals motions brought by both parties.

[26] Regarding the objection to the request for the production of the list of Raysoft's clients, the CMJ noted that Worthware's infringement action claimed that Raysoft induced its customers to infringe the '486 Patent, and that none of the customers were parties to the action. The request for the customer list was rejected, because "the discovery process does not serve to obtain names of potential witnesses for the sole purpose of starting an action against them... The jurisprudence has clearly and consistently discouraged such fishing expeditions..." (Refusals Motion Order, para 33, citations omitted).

[27] The CMJ rejected the analogy that counsel for Worthware attempted to draw between the scope of questioning on examination for discovery and the obligations that arise under a Norwich Order: “The object and basis of disclosure of information in both circumstances are entirely different.” (Refusals Motion Order, para 34)

[28] In the end, the CMJ accepted that the dates when customers started and ceased using the Raysoft software may be relevant to the scope and quantification of Worthware’s damages, and ordered that this information be disclosed. In regard to the request for the names and addresses of Raysoft’s customers, however, the CMJ held:

It is not clear from the transcript why the names and addresses of customers of Raysoft are required. Counsel for Worthware seems to suggest that these customers are also possibly infringers. The Court is not satisfied that of the purpose for disclosure of customer names nor that it is for a proper purpose, such as under Rule 240(b)... The names and addresses of customers need not be disclosed (Refusals Motion Order, para 35(e)).

[29] I agree with the Defendant that the fact that the Plaintiff has previously sought – and been denied – access to this information in the context of the underlying action is a relevant consideration. It confirms the conclusion that Mr. Lalancette is not, in fact, the only practical source of the information. If the Plaintiff had framed its underlying action differently, for example by including a claim against unnamed “John Doe” defendants as direct infringers, it may well have obtained the information it seeks in the context of the examination for discovery. It did not do that, however, nor did it establish the relevance of the customer lists to the existing action.

[30] On this point, the timing of the request is also a pertinent consideration. I observe that Worthware brought its motion for a Norwich Order on July 5, 2021, almost four years after launching its action against Raysoft (the original Statement of Claim was filed on May 12, 2017, and it was amended on March 15, 2019). The motion was brought almost one year after the decision denying its request for an order forcing the Defendant to disclose the very information it now seeks (Case Management Judge Steele’s decision denying this request was issued on September 16, 2021). This is an important consideration in assessing the overall equities of the situation.

[31] It is of particular significance that Worthware knew from the outset all of the key facts about how the alleged infringement operated; the involvement of the dealers did not only emerge during examination for discovery. This calls into question why it has now decided to seek such extraordinary equitable relief, in the context of its ongoing action against Raysoft.

[32] Worthware’s argument that it has brought this motion because of its doubts about whether Raysoft will be able to pay any damage award that might eventually be granted rings hollow. There is no evidence to call into question Raysoft’s financial situation, and Worthware acknowledged during the hearing that it has not sought security for costs or taken any other steps to ascertain the Defendant’s financial situation or otherwise protect its position.

[33] A further consideration is the status of Mr. Lalancette. The Plaintiff is technically correct that he is not a party to the underlying proceeding. He is, however, the representative of the Defendant who gave evidence in that proceeding, and he will be directly affected by the outcome, given his position in the company. It is not necessary to make a general pronouncement on whether an individual in such a position can ever be recognized as the type of “third party”

against whom a Norwich Order can ever be issued (see, for example, the discussion in *Bluemoon v Ceridian*, 2022 ONSC 301, at paras 49-59). Instead, I would only observe that in this case, the Plaintiff sought to obtain the same information it now seeks by its questioning of Mr. Lalancette in the course of examination for discovery. Worthware sought an Order of this Court to force him to answer the question, but this was refused. Worthware did not appeal that decision.

[34] It has been long accepted that a Norwich Order is not intended to be used to circumvent the normal discovery process in litigation (see the discussion in *AARC Society (Alberta Adolescent Recovery Centre) v Sparks*, 2019 ABQB 87 [AARC] at paras 29-30). This is another factor that supports my conclusion that a Norwich Order should not be granted to Worthware, in all of the circumstances.

[35] All of the key points discussed above were raised during the course of the hearing of this motion, and the Plaintiff's attempts to respond to them were not persuasive. In the end, having considered the written record and oral submissions of the parties, the Plaintiff has not persuaded me that a Norwich Order is "necessary" in the particular circumstances of this case; nor has the Plaintiff established that it is just and equitable to grant such relief.

[36] For these reasons, Worthware's motion for a Norwich Order is dismissed.

On the issue of costs, although both parties made submissions on the question during the hearing, in subsequent correspondence it was acknowledged that an award of a lump sum in the amount of \$5,000 would be adequate. In exercise of my discretion under Rule 400, and taking account of the complexity of the case and the nature of the proceeding, I agree that this is a suitable lump

sum award. The Plaintiff shall pay to the Defendant the all-inclusive lump sum amount of \$5,000.

ORDER in T-713-17

THIS COURT’S ORDER is that:

1. The Plaintiff’s motion for a Norwich Order under Rules 233 and 238 is dismissed.
2. The Plaintiff shall pay to the Defendant all-inclusive lump sum costs in the amount of \$5,000.

“William F. Pentney”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-713-17

STYLE OF CAUSE: WORTHWARE SYSTEMS
INTERNATIONAL INC. v RAYSOFT INC.

PLACE OF HEARING: BY VIDEOCONFERENCE

DATE OF HEARING: OCTOBER 19, 2021

JUDGMENT AND REASONS: PENTNEY J.

DATED: NOVEMBER 1, 2022

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