
CANADA / JUDGMENT

Peak Innovations Inc. Pacific Rim Brackets Ltd.

2009 BCSC 1034

COURT

Supreme Court of British Columbia

DECIDED

29 July 2009

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2009 BCSC 1034 Peak Innovations Inc. Pacific Rim Brackets Ltd.

IN THE SUPREME COURT OF BRITISH COLUMBIA

Citation:

Peak Innovations Inc. v. Pacific Rim Brackets Ltd.,

2009 BCSC 1034

Date: 20090729

Docket: S072751

Registry: Vancouver

Between:

Peak Innovations Inc.

and Peak Products Manufacturing Inc.

Plaintiffs

And:

Pacific Rim Brackets Ltd.

and Smart and Biggar

Defendants

Before: The Honourable Mr. Justice Groves

Reasons for Judgment

In Chambers

Counsel for the Plaintiffs:

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K.R. Zimmer

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S.E. Field

Place and Date of Hearing:

Vancouver, B.C.

March 17-18, 2009

and April 17, 2009

Place and Date of Judgment:

Vancouver, B.C.

July 29, 2009

- [1] The application before the Court in this action centres around whether a lawyer (and his client) is protected by an absolute privilege in delivering a cease and desist letter to the parties who are the intended defendants and those intimately connected with the proposed suit.
- [2] Smart & Biggar sent a cease and desist letter dated April 10, 2007 (the "Letter") on behalf of its client Pacific Rim Brackets Ltd. ("Pacific Rim") concerning allegations of infringement of its intellectual property rights. The Letter was sent to the alleged infringing parties, Peak Innovations Inc. and Peak Products Manufacturing Inc. ("Peak" or "Peak companies") and the Home Depot and to Steven Levy, who was trade-marks counsel for Home Depot on a worldwide basis. The Letter was sent preparatory to bringing an action against the alleged infringing parties. When no satisfactory reply was received, infringement actions were brought and are still being prosecuted. There are two actions -- in the British Columbia Supreme Court for passing-off, and in the Federal Court of Canada for trade-mark infringement (the "Infringement Actions").
- [3] In this action, the alleged infringing parties claim that the cease and desist Letter was defamatory or otherwise actionable; they sue Pacific Rim and Smart & Biggar for defamation and related causes of action. The defendants say that the sending of the Letter was protected by absolute privilege and that all the claims of the plaintiffs fail for this

reason.

- [4] The plaintiffs Peak companies, design, manufacture and sell a number of products including gardenware products. The defendant, Pacific Rim, designs, manufactures and sells gardenware products. The second defendant, Smart & Biggar, is a law firm which serves as intellectual property counsel to Pacific Rim.
- [5] The defendants seek judgment dismissing this action under Rule 18A. The ground for the dismissal, they argue, is that the Letter, which is the basis of the action, was sent on an occasion of absolute privilege. The defendants do not seek an adjudication of the merits of the other defences to this action on these applications although it is contended that those other defences will, if necessary, ultimately be successful.
- [6] In the alternative, the defendants seek an order staying this action until the final determination or settlement of the two Infringement Actions being pursued by Pacific Rim against the plaintiffs and Home Depot. To allow this action to proceed at the same time as the Infringement Actions, it is argued, would be unfairly prejudicial to Pacific Rim and to Smart & Biggar as the issues arising from the adjudication of the other defences require the disclosure of communications between them that were the subject of solicitor-client communications or litigation privilege.
- [7] The plaintiffs oppose the application, and the absolute privilege argument, on two grounds: firstly, that the Letter was distributed to parties beyond the intended defendants; and secondly, that the allegations in the Letter are not sufficiently related to the pleadings in the Infringement Actions.
- [8] The plaintiffs have also brought two applications seeking to compel answers at the examinations for discovery from the defendants on a number of issues. For reasons which will become clear, it is unnecessary to deal with the plaintiffs' motions.

Background

- [9] Pacific Rim, in the manufacturing and distribution of garden supplies, uses their own industrial designs or the industrial designs owned by another client of Smart & Biggar, Meadowland Flowers Ltd. ("Meadowland"), under an exclusive license from Meadowland to Pacific Rim.
- [10] Pacific Rim and Meadowland retained Smart & Biggar at the end of February 2007 to provide intellectual property law advice and counsel in respect of their intellectual property rights and certain activities of the plaintiffs Peak companies and of Home Depot Canada about which Pacific Rim was extremely concerned.
- [11] Michael Manson, a partner at Smart & Biggar, wrote the cease and desist Letter on April 10, 2007 and sent it to the Peak companies, Home Depot Canada and Home Depot's trade-marks counsel, Steven Levy.

- [12] The Letter was preparatory to and in contemplation of bringing an action against Home Depot Canada and the Peak companies for violation of Pacific Rim's intellectual property rights and for economic torts. The Letter set out certain intellectual property rights claimed by Pacific Rim and demanded the cessation of specified activities of Peak companies and of Home Depot, which were said to be infringing on Pacific Rim's intellectual property rights. The Letter gave the Peak companies and Home Depot specific periods of time to cease and desist from these activities and warned of legal action if these actions continued. At the time the Letter was sent Mr. Manson had received instructions to commence an action if the Letter did not result in a cessation of the offending activities.
- [13] Two weeks after the Letter was sent, and in the absence of a positive response to the Letter, Smart & Biggar, on behalf of Pacific Rim, commenced an action against Peak companies and Home Depot Canada in the Federal Court of Canada. The Federal Court action was subsequently amended and a further action in the Supreme Court of British Columbia for the tort of passing-off was commenced between the same parties.
- [14] In the interim, on April 18, 2007 (eight days after the Letter was sent), the plaintiffs commenced this action by issuance of a Writ of Summons. They filed a Statement of Claim on May 14, 2007 and amended it on February 18, 2008. In this action, the plaintiffs claim that the sending of the Letter constituted: intentional interference with contractual and business relations; the making of false or misleading statements tending to discredit the businesses, wares and services of the plaintiffs contrary to s. 7(a) of the Trade-marks Act, R.S.C. 1985, c. T-13; trade libel; slander of title; disparagement of property at common law; defamation; and negligent misstatement.
- [15] In defence of the action Smart & Biggar pleads that the Letter was written on an occasion of absolute privilege, or in the alternative, on an occasion of qualified privilege. Smart & Biggar has also denied the allegations of negligent misstatement and set out other defences.
- [16] The applicant defendants argue that disposition of this matter under Rule 18A is fair and just. They say the issues raised by this application are suitable for disposition under this rule.
- [17] This application concerns a threshold determinative legal issue; whether the distribution of the Letter occurred on an occasion of absolute privilege. The facts relevant to this application appear uncontroverted. There is no need to make any findings of credibility.
- [18] Smart & Biggar's cease and desist Letter was written and copied to only the infringing parties, the Peak companies and Home Depot Canada, and to Mr. Levy as trademarks counsel to Home Depot worldwide. The plaintiffs take issue with sending the letter to Mr. Levy in that he was not an employee of Home Depot Canada. Thus they argue that the Letter was inappropriately distributed beyond the parties who were the intended defendants.

- [19] According to the evidence, Mr. Manson sent Mr. Levy the Letter because he understood that Mr. Levy was in charge of trade-mark issues on behalf of Home Depot worldwide including Home Depot Canada, and if the parties were going to resolve the matters raised in the Letter prior to having to issue the claim in Federal Court Mr. Manson would be dealing with him. Mr. Manson understood Mr. Levy to be employed by Home Depot. He knew him personally. Mr. Levy was known to Mr. Manson as "Senior Corporate Counsel" from Home Depot. Home Depot treats the operations in Canada as part of a single world-wide business.
- [20] Mr. Levy responded to receipt of the Letter in an email dated April 12, 2007 expressing his wishes that the matter would be resolved quickly.
- [21] The affidavit of Mark Hopkinson, the General Counsel (Intellectual Property and Litigation) for Peak Innovations Inc., clarifies that legally Mr. Levy was President and Senior Director - Legal Intellectual Property at Homer TLC, Inc. Homer TLC, Inc. deals with the intellectual property of Home Depot worldwide including Canada. The address for Homer TLC, Inc. was shown as Delaware on his card, but the business card bears the large logo for The Home Depot and gives his email address as steven_levy@homedepot.com.
- [22] I agree with the applicants that it is clear that Mr. Levy, being the person responsible for trade-marks issues worldwide, is an appropriate person to copy at the Home Depot group of companies.
- [23] The plaintiffs also contend that the defendants caused the Letter to be disseminated generally to persons at Home Depot U.S.A. Inc. and The Home Depot, Inc. when it was delivered to the attention of Steven Levy at the address of Home Depot in Atlanta, Georgia. The "evidence" in support of this proposition is the affidavit of Dan Kiatipis, an employee of the Peak companies, as to his belief that the Letter was "widely circulated" in the United States. This evidence is inadmissible on a Rule 18A application. There is no basis indicated in the letter for his having personal knowledge to this effect. As such, no weight can be given to this assertion.

The Law - Absolute Privilege

- [24] I agree with the applicants' submissions that statements made in the course of judicial proceedings are protected by an absolute privilege. As the British Columbia Court of Appeal stated in *Harmouth v. Stuart Video Technologies Inc.*, 2005 BCCA 172, 39 B.C.L.R. (4th) 251 at para. 37:

Granting absolute privilege to lawyers when they act in the course of their duties to their clients is for the public benefit. It frees lawyers from fear that in advocating their clients cause they will be sued if what they say on behalf of a client is found not to be true.

- [25] In *Big Pond Communications 2000 Inc. v. Kennedy* (2004), 236 D.L.R. (4th) 727, 70 O.R. (3d) 115 at para. 19 (Sup .Ct .J.), the court said this:

Counsel have a professional duty to pursue their client's interests, within the law, to the fullest extent possible. Our system of law would be rendered ineffectual if counsel was required to look behind them for fear of a lawsuit as a result of presenting his client's case. This is the mischief that [absolute] privilege seeks to prevent.

[26] In all cases the policy reasons for protecting statements made in the course of judicial proceedings are the same. The basis for absolute privilege is to permit a free adversarial atmosphere to flourish, which is essential to our system of justice. As quoted in R. E. Brown, *The Law of Defamation in Canada*, 2nd ed., looseleaf (Toronto: Carswell, 1994) at 12-137:

A contrary rule might very well deter counsel from saying or writing anything controversial for fear of antagonizing someone involved in the case and thus courting a lawsuit, a result which would seriously hamper the cause of justice.

[27] In *G.W.E. Consulting Group Ltd. v. Schwartz* (1990), 72 O.R. (2d) 133, 66 D.L.R. (4th) 348 at para. 17 (S.C.), the court adopted the following passage from Fleming, *The Law of Torts*, 7th ed. (1987) at 535:

The [absolute] privilege is not confined to statements made in court, but extends to all preparatory steps taken with a view to judicial proceedings... But the statement or document must be directly concerned with actual contemplated proceedings; not just remotely so, like a factual report containing allegations which merely might provide a ground for future prosecution.

[28] The privilege should not be confined to proceedings in court, if the statements made outside the court are made to achieve the objects of the litigation: Brown in *The Law of Defamation in Canada*) at 12-143.

[29] According to *Restatement of the Law of Torts Second*, Vol. 3, para. 587, as quoted in *Moseley-Williams v. Hansler Industries Ltd.* (2004), 32 C.C.L.T. (3d) 266 at para. 29 (Ont. Sup. Ct. J.), aff'd [2005] O.J. No. 997 (C.A.):

A party to a private litigation or a private prosecutor or defendant in a criminal prosecution is absolutely privileged to publish defamatory matter concerning another in communications preliminary to a proposed judicial proceeding, or in the institution of or during the course and as a part of, a judicial proceeding in which he participates, if the matter has some relation to the proceeding.

[30] Absolute privilege protects both the solicitor and the client: *G.W.E. Consulting Group Ltd. v. Schwartz*.

[31] The decision of Potts J. in *Dingwall v. Lax et al* (1988), 63 O.R. (2d) 336, 47 D.L.R. (4th) 604(S.C.) involved an action for libel against solicitors. One of the defendants had forwarded a draft statement of claim to the lawyers representing a party to a dispute with the defendants' clients. The accompanying letter stated that the statement of claim would be issued on a certain date if the dispute had not been resolved. It was issued approximately

four weeks later and the libel action was commenced shortly thereafter. The plaintiff in the libel action claimed that he had been defamed by allegations in the draft statement of claim. In holding that the draft statement of claim was published on an occasion of absolute privilege, Potts J. stated at para. 16:

In my opinion, the draft and letter were intimately connected to a judicial proceeding the institution of which was being seriously considered by the defendants. In that respect they fall within the purview of the absolute privilege. As Fleming notes, the privilege extends to all preparatory steps taken with a view to judicial proceedings.

He continues at para. 21:

... I agree with the defendant's argument that the documents were indeed sent as a matter of courtesy and, however informally, were an invitation to resolve the matter before the statement of claim was issued. In my view, the immunity conferred by the absolute privilege does include communications of this kind. A solicitor cannot protect his client if all such overtures are subject to the spectre of a libel suit. It is the threat of a libel suit which becomes a form of intimidation, much more so than the receipt of a strongly worded letter and a draft pleading.

- [32] *Construction Distribution & Supply Co. v. Pearson*, [2001] O.J. No. 1848 (Sup. Ct. J.) is a case where the plaintiff sought damages arising out of a former employee's alleged breach of contractual and fiduciary duties in utilizing company secrets and confidential information in his employment with the other defendants. The defendants counterclaimed against the plaintiff and its law firm for defamation based upon letters sent by the firm to the defendants (the former employee, the new employer and principal of the new employer) which were copied to another party, which was understood to have had a role in the matter. In this case the other party was Dow Corning, which was subsidizing part of the remuneration of the employee in his new employment.
- [33] It was held that the copying to Dow Corning and notification of the plaintiff's position as to what took place and what was about to take place did not constitute an indiscriminate publication to an otherwise uninterested party. In sending the letters, the law firm was asserting its client's right as it was bound to do as solicitor. Publication of the letters was done in the course of its investigation of the clients' case with a view to litigation and was subject to absolute privilege.

Discussion

- [34] The plaintiffs raise several issues in response to the defendants' application for dismissal. In particular, they rely on the claim that the Letter was distributed to parties beyond the intended defendants, specifically Mr. Levy.
- [35] I find that the circumstances that gave rise to the writing and distribution of the Letter in the case at bar were substantially the same as in the above noted cases. As in the *Construction Distribution* case, Smart & Biggar "were asserting their client's right as they are bound to do

as solicitors" (para. 161). Additionally, the distribution of the Letter was not "an indiscriminate publication to an otherwise uninterested party" but rather it was sent "to a very limited and discrete group" (para. 13). It was sent to the very parties who were being asked to stop the alleged infringing conduct and the lawyer who is understood to deal with trade-marks issues for one of the alleged infringing parties.

- [36] Moreover, there is no evidence that the Letter was distributed beyond Mr. Levy in the United States. Even if the copy of the Letter addressed to Mr. Levy had been sent in an unsealed envelope one cannot assume that anyone other than the addressee read the Letter.
- [37] As to the content of the Letter, using the language of Brown in *The Law of Defamation in Canada* at 12-143, the statements made outside the court, that is, in the Letter, were "made to achieve the objects of the litigation".
- [38] The decision in *Moseley-Williams v. Hansler Industries Ltd.* has a lengthy discussion of the bounds of absolute privilege in pre-litigation situations. The facts of that case were that Mr. Moseley-Williams had been a sales representative of Hansler Industries until his termination in 2002. He joined Ri-Go Lift Truck Ltd. as a sales representative. In the action before Cullity J. he was suing for wrongful dismissal, unpaid commissions and libel against his former employer. Hansler moved for partial summary judgment dismissing the claims for libel on the basis that the statements in question were written on an occasion of absolute privilege.
- [39] The cease and desist letter in question there was written by a solicitor on behalf of Hansler to Ri-Go and two other former sales representatives of Hansler who had also joined Ri-Go alleging that Ri-Go with Moseley-Williams were engaged in improper sales activities, breaches of fiduciary duty and intentional misrepresentations. The letter threatened legal proceedings if the conduct did not desist. No action was in fact brought by Hansler. The solicitor in question had testified that he had received no instructions to commence proceedings at the time the letter was written.
- [40] After consideration of a number of authorities, Cullity J. came to the conclusion that on the facts before him, it could not be found that the letter was a preparatory step taken with a view to litigation just because the maker contemplates the possibility of litigation and threatens that proceedings may be commenced.

[41] He said at para. 55:

...The decisions of this court also appear to establish that it will be sufficient, in other cases, if, at the time of the communications, the solicitor's client had decided to commence proceedings if his or her demands were not met, or a settlement could not be achieved and, perhaps, if preparatory steps for that purpose had been taken.

He continued at para. 56:

It is not necessary on the undisputed facts of this case to consider whether the absolute privilege will be confined to cases where at least a conditional decision to litigate has been made or whether it extends to all statement made for the purpose of litigation that is being considered. I do not, however, find anything in the recent authorities that would support an extension of the concept to all occasions when the possibility of litigation is contemplated, or even all such occasions when a threat of litigation has been made - let alone all cases where a lawyer is endeavouring to assert and protect a client's interests.

- [42] The evidence of both Mr. Koehle, on behalf of Pacific Rim, and Mr. Manson, on behalf of Smart & Biggar, is that, at that the time of writing the Letter, instructions had been given to bring proceedings if a satisfactory response to the Letter was not obtained. Moreover, proceedings were in fact brought in short order. These two features of the facts here distinguish the present case from the Moseley-Williams case and put this firmly on the side of the line of authorities upholding absolute privilege for pre-action correspondence.
- [43] To the extent that the statement needs to be directly concerned with actual contemplated proceedings it is patent upon the reading of the Letter and the subsequent Infringement Actions that the Letter was directly concerned with the subject matter of the proceedings which then followed.
- [44] The Infringement Actions include the following. At paras. 26-30 the Further Amended Statement of Claim in the Federal Court action [FC No. T-687-071] states:
26. In 2006, representatives of the Defendants Peak Products and/or Peak Innovations approached PRB's former customer, Home Depot, in an attempt to replace the PRB Garden Products line by manufacturing or having manufactured for them, importing, distributing, offering for sale and selling a competing line of garden products, a number of which are the same as or not substantially different from the designs of the PRB industrial Designs, as more particularly set out in Schedule "A" hereto.
27. The Defendants, Peak Products and/or Peak Innovations, in the Spring of 2006, had a representative take extensive photos of the PRB Garden Products and displays in a Home Depot retail outlet on Terminal Avenue in Vancouver, B.C., so that they could manufacture or have manufactured for them, import, distribute, offer for sale and sell a competing line of garden products. Home Depot also made copies of the PRB Planograms, and provided said copies to Peak Products and/or Peak Innovations. In attempting to create a garden line business for Home Depot, the Defendants, Peak Products and Peak Innovations, made three-dimensional reproductions of the PRB Planograms, for display of their garden products in Home Depot retail outlets across Canada.
29. The Defendants, Peak Innovations and/or Peak Products, together with Home Depot, also intermixed their garden products with the PRB Garden Products in the aforesaid display units or made use of PRB's displays in various Home Depot retail outlets.

30. The Defendants, Peak Innovations and Peak Products, have manufactured or had manufactured for them, imported, distributed and sold to Home Depot garden products which were the same as the PRB Garden Products, or not substantially different therefrom, as used and offered for sale by Home Depot.

Additionally at paras. 9-14 of the Statement of Claim in the B.C. passing-off action [Vancouver No. S076322 (S.C.)], the following is stated:

9. In 2006, representatives of the Defendants Peak Products and/or Peak Innovations approached PRB's former customer, Home Depot, in an attempt to replace Home Depot's line of PRB Garden Products by manufacturing or having manufactured for them, importing, distributing, offering for sale, and selling a competing line of garden products.
 10. The Defendants, Peak Products and/or Peak Innovations, in the Spring of 2006, had a representative take extensive photos of the PRB Trade Dress and of PRB Garden Products in a Home Depot retail outlet on Terminal Avenue in Vancouver, British Columbia, so that they could manufacture or have manufactured for them, import, distribute, and offer for sale a competing line of garden products.
 11. Home Depot also provided copies of the PRB Planograms to Peak Products and/or Peak Innovations.
 12. At a time unknown to the Plaintiff, but at least as early as February 26, 2007, in attempting to create a garden products line business for Home Depot, the Defendants, Peak Products and Peak Innovations adopted the unique PRB Trade Dress for display of their garden products in Home Depot retail outlets across Canada in order to direct public attention to their wares and business in such a way as to cause confusion or be likely to cause confusion with the Plaintiffs wares and business in the minds of customers of garden products.
 13. At a time unknown to the Plaintiff, but at least as early as February 26, 2007, the Defendants, Peak Innovations and/or Peak Products, together with Home Depot, also intermixed their garden products with the PRB Garden Products in the aforesaid display units, and made use of PRB's display units and the PRB Trade Dress, in various Home Depot retail outlets, in order to pass off their garden products as those of the Plaintiff.
 14. At a time unknown to the Plaintiff, but at least as early as February 26, 2007, the Defendants, Peak Innovations and Peak Products, have manufactured or had manufactured for them, imported, distributed, and sold to Home Depot a line of garden products which were the same as the PRB Garden Products, or not substantially different therefrom, as used and offered for sale by Home Depot in displays making use of the PRB Trade Dress.
- [45] While some of the precise language used in the Letter does not show up in the subsequent pleadings, the substance of the allegations does. The Infringement Actions allege that:

- (a) Peak sold to Home Depot a line of garden products which were the same as the Pacific Rim garden products, or not substantially different in contravention of Pacific Rim's intellectual property rights;
 - (b) The Peak companies together with Home Depot were deliberately attempting to mislead customers by passing off the Peak goods for that of Pacific Rim intermixing products and using Pacific Rim displays and using Pacific Rim's trade dress;
 - (c) Peak and Home Depot knew and intended to imitate Pacific Rim's products and knew of Pacific Rim's rights to their trade dress.
- [46] In addition to the tort of defamation the plaintiffs are also claiming that the distribution of the Letter constituted: an intentional interference with contractual and business relations; the making of false or misleading statements tending to discredit the businesses, wares and services of the plaintiffs contrary to s. 7(a) of the Trade-marks Act; trade libel; slander of title; disparagement of property at common law; and negligent misstatement.
- [47] Absolute privilege is a defence to these economic torts. For example, it was invoked to defeat a claim made pursuant to s. 7(a) of the Trade-marks Act in *Chase Manhattan Corp. v. 3133559 Canada Inc.*, [1999] F.C.J. No. 1044 (T.D.).
- [48] Claims of economic tort of intentional interference with contractual and business relations were also found to be unsustainable in *Lubarevich v. Nurgitz* (1996) 1 O.T.C. 260, [1996] O.J. No. 1457 (Ct. J. Gen. Div.). As Lane J. wrote at para. 16:
- I am further of the view that the claim is a colourable attempt to evade the privilege accorded to solicitors which will be discussed in the next section [dealing with defamation and the application of absolute and qualified privilege]. The public policy imperatives that drive these privileges are as real in the case of other torts as they are for defamation.
- [49] Additionally, Somers J. quoted the above comments in *Lubarevich* in dismissing the claim of intentional interference with contractual and business relations in *Construction Distribution*.
- [50] The plaintiffs also submit, in their defence, that because fewer of Pacific Rim's designs are the subject of specific infringement claims than are referred to in the Letter, the Letter is not sufficiently related to the Infringement Actions.
- [51] The relevant test is whether the Letter was clearly made to achieve the objects of the litigation. The thrust of the Letter and the subject of the action are two-fold: first, that Peak has infringed the industrial designs of Pacific Rim; secondly, that Peak wrongfully took advantage of the trade dress and displays of Pacific Rim.
- [52] As to the scope of quantitative allegations contained in the Letter regarding the copying of designs the following allegations are included in the Statement of Claim filed on April 24, 2007:

32. The Defendants, Peak Innovations and Peak Products, have manufactured or had manufactured for them, imported, distributed and sold to Home Depot over forty designs which were the same as the PRB Garden Products, or designs not substantially different therefrom, as used and offered for sale by Home Depot in displays making use of the PRB Trade Dress. At least seven of those designs are the subject matter of the PRB Industrial Designs set out in Schedule "A" hereto

[emphasis added].

- [53] The Letter and Infringement Actions, however, are not only concerned with alleging the infringement of Pacific Rim's designs. A major thrust of both the Letter and the Infringement Actions is that the defendants seek to stop the practice whereby Peak adopted and used Pacific Rim's displays and trade-dress. The following passage appears toward the bottom of page 2 of the Letter:

... Moreover, you have also adopted our client's unique product display and the look and feel of our client's displays, in order to mimic our client's proprietary display presentation of their garden products in the retail outlets in which they are made available in Canada. In fact, you have adopted and used our client's display units and intermixed your products with our client's products on those displays, thereby confusing customers as to the source of the products and thereby clearly indicating that there is some sort of association or connection between our client's products, business and reputation, and your imitation products. You have adopted labels similar to our client's labels for their products, including essentially the same colour scheme as our client's bang-tags, so as to further provide the image to customers that there is a close association or connection between your products and the products and business of our client.

- [54] The following allegations are included in the Statement of Claim filed on April 24, 2007:

30. In attempting to create a garden line business for Home Depot, the Defendants, Peak Products and Peak Innovations, not only copied the designs of the PRB Garden Products, but also adopted the unique PRB Trade Dress, and the look and feel of PRBs displays by making three-dimensional reproductions of the PRB Planograms, in order to use substantially the same or a confusingly similar trade dress to the PRB Trade Dress, for display of their garden products in Home Depot retail outlets across Canada.
31. The Defendants, Peak Innovations and/or Peak Products, together with Home Depot, also intermixed their garden products with the PRB Garden Products in the aforesaid display units, and made use of PRBs display units, and the PRB Trade Dress in various Home Depot retail outlets.

- [55] As to the use of the words "collusion" and "conspiracy" in the Letter, the Statement of Claim alleges the following:

29. The Defendants, Peak Products and/or Peak Innovations, in the Spring of 2006 had a representative take extensive photos of the PRB Trade Dress and the PRB Garden Products in a Home Depot retail outlet on Terminal Avenue in Vancouver, B.C. so that they could

manufacture or have manufactured for them, import, distribute, offer for sale and sell plant product designs not substantially different from the PRB Garden Products, including but not limited to the designs shown in Schedule "A" hereto. Home Depot also made copies of the PRB Planograms, and provided said copies to Peak Products and/or Peak Innovations.

...

31. The Defendants, Peak Innovations and/or Peak Products, together with Home Depot, also intermixed their garden products with the PRB Garden Products in the aforesaid display units, and made use of PRBs display units, and the PRB Trade Dress in various Home Depot retail outlets

[emphasis added].

[56] Section 52 of the Competition Act, R.S.C. 1985, c. C-34, is referred to in the Letter. A violation of s. 52 consists of knowingly or recklessly making a representation to the public that is false or misleading in a material respect for the purpose of promoting, directly or indirectly, the supply or use of a product or for the purpose of promoting, directly or indirectly, any business interest.

[57] The Statement of Claim describes just that. It alleges that Peak took extensive photos, obtained a copy of the planograms, copied products and trade dress and then intermixed the Peak products with Pacific Rim products and displays so that they could pass-off their products for those of Pacific Rim.

[58] The Statement of Claim includes express reference to the Letter as follows:

34. On April 10, 2007, the Defendants were sent a cease and desist letter by Smart & Biggar on behalf of PRB, advising them that their importation, distribution, display, offer for sale and sale of infringing garden product designs and passing-off of the PRB Trade Dress would not be tolerated by PRB and that they should discontinue and thereafter refrain from all further infringing activities. The Defendants, Peak Innovations and Peak Products have refused to discontinue their activities and no reply was received from Home Depot.

35. The Defendants threaten to continue the activities complained of herein unless restrained by this Honourable Court.

[59] The prayer for relief of the Infringement Actions sought injunctive relief (paras. 2, 7, and 9) as well as a claim for punitive and exemplary damages (para. 11). The fact that the defendants had been served with the Letter and had not complied with its demands provided the foundation by way of material facts for both these remedies.

[60] The fact that the Letter was expressly referenced in the Statement of Claim also renders the Letter a document which the Court would review so as to understand the pleadings in the Infringement Actions pursuant to Rule 26(8) of the British Columbia Supreme Court Rules of Court and Rule 206 of the Federal Court Rules.

Conclusion

[61] I am of the view that whether the distribution of the Letter was an occasion of absolute privilege needs to be determined by considering the objective patent facts and circumstances. To do otherwise would be to ignore the very nature of absolute privilege.

[62] The following objective patent facts are before the court in this case:

- The allegations in the Letter are sufficiently related to the pleadings in the Infringement Actions which followed;
- At the time of the Letter's distribution there were already conditional instructions to sue;
- The limited extent of the distribution of the Letter to intended defendants only;
- The fact that the Infringement Actions followed two weeks after the Letter's distribution, a time frame reflected in the body of the Letter.

[63] These are objective patent facts and circumstances which allow the Court to recognize that a pre-litigation statement was made by a lawyer acting within his duty to his client in alerting potential parties to the proceedings. Accordingly, the Letter was written and delivered on an occasion of absolute privilege.

[64] For the above reasons, I have concluded that the defendants' application under Rule 18A for dismissal of the plaintiffs' claim must be granted.

[65] As such, I need not deal with the defendants' alternative request for a stay of the action, nor the plaintiffs' applications related to the discovery questions.

[66] The defendants will have their costs at Scale B.

"The Honourable Mr. Justice Groves"

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