

Federal Court



CANADA

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DATE: January 9, 2007

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RE: Court File No.: T-556-06
Wi-Lan Technologies Corp. v. D-Link Systems, Inc. et al.

Please find enclosed a copy of the Amended Reasons for Order and Order of the Honourable Mr. Justice von Finckenstein, filed January 9, 2007. A certified copy will follow by registered mail.

TOTAL NUMBER OF PAGES (*including this cover page*):

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Federal Court



Cour fédérale

Date: 20070108

Docket: T-556-06

Citation: 2006 FC 1484

TORONTO, ONTARIO, January 8, 2007

PRESENT: The Honourable Mr. Justice von Finckenstein

BETWEEN:

WI-LAN TECHNOLOGIES CORP.

Plaintiff

and

D-LINK SYSTEMS, INC. and
D-LINK CANADA INC.
(d.b.a. D-LINK NETWORKS)

Defendants

AMENDED REASONS FOR ORDER AND ORDER
(Superseding the Reasons for Order and Order dated December 12, 2006)

[1] This is an appeal from the decision of Prothonotary Milczynski dated August 23, 2006. In response to a motion to strike out portions of the amended Statement of Claim, the Prothonotary refused to strike out subclause 1(f) and clause 13 of the amended Statement of Claim. These clauses states:

1(f) exemplary and punitive damages by reason of the Defendants' wilful infringement of the Canadian Letters Patent No. 2,064,975

13 The Defendants at all material times have been aware of the Patent and have chosen to knowingly, deliberately, and wilfully market infringing products in Canada. The Defendants were at all material times fully aware that the Plaintiff's predecessor in title, Wi-LAN Inc. had made statements at least as early as July 7, 1998 to the IEEE-SA Standards Board Patent Committee of the Institute of Electrical and Electronics Engineers stating that the Plaintiff's predecessor in title, Wi-LAN Inc. would provide licenses for its patents for the practice of the OFDM technology on fair, reasonable, and non-discriminatory terms and conditions to qualified applicants in accordance with IEEE Patent policy. The Defendants did not enter into negotiations for a licence but rather unreasonably, wilfully and callously ignored the Plaintiff's predecessor in title, Wi-LAN Inc. and the Patent. Rather, the Defendants callously adopted the attitude that the Plaintiff's predecessor in title, Wi-LAN Inc. and the Plaintiff would lack the financial resources to enforce its Patent. The conduct of the Defendants was particularly egregious in the circumstances where the Defendants were fully aware that the inventors of the Patent Hatim Zaghoul and Michael Fattouche, who are also the founders and principals of the Plaintiff's predecessor in title, Wi-LAN Inc., are men of modest means who immigrated to Canada and staked both their personal assets and reputations in an endeavour to promote a truly worthy invention. The Plaintiff's predecessor in title, Wi-LAN Inc. was desirous of cooperating with chip manufacturers such as the suppliers to the Defendants but was callously ignored and effectively forced out of the wireless product sales market by the aforesaid actions of the Defendants.

[2] The Defendants allege that the Prothonotary erred in not striking these paragraphs. In their view, the facts alleged in paragraph 13 would not give rise to punitive and exemplary damages even if every allegation was proven.

[3] As this is an appeal from a decision of a Prothonotary, the Defendants have to justify the test set out in *Merck & Co. v. Apotex Inc.* (2003), 30 C.P.R. (4th) 40 at 53, which provides:

- a) the questions raised in the motion are vital to the final issue of the case, or

- b) the order is clearly wrong, in the sense that the exercise of discretion by the Prothonotary was based upon a wrong principle or upon a misapprehension of the facts.

[4] The Defendants rely on the second prong, in other words, that the order is clearly wrong.

The Plaintiffs on the other hand argue that this is a matter to be dealt with by the trial judge and that on the basis of the allegations set out in paragraph 13, a court may well award punitive or exemplary damages.

[5] The test for punitive or exemplary damages is stated by Cory J. in *Hill v. Church of Scientology*, [1995] 2 S.C.R. 1130 at paras. 197, 199:

197 Unlike compensatory damages, punitive damages are not at large. Consequently, courts have a much greater scope and discretion on appeal. The appellate review should be based upon the court's estimation as to whether the punitive damages serve a rational purpose. In other words, was the misconduct of the defendant so outrageous that punitive damages were rationally required to act as deterrence?

...

199 Punitive damages can and do serve a useful purpose. But for them, it would be all too easy for the large, wealthy and powerful to persist in libeling vulnerable victims. Awards of general and aggravated damages alone might simply be regarded as a license fee for continuing a character assassination. The protection of a person's reputation arising from the publication of false and injurious statements must be effective. The most effective means of protection will be supplied by the knowledge that fines in the form of punitive damages may be awarded in cases where the defendant's conduct is truly outrageous.

(Underlining added.)

[6] This was repeated with approval by Binnie J. in *Performance Industries Ltd. v. Sylvan Lake Golf & Tennis Club Ltd.*, [2002] 1 S.C.R. 678 at para. 79, which stated:

79 Punitive damages are awarded against a defendant in exceptional cases for "malicious, oppressive and high-handed" misconduct that "offends the court's sense of decency". The test thus limits the award to misconduct that represents a marked departure from ordinary standards of decent behaviour. Whiten, supra, at para. 36, and Hill v. Church of Scientology of Toronto, [1995] 2 S.C.R. 1130, at para. 196.

(Underlining added.)

[7] If we analyse paragraph 13 it becomes apparent that the Plaintiff alleges two things: a) that the Defendants callously, knowingly and wilfully infringed their patent, and b) that they failed to negotiate with the Plaintiff or seek a licence. I fail to see how any of the allegations of paragraph 13, if proven, would amount to 'misconduct that represents a marked departure from ordinary standards of decent behaviour'.

[8] I agree with my colleague Mosley J. who said in *Dimplex North America Ltd. v. CFM Corp.*, 2006 FC 586 at para 123:

123 There are no patent cases in the Federal Court that I am aware of where punitive damages have been awarded simply because the defendant knowingly or intentionally infringed the patent without more. Punitive or exemplary damages have been awarded in connection with litigation misconduct, or abuse of process, such as continuing activities found by the court to constitute infringement in disregard of a court order to cease such activities.

[9] To counter the *Dimplex* case the Plaintiff relies on *Polansky Electronics v. AGT Ltd.* (1999), 3 C.P.R. (4th) 34 and *Underwriters Survey Bureau Ltd. v. Massie & Renwick Ltd.* (1942), Ex. R. 1. These cases are of no help to the Plaintiff. The *Polansky* case was overturned on appeal and the retrial found no infringement. It thus hardly advances the Plaintiff's case. The *Underwriter Survey*

case involved unsubstantiated counter proceedings of conspiracy and criminal conduct. There is no conduct of that sort in this case.

[10] Since the Plaintiff does not allege any other facts such as abuse, fraud, malice, contract, fiduciary obligation, agency, or the like, the allegations pleaded are not sufficient to allow a court to arrive at a conclusion that punitive or aggravated damages are present. Failing to strike this paragraph will merely lead to an unnecessary delaying of pre-trial proceedings.

[11] Accordingly, I agree with the Defendants that paragraph 13 should be struck and I find that the Prothonotary was in error when she failed to do so.

ORDER**THIS COURT ORDERS that:**

1. This appeal is allowed;
2. The order of Prothonotary Milczynski of August 23, 2006, is amended by changing paragraph 1 thereof to read as follows: "1. Subparagraph 1(e) of the Statement of Claim is struck with leave to amend and subparagraph 1(f) and Paragraph 13 of the Statement of Claim are struck without leave to amend"; and
3. Costs for this motion to follow the cause.

"Konrad W. von Finckenstein"

Judge

FEDERAL COURT**NAMES OF COUNSEL AND SOLICITORS OF RECORD****DOCKET:** T-556-06**STYLE OF CAUSE:** WI-LAN TECHNOLOGIES CORP. v. D-LINK SYSTEMS,
INC. and D-LINK CANADA INC. (d.b.a. D-LINK
NETWORKS)**PLACE OF HEARING:** Toronto, Ontario**DATE OF HEARING:** December 11, 2006**AMENDED REASONS FOR
ORDER AND ORDER:** von FINCKENSTEIN J.

(Superseding the Reasons for Order and Order dated December 12, 2006)

DATED: January 8, 2007**APPEARANCES:**

Mr. Christopher Kvas FOR THE PLAINTIFF

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Mr. Etienne de Villiers FOR THE DEFENDANTS**SOLICITORS OF RECORD:**Ridout & Maybee LLP
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