

Blocking Infringement at the Real and Virtual Border

The explosion of the Internet and the rapid development of online commerce encourage the sale of counterfeit goods. In the past the distribution of counterfeit goods was primarily through street vendors or discount outlets and the like. This had a tendency to limit the scope of the sale of counterfeit goods.

As online commerce has increased, the limitations relating to the sale of counterfeit goods have been removed. Through the use of a website, a counterfeiter can more easily create an image of authenticity. As a result it can be more difficult for consumers to distinguish genuine goods from counterfeit goods in this context.

Equustek Solution Inc. v. Google Inc.

The Facts

The plaintiffs operate a small technology business relating to the design, manufacture and sale of industrial network interface hardware.

The defendants distributed the plaintiffs' products at one point. The plaintiffs alleged that the defendants began to relabel the plaintiffs' product and pass it off as their own. Later the defendants were said to have unlawfully acquired confidential information and trade secrets belonging to the plaintiffs and used the information to design and manufacture a competing product. The defendants continued to advertise the plaintiffs' product for sale but filled their orders with their own competing product.

The plaintiffs instituted an action against the defendants when the defendants were carrying on business in Vancouver. The defendants ceased to defend the action and their statement of defence was struck.

The defendants stopped operating in Vancouver but continued to offer their product through a number of websites that they controlled. The defendants filled orders from unknown locations, apparently outside Canada. The only business address that the defendants provided were for rental mailboxes.

One of the principals of the defendants was found to be in contempt of court and a warrant for his arrest was issued. However, the plaintiffs were unable to find any information concerning the defendants and their status and as a result could not take any further steps directly against them.

The plaintiffs obtained a *Mareva* injunction freezing the worldwide assets of the defendants including their product inventory.

The plaintiffs then obtained an injunction prohibiting the defendants from dealing with broad categories of intellectual property and documents and information that lies at the heart of the business carried on by the parties. Although very broad, this order was granted since the

defendants were using a series of companies and non-existing entities to breach the previous orders.

Notwithstanding these orders, the defendants continued to carry on business as an outlaw company selling their product on a series of websites to customers all over the world.

Google

The plaintiffs said that they could not take steps against the parties hosting the impugned websites because a hosting company can be changed in an hour. The plaintiffs decided that their only realistic remaining option was to engage the assistance of Google, the dominant search engine through which the defendants' websites were made accessible to the public. The plaintiffs said that Google operated the world's most popular search engine and controlled 70 to 75% of the global search engine market. Because Google is the dominant search engine, no business conducted on the Internet can succeed unless it can be easily found on Google.

Google provides its search engine services through a number of different websites. Internet users with Canadian IP addresses are by default redirected from "google.com" to "google.ca" when they perform searches. Users, however, can override the redirection and access "google.com" or other Google websites directed at other countries.

The Interlocutory Injunction against Google

The plaintiffs sought an interlocutory injunction against Google to force it to remove a number of websites used by the defendants from its search indexes. Google voluntarily removed some 345 urls from the search results on "google.ca" but was not willing to go further.

The plaintiffs were not satisfied with this arrangement since the defendants simply moved objectionable content to new pages within their websites to get around the voluntary de-indexing of specific pages. The plaintiffs said that they were left in a position of playing a game of "Wack-a-Mole" in which the defendants were circumventing Google's voluntary arrangements. In addition, the majority of the sales of the defendants' products were to purchasers in countries other than Canada.

When the matter was heard, the judge at first instance granted an order requiring that Google cease indexing or referencing a series of websites listed in schedule "A" to the order until the trial of the action or a further order of the court. The contents of schedule "A" have been modified by subsequent orders.

The Judgment of the Court of Appeal

Google applied to the British Columbia Court of Appeal for leave to appeal and a partial stay of the order. Leave to appeal was granted but the application for a stay was dismissed.

On appeal, Google contended that the injunction should not have been granted on the following grounds:

1. a) the Court lacked jurisdiction;
2. b) the injunction resulted in an inappropriate burden on an innocent non-party to the litigation;
3. the extra-territorial reach of the injunction was inappropriate and violated the principle of comity; and
4. the injunction should not have been granted because of its effect on the freedom of speech.

Jurisdiction

The judge found there was territorial jurisdiction and the [Court of Appeal](#) agreed with this conclusion since the facts on which the injunction application were based – facts concerning the violation of trade secrets and of intellectual property rights – have a strong connection with British Columbia.

The Court also agreed with judge's comment that Google may be subject to the jurisdiction of many courts but this occurs as a natural consequence of Google doing business on a global scale, not from a flaw in the territorial competence analysis. Territorial competence analysis will not give every state unlimited jurisdiction over Google; jurisdiction will be confined to issues closely associated with the forum in accordance with private international law.

An Inappropriate Burden on an Innocent Non-Party

The Court acknowledged that it is unusual for courts to grant remedies against persons who are not parties to an action. The reasons for this are obvious – most civil claims are concerned with the vindication of a right, and the remedial focus is on that right. Further, notions of justice demand that procedural protections be afforded to a person against whom a remedy is sought. The usual method of providing such protections is to require the claimant to bring an action against the non-party, giving the non-party the rights of a party.

In the final analysis the Court said, if a justiciable issue between the parties to the litigation exists, the granting of injunctive relief against third parties as an ancillary means of preserving the parties' rights is well-established as being within jurisdiction of the courts.

The Extra-Territorial Reach of the Injunction

Google argued that as a matter of law, the Court is not competent to regulate the activities of non-residents in foreign jurisdictions. This rule is dictated both by judicial pragmatism and considerations of comity. However the Court said that once it is established a court has *in personam* jurisdiction over a person, the fact that its order may affect activities in other jurisdictions is not a bar to it making an order. For example, *Mareva* injunctions freezing assets are typically made on a worldwide basis.

Comity and Freedom of Expression

“Comity” in the legal sense, is neither a matter of absolute obligation, on the one hand, nor of mere courtesy and goodwill, on the other. It is the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to international duty and convenience and to the rights of its own citizens or other persons who are under the protection of its laws. It is a balancing exercise and the relevant considerations are respect for a nation’s acts, international duty, convenience and protection of a nation’s citizens.

The Court concluded that there was no realistic assertion that the judge’s order would offend the sensibilities of any other nation. The courts of France, Ireland, Germany and the E.U. have found it necessary, in the context of orders against Internet abuses, to pronounce orders that have international effect. The order made against Google was a very limited ancillary order designed to ensure that the plaintiffs’ core rights are respected.

Appeal to the Supreme Court of Canada

The Supreme Court of Canada granted leave to appeal from the decision of the B.C. Court of Appeal. Numerous entities intervened. Google argued that the order should be set aside for three reasons:

1. The order is contrary to the Court’s jurisprudence concerning orders that restrict freedom of expression;
2. The courts of British Columbia erred in the nature and scope of the remedial injunction granted against a non-party; and
3. The order is contrary to the Court’s jurisprudence relating to comity.

The Supreme Court of Canada released its decision on June 28, 2017. The [Court dismissed the appeal](#).

1. The Order is Contrary to the Court’s Jurisprudence Concerning Orders that Restrict Freedom of Expression

This argument was rejected. The Court said while it is always important to pay respectful attention to freedom of expression concerns, particularly when dealing with the core values of another country, they did not see freedom of expression issues being engaged that tipped the balance of convenience towards Google.

Absent an evidentiary foundation to support the assertion, and given Google’s right to seek a rectifying order if such facts arose, it would not be equitable to deny Equustek the extraterritorial scope it needs to make the remedy effective, or even to put the onus on it to demonstrate, country by country, where such an order is legally permissible. The Court was dealing with the Internet and the balance of convenience test must take full account of its inevitable extraterritorial reach when injunctive relief is being sought against an entity like Google.

This was not an order to remove speech that engaged freedom of expression values, it is an order to de-index websites in violation of several court orders. The Court has not, to date, accepted that freedom of expression requires the facilitation of the unlawful sale of goods.

1. b) The Nature and Scope of the Remedial Injunction Granted Against a Non-Party

Google argued that the injunction issued against it was unnecessary to prevent irreparable harm, and that it was not effective. It was also argued that as a non-party, it should be immune from the injunction.

Regarding the argument that non-parties should be immune the Court said it was well established injunctive relief can be ordered against someone who is not a party to the underlying lawsuit. The test for granting an interlocutory injunction in this context is not changed since injunctions may be issued in all cases in which it appears to the court to be just or convenient that the order should be made on terms and conditions the court thinks just.

The Court referred by analogy to *Norwich* orders and *Mareva* injunctions. *Norwich* orders can compel non-parties to disclose information or documents in their possession required by a claimant. *Norwich* orders have increasingly been used in the online context by plaintiffs who allege that they are being anonymously defamed or defrauded and seek orders against Internet service providers to disclose the identity of the perpetrator. *Norwich* disclosure may be ordered against non-parties who are not themselves guilty of wrongdoing, but who are so involved in the wrongful acts of others that they facilitate the harm.

Mareva injunctions are used to freeze assets to prevent their dissipation pending the conclusion of a trial or action. A *Mareva* injunction that requires a defendant not to dissipate his or her assets sometimes requires the assistance of a non-party, which in turn can result in an injunction against the non-party if it is just and equitable to do so.

Much like a *Norwich* order or a *Mareva* injunction against a non-party, the interlocutory injunction granted flowed from the necessity of Google's assistance to prevent the facilitation of the defendants' ability to defy court orders and do irreparable harm to Equustek. Without the injunctive relief, Google would continue to facilitate that ongoing harm.

The Court said that the problem was occurring online and globally. The Internet has no borders — its natural habitat is global. The only way to ensure that the interlocutory injunction attained its objective was to have it apply where Google operates — globally.

1. c) The Order is Contrary to the Court's Jurisprudence relating to Comity

This argument was also not accepted. The Court said that when a court has *in personam* jurisdiction, and where it is necessary to ensure the injunction's effectiveness, it can grant an injunction enjoining that person's conduct anywhere in the world. For example *Mareva* injunctions have been granted with worldwide effect when it was necessary to ensure their effectiveness.

Google's argument that a global injunction violates international comity because it is possible that the order could not have been obtained in a foreign jurisdiction, or that to comply with it would result in Google violating the laws of that jurisdiction was theoretical.

The defendants have used the services provided by Google to continue harming Equustek in defiance of several court orders. This did not make Google liable for this harm but Google is the determinative player in allowing the harm to occur. Since the interlocutory injunction was the only effective way to mitigate the harm to Equustek and to preserve it pending the resolution of the underlying action and since any countervailing harm to Google was minimal to non-existent, the interlocutory injunction was upheld.

Conclusion

The decision of the Supreme Court of Canada confirms the availability of orders to block infringement against internet search engines or internet service providers. The decision clarifies that intellectual property rights holders can enforce their rights against infringers using the Internet. While the facts in the *Equustek* case are relatively extreme the scope of the principles applied by the Court are not.

It remains to be seen how effective such orders will be. The plaintiffs said having obtained an order against Google was effective. Google said that the web pages and websites covered by the order were still publicly available and appear on search results for other search engines such as Yahoo!, BING, YANDEX, DUCKDUCKGO or BAIDU. The impugned websites can also still be accessed through other means, such as, navigating to the site from the browsers address bar or by linking from a previous bookmark, an email, social media or other sites.

While the same issues arise in obtaining an injunction against an internet service provider, this can be problematic since there are a multitude of such providers in Canada.

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