COURT OF APPEAL FOR BRITISH COLUMBIA

Citation: *Equustek Solutions Inc. v. Google Inc.,*
2014 BCCA 295

Date: 20140723
Docket: CA041923

Between:

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

Respondents
(Plaintiffs)

And:

**Morgan Jack, Datalink Technologies Gateways Inc.
and Datalink Technologies Gateways LLC**

Respondents
(Defendants)

And:

Google Inc.

Appellant
(Respondent)

Before: The Honourable Mr. Justice Willcock
(In Chambers)

On appeal from: An order of the Supreme Court of British Columbia, dated June 13, 2014 (*Equustek Solutions Inc. v. Jack*, 2014 BCSC 1063, Vancouver Registry S112421).

Counsel for the Appellant:	S.R. Schacter, Q.C. G.B. Gomery, Q.C. J. Bunting P.R. Senkpiel
Counsel for the Respondent Equustek Solutions Inc.:	R. Fleming
Place and Date of Hearing:	Vancouver, British Columbia July 8, 2014
Place and Date of Judgment:	Vancouver, British Columbia July 23, 2014

Summary:

Following the granting of an injunction against a non-resident non-party, an application for leave to appeal and an interim stay of the order pending appeal were considered. Leave is granted; the appeal cannot be said to be without merit and the issues on appeal are novel and important. The interim stay is dismissed; the applicant is unable to demonstrate irreparable harm is likely to be incurred pending the hearing of the appeal.

Reasons for Judgment of the Honourable Mr. Justice Willcock:

[1] On June 13, 2014, the plaintiff, Equustek Solutions Inc., obtained an interim injunction restraining Google Inc. from indexing or referencing specific websites identified in the schedule to the plaintiffs' notice of application in search results on its search engines.

[2] The order was made with a view toward limiting access to websites through which the defendants in the underlying action had been advertising and selling products in breach of the plaintiffs' intellectual property rights and contrary to court orders. The order was made by Madam Justice Fenlon for reasons indexed at 2014 BCSC 1063.

[3] Google promptly brought on an application for leave to appeal that order and, in the event it could obtain leave, for a partial interim stay of the order pending the hearing of the appeal.

[4] On the hearing of Google's application I made an order granting leave to appeal, with reasons to follow, and reserved judgment on the application for an interim stay. For reasons set out below, the application for a stay is dismissed.

Background

[5] The underlying action was described by the judge in paras. 3-9 of the reasons for judgment:

> [3] The plaintiffs manufacture networking devices that allow complex industrial equipment made by one manufacturer to communicate with complex industrial equipment made by another manufacturer.

> [4] The plaintiffs claim that the defendants other than Andrew Crawford and Lee Ingraham (hereinafter referred to as "the defendants"), while acting as a distributor of the plaintiffs' products, conspired with one of the plaintiffs' former engineering employees and others to design and manufacture a competing product, the GW1000. The plaintiffs say that the defendants designed their competing product using the plaintiffs' trade secrets.
>
> [5] The plaintiffs also claim that for many years before they made the GW1000 the defendants covered over the plaintiffs' name and logo and passed off the plaintiffs' products as their own. Later when the defendants began manufacturing the GW1000, they relied on the plaintiffs' goodwill by exclusively advertising the plaintiffs' products on their websites. The defendants then delivered their own competing product when they received orders for the plaintiffs' products, in a tactic amounting to "bait and switch".
>
> [6] This underlying action was commenced on April 12, 2011. The 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.
>
> [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.
>
> [9] Following the December 2012 order prohibiting the defendants from carrying on business through any website, Google voluntarily complied with the plaintiffs' request to remove specific webpages or uniform resource locations ("URLs") from its Google.ca search results (*i.e.* from searches originating in Canada), removing 345 URLs in total. However, Google is unwilling to block an entire category of URLs, sometimes referred to as "mother sites" from its search results worldwide.

[6] The issues addressed by the judge were described in para. 12 of the reasons for judgment:

> [12] The application raises three main issues:
>
> (i) Does this Court have territorial competence over a worldwide internet search provider such as Google?

(ii) If the answer to the first question is yes, should this Court decline to exercise jurisdiction on the basis that California is the more appropriate forum?

(iii) Should the order sought be granted?

[7] These issues, in turn, required the judge to address a number of complex questions, some of which were novel. A summary description of the conclusions of the judge will not do justice to her analysis of the issues, but will serve to identify questions that may be raised on appeal:

a) In relation to territorial competence, the Court found:

i. on the onus of proof: the plaintiff is required to prove that the court has territorial competence over Google on a balance of probabilities;

ii. on the question of the relevant "proceeding" for the purpose of establishing a real and substantial connection between British Columbia and the facts on which the proceeding is based: the "proceeding" under consideration is not the underlying dispute between the plaintiffs and defendants but the proceeding to obtain the relief sought against Google;

iii. in relation to the criteria identified in the *Court Jurisdiction and Proceedings Transfer Act,* S.B.C. 2003, c. 28 ("*CJPTA*"): the order sought does not relate to Google "taking steps in British Columbia or in relation to property in British Columbia";

iv. in relation to those criteria: the claim may be considered to be a claim for an injunction ordering a party to refrain from doing something "in relation to movable property in British Columbia";

v. this is a weak but a sufficient connecting factor to give the court territorial jurisdiction under the provisions of the *CJPTA;*

vi. the application concerns business carried on in British Columbia as Google sells advertising to British Columbia residents, its search and advertising services are inextricably linked, and its Internet search websites are not passive information sites;

vii. once the court has *in personam* jurisdiction, it has jurisdiction for all purposes; and

viii. held the court has territorial competence over Google.

b) In relation to the appropriate forum, the Court:

i. dismissed Google's argument that the order ought not to be made because an out-of-court remedy is available to the plaintiffs;

ii. found that comparative convenience and expense favour British Columbia as a more appropriate forum than any other in which to seek the order;

iii. found the desirability of avoiding multiplicity of proceedings favours consideration of the application in British Columbia;

iv. dismissed Google's assertion that the court will be powerless to enforce its order outside British Columbia; and

v. held that it has equitable jurisdiction to make an order against a non-party in the circumstances of this case noting, "the fact that an injunction has not before been made against an Internet search provider such as Google is reason to tread carefully, but does not establish that the Court does not have subject matter competence."

c) In relation to the granting of the order, the Court:

i. dismissed Google's argument that it should not make an order affecting searches worldwide because doing so might require Google to contravene the law of another jurisdiction, finding there was no evidence the order sought would offend the laws of any other country;

ii. dismissed Google's argument that no court should make an order that has a reach extending around the world, finding that the injunction sought would compel Google to take steps in California or the state in which its search engine is controlled, and would not therefore direct

that steps be taken around the world, despite the fact that the effect of the injunction would reach beyond one state; and

iii. held the balance of convenience favours the granting of the order sought by the plaintiffs and that the granting of the injunction is just and equitable in all the circumstances of the case.

The Application for Leave to Appeal

[8] An order granting an injunction is a limited appeal order and leave is required to appeal such an order. On an application for leave the Court must consider:

a) whether the point on appeal is of significance to the parties;

b) whether the point raised is of significance to the action itself;

c) whether the appeal is *prima facie* meritorious or, on the other hand, whether it is frivolous; and

d) whether the appeal will unduly hinder the progress of the action.

Power Consolidated (China) Pulp Inc. v. B.C. Resources Investment Corp. (1988), 19 C.P.C. (3d) 396 (B.C.C.A.).

[9] Google says the order has obvious significance to the parties and is particularly significant to Google and to the global community it serves. The order of the court below raises profound issues as to the competence of Canadian courts to issue global injunctions that affect what content users around the world can access on the Internet.

[10] It says that while the injunction is an interim order in the underlying action, it is the final word in relation to the plaintiffs' right to enjoin Google; the appeal will decide the only issue between the plaintiffs and Google.

[11] In relation to the merits of the appeal, Google says the order granted is unprecedented in Canadian law, insofar as the injunction was granted against a non-party conducting legitimate business independent of the impugned conduct of the defendants. Google says the jurisdiction of the court to make orders against non-

parties has been, and should be, limited to cases of deliberate flouting of a court order by non-parties and well-established but narrow rights to obtain discovery from non-parties. Google says no case goes so far as to grant an order similar to the order granted by Fenlon J.

[12] Further, Google says the injunction is overly broad, targeting expressions by persons rather than specific content.

[13] While the plaintiffs acknowledge the judgment raises important issues they argue that an appeal does not lie from a judgment simply because it is a departure from precedent. They say Google must discharge the burden of identifying specific errors in the reasons for judgment in order to obtain leave to appeal.

[14] In my view, it will not be difficult for Google to establish points at which the judgment may be said to be a departure from precedent that may be challenged in principle on appeal.

[15] The question of a national court's jurisdiction over Google and the issue of what obligations are owed by operators of search engines to avoid harm arising from data that can be located, indexed, and made available to Internet users, has recently been considered by the Court of Justice of the European Union in *Google Spain SL and Google Inc. v. Agencia Española de Protección de Datos (AEPD) and Mario Costeja González*, C-131/12 [not yet published]. In that case, as in the case at bar, the court considered the connecting factors giving rise to jurisdiction. The case arose out of the availability and circulation of data obtained with the assistance of Google's search platform in Spain. The court grappled with questions including: whether Google was "processing data"; whether Google was a "controller" of that data; whether it could be said that Google's processing of data was carried on in the territory of a member state of the European Union; and whether the local advertising activities of Google Spain were directly linked to the indexing or storage of information by Google Inc. Although almost all of these questions were answered against the interests of Google, and in a manner that may be reconciled with the judgment appealed from in this case, the legal arguments are clearly complex. It

cannot be said that the position taken by Google in the *Gonzalez* case, resembling the position it will take on this appeal, was without merit.

[16] Google argues that in the rare cases where the courts have granted worldwide injunctions, and specifically in this jurisdiction in *Mooney v. Orr* (1994), 98 B.C.L.R. (2d) 318 (C.A.), such injunctions are a departure from precedent and can said to be issued for the purpose of preserving the effectiveness of the judgment of the courts. It relies upon the view expressed in *Reynolds v. Harmanis* (1995), 39 C.P.C. (3d) 364 (B.C.S.C.), by Esson C.J.S.C., that the precedent established in *Mooney* should not be extended to apply to cases where both the defendant and its assets are outside the jurisdiction.

[17] Google, in this regard, refers the court to discussion of the propriety of worldwide *Mareva* orders in Vaughan Black & Edward Babin, "Mareva Injunctions in Canada: Territorial Aspects*"* (1997) 28 Can Bus LJ 430. As the authors note, at pp. 453-454: the question of the effect of extraterritorial injunctions on non-parties not present in the jurisdiction raises concerns additional to those that arise in respect of exterritorial injunctions against those present in the jurisdiction.

[18] The jurisprudence reflects Google's submission that the extent of the court's jurisdiction to grant injunctions with extraterritorial effect has been circumscribed but is evolving. It is arguable that the injunction was issued in this case in circumstances that do not meet the description, in the jurisprudence, of those in which the discretion to do so should be exercised.

[19] The issues on appeal are important to the parties but, more significantly, are important to those engaged in e-commerce generally.

[20] Although the appeal is from an interlocutory judgment it is, as the trial judge pointed out, the final word on the questions between the plaintiff and Google. In the course of argument, counsel for the plaintiff acknowledged that if the jurisdictional basis for the granting of the injunction is not considered on appeal there will be no occasion on which the issue will be revisited in the underlying litigation. The order

made by Fenlon J. will finally determine Google's obligation to block search results on a worldwide basis at the instance of Canadian litigants.

[21] This is clearly a case where there are arguable novel and complex issues raised on appeal and the importance of those issues to the parties, and generally, call for the granting of leave to appeal. For that reason I granted leave in chambers on July 8, 2014.

Interim Stay

[22] Google applies for a partial stay of the order of the court below while the appeal is pending. It does not seek a stay of the order insofar as the searches conducted on the platform Google.ca are concerned. It does, however, seek a stay of the order requiring it to block search results on all other platforms.

[23] The onus is on Google on such an application to establish, pursuant to the three-stage test set out in *British Columbia (Milk Marketing Board) v. Grisnich* (1996), 50 C.P.C. (3d) 249 at 252 (B.C.C.A.):

a) there is some merit to the appeal, in the sense that there is a serious question to be determined;

b) irreparable harm will be occasioned to Google if the stay is refused; and

c) the balance of convenience favors a stay.

[24] As noted above, there is clearly a serious question to be determined on the appeal.

[25] Through its counsel, Google has given an undertaking as to damages with a view toward tilting the balance of convenience in favor of a stay. Although Google is not a defendant in the underlying proceedings and no relief is otherwise sought against Google, it has taken the extraordinary step of undertaking to pay such damages as the plaintiff may be able to establish it has sustained as a result of an interim partial stay of the order until the hearing of the appeal. Google will track traffic to offending websites and provide that information to plaintiff. If the plaintiff can

establish that it has lost profits as result of the continuing operation of those websites in the interim, Google will make good the damages thus sustained. This is a significant undertaking on Google's part and demonstrates the extent to which Google attaches a commercial value to its ability to provide unfiltered searches to its customers on a global basis. The plaintiff says this is a small measure of comfort. It asks rhetorically: "what value is it to have the right to sue Google for damages?" It rightly points out that, notwithstanding Google's undertaking, it will face the difficult task of establishing the value of its lost profits in the event the appeal is dismissed. That loss will be difficult to ascertain and may be incalculable. It further says there is a significant risk it will lose future sales and its intellectual property generally if access to the offending websites is not blocked.

[26] The plaintiff says if there is a stay it will suffer irreparable harm notwithstanding the undertaking and that Google will suffer no such harm. In my view, despite the undertaking, the balance of convenience favours the dismissal of the application for a stay.

[27] The lack of evidence of irreparable harm, in particular, leads me to the conclusion that Google's application must be dismissed. As this Court noted in *B.C. (A.G.) v. Wale* (1986), 9 B.C.L.R. (2d) 333 at 345, an interlocutory injunction should generally not be granted unless there is doubt whether damages would be an adequate remedy:

> The requirement that there be doubt as to whether damages will be an adequate remedy is basically a matter of common sense. If damages will be an adequate remedy, and if it appears that the alleged offender can pay them, the court is generally not justified in giving one party his remedy to the detriment of the other before the issues have been tried.

[28] Irreparable harm, of course, refers to the nature of the harm suffered rather than its magnitude. Any harm that is irreparable in the legal sense may ground an injunction.

[29] Google says that if the order is enforced pending the hearing of the appeal and if it filters search results globally, doing so will have a "direct and irreversible impact" on Google.

[30] Google does not lead evidence to the effect, or argue, that it or the public will suffer irreparable harm as a result of the specific order made below. There is no evidence significant costs will be incurred by Google to effect the order, or that costs of compliance will be irreparable. Nor will the inability of customers to find the offending websites online *per se* damage Google's image or business. It does not allege that there is any harm to the public arising from the blocking of the specific Internet sites identified by the injunction. In that sense it does not allege harm to the public interest of the sort considered in *Canadian Federation of Students v. Greater Vancouver Transportation Authority,* 2007 BCCA 221.

[31] Google argues, rather, that it will suffer irreparable harm as a result of the precedent established by the granting and enforcement of the injunction. It says the fact a Canadian court has made an order limiting worldwide search results and the fact the order has not been stayed pending an appeal, will have serious and damaging effects on its clients and its business. It argues the enforcement of the injunction and presumably its observation by Google may result in other jurisdictions regarding Google as a vehicle for global enforcement of their laws. It makes a "floodgates" argument to the effect that similar orders in other jurisdictions may result in global content on the Internet being reduced to the lowest common denominator. It is of the view that compliance with the order would cause users to lose trust in the credibility of the Google search engine and lead to a loss of business.

[32] In order to address this allegation of irreparable harm it is necessary to isolate the harm that is said to arise from the precedent established by the judgment of the British Columbia Supreme Court, on the one hand, from the harm said to result from the refusal to stay that judgment pending the hearing of the appeal, on the other.

[33] The order made below is deemed to be valid and correct until and unless it is reversed on appeal. Any harm said to arise from the making of the order and its publication, the unhappy precedent, as Google sees it, has already been incurred. This Court, on an application for a stay, cannot deny the existence of the precedent established by the judgment below or pronounce upon the merits of the appeal, except to say that the appeal is not devoid of merit. If the injunction is set aside on appeal, the decision below will ultimately, and perhaps shortly, have no precedential value. In the meantime, it has precedential value whatever a justice of this Court may say on a stay application.

[34] Google's argument that a refusal to grant a stay pending the hearing of the appeal, or what it refers to as "the enforcement of the order" pending the appeal, will itself have significant and negative precedential value. This suggests that even if the order is set aside on appeal, Google will suffer irreparable harm as a result of compliance with the court order in the interim, because its clients will think less of it or because it is more likely to be the target of injunction applications.

[35] I cannot accede to that argument. First, while clear proof of irreparable harm is not a prerequisite to the granting of a stay, the onus rests upon the applicant to establish sufficient doubt as to the adequacy of damages before a stay will be granted: *B.C. (A.G.) v. Wale* and see Robert J. Sharpe, *Injunctions and Specific Performance,* loose-leaf (Toronto*:* Canada Law Book, 2013) at § 2.41-2.43. I am not satisfied Google has done so in this case. A stay will not change the fact that the Supreme Court of British Columbia has found jurisdiction to make the impugned order. It would only permit Google to say to its customers that a justice of the Court of Appeal has ordered that Google will not be compelled to comply with the judgment below until and unless it is been affirmed by the Court of Appeal. Google's customers will be left, as they are now, to weigh the merits of Google's argument that the court below exceeded its jurisdiction and that the judgment of the Supreme Court will be reversed on appeal. A stay should not be regarded as an expression by this Court of any considered opinion with respect to the prospect of success on appeal, except as an indication that there is an arguable appeal. The stay will only

be useful to avoid the irreparable harm alleged by Google if it is used, as it should not be, to assure Google's customers that the decision below will not withstand scrutiny on appeal.

[36] Further, it is an argument the court should reject in principle. In my view, I should not give any weight to the argument that Google's reputation will suffer if it acts in accordance with the rule of law, appeals those decisions it believes will have an adverse impact on its clients, assiduously defends its business and its clients' interests and pursues its appeal diligently. It would be wrong in principle for me to recognize, as irreparable harm, any damage to Google's reputation that might result from its clients' misapprehension of procedure in this jurisdiction and the appropriate test on an application for an interim stay in the Court of Appeal.

[37] The application for a stay is dismissed.

"The Honourable Mr. Justice Willcock"