
LIDO INDUSTRIAL PRODUCTS LIM- ITED (<i>Defendant</i>)	}	APPELLANT;
AND		
MELNOR MANUFACTURING LIM- ITED and MELNOR SALES LIM- ITED (<i>Plaintiffs</i>)	}	RESPONDENTS.

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ON APPEAL FROM THE EXCHEQUER COURT OF CANADA

Industrial designs—Registered design—Action for infringement—Motion for interlocutory injunction—Whether substantial grounds of defence to action—Balance of convenience—Industrial Design and Union Label Act, R.S.C. 1952, c. 150.

The plaintiffs are the assignees of a registered industrial design but do not market in Canada the lawn sprinklers bearing that design. They instituted an action for infringement against the defendant and applied to Jackett P. for an interlocutory injunction. The defendant apparently does not deny having copied, with minor variations, the design of the plaintiffs, but in its defence, raised questions as to the lack of originality of the registered design and as to the plaintiffs' proprietary right. The interlocutory injunction was granted by the President. The defendant was granted leave to appeal to this Court.

Held (Fauteux and Martland JJ. dissenting): The appeal should be allowed and the interlocutory injunction dissolved.

Per Cartwright C.J. and Hall and Pigeon JJ.: There were substantial grounds of defence to the action. It was therefore necessary to consider the question of the balance of convenience. The effect of the injunction will be to prevent the defendant from dealing with a large quantity of sprinklers it has on hand until after the selling season while the plaintiffs are not marketing in Canada sprinklers bearing the registered design. The injunction should not have been granted.

Per Fauteux and Martland JJ., *dissenting*: The granting of the interlocutory injunction was a matter of discretion. In the circumstances the President exercised his discretion in accordance with the proper principles and this Court should not interfere with it.

*PRESENT: Cartwright C.J. and Fauteux, Martland, Hall and Pigeon JJ.

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Dessins industriels—Dessin enregistré—Action pour contrefaçon—Requête pour injonction interlocutoire—La défense soulève-t-elle des questions sérieuses—De quel côté est le plus grand préjudice—Loi sur les dessins industriels et les étiquettes syndicales, S.R.C. 1952, c. 150.

Les demanderesses sont les cessionnaires d'un dessin industriel enregistré mais ne vendent pas au Canada les arrosoirs de pelouse portant ce dessin. Elles ont institué contre la défenderesse une action pour contrefaçon et ont demandé au juge de première instance d'accorder une injonction interlocutoire. Apparemment la défenderesse ne nie pas avoir copié, avec des changements minimes, le dessin des demanderesses, mais en défense, elle prétend que le dessin enregistré manquait d'originalité et met en doute le droit de propriété des demanderesses. L'injonction interlocutoire a été accordée par le juge de première instance. La défenderesse a obtenu la permission d'en appeler à cette Cour.

Arrêt: L'appel doit être accueilli et l'injonction interlocutoire dissoute, les Juges Fauteux et Martland étant dissidents.

Le Juge en Chef Cartwright et les Juges Hall et Pigeon: La défense à l'action soulève des motifs sérieux. En conséquence, il était nécessaire de rechercher de quel côté était le plus grand préjudice. L'injonction aura pour effet d'empêcher la défenderesse de disposer d'une grande quantité d'arrosoirs qu'elle a en mains jusqu'à ce que la saison où ils sont en demande ait pris fin, alors que les demanderesses ne mettent pas en vente au Canada des arrosoirs portant le dessin enregistré. L'injonction n'aurait pas dû être accordée.

Les Juges Fauteux et Martland, dissidents: L'octroi de l'injonction interlocutoire était une question de discrétion. Dans les circonstances, le Juge de première instance a exercé sa discrétion selon les principes appropriés et cette Cour ne devrait pas intervenir.

APPEL d'un jugement du Président Jackett de la Cour de l'Échiquier du Canada accordant une injonction interlocutoire. Appel accueilli, les Juges Fauteux et Martland étant dissidents.

APPEAL from a judgment of Jackett P. of the Exchequer Court of Canada granting an interlocutory injunction. Appeal allowed, Fauteux and Martland JJ. dissenting.

Joseph Sedgwick, Q.C., and Weldon F. Green, for the defendant, appellant.

Christopher Robinson, Q.C., and James D. Kokonis, for the plaintiffs, respondents.

The judgment of Cartwright C.J. and Hall and Pigeon JJ. was delivered by

THE CHIEF JUSTICE:—This is an appeal, brought pursuant to leave granted by my brother Pigeon, from an order

of the President of the Exchequer Court made on April 26, 1968, granting an interlocutory injunction restraining the defendant until the trial of the action from applying a design registered by the plaintiffs under No. 226/29037 to any article for the purpose of sale and from selling or offering for sale or use any article to which any such design has been applied.

The appeal was argued at considerable length and the merits of the questions raised in the action were gone into in greater detail than is usual on such an application.

The defendant apparently does not deny having copied, with minor variations, the design of the plaintiffs. The main defence to the action is that the registration of the design is invalid as it lacks originality. A further defence raised is that the assignor under whom the plaintiffs claim, was never the proprietor of the design.

It is desirable that in dealing with this appeal we should refrain as far as possible from expressing an opinion on the merits of the plaintiffs' claim as the action remains to be tried.

On reading the reasons of the learned President as a whole it appears to me that he proceeded on the basis not only that it was clear that the defendant had copied the plaintiffs' design but that the plaintiffs' right to the exclusive use of the design could not be seriously questioned. The learned President said in part:

This being a case of piracy of the defendant's rights without colour of right, it is not a case, in my view, where the granting of an interlocutory injunction depends upon balance of convenience.

I cannot think that the learned President would have so expressed himself unless he had concluded that there was little, if any, doubt as to the plaintiffs' exclusive right to the use of the design. The applicable rule is conveniently summarized in Halsbury 3rd ed., vol. 21 at p. 366, as follows:

Where any doubt exists as to the plaintiff's right, or if his right is not disputed, but its violation is denied, the Court, in determining whether an interlocutory injunction should be granted, takes into consideration the balance of convenience to the parties and the nature of the injury which the defendant, on the one hand, would suffer if the injunction was granted and he should ultimately turn out to be right, and that which the plaintiff, on the other hand, might sustain if the injunction was refused and he should ultimately turn out to be right. The burden of proof that the inconvenience which the plaintiff will suffer by the refusal of the injunction is greater than that which the defendant will suffer, if it is granted, lies on the plaintiff.

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On the argument before us several sprinklers were produced for our inspection and it was conceded, but only for the purposes of this appeal, that the design of the end of the sprinkler Ex. 17 (if it was a design capable of being registered) was in the public domain in Canada at the time when it is alleged that the defendant copied the plaintiffs' design.

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C.J.

Without expressing anything in the nature of a final opinion, I find it very difficult to see how it could be successfully suggested that there was any such difference between Ex. 17 and the plaintiff's sprinkler as would warrant a finding that the latter was possessed of any originality. If, on the other hand, it could be said that a sufficient difference exists between the shape of Ex. 17 and that of the plaintiffs' sprinkler to warrant a finding that the latter possesses originality, it would appear to me to be difficult to maintain that the difference between the shape of the plaintiff's sprinkler and that of the defendant's is not equally pronounced. The other defence mentioned above is also one which cannot be regarded as unsubstantial or trivial. In my opinion very serious doubts exist as to the plaintiffs' right.

With the greatest respect it seems to me that the learned President was in error in holding that he did not have to consider the question of the balance of convenience.

The effect of the injunction will be to prevent the defendant from dealing with some seventy thousand sprinklers which it has on hand until after the trial; and the evidence given on behalf of the plaintiffs indicates that the season for selling lawn sprinklers is "essentially finished by the end of June in any year there being only small re-orders after that".

The plaintiffs are not marketing and do not at present intend to market in Canada sprinklers bearing the design which they have registered. They claim that the sale by the defendant of its sprinklers will reduce the sales of sprinklers of a more expensive type which are marketed by the plaintiffs.

With respect, I do not think that the learned President would have granted this interlocutory injunction if he had been of the view, which in my opinion is inescapable, that

there are very substantial grounds of defence to the action and had gone on to consider where the balance of convenience lies.

I would allow the appeal and direct that the interlocutory injunction be dissolved. Our order should recite an undertaking by the defendant to keep an account of its sales of the sprinklers alleged to infringe the plaintiffs' design until the trial of the action. I would direct that the costs of the appeal should be in the cause.

The judgment of Fauteux and Martland JJ. was delivered by

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MARTLAND J. (*dissenting*):—This is an appeal from an order of the learned President of the Exchequer Court granting an interlocutory injunction to restrain the appellant from applying to any article, for the purpose of sale, the design registered under No. 226/29037 in the Register of Industrial Designs, for which a certificate of registration had been given to the respondents' assignor.

The respondents are assignees, under a registered assignment of that design. They allege an infringement of it.

Sections 7(3) and 9 of the *Industrial Design and Union Label Act*, R.S.C. 1952, c. 150, provide as follows:

7. (3) The said certificate, in the absence of proof to the contrary, is sufficient evidence of the design, of the originality of the design, of the name of the proprietor, of the person named as proprietor being proprietor, of the commencement and term of registry, and of compliance with the provisions of this Act.

9. An exclusive right for an industrial design may be acquired by registration of the same under this Part.

On the question of infringement, the learned President said this:

With regard to the question of infringement, in my view, the plaintiff has made out a very strong *prima facie* case that the defendant has, contrary to section 11 of the *Industrial Design and Union Label Act*, R.S.C. 1952, chapter 150, without the licence in writing of the registered proprietor or of his assignee, applied for the purposes of sale "a fraudulent imitation" of the registered design, if it has not applied the registered design itself, to the ornamenting of its sprinklers. Furthermore, it has done so, and persists in doing so, some time after it has been formally advised of the plaintiffs' registered trade mark. In the absence of any evidence or explanation from the defendant, I can only conclude that the defendant was guilty of unashamed appropriation of the plaintiffs' legal rights or that it was under the impression that the minor changes it made in the course of appropriating the plaintiffs' design were sufficient to convert that design into a new and different design, a point of view I find it impossible to appreciate. I have examined a sprinkler to which the registered design has admittedly been applied and the defendant's sprinkler that is part of the

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Statement of Claim from every different angle and, apart from a direct head-on view, their similarity is, in my view, incontrovertible. Even from a direct head-on view, the defendant's sprinkler is an obvious adaptation of the plaintiffs'.

In answer to the respondents' motion, the appellant filed no material. It relied upon the contention that the respondents' design was invalid. Each of the grounds alleged by the appellant was considered by the learned President. I am not prepared, at this stage of the proceedings and on the evidence before us, to disagree with his reasons in respect of these matters.

He had in mind the practice in respect of the granting of interlocutory injunctions, and he said this:

I have in mind, of course, the long established practice in patent matters that an interlocutory injunction will not ordinarily be granted on the basis of a recent patent where there is a genuine case to be decided as to its validity. (Compare *Smith v. Grigg Ltd.*, (1924) 1 K.B. 655.) I realize that, in an appropriate case, this practice is applicable in industrial design matters. I should, however, be very hesitant about applying that practice in an industrial design case where there is, as I am convinced there is here, a clear case of appropriation by the defendant of the plaintiffs' industrial design which, I must assume, is ordinarily a valuable property acquired at some expense as other property is acquired, knowing that he is appropriating something to the exclusive use of which, by virtue of an Act of Parliament, the plaintiff has a duly registered title; and, I am none the less hesitant about applying the practice because the defendant has managed to raise some very tenuous arguments based upon an interpretation of the statute that possibly might lead to the invalidation of the title.

His final conclusion was as follows:

This being a case of piracy of the defendant's rights without colour of right, it is not a case, in my view, where the granting of an interlocutory injunction depends upon balance of convenience.

The granting of the interlocutory injunction was a matter of discretion. In my opinion, in the circumstances of this case, the learned President exercised his discretion in accordance with the proper principles, and I am not prepared to interfere with it. I would dismiss the appeal with costs.

Appeal allowed; costs in the cause; FAUTEUX and MARTLAND JJ. dissenting.

Solicitor for the defendant, appellant: W. F. Green, Toronto.

Solicitors for the plaintiffs, respondents: Smart & Biggar, Ottawa.