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In this issue:

SUPREME COURT OF CANADA on Enforcing US and other Foreign Court Orders in Canada

Pro Swing Inc. v. Elta Golf Inc.

Canadian defendant Elta Golf for infringement of the plaintiff’s US registration of its trademark TRIDENT by reason of internet sales into Ohio by the defendant under the same trademark and various confusing marks such as RIDENT. The defendant attorned to the jurisdiction of the Ohio court and consented to judgment. Later the plaintiff brought contempt proceedings in Ohio for the defendant’s continuing sale via the internet of infringing goods. The defendant did not contest the contempt proceedings, and the US Court ordered a number of remedial measures, with which the defendant did not comply. The US plaintiff brought proceedings in Ontario to enforce the US Court order. It prevailed at the trial level but was reversed by the Ontario Court of Appeal. In a split 4-3 judgment, the Supreme Court of Canada on 17 November upheld the Court of Appeal and refused relief to the US plaintiff. The majority decision includes important guidelines for enforcement in Canada of judgments and orders of US and other foreign courts.

It awarded compensatory damages to Pro Swing based on Elta Golf’s profits and ordered Elta Golf to provide an accounting to Pro Swing in order to calculate these damages. It ordered Elta Golf to deliver up offending material, provide to the plaintiff names and addresses of suppliers and purchasers, and recall all counterfeit and infringing golf clubs or golf club components. It awarded Pro Swing costs against Elta Golf, again subject to an accounting. Because an accounting was required, there was no money judgment yet in place in Ohio.

For many decades and continuing up to the present, Canadian courts have enforced money judgments obtained in the US and other countries against Canadian defendants. But they have been reluctant to enforce injunctions and other equitable remedies, and interim or non-final remedies. The Supreme Court of Canada has recognized that Canadian law must change with the times, but must do so cautiously and incrementally. In a 2004 decision, the Court had recognized the multinational character of internet and other cross-border transactions and communications, noting at that time that “a telecommunication from a foreign state to Canada, or a telecommunication from Canada to a foreign state, ‘is both here and there’”. The Court majority in their present *Pro Swing* judgment further observed

Private international law is developing in response to modern realities. The Internet puts additional pressure on the courts to reach out to the same extent as the Web. At the same time, courts must be cautious to preserve their nation’s values and protect its people. The time is ripe to change the common law rule against the enforcement of foreign non-monetary judgments.

But in *Pro Swing*, the Court refused to make any specific changes to the old common-law rule, citing two principal obstacles to doing so in the case at bar, *viz*

(i) As contempt proceedings are or can be criminal or quasi-criminal, a Canadian court should never enforce a foreign contempt order. (The minority in their judgment considered that civil contempt and criminal contempt could be distinguished, but the majority would not accept that distinction for the purpose of enforcing a foreign court order.)

(ii) The ambit of the Ohio order was uncertain, and especially unclear was whether the remedies ordered should extend to sales in Canada to Canadian customers or only to sales to US customers. (Only infringement in the US of a US trademark registration had been pleaded in the Ohio case).

The majority said this about the latter obstacle:

Extraterritoriality and comity cannot serve as a substitute for a lack of worldwide trademark protection. The Internet poses new challenges to trademark holders, but equitable jurisdiction cannot solve all their problems. In the future, when considering cases that are likely to result in proceedings in a foreign jurisdiction, judges will no doubt be alerted to the need to be clear as regards territoriality. Until now, this was not an issue because judgments enforcing trademark rights through injunctive relief were, by nature, not exportable.

The Supreme Court of Canada in its judgment indicated that in future such cases, the Canadian court should balance the need to respect foreign judgments against the public-policy and practical considerations faced by the enforcing court in Canada. Normally, non-final foreign judgments should not be enforced, and the Canadian court should be able to treat the foreign judgment as binding; the Canadian court should not second-guess the foreign court as to the intrinsic merits of the case nor of the foreign court's judgment. The following policy was suggested by the majority:

Comity is a balancing exercise. The relevant considerations are respect for a nation's acts, international duty, convenience and protection of a nation's citizens. Where equitable orders are concerned, courts must take care not to emphasize the factor of respect for a nation's acts to the point of imbalance. An equitable order triggers considerations of both convenience for the enforcing state and protection of its judicial system.

The majority noted that a Canadian court might be expected to ask questions such as the following in determining how the balance referred to above lies:

Are the terms of the order clear and specific enough to ensure that the defendant will know what is expected from him or her? Is the order limited in its scope and did the originating court retain the power to issue further orders? Is the enforcement the least burdensome remedy for the Canadian justice system? Is the Canadian litigant exposed to unforeseen obligations? Are any third parties affected by the order? Will the use of judicial resources be consistent with what would be allowed for domestic litigants?

What should a foreign plaintiff do to avoid the pitfalls that Pro Swing encountered in the present case? Here are a few suggestions:

1. Bring any post-judgment proceedings in the foreign jurisdiction as restitutive proceedings, not as contempt proceedings.
2. Attempt to quantify immediately any sum of money to be paid to the plaintiff.
3. Make clear in the order granted whether it is to have extraterritorial effect, and if so, to what extent.

If the foreign plaintiff has in fact obtained a contempt order, all is not lost. The foreign plaintiff may seek and will probably readily obtain in Canada an order for letters rogatory to examine the Canadian defendant under oath, to establish whatever facts are required for implementation and finalization of the foreign contempt order. For example, Pro Swing could probably have obtained an Ontario court order to examine Elta Golf's officer and the company's records to obtain the evidence that the plaintiff needed to complete the accounting ordered by the Ohio court.



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