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Commercial Reality Wins The Day: Multi-National Corporations Required To Produce Documents From Affiliate Corporations

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In *Michelin North America (Canada) Inc.* (“Michelin Canada”) v. *9130-4550 Quebec Inc. et al.* (“Nortop”)¹, MBM Intellectual Property Law (“MBM”) successfully appealed the decision of the court which refused to compel Michelin Canada to provide further and better answers to discovery questions and to produce related documents.

The action was for alleged infringement of four industrial designs of tire treads. The four industrial designs were assigned to Michelin Canada less than one month prior to the commencement of the action. The assignors were all related foreign corporations (Michelin Swiss and Michelin France). The testing and research and development for two of the industrial designs were done by Michelin USA. As part of its defence, Nortop asserted that the four industrial designs were invalid as they were dictated solely by utilitarian function.

On appeal, Justice Tremblay-Lamer agreed with MBM’s submissions that questions grounded in utility and functionality, be they related to the design, creation, testing or development of tires and treads, are all relevant to industrial design validity and infringement. Justice Tremblay-Lamer further agreed with MBM that Michelin Canada must make inquiries to its related foreign corporations to answer discovery questions and to produce related documents.

The decision of Justice Tremblay-Lamer is important as it demonstrates that the defence of functionality is accessible to all parties involved in industrial design litigation cases regardless of their size. A defendant without significant means may still have the ability to prove functionality by causing a plaintiff to produce research and development files relating to an industrial design at issue whether or not the plaintiff itself actually conducted the research and development or is in possession of the relevant files.

The message is clear. Companies can no longer assign intellectual property rights to related entities to enable a plaintiff to assert they do not have access to relevant documents and force defendants to spend excessive resources obtaining those documents. Justice Tremblay-Lamer summarized her reasons succinctly: “Having the plaintiff obtain information from related third party entities does not circumvent the

¹ (2008) 69 C.P.R. (4th) 305

² *Supra*, note 1 at para 22.

procedure for examining assignors and non-parties set out in Rules 237 and 238. Rather, this offers a practical solution given the commercial reality of international and affiliated corporations, and the challenges faced by parties seeking information in this context.”²