

Date: 20080618

**Docket: T-139-06
T-140-06**

Citation: 2008 FC 760

Ottawa, Ontario, June 18, 2008

PRESENT: The Honourable Mr. Justice Russell

T-139-06

BETWEEN:

J2 GLOBAL COMMUNICATIONS, INC.

Plaintiff

and

PROTUS IP SOLUTIONS INC.

Defendant

AND BETWEEN:

PROTUS IP SOLUTIONS INC.

Plaintiff by counterclaim

and

**J2 GLOBAL COMMUNICATIONS, INC. and
CATCH CURVE INC.**

Defendants by counterclaim

T-140-06

BETWEEN:

CATCH CURVE INC.

Plaintiff

and

PROTUS IP SOLUTIONS INC.

Defendant

AND BETWEEN:

PROTUS IP SOLUTIONS INC.

Plaintiff by counterclaim

and

**CATCH CURVE INC. and
J2 GLOBAL COMMUNICATIONS, INC.**

Defendants by counterclaim

REASONS FOR JUDGMENT AND JUDGMENT

BACKGROUND

[1] This is an appeal of two Orders made by Madam Prothonotary Tabib dated July 4, 2007.

[2] On July 4, 2007, Prothonotary Tabib issued two Orders dealing with the refusals to answer questions on examination for discovery by witnesses for all parties. In this motion, Protus IP Solutions Inc. (Protus) appeals both Orders.

[3] J2 Global Communications Inc. (J2) and Catch Curve Inc. (Catch Curve) are related corporations (collectively the Plaintiffs) holding Canadian patents which they allege have been infringed as a result of Protus' internet-based fax services, MYFAX and VIRTUALFAX. In Court File T-139-06, J2 alleges the infringement of Patent No. 2,232,397 (the '397 patent) and in T-140-06, Catch Curve alleges infringement of Patents No. 2,101,327 (the '327 patent) and 1,329,852 (the '852 patent).

[4] Protus has counterclaimed in the underlying action, alleging that the three patents at issue are invalid for anticipation, obviousness and overbreadth, among other things. Protus further asserts that J2 and/or Catch Curve have acted in concert and/or on each other's behalf and have made false or misleading statements in violation of paragraph 7(a) of the *Trademarks Act* and section 52 of the *Competition Act*.

[5] The two actions have not been joined but they are being jointly case managed. A Bifurcation Order issued in both actions on November 23, 2006, so that issues concerning the extent of any infringement, the amount of damages, or the apportionment of profits will be decided separately after the determination of the infringement actions and the counterclaims on their merits.

[6] The order of a prothonotary can be appealed by motion to a judge of the Federal Court pursuant to Rule 51 of the *Federal Courts Rules*, SOR/98-106. The *Rules* do not prescribe a standard of review on such appeals but the principles to be considered on appeal are well settled. Discretionary orders, such as the decision to allow or disallow a question on discovery, should only be reviewed *de novo* on appeal if the questions raised are vital to the final issue in the case or are clearly wrong in the sense of being based upon a wrong principle or a misapprehension of the facts: *Z.I. Pompey Industries v. ECU-Line N.V.*, 2003 SCC 27, [2003] 1 S.C.R. 450.

[7] During the discovery examinations in the present case, questions were refused or taken under advisement by all parties. Motions were brought before Prothonotary Tabib to compel the answers to some of those questions and for the production of documentation. In the Orders now

under appeal, Prothonotary Tabib set out her disposition of each question or request for production. Some of those dispositions are here under attack by Protus.

[8] Protus submits that Prothonotary Tabib clearly erred in requiring Protus to provide answers to the questions listed in Schedules A1 and A2 of its materials that relate to Order #1 and in not requiring the Plaintiffs to provide answers to the questions listed in Schedules B1, B and C of its materials that relate to Order #2. The Plaintiffs respond that Prothonotary Tabib was thorough and fair and that Protus has failed to show that her Orders raise issues vital to the final issue in the case or were based on a wrong principle of law or a misapprehension of the facts. There is only one area where Protus alleges that the question raised is vital to the final issue of the case, and I have indicated that area in my own reasons. Otherwise, Protus is alleging that the Prothonotary was clearly wrong as regards the points of concern raised because she exercised her discretion upon a wrong principle or a misapprehension of the facts.

[9] The Plaintiffs also assert that Protus is now attempting to establish the relevance of certain questions by re-categorizing them and raising arguments that were not raised before Prothonotary Tabib and that Protus should not be allowed to do this.

THE LAW

[10] Mr. Justice Strayer, then of the Federal Court of Appeal, provided the following guidance for assessing motions to compel answers in discovery as follows:

The jurisprudence in this Court on the scope of discovery is well settled. For convenience it is summarized in *Reading & Bates Construction Co. et al v. Baker Energy Resources Corp. et al* (1988) 24 C.P.R. (3rd) 66 at 70-72 (F.C.T.D.). It is clear that the primary consideration is relevance. If a prothonotary or a judge does, however, find a question to be relevant he or she may still decline to order the question to be answered if it is not at all likely to advance the questioner's legal position, or if the answer to a question would require much time and effort and expense to obtain and its value would appear to be minimal, or where the question forms part of a "fishing expedition" of vague and far-reaching scope.

Merck & Co. v. Apotex Inc., 2003 FCA 438, [2003] F.C.J. No. 1725 at paragraph 10.

REASONS

[11] For the sake of clarity, I will review the outstanding contentious questions in the manner in which counsel for Protus has presented them to me in the Protus written materials. I have carefully considered both the written and oral submissions on each issue raised, as well as all authorities brought to my attention. My conclusions are as follows:

ORDER #1

Schedule A1

[12] I see no reason to disturb the Prothonotary's disposition of questions 220 and 221. Whether or not Protus is losing money on MyFax or VirtualFax is a fact known to Protus. The Prothonotary was not clearly wrong either with regards to fact or principle in ordering that the question be answered.

Schedule A2

[13] I see no reason to disturb the Prothonotary's disposition of questions 941 and 942. The Statement of Claim says that the Protus system is infringing claims 1-92 of the 397 Patent. No speculation is required on the part of Protus' witness. The Prothonotary turned her mind to the issue of onerousness. There is no indication that she was clearly wrong. The Prothonotary does not re-write the question in any way that goes beyond her discretionary authority.

ORDER #2

Schedule B1, Category 2.1 and Schedule C, Category 3.3.5. – Products and Services Offered by the Plaintiffs, their Predecessors or Predecessors in Title

[14] The Prothonotary's disposition of item 29(3) as not relevant is, in my view, clearly wrong within the definition of relevance found in *Apotex Inc. v. Canada* 2005 FCA 217, 337 N.R. 225. The question is relevant to commercial success and invalidity and should be answered given the absence of an undue burden or any of the other factors referred to in *Reading & Bates*.

[15] The Prothonotary's disposition of item 29(7) is not clearly wrong. Although gross revenues may not give the entire picture and the other information requested may have some relevance, the Prothonotary is entitled to weigh the usefulness of any response against the inconvenience and expense of obtaining it as well as the other factors referred to in *Reading and Bates*.

[16] In relation to item 29(9), I cannot say that the Prothonotary's disposition is clearly wrong, having regard to her general conclusion that any relevance is outweighed by the onerous nature of the questions.

[17] Once again, in relation to item 29(12), even though the information may fall within the *Apotex* definition of relevance, I cannot say that the Prothonotary's disposition is clearly wrong as regards her general conclusion concerning the onerous nature of the question.

[18] The Prothonotary's disposition with regards to items 33 and 34 is not clearly wrong except in so far as they may relate to item 29(3).

[19] As regards items 52 and 53 of Schedule C, which follow the rulings in item 33 of Schedule A, they are not clearly wrong, in my view, except in so far as they relate back to item 29(3) of Schedule B1.

[20] As regards all other items listed under this category, the Prothonotary's disposition should stand as not being clearly wrong, subject to any adjustment required to effect the Court's reconsideration of item 29(3).

Schedule B1, Category 2.2 – Officers and Directors of J2, J2’s Predecessors and Related Companies

[21] I cannot say that the Prothonotary’s dispositions of the questions in this category were clearly wrong given her discretion to look at and assess relevance against the other factors cited in *Reading & Bates*.

Schedule B1, Category 3.1 - Inventorship

[22] As regards item 49 in this category, I believe that the Prothonotary was clearly wrong in her view that the Plaintiffs have no obligation to inquire of the inventor “in view of Protus’ right to examine the inventor.” In *Eli Lilly & Co. v. Apotex Inc.* [2000] F.C.J. No. 154 at paragraph 5, (F.C.T.D.), Justice Hugessen identified a general principle 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. (*sic*) It (*sic*) is proper to require that party to make such a request.” In the present case Protus has convinced me that there is a relationship between the Plaintiffs and the inventor and it might reasonably be expected that the request will be honoured. Hence, the Plaintiffs should make the inquiry requested in item 49.

Schedule B1, Category 3.2.1. – Assignment from Mr. Bobo to Net Office Solutions, LLC

[23] I cannot say that the Prothonotary's dispositions of items 54 and 55 were clearly wrong. Hence, they should not be disturbed.

Schedule B1, Category 3.2.2. – Assignment from Net Office Solutions to Toast and Jam Inc.

[24] It seems to me that the Prothonotary's disposition of items 57 and 58 on the basis of irrelevancy was clearly wrong. Items 57 and 58 relate to facts and documents pertaining to the entirety of the assignment transaction and are relevant to the ownership issues raised in the Statement of Defence and Counterclaim. Hence, considering the matter *de novo*, items 57 and 58 should be answered and undertaken by the Plaintiffs because I cannot see that relevance is here outweighed by other factors.

[25] As regards item 62, given the Prothonotary's wide discretion under the principles enunciated in *Reading & Bates*, I cannot say she was clearly wrong. Hence, her disposition of item 62 should stand.

**Schedule B1, Category 3.3 and Schedule C, Category 3.3.6. – Activities of Predecessors
in Title**

[26] Once again, given the wide discretion of the Prothonotary under the principles in *Reading & Bates*, I cannot say that she was clearly wrong in her dispositions of these categories. Hence, they should stand.

Schedule B1, Category 4 – Third Party Systems

[27] Once again, this category involves an exercise of the Prothonotary's broad discretion in accordance with *Reading & Bates* and I cannot say she is clearly wrong.

Schedule B1, Category 5.2 – Licensing of the Patents in Issue

[28] In her disposition of the items in this category, the Prothonotary makes it clear that she carefully weighed relevance issues against "the broadness and onerousness of the request." Hence, I cannot say she was clearly wrong in the way she exercised her discretion in accordance with the established principles.

Schedule B1, Category 6 – Enforcement of the Patents in Issue

[29] The Prothonotary's disposition of items 94 to 105 of this category on the basis of irrelevance seems to me to be clearly wrong given the definition of relevance in *Apotex*. I agree with Protus that answers to these questions may fairly lead to facts and documents relevant to issues of invalidity as well as the false and misleading statements alleged in the counterclaim. In considering the matter *de novo*, the prime consideration is onerousness and the kind of balancing referred to in *Reading & Bates*. There is no real indication from the Plaintiffs that answers and production are likely to be overly onerous. Hence, to the extent not already ordered by the Prothonotary, the Plaintiffs should provide the answers and production requested under items 94 to 105.

Schedule B1, Category 7 and Schedule C – Prosecution History

[30] The issue in relation to items 108 to 116 under this category is not relevance. It seems to me, and this is supported by the cases cited by Protus, including *Foresco Trading A.G. v. Canadian Ferro Hot Metal Specialties Ltd.* (1991), 36 C.P.R. (3d) 35, and *Heffco Inc. v. Dreco Energy Services Ltd.* (1995), 62 C.P.R. (3d) 81, that the information and production requested are clearly relevant to validity issues. The Prothonotary's rulings are that the requests (with some exceptions) are "overbroad." Although whole files have been ordered disclosed in other cases, this does not remove the Prothonotary's discretionary powers to decide, in each instance, whether production is too onerous or otherwise inappropriate in terms of the *Reading & Bates* criteria. In the present instance, I cannot say that the Prothonotary was clearly wrong in her conclusions that what was

requested was “overbroad” based upon her knowledge of this dispute. Hence, I am not prepared to interfere with her dispositions in this category of questions.

Category 8.1 of Schedules B1 and C – The Relationship Between J2 and Catch Curve

[31] Under this category, the Prothonotary’s dispositions appear to be driven to some extent by her view that the allegation in the pleadings is that “the plaintiffs acted in concert, not that they have acted under the control or as alter egos of one another” so that “corporate ownership and control neither proves nor disproves acting in concert, and is irrelevant.” Paragraph 33 of the counterclaim says that the Plaintiffs “have acted in concert and/or on each others behalf” and I think the Prothonotary takes too narrow a view of relevance in view of *Apotex* and is clearly wrong on this issue. My view is that the corporate relationship is relevant to issues raised in the pleadings and that, considering this category *de novo* and in light of the *Reading & Bates* factors, the Plaintiffs should provide answers to items 137, 143, 144, 145, 146 of Schedule B1 (but not 147, 148, 149, 150, 151, 152, 155, 159, 160, 161, 162, 169, 170 and 171 in relation to which I agree with the Prothonotary dispositions, if not with the reasons given in relation to item 161 and the Prothonotary’s view of the pleadings), and not the 8.1 items in Schedule C).

Schedules B1 and C, Category 8.3 – Statements Regarding Protus Made to Third Parties by J2 and/or Catch Curve

[32] The Prothonotary's approach to items in this category is driven by her ruling in 161 as to what is pleaded in the counterclaim. I agree with Protus that the Prothonotary was clearly wrong on this issue and that this is also a matter that is vital to the final issue in the case. Considering the matter *de novo*, I agree with Protus that relevance in this category is governed by unadmitted allegations of fact in the pleadings as the pleadings stand at the time of discovery. There has been no motion by the Plaintiffs to strike those aspects of the pleadings dealing with statements made by the Plaintiffs in the United States and, at this point, it is at least debatable as to whether statements made outside of Canada can form the basis for a claim under section 7(a) of the *Trade-Marks Act* and /or section 52 of the *Competition Act*. There are also damages issues to which such statements could be relevant.

[33] The Nova Scotia Court of Appeal made the following point of principle in *North American Trust Co. v. Salvage Association*, 173 N.S.R. (2d) 249 at paragraph 31:

While discovery examination is not restricted to the pleadings, relevance must be determined on the pleadings as they stand. This is sound policy. To do otherwise would open the door for collateral attacks upon the pleadings. Here, the appellant is, in effect, seeking to have a point of law determined in advance of trial, or, possibly, to strike paragraphs 16 and 17 of the Defence. The Civil Procedure Rules provide a separate process for each of these remedies.

[34] Further confirmation on this principle is provided in *Field (Litigation Guardian of) v.*

Peterborough Civic Hospital (2000), 46 C.P.C. (4th) 95 at paragraph 21 where the Ontario Superior

Court of Justice ruled as follows:

I do not agree for two reasons. First, the law is clear that a party is not entitled to refuse to answer questions simply on the basis that they doubt the defence will succeed on its merits. Absent a successful motion to strike that aspect of the doctor's pleadings, any question relevant to the pleadings must be answered on discovery. The option open to the plaintiffs is to challenge the pleading. The validity of the pleading should not be resolved in the context of a refusals motion.

[35] I see no reason why this rationale should not be equally applicable to Federal Court practice.

Consequently the Plaintiffs should provide full answers to the question in this category. This

includes:

- a) 8.3.1: items 174, 175, 176, 177, 178, 180 (but not 179);
- b) 8.3.2: items 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194;
- c) 8.3.3: items 188, 189, 190, 191, 192;
- d) 8.3.4: items 193 and 194;
- e) 8.3.5: items 200, 201, 202, 203, 204, 205, 206;
- f) 8.3.6: items 207, 208, 209, 210, 211, 212, 213;
- g) 8.3.7: items 214, 215, 216, 217, 218, 219, 220;
- h) 8.3.8: items 221, 222, 223, 224, 225, 226, 227, 228;
- i) All equivalent items under Schedule C, Category 8.3 that followed the ruling in item 161.

Schedule B2, Category 2.2 – J2’s Validity Analysis on the Patents at Issue

[36] The Prothonotary refused item 9 under this category on the ground that “somebody’s opinion or analysis as to the validity of a patent is of no relevance.” Given that Protus alleges that the Plaintiffs “knowingly, wilfully and deliberately” made false or misleading statements it is difficult to see how a validity opinion (if such a document exists) would not have some relevance within the meaning of *Apotex*. Consequently, I feel that the Prothonotary’s disposition is clearly wrong and that the Plaintiffs should produce any such validity analysis, subject to any claim of privilege that might exist.

JUDGMENT

THIS COURT ORDERS AND ADJUDGES that:

1. The Appeals are allowed in part to the extent indicated in the reasons;
2. Protus' appeal in relation to Order #1 is dismissed;
3. The Plaintiffs will provide answers and/or production for the following questions and/or requests related to Order #2:
 - a) Schedule B1, Category 2.1 and Schedule C, Category 3.3.5 – Products and Services Offered by the Plaintiffs, their Predecessors or Predecessors in Title
Item 29(3) and any adjustments to the other dispositions under this category affected as a consequence of the Court's re-determination of item 29(3);
 - b) Schedule B1, Category 3.1 – Inventorship
Item 49
 - c) Schedule B1, Category 3.2.2 – Assignment from NetOffice Solutions to Toast and Jam Inc.
Items 57 and 58
 - d) Schedule B1, Category 6 – Enforcement of the Patents in Issue
Items 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104 and 105

e) Category 8.1 of Schedules B1 and C – The Relationship Between J2 and Catch Curve

Items 137, 143, 144, 145 and 146 of Schedule B1

f) Schedules B1 and C, Category 8.3 – Statements Regarding Protus Made to Third Parties by J2 and/or Catch Curve

8.3.1: items 174, 175, 176, 177, 178, 180 (but not 179);

8.3.2: items 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194;

8.3.3: items 188, 189, 190, 191, 192;

8.3.4: items 193 and 194;

8.3.5: items 200, 201, 202, 203, 204, 205, 206;

8.3.6: items 207, 208, 209, 210, 211, 212, 213;

8.3.7: items 214, 215, 216, 217, 218, 219, 220;

8.3.8: items 221, 222, 223, 224, 225, 226, 227, 228;

All equivalent items under Schedule C, Category 8.3 that followed the ruling in item 161.

g) Schedule B2, Category 2.2 – J2's Validity Analysis on the Patents at Issue

Item 9, subject to any claim of privilege that might exist

4. The relevant parties and designates shall re-attend at their own expense to answer any questions and requests properly arising from the answers and documents to be given hereunder on a date to be agreed upon by the parties;

5. As the parties have agreed that their respective responses required by this Order shall be provided within 30 days of the date of this Order, Protus' obligations under Madam Prothonotary Tabib's order of July 25, 2007 to provide answers in accordance with that order within two (2) weeks of the date of the order disposing of the appeal shall be extended to 30 days of the date of this Order;

6. If the parties cannot agree on the costs of this appeal, either party may address the Court on costs.

"James Russell"

Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET: T-139-06 and T-140-06

STYLE OF CAUSE: J2 Global Communications, Inc. and Protus IP Solutions Inc.
and between Protus IP Solutions Inc. and J2 Global
Communications, Inc. and Catch Curve Inc.

Catch Curve Inc. and Protus IP Solutions Inc. and between
Protus IP Solutions Inc. and Catch Curve Inc. and J2 Global
Communications, Inc.

PLACE OF HEARING: Ottawa, Ontario

DATE OF HEARING: April 28, 2008

**REASONS FOR
Judgment and Judgment:** RUSSELL J.

DATED: June 18, 2008

APPEARANCES:

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Mr. Kwan T. Loh

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