

Date: 20081002

Docket: T-1975-06

Citation: 2008 FC 1101

Ottawa, Ontario, October 2, 2008

PRESENT: The Honourable Madam Justice Tremblay-Lamer

BETWEEN:

MICHELIN NORTH AMERICA (CANADA) INC.

Plaintiff

(Defendant by counterclaim)

- and -

**9130-4550 QUÉBEC INC. D.B.A. DISRIBUTION NORTOP &
9131-2173 QUÉBEC INC. D.B.A. RÉCHAPAGE NORTOP RICHMOND**

Defendants

(Plaintiffs by counterclaim)

REASONS FOR ORDER AND ORDER

INTRODUCTION

[1] This is a motion brought by the defendants (plaintiffs by counterclaim) pursuant to rule 51(1) of the *Federal Court Rules*, SOR/2004-283, s. 2 (the Rules), appealing an order by Prothonotary Richard Morneau dated August 1, 2008 (the order) which refused to compel the

plaintiff to provide further and better answers to discovery questions, and to produce related documents.

FACTS

[2] By amended statement of claim dated November 21, 2007, the plaintiff brought a claim for infringement of four registered industrial designs for tires and treads, registered by the plaintiffs under the *Industrial Design Act*, R.S.C. 1985, c. I-9 (the Act).

[3] The plaintiff alleged that the defendants, who are in the business of tire re-treading, the process by which a worn tire's tread is removed and replaced with a new tread,

21 [...] imported for the purpose of trade or business, made, sold, offered or exposed for sale including, without limitation, re-treaded tires and tire treads, in respect of which the Industrial Designs are registered and to which the aforesaid Industrial Designs, or designs not differing substantially therefrom, have been applied;

22 Furthermore, the process of tire re-treading is one that may be construed as an assembly of a kit and therefore, the Defendants have done in relation to a kit anything specified in paragraph 21 above that would constitute an infringement if done in relation to an article assembled from the kit; [...]

25 The Defendants' actions have been without the license or consent of the plaintiff or its predecessors in title; [...]

[4] The defendants, in their re-amended statement of defence and counterclaim, plead the following: they did not infringe the four industrial designs; the four industrial designs are invalid;

the plaintiff ought to be put to the proof of establishing the chain of title of ownership for the industrial designs; and the plaintiff has made false and misleading statements in a press release notifying the public of the lawsuit, by stating the defendants infringed the industrial designs. The press release forms the basis of the defendants' counterclaim that they have suffered damage to their business reputation.

[5] The four industrial designs were assigned to the plaintiff less than one month prior to the start of the action. The assignor of three industrial designs is Michelin Swiss, and the assignor of the fourth is Michelin France. All are related corporations.

POSITIONS OF THE PARTIES

[6] The defendants submit that the plaintiff ought to be ordered to answer questions and produce documents relating to the utility and functionality of the four tire treads for which the plaintiff holds industrial design registrations, including information related to their design, creation, and testing, as well as the names of individuals who might have knowledge of the above. This information will assist in determining if the features to which each industrial design applies are dictated solely by a utilitarian function of the tires, which is central to the defendants' infringement defence. Prothonotary Morneau erred in finding this information irrelevant to the main issue of design infringement.

[7] The plaintiff argues that the defendants have not shown the relevance of this information. If the defendants wish to obtain additional information, they ought to discover those known to have the information. The plaintiff has given answers to the best of its ability, and it ought not to be ordered to obtain any information from third party affiliates.

ANALYSIS

[8] The case law is clear that a prothonotary's decision to allow or disallow questions on discovery, or to direct questions be answered or be given further answers, is discretionary (*Enoch Band of the Stony Plain Indians v. Canada*, [1998] F.C.J. No. 30 (F.C.A.); *Hayden Manufacturing Co. v. Canplas Industries Ltd.*, (1998) 86 C.P.R. (3d) 19 (F.C.T.D.)).

[9] The test set out by the Federal Court of Appeal in *Merck & Co., Inc. v. Apotex Inc.*, 2003 FCA 488 for a review *de novo* of a prothonotary's discretionary decision dictates the Court must consider whether the questions raised in the motion are either vital to the final issue in the case, or whether elements of the Prothonotary's decision were clearly wrong, in the sense that the exercise of the Prothonotary's discretion was based on a wrong principle or a misapprehension of the facts.

[10] In the present case, the final issue between the parties is whether the defendants infringed the plaintiff's four industrial designs. The questions raised by the defendants' motion reflect design, creation, and testing information targeting the utility and functionality of the tires. These questions,

in my opinion, are vital to the final issue of infringement, because they form the basis of the defendants' defence to the infringement allegations, and the resultant counterclaim.

Scope and relevance in examination for discovery

[11] Rule 240(a) of the Rules states that the threshold test for an answer to be provided on discovery is relevance:

240. A person being examined for discovery shall answer, to the best of the person's knowledge, information and belief, any question that

(a) is relevant to any unadmitted allegation of fact in a pleading filed by the party being examined or by the examining party;

[12] In evaluating the relevance of the questions and documents requested on discovery, Prothonotary Morneau used the principles set out by *Reading & Bates Construction Co. v. Baker Energy Resources Corp.*, (1998) 24 C.P.R. (3d) 66 (F.C.T.D.) (*Reading*), which are the correct principles to use in assessing relevance.

[13] Prothonotary Morneau denied discovery on the design, creation, and testing of Michelin tires because in his view, these topics are irrelevant since the case is about industrial design validity and infringement, not tire utility and functionality.

[14] However, the principal defence advanced is that there has been no infringement because the industrial designs are invalid, since the features to which each industrial design applies are dictated

solely by a utilitarian function of the tires, thereby ousting the protection of the legislation as contemplated by s. 5.1 of the Act:

- 5.1 No protection afforded by this Act shall extend to
- (a) features applied to a useful article that are dictated solely by a utilitarian function of the article; or
 - (b) any method or principle of manufacture or construction.

[15] Thus, utility and functionality are directly relevant to industrial design validity and infringement. The consideration of whether the design includes features that are dictated solely by a utilitarian function of the article to which the design relates is a central issue. Questions grounded in utility and functionality, be they related to the design, creation, testing, or development of tires or treads, are therefore all relevant to industrial design validity and infringement. Thus, in my view, Prothonotary Morneau erred in finding these topics irrelevant.

Obligation to Inform Self

[16] The defendants submit that the plaintiff's representative failed in his obligation to inform himself on the issues prior to discovery, and to make the required efforts to obtain requested information, via third parties and related corporations. The plaintiff indicates its representative gave answers to the best of his knowledge, information, and belief, and this is not an appropriate situation in which to order a party to answer questions for which a third party possesses the answers.

[17] Rule 241 of the Rules states the following:

241. Subject to paragraph 242(1)(d), a person who is to be examined for discovery, other than a person examined under rule 238, shall, before the examination, become informed by making inquiries of any present or former officer, servant, agent or employee of the party, including any who are outside Canada, who might be expected to have knowledge relating to any matter in question in the action.

[18] A party on discovery is therefore required to use its best efforts to obtain information from those who might have knowledge of any matter in question. The jurisprudence indicates this includes third party related entities. The Federal Court of Appeal noted in *Crestbrook Forest Industries Ltd. v. Canada (M.N.R.)*, (1993) 3 F.C. 251 (F.C.A.) (QL) (*Crestbrook*) at para. 38:

However, in *Monarch Marking Systems, Inc. v. Esselte Meto Ltd.*, [1984] 1 F.C. 641 (T.D.), Mahoney J. (as he then was), in ordering a corporate officer to answer questions in a patent action concerning matters in the knowledge of foreign affiliated companies, referred to a most important consideration which in my opinion must be taken into account in modern business litigation. At page 646, he said:

Today's commercial reality, with international corporations, large and small, doing business through affiliates across much of the world and treating national boundaries as minor inconveniences to be coped with by organizational means, dictates that the corporate veil ought not be permitted to inhibit the administration of justice in Canada. Examination for discovery is an important tool in the administration of justice on its civil side. I have no doubt that, under proper sanctions by the court, Canadian companies can readily and economically obtain from their foreign affiliates answers to proper questions on discovery. I am convinced that they should be required to try and to pay the consequences of their failure or their affiliates' recalcitrance. International businesses ought not be permitted, either as an incident or object of their organizational set-ups, to avoid full compliance with the law of Canada in respect of the business they do here.

[19] Justice James Hugessen in *Eli Lilly v. Apotex Inc.*, [2000] F.C.J. no. 154 (F.C.) (*Eli Lilly*) found at para. 5 that “where one may reasonably expect, because of a relationship existing between a party and some third party, that a request for information will be honoured. It is proper to require that party to make such a request.”

[20] The evidence, including that a third party affiliate has completed research and development for two of the four designs, and that extensive research and development exists at Michelin, has shown that information relevant to the defendants’ defence lies with the plaintiff’s third party affiliates. I also note that all four industrial designs were assigned to the plaintiff less than one month prior to the start of the action. Therefore, it may be reasonably expected that the request for information would be honoured.

[21] I am aware that *Crestbrook, supra*, stands for the proposition that ordering a party to answer questions for which knowledge lies with third party affiliates is an exceptional power that must only be used when the interest of justice so dictates. This is one such situation.

[22] I do not accept the plaintiff’s argument that the defendants ought to avail themselves of more appropriate procedural channels to discover those known to possess the relevant information, for the reasons addressed in *Crestbrook, supra*, and *Eli Lilly, supra*. Having the plaintiff obtain information from related third party entities does not circumvent the procedure for examining assignors and non-parties set out in Rules 237 and 238. Rather, this offers a practical solution given the commercial reality of international and affiliated corporations, and the challenges faced by

parties in seeking information in this context. Nor do I accept the plaintiff's contention that the defendants want this information only to support blunt allegations of design functionality. References to functionality are apparent, among other ways, from the plaintiff's own promotional materials. A clear foundation for functionality exists.

[23] For these reasons, the defendants' motion appealing Prothonotary Morneau's order dated August 1, 2008, is allowed. Costs will follow the cause.

ORDER

THE COURT ORDERS THAT:

1. Paragraph 2 of Prothonotary Morneau's order dated August 1, 2008 is set aside. The plaintiff within 15 days of this order will provide the defendants with answers, or better answers as the case may be, to questions addressing the utility and functionality of the four industrial designs in issue, including questions related to the creation, testing, and development of the designs.
2. Paragraph 3 of Prothonotary Morneau's order is set aside;
3. The parties within 20 days of this order are to jointly submit to the Registry a revised draft scheduling order setting out the next steps to be completed in this matter;
4. Costs will follow the cause.

“Danièle Tremblay-Lamer”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1975-06

STYLE OF CAUSE: MICHELIN NORTH AMERICA (CANADA) INC.- and –
9130-4550 QUÉBEC INC. D.B.A. DISRIBUTION NORTOP &
9131-2173 QUÉBEC INC. D.B.A. RÉCHAPAGE NORTOP
RICHMOND

PLACE OF HEARING: Ottawa, Ontario

DATE OF HEARING: September 18, 2008

REASONS FOR ORDER: Tremblay-Lamer J.

DATED: October 2, 2008

APPEARANCES:

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