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Summary Trial Used to Effectively Dispose of Copyright Infringement and Passing Off Action

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February 9, 2022

In *Ark Innovation Technology Inc. v. Matidor Technologies Inc.*, [2021 FC 1336](#) (*Ark v. Matidor*) Justice McHaffie recently found a BC software company and its founder liable for copyright infringement and passing off. A testament to the efficiencies arising from the summary trial process, the matter was commenced, heard, and determined in less than two years.

The plaintiff, Ark, makes “Arkit,” a map-based project management software. After a falling out between the Ark co-founders, Mr. Lam resigned. He kept a copy of the Arkit source code and various marketing materials and proceeded to launch the “Matidor” software through his new company, Matidor. The Matidor software, by Mr. Lam’s own admission, was “the Arkit code but rebranded as Matidor”. Indeed, the Matidor code contained 98% of the same lines of Arkit code, and 998 of the 1007 photos were identical. Matidor also prepared marketing materials for the Matidor software, which were simply copies of Arkit marketing materials with the name and logo replaced. Ark commenced a lawsuit against Mr. Lam and Matidor for copyright infringement and passing off.

Summary Trial

Trials can be expensive. Summary trial is designed to resolve appropriate cases expeditiously using a streamlined and proportionate procedure. It is available where the Court is satisfied that there is sufficient evidence for adjudication, regardless of the amounts involved, the complexity of the issues, and the existence of conflicting evidence, unless the Court finds it would be unjust to do so.

In this case, the parties consented to proceed by summary trial in writing and without cross-examinations. While the Court did not consider the parties’ consent to be determinative, it noted that this is an important factor in assessing whether it is just to proceed by summary trial. The Court also stated that courts should be reluctant to force parties to proceed with the cost and delay of a full trial if they have consented to proceed through the simplified and typically less expensive summary trial process.

In addition, the Court commented on the nature of evidence filed in summary trial proceedings compared to evidence adduced at trial, noting that evidence in summary proceedings is governed by [Rule 216\(1\)](#). This rule provides that parties should include in their motion record only the evidence on which they seek to rely. As such, it is important to remember that including evidence in a motion record makes it part of the evidence

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on a summary trial motion without the need to read it in, and either party may rely on it. Parties should resist the temptation to file “everything” to avoid under-inclusion and only include the evidence on which they seek to rely.

Copyright Infringement

Although Mr. Lam admitted that the December 2019 and June 2020 versions of the Matidor software infringed Ark’s copyright, the defendants denied that subsequent versions of the software were infringing. The Court disagreed, concluding that the Matidor software continued to infringe the Arkit software after June 2020.

In assessing the defendants’ ongoing infringement of the Arkit software in additional iterations of the Matidor software, the Court highlighted its ability to make inferences from indirect evidence, especially in software cases, “where numerous changes, updates, and versions may be issued over time, and it may be difficult, expensive, or even impossible to have experts analyse every version of source code.”

Although the onus is on a plaintiff to prove infringement, the Court noted that “proof of infringement may be through direct evidence such as source code comparison, or through indirect evidence and inference.” For the purposes of the summary trial, Arkit filed expert evidence on the December 2019 and June 2020 versions of the Matidor software that was “sufficient to obtain an admission from the defendants.” But, the evidence regarding changes to the software after June 2020 was “scant.” The defendants, for their part, filed no evidence sufficient to allow the Court to conclude that the admitted infringement of Ark’s copyright ceased.

Absent evidence that the later versions of the Matidor software did not infringe Ark’s copyright, the Court inferred that the infringement continued. In the circumstances, the defendants could not simply rely on the plaintiff’s onus and a general allegation that the software was modified. If the defendants wanted to limit their liability, they should have filed evidence to show that the software was no longer infringing.

Passing Off

The Court also held that the defendants had engaged in passing off by suggesting that Matidor was a “rebranded” version of Arkit. The Court found that goodwill existed in the ARKIT mark, that Matidor had engaged in misrepresentation, and that this resulted in actual or potential damage to Ark.

In assessing goodwill, the Court agreed with Ark that the defendants’ reference to Matidor as Arkit “rebranded” was a factor. According to the Court, “[i]f a defendant has deliberately sought to associate itself with a trademark, this indicates the trademark has goodwill.” Mr. Lam was found to have made

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misrepresentations in referring to Matidor in this way, and Ark was found to have suffered some degree of loss of control over their reputation, image, or goodwill.

Remedies and Costs

The Court had little trouble issuing an injunction preventing the defendants from any further infringement of copyright in the Arkit software or from further passing off.

However, the Court rejected Ark's claim for \$900,000 in damages "at large." Noting that damages "at large" are discretionary and may be available in cases of intentional tort where the quantification of damages cannot be precisely measured, the Court ruled that they must nevertheless be compensatory in nature and rejected Ark's claim on the basis that it failed to establish that the damages claimed were attributable to copyright infringement or passing off. Instead, the Court awarded Ark damages of \$91,000 for lost sales, \$15,000 for price reduction, \$5,000 in harm to its reputation and goodwill, and \$166,400 in disgorgement of Matidor's profits for a total award of \$277,400. The Court declined to award punitive damages.

After receiving the parties' cost submissions, the Court awarded Ark a lump sum of \$70,863 in costs in a separate Order, [2022 FC 72](#). Costs were calculated based on 25% of Ark's actual fees together with its reasonable disbursements for expert fees, investigators fees, and associated litigation costs.

The Take-Aways

The *Ark v. Matidor* case is another example of a growing trend in Canadian intellectual property litigation to use summary trial as a cost-effective means to dispose of cases that do not require the full panoply of procedural protections that are associated with trial.

This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.