

Federal Court



Cour fédérale

Date: 20100526

Docket: T-139-06

Citation: 2010 FC 572

Ottawa, Ontario, May 26, 2010

PRESENT: The Honourable Mr. Justice Mainville

BETWEEN:

**j2 GLOBAL COMMUNICATIONS, INC.
and CATCH CURVE INC.**

Plaintiffs

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

REASONS FOR JUDGMENT AND JUDGMENT

[1] Protus IP Solutions Inc. (“Protus”) is appealing part of the order of Madam Prothonotary Tabib dated April 27, 2010, wherein Protus was required to answer two questions from a continued examination for discovery.

Background and context

[2] The action is a consolidation of two patent infringement actions brought against Protus by j2 Global Communications, Inc. and Catch Curve Inc. (collectively referred to herein as “j2”) pertaining to Protus’ MYFAX, VIRTUAL FAX and Fax-to-Fax services.

[3] By way of counterclaim, Protus alleges, *inter alia*, that j2 has made false and misleading statements in press releases and in online chats claiming that Protus is the largest or second largest sender of junk faxes, contrary to section 52 of the *Competition Act*, R.S.C. 1985, c. C-34 and paragraph 7(a) of the *Trade-marks Act*, R.S.C. 1985, c. T-13. Protus also claims that it has suffered and will continue to suffer loss and damage in Canada as a result of these statements.

[4] In October 2009, a second round of examinations for discovery of all parties was conducted, and all parties brought motions to compel answers from the examinations, which were heard by Prothonotary Tabib over 11 days from January to March, 2010.

[5] In her order dated April 27, 2010, Prothonotary Tabib required Protus to answer certain questions, including the two questions which are the subject of this appeal, namely numbers 976 and 1065. The concerned questions and Prothonotary Tabib's disposition of each of these questions were as follows:

976: Could you find out, with respect to fax broadcast, what is the average number of faxes that would be sent using a fax broadcast?

Disposition: The question is narrow and may go to determining whether spamming is involved. It is to be answered on a reasonable enquiry basis.

1065: Could you provide me with the distribution of faxes sent using fax broadcast? For example, let's say you have two or three customers and they send out thousands of documents using this fax broadcast. I am interested in the distribution of the number of faxes sent using fax broadcast.

Disposition: I am satisfied that distribution (as further explained using items 1066 and 1068 as examples) is relevant to understanding whether the service is used for spamming and the question is therefore relevant. The question is to be answered on a reasonable inquiry basis and at a high level of generality.

Position of Protus

[6] Protus asserts that the questions a party must answer on discovery are defined by relevance, and relevance is itself defined by the allegations in the pleadings, and is a matter of law, not discretion.

[7] Protus argues that the answers to questions 976 and 1065 set out above are wholly irrelevant to a determination of whether Protus is a sender of junk faxes. The term "junk faxes," as used in j2's statements and press releases which are at issue in the proceedings, refers to facsimiles

which are allegedly sent in violation of the provisions of the *Telephone Consumer Protection Act* (the “TCPA”), a federal statute of the United States of America. The TCPA does not include any prohibitions based on the number of faxes sent per transaction, but rather addresses the content of the faxes, specifically whether the faxes are “unsolicited advertisements”. That term is defined as follows in the TCPA:

The term “unsolicited advertisement” means any material advertising the commercial availability or quantity of any property, goods, or services which is transmitted to any person without that person’s prior express invitation or permission, in writing or otherwise.

[8] Accordingly, when inquiring into whether a fax is a “junk fax” in violation of the TCPA, the only relevant considerations are the content of the fax and the relationship between the sender and recipient. Therefore, information regarding the average number or the distribution of faxes is wholly irrelevant to a determination of whether Protus is a sender of junk faxes. Since relevance is a matter of law, and since the answer to questions 976 and 1065 above are wholly irrelevant to the issues in the proceedings, Prothonotary Tabib’s decision to compel an answer to these questions was clearly wrong and should therefore be overturned.

Position of j2

[9] j2 argues that the information required under the two questions at issue is directly relevant to the allegations made by Protus in its pleadings that j2 made false and misleading statements in asserting that Protus is the largest or second-largest sender of junk faxes into the United States.

[10] Though Protus advances the position that the term “junk faxes” must be defined with reference to the TCPA, the meaning of this term is a point in dispute between the parties and may be significantly broader than the definition submitted by Protus based on the TCPA. As an example, “junk faxes” may refer to unwanted facsimile communications sent in bulk rather than being limited to facsimile communications containing unsolicited advertisements. Consequently, j2 is entitled to discovery going to the truth or falsity of the statements made on any possible reasonable meaning of the expression “junk faxes”. Similar arguments are made by j2 concerning the expressions “sender” and “largest” contained in the statements it made regarding Protus.

[11] Thus, the information requested as to the number of bulk faxes sent out by Protus in a single broadcast, as well as the other information requested is directly relevant to these proceedings. Furthermore, the clustering of high-volume use of the Protus service among a small number of customers would suggest that those customers may be using the service to send junk faxes.

[12] Moreover, the Prothonotary has provided Protus with ample flexibility by allowing the questions to be answered on a “reasonable enquiry” basis and “at a high level of generality”. Furthermore, the Court should defer to the discretion of the Prothonotary with regard to managing the burden on the responding party and balancing the burden of discovery between the parties.

Analysis

[13] It is trite law that discretionary orders of a prothonotary should only be reviewed *de novo* on appeal if the questions raised in the motion are vital to the final issue of the case or if the orders are

clearly wrong, in the sense of being based on a wrong principle or a misapprehension of the facts: *Merck & Co. v. Apotex Inc.*, 2003 FCA 488, [2004] 2 F.C.R. 459, [2003] F.C.J. No. 1925 (QL) at para. 19. The parties agree that the questions raised are not vital to the final issue of the case; consequently, Protus is alleging that the Prothonotary was clearly wrong in ordering an answer to questions 976 and 1065 above.

[14] The general purpose of examination for discovery is to render the trial process fairer and more efficient by allowing a party to inform itself fully prior to trial of the precise nature of the other party's positions so as to define fully the issues between them: *Montana Band v. Canada*, [2000] 1 F.C. 267, 172 F.T.R. 46, [1999] F.C.J. No. 1088 (QL) at para. 5.

[15] The primary consideration in discovery is relevance: *Apotex Inc. v. Canada*, 2005 FCA 217, [2005] F.C.J. No. 1021 (QL) at paras. 15-16; *Bristol-Myers Squibb Co. v. Apotex Inc.*, 2007 FCA 379, [2007] F.C.J. No. 1597 (QL) at paras. 30-31. As noted in *Merck & Co. v. Apotex Inc.*, 2003 FCA 438, [2003] F.C.J. No. 1725 at para. 10:

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.

[16] Protus argues that questions 976 and 1065 are not relevant since the answers to these questions will not assist in deciding whether the facsimile transmissions were “junk faxes” as defined with reference to the TCPA. However, accepting the argument put forward by Protus would require me to decide in this motion the meaning of “junk faxes”, an issue in dispute between the parties and which should be left to the trial judge to decide.

[17] I cannot conclude that the Prothonotary was clearly wrong in finding that questions 976 and 1065 were relevant and in ordering that they should be answered on a reasonable enquiry basis. The number and distribution of faxes sent using a fax broadcast may well be relevant to the issues raised by these proceedings, and it is reasonable to believe that this information may be of assistance to the trial judge in deciding whether j2 made false or misleading statements contrary to section 52 of the *Competition Act* and paragraph 7(a) of the *Trade-marks Act*. Consequently, the Prothonotary did not base her decision in this case on a wrong principle or on a misapprehension of the facts.

[18] Pursuant to the April 30, 2010 Notice to the Parties and the Profession concerning Costs in the Federal Court, the parties have informed the Court that they have agreed upon the disposition and quantum of costs for this motion. An order consequential to this agreement shall thus be made.

JUDGMENT

THIS COURT ORDERS AND ADJUDGES that the motion to appeal Prothonotary Tabib's order dated April 27, 2010 is dismissed. The costs on this motion are awarded to j2 Communications, Inc. and Catch Curve Inc. in the lump sum total amount of \$1,700.00, inclusive of disbursements and all applicable taxes including GST, and in lieu of any assessed costs.

"Robert M. Mainville"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-139-06

STYLE OF CAUSE: j2 GLOBAL COMMUNICATIONS, INC. v. PROTUS IP SOLUTIONS INC. ET AL

PLACE OF HEARING: Ottawa, Ontario

DATE OF HEARING: May 20, 2010

**REASONS FOR JUDGMENT
AND JUDGMENT:** MAINVILLE J.

DATED: May 26, 2010

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