Federal Court  Cour fédérale

Date: 20111014

Docket: T-1304-10

Citation: 2011 FC 960

Toronto, Ontario, October 14, 2011

PRESENT: Kevin R. Aalto, Esquire, Prothonotary

BETWEEN:

BBM CANADA

Applicant

and

RESEARCH IN MOTION LIMITED

Respondent

AMENDED REASONS FOR ORDER AND ORDER

[1] This motion to convert this application to an action follows on the heels of a decision of the Federal Court of Appeal (2011 FCA 151) in this application. The Federal Court of Appeal overturned a decision of the Federal Court which ordered this application to proceed as an action.

[2] Briefly, by way of background, in this application BBM Canada (BBM), formerly Bureau of Broadcast Measurement alleges that RIM infringes certain trademarks which use the letters "BBM" either alone or with other text or graphic elements. BBM operates as a not-for-profit corporation and is a supplier of impartial television and radio ratings data. It has been in business since 1944.

[3] In 2010 RIM began promoting its Blackberry Messenger service using the mark BBM. Thus, in this application BBM claims infringement, damages for infringement, depreciation and loss of goodwill and passing off, punitive damages, injunctive relief and delivery up.

[4] Shortly after this application was commenced, RIM brought a motion to strike on the grounds that there was no jurisdiction in the Federal Court to determine any of the issues by way of application and that the application should be dismissed without prejudice to the right of BBM to seek the same relief by way of action. The hearings judge determined that the matter should not proceed by way of application and ordered the matter to proceed by way of action. The order of the hearings judge was appealed and the Federal Court of Appeal determined that this matter could proceed by way of application. The Federal Court of Appeal concluded that in fact there was jurisdiction in the Federal Court to determine the issues by way of application but added "without deciding the point, it may be possible to move for an order converting an application to an action." [para.35]

[5] Thus, this motion was brought to convert this application to an action. It must be noted that the appeal dealt with whether a claim for damages and other relief flowing from trade-mark infringement, depreciation of goodwill and passing off may be brought by way of application or whether such a proceeding must be by way of action. The appeal decision was in response to an initial motion to strike the application in which the hearings judge determined that the matter must proceed as an action. It is also to be observed that the appellate court said "it may be possible" to move to convert from an application to an action. The language used by the Federal Court of

Appeal is curious as it is not a definitive statement that such a motion may in fact be brought. The "possibility" of bringing a motion to convert is discussed in greater detail below.

[6] The material before the Court on this motion to convert comprises only the notice of motion, notice of application, the two affidavits (without exhibits) filed by the BBM, a statement of defence (4 pages) prepared following the initial decision that this matter continue as an action, and, the written representations.

[7] RIM argues that the BBM's causes of action are both factually and legally complex. As such, an application is an inappropriate type of proceeding for such complex matters. It is further argued that it is prejudicial to RIM to continue this proceeding as an application because there is no requirement to disclose relevant documents in a party's power possession or control; only cross-examination is allowed which does not require undertakings to obtain relevant information not within the deponent's knowledge; and, there are issues of credibility which are ill-suited to be determined on a paper record. Of course, none of these arguments have changed since the original hearing to strike and the appeal.

[8] It is clear the Federal Court of Appeal was alive to several of these concerns. It is noted in the reasons of the Court at para. 33 that the issues in this proceeding were too complex to be determined by application. The Court dealt with this submission as follows:

> [34] First, not all such proceedings are so complex that they are not amenable to determination by application. This is evidenced by PharmaCommunications Holdings Inc. v. Avencia International Inc., 2008 FC 828, 67 C.P.R. (4th) 387; aff'd 2009 FCA 144, 392 N.R. 197. There, an applicant moved by way of application for a declaration and a permanent injunction in respect of its claim that the

> respondent had engaged in statutory passing off. The matter proceeded to conclusion without any apparent objection that the application had been improperly commenced.
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> [35] Second, the fact that a litigant may generally choose to proceed by way of action or application does not mean that every case is amenable to adjudication by application. In any particular case, circumstances such as the relief sought, the extent credibility is in issue or the need for discovery may make it inappropriate for a proceeding to be commenced by application. In light of this, motions may be brought challenging the appropriateness of proceeding by application. For example, without deciding the point, it may be possible to move for an order converting an application to an action. See, for example Havana House Cigar & Tobacco Merchants Ltd. v. Worldwide Tobacco Distribution Inc., (2008), 73 C.P.R. (4th) 131 (F.C. Proth.) where an application brought under section 34 of the Copyright Act, cited in the reasons of the Judge, was ordered to proceed as an action. Motions may also be brought under Rule 316. While Rule 57 provides that an originating document shall not be set aside only because a different originating document should have been used, there may be, at the least, cost consequences for choosing an inappropriate originating document.

[9] Thus, the issue is whether RIM, on this motion, can now have this application converted to an action. As noted above, the Federal Court of Appeal did not determine whether a motion to convert an application which was not a judicial review proceeding could be brought but only that it "may be possible".

[10] The *Federal Courts Rules* provide for two types of originating proceedings – an action or an application. Each is governed by its own procedure. An action, generally speaking, encompasses pleadings which identify the issues, require production of all relevant documentation, oral discovery followed by a pre-trial and trial with *viva voce* evidence. An application, on the other hand, is intended to be a summary proceeding. It does not engage the full panoply of procedural requirements of an action. It also is heard on a paper record comprising by way of evidence only

the affidavits of the parties and the cross-examinations thereon which are not as extensive as discoveries and are primarily limited to the issues raised in the affidavits.

[11] In *Sivak v. Canada (MCI)* 2011 FC 402, the Honourable Mr. Justice James Russell had occasion to consider the conversion of a judicial review application to an action. He noted:

> [29] A judicial review application should only be converted to an action in those infrequent cases where the relevant facts cannot be satisfactorily established and weighed through affidavit evidence. The test is not whether trial evidence would be superior, but whether affidavit evidence is inadequate. See Macinnis v Canada (Attorney General), [1994] 2 F.C. 464 (F.C.A.); and Chen v Canada (Minister of Citizenship and Immigration), 2004 FC 1573.
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> [30] I would like to point out, however, that in Drapeau v Canada (Minister of National Defense), (1995), 179 N.R. 398 (Fed. C.A.), the Federal Court of Appeal made it clear that subsection 18.4(2) of the Federal Courts Act places no limits on those considerations which may be taken into account in deciding whether to allow a judicial review application to be converted into an action, but that the desirability of facilitating access to justice and avoiding unnecessary cost and delay are relevant factors.
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> [31] I would also like to point out that, in the more recent case of Assoc. des crabiers acadiens inc. v Canada (Attorney General), 2009 FCA 357, the Federal Court of Appeal again set out the purpose and scope of conversion under section 18.4(2) of the Federal Courts Act at paragraphs 34-39:
>
> > 34. Nonetheless, Parliament did provide an exception to judicial review at subsection 18.4(2) of the Act. This measure overrides the usual procedure and allows judicial review applicants to have their existing application for judicial review converted into an action.
> >
> > 35. The conversion into an action is not effected by operation of law. It is submitted to the Federal Court for review and must be justified. The Court is vested with the discretionary authority to accept an application for conversion “if it considers it appropriate.”

36. The proceedings that citizens may use to challenge administrative decision, namely, the application for judicial review and its conversion into an action when judicial review is applied for in the Federal Court, are ultimately aimed at attaining and meting out administrative justice that is timely, efficient and equitable, both for citizens and the administration.

37. The courts have developed certain analysis factors that apply to an application for conversion so as to better frame the exercise of the discretion set out at subsection 18.4(2). It goes without saying that each case involving an application for conversion turns on its own distinct facts and circumstances. And, depending on those facts and circumstances, the individual or collective weight of the factors may vary. We will now go over those factors. [Emphasis added.]

38. The conversion mechanism makes it possible, where necessary, to blunt the effect of the restrictions and constraints resulting from the summary and expeditious nature of judicial review. These are, for example, far more limited disclosure of evidence, affidavit evidence instead of oral testimony, and different and less advantageous rules for cross-examination on affidavit than for examination on discovery (see Merck Frosst Canada Inc. v. Canada (Minister of Health) (1998), 146 F.T.R. 249 (F.C.)).

39. Therefore, conversion is possible (a) when an application for judicial review does not provide appropriate procedural safeguards where declaratory relief is sought (Haig v. Canada, [1992] 3 F.C. 611 (F.C.A.)), (b) when the facts allowing the Court to make a decision cannot be satisfactorily established through mere affidavit evidence (Macinnis v. Canada) [1994] 2 F.C. 464 (F.C.A.)), (c) when it is desirable to facilitate access to justice and avoid unnecessary cost and delay (Drapeau v. Canada (Minister of National Defence), [1995] F.C.J. No. 536 (F.C.A.)) and (d) when it is necessary to address the remedial inadequacies of judicial review, such as the award of damages (Hinton v. Canada, [2009] 1 F.C.R. 476. [Emphasis added.]

> [32] I also note that my colleague, Mr. Justice Pinard, has recently looked at this issue in Huntley v Canada (Minister of Citizenship and Immigration), 2010 FC 407 at paragraphs 7 and 8 and has noted that, in order to convert, the Court must find procedural or remedial inadequacies with the normal judicial review process and that conversion should only be granted "in the clearest of circumstances" and only on an exceptional basis when the Court "feels the case cries out for the full panoply of a trial."

[12] Thus, at least in judicial review proceedings, conversion to an action should only occur in the clearest of cases.

[13] As noted above, the Federal Court of Appeal did not determine whether a motion to convert an application, not a judicial review proceeding, could be brought but observed, without deciding, that it "may be possible". No doubt this observation was made because there is no provision in the *Federal Courts Rules* or the *Federal Courts Act* which gives a party the right to seek the conversion of an application to an action. It is to be remembered that section 18.4(2) speaks only of conversion of an application for judicial review not a regular application.

[14] In *Havana House Cigar & Tobacco v. Worldwide Tobacco*, [2008] 73 C.P.R. (4th) 131 (FC), the Court had occasion to consider the conversion of an application involving copyright infringement to an action. It is to be noted that the *Copyright Act* in section 34 permits, *inter alia*, an infringement proceeding to be brought either by way of application or action. In that case it was noted:

> There have been other cases which have considered the conversion of an application to an action in the context of the Act. For example, in Canadian Private Copying Collective v. Fuzion Technology Corp., 2005 FC 1557, Justice Hughes considered the issue at some length and made the following observations:

[11] In non-judicial review cases, one being KRAFT CANADA INC. v. EURO EXCELLENCE INC. (2003), 25 CPR (4th) 224 a prothonotary of this Court considered an application by a respondent to convert a proceeding brought by way of application under section 34(4) of the Copyright Act, to an action. The prothonotary proceeded by way of analogy to section 18.4 of the Federal Courts Act and declined to make such a conversion on the basis of insufficient evidence. In MERCK FROSST CANADA INC. v. CANADA (MINISTER OF HEALTH) (1997), 76 CPR (3rd) 468 a judge of the Federal Court was asked to convert an Application brought under the Patented Medicines (Notice of Compliance) Regulations, SOR/93-133 to an action. Such proceedings must be brought by way of application and it was the respondent who sought conversion. The Court declined to convert the proceeding on the bases that it did not appear to be expedient to do so. No consideration was given as to whether section 18.4(2) was appropriate for doing so.

[12] There may be a suggestion that there is an inherent power in the Court to control its own process, thus to convert an application to an action where, as Rule 3 says, it may be "just, most expeditious and least expensive". If there is, there is no merit in saying that an action is more expeditious or less expensive than an application. Is it "just"? Here the Applicant had a choice, application or action, it chose application. No statute or rule compelled that choice, there is no suggestion that the Applicant was coerced or deceived into making that choice. It seems now that the applicant regrets that choice because it may not have put in its case as fully as it might or now sees more opportunity to gain further evidence in an action. The only evidence before this Court that might be compelling in that regard is paragraph 4 of the Geldbloom affidavit which *says "CPCC wishes to convert the present application into an action in order to adduce new evidence..."*. This is not sufficiently compelling to justify a conversion of the Applicant's own choice in proceeding by was of application, to an action.

[13] In summary, section 18.4 (2) of the Federal Court Act is not applicable to proceedings commenced under section 34(4) of the Copyright Act; Rule 107 of the Federal Courts Rules is not applicable. Even if there were inherent jurisdiction, which is by no means certain, no compelling reason for conversion where the choice was made initially by the party now seeking conversion, has been shown. That part of the motion is dismissed.

[15] In that case, it was the Applicant that sought the conversion of the application to an action. Justice Hughes found that there was no compelling reason put forward by the Applicant to justify the conversion of the application to an action. The only evidence put forward by the Applicant was that it sought to adduce new evidence to support its position by way of production and discovery. This was held to be insufficient.

[16] It is to be noted that Section 34(6) of the Act which provides that "[t]he court in which proceedings are instituted by way of application may, where it considers it appropriate, direct that the proceeding, be proceeded with as an action". This section was addressed by Justice Hughes in the *Canadian Private Copying Collective* case but conversion was not permitted as the Applicant had chosen to proceed by application and therefore the case did not justify conversion.

[17] These appear to be the main authorities and legislation that discuss the conversion of an application to an action. There is no definitive answer in these cases as to whether it can be done although it is implicit in *Kraft Canada Inc. v. Euro Excellence Inc.* (2003) 25 CPR (4th) 224. But, on balance, it seems logical if a judicial review application can be converted to an action – a proceeding which is inherently suited to the application procedure – a trademark infringement case commenced as an application can also be converted to an action. The jurisdiction to do so may be found in either the Court's inherent jurisdiction to control its own process or in Rule 3 which dictates that "These Rules shall be interpreted and applied so as to secure the just, most expeditious and least expensive determination of every proceeding on its merits". Applying the approach directed by Rule 3 I conclude that it is possible to bring a motion for conversion in an application.

[18] The next consideration is to determine on what basis an application may be converted to an action. In *Kraft*, conversion was denied as there was an insufficient evidentiary base. Other cases have held that an applicant ought not to be lightly denied the choice of proceeding. Here, RIM has already tested a number of its arguments in its motion to strike. While the Federal Court of Appeal only determined that trademark infringement and its attendant remedies can be sought in an application, the concerns of the RIM as to why this type of proceeding should be an action were considered.

[19] The considerations under which it is appropriate to convert an application to an action in the face of opposition form the applicant include the following:

- The applicant's choice of proceeding should not lightly be interfered with
- The procedures on an application do not provide sufficient procedural safeguards to ensure fairness to the respondent
- There may be steps taken by the applicant which militate against the respondent's right to fully and fairly defend the application. Such matters may include:
    - an applicant relying on affidavit(s) from a person or persons not directly involved with the issues
    - failure by an applicant to produce relevant documentation
    - unwarranted interference by the applicant's counsel by refusing proper and relevant questions on a cross-examination
- The number of issues
- The complexity of the issues
- Number of parties

- Possible cross-applications or multiplicity of proceedings
- Credibility of the parties is central to a determination of the issues

[20] This list is not exhaustive but provides considerations on a motion to convert. It is apparent that it will not be known at the outset of an application which of these considerations might apply. Credibility, for example, will only be apparent once the evidence of the parties is exchanged. Further, the complete scope of the issues in dispute will not be clear until the evidence is exchanged. Thus, given that the arguments of the RIM are those that are anticipatory without the benefit of having the evidence of the parties before the Court this motion is premature.

[21] RIM also argues that it is not in keeping with the policy of Rule 3 that cases should be adjudicated in the just, most expeditious and least expensive manner to permit this case to proceed as an application. To bring a motion after the exchange of evidence or after cross-examinations will incur additional expense, cause delay and utilize scarce judicial resources. It is always troubling that choice of process may create delay and unnecessary expense in a proceeding. However, at this juncture of the proceeding there is insufficient evidence to indicate that it is the wrong process. The party seeking to change the process has the onus of demonstrating that the process chosen will not accomplish the objectives of Rule 3.

[22] The Federal Court of Appeal has determined that an application is an appropriate form for such a proceeding as this and BBM is therefore entitled, *prima facie*, to its choice of proceeding. It may very well be that as the application unfolds there will be complications or procedural unfairness

to RIM which dictates that this proceeding would be better conducted as an action. RIM is free to raise the issue again if such transpires.

[23] In support of this matter continuing as an application, BBM argues that this is a simple case. BBM also argues that there is no evidence before the Court to demonstrate complexity, serious issues of credibility or that RIM will be prejudiced by continuing this matter as an application. Indeed, even if credibility becomes a major point of contention in the proceeding there is a provision in the *Federal Courts Rules* that affords the hearings judge the opportunity to hear *viva voce* evidence. Rule 316 provides that in special circumstances the Court may authorize a witness to testify in Court in relation to an issue of fact raised in the application.

[24] Thus, considering several of the factors noted above, BBM chose to proceed by application and should not be lightly deprived of the choice of proceeding; there are only two parties; the issues are not unduly complex, at least at this stage; there is no multiplicity of proceedings; and BBM has filed evidence from key people involved in the case. It remains to be seen as the case unfolds if RIM will be prejudiced by virtue of being compelled to proceed by way of application.

[25] On a final note, this matter is case managed. The case management regime in the Federal Court is particularly well-suited to deal with any issues which may arise that RIM or for that matter, BBM perceive as being prejudicial to their rights to present their case fully and fairly.

[26] The motion is dismissed with costs to BBM fixed and payable forthwith in the amount $1000. However, the dismissal is without prejudice to the right of RIM to bring another motion to convert should circumstances change such that a more compelling case can be made for conversion to an action.

ORDER

THIS COURT ORDERS that:

1. This motion is dismissed without prejudice to the right of the Respondent to bring a further motion to convert.

2. Costs are hereby fixed and payable to the Applicant in the amount of $1000 inclusive of HST.

"Kevin Aalto"
Prothonotary

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-1304-10
STYLE OF CAUSE:	BBM CANADA v. RESEARCH IN MOTION LIMITED
PLACE OF HEARING:	Toronto, Ontario
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APPEARANCES:

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Mr. Trent Horne	FOR THE RESPONDENT

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