IN THE SUPREME COURT OF BRITISH COLUMBIA

Citation: *Equustek Solutions Inc. v. Jack,* 2018 BCSC 610

Date: 20180416
Docket: S112421
Registry: Vancouver

Between:

Equustek Solutions Inc., Robert Angus, and Clarma Enterprises. Ltd.

Plaintiffs

And

Morgan Jack aka Matt Garcia aka Matt Garci aka Ian Taylor, Andrew Crawford aka Derek Smythe, Datalink Technology Gateways Inc., Datalink 5, Datalink 6, John Doe, Datalink Technologies Gateways LLC, Lee Ingraham aka Darren Langdon, Mike Bunker, Igor Cheifot aka Jolio Fernandez, Alexander Cheifot aka Randy Schtolz, Frank Geiger aka Felix Fernandez, Alfonso Doe, and Colin Marsh and Kathleen Marsh

Defendants

Before: The Honourable Mr. Justice Smith

Reasons for Judgment

Counsel for the Plaintiffs:	R. Fleming
Counsel for the Defendants:	No Appearance
Counsel for Non-Party, Google LLC:	T.M. Cohen, Q.C. R. Schechter
Place and Date of Hearing:	Vancouver, B.C. March 6-8, 2018
Place and Date of Judgment:	Vancouver, B.C. April 16, 2018

[1] On June 13, 2014, this Court issued an injunction requiring Google to remove certain websites from its internet search results worldwide. Those websites were operating in violation of previous court orders and were being used

to market a product that the plaintiffs say was developed through theft of their trade secrets.

[2] The injunction was upheld by both the Court of Appeal and the Supreme Court of Canada, but Google then obtained an order from a California court making it unenforceable in the United States. Google now applies to set aside or vary the injunction.

[3] Google is not a party to this action. The websites at issue are associated with the defendant Morgan Jack and companies of which he is the principal (the "Datalink Defendants"). The Datalink Defendants have left British Columbia and carry on business from an unknown location. Their defence has been struck, but a trial involving other defendants has now begun before Justice Duncan. The injunction is only in effect until the conclusion of the trial or further order, but counsel for the plaintiffs indicated in argument that they may apply for a permanent injunction following conclusion of the trial. I make no comment on the possible or likely outcome of such an application.

[4] The plaintiffs manufacture networking devices that allow communication between complex industrial equipment made by different manufacturers. They allege that the Datalink Defendants, while acting as distributors of the plaintiffs' products, designed and manufactured a competing product, the GW1000, using the plaintiffs' trade secrets.

[5] The circumstances giving rise to the injunction were summarized by Justice Fenlon, as she then was, in *Equustek Solutions Inc. v. Jack*, 2014 BCSC 1063 at paras. 6–8:

> [6] This underlying action was commenced on April 12, 2011. The [Datalink] defendants failed to comply with various court orders from the outset of proceedings, resulting in the defences of Morgan Jack and Datalink Technologies Gateways Inc. being struck in June 2012.
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> [7] The defendants originally carried on business in Vancouver but now appear to operate as a virtual company. They carry on business through a complex and ever expanding network of websites through which they advertise and sell their product. These websites have been the subject of numerous court orders, including a December 2012 order prohibiting the defendants from carrying on business through any website. The defendants continue to sell the GW1000 on their websites in violation of these court orders.

> [8] Google is not a party to this action. It operates and maintains internet search services that include the defendants' various websites in Google's search results. Google acknowledges that it has the ability to remove websites from its search engine results, and routinely does so in various situations.

[6] Fenlon J. concluded that this Court has territorial competence over Google, that British Columbia was the appropriate forum, and that the order was necessary in the circumstances as stated at paras. 156 and 159:

> [156] Google is an innocent bystander but it is unwittingly facilitating the defendants' ongoing breaches of this Court's orders. There is no other practical way for the defendants' website sales to be stopped. There is no other practical way to remove the defendants' websites from Google's search results.
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> …
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> [159] The Court must adapt to the reality of e-commerce with its potential for abuse by those who would take the property of others and sell it through the borderless electronic web of the internet. I conclude that an interim injunction should be granted compelling Google to block the defendants' websites from Google's search results worldwide. That order is necessary to preserve the Court's process and to ensure that the defendants cannot continue to flout the Court's orders.

[7] Google complied with the injunction and delisted the Datalink Defendants' websites from its search results globally. However, the Datalink Defendants continued to develop and operate new websites selling the GW1000. The schedule of websites attached to the injunction order was varied by several subsequent orders to address evolving iterations of the allegedly offending websites.

[8] On an appeal by Google, *Equustek Solutions Inc. v. Google Inc.*, 2015 BCCA 265, the Court of Appeal agreed that this Court had territorial competence and upheld the injunction, although it recognized that the Court must be cautious in making orders with extra-territorial effect and, in particular, orders that may interfere with freedom of expression in other countries. Justice Groberman said at paras. 91-94:

> [91] …From a comity perspective, the question must be whether, in taking jurisdiction over this matter, British Columbia courts have failed to pay due respect to the right of other courts or nations. The only comity concern that has been articulated in this case is the concern that the order made by the trial judge could interfere with freedom of expression in other countries. The importance of freedom of expression should not be

> underestimated. As the Canadian Civil Liberties Association has said in its factum:
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> > A nation's treatment of freedom of expression is a core part of its self-determination, rooted in the nation's historical and social context, and the ways in which its constitutional values (whether written or unwritten), norms and legal system have evolved.
>
> [92] For that reason, courts should be very cautious in making orders that might place limits on expression in another country. Where there is a realistic possibility that an order with extraterritorial effect may offend another state's core values, the order should not be made.
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> [93] In the case before us, there is no realistic assertion that the judge's order will offend the sensibilities of any other nation. It has not been suggested that the order prohibiting the defendants from advertising wares that violate the intellectual property rights of the plaintiffs offends the core values of any nation. The order made against Google is a very limited ancillary order designed to ensure that the plaintiffs' core rights are respected.
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> [94] I note, as well, that the order in this case is an interlocutory one, and one that can be varied by the court. In the unlikely event that any jurisdiction finds the order offensive to its core values, an application could be made to the court to modify the order so as to avoid the problem.
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> [My emphasis added]

[9] The Supreme Court of Canada dismissed Google's appeal in *Google Inc. v. Equustek Solutions Inc.*, 2017 SCC 34. Writing for the majority, Justice Abella referred to the above comments by Groberman J.A. and said at para. 46:

> 46 If Google has evidence that complying with such an injunction would require it to violate the laws of another jurisdiction, including interfering with freedom of expression, it is always free to apply to the British Columbia courts to vary the interlocutory order accordingly. To date, Google has made no such application.
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> [My emphasis added]

[10] On July 24, 2017, approximately one month after the Supreme Court of Canada decision, Google filed a complaint with the United States District Court in California, seeking an order that the injunction issued by this Court is unlawful and unenforceable in the United States. That order was granted, first on a preliminary application on November 2, 2017 and then in a final ruling on December 14, 2017.

[11] Google's applications before the U.S. District Court were unopposed. Although the plaintiffs in this action were named as defendants in the California action, they did not attorn to the jurisdiction and did not defend the action.

[12] Google argues that, as a result of the California judgment, the hypothetical situation that Groberman J.A. considered to be unlikely has, in fact, arisen: another jurisdiction has found this Court's injunction to be "offensive to its core values".

[13] In initiating the U.S. proceedings and seeking a determination that the injunction was contrary to U.S. law, Google appears to have advanced a position contrary to the one it took before Fenlon J. In her judgment, Fenlon J. said at para. 144:

> [144] In the present case, Google is before this Court and does not suggest that an order requiring it to block the defendants' websites would offend California law, or indeed the law of any state or country from which a search could be conducted. Google acknowledges that most countries will likely recognize intellectual property rights and view the selling of pirated products as a legal wrong.

Google now maintains that its right of free speech, including its decision about what websites to link to, is separate and distinct from any objectionable content that may appear on those websites.

[14] In granting the orders sought by Google, Judge Davila of the U.S. District Court held that the injunction makes Google liable as the "publisher or speaker" of the information on the Datalink Defendants' websites. He held that was contrary to a U.S. federal statute, the *Communications Decency Act*, 47 U.S.C. §230 [*CDA*] which states in part at §230(c)(1):

> No provider of user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.

The same statute goes on to protect a provider of interactive services from liability if it restricts access to information that it considers "obscene, lewd, lascivious, filthy, excessively violent, harassing or otherwise objectionable, whether or not such material is constitutionally protected".

[15] Judge Davila said the injunction "undermines the policy goals of [the *CDA*] and threatens free speech on the global internet". Having made that finding, Judge Davila said he did not need to address Google's further argument that the injunction was an infringement of its right of free speech guaranteed by the First Amendment of the U.S. Constitution. However, Google argues that the *CDA* is

based on First Amendment principles as it is intended to promote freedom of expression.

[16] On this application, Google raised a number of arguments that were before both Fenlon J. and the appellate courts and were fully dealt with, including issues of extraterritorial effect and enforceability. Google relied on, among other cases, *United Services Fund (Trustees of) v. Richardson Greenshields of Can. Ltd.* (1988), 23 B.C.L.R. (2d) 1 (C.A.), for the proposition that the Court ought not to grant orders it cannot enforce, particularly orders against innocent third parties. In 2015 BCCA 265, Groberman J.A. said at para. 83:

> [83] I accept that *United Services Fund* establishes the importance of both pragmatic considerations and of comity in determining the extent to which the Supreme Court will grant orders with extra-territorial effect. On the other hand, I do not accept that the case law establishes the broad proposition that "the court is not competent to regulate the activities of non-residents in foreign jurisdictions."

[17] In 2017 SCC 34, Abella J. said at paras. 37 and 38:

> 37 The British Columbia courts in these proceedings concluded that because Google carried on business in the province through its advertising and search operations, this was sufficient to establish the existence of *in personam* and territorial jurisdiction. Google does not challenge those findings. It challenges instead the global reach of the resulting order. Google suggests that if any injunction is to be granted, it should be limited to Canada (or google.ca) alone.
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> 38 When a court has *in personam* jurisdiction, and where it is necessary to ensure the injunction's effectiveness, it can grant an injunction enjoining that person's conduct anywhere in the world. [citations omitted]

[18] Where an interlocutory or interim injunction has been issued on the basis of evidence and full argument, it may be varied only where the evidence establishes a material change in the facts or circumstances that gave rise to the original order. That reconsideration has been described as an extraordinary measure on which the applicant bears a heavy burden: *Abbotsford (City) v. Shantz*, 2014 BCSC 2385 at paras. 25–27. The court in *Abbotsford* said at para. 27:

> [27] Without such a threshold before reconsideration may occur, it would be open to parties to essentially re-argue, time and again, matters where they had been previously unsuccessful, simply on the basis of some new evidence, or on the basis of some refined analysis of the evidence previously tendered. The onus on the applicant to establish a material change in circumstance is a substantial one.

[19] I find it is not open to me to revisit all issues relating to extra-territoriality and judicial comity that were before all three levels of court in the prior proceedings. On those issues, the Supreme Court of Canada has defined in advance the change of circumstance that will justify a reconsideration: Google could apply to vary on the basis of evidence that the injunction would "require it to violate the laws of another jurisdiction, including interfering with freedom of expression". Google says that should be interpreted broadly, noting that the Supreme Court of Canada cited Groberman J.A.'s reference to "core values". It says the injunction violates core American values by interfering with freedom of speech.

[20] The U.S. decision does not establish that the injunction requires Google to violate American law. That would be the case if, for example, the Datalink Defendants obtained an order from a U.S. court requiring Google to link to their websites. But there is no suggestion that any U.S. law prohibits Google from de-indexing those websites, either in compliance with the injunction or for any other reason. Absent the injunction, Google would be free to choose whether to list those websites and the injunction restricts that choice, but injunctions frequently restrain conduct that would otherwise be *prima facie* lawful. A party being restricted in its ability to exercise certain rights is not the same thing as that party being required to violate the law. I interpret the words of Abella J. as being primarily limited to the latter situation.

[21] But even if I am wrong in that, Google has not demonstrated that the injunction violates core American values. I assume rights guaranteed by the First Amendment can be regarded as core values, but Judge Davila expressly declined to rule on Google's submissions that its First Amendment rights were violated by the injunction. Google argues the First Amendment was engaged because it drives the policy underlying both the statute and the decision. In my view, the decision of Judge Davila should not be interpreted to mean more than it actually says, particularly as Google's application was unopposed and the Court did not have the benefit of any contrary arguments.

[22] The effect of the U.S. order is that no action can be taken against Google to enforce the injunction in U.S. courts. That does not restrict the ability of this Court

to protect the integrity of its own process through orders directed to parties over whom it has personal jurisdiction.

[23] Although the California court decision is the primary fact that Google relies on as a material change of circumstances, Google also says circumstances have changed in a number of other ways.

[24] The interlocutory injunction is in effect to the conclusion of the trial. In 2015 BCCA 265, Groberman J.A. at para. 112 suggested, but did not decide, that an order of this kind might more appropriately be limited with reference to a time period, such as months or years, rather than the progress of the action.

[25] Google argues that there has been an unreasonable delay in the prosecution of the action. It says that at the time the injunction order was granted, the trial was scheduled to be heard within three months, on September 15, 2014. That trial date was adjourned, as was a further trial date. Google says that the plaintiffs "have failed in their obligation to employ reasonable dispatch to bring this matter to trial".

[26] On the material before me, I cannot conclude that the delays in getting this matter to trial are the result of any dilatory or unreasonable conduct on the part of the plaintiffs.

[27] At the time this application was argued, the trial was imminent. Google's scepticism about whether the trial would go ahead was reasonable in light of the previous adjournments, but the trial is now underway. The injunction will soon cease to be in effect, subject to any further application the plaintiffs may bring, therefore I do not consider it necessary to deal with the delay argument.

[28] A further change in circumstances put forward by Google is that it has changed its geolocation system in a way that would make an injunction aimed only at restricting internet searches originating in Canada more effective. Previously, internet users with Canadian Internet Protocol addresses were directed to Google's Canadian search engine, Google.ca. But by selecting "go to google.com" they could obtain Google's search service for the United States. Users could also access services for other countries by entering the appropriate uniform resource locator ("URL"), such as www.google.co.uk for the United Kingdom.

[29] Google has now changed its system so that it now delivers search results based by default on the user's location, regardless of the Google URL the user enters. That means website delisting would continue to be effective for all users identified as being in Canada, unless those users took specific steps to alter the settings on their computers.

[30] That is, at best, a partial answer to the concerns that led to the injunction. Fenlon J. found that the majority of sales by the Datalink Defendants originate primarily in other countries, and Abella J. in 2017 SCC 34 said at para 41:

> 41 … The problem in this case is occurring online and globally. The Internet has no borders -- its natural habitat is global. The only way to ensure that the interlocutory injunction attained its objective was to have it apply where Google operates -- globally. As Fenlon J. found, the majority of Datalink's sales take place outside Canada. If the injunction were restricted to Canada alone or to google.ca, as Google suggests it should have been, the remedy would be deprived of its intended ability to prevent irreparable harm.

[31] Google argues that the injunction has not prevented the Datalink Defendants from continuing to sell their product on the internet. Their websites still exist and are apparently still accessible through means other than Google. I agree with the plaintiffs that the fact the injunction has not succeeded in putting the Datalink Defendants out of business does not mean it has been ineffective or has not made it more difficult for potential customers to find them. Its effectiveness has been shown by the constant efforts of the Datalink Defendants to evade it by creating new websites.

[32] In proving damages in the current trial, the plaintiffs will presumably have to show the impact of the Datalink Defendants' conduct on their business, both before and after the injunction. That may incidentally be the best evidence of the injunction's effectiveness and will likely be relevant to any application to extend the injunction. I decline to make findings on matters where Duncan J. will likely have better and more complete evidence than what is before me.

[33] The same applies to Google's argument that the financial circumstances of the plaintiffs is different from what the Court was told at the hearing before Fenlon J. The injunction was issued on the basis that it was necessary to prevent irreparable harm to the plaintiffs because the plaintiff company Equustek has suffered financial losses arising from the conduct of the Datalink Defendants.

Google says, on the evidence now available, that Equustek has been insolvent for many years irrespective of the conduct of the Datalink Defendants.

[34] Again, it is simply not appropriate that I make findings on the financial status of Equustek at this stage. That is clearly a matter that Duncan J. will have to consider in the present trial in order to determine whether and in what amount the plaintiffs have suffered a loss as a result of the conduct of any defendants.

[35] Google also argues that new evidence raises questions about the plaintiffs' entitlement to seek equitable relief. In particular, it argues that the plaintiff Robert Angus, the principle of Equustek, had not come to Court with clean hands. This argument relates to earlier litigation between Equus Technologies Inc. ("Equus"), a predecessor company, and Colin Marsh, who was added as a defendant in this action after the injunction was granted.

[36] In 2003, this Court dismissed the claim of Equus against Mr. Marsh—*Equus Tech. v. Sage Automation*, 2003 BCSC 315—and Google says Equus failed to pay a special costs award: 2003 BCSC 1783. Aside from the fact that the award was made against a different company than the one now party to this action, I am concerned that the history between Mr. Angus and Mr. Marsh may be relevant to the matters now before Duncan J. and I decline to consider it.

[37] Finally, Google argues that the Supreme Court of Canada has changed the test for granting a mandatory injunction. At the time the injunction in this case was granted, the well-established tests for the granting of an interlocutory injunction were set out in *RJR-Macdonald Inc. v. Canada (Attorney General)*, [1994] 1 S.C.R. 311 [*RJR-Macdonald*]. The applicant must demonstrate that there is a serious question to be tried, that it will suffer irreparable harm if the injunction is not granted, and that the balance of convenience favours the granting of the injunction.

[38] That is still the law, but the Supreme Court of Canada has modified it in respect to mandatory injunctions. In *R. v. Canadian Broadcasting Corp.,* 2018 SCC 5, the Court said that where a mandatory injunction is sought, the applicant must show not just a serious question to be tried, but a strong *prima facie* case they will succeed at trial.

[39] That change in the test does not, in my view, have any impact in this case because the strong *prima facie* case the plaintiffs must demonstrate has been adequately established against the Datalink Defendants. Groberman J.A. in 2015 BCCA 265 at para. 101 effectively said the plaintiffs had shown substantially more than the "serious question to be tried" required by *RJR-MacDonald*:

> [101] It appears obvious that the plaintiffs satisfied the first two tests in this case. Their case against the defendants appears to be a very strong one – indeed, the defendants appear to have, for all intents and purposes, abandoned the defence of the claim. …

[40] Google correctly points out that the striking of the Datalink Defendants' defence is not necessarily conclusive of the ultimate outcome. The court hearing the trial can still exercise its discretion in assessing the plaintiffs' claims. However, it cannot be said that striking the defence does not give the plaintiffs a strong *prima facie* case.

[41] The application to set aside or vary the injunction is dismissed.

"Smith J."