Federal Court  Cour fédérale

Date: 20210407

Docket: T-900-20

Toronto, Ontario, April 7, 2021

PRESENT: Case Management Judge Martha Milczynski

BETWEEN:

THE TORONTO REGIONAL REAL ESTATE BOARD

Plaintiff

and

IMS INCORPORATED, C.O.B. AS RESTATS ALSO KNOWN AS REALITY AND LEON Y. D'ANCONA

Defendants

ORDER

UPON MOTION filed on behalf of the Defendants, IMS Incorporated, c.o.b. as REstats also known as Reality ("IMS") and Leon d'Ancona, (together the "Defendants") on January 25, 2021 for:

(a) an Order pursuant to Rules 8 and 204 of the *Federal Courts Rules*, SOR/98-106, extending the time for service and filing of any statement of defence required until thirty (30) days from the date of this Court's order deciding the within motion;

(b) an Order pursuant to Rule 221(a) of the *Federal Court Rules*, striking the statement of claim in its entirety, without leave to amend, for lack of jurisdiction of the Federal Court;

(c) in the alternative, an Order pursuant to Rules 221(a) and 221(f) of the *Federal Court Rules*, striking the claim in its entirety, on the basis that the relief and allegations relating to copyright infringement and circumvention of technological protection measures do not disclose a reasonable cause of action or are an abuse of the Court's process and should be struck, such that the entirety of the claim is outside the jurisdiction of the Court and should be struck;

(d) in the further alternative, an Order pursuant to Rule 221(a) of the *Federal Courts Rules*,

(i) striking the relief and allegations relating to confidential information and breach of unspecified "proprietary rights", including as reflected in paragraphs 1(b), 1(c), 1(i), 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 21, 22, 23, 25, 26, 42 and 43 of the statement of claim, as not within the jurisdiction of the Federal Court and not incidentally necessary to the determination of an issue within the jurisdiction of the Federal Court,

(ii) striking the relief and allegations relating to breach of contract, including as reflected in paragraphs 1(e), 9, 14, 15, 16, 17, 18, 19 and 21 of the statement of claim, as not within the jurisdiction of the Federal Court, not incidentally

necessary to the determination of an issue within the jurisdiction of the Federal Court, and failing to disclose a reasonable cause of action,

(iii) striking the relief and allegations related to personal information and breach of *PIPEDA*, including paragraphs 1(e), 9, 12, 25, 26 and 46 of the statement of claim, as not within the jurisdiction of the Federal Court, not incidentally necessary to the determination of an issue within the jurisdiction of the Federal Court, and failing to disclose a reasonable cause of action; and

(iv) striking all claims, relief and allegations as against the personal Defendant, Leon Y. d'Ancona, for ailing to disclose a reasonable cause of action;

(e) the costs of this motion on the allowable highest scale, inclusive of all taxes and disbursements; and

(f) such further and other relief as counsel may request and this Honourable Court may deem just.

AND UPON reviewing the motion records filed on behalf of the parties and hearing submissions of counsel;

The Plaintiff, The Toronto Real Estate Board ("TRREB") has commenced this action, for:

- a declaration under the *Copyright Act* that copyright exists in and that TRREB is the owner or exclusive licensee of the copyrights associated with the TRREB Multiple Listing Service ("MLS");

- a declaration that unauthorized access to and use of the TRREB MLS system and its contents by the Defendants is a breach of TRREB's "confidential and proprietary rights in and to the TRREB MLS system";
- a declaration that the unauthorized copying, data scraping, downloading, distribution etc., is "a breach of TRREB's rights … and is an infringement of TRREB's proprietary rights and copyrights associated therewith;
- a declaration that, in the manner they gained access to the system, the Defendants breached the TRREB MLS technological protection measures contrary to s. 41 of the *Copyright Act*; and
- a declaration that the Defendants' actions breached TRREB's rights under TRREB's Rules and Policies, and breached the provisions of the *Personal Information and Electronic Documents Act* ("PIPEDA").

In addition to the above, TRREB seeks various injunctions, mandatory orders, an accounting and damages. The relief sought by TRREB is from both the corporate entity and individual defendant.

There is no dispute that the applicable test on a motion to strike is that it must be "plain and obvious" that the claims cannot succeed. Put another way, the Statement of Claim must disclose reasonable causes of action that have some prospect of being sustained by the material facts pleaded, and the claims must be within the Federal Court's jurisdiction to determine.

The Federal Court is a statutory court, created under section 101 of the *Constitution Act, 1867* and does not have the inherent jurisdiction of section 96 courts. Whether the Federal Court

has jurisdiction, is governed by a three-part test (*Windsor (City) v. Canadian Transit Co.*, 2016 SCC 54:

(i) there must be a statutory grant of jurisdiction by Parliament;

(ii) there must be an existing body of federal law which is essential to the disposition of the case and which nourishes the statutory grant of jurisdiction;

(iii) the law on which the case is based must be "a law of Canada" as that phrase is used in section 101 of the *Constitution Act, 1867*.

In applying this test, the court must review the pleading and determine the nature ("pith and substance") of the claim and the nature of the remedy sought.

As set out in the prayer for relief, TRREB is asserting claims and is seeking remedies (declaratory, injunctive and/or damages) related to the alleged breach of its copyright in the TRREB MLS system; for breach of some further unspecified proprietary rights (or simply those related to copyright), breach of confidentiality and the Rules and Policies (terms and conditions) governing access to the MLS system, a breach of the technological protection provisions governing access to the TRREB MLS system, and TRREB's privacy rights under PIPEDA.

TRREB submits that its claims of copyright infringement and the related claims of breaches of its technological protection provisions put their case squarely within the jurisdiction of the Federal Court. A similar argument is made in respect of the alleged breaches of PIPEDA. Both the *Copyright Act* and PIPEDA are bodies of federal law in respect of which the Federal Court has jurisdiction as granted by Parliament.

First, with respect to copyright, TRREB does not plead it is the owner of the copyright or expressly how that there has been a breach of copyright. These are defects that might be remedied with pleading amendments or particulars, but the real defect is that the matter of copyright in the TRREB MLS system has already been decided. The Statement of Claim asserts that the MLS system is a unique collection of information and that TRREB selects and collects all of the information using its skill, knowledge and judgment.

The Federal Court of Appeal, in *Toronto Real Estate Board v. Commissioner of Competition* 2017 FCA 236 found that copyright does not exist in the content of the TRREB MLS system. While that case dealt with whether the TRREB's actions were anti-competitive, TRREB asserted its copyright in the MLS system as a positive defence. In doing so TRREB was obliged to put its best foot forward in terms of the evidence. I am not persuaded as TRREB submits that because the FCA case was for a different purpose, the issue should be re-litigated. Either there is copyright, or there is not.

The Federal Court of Appeal dealt with the issue of copyright "for completeness" because while it found the Competition Tribunal came to the correct conclusion (no copyright), it agreed with TRREB that the Competition Tribunal applied the wrong test (the Tribunal applied a threshold of creativity). The correct test is whether the MLS system met a threshold of originality – whether there was the sufficient exercise of skill and judgment/discernment in the compilation of the material that comprised the MLS system, or whether the compilation was a mechanical exercise. The Federal Court of Appeal agreed with the conclusion reached by the Competition Tribunal that there was no copyright in the TRREB MLS system, but found clearly

that TRREB failed to establish in respect of the work, the requisite degree of skill, judgment or labour needed to show originality to satisfy the requirements to establish copyright.

As noted by the Defendants, without establishing copyright, there can be no claim for breach of technological protections measures under section 41 of the *Copyright Act*.

This leaves PIPEDA as the remaining body of federal law in issue, as pleaded in the Statement of Claim. In that regard, there is no independent cause of action for breach of the statute. Persons with complaints regarding privacy and the use of their personal information as defined in PIPEDA must follow the complaints regime established by the statute before engaging the Federal Court. A complaint must be filed with the Privacy Commissioner as set out in section 14 of PIPEDA. The Commissioner investigates and issues a report. Only after the Commissioner issues the report can a complainant commence an application. The process has not been followed and the Federal Court is otherwise without jurisdiction to deal with TRREB's complaint that there is a breach of PIPEDA as a claim independent of the requirements and process of the statute.

Accordingly, I am satisfied that it is plain and obvious that neither the *Copyright Act* nor PIPEDA claims can succeed.

The remaining complaints/issues can be characterized as relating to:

- breaches of some other proprietary rights;
- a breach of confidentiality; and
- a breach of TRREB's Rules and Policies governing access to the MLS system and use of its contents.

These appear to be claims in contract or tort and are not grounded in federal law. Given my determination regarding the binding FCA decision that there is no copyright in TRREB's MLS system and that the PIPEDA claims cannot stand, these other claims cannot be necessarily incidental to claims grounded in federal law and cannot be determined in the Federal Court.

Finally, although not necessary for the purposes of the within motion, I would strike the individual defendant from the claim. There is only the one paragraph in the Statement of Claim (para.4) that simply identifies him. There is nothing in the Statement of Claim that alleges conduct outside the usual scope of conduct that a director or officer would engage in that would attract personal liability. For a director or officer to be liable for the company's misconduct, there must be circumstances from which it can be reasonably concluded that their purpose was not directing operations in the normal course – there must be something more – a deliberate pursuit of actions with the knowledge and intent (or indifference) that it was likely to constitute infringement (*Mentmore Manufacturing Co. v. National Merchandising Manufacturing Co.* 1978, 89 D.L.R. (3d) 195 (FCA).

In light of the above, the motion will be granted in its entirety and with costs to the Defendant. I will, however, strike the Statement of Claim with leave to amend. The vague claims of confidentiality and proprietary rights are unlikely to be grounded in federal law such that the jurisdiction of the Federal Court is engaged. However, I cannot be sure on the wording of the Statement of Claim and so the benefit of the doubt will go to the Plaintiff.

THIS COURT ORDERS that the motion is granted, with costs to the Defendants, and the Statement of Claim is struck, with leave to amend.

"Martha Milczynski"
Case Management Judge