

Date: 20080623

Docket: T-1244-05

Citation: 2008 FC 776

Montréal, Quebec, June 23, 2008

PRESENT: Richard Morneau, Esq., Prothonotary

BETWEEN:

**ADIDAS AG,
ADIDAS INTERNATIONAL MARKETING BV and
ADIDAS CANADA LIMITED**

Plaintiffs

and

2690942 CANADA INC. c.o.b. CAMPEA

Defendant

REASONS FOR ORDER AND ORDER

[1] The Court is seized by each party with a motion for the determination of questions arising from the examination for discovery of a representative of each party.

[2] These motions take place in the context where the Plaintiffs (collectively ‘Adidas’) have instituted a claim in relation to the alleged infringement by the Defendant (hereinafter ‘Campea’)

of Adidas' 3-stripes trade-mark registration and Adidas' copyright registration covering the Euro 2004 logo.

[3] More specifically, Adidas alleges that Campea's sale of soccer jerseys bearing two and three stripes on the shoulders and sleeves infringe Adidas' trade-marks and that Campea's sale of its LT Striker soccer balls bearing a design known as the Euro 2004 logo constitutes passing off, copyright infringement and depreciation of the value of the goodwill attached to Adidas trade-marks.

[4] In its amended statement of defence dated March 1, 2007, Campea alleged, *inter alia*, that it was no longer selling soccer shirts bearing 3 parallel stripes and that its soccer shirts bearing 2 parallel stripes did not infringe any of Adidas' trade-marks. Campea also alleges that further to its receipt of a demand letter from Adidas, it modified the design features appearing on its soccer balls in order for said features to be non-infringing.

[5] Prior to the commencement of the discovery of Campea's representative, Mr. Mendy Dalfen, the parties had agreed to bifurcate the issue of the quantum of damages from this action, but that the discovery would nonetheless proceed in relation to the quantum of damages resulting from Campea's sale of soccer shirts bearing 3 stripes. An order to that effect was entered on June 18, 2008.

Questions to answer and records to produce on an examination for discovery: applicable general principles

[6] In *Reading & Bates Construction Co. and al v. Baker Energy Resources Corp. and al* (1988) 24 C.P.R. (3rd) 66 at 70-72 (F.C.T.D.), Mr. Justice McNair, in a general six-point review, first defines in points 1 to 3 the parameters that determine whether a question or a document is relevant, and then, in points 4 to 6, sets out a series of circumstances or exceptions in which, on the off chance, at the end of the day, a question need not be answered or a document need not be produced. The Court states, at pages 70 to 72:

1. The test as to what documents are required to be produced is simply relevance. The test of relevance is not a matter for the exercise of the discretion. What documents parties are entitled to is a matter of law, not a matter of discretion. The principle for determining what document properly relates to the matters in issue is that it must be one which might reasonably be supposed to contain information which may directly or indirectly enable the party requiring production to advance his own case or to damage the case of his adversary, or which might fairly lead him to a train of inquiry that could have either of these consequences: *Trigg v. MI Movers International* (1987), 13 C.P.C. (2d) 150 (Ont. H.C.); *Canex Placer Ltd. v. A.-G. B.C.* (1976) 63 D.L.R. (3d) 282 (B.C.S.C.); and *Compagnie Financiere et Commerciale du Pacifique v. Peruvian Guano Co.* (1882), 11 Q.B.D. 55 (C.A.).

2. On an examination for discovery prior to the commencement of a reference that has been directed, the party being examined need only answer questions directed to the actual issues raised by the reference. Conversely, questions relating to information which has already been produced and questions which are too general or ask for an opinion or are outside the scope of the reference need not be answered by a witness: *Algonquin Mercantile Corp. v. Dart Industries Ltd.* (1984), 82 C.P.R. (2d) 36 (F.C.T.D.), *aff'd* (1984), 1 C.P.R. (3d) 242 (F.C.T.D.).

3. The propriety of any question on discovery must be determined on the basis of its relevance to the facts pleaded in the statement of claim as constituting the cause of action [...]

4. The court should not compel answers to questions which, although they might be considered relevant, are not at all likely to advance in any way the questioning party's legal position: *Canex Placer Ltd. v. A.-G. B.C.*, supra; and *Smith, Kline & French Laboratories Ltd. v. A.-G. Can.* (1982), 67 C.P.R. (2d) 103 (F.C.T.D.) at p. 108.

5. Before compelling an answer to any question on an examination for discovery, the court must weigh the probability of the usefulness of the answer to the party seeking the information, with the time, trouble, expense and difficulty involved in obtaining it. Where on the one hand both the probative value and the usefulness of the answer to the examining party would appear to be, at the most, minimal and where, on the other hand, obtaining the answer would involve great difficulty and a considerable expenditure of time and effort to the party being examined, the court should not compel an answer. One must look at what is reasonable and fair under the circumstances: *Smith, Kline & French Ltd. v. A.-G. Can.*, supra, per Addy J. at p. 109.

6. The ambit of questions on discovery must be restricted to unadmitted allegations of fact in the pleadings, and fishing expeditions by way of a vague, far-reaching or an irrelevant line of questioning are to be discouraged: *Carnation Foods Co. Ltd. v. Amfac Foods Inc.* (1982), 63 C.P.R. (2d) 203 (F.C.A.); and *Beloit Ltee/Ltd. v. Valmet Oy* (1981), 60 C.P.R. (2d) 145 (F.C.T.D.).

[Emphasis added]

[7] Furthermore, the list of exceptions in points 2 and 4 to 6 of the *Reading & Bates* judgment are not, in my opinion, intended to be exhaustive.

[8] With this in mind, I shall now evaluate the propriety of the questions and documents requested. I shall deal herein with only the questions which were still in issue at the end of the hearing and not, therefore, with the matters which were withdrawn or to be answered willingly.

[9] In addition, unless I make a specific comment hereunder, one must assume that the faith of any particular question rests on the position expressed by the party supporting said result.

[10] I will address first Adidas' motion and then Campea's motion.

I - Plaintiffs Adidas' motion

[11] The only outstanding matter relating to Adidas' motion is item no. 4 which pertains to Adidas' demand for the production by Campea of copies of its invoices relating to its sale of soccer shirts bearing 2 stripes.

[12] As described in Campea's written representations, Adidas already has seen and obtained knowledge of the following:

- a) Samples of the soccer shirts bearing 2 parallel stripes purchased by Campea;
- b) The quantity of such soccer shirts purchased by Campea;
- c) The purchase price of the soccer shirts;

- d) For most of such soccer shirts, the quantity sold and the inventory on hand as of March 15, 2007;
- e) A copy of Campea's 2007 soccer catalogue.

[13] However, and even though a bifurcation order has been issued by this Court on June 18, 2008, I agree with Adidas that Campea's invoices related to the sale by Campea of its soccer shirts bearing two parallel stripes is relevant information at this stage since the dollar value ascribed by Campea to its product is relevant for Adidas to support its good reputation. Indeed the greater the dollar value could be, the greater support this might bring to Adidas' reputation. In addition, a fair and complete reading of the transcript extracts to which Campea referred the Court to at the hearing brings one to understand that at the Defendant's representative discovery, counsel for Adidas did not agree to limit his client's right with respect to such sale information.

[14] Adidas' motion will therefore be granted, the whole with costs in the cause. Campea's representative, Mendy Dalfen, shall answer in writing item 4 within fifteen (15) days of the date of the Order and shall re-attend, within the next thirty (30) days thereafter, for continued examination for discovery, at Campea's expense, to answer any proper questions arising from item 4 and from the answers and documents provided by Campea since February 15, 2007.

II - Defendant Campea's motion

[15] There are eight (8) schedules of questions still in dispute.

Schedule A

[16] Said schedule deals with questions taken under advisement at discovery by Adidas. Out of ten (10) questions listed therein, two questions, to with, Q 7 and 8 were still in dispute at the time of hearing.

[17] As agreed at the hearing, satisfactory answers to questions 7 and 8 will be for Adidas to produce the agreements referred to therein, provided they can be located.

Schedule B

[18] This schedule relates to sponsorship agreements. Since Adidas has answered similar questions in the past, it shall answer questions 2 to 5. I believe said questions are proper and relevant questions intended to narrow the issues. I do not think they can be considered privileged or as merely seeking the production of evidence.

Schedule C

[19] It deals with proceedings instituted by Adidas in Canada or judgments rendered abroad regarding the use by a third party of a trade-mark consisting of two (2) parallel stripes in association with sport products.

[20] The Court notes the grounds of opposition raised by Adidas to the effect that 2-stripes infringement allegations here do not make other proceedings relevant. Adidas notes that there is no pleaded allegation that Adidas has been involved in other proceedings or that even hints at such a possibility.

[21] Consequently, I agree with Adidas that the questions under this Schedule C are in the nature of a fishing expedition and shall not be answered.

Schedule E

[22] This category deals with questions related to Adidas' amended statement of claim.

[23] For the grounds raised by Adidas in paragraph 30 of its written representations, remaining questions 2 and 3 shall not be answered.

Schedule F

[24] This schedule is described by Campea as dealing with questions not answered completely.

[25] Questions 3 and 4 need not be further answered. The additional items covered by these questions are not in issue in this case. The usefulness of the additional information sought has not been established.

Schedule G

[26] Said schedule deals with questions relating to Adidas' copyright registration no. 1036707 (the Euro 2004 logo) and the alleged infringement thereof.

[27] Question 1 hereunder need not be answered further considering the answer provided to same at page 568 of Adidas' motion record in response, which stipulates that an assignment of copyrights to Adidas International Marketing BV has been produced to Campea.

Schedule H

[28] This schedule deals with Adidas' production documents.

[29] Questions 1 and 2 here relate to two documents listed in Adidas' affidavit of documents and seek to bring Adidas to identify in respect of which allegations in its amended statement of claim said documents could be raised.

[30] Here I think said questions seek to force Adidas to identify its evidence and therefore said questions are improper and need not be answered.

Schedule I

[31] The questions under this schedule relate to Campea's amended statement of defence.

[32] Considering Adidas' admission in relation to paragraph 27 of the further amended statement of defence of Campea, the content of Campea's production document no. 8 and the fact that Campea is not requesting Adidas to particularize the substance of the telephone conversation alleged in paragraph 27 aforementioned, the questions under this schedule shall be answered. I do not consider that said questions, by their extent and as framed, violate the settlement-discussion privilege.

[33] Campea's motion will be granted in part as follows, with no costs since success is divided.

ORDER

Therefore, with respect to each motion, **this Court orders in turn as follows:**

- 1 - Adidas' motion is granted, the whole with costs in the cause. Campea's representative, Mendy Dalfen, shall answer in writing item 4 within (15) days of the date of the Order and shall re-attend, within the next thirty (30) days thereafter, for continued examination for discovery, at Campea's expense, to answer any proper questions arising from item 4 and from the answers and documents provided by Campea since February 15, 2007;
2. As to Campea's motion, it is granted in part as follows, with no costs since success is divided. The representative of Adidas, Mrs. Vanessa Backman, shall answer in writing within the next fifteen (15) days the questions ordered to be answered in the reasons for order herein and shall re-attend, at her own expense, within forty (40) days thereafter, at a further examination for discovery, by video conference if parties can agree and, if not, in person in Montreal, to answer all proper follow-up questions arising from the questions ordered to be answered;
3. As to the scheduling of the remaining steps in this action, on the basis of the discussion that took place at the hearing on June 18, 2008, seasoned counsel for the parties shall come to an agreement as to a proper and reasonable schedule for

said steps and shall provide the Court, within thirty (30) days, with a concise and joint draft order encompassing said schedule.

“Richard Morneau”

Prothonotary

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1244-05

STYLE OF CAUSE: ADIDAS AG,
ADIDAS INTERNATIONAL MARKETING BV and
ADIDAS CANADA LIMITED
Plaintiffs
and
2690942 CANADA INC. c.o.b. CAMPEA
Defendant

PLACE OF HEARING: Montréal, Quebec

DATE OF HEARING: June 18, 2008

**REASONS FOR ORDER
AND ORDER:** MORNEAU P.

DATED: June 23, 2008

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