



T-239-97

1997

BETWEEN:

MR. SAFETY CHECK SYSTEMS INC.

Plaintiff

- and -

**BRAKE SAFE INC.; SPECTRA PRODUCTS INC.;
SPECTRA INC.; GERALD THIBODEAU and TRACEY THIBODEAU**

Defendants

REASONS FOR ORDER

CULLEN J.:

The applicant moves for an Order for an interlocutory injunction restraining the respondents from manufacturing, selling, or offering for sale any air brake adjustment gauge which falls within the scope of any of claims 1 to 20 of the applicant's patent. In the alternative, the applicant requests a like Order in respect of any air brake adjustment gauge the same as or similar to the AIR BRAKE product, to any entity which was not an existing customer of Spectra Products Inc. as of Monday, February 10, 1997. The applicant also requests an alternative Order for a limited injunction, whereby the respondents would be restrained from manufacturing, offering for sale and selling any air brake adjustment gauge which includes or otherwise incorporates either or both of a spacer bar, or a clevis pin indicator.

This motion is in relation to a main action concerning infringement of the applicant's patent for the brake adjustment gauge.

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THE FACTS

Many of the facts in this case are in dispute. The following provides some background to the events giving rise to this motion.

The main action is for direct and indirect infringement of the plaintiff's patent for a bolt-on brake adjustment gauge.

The applicant submits that the product made, offered and sold by the respondent Brake Safe Inc., and the product licensed by Brake Safe Inc. are substantially the same as or identical to the brake gauge made and sold by the respondent Spectra Products Inc. [all of the respondents' brake gauges at issue will hereinafter be referred to as the "respondents' brake gauge."].

The respondents deny that their BRAKE SAFE product [made and sold by Spectra Products Inc.] infringes the applicant's patent. The respondents submit that their product operates on a different premise than the applicant's product. They also deny inducing, authorizing, or assisting in infringement. The respondents state that neither Brake Safe Inc., Spectra Inc., Gerald nor Tracey Thibodeau make, use, sell or offer for sale the BRAKE SAFE product, and that the action against them be dismissed with costs.

The applicant alleges that, at sometime during the period from the autumn of 1995 and January, 1996, the respondent Gerald Thibodeau acquired from Des Hockley and a business associate, Joe Szarka, valuable and confidential information, sketches and prototypes as to how to make a bolt-on brake adjustment gauge in accordance with the invention as defined in the patent. The applicant alleges that the respondents have used this information to make and sell, and induce others to make, sell and use the respondents' brake gauge, all without the consent or permission of Des Hockley, Joe Szarka or the applicant, to the benefit of the respondents, and to the detriment of the plaintiff. The respondents state that it is the other way around: Gerald Thibodeau

supplied confidential information, sketches, and prototypes of invention defined in the patent to Des Hockley and Joe Szarka.

The respondents deny that the applicant is the patentee of patent 2,186,271. They also deny that Des Hockley is the inventor of the invention described in the patent. The respondents deny knowledge of the applications filed by Des Hockley in Canada and the United States for the patent. The respondents state that Gerald Thibodeau had invited Joe Szarka to assist him in manufacturing a brake adjustment gauge, and then Gerald Thibodeau invited Des Hockley to assist in marketing the invention defined in the patent.

The respondents allege that the true inventor of the patented product is Gerald Thibodeau, and not Des Hockley. However, Des Hockley is the named inventor in the patent. The respondents allege that Des Hockley, without the consent or authority of Gerald Thibodeau, filed a Canadian patent application for the product.

The respondents allege that Gerald Thibodeau invented a brake stroke indicator that he tested at the place of his employment, Brampton Hydro. Gerald Thibodeau deposes that, in contrast to the applicant's version of the facts, he contacted Joe Szarka to assist him in manufacturing of the original product, and then contacted Des Hockley to assist in marketing the original product. It is for this reason that Gerald Thibodeau provided Des Hockley and Joe Szarka with all the information concerning the original product.

Disputes subsequently arose between Gerald Thibodeau and Des Hockley about their business arrangement.

The respondents tender a *Toronto Star* newspaper article, dated Saturday, December 9, 1995, entitled, "Bolt-on gauge ensures safety of truck's brakes." This article speaks to the invention of the brake gauge. It contains a photograph of Des Hockley, who is identified as a co-developer. The article gives a chronology of events leading to the

development of the Safety-Check product, naming Gerald Thibodeau as the originator of the idea for the product, Joe Szarka as the person who came up with the prototype of the product, and Des Hockley as the marketing and development person for the product. Although the article itself is hearsay evidence, it is very interesting in terms of its date: the newspaper depicts the relationship of the three business associates before the demise of the business relationship. It is to be noted that the article was written because Des Hockley had contacted the article's author, Jim Kenzie.

Des Hockley does not deny that Gerald Thibodeau developed the early version of the brake gauge. However, Des Hockley characterizes this early version as not very functional, useful or marketable.

DISCUSSION

Interlocutory Injunctions: general principles

An interlocutory injunction can be of any duration, which duration is usually up until the trial of action. It is an extraordinary remedy.

The interlocutory injunction is exceptional relief and should only be granted with the greatest caution, since it pronounces judgment in very substantial matters without the opportunity for a full and comprehensive trial.¹ The grant of an interlocutory injunction is not a common occurrence in patent cases, principally because in most cases damages will be an adequate remedy.²

The general test to be applied when considering granting an interlocutory injunction is the test set out in *RJR-Macdonald Inc. v. Canada (A.G.)*, [1994] 1 S.C.R. 311, 54 C.P.R. (3d) 114 [hereinafter, "*RJR-Macdonald*"]. This three-prong test requires

¹ *Frank Brunckhorst Co. v. Gainers Inc.* (1993), 46 C.P.R. (3d) 421 (Fed. T.D.).

² *Cutter Ltd. v. Baxter Travenol Laboratories Ltd.* (1980), 47 C.P.R. (2d) 53 at 55 (F.C.A.).

that the applicant: 1) establish that there is a serious question to be tried; 2) establish that the applicant will suffer irreparable harm if the interlocutory injunction is not granted; and 3) establish that the balance of convenience in granting the injunction favours the applicant.

Serious question to be tried: whether this aspect of the test is present depends on a common sense evaluation, and is based on an extremely limited review of the case on the merits. Where the effect of the interlocutory injunction would be to dispose of the action finally, the proper test is the strong *prima facie* case test, rather than the lower "serious issue" test of *American Cyanamid C. v. Ethicon Ltd.*, [1975] A.C. 396 (H.L.).³ This means that the Court will look at all the facts showing infringement and decide if the applicant requesting the interlocutory injunction has a reasonable chance of success at trial.

However, the Federal Court of Appeal, in *Turbo Resources Ltd. v. Petro Canada Inc.* [1989] 2 F.C. 451, 24 C.P.R. (3d) 1, has stated that the threshold test in an intellectual property case is the "serious issue to be tried" test, and not the "strong *prima facie* case" test.

As a general rule, I accept that, unless the case is frivolous or vexatious, the second and third prongs of the test should also be considered.

Irreparable harm: "irreparable" refers to the nature of the harm, rather than its magnitude. In a patent case, the relevant question is whether the damages alleged by the applicant are irreparable, or would damages provide an adequate remedy to the applicant in lieu of an injunction.

Balance of convenience: In addition to the damage each party alleges it will suffer, the interest of the public must be taken into account. The purpose of the

³ *Syntex Inc. v. Apotex Inc.*, [1984] 2 F.C. 1012, 55 N.R. 135 (C.A.).

interlocutory injunction is to preserve or restore the *status quo* until trial, not to give the plaintiff a remedy.⁴

Analysis

1. Serious issue

Both sides are manufacturing and selling a product, and the applicant submits that the respondents' product infringes the applicant's patent. The main thrust of the respondents' case is a denial of infringement. There are indications that the respondents' product is different from that of the plaintiff, but this is an issue to be determined at trial.

The respondents submit that uncertainty in regard to the respective rights as between the applicant for an interlocutory injunction and the respondent militates against granting an interlocutory injunction. For example, outstanding issues with respect to ownership of a trade-mark resulted in the refusal of an interlocutory injunction in *Frank Brunckhorst et al. v. Gainers Inc. et al.* (1993), 46 C.P.R. (3d) 421 (Fed.T.D.).

However, it is to be remembered that there is a presumption of the validity of a patent. This bolsters the applicant's case.

The applicant alleges patent infringement against Spectra Products Inc. in respect of the brake gauge. Because Gerald Thibodeau assigned his rights to the product to Spectra Products Inc., this company denies infringement. This presents an issue ripe for trial -- but not a for an injunction.

The respondents submit that they are owners and inventors or co-owners and co-inventors of the patent. This issue, too, must be fleshed out at trial.

⁴ *Gould v. Canada (A.G.)*, [1984] 1 F.C. 1133; affirmed [1984] 2 S.C.R. 124.

The threshold issue of serious issue is resolved on an extremely limited review of the case on the merits. An extremely limited review of the case on the merits leads me to conclude that there are several real issues that need determination on the basis of findings of fact and credibility. As well, there are several complex legal issues that need resolution regarding ownership/co-ownership, inventorship, and infringement, to name a few. Credibility and issues going to the very heart of infringement cannot be determined in this motion. It appears that there may even be two different products at issue here. Such issues require a full-blown trial.

Nevertheless, because I do not believe that the applicant's case is frivolous or vexatious, it is now prudent to consider the second and third prongs of the *RJR-Macdonald* test.

2. Irreparable Harm

The two main heads under which the applicant has argued irreparable harm are: 1) that it would be impossible to quantify the applicant's loss of sales or market position due to the respondents' activities; and 2) even if such damages were quantifiable, the respondents are in no position to pay.

1. Quantification of damages

The applicant submits that the respondents' brake gauge is inferior in a number of respects. Despite the respondents' product's alleged inferiority, it looks -- or, at least, used to look -- substantially the same as the applicant's brake gauge, especially after installation. This, the applicant submits, results in confusion between the applicant's product and the respondents' inferior product.

However, there is no real evidence of the inferiority of the respondents' product before this Court.

The applicant alleges that members of the public would believe that the applicant was the source of the respondents' product because the respondents' product looks substantially the same as the applicant's, and because the respondents' product has no marking on it to indicate its source. Because the respondents' product is inferior, the negative reputation of the respondents' product would be imputed to the applicant. This would have a significant adverse affect on the reputation of the applicant's product, and consequently, on sales of the product.

However, these allegations are speculation on the applicant's part. There is no real evidence of confusion between the two products before this Court.

The applicant submits that it will be impossible to quantify the type and extent of sales it will lose as a result of the negative publicity and negative reactions to the respondents' product, which will be ascribed to the applicant. Even if the respondents keep an accounting of sales made, the applicant will have no way of knowing or determining what sales it would have made but for the negative impact engendered by the respondents' product.

There is no real evidence before this Court of the loss of good will alleged by the applicant.

The respondents undertake to keep a true and accurate accounting of all visual brake stroke indicators sold and revenue derived from such sales. There is a Court Order that, in accordance with the undertaking given by Michael Faye, on behalf of the respondent Spectra Products Inc., that Spectra Products Inc. shall keep an accounting of all sales of visual brake stroke indicators sold by it, whether sold under the trade mark BRAKE SAFE or otherwise.

2. Ability to pay

The respondent Michael Faye submits that both of his companies have assets and accordingly would be in a position to pay any damages in the event infringement should be found.

The applicant, however, disputes the respondents' ability to pay damages. The applicant's doubt about the respondents' ability to pay is based in speculation that Michael Faye and Mr. Malion, who together control Spectra Inc., could require Spectra Products to pay a dividend, subject to the legalities of dividend payments -- effectively stripping any profits that Spectra Products may have. The applicant has been provided with a copy of the Consolidated Financial Statements of Spectra Inc. as of March 31, 1997, which indicate that Spectra Inc. is running a deficit of \$1,507,835.00. The applicant speculates that Spectra Inc. is insolvent.

Conclusion -- irreparable harm: It is not enough to show that irreparable harm "is likely" to result from a failure to grant an interlocutory injunction in a patent case. The applicant must demonstrate that it "would suffer" irreparable harm.⁵ The applicant, however, has advanced only speculation.

The respondents have undertaken to keep an accurate accounting, and at least one of the respondents appears to be in the position so as to be able to pay damages should it be so necessary. In these circumstances, I find it difficult to conclude that the applicant would suffer irreparable harm should an injunction not issue.

3. Balance of convenience

The willingness of at least one of the respondents to undertake to keep an account, and the ability of the respondent to pay damages should it be required, are both relevant factors to be considered in assessing in whose favour the balance of convenience lies.

⁵ *Syntex Inc. v. Novopharm Ltd.* (1991) 36 C.P.R. (3d) 129 at 135 (F.C.A.).

However, there is no need to determine the balance of convenience issue here, because the applicant's case fails on the irreparable harm test. Even if it had been necessary to consider the balance of convenience, I am of the view that the applicant has not made out a case under this test. For example, the applicant's allegations that the respondents are price-cutting are mere speculation, not supported in evidence -- as are, once again, the allegations of the respondents' insolvency. In any event, if this injunction were to issue, it would, effectively, put the respondents out of business. This weighs considerably against granting the request for the injunction.

CONCLUSION

The burden is on the applicant to establish a serious issue, irreparable harm, and balance of convenience. In my opinion, the applicant has not discharged this burden.

Accordingly, this application is dismissed, with costs to the respondents in any event of the cause.

OTTAWA, ONTARIO

September 30, 1997.

B. Cullen

J.F.C.C.

FEDERAL COURT OF CANADA
TRIAL DIVISION

NAMES OF SOLICITORS AND SOLICITORS ON THE RECORD

COURT FILE NO.: T-239-97
STYLE OF CAUSE: MR. SAFETY CHECK SYSTEMS INC.
v.
BRAKE SAFE INC., ET AL.

PLACE OF HEARING: TORONTO, ONTARIO
DATE OF HEARING: SEPTEMBER 15, 1997
REASONS FOR ORDER OF THE HONOURABLE MR. JUSTICE CULLEN
DATED: SEPTEMBER 30, 1997

APPEARANCES:

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EUGENE GIERCZAK	FOR DEFENDANTS
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ANTHONY DE FAZEKAS	

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