

Toronto
1968

Apr. 26

BETWEEN :

MELNOR MANUFACTURING LTD. }
and MELNOR SALES LTD. }

PLAINTIFFS;

AND

LIDO INDUSTRIAL PRODUCTS }
LIMITED

DEFENDANT.

Industrial design—Interlocutory injunction—Clear case of piracy—Validity of registration attacked—Balance of convenience, whether governing factor.

Defendant persisted in marketing a lawn sprinkler which was a virtual copy of plaintiffs after being informed of plaintiffs' recently registered industrial design. Upon plaintiffs' motion for an interlocutory injunction defendant attacked the validity of the registration on the grounds (a) that it was not original; (b) that the registration was not effected by the author or a person for whom the author executed the design; (c) that there was prior publication of the design in Canada and that a statutory requirement concerning marketings had not been complied with, and urged in consequence that on balance of convenience as between the parties the interlocutory injunction should not be granted. The Court rejected objections (a) and (c).

Held, an interlocutory injunction should be granted. This being a clear case of piracy it was not to be determined on balance of convenience merely because defendant by objection (b) had raised some very tenuous argument that might lead to the invalidation of plaintiffs' title *Smith v. Grigg Ltd* [1924] 1 K.B. 655; *Bourjois Ltd. v. British Home Stores Ltd* (1951) 68 R.P.C. 280, considered

APPLICATION for an interlocutory injunction.

James D. Kokonis for plaintiffs.

Weldon F. Green for defendant.

JACKETT P. (orally):—This is an application for an interlocutory injunction restraining the defendant until the trial or other disposition of this action from infringing the plaintiffs' industrial design for a "rain sprinkler" as registered in the Register of Industrial Designs under No. 226/29037, and from applying to wares for the purposes of sale any design identical to or a fraudulent imitation of the said design and exposing for sale and selling such goods.

1968
 MELNOR
 MFG. LTD.
et al.
 v.
 LIDO
 INDUSTRIAL
 PRODUCTS
 LTD.
 —

The Statement of Claim alleges that the plaintiffs and the defendant are Canadian companies, that, on January 30, 1967, an industrial design for a lawn sprinkler was registered in the Register of Industrial Designs under No. 226/29037 in the name of International Patent Research Corp., and was assigned, on March 28, 1968 to the plaintiffs; that, since the assignment the defendant had offered for sale to the public and sold lawn sprinklers identified by the defendant by the name of "Swinger", and not made by the plaintiffs or International Patent Research Corp., or with the licence of any of them, one of which sprinklers was attached to and made part of the Statement of Claim, and that the design applied to the sprinklers so offered for sale by the defendant was the plaintiffs' registered design or a fraudulent imitation thereof. No defence has been filed.

On the return of the application before me yesterday and today, in addition to hearing the application on the material filed by the plaintiffs—the defendant having filed no material—by special leave, Samuel Warshauer, an officer of each of the plaintiff companies as well as of International Patent Research Corp., appeared as a witness to supplement the information contained in an affidavit that he had taken and that is part of the plaintiffs' material and to be cross-examined.

It is conceded by counsel for the defendant that the sprinkler that was attached to and made part of the Statement of Claim was sold by the defendant in Canada and that the defendant is still selling sprinklers of which it is a sample.

The defendant, however, denies that the sprinklers in question have had applied to them either the plaintiffs'

1968
 MELNOR
 MFG. LTD.
et al.
 v.
 LIDO
 INDUSTRIAL
 PRODUCTS
 LTD.
 —
 Jackett P.
 —

registered design or a fraudulent imitation thereof. The defendant also attacks the validity of the registration of the plaintiffs' design

- (a) on the ground that it was not original,
- (b) on the ground that the registration was not effected by the author or a person for whom the author executed the design,
- (c) on the ground that there was prior publication of the design in Canada more than one year before its registration and that the section 14 requirement concerning markings had not been complied with.

The defendant's position is that there are serious issues to be decided on the trial of the action and that, having regard to the balance of convenience as between the parties, the interlocutory injunction sought should not be granted.

The plaintiff companies are wholly owned subsidiaries of a United States company and are part of a family of companies known as the "Melnor family" engaged in the business of manufacture and sale of garden hose accessories, including lawn sprinklers. Other companies in the family carry on such a business in the United States and the plaintiffs carry on such a business in Canada. Some of the goods sold in Canada are manufactured in Canada, some are imported from the United States. In addition to the companies engaged in active business, International Patent Research Corp. is a member of the family that was incorporated to hold all patent rights of the Melnor family.

In 1966, the Melnor family, finding itself faced with competition in the United States with a low-priced sprinkler, engineered a new, inexpensive sprinkler to meet such competition and had a design created for such new model by an independent industrial designer of New York City, John D. Blinert. They sold that sprinkler during the 1966-67 season in the United States and then withdrew it from the market because the low-priced competitor had disappeared from the market and because they found that their low-priced model yielded them very little profit, while it reduced their sales of more expensive models that yielded them better profits.

That low-priced model, which was identified by the Melnor family as "RAIN-WAVE No. 33", was not sold by the Melnor family in Canada because they had not met the same low-priced competition here. Nevertheless, the design applied to RAIN-WAVE No. 33, which, as I have said, was created for the Melnor family by a professional designer, was registered in Canada by International Patent Research Corp. on January 30, 1967.

1968
 MELNOR
 MFG. LTD.
et al.
v.
 LIDO
 INDUSTRIAL
 PRODUCTS
 LTD.
 Jackett P.

Early in 1968, it was found that the defendant was using sprinklers of the Melnor family's manufacture under the "RAIN-WAVE No. 33" designation as models for seeking orders in Canada for the sale of sprinklers. It appeared that, before using them in that way, the defendant had removed the Melnor identification from the sprinklers and had substituted their own name. This was done by grinding off Melnor's name where it was embossed on the sprinklers and by placing over the place where it was a sticker with the word "Lido" on it. The defendant was at that time offering to sell such sprinklers under the trade mark "SWINGER".

When the Melnor family discovered this activity on the part of the defendant, a lawyer's letter was written on their behalf to the defendant advising of the Industrial Design Registration in question. That letter was dated January 22, 1968.

In March 1968 there came into the hands of the Melnor family a sample of a sprinkler bearing the defendant's name that was, practically speaking, exactly the same as the Melnor family's "RAIN-WAVE No. 33" and that had *not* been manufactured by any of the Melnor family.

While proceedings had been begun earlier in this Court in the name of International Patent Research Corporation, the registered owner of the industrial design, and one of the present plaintiffs, on advice of their Canadian lawyers, the registration was assigned to the plaintiffs, the Canadian members of the Melnor family, on March 28, 1968, and the first action was discontinued.

Before that first action was discontinued, there was brought to the attention of the plaintiffs the sprinkler (as exemplified by the sprinkler that was made part of the Statement of Claim herein) which the defendants are now producing and selling in Canada. That sprinkler is marketed under the name "SWINGER" and is a reproduction of

1968
 MELNOR
 MFG. LTD.
 et al.
 v.
 LIDO
 INDUSTRIAL
 PRODUCTS
 LTD.
 ———
 Jackett P.
 ———

the "SWINGER" produced prior thereto by the defendants (which, as I have said, is an exact reproduction of the plaintiffs' sprinkler to which their registered design has been applied) except that three walls of each end of the sprinkler have been given a shallow "V" effect instead of that of a straight line, or a shallow concave effect.

In those circumstances the plaintiffs launched the present action on April 19, 1968, and launched the present application for an interlocutory injunction.

In the first place, I reject the submission that there has been undue delay on the part of the plaintiffs in bringing the present application. Having regard to the unavoidable time lapses in the conduct of litigation and in communications among persons resident in several different cities, the time lapse does not seem to me to be undue, and certainly the defendant has not brought any evidence to show any prejudice resulting therefrom.

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 design. 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 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'.

Turning to the question of validity, I have no difficulty in holding that the defendant has not made out a case that raises any real question in my mind as to the originality of the plaintiffs' registered design. The various earlier sprinklers relied on are all the same kind of sprinkler. The designs used to ornament those various sprinklers are, however, in my opinion, each quite different from the plaintiffs' registered design.

So far as the attack based on section 14 of the Act is concerned, I find that no facts have been established to support it. I do not find any publication of that design in Canada before it was registered and I do not find that sprinklers to which the design had been applied were sold or offered for sale in Canada without the markings required by section 14. I make no comment on what the result would have been if such facts had been established.

Finally, the defendant put forward a contention that the registration was invalid because, the registration had not been effected by either the author or the person for whom the author had created it, but, rather, by some person to whom the latter company had assigned the design before it was registered. While I can see that it is not inconceivable that this contention might prevail after full argument, superficially at least, it is met by the fact that a design exists before registration, and section 13 of the Act provides that "Every design is assignable in law".

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.¹ 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 prac-

1968
 MELNOR
 MFG. LTD.
 et al.
 v.
 LIDO
 INDUSTRIAL
 PRODUCTS
 LTD.
 Jactett P.

¹ Compare *Smith v. Grigg Ltd.* [1924] 1 K B 65.

1968
 MELNOR
 MFG. LTD.
 et al.
 v.
 LIDO
 INDUSTRIAL
 PRODUCTS
 LTD.
 —
 Jackett P.
 —

tice 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. I find some support for the view that I take of the matter in *Bourjois Ld. v. British Home Stores Ld.*² per Lloyd-Jacob J. at pages 281-2:

The first thing that is urged upon me by the Defendants is this, that having regard to the recent date of this registration and to the fact that the Defendants assert that they do propose to challenge the validity of this registration, the practice of this Court is such as not to grant any interlocutory injunction.

In support of that, I have been referred to the decision in *Smith v. Grigg Ld.* (1924) 41 R.P.C. 149. That was an interlocutory appeal coming before *Scrutton* and *Atkin*, LL. JJ., in an action commenced in the King's Bench Division, but which was in respect of an alleged infringement of a registered design. The learned Judge in Chambers appears to have granted an interlocutory injunction, and the matter came before the Court of Appeal. According to the report, the case was very fully argued by distinguished Counsel, and in the result the learned Lords Justices came to the conclusion that a practice which was admitted to be common in respect of Letters Patent should also be adopted in respect of registered designs, and that where a monopoly sought to be enforced by injunction was of comparatively recent date, the burden on the plaintiff was to satisfy the Court on motion that there was sufficient probability of success in establishing his *prima facie* right as would make it proper to protect that right by interlocutory injunction.

It is the fact, as I observed in argument, that the practice both in respect of applications for Letters Patent and for registered designs has undergone some modification since the time when the Court of Appeal were considering that matter, and it does not seem to have been argued in that case that, particularly as regards registered designs, the novelty of design is that which in general causes it to be of value in commerce, and that therefore its value in the early period of its novelty might well be regarded as being greater than the residue of the novelty after its initial impact on the market has disappeared. I find that that principle has in fact been applied in subsequent applications and it would only be for very compelling reasons that I could find myself free to differ in a matter of practice now so well established, but I think it is right that I should say that it may well be that in a proper case the practice may require to be reconsidered and if, as is possible, I should find myself bound by a decision of the Court of Appeal it might be necessary so to express the judgment of this Court as to permit the matter readily and easily to be reviewed in a higher Court.

and per Evershed, M.R. at page 284:

It was said by Mr. Shelley that the learned Judge was over influenced by the case of *Smith v. Grigg Ld.* in which *Scrutton* and *Atkin*, LL. JJ., had suggested that in the case of a new patent, and, therefore, of a new design, it was not the practice of the Court to

² (1951) 68 R.P.C. 280.

grant an interlocutory injunction except in very exceptional cases. *Lloyd-Jacob, J.*, observed that since that case the practice has somewhat altered, and he drew attention to the fact that with a design newness and novelty may be of the very essence of the right of the Plaintiff. I do not think it right to say that *Lloyd-Jacob, J.*, was deterred by that case, as I read his judgment, from doing what he would otherwise have thought it right to do. I share his view that this point is one of difficulty and therefore I should myself, apart from anything else, see no ground for interfering with his discretion.

1968
 MELNOR
 MFG. LTD.
 et al.
 v.
 LIDO
 INDUSTRIAL
 PRODUCTS
 LTD.
 ———
 Jackett P.
 ———

This being a case of piracy of the plaintiffs' 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 have not overlooked the fact that the plaintiffs have had no intention of using their registered design in Canada except to meet competition in the inexpensive sprinkler field such as that that they are now encountering from the defendant. That may be, from many points of view, unfortunate. I must, however, take the statute as I find it. Parliament did not impose conditions relating to user on the ownership of registered designs such as those to be found in the *Patent Act*.

There will be an injunction as sought and I will hear submissions as to the form that it should take.³

³ The pronouncement read as follows:

Let an injunction go restraining the defendant by itself, its officers, servants or agents, until disposition of this action after trial or other disposition of this action, from applying to any articles for the purpose of sale

- (a) the design registered under No. 226/29037 in the Register of Industrial Designs;
 - (b) the design applied to the end supports of the sprinkler that is referred to in the statement of claim herein as being filed therewith as Schedule "B" thereto, or
 - (c) any other imitation of the said registered design,
- and from selling or exposing for sale or use any article to which any such design has been applied.

Order to contain usual undertaking by the plaintiffs.
 Costs in the cause.