COURT FILE NO.: 05-CV-301537
DATE: 20061130

ONTARIO

SUPERIOR COURT OF JUSTICE

B E T W E E N:	)	
	)	
XEROX CANADA LTD. and XEROX CORPORATION	)	*Sheila R. Block, Patrick D. Flaherty, Stuart Svonkin and Afshan Ali* for the Applicants
Applicants	)	
	)	
- and -	)	
	)	
MPI TECHNOLOGIES, INC. and MPI TECH S.A.	)	*Joel Richler, R. Seumas M. Woods, Brad Cran* for the Respondents
	)	
Respondents	)	
	)	
	)	**HEARD:** June 26, 27, 28 & 29, 2006

APPLICATION UNDER the *International Commercial Arbitration Act*, R.S.O. 1990, c. I.9, Articles 18 and 34 and Rule 14.05 of the *Rules of Civil Procedure*

C. CAMPBELL J.

REASONS FOR DECISION

[1] Xerox Canada Ltd. ("Xerox," which unless otherwise stated includes Xerox Corporation) seeks to quash or set aside in whole or in part an award (the "Award") made against it in proceedings before a three person Panel (the "Panel") constituted under the *International Commercial Arbitration Act*, R.S.O. 1990 c.19 (the "Model Law.")

[2] The claim of MPI[1] in the Arbitration resulted in the Award of the Panel, as follows:

(a) Xerox shall pay MPI for unpaid royalties US $50,448,100 together with pre-judgment and post-judgment interest thereon in accordance with the *Courts of Justice Act*, R.S.O. 1990, C.43 as amended;

(b) Xerox shall deliver to MPI the version 7.4 software and any earlier versions that it requests, including the additions of ipdeb, the SCSI driver (mpi-def.h) and the dfa.h files; MPI owns this software pursuant to the terms of the contract;

[1] Except where explicitly identified, in these Reasons "MPI" will refer to both MPI Technologies Inc. and MPI Tech S.A. MPI Technologies Inc. is also referred to as "MPI U.S." and is the wholly owned subsidiary of MPI Tech S.A., also known as MPI France.

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(c) Xerox shall pay MPI US $38,828,000 as damages for the unauthorized use of its confidential information in using it to create version 8 or, alternately, for breach of copyright, together with post-judgment interest thereon in accordance with the *Courts of Justice Act*, R.S.O. 1990, C.43 as amended;

(d) Xerox shall reimburse MPI for the cost of the KPMG audit (the evidence in the record indicates that this was US $196,000) together with pre-judgment and post-judgment interest thereon in accordance with the *Courts of Justice Act*, R.S.O. 1990, C.43 as amended.

[3] Xerox takes the position that the Panel exceeded its jurisdiction by fundamentally misconstruing its powers and duties under the Model Law, by improperly conducting the hearing and allowing the misuse of knowledge gained by one panel member not disclosed to the parties and in particular Xerox.

[4] The major portion of the attack on the Panel award relates to the damages awarded for unauthorized use of confidential information or alternatively for breach of copyright.

[5] In summary, the grounds of complaint regarding excess of jurisdiction are:

(a) The Panel exceeded the jurisdiction conferred upon it by the parties and under the Model Law by:

(i) adding MPI Tech S.A., the French corporate parent of MPI US ("MPI France"), as a party to the proceeding and awarding to it substantial damages, even though MPI France was not a signatory to the 1994 License Agreement and Xerox had never entered into any written agreement to arbitrate disputes with that company;

(ii) awarding to MPI US damages for copyright infringement despite the Panel's finding that MPI US did not own copyright and lacked the proprietary rights in the Licensed Software required to bring such a claim, and notwithstanding that such a claim was not referred to the Panel for determination in the 2002 Arbitration Agreement; and

(iii) awarding MPI approximately US$16.09 million in damages as retroactive "upgrade royalties", a remedy that exceeded the remedial relief permitted under the 1994 Agreement.

[6] In addition, with respect to the MPI claim for damages for breach of confidence, Xerox submits that the Panel improperly accepted evidence offered by MPI in oral and written argument, after the close of evidence. In the Award, the Panel is said to have relied on the improperly adduced evidence to satisfy a critical element of MPI's breach of confidence claim and to award over US$38 million dollars to MPI on that claim. In doing so, Xerox urges, the Panel allowed MPI to withdraw a critical judicial admission on which Xerox had relied and denied Xerox the right to respond to the case against it.

[7] Most significant is the complaint of Xerox that "individually and collectively, each aspect of the Panel's misconduct seriously prejudiced Xerox and deprived it of its right to a fair and just hearing." Xerox seeks to set aside the award in its entirety or alternatively if this Court were to

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order a rehearing of some or all issues, that such rehearing be before a new panel of arbitrators selected by the parties.

[8] The overarching objection is set out in the following paragraph from Xerox's factum:

> (c) The Panel violated the fundamental principle that an arbitral tribunal must act in a quasi-judicial manner by evaluating and deciding the case before it on the evidence as presented by the parties. Instead, the Panel assigned one of its own members, Brian Platte, to act as an *ad hoc* investigator and undisclosed expert witness. Unbeknownst to the parties, Mr. Platte engaged in extra-judicial investigations and research and thus created "evidence". Notwithstanding that Mr. Platte's role as an "expert on the Panel" was not agreed to by the parties, and is inconsistent with the Model Law, it clearly influenced the Panel's Award.

[9] MPI Technologies Inc. ("MPI U.S.") entered into an Arbitration Agreement with Xerox Canada and Xerox Corporation in December 2002 to deal with claims MPI advanced against Xerox arising from a dispute under a software and hardware development and licensing agreement ("the Licensing Agreement"), entered into in 1994 between the parties.

[10] The parties agreed to submit all claims and counterclaims properly subject to the arbitration clause in the Licensing Agreement to an arbitral panel pursuant to the provisions of the *International Commercial Arbitration Act* R.S.O. 1990 c. I.9 (the "Act") and the UNCITRAL Model Law on International Commercial Arbitration to the extent incorporated by the Act (the "Model Law") and subject to the terms of the Arbitration Agreement.

[11] Xerox concedes, properly in my view, that the attack on the award of the Panel is limited to a challenge to the jurisdiction of the Panel and that it must overcome a powerful presumption that the arbitral tribunal acted within its powers. [See *Re Corporation Transnacional de Inversiones, S.A. de C.V. v. STET International Sp. A* (1999), 45 O.R. 3d 183 aff'd (2000) 49 O.R. (3d) 414 (C.A.)]

Background

[12] The Licensed Software at issue in the arbitration enabled non-IBM printers to print IBM's Intelligent Printer Data Stream ("IPDS"). IPDS is a printing architecture and language proprietary to IBM. It is generated by certain IBM mainframe computers and other devices. IPDS was developed and patented by IBM in the mid-1980s.

[13] MPI developed a product defined in the Licence Agreement that was functionally compatible with IPDS. Section 14.02 of the Licence Agreement contains the following representation:

> DEVELOPER represents and warrants that the "Underlying Software" was developed by DEVELOPER, without any misappropriation of technical information owned by IBM or any other party. DEVELOPER represents that publicly available information and documents, such as the IPDS Reference Manual, permit the development of products

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> functionally compatible with IPDS Software without the use of trade secret information and without the need to copy proprietary code.

[14] MPI had developed software that could be sold to non-IBM printer manufacturers such as Xerox. Xerox was interested in the development of a commercially saleable software product that would enable purchasers of its manufactured products to take advantage of IPDS.

[15] As a result of work done by software engineers of both MPI and Xerox Canada, it was determined that IPDS could be used on Xerox printers. The parties proceeded to a contract for the development and licensing of the necessary software.

[16] Under the terms of the 1994 License Agreement between MPI U.S. and Xerox Canada, the MPI software was licensed to Xerox to be used as a component of Xerox printing systems in return for a royalty fee of US$5000 as set out in paragraph 5.01 and Attachment III as follows:

> 5.01 XEROX will pay the DEVELOPER a royalty fee for distribution of each production version, revenue bearing production system in which there resides the Licensed Software in accordance with Attachment III.
>
> Attachment III – Royalty
>
> "XEROX PRODUCT" means any product offered by XEROX which includes Licensed Software.
>
> Royalty Payment XEROX shall pay the DEVELOPER royalties as follows for each and every revenue bearing XEROX PRODUCT shipped by XEROX or a Xerox Company. Royalties accrue upon complete installation of each XEROX PRODUCT at a customer's site and are subject to adjustment for XEROX' customer return policy for such XEROX PRODUCTS to the extent XEROX PRODUCTS are returned to XEROX. No royalties shall be paid by XEROX for XEROX PRODUCTS which are used internally by XEROX or Xerox Companies that include testing, evaluation, support, marketing, demonstration or testing purposes.
>
> Licensed Software Royalties ($ per unit)
>
> US $5,000.00.

[17] The Arbitration Agreement entered into by MPI, Xerox Canada and Xerox Corp. provided that the dispute would be submitted to a panel consisting of retired Federal Court of Canada Justice Barbara Reed (as Chair), Amy-Lynne Williams (an intellectual property lawyer as Xerox's nominee) and Brian Platte (who among other qualifications, was one of the inventors of IPDS and had considerable experience in the area of printing technology and architecture in the IBM mainframe environment, as the MPI nominee.)

The Addition of MPI France as a Party

[18] The first ground of jurisdictional complaint of the Panel's award concerns the adding of MPI France as a complainant to the arbitration dispute.

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[19] The dispute that resulted in the Arbitration concerned the claim by MPI that Xerox was not paying royalties as provided for in the 1994 Agreement. It was MPI's position that royalties were not limited to one payment per Xerox customer, but would include upgrade installations with the same customer.

[20] In addition, MPI claimed that Xerox breached the copyright held by MPI when Xerox developed and sold its own software that MPI said was simply an upgraded version of MPI's software.

[21] In 2001, MPI initiated proceedings under the dispute resolution provisions of the 1994 Agreement, s. 23.05 of which provides as follows:

> MPI and Xerox agree that they will submit all claims and counterclaims which are properly subject to the Arbitration Clause to the Honorable Barbara Reed, Brian Platte and Amy Lynne Williams (the "Arbitrators") who shall act as an Arbitration tribunal pursuant to the provisions of the *International Commercial Arbitration Act*, R.S.O. 1990, c.I.9 (the "Act") and the *UNCITRAL Model Law on International Commercial Arbitration* to the extent incorporated and modified by the Act (the "Model Law") and subject to the terms and provisions of this agreement.

[22] By December 2002, the parties further formalized the proceedings in a written Arbitration Agreement. The Arbitration Agreement provided that the arbitration would be conducted under Ontario's *International Commercial Arbitrations Act* and the Model Law on International Commercial Arbitration (the "Model Law") adopted by the United Nations Commission on International Trade Law ("UNCITRAL.")

[23] As Mr. Brian Platte's conduct during the hearing and deliberations is put in issue by Xerox, it is important to note that subject to any mandatory provisions of the Act and the Model Law, the Arbitration Agreement gave the Panel the power to provide directions regarding all matters of procedure.[2] It specifically provided that the arbitrators could not be compelled to give evidence of anything touching any aspect of the arbitration proceedings unless compellable on grounds entirely independent of, and apart from, the arbitration process.[3]

[24] Prior to delivering a defence to the Claim, Xerox challenged the Panel's jurisdiction to adjudicate MPI's copyright infringement claim. In a written decision, the Panel dismissed Xerox's motion, a decision upheld by Mr. Justice Wilkins of the Superior Court of Justice in July 2003. After Justice Wilkins' decision Xerox served a defence to all of the claims MPI had advanced. The defence included a counterclaim in which Xerox alleged that MPI had breached its copyright and owed Xerox for royalties Xerox had overpaid. MPI served its reply and defence to counterclaim in September 2003, providing further background to its relationship with Xerox and denying the claims Xerox had advanced.

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[2] Arbitration Agreement, para. 29
[3] Arbitration Agreement, para. 37

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[25] Following the exchange of pleadings, and as contemplated by the Arbitration Agreement, the parties prepared a joint statement of issues (the "Joint Statement of Issues"). The Joint Statement of Issues provided a roadmap to the individual issues the parties agreed the Panel would ultimately have to decide.

[26] There was extensive documentary and oral discovery. The Arbitration itself took place over some 40 hearing dates, with over 20 witnesses and included over 100 volumes of documentary evidence.

[27] The Arbitration Award itself is over 80 pages in length and in addition there were a number of other rulings delivered. It is somewhat incredulous that a single judge of this Court would sit in appeal from a decision of three persons who had such a voluminous documentary record and extensive oral hearing.

[28] Given the nature of the grounds of appeal, which assert significant and serious misconduct on the part of the Panel, it has been necessary to review the record of the Arbitration to a much greater extent than might otherwise have been necessary. Hence the delay in the delivery of these Reasons. I will deal with each of the grounds of appeal advanced in the factum.

The Panel

[29] MPI US brought a motion before the panel in October 2004 to amend its pleadings to: (a) add the copyright holder, MPI France, as a party claimant; and (b) add a claim for copyright infringement by MPI US as an exclusive licensee of the Licensed Software pursuant to an alleged oral license agreement with MPI France, which was purportedly confirmed in writing in August 2004.

[30] Xerox opposed the addition of MPI France as a party claimant on the basis that Xerox had not entered into a written agreement to arbitrate any dispute with MPI France, as required by Article 7(2) of the Model Law. The Xerox position was that the Panel's jurisdiction to arbitrate the dispute between the parties emanated from two agreements: (a) the dispute resolution clause of the 1994 Agreement (s.23.05.1); and (b) the 2002 Arbitration Agreement. Xerox submitted that MPI France was not a party to either of those agreements, and Xerox had not entered into any other written agreement to arbitrate with MPI France. Accordingly, under the Model Law, the Panel, Xerox says, had no jurisdiction to add MPI France as a claimant and compel Xerox to arbitrate disputes with that company. Nor in any event had Xerox agreed to submit any disputes it may have had with MPI France to the Panel for determination.

[31] On November 15, 2004, the Panel added MPI France as a claimant, despite the fact that MPI France had not signed either the 1994 Agreement or the 2002 Arbitration Agreement. While the Panel accepted that arbitration is consensual and that its jurisdiction arose from these two agreements, it nonetheless added MPI France as a party to the arbitration.

[32] Xerox submits that neither MPI France's status as the parent of MPI US nor its relationship with Xerox comprised a valid basis to add it as a party to the arbitration under the

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Model Law, which expressly requires a written arbitration agreement between the parties as the foundation for jurisdiction of an arbitral panel. As such the Panel exceeded its jurisdiction by ordering Xerox to arbitrate with MPI France.

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[33] While the Model Law requires that a challenge in court to the jurisdiction of an arbitral tribunal be brought within three months of a ruling, Xerox and MPI agreed that Xerox was entitled to challenge the Panel's addition of MPI France as a party after the Award was rendered, so as not to require adjournment of the arbitration hearing that was scheduled to commence in January 2005. Hence the issue is before this Court on appeal.

[34] Xerox did not and does not now challenge the jurisdiction of the Panel to deal with the issue of a copyright claim under the dispute resolution clause of the 1994 Agreement. Rather, Xerox complains that the Panel exceeded its jurisdiction by awarding a remedy for copyright infringement to MPI U.S.

[35] MPI moved to amend the MPI Claim to include MPI France as a party plaintiff and to plead the 2004 Exclusive License Agreement. Xerox opposed the amendments and moved to dismiss MPI US' breach of copyright claim.

[36] After reviewing written arguments filed by both sides and hearing argument on October 18 and 19, 2004, the Panel allowed the MPI motion in part and dismissed the Xerox one.

[37] The Panel held that the purpose of the Model Law was to facilitate international commercial arbitration. It noted that arbitration was a consensual process and that the Model Law required an agreement to arbitrate be in writing, but found that Xerox's intention as expressed in the written 1994 Agreement was to settle all disputes under the contract by arbitration, an intention Xerox reiterated that it held when the dispute first arose in 2001. The Panel found that a fair and reasonable interpretation of the 1994 Agreement was that no distinction was made between MPI US and MPI France. The Panel found that the distinction only became an issue when Xerox began to explore possible defences to the copyright claim; to allow Xerox to resile from its original agreement was not a proper interpretation of the Model Law, the 1994 Agreement or the Arbitration Agreement. The Panel concluded by stating that it was leaving open the issue of whether MPI France needed to be a party at all. In the end, the Panel decided in the Award that it did not. Ultimately the Panel refused to give effect to the 2004 Exclusive License Agreement. As for the Xerox motion, the Panel held that to decide it at that point would deny MPI the right to present its case and further held that the motion could not succeed in any case given the Panel 's Award on the motion to amend.

[38] As a result of the Panel's Award, both sides served amended pleadings.[4] Xerox also requested and was given an opportunity to discover an MPI France representative, an opportunity of which it took full advantage, examining Mr. Logel of MPI over the course of two days in December 2004.

[4] Amended Claim

[39] As the Panel observed in its Award on the two motions,[5] the Model Law, as incorporated into the law of Ontario, must be interpreted in light of the rules of statutory interpretation which require statutes to be read in accordance with the purpose of the legislation and its remedial intent. The purpose of the Model Law is to facilitate international commercial arbitration. Ontario public policy requires parties to resolve their disputes by arbitration when they have agreed to do so. The Panel stated that in this case Xerox's intention both at the time it signed the 1994 Agreement and when this dispute arose was to settle all disputes under the contract by arbitration. Xerox reiterated that intention in letters written when the dispute first arose in the fall of 2001. The Panel held that a fair and reasonable interpretation of the agreement to arbitrate was that a distinction was not made between the two MPI companies. Xerox only raised the issue of standing when it began to explore possible defences to the copyright infringement allegations. Allowing it to resile from its initial commitment to arbitrate was not a proper interpretation of either Article 7 of the Model Law, the 1994 Agreement or the Arbitration Agreement, the Panel held.

[40] The Panel stated:

> This is not the addition of a new third party; it is the adding of the parent of a wholly owned subsidiary that conducted itself for the purposes of the contract [the 1994 Agreement] as though it and its subsidiary were one and that, in most instances, Xerox treated as one.
>
> *Panel's Amendment Decision*, paras. 78, 83, Xerox Application Record, Vol. 1, Tab 2C, pp. 86-88

[41] The dispute itself was held not to be a wholly new cause of action. It remained the same: infringement of copyright in the software that was the subject matter of the contract between the parties. In my view this was a finding of fact on the part of the Panel that was entitled to deference.

[42] The ultimate basis for the Panel 's Award to add MPI France as a party was its conclusion that, properly interpreted, the 1994 Agreement required Xerox to settle all disputes arising under the agreement with MPI, that is MPI US and MPI France, by way of arbitration. Based on that interpretation of the agreement, the requirements set by Article 7 of the Model Law were met in that there was a written agreement between the parties to arbitrate in the form of the 1994 Agreement itself.

[43] When the copyright dispute first arose Xerox was quite prepared to resolve it by way of arbitration. At the time it raised no issue about any involvement of MPI France in the proceedings. In fact, as the proceeding developed, it sought and obtained discovery of Mr. Saroufim, who was never employed by MPI US, as well as production of documents in the care and custody of MPI France. Never did it limit itself to inquiries of MPI US. It treated both companies as a unit, as it had from the beginning of its relationship with MPI.

[5] Decision re: Claimants Motion to Amend Claim and Respondent's Motion to Dismiss, paragraphs 78-85.

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[44] Legally, as the Panel set out in its Award, there is ample authority that the Model Law should be given a broad remedial interpretation consistent with the public policy that parties who agree to resolve their disputes by arbitration should be held to that bargain. As the Panel noted, none of the cases that Xerox cited to it, which are the same cases it relies upon in this appeal, deal with the interpretation of the Model Law. Admittedly, the same is true of the cases MPI cited to the Panel. Those cases do support the Panel 's Award to join a parent company where the parties intended to involve them in the resolution of disputes arising from a particular contract.

[45] The leading case is *Dow Chemical France v. Isover Saint Gobain (France).*[6] The claimants before an International Chamber of Commerce tribunal were not only the companies that had signed the relevant agreements, but also their parent company, an American corporation, and a French subsidiary. Assessing the circumstances in which the contract had been entered into, the tribunal held that the American parent company had exercised absolute control over its subsidiaries. Taking into account the fact that deliveries under the contract could be made by any subsidiary as well as trade usage the tribunal held that the entire group could be parties to the arbitration given the intermixture of management and the fact they had all participated in the contract's negotiation, execution, performance and termination. The Paris Court of Appeal refused to set aside the award holding that common intention of all of the companies involved was to make the parent and subsidiary companies parties even if they had not signed the agreements.[7]

[46] In *MAP Tankers v. Mobil Tankers*,[8] a parent company advanced a claim for itself and claims on behalf of a group of related companies pursuant to an arbitration clause in a charter agreement. Only the parent company was the signatory to the charter agreement. Notwithstanding this, the arbitrator noted that there was a clearly established corporate relationship between the entities and held that "it is neither sensible nor practical to exclude the claims of companies who have an interest in the venture and who are members of the same corporate family". The arbitrator held that it would be contrary to the parties' intentions to prevent the plaintiff from arbitrating as a group of companies.

[47] Xerox and MPI had a contract under which all disputes between them were subject to arbitration. Xerox required the copyright to be able to service its customers. Xerox agreed to arbitration on the copyright dispute. Xerox made no objection to the claim being made on behalf of MPI U.S. Xerox dealt with MPI U.S. and MPI France as one unit.

[48] I am not persuaded that there was any jurisdictional error on the part of the Panel. The Model Law is to be given broad remedial interpretation. The incorporation of the Ontario *Rules of Civil Procedure* amplify that remedial purpose, particularly as following the addition of MPI France, further discovery was sought by Xerox and granted.

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[6] (1983), 110 J.D.I. 899.
[7] [1984] Rev. Arb. 98 (C.A. Paris, October 22, 1983).
[8] 7 Yearbook of Commercial Arbitration 151 (1982). See also *Zeldin v. Goldis*, [2000] O.J. No. 3001 (S.C.J.).

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[49] In my view, the Panel clearly understood and applied the distinction between recognizing a legal title in the August 2004 License Agreement between MPI France and MPI U.S. and a claim for damages for breach of copyright between the MPI companies that developed software with Xerox. The scope of the Agreement to Arbitrate did permit the addition of MPI France, as the Panel concluded.

[50] I find there was no jurisdictional error in the conclusion of the Panel that MPI France could in the circumstances be added for the purpose of a joint claim being advanced on behalf of it and its subsidiary. There was clearly a factual basis as found by the Panel for its conclusion and it is entitled to deference.

[51] There is a consistency between the approach of arbitration tribunals as seen in cases cited by MPI and the narrow basis for interference with an international commercial arbitration award. There is a broad deference to be given to awards of such tribunals. The parties to an arbitration agree to and select the forum. The Panel is entitled to judicial deference "at the high end of the spectrum."

[52] The Court of Appeal for Ontario approved the above statement from *Quintette*[9] in *United Mexican States v. Karpa*.[10] Writing for a unanimous court, Armstong J.A. stated that "Notions of international comity and the reality of the global marketplace suggest that courts should use their authority to interfere with international commercial arbitration awards sparingly."[11] Quite apart from that principle, he noted that domestic Canadian law dictates a high degree of deference for decisions of specialized tribunals generally and for awards of consensual arbitration tribunals in particular. He concluded that the appropriate standard of review was at the high end of the spectrum of judicial deference.[12] The court in that case upheld a decision refusing to set aside an arbitration award.

[53] In my view, it was within the scope of the dispute with respect to breach of copyright to add the proper parties to resolve that dispute.

Xerox Alleges Non-Judicial Conduct

[54] The major thrust of the Xerox case on the appeal before this Court involves the activity one of the Panel members, Mr. Brian Platte. The Xerox position is succinctly set out in paragraph 22 of its Reply factum:

> [22] As set out in the Xerox factum, Xerox seeks to have the award set aside on the ground that Mr. Platte and the Panel went far beyond their proper role as quasi-judicial

[9] *Quintette Coal Ltd. v. Nippon Steel Corp.* (1990), 47 B.C.L.R. (2d) 201 (S.C.); aff'd [1991] 1 W.W.R. 219 (C.A.)
[10] (2005) 74 O.R. (3d) 180 (C.A.). Other cases which have cited the passage with approval include *United Mexican States v. Metalclad Corp.* (2001), 89 B.C.L.R. (3d) (S.C.) and the trial decision in *Karpa*, [2003] O.J. No. 5070 (S.C.J.). See also *Canada v. S.D. Myers Inc.*, [2004] 3 F.C.R. 368 (T.D.) for another decision which adopted a very narrow view of the court's jurisdiction under Article 34.
[11] *Ibid*., at para. 34, pp.189-190.
[12] *Ibid*., at para. 43, p.191.

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> officers in four distinct ways, by (a) conducting extra-judicial investigations and research; (b) impermissibly appointing Mr. Platte as the technical "expert" on the Panel; (c) relying on Mr. Platte's undisclosed analyses to bridge gaps in MPI's evidence on the breach of confidence and copyright infringement claims; and (d) supplying "evidence" not led by the parties regarding the issue of "code productivity."

[55] Xerox elaborated its position found in the following portion of the next paragraph of its Reply factum:

> [23] … Mr. Platte was not conducting "library research" or anything analogous to library research. His extra-judicial investigation into code productivity – an issue not raised by the parties in their pleadings and not addressed by the parties' experts in their reports – did not relate to legal authority, to research works of general application (as contrasted research that bears upon the facts in issue or the credibility of witnesses), or to facts on which judicial notice could be taken. Rather, Mr. Platte was engaged during the arbitration hearing in investigating underlying factual matters bearing on one of the primary disputes between the parties, which was whether Xerox developed its Version 8 software independently or by copying MPI's source code. Such extra-judicial fact gathering by an arbitrator is impermissible. None of the authority cited by MPI is to the contrary. Rather, the authorities cited by MPI support the proposition that while an arbitrator is entitled to use his or her experience to evaluate the evidence presented by the parties, he or she may not introduce or create new evidence.[13]

[56] To understand the nature of Xerox's complaint, it is important to review (a) MPI's claim against Xerox; (b) the circumstances of the appointment of Mr. Platte; and (c) the conduct of the hearing.

(a) Claims of Fiduciary Duty

[57] In addition to claims for damages in respect of unpaid royalties and damages for infringement of copyright, MPI claimed damages for breach of fiduciary duty. The claim for breach of fiduciary duty involved the use, if any, that Xerox could make of the source code[14] for the software licensed to it by MPI. In paragraphs 28 to 30 of its Claim, MPI asserts in effect that Xerox breached a fiduciary duty by making modifications to the Licensed Software without telling MPI.

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[13] See *Bulfracht (Cyprus) Ltd. v. Boneset Shipping Co. Ltd.*, [2002] EWHC 2292 (Comm) at 15, MPI Authorities, Vol. III, Tab 26; *Wetherall v. Harrison*, [1976] 1 All E.R. 241 (Q.B.) at 244c, 245a, MPI Authorities, Vol. III, Tab 30; *Sanghi Polyesters Ltd. v. The International Investor*, [2000] 1 Lloyd's Rep. 480 (H.C) at para. 25, MPI Authorities, Vol. III, Tab 27. See also *Cronk v. Canadian General Insurance Company*, 25 O.R. (3d) 505 at 517-18 (C.A.), Xerox Reply Brief of Authorities, Tab 1; *R. v. Paul*, 158 D.L.R. (4th) 231 at 237-43 (N.B.C.A.), *leave to appeal dismissed*, [1998] S.C.C.A. 298, Xerox Reply Brief of Authorities, Tab 2.

[14] While there are various definitions of the words "source code," they generally refer to the form in which the computer program is written by the programmer. It is turned into object code that the computer can understand and implement.

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[58] Issue III of the Joint Statement of Issues before the Panel sets out with greater particularity the nature of the fiduciary duty claim. The defence of Xerox denied that it had inappropriately dealt with source code:

> [77] MPI's claim for copyright infringement specifically alleges substantial reproduction by Xerox of MPI's "Underlying Software" or "MIPS."
>
> [78] The "Underlying Software" or "MIPS" that is identified and described by MPI in its Claim is distinct from and is not Licensed Software. The "Underlying Software" or "MIPS" is the IPDS portable software that MPI began to develop in 1987, the source code for which MPI delivered to Xerox in 1992-1993, prior – and not pursuant – to the parties' execution of the 1994 License Agreement.
>
> [79] MPI's Claim does not identify any Xerox product which allegedly infringes MPI's copyright, if any exists, in the Underlying Software or its source code.
>
> [80] The only Xerox developed software product which is capable of performing functions which are similar to the functions performed by the Underlying Software, is a software product initially intended for us in Xerox Monte Carlo printing systems ("Xerox 8.0").
>
> [81] Xerox denies the allegations by MPI of copyright infringement in connection with the reproduction, use, marketing or distribution of Xerox 8.0. Xerox 8.0 is not a reproduction in whole or in substantial part of the Underlying Software or its source code.

[59] There clearly was an issue between the parties concerning whether Xerox had misappropriated MPI's source code or had developed a code on its own for the product delivered to its customers. This was essentially a factual issue that the Panel determined against Xerox on the basis of contested evidence.

(b) Appointment of Brian Platte

[60] I accept, as does MPI, the assertion of Xerox that MPI US nominated Mr. Platte on April 18, 2002.[15] Mr. Platte was nominated to serve in the same quasi-judicial capacity as the other two members of the Panel – that is, as an independent arbitrator obligated to act fairly and impartially and to make determinations based upon the evidence put before the Panel at the hearing – and Xerox agreed to his appointment on that basis. The parties never agreed that Mr. Platte be appointed as an expert under Article 26 of the Model Law.

[61] Article 24(3) of the Model Law provides:

> All statements, documents or other information supplied to the arbitral tribunal by one party shall be communicated to the other party. Also any expert report or evidentiary document on which the arbitral tribunal may rely in making its decision shall be communicated to the parties.

[15] MPI US had previously nominated Paul Gerelle as its designee on the Panel. Mr. Gerelle's name was withdrawn, however, after Xerox objected to his nomination on the ground that he was a member of the board of i-data, which was then MPI US's parent company, and after the U.S. District Court for the Central District had ruled that Gerelle was not independent of MPI US.

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[62] Article 26 of the Model Law provides:

> Article 26. Expert appointed by arbitral tribunal
>
> (1) Unless otherwise agreed by the parties, the arbitral tribunal:
>
> (a) may appoint one or more experts to report to it on specific issues to be determined by the arbitral tribunal;
>
> (b) may require a party to give the expert any relevant information or to produce, or to provide access to, any relevant documents, goods or other property for his inspection.
>
> (2) Unless otherwise agreed by the parties, if a party so requests or if the arbitral tribunal considers it necessary, the expert shall, after delivery of his written or oral report, participate in a hearing where the parties have the opportunity to put questions to him and to present expert witnesses in order to testify on the points at issue.

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[63] At Xerox's request, information concerning Mr. Platte's background was provided. MPI does not seriously dispute the limitation of Mr. Platte's experience as a Senior Technical Staff Member at IBM for 30 years and was one of the inventors of IPDS. As Mr. Platte's c.v. indicates, his experience was in the area of printing technology and architecture in the IBM mainframe environment. Nothing in Mr. Platte's letter or c.v., however, suggests that he ever worked as a software developer, that he had experience in reading, analyzing or comparing software source code, or that he had expertise in software development processes, nor did he claim any such expertise in his c.v.

[64] In my view, Mr. Platte was not on the Panel as an expert pursuant to Articles 24 and 26 of the Model Law. He is an individual whose particular background could assist the Panel in understanding certain of the evidence in the same way that the legal members could assist from their background knowledge and expertise with the application of legal principles to determination of the dispute.

(c) Conduct of the Hearing

[65] The position of Xerox is that Mr. Platte was not entitled to do any review of the source code that was in evidence and the award is tainted as a result of his having done so and having had discussions about it with the Panel. The issue before the Panel put most bluntly was, did Xerox misuse the MPI source code by improperly copying it?

[66] The position of Xerox was that its version of the software was a completely independent product, created in a very short period of time without reference to MPI's code. The credibility of Xerox and its witnesses was very much at issue. The Panel reached conclusions against Xerox, which involved very specific findings of fact.

[67] The Panel concluded that notwithstanding the terms of the 1994 Agreement which confirmed MPI's ownership of the source code, including its modifications, enhancements,

additions, updates and derivative works, Xerox used the code as if Xerox owned it, not MPI.[16] The 1994 Agreement, once signed, was as the Panel found metaphorically, if not literally, put in a drawer and forgotten by Xerox management. The Panel found that Xerox had:

(a) entered into internal agreements describing the code as a Xerox Canada asset;

(b) placed the code on three servers in the United States;

(c) prepared a programmer's reference guide to help developers learn their way around the code;

(d) placed copyright notices in the code indicating that Xerox held the copyright; and,

(e) registered copyright in the 5.0 version of the code, including modules stating they were authored by Mr. Saroufim, by depositing a copy of it with the United States Copyright Office.

[68] Based on Xerox PowerPoint Slides and internal "strategy notes," the Panel found that by June or July 1999, Xerox was concerned about the high cost of royalties payable to MPI and was looking for an alternative to the Licensed Software. Other softwares were evaluated but determined to be of lower quality than MPI's. In this time period, MPI was becoming insistent about receiving a royalty reconciliation. Although Mr. Christensen (of Xerox) had testified that the decision to develop a Xerox proprietary system was taken because the Licensed Software would not work in the full colour environment, the Panel found there was no reliable evidence to support that assertion. It decided that and other credibility issues against Xerox.

[69] The Panel rejected Xerox's submissions. To the question, did Xerox improperly use MPI's source code to develop software of its own, the Panel said that the answer was "a resounding affirmative." Among the factual findings that the Panel made in arriving at its decision were:

a) the same developers who had worked on version 7.4 and earlier versions of the Licensed Software worked on version 8;

b) the PowerPoint slides of the meeting at which Mr. Diebert told developers that this was to be a clean sheet development did not contain any reference to that fact;

c) Xerox failed to produce any written instructions to the developers not to use MPI's code;

d) no one monitored the developers to make sure they did not use MPI's code;

e) copyright notices placed in the pre-version 8 code by Xerox falsely identified Xerox as the copyright holder;

[16] Award, see paragraphs 185 to 205.

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f) no development documents were produced by Xerox from any of the software developers who worked on version 8;

g) although there was evidence there were weekly meetings of the development group, minutes of only one such meeting were produced;

h) Mr. Christensen's claim that he created an independent software code in just one month, or even three to four months, was not believable in light of MPI's evidence that MPI took some five years, using a team of eight people, to create its product, as well as evidence that Xerox's earlier attempts to find an alternative had always led it back to MPI.

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[70] The source codes were part of the evidentiary record before the Panel.

[71] The transcript from February 3, 2005, the twelfth day of the Arbitration, reveals (at page 2349) that Mr. Platte asked for and received a copy of the CDs containing source codes:

> Mr. Platte: I would like a copy of version 8 and 7.4 code, if possible.
>
> Mr. Woods: Actually, those were the codes that I discussed with Mrs. Block on the first day, before Ms. Frederiksen had completed her examination in-chief. We have copies of them here, and we had agreed that we would just file all of them, the CDs. One copy or three copies?
>
> The Chair: One.
>
> …
>
> Ms. Block: And if there is anything that arises from your review of the disks that we would –
>
> The Chair: Not my review. (laughter)
>
> Ms. Williams: Not mine either.
>
> Ms. Block: I thought I knew who was going to review the disks. But of course the issue is, if there is an issue that comes up, both sides would want to know, to give you our perspective on it.
>
> The Chair: Certainly.
>
> Ms. Block: Or track it down from our side.
>
> The Chair: Absolutely.

[72] There is little question but that the issue for which Mr. Platte used the source codes that were exhibits was intended as a check in connection with the expert evidence before the Panel on the question of code productivity. Code productivity refers to how many lines of code an average code developer would produce in a day.

[73] There is no doubt that this was a central issue to the Arbitration, namely, were Xerox's Hans Christiensen and other witnesses to be believed in their evidence that the Xerox code was developed in a very short space of time independently.

[74] The transcript for March 29, 2005 deals with questions posed by Mr. Platte to Dr. Bell, Xerox's expert on the source of industry information on code productivity comparing two different methods, "waterfall" versus "agile" approaches.

[75] On March 30, 2005, Ms. Reed, the Panel Chair, provided counsel with two draft tables that Mr. Platte had prepared based on his review of the code. By this point in the hearing, MPI had completed its case in chief. Xerox had called its first eleven witnesses (including its two software experts) and was about to start Mr. Diebert's evidence. Mr. Christensen, in charge of the project of development of the Xerox software, had not yet testified.

[76] The first table prepared by Mr. Platte, marked "draft," summarized who had worked on version 7.4, the last version of the IPS software prior to version 8, and version 8 itself. Mr. Platte stated that the table was based on developer names he had found in the source code. The second table noted what files particular developers appeared to have worked on within version 8, based on the "header" (a section at the head of each software file which stated the name of the file and its author, namely the person who had written it originally, as well as the file's purpose). The fact that some developers appeared to have worked on both sets of code was not new. Xerox had admitted that some developers had done just that in answers to undertakings given on Mr. Christensen's examination for discovery which were included in MPI's read-in brief. MPI's software expert, Ms. Frederiksen, had noted the names of developers who appeared to have worked on both version 8 and previous versions of the Licensed Software in her reports, as well as her testimony at the hearing.

[77] In providing the tables, the Chair, the Hon. Ms. Reed stated:

> Okay. Before we start this morning, the panel realizes that particularly when there's an arbitration with an expert on the panel that counsel prefer to know if some of the communication or communication that might pass between the expert and the other members of the panel.
>
> So we would like to share with you a couple of documents that Mr. Platte has prepared, somewhere or other I have drafts, and I only have the one copy that's available.[17]

[78] Xerox counsel commented after receiving the tables:

> MR. SVONKIN: We're trying to figure out what it is.
>
> MS. REED: It's mainly a list of people that worked on 7.4 and 8 and the number of modules each day and –
>
> MS. WILLIAMS: You knew he was looking at the code.

[17] March 30, 2005, p.5913-4.

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[79] Ms. Reed went on to say:

> I assume you did. The other thing is yesterday, Dr. Bell was asked about code productivity and I believe he made a reference to an IEEE document. Mr. Platte suggests that you might want to look at something on the web by the Ganssle Group and Ganssle is G-A-N-S-S-L-E and the web address is just info@ganssle.com.
>
> MR. PLATTE: It has current, looks like they update every year, up to 2005. They have information that is publicly available. They'll tell you whatever you might want to know.

[80] The reference to code productivity[18] related to a question Mr. Platte had asked Dr. Bell (the Xerox expert) at the end of his testimony the previous day. In his report, Dr. Bell had stated that in creating version 8, Xerox developers had used what was known as the "agile," rather than the "spiral" or "waterfall", approach to code development. In his examination in chief on March 28, 2005 Dr. Bell testified that recent empirical studies had found that for relatively small teams, especially those that included competent and motivated people, rapid evolutionary development yielded software with high quality at lower cost. He repeated that comment again towards the end of his cross-examination on March 29, 2005, stating that very recently there had been "a reasonable amount of empirical examination" reported in the professional literature, which indicated that formal structures with tight document control "may not be a very good way for the development of projects with a small number of people." Mr. Platte's question came a short while later, when, after Dr. Bell's cross-examination and re-examination had concluded, Mr. Platte asked him what the industry accepted for the code productivity of the waterfall versus agile approaches. Dr. Bell responded that the most recent results showed that for appropriate environments, the productivity and reliability of the agile approach was actually higher than the waterfall approach. He said that the studies did not use a "metric" such as lines of code. More work was needed. He identified his source as the "IEEE, IEEE computer and IEEE transactions on software engineering."[19]

[81] I conclude that there was a difficult and contentious issue before the Panel. Did Xerox copy MPI's source code? Each of the members of the Panel applied their individual backgrounds to best determine that issue in the face of conflicting factual and expert evidence.

[82] Mr. Platte, as the one member of the Panel with a technical background, thought he might be able to assess the contentious evidence by reference to the material in evidence on the source code itself. The summary of the analysis was provided to the parties in the hearing process. There was disclosure of precisely what Mr. Platte was analysing. Counsel for Xerox was not only given an opportunity to object to what had taken place, but specifically asked to clarify its objection.

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[18] This term refers to the average number of lines of computer code that can be written by an average computer programmer or programmers per day.

[19] Panel Questions, March 29, 2005, pp.5899-5900.

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[83] The Chair noted that the Panel wanted to make very clear that the tables set out facts which were in the code to the extent of what was in the headers. She stated that "If the code's wrong, clearly we want to know."[20] She went on to note that the Panel had departed from the normal convention that internal discussions of the Panel did not have to be disclosed due to the technical nature of the evidence and the Panel's interest in referring the parts of the evidence it was discussing to the parties so that they would have a chance to respond.

[84] One week later, Xerox responded on the record that panel members were entitled to read the code, but could not draw any inferences from it other than from specific portions of the code to which either the expert witnesses or counsel had referred. According to Xerox, Mr. Platte could print out the code, but could not make notes on the contents of the code and share them with the other members of the panel. Xerox also objected to Ms. Williams' case law research. Ms. Block submitted that it was unfair for the Panel to have what she described as a "legal characterization" of the case and not disclose it to the parties.[21]

[85] In my view, there seems little point in having an individual with technical expertise unless that individual can use his or her background in assessing the evidence before the tribunal. That is indeed one of the hallmarks of commercial arbitration as opposed to courtroom adjudication. There is a difference between an individual who because of his or her expertise is in a position to assess technical evidence that is before the Panel and an expert who relies on evidence from other sources outside the evidence and only available to that expert and not disclosed to the parties. I conclude, as I believe the Panel did, that the analysis by Mr. Platte was in the former category, not the latter.

[86] The Panel clearly disclosed what was being considered and why it was being considered. The Panel gave Xerox every opportunity to comment and object to its process. Xerox did not at any time seek to re-open the evidence.

[87] Finally, the Award of the Panel was carefully considered and dealt with the objections in a fair and reasoned manner in the following paragraphs:

> 306. In the course of the hearing, an issue arose concerning the role of the Tribunal. The Tribunal's position is on the record and need not be repeated in detail. We will set out the factual context because there appeared to be a misunderstanding by Xerox counsel.
>
> 307. Versions 7.4 and 8 of the source code were in evidence, as well as many other versions. Mr. Platte, as a result of his experience, had views on code productivity (how many *average* lines of code an *average* developer would produce in a day.) The speed with which version 8 had been produced and the identity of the developers were issues before the Tribunal (MPI's Arbitration Brief paragraphs 292-297).
>
> 308. Mr. Platte printed out and provided the other panel members with copies of the headers of the version 7.4 and version 8 files. This was not a creation of evidence. It was simply a transcription of what could be seen in the evidence. The headers contain the

[20] Transcript, March 30, 2005, p.6324.
[21] April 11, 2005 at pp.7579-7582.

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> names of the putative authors of the modules together with other information. Mr. Platte also prepared two summary notes listing the names of the common developers and what they had worked on according to the information found in the codes. He gave copies of the header files as well as the summaries to the other two panel members. Mr. Platte had asked Dr. Bell about code productivity but he stated that the IEEE source about which he knew did not contain specific information about lines of code per developer day. Mr. Platte had knowledge about sources of information on code productivity.
>
> 309. Internal deliberations of a Tribunal are not usually disclosed. Nevertheless, because of the technical nature of the evidence, the Tribunal decided that it would provide counsel with copies of the header files and the summaries that it was reviewing, as well as informing them of the source where they would find information on code productivity. The Tribunal did so in order that the parties would know that the Tribunal had been considering this area of the evidence and have an opportunity to address it.

[88] Additional information was provided on the record before me that was not available to Xerox, its counsel or most likely the Panel, namely, the amount of time spent by Mr. Platte in reviewing source code.

[89] The invoices exhibit a significant amount of time spent by Mr. Platte between February and mid-April 2005, "investigating source code." Some of this was on a full-day basis, on others only a portion of the day.

[90] I have reviewed as best as I am able the full documentary record before the Panel, including the material on this appeal. I am not persuaded that the actions of Mr. Platte in analysing the source code that was part of the evidence exceeded the proprietary of his role as a Panel member with technical background.

[91] The Panel had a very difficult task of essentially assessing credibility. I conclude that the entire Panel intended to and did deal with the evidence and submissions in an open and fair manner. There is nothing in the extensive Award to reflect that consideration of source code by the analytical method discussed by Mr. Platte played any part in the ultimate decision. While this conclusion is not determinative of the issue raised on appeal, it is supportive of it.

[92] The following extracts from the transcript satisfy me that all the members of the Panel knew the boundaries of reference to evidence as opposed to creating expert evidence, and did not cross it. After hearing the parties' submissions on the Xerox objection, the Panel, speaking through its Chair, stated that it was keeping an open mind. It said that it had given out the material it did because it wanted the material to be in counsel's hands before the Xerox witness completed his evidence. It had not prejudged the case:

> We gave those [copies of the print-outs and of the notes that Mr. Platte had made] so you could address them which in fact you did. We had drawn no conclusions. The material we gave you was in draft. We gave it to you when we did because we wanted it to be in your hands before Mr. Diebert gave evidence. We thought you should be made aware of what we were seeing in the record, what evidence we were seeing on the file that was in front of us.

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> We're concerned that you have misrepresented our action of pointing you to evidence we were looking at in order to be fair to you and your misconceiving it or misrepresenting it as evidence of prejudgment.
>
> The panel is well aware of the burden that it bears in deciding this case and it has approached it with an open mind and will continue to do so. [22]

[93] Commenting on the attack on her legal research, Ms. Williams stated:

> I want to make a comment about the case law. Again, you're assuming that we're looking at cases that are somehow magically out of the scope of your research. The cases we are looking at are cases of general copyright protection in Canada. Rather than going through the roomful of books that we have to find those cases, I had my student pull them out. So I would be absolutely stunned [if] between Blakes and Torys you couldn't find the same cases on a general application of copyright protection to software in Canada. And I'm putting it on the record because I am assuming you put it on the record for a reason.[23]

[94] Commenting specifically on his e-mail to counsel, Mr. Platte stated that the productivity issue had come up as a result of some comments a developer had made. He said that he had done some research, but that based on the questions he had asked Dr. Bell, it ended there.

> The one point I would like to address, you did an excellent job, you asked about questions that I should have put to witnesses. In fact, if you notice, I keep a list of questions. You have done an excellent job, as you have done, in bringing all those questions. By the time most of the witnesses -- and I did ask several questions, by the time my time came my answer was no. That's the sheet you've seen me pull out of my pocket. It would be on the chief, redirect, vice versa, in fact most questions were resolved.
>
> With respect to the e-mail, that were some comments that the developer brought up and upon some research, it wasn't definitive, but based on comments Dr. Bell made, based on questions I asked Dr. Bell, it ended there.[24] (emphasis added)

[95] Given Mr. Platte's comments, Xerox's suggestion in paragraph 128 of its factum that the first indication that Mr. Platte had views and information on code productivity came in the Award is simply not borne out on the record. Equally misunderstood is the suggestion that his views were not disclosed to the parties or put to the experts. Mr. Platte's questions to Dr. Bell and reference to the websites were just that. His comment that the issue ended when Dr. Bell answered his question confirms this and indicates just how insignificant the issue really was. There were substantial other grounds for the finding of credibility against Xerox.[25]

[96] Few of the legal decisions to which I have been referred are particularly helpful. I accept that there are arbitral regimes and individual submissions to arbitration in which either a single

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[22] See April 11, 2005, pp.7647-7648.
[23] April 11, 2005 at p.7649.
[24] See April 11, 2005, pp.7650-7651.
[25] The references to paragraphs 181-205 of the Award make that clear.

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arbitrator or a panel of arbitrators are invested with the authority to apply their individual expertise to the problem at hand.

[97] I was referred to several arbitration cases that turned on the referral to a body, which was authorized and expected to use specialized expertise.

[98] In *Mediterranean and Eastern Export Co., Ltd. v. Fortress Fabrics (Manchester) Ltd.,* [1948] 2 All E.R. 186 (K.B.) at p. 187:

> The object of the tribunal of arbitration shall be the determination and settlement by commercial men of experience and special knowledge of the subject matter in dispute or difference of any dispute or difference relating to trade, manufacture and commerce (including customs of trade) by whomsoever submitted.

[99] See also *Bulfracht (Cyprus) Ltd. v. Boneset Shipping Company Limited*, [2002] E.W.H.C. 2292:

> The arbitration agreement expressly provided that the arbitrators should be "commercial/shipping men."

[100] *Methanex Motunui Ltd. v. Spellman,* [2004] 3 NZLR 454 (C.A.) involved a motion to compel disclosure of certain information and the methodology relied on of an arbitrator appointed as an independent expert for that purpose. The Court accepted that the submission:

> …The settlement agreement implicitly recognizes the power to undertake independent work in cl 5.1.6, which specifically authorizes the independent expert to use his own expertise and judgment in determining the ERR, subject to certain conditions.

[101] I accept, as does MPI, that Mr. Platte did not have such authority in this case.

[102] I also accept the statement of law at paragraph 120 of Xerox's factum:

> The law is clear that the use of specialized training by an arbitrator cannot be a substitute for evidence adduced by the parties. Accordingly, while specialized training may be of assistance in understanding and evaluating record evidence, it may not be used to bridge a gap in evidence adduced by a party or as a substitute for existing evidence. An arbitrator may not use expertise that he or she may have to create new "evidence" by extrapolating from record evidence, nor can an arbitrator use such expertise as a basis for conducting independent factual investigations. See *Murray v. Rockyview (Municipal District No. 44)* at 655; *Huerto v. College of Physicians and Surgeons* (1994), 117 D.L.R. (4th) 129 at 137-139 (Sask. Q.B.) aff'd (1996), 133 D.L.R. (4th) 100 at 106-107 (Sask. C.A.); *Dennis v. British Columbia (Superintendent of Motor Vehicles)* (2000), 82 B.C.L.R. (3d) 313 at paras. 10-12, 16-17 (C.A.)

[103] Xerox submits that it was inappropriate for Mr. Platte to have performed his own source code analysis and that the "analysis was used to draw conclusions that went beyond – and in some instances appear to have been directly inconsistent with – the parties' evidence on primary factual issues in dispute."

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[104] I have come to the conclusion that the above assertion is not borne out on the record before me. The initial analysis of material that was part of the evidentiary record was undertaken during the course of the hearing of evidence and on the evidence, namely the source codes themselves. Mr. Platte did not in any way hide, but clearly disclosed what he was doing. Xerox was provided with a summary of what his analysis of the evidence revealed so that Xerox witnesses could comment on it.

[105] When Xerox raised an issue of potential impropriety, it was fully aired and considered by the Panel. Xerox was given every opportunity to reformulate its evidence, obtain an adjournment if it thought there was a case to meet. None of these options was pursued.

[106] The Award of the Panel following written and oral submissions and comments from a judicially experienced Chair reflect an understanding of the role of a panel member with technical experience and of analysis of evidence before the Panel.

[107] The submissions of MPI refer to a text, "Law and Practice of International Commercial Arbitration" 4th ed., (London: Sweet & Maxwell 2004) as an example of an unsuccessful "due process" defence to enforcement. As was stated in Alan Redfern & Martin Hunter, *Law and Practice of International Commercial Arbitration*, 4th ed. (London: Sweet & Maxwell, 2004) at 449, the *Minmetals* case is an example of an unsuccessful “due process” defence to enforcement:

> Examples of unsuccessful “due process” defences to enforcement are, however, even more numerous. In *Minmetals*[26], the losing respondent in an arbitration in China opposed enforcement in England on the grounds that the award was founded on evidence that the arbitral tribunal had obtained through its own investigations. An English court rejected this defence on the basis that the respondent was eventually given an opportunity to ask for the disclosure of evidence at issue and comment on it, but declined to do so. The court held that the due process defence to enforcement was not intended to accommodate circumstances in which a party had failed to take advantage of an opportunity duly accorded to it.

[108] While the rules of arbitration were different between the case at bar and the *Minmetals* case, the analysis contained in the *Minmetals* case is illustrative, as it deals with the consequences of tactical decisions of parties when faced with a panel that has conducted its own investigation. Even assuming that the Panel did conduct an expert investigation, I do not believe that such an investigation prevented Xerox from presenting their case because the Panel provided Xerox with the charts that outlined their investigation and the opportunity to present evidence. The fact that Xerox made the tactical decision not to present such evidence cannot now be used to set aside the Award.

[109] I recognize the care that must be taken in referring to a decision in respect of an arbitration held under a submission and rules different from those in the present case. Nevertheless, the following comment of Justice Colman in *Minnetals* is helpful:

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[26] *Minmetals Germany GmbH v. Ferco Steel Ltd.*, [1999] 1 All E.R. (Comm) 315 (Eng. Q.B.D. (Comm.)).

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> In my judgment, the inability to present a case to arbitrators within s. 103(2)(c) [of the English Arbitration Act, 1996 which allows a court to refuse enforcement when a party has been denied the ability to present its case] contemplates at least that the enforcee has been prevented from presenting his case by matters outside his control. This will normally cover the case where the procedure adopted has been operated in a manner contrary to the rules of natural justice. Where, however, the enforcee has, due to matters within his control, not provided himself with the means of taking advantage of an opportunity given to him to present his case, he does not in my judgment bring himself within that exception to enforcement under the convention. In the present case that is what has happened.

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[110] I accept the proposition advanced by Xerox that once a breach of the principles of fundamental justice is established, the entire resulting decision is invalid. This is supported in administrative cases as well as the aids to interpretation associated with International Commercial Arbitration. See *Cardinal v. Director of Kent Institution*, [1985] 2 S.C.R. 643 at 660; *Report of UNCITRAL on the work of its eighteenth session*, para. 303.

[111] It was as a result of the allegation in effect of very serious conduct by a Panel chaired by a very senior and experienced retired judge that a fulsome review of the evidentiary record has been undertaken. Having undertaken and completed that review, as well as considered the written and oral submissions, I am unable to conclude that there has been the breach of fundamental justice as alleged.

[112] The issue of the tables that are alleged to be improper analysis by Mr. Platte arose before Mr. Christensen, a principal witness for Xerox, testified. There was evidence before the Panel, which it was entitled to accept and did accept, that there were individuals from Xerox who gained knowledge from working on software with MPI, who were involved in working on the software Xerox produced.

[113] The essential position of Xerox was that it denied any wrongdoing in what it did in developing its software. The evidence of Mr. Christensen that he did not use pre-existing knowledge, was not accepted.

[114] Mr. Christiansen was not believed by the Panel. Neither were some of the other Xerox witnesses. The Panel was entitled to and did draw an inference from the failure of Xerox to call some of the others who had worked on both the MPI/Xerox software and the Xerox software to deal directly with the issue of copying. There was conflicting expert evidence from which the Panel was entitled to choose.

[115] A review of the Award based on a review of the entire record does not establish any reliance on code productivity in circumstances where there was ample other evidence to support its conclusion.

[116] The following paragraphs from the Panel's Award result from a careful analysis of the evidence. The conclusions make it clear that there was ample compelling evidence to support the conclusion that "…Xerox did improperly use MPI's source to develop software of its own…

> 201. MPI's evidence was that it had taken MPI five years using a team of about 8 people to develop their initial IPDS solution. Xerox had been working to develop its own solution called XPAF for many years prior to abandoning that program in the early 2000s. Xerox on several occasions had attempted to find another provider for IPDS software but on each occasion remained with MPI as the preferred source. In the light of such evidence, Mr. Christensen's assertion that he designed an independently created parser code in just over one month, if one accepts his evidence that he did not seriously start working on it until March 16, 2000, or in 3 to 4 months, while also working on other projects, if one accepts that he started working at an earlier date, is not believable.
>
> 202. Mr. Christensen's evidence that he only needed the IPDS reference manuals to create the design of the parser code and that he gained no knowledge from working with MPI's source code for so many years that would help him with version 8, is not believable. The IPDS manuals to which Mr. Christensen referred define the overall architecture of the IPDS language in towers and describe its "state machine" implementation. They do not give instructions on how to create the code necessary for non-IBM printers to work with an IBM mainframe. Counsel for Xerox refers to Mr. Saroufim's evidence that it is possible to create the code by using the IBM manuals; MPI did it. Mr. Saroufim, however, also said that "it is very hard… really very hard" and that it is a big job and takes a long time.
>
> 203. Xerox asserts that version 8 is a completely independent creation. The evidence does not support that assertion. The similarities in the structure that exist between the version 8 parser code and that of versions 7.4 and AT06 make it clear that MPI's code was used a template for the creation of version 8. In addition, there were some common names and comments and an identical copying of the ipdeb, SCSI driver and dfa.h files. A review of the independently developed Groupe SET and i-Data codes reinforces the conclusion that the design of the version 8 parser component was based on that of 7.4 and AT06. The structural and other similarities are discussed further in paragraphs 289-291. Mr. Christensen's evidence that the design of the version 8 parser code was independent of MPI's code is not credible evidence.
>
> 204. None of the developers of the version 8 parser software were called as witnesses except Mr. Christensen. The software developers that were called, Dr. Plass and Mr. Diebert, had little to do with the parser component. Dr. Plass worked on the Cedar imager and Mr. Diebart worked on the GUI. In particular, neither Mr. Cahoon nor Mr. Rodriguez was called. When Mr. Belgard found two comments in the AT06 and version 8 codes that were so similar that they raised "red flags," he sought to contact Mr. Cahoon, the author of the relevant part of the version 8 code. He was told that Mr. Cahoon was no longer employed by Xerox. Counsel for MPI had no difficulty locating Mr. Cahoon's web site, which does reference a church, as Mr. Belgard said it did, but also carries a Xerox email address. Xerox called other witnesses who were no longer employed by it, Messrs. Warner, MacDonald and Fraix. No satisfactory explanation was given for not choosing to call as witnesses some of the developers who had direct knowledge of the parser development process.

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[117] Little wonder then that a Panel member such as Mr. Platte might seek to test the evidence in order to assist with the issue of credibility, particularly during the course of the evidentiary phase and while the witnesses were available to respond to anything found.

[118] The only conclusion that I can reach from review of the transcript, the objection and interchange between the Panel and counsel and the opportunity to provide further evidence that was available and not followed up on, is that the investigation from the evidence commenced by Mr. Platte was not completed and did not form any part of the decision-making process of the Panel in the final analysis.

[119] There is nothing to suggest that Mr. Platte's views or lack of them on code productivity formed any part of the ultimate Award. In any event, the Panel fully explained what it had done and why in the following paragraphs from its Award[27]:

> 310. If the Tribunal had been dealing with a book written in English, counsel would not have been surprised to find the Tribunal reading parts of it to which counsel had not necessarily referred.
>
> 311. The Tribunal's decision to disclose which parts of the evidence it had been examining so that counsel would be aware of this was met with a vigorous negative reaction. The Tribunal was surprised.

[120] The review by this Court that was necessitated by the very serious allegation of jurisdictional error shows just why the bar is so high for the review of an award of International Commercial Arbitration.

[121] Commercial arbitration involves a consensual process since the parties to a contract have the right and privilege to determine the manner by which disputes will be dealt with. Xerox and MPI did that, not only in their Agreement but by the manner they submitted to the process before the Panel members, which process they chose.

[122] I agree with the description of the difficulty of concluding conduct of the kind sufficient to set aside a commercial Arbitration Award as set out in the decision of Madam Justice Lax in *STET* [28] at p. 193-4, which decision was upheld by the Court of Appeal.

> There does not appear to be a single definition or explanation of what conduct may be of sufficient character to cause the court to set aside the award: J.B. Casey, International and Domestic Commercial Arbitration (Toronto: Carswell, 1993), at pp. 9-19 to 9-20. Some courts have described due process in arbitral proceedings as entailing "fundamental fairness" which means that "the 'minimal requirements of fairness' -- adequate notice, a hearing on the evidence and an impartial decision" have been met: Generica Ltd. v. Pharmaceutical Basics, Inc., 125 F.3d 1123 at pp. 1129-30 (7th Cir. 1997). One commentator has proposed that conduct justifying intervention is "such a mishandling of

[27] Paragraphs 306-309 already quoted in paragraph 87 of these Reasons
[28] *Re Corporation Transnacional de Inversiones, S.A. de C.V. v. STET International Sp. A* (1999), 45 O.R. 3d 183 aff'd (2000) 49 O.R. (3d) 414 (C.A.)]

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the arbitration as to likely to amount to some substantial miscarriage of justice": Mustill and Boyd, The Law and Practice of Commercial Arbitration in England, 2nd ed. (London: Butterworths, 1989) at p. 550, fn. 4 (referred to in Mr. Casey's text at pp. 9-19 and 9-20). This articulation accords with the general approach to the setting aside of arbitral awards.

Guidance as to the kind of conduct which could justify setting aside an award under the Model Law for the failure to observe procedural fairness can be found in commentary on the meaning of public policy under Article 34(2)(b)(ii) since the latter is intended to include both substantive and procedural aspects. This is evident from the following extract from the Report of the United Nations Commission on International Trade Law on the work of its eighteenth session (June 3-21, 1985) at p. 63, The Canada Gazette, Part I, vol. 120, No. 40, October 4, 1986, Supplement 1988, c. 30, S.13:

> It was understood that the term "public policy', which was used in the 1958 New York Convention and many other treaties, covered fundamental principles of law and justice in substantive as well as procedural respects. Thus, instances such as corruption, bribery or fraud and similar serious cases would constitute a ground for setting aside. It was noted, in that connection, that the wording "the award is in conflict with the public policy of this State" was not to be interpreted as excluding instances or events relating to the manner in which an award was arrived at.

Under the Model Law, the concepts of fairness and natural justice enunciated in Article 18 significantly overlap the issues of inability to present one's case and conflict with public policy set out in Articles 34(2)(a)(ii) and (b)(ii). Since Article 34(2)(b)(ii) is to be interpreted to include procedural as well as substantive justice and is not to exclude the manner in which an award is arrived at, it seems to me that the grounds for challenging an award under Article 18 are the same as they are under Article 34(2)(b)(ii). Accordingly, in order to justify setting aside an award for a violation of Article 18, the conduct of the Tribunal must be sufficiently serious to offend our most basic notions of morality and justice.

Instances of corruption, bribery or fraud referred to in the Report of the United Nations would not only offend the essential morality of Ontario, but would offend shared notions of justice that are common to legal systems throughout the world. No court would hesitate to set aside an award arrived at in this manner. In considering other kinds of conduct, it is important to bear in mind that the Report of the United Nations may be used as an interpretive aid to the Model Law and it refers to "similar serious cases". In my view, this contemplates that judicial intervention for alleged violations of the due process requirements of the Model Law will be warranted only when the Tribunal's conduct is so serious that it cannot be condoned under the law of the enforcing state. (emphasis added)

[123] Even if it could be said that there was some impropriety in the conduct of the Panel (which I have not found), Xerox did have an opportunity before the evidence closed, during submissions and after the Award to seek to re-open the evidentiary phase to adduce any further evidence it felt necessary or appropriate to redress the suggestion of an unwarranted conclusion. Xerox did not take advantage of any such opportunity. In my view, there is insufficient evidence on which to conclude that it should be able to do so now.

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[124] The investigation of the Panel in the circumstances is not sufficient to warrant a conclusion of impropriety amounting to judicial error as alleged by Xerox. The appeal on this ground must therefore fail.

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Allegation of Improper Award of Damages

[125] Xerox alleges that in January 1990, as part of the copyright registration process, MPI US deposited with the U.S. Copyright Office a hard-copy printout of the entire source code for what would ultimately become the Licensed Software. MPI US filed the whole of its source code in unredacted form, even though it may have sufficed to file source code in redacted form in order to preserve the confidentiality of the redacted information.

[126] In response to MPI's breach of confidence claim, Xerox asserted that MPI could not allege that the Licensed Software source code was confidential because MPI US had filed the entire source code with the U.S. Copyright Office. In doing so, MPI US had allegedly made the source code publicly available to any person who wished to go to the Copyright Office and inspect it. As such, Xerox asserts the Licensed Software source code had not been kept confidential by MPI and thus could not form the basis for a claim of breach of confidence under Ontario law.

[127] Xerox submits that after the close of evidence that MPI advanced a new argument – one which Xerox says is contradicted by the evidence adduced during the hearing – in an attempt to escape its admission that the entire Licensed Software source code had been deposited with the U.S. Copyright Office and thus had been made publicly available. It is the Xerox position that in its closing brief and closing oral submissions, MPI took the position, for the first time in the proceeding, that depositing source code with the U.S. Copyright Office does not render that source code publicly available and non-confidential. In support of this proposition, MPI relied on a 1999 decision of the United States District Court for the Eastern District of Michigan entitled *Compuware Corporation v. Serena Software International*[29] – a case dealing with a claim advanced under a Michigan business practices statute.

[128] Xerox argues that the Panel improperly relied on the *Compuware* case and contends that the Panel accepted the case as proof of American law, thereby denying Xerox the right to respond to the case against it and improperly applying United States law to a claim generated by Ontario law.

[129] MPI's position is that the reference to the case in issue was nothing more than a legal authority not being proof of U.S. law, but rather of a direction that the Panel might consider appropriate to the circumstances and certainly not binding on it.

[130] It does not appear that Xerox objected at the time the *Compuware* case was raised by MPI, as it did not then seek to re-open its case to present evidence on the issue. The Arbitration was held under the procedural rules of Ontario. There is nothing in the material before me to

[29] *Compuware Corporation v. Serena Software International, Inc.*, 77 F.Suppl 2d 816 (E.D. Mich. 1999)

suggest that Xerox could not have sought to re-open its case to present evidence or make any other legal submissions.

[131] In essence the Xerox position is that there was an onus on MPI to provide evidence on which the Panel could rely for the proposition that the filing of its copyright claim preserved confidentiality.

[132] The Award of the Panel sets out its findings of fact as well as analysis of law in the following paragraphs:

> 214. Source code has a confidential character. Xerox's own ethics code makes that clear. The facts described above and the provisions of the contract establish that the code was given under circumstances of confidentiality. The fact that MPI did not write "Confidential" on disks or demand documentation reiterating the fact that Xerox was expected to treat the code as confidential information, does not lessen the obligation.
>
> 215. In 1990, MPI's lawyer filed the AT05 source code in the U.S. Copyright Office. It is not now possible to know exactly what was filed since that Office destroys the deposit after ten years. A review of the lawyer's files shows that it is probable that the whole code was filed, not just the 25 beginning and 25 final pages that are required. Xerox states that this placed the code in the public domain and it could not thereafter be considered to be confidential information.
>
> 216. In *Compuware Corporation v. Serena Software International, Inc.*, 77 F.Suppl 2d 816 (E.D. Mich. 1999), a U.S. District Court dealt with a situation in which the plaintiff had deposited an unredacted copy of certain manuals with the U.S. Copyright Office. The Court found that the manuals had not thereby lost their confidential status. There was no evidence that anyone other than the plaintiff, its employees and licensees had ever viewed the material prior to the commencement of the litigation. The Court noted that even if there had been evidence that members of the public had viewed the material, additional evidence would still have been required to demonstrate that the material had lost its confidential nature. The Court noted that in order to gain access to a deposit copy, the Copyright Office procedure required one to sign a "Request for Inspection of Copyright Deposit" and that document contains an "agreement not to copy… the material to be inspected." The Court also noted that the Copyright Office procedure authorizes a visitor to make limited notes about the deposited copy on a form provided by the Office for that purpose and that staff review all such notes before the visitor leaves. It was explained that, unlike patent filing, the purpose of depositing copies of a work with the Copyright Office is not to facilitate public disclosure but to promote identification of the content and copyrightability of the protected works.
>
> 217. Counsel for MPI referred to the *Compuware* case, not as proof of U.S. law but to support his argument that the Tribunal should not accept counsel for Xerox's unsupported statement that because the AT05 code was deposited in the Copyright Office it thereby lost its confidential status. The Tribunal accepts that argument. In the absence of direct evidence supporting the allegation, the Tribunal is not willing to accept the assertion that by depositing the source code in the Copyright Office the code thereby lost its confidential character.

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[133] It was Xerox that raised the issue that the MPI filing of the source code had the effect of losing the confidentiality associated with it.

[134] I do not find that the Panel reversed the burden of proof. It placed the evidentiary burden to establish loss of confidentiality on Xerox. There is legal support for the proposition that was before the Panel and on which it was entitled to rely as the Panel noted after concluding that MPI had confidential information.

[135] Paragraph 212 of its Award reflects its conclusions with respect to evidentiary burden:

> A particularly relevant explanation of when information will be considered to have been given in confidence is found in *COCO v. A.N. Clark (Engineers) Ltd.,* [1969] R.P.C. 41, [1968] F.S.R. 415. In that decision, Megarry J. stated:
>
> > … if the circumstances are such that any reasonable man standing in the shoes of the recipient of the information would have realized that upon reasonable grounds the information was being given to him in confidence, then this should suffice to impose upon him the equitable obligation of confidence. In particular, where information of commercial or industrial value is given on a business-like basis and with some avowed common object in mind, such as a joint venture or the manufacture of articles by one party for the other, I would regard the recipient as carrying a heavy burden if he seeks to repel a contention that he was bound by an obligation of confidence…

[136] In the appeal before this Court, Xerox sought to rely on new affidavits that were not before the Panel. The evidence sought to distinguish both in fact and law the decision by the *Compuware* Court. Xerox could have requested at the time an opportunity to obtain such evidence and to be able to place it before the Panel.

[137] The position of Xerox is that up to and including the close of the evidentiary phase, MPI had admitted that materials filed with the U.S. Copyright Office were "a matter of public record." It further complains that in persuading the Panel to accept the *Compuware* case as authority for a contrary position, Xerox had no notice or opportunity to meet that case.

[138] The evidence Xerox sought to introduce on the appeal in this Court from its expert Mr. Patry is summarized in the following from its written submissions:

(a) The *Compuware* case does not accurately reflect U.S. copyright law and practice as codified in the U.S. Copyright Act, the U.S. Code of Federal Regulations, or the circulars and other publications of the U.S. Copyright Office. Rather, it erroneously conflates the issue of the public's right to inspect deposit material, which is extremely broad, with the more constrained right to make copies of that material. As Mr. Patry makes clear in his affidavit, inspection and copying are different issues, and are handled by the U.S. Copyright Office differently.

(b) Other U.S. courts have looked at the issue posed by the *Compuware* decision and have decided (correctly, in Mr. Patry's opinion) that the deposit of material with

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the U.S. Copyright Office makes that material publicly available, and therefore results in forfeiture of trade secret or confidential status.[30]

(c) In any event, the *Compuware* decision was a decision of a federal trial court. There is no federal law of trade secrets; such protection is entirely a matter of state law. As a federal court, the *Compuware* court could not render an authoritative opinion as to the meaning or effect of Michigan law, but could only attempt to interpret it as necessary to resolve the matters before it.

(d) The *Compuware* court did not make a final determination as to whether depositing material with the U.S. Copyright Office renders it non-confidential. The *Compuware* decision was rendered on a motion for reconsideration of the court's denial of the defendant's motion for summary judgment. The court, in denying the motion, found the defendant had not met the high burden applicable to a motion for reconsideration and therefore left the matter of loss of protection from public disclosure in the U.S. Copyright Office for a jury to decide at trial.

[139] Xerox further suggested this Court could draw an inference from the failure of MPI to address any evidence from its expert to contradict the Xerox witness. In my view, the submissions of Xerox miss the mark of what MPI submitted to the Panel and what the Panel decided.

[140] MPI admitted that it made a public filing of its copyright claim. There was nothing that I could find in the record that would support an MPI admission that in so filing, the source code lost its confidentiality.

[141] The Panel concluded that it was Xerox that advanced the case that by filing its copyright claim, MPI lost the confidentiality it had previously protected by contract in the source code.

[142] The Panel concluded that Xerox did not meet the evidentiary burden of establishing that the confidentiality in the source code was lost. That was a factual conclusion. In reaching its conclusion, the Panel relied on a legal authority placed before it. The decision in *Compuware* was not binding on the Panel. The reasons of the Panel above referred to make it clear that the decision was not considered by them to be binding.

[143] Even had the Panel considered the *Compuware* case persuasive as evidence of Ontario copyright law, together with the evidence before it, I am satisfied on the authorities that such conclusion was not an error going to the jurisdiction of the Panel. Given the decision of the Panel and its reasons, I am satisfied that had the additional authorities referred to in the evidence sought to be introduced been before the Panel, they would not have changed the conclusion

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[30] See *Tedder Boat Ramp Systems Inc. v. Hillsborough County, Florida*, 54 F. Supp. 2d 1300 (M.D. Fla 1999); *Cinebase Software, Inc. v. Media Guaranty Trust, Inc.*, 1998 U.S. Dist. LEXIS 15007 (N.D. Cal. Sept. 24, 1998); *Phillips v. Avis, Inc.*, 1996 U.S. Dist. LEXIS 7342 (N.D. Ill. May 29, 1996), as described in the *Patry Affidavit*, para. 12, Xerox Application Record, Volume 15, Tab 3, pp. 3616, and as attached to the *Supplemental Affidavit of William Patry* dated March 16, 2006, paras. 4, 5, 6, Xerox Application Record, Vol. 15, Tabs 4B, C, D.

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regarding the burden on Xerox with respect to confidentiality. It was determined as a factual issue.

[144] I accept the submission of MPI. Under Article 34 of the Model Law for international arbitration, there simply is no power at all for a court to set aside an arbitral award for an error of fact or even an error of law. Article 34 simply does not confer on the court that power. In the words of the authors of one leading text on international commercial arbitration:

> Indeed, and this is an important point, there is no provision in the Model Law for any form of appeal from the arbitral award, on the law or on the facts, or any judicial review of the award on its merits. If the tribunal has jurisdiction, the correct procedures are followed and the correct formalities are observed, the award – good, bad, or indifferent – is final and binding on the parties.[31]

[145] The authors of a leading Canadian text agree:

> Likewise Article 34 of the International Commercial Arbitration Code "does not allow for judicial review if the decision is based on an error of law or an erroneous finding of fact if the decision is within the jurisdiction of the Tribunal". An arbitral award "is not invalid because, in the opinion of the Court hearing the application, the Arbitral Tribunal wrongly decided a point of fact or law". British Columbia's International Commercial Arbitration Act "confers on the court no power to set aside an award on the ground of error of law."[32]

[146] Justice Kelen of the Federal Court of Canada, Trial Division, held that he had no power to set aside an arbitral award on the basis of an error of fact or law in *Canada v. S.D. Myers Inc.*[33] Commenting on the principle and its underlying rationale, he stated:

> It is noteworthy that Article 34 of the Code does not allow for judicial review if the decision is based on an error of law or an erroneous finding of fact if the decision is within the jurisdiction of the Tribunal....An arbitral award is not invalid because, in the opinion of the Court hearing the application, the Arbitral Tribunal wrongly decided a point of fact or law. In the text book, *Law and Practice of International Commercial Arbitration , supra* at page 432:
>
> > Nevertheless, the Model Law, basic though it is, reflects the modern movement towards finality of arbitration awards. There is a belief that, so far as international arbitrations are concerned, the parties should be prepared to accept the decision of the arbitral tribunal even if it is wrong, so long as the correct procedures are observed. *If a court is allowed to review this decision on the law or merits, the speed and above all, the finality of the arbitral process is lost.* Indeed, arbitration then becomes merely the first stage in a process that may lead, by way of successive appeals, to the highest appellate court at the place of arbitration. [Emphasis added][34]

[31] Redfern and Hunter, *supra.*, paras. 9-35.
[32] McEwan and Herbst, Commercial Arbitration Law in Canada, para. 10.60.10.20(m).
[33] *Myers, supra.*
[34] *Ibid*, para.42.

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[147] Justice Kelen reiterated the principle in a subsequent paragraph:

> A dispute falling within the terms of the submission to arbitration, even if wrongly decided on a point of fact or law, cannot be judicially reviewed.[35]

Claim for Upgrade Royalties

[148] This claim of Xerox is that the Panel did not have jurisdiction to award the payment of royalties on software upgrades prior to the time they were demanded by MPI. Software upgrades represented subsequent versions of the Licensed Software on which royalty was paid when first installed.

[149] In mounting its jurisdictional challenge, Xerox relies on a finding by the Panel that MPI did not claim for royalties on software upgrades until the conclusions of an audit in 1999 and made the claim for the payment in March 2000.

[150] Xerox submits that in its view, Article 23.01 of the 1994 Agreement provides that a party may only seek strict performance of the agreement on a prospective basis, not on a retroactive basis. Article 23.01 provides that:

> Failure of either party to require strict performance by the other party shall not affect the first party's right to require strict performance *thereafter*. Waiver by either party of a breach of any provision shall not waive either the provision itself or any *subsequent* breach. [Emphasis added.]
>
> *1994 Agreement*, s. 23.01, Xerox Application Record, Vol. 1, Tab 2A, p. 31

[151] According to Xerox, the Panel thus awarded to MPI a remedy that required retroactive strict performance by Xerox. Such a remedy was precluded by the terms of the 1994 Agreement and thus exceeded the Panel's remedial jurisdiction. The amount of upgrade royalties improperly awarded by the Panel contrary to Article 23.01 is in excess of US$16 million.

[152] In its claim leading to arbitration, MPI did claim damages for the royalties it submitted were due for the period October 1, 1997 to September 30, 2001.

[153] That issue was submitted to the Panel for determination. Unlike the copyright claim that Xerox unsuccessfully sought to strike prior to the commencement of the hearing, Xerox did not seek to strike the royalty claim prior to proceeding with the arbitration.

[154] MPI submits that both the dispute resolution provision of the 1994 Agreement and the Arbitration Agreement give the Panel jurisdiction to deal with MPI's claim for unpaid royalties, which is fundamentally a dispute arising under the 1994 Agreement.

[155] Xerox delivered pleadings in response to the MPI claim that it was owed royalties on the software. Xerox specifically denied MPI's entitlement to royalties on upgraded versions of the

[35] *S.D. Myers* at paras. 76(10).

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software under the 1994 Agreement as properly interpreted. If MPI was entitled to such royalties Xerox argued that it had lost its right to claim them by virtue of waiver, acquiescence or estoppel. All those issues were set out in the Joint Statement of Issues and argued before the Panel.[36] In none of them does it appear did Xerox take the position that the Panel lacked jurisdiction to deal with such claims by virtue of section 23.01 of the 1994 Agreement.

[156] Unlike the Court motion made by Xerox with respect to the confidentiality issue, Xerox did not seek to strike the claim for the 1997-9 damages or plead the lack of jurisdiction in the Panel to deal with the issue.

[157] Xerox seeks to characterize as a legal and jurisdictional error the failure (in its view) by the Panel to give effect to s. 23.01 of the Agreement between the parties.

[158] The Panel's Award in this regard was not made on legal grounds alone. The factual finding of the Panel for which there was evidence, namely, that MPI only became aware after the KPMG audit of software upgrades was essential to its conclusion. For the foregoing reasons, I have concluded that there was evidence before the Panel to support the Award of damages to MPI on its royalty claim.

Conclusion

[159] Following a thorough review of the record before the Panel, including its Award, consideration of the written submissions and compendia and the oral argument of counsel, I am unable to conclude that the jurisdictional errors raised by Xerox have been made out. The appeal is therefore dismissed.

[160] The cases cited applying principles binding on this Court give deference to and strong support for what commences as a consensual process. Xerox and MPI by contract agreed to resolve their disputes by arbitration. The parties agreed on the identity of those who would hear their dispute.

[161] Each of the issues raised as matters going to jurisdiction deal with factual evidence and in some instances credibility had strong factual components on which the Panel was required to reach findings in order to reach its decision and Award.

[162] There appears to have been an unfortunate misunderstanding on the part of Xerox that developed as to just what one Panel member was doing by way of review of the filed evidence (source code.) Xerox did become aware of what was done and did not seek to address evidence on the issue after it became aware.

[36] Joint Statement of Issues, Issue I(A)(3) and I(B), the latter of which specifically deals with royalties owing between October 1, 1997 and September 30, 1999.

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[163] Given the submissions to the Panel and their explanation and Award, I am unable to conclude that the threshold necessary for a conclusion of jurisdictional error has been met on any of the issues raised.

[164] The issues of costs and interest (if any) may be addressed in written submissions or by appointment before me if required.

_____

C. CAMPBELL J.

Released:

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COURT FILE NO.: 05-CV-301537
DATE: 20061130

ONTARIO

SUPERIOR COURT OF JUSTICE

B E T W E E N:

XEROX CANADA LTD. and XEROX CORPORATION

Applicants

- **and –**

MPI TECHNOLOGIES, INC. and MPI TECH S.A.

Respondents

REASONS FOR DECISION

C. CAMPBELL J.

RELEASED: November 30, 2006

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