Date: 20090211

Dockets: A-331-08
A-355-08

Citation: 2009 FCA 41

CORAM: **DESJARDINS J.A.**
EVANS J.A.
RYER J.A.

Docket: A-331-08

BETWEEN:

j2 GLOBAL COMMUNICATIONS, INC.

Appellant (Plaintiff)

and

PROTUS IP SOLUTIONS INC.

Respondent (Defendant)

AND BETWEEN

PROTUS IP SOLUTIONS INC.

Respondent
(Plaintiff by Counterclaim)

and

j2 GLOBAL COMMUNICATIONS, INC.
and CATCH CURVE INC.

Appellants
(Defendants by Counterclaim)

Docket: A-355-08

BETWEEN:

CATCH CURVE INC.

Appellant (Plaintiff)

and

PROTUS IP SOLUTIONS INC.

Respondent (Defendant)

AND BETWEEN:

PROTUS IP SOLUTIONS INC.

Respondent
(Plaintiff by Counterclaim)

and

CATCH CURVE INC. and
j2 GLOBAL COMMUNICATIONS, INC.

Appellants
(Defendants by Counterclaim)

Heard at Toronto, Ontario, on February 10, 2009.

Judgment delivered at Toronto, Ontario, on February 11, 2009.

REASONS FOR JUDGMENT BY: EVANS J.A.

CONCURRED IN BY: DESJARDINS J.A.
RYER J.A.

Date: 20090211

Dockets: A-331-08
A-355-08

Citation: 2009 FCA 41

CORAM: **DESJARDINS J.A.**
EVANS J.A.
RYER J.A.

Docket: A-331-08

BETWEEN:

j2 GLOBAL COMMUNICATIONS, INC.

Appellant (Plaintiff)

and

PROTUS IP SOLUTIONS INC.

Respondent (Defendant)

AND BETWEEN

PROTUS IP SOLUTIONS INC.

Respondent
(Plaintiff by Counterclaim)

and

j2 GLOBAL COMMUNICATIONS, INC.
and CATCH CURVE INC.

Appellants
(Defendants by Counterclaim)

Docket: A-355-08

BETWEEN:

CATCH CURVE INC.

Appellant (Plaintiff)

and

PROTUS IP SOLUTIONS INC.

Respondent (Defendant)

AND BETWEEN:

PROTUS IP SOLUTIONS INC.

Respondent
(Plaintiff by Counterclaim)

and

CATCH CURVE INC. and
j2 GLOBAL COMMUNICATIONS, INC.

Appellants
(Defendants by Counterclaim)

REASONS FOR JUDGMENT

EVANS J.A.

[1] The appellants, Catch Curve Inc. and j2 Global Communications Inc., are related companies and have instituted separate actions against Protus IP Solutions Inc. ("Protus") for infringing their Canadian patents relating to internet-based facsimile services. Although the actions have not been consolidated, they are being case managed together in the Federal Court.

[2] The appellants are appealing from a decision of the Federal Court (2008 FC 759) in which Justice Russell dismissed motions by the appellants appealing an order of Prothonotary Tabib, dated

February 8, 2008. In that order, the Prothonotary had permitted Protus to amend some of its pleadings, but had not accepted other amendments that it proposed to its statements of defence and counterclaim. This Court heard the appeals together, since the facts and issues are materially identical. I shall dispose of both with a single set of reasons, a copy of which will be placed in each Court file.

[3] The appellants allege that Justice Russell committed reversible error when he upheld the Prothonotary's order allowing motions by Protus to amend their pleadings, and setting up a special procedure for enabling Protus to provide particulars of the proposed amendments which the Prothonotary had not accepted.

(i) proposed amendments

[4] This Motions Judge regarded the part of the appellants' motions dealing with the proposed amendments as vital to the final issue in the case and, accordingly, reviewed *de novo* the Prothonotary's order allowing, and not allowing, Protus's proposed amendments. In order to succeed in their appeals, the appellants must demonstrate that Justice Russell's dismissal of their motions was plainly wrong, in the sense that it was based on an error of law or a misapprehension of the facts: *Merck & Co. Inc. v. Apotex Inc.*, 2003 FCA 488 at para. 20. Justice Russell gave lucid and extensive reasons for upholding the order of the Prothonotary, who is case managing the proceedings.

[5] In these circumstances, and given the discretionary and interlocutory nature of the orders, the appellants have a heavy burden to discharge in order to persuade this Court that it should intervene.

[6] Justice Russell agreed with the Prothonotary's finding that the amendments would not prejudice the appellants in a manner that could not be compensated by costs. The appellants have not challenged this finding in this appeal. Absent prejudice, the Motions Judge noted that, as a general rule, a litigant should be able to amend its pleadings at any stage of the action, in order to ensure that the real issues in dispute between the parties are before the court.

[7] In determining whether to permit the amendments, Justice Russell applied the test used on motions to strike, namely, whether it is plain and obvious that the amendments have no chance of success. The appellants say that this was an error of law because this is not the test applicable for deciding whether to permit an amendment, even when the amendment, if granted, would not cause prejudice.

[8] The appellants allege that, on a motion for leave to amend pleadings, it is also relevant to consider the degree of change to the proceedings that the proposed amendments would make. In this case, they say, the amendments proposed by Protus would convert patent infringement actions into disputes about whether the appellants have breached the *Competition Act*, a radically different proceeding.

[9] I do not agree. Justice Russell carefully considered this argument (at paras. 71-80) and concluded that, in the absence of non-compensable prejudice, the fact that the proposed amendments would effect a “radical departure” in the proceeding was not a discrete ground for refusing an amendment, provided that the proposed amendments satisfied the “plain and obvious test”.

[10] I see no error of law in this conclusion on the present facts. I note, in particular, that the appellants’ infringement actions remain intact, and that Protus has not abandoned its defence to the actions, but seeks to add to it and to the counterclaim.

[11] Nor am I persuaded that the Judge committed any reversible error in his application of the “plain and obvious” test to the proposed amendments. In particular, Justice Russell was not clearly wrong in declining to refuse the proposed amendments which rely on section 32 of the *Competition Act*. In view of the nature of Protus’s internet-based business, and the need to interpret the section in light of current information technology, it cannot be said at this point that the defence based on section 32 is bound to fail.

[12] Nor, in my opinion, can it be said, given the trans-national nature of Protus’s business and the fact that statements made, and conduct engaged in, by the appellants in the United States may adversely affect Protus’s business in Canada, that the proposed amendments dealing with these matters have no prospect of success as the basis of a defence or counterclaim to the appellants’ infringement actions.

(ii) ***procedure for providing particulars***

[13] The Prothonotary refused to permit a number of amendments proposed by Protus because they lacked sufficient particulars to enable her to determine if it was plain and obvious that they could not succeed. However, instead of dismissing the motions outright, and leaving Protus free to protract the matter further by making another motion, or other motions, to amend its pleadings after adding particulars, the Prothonotary established a procedure designed to streamline the process.

[14] Under this process, Protus must submit to the appellants for comment particularized proposed amendments to its pleadings. When the parties have gone as far as they can in respect of the sufficiency of the particulars, Protus may file and serve its proposed amended statements of defence and counterclaim. If the appellants are not satisfied, they may move to dismiss the proposed amendments or to require further and better particulars. This process will prevent the parties, on a new motion for leave to amend, from re-litigating the legal question of whether the particularized allegations constitute reasonable claims of breaches of the *Competition Act*, a question that the Prothonotary has already decided in favour of Protus.

[15] Justice Russell held that, since this aspect of the appellants' motions was not vital to the final issue in the case and the Prothonotary's decision involved the exercise of discretion, he should only intervene if satisfied that her decision was clearly wrong. He found that it was not. I agree.

[16] It has often been said in this Court that, because of their intimate knowledge of the litigation and its dynamics, prothonotaries and trial judges are to be afforded ample scope in the exercise of

their discretion when managing cases: see also *Federal Courts Rules*, rules 75 and 385. Since this Court is far removed from the fray, it should only intervene in order to prevent undoubted injustices and to correct clear material errors. None have been demonstrated here. On the contrary, Prothonotary Tabib's order seems to me a creative and efficient solution for moving along litigation that appears to have become bogged down.

[17] The appellants' principal complaints about the Prothonotary's order are that it (i) compels them to particularize Protus's case for it, (ii) permits Protus to serve and file amendments without first obtaining leave of the Court, and without affording the appellants an opportunity to oppose the motion for leave, and (iii) imposes on the appellants the burden of bringing a motion to dismiss, or to obtain further particulars, if they are of the view that the particulars provided are not sufficient.

[18] I do not agree with this characterization of the Protonotary's process or with the appellants' complaints about it. The order merely provides a mechanism for enabling the parties to attempt to reach an agreement on particulars, or to narrow the range of disagreement, before the matter returns to court. If the appellants still contend that the particulars provided by Protus are insufficient, they may challenge the amendments in court.

[19] True, it is unusual that a party opposing amendments must take the initiative and move to strike. However, I am not persuaded that, in the context of a case-managed proceeding, this imposes such an unfair burden on the appellants as to render the order a clearly wrong exercise of discretion.

After all, under the "normal" procedure for amending pleadings, the appellants would have to file a response to a motion by Protus to amend if they were not satisfied with the particulars.

[20] If the appellants intend to proceed with their actions, they would be well advised to direct their time and resources to moving matters forward, rather than to pursuing through three levels of judicial decision-makers the kinds of pre-trial wrangling involved in these appeals.

[21] For these reasons, I would dismiss the appellants' appeals with costs.

"John M. Evans"
J.A.

"I agree
Alice Desjardins J.A."

"I agree
C. Michael Ryer"

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKETS:	A-331-08 & A-355-08

For A-331-08:(APPEAL FROM THE JUDGMENT OF MR. JUSTICE RUSSELL DATED 18-JUN-2008, DISMISSING THE APPELLANTS' APPEAL OF THE ORDER OF PROTHONOTARY TABIB DATED 08-FEB-2008 IN FEDERAL COURT FILE T-139-06.)

For A-355-08:(APPEAL FROM THE JUDGMENT OF MR. JUSTICE RUSSELL DATED 18-JUN-2008, DISMISSING THE APPELLANTS' APPEAL OF THE ORDER OF PROTHONOTARY TABIB DATED 08-FEB-2008 IN FEDERAL COURT FILE T-140-06.)

STYLES OF CAUSE:	A-331-08	
		J2 GLOBAL COMMUNICATIONS, INC. v. PROTUS IP SOLUTIONS INC.
	AND BETWEEN:	PROTUS IP SOLUCTIONS INC. v. j2 GLOBAL COMMUNICATIONS, INC. and CATCH CURVE INC.
	A-355-08	
	BETWEEN:	CATCH CURVE INC. v. PROTUS IP SOLUTIONS INC.
	AND BETWEEN:	PROTUS IP SOLUTIONS INC. v. CATCH CURVE INC. and j2 GLOBAL COMMUNICATIONS, INC.
PLACE OF HEARING:		TORONTO, ONTARIO
DATE OF HEARING:		FEBRUARY 10, 2009
REASONS FOR JUDGMENT BY:		EVANS J.A.
CONCURRED IN BY:		DESJARDINS J.A. RYER J.A.
DATED:		FEBRUARY 11, 2009

APPEARANCES:

Paul V. Lomic Kenneth D. Hanna	FOR THE APPELLANT
Steven B. Garland Kevin K. Graham	FOR THE RESPONDENT

SOLICITORS OF RECORD:

RIDOUT & MAYBEE LLP Toronto, Ontario	FOR THE APPELLANT
SMART & BIGGAR Toronto, Ontario	FOR THE RESPONDENT