Federal Court  Cour fédérale

Date: 20150330

Docket: T-1594-13

Citation: 2015 FC 403

Ottawa, Ontario, March 30, 2015

PRESENT: The Honourable Mr. Justice Harrington

BETWEEN:

CASELLA WINES PTY LIMITED

Plaintiff/
Defendant by Counterclaim

and

CONSTELLATION BRANDS CANADA, INC.

Defendant/
Plaintiff by Counterclaim

ORDER AND REASONS

[1] In this second round of the boxing match between and a kangaroo and a wallaroo, which the Defendant describes as a mix between a wallaby and a kangaroo, the kangaroo wins. Lest this be thought to be a kangaroo court, my reasons follow.

[2] In this trade-mark dispute, Constellation Brands Canada, Inc., the Defendant and Plaintiff by Counterclaim, has filed two motions in the same document. The first is an appeal from an

order of Prothonotary Morneau, cited as 2015 CF 263, that its representative be required to answer certain questions put to him on discovery. The second is for a bifurcation order so that the trial only proceed on the merits, with a subsequent reference on damages or profits, if necessary.

[3] The first order was clearly discretionary. The Court is not to interfere with a prothonotary's discretion in an appeal under rule 51 of the *Federal Courts Rules* unless the questions raised are vital to the final issue in the case or the order was clearly wrong in the sense that the exercise of discretion was based upon a wrong principle or upon a misapprehension of the facts (*Merck & Co, Inc v Apotex Inc*, [2004] 2 FCR 459, 30 CPR (4th) 40 (FCA)). In my opinion, an order to answer questions to which objections were made on examination for discovery is not vital to the outcome of the case. The prothonotary's discretion was not exercised on a clearly wrong basis. In any event, were I to exercise my discretion *de novo*, I would also order that the questions be answered.

[4] As to the motion for a bifurcation order, the discoveries are complete save for the answers to be now given. The damages or accounting of profits, as the Plaintiff may elect, are manageable. While in intellectual property matters it is not uncommon to issue bifurcation orders, the downside is that liability issues very often end up in appeal, with resultant delays should the plaintiff ultimately prove successful.

I. Background

[5] According to its Statement of Claim, the allegations in which are taken to be true at this stage, Casella Wines PTY Limited, an Australian corporation, is the owner of the Canadian trade-mark YELLOW TAIL & KANGAROO DESIGN. This trade-mark has been used in Canada in association with the sale of Yellow Tail wine.

[6] It alleges that the Defendant either directly or through its distributors sells wines in Canada in association with a trade-mark and get-up which are confusing. The wine in question is sold under the brand name Wallaroo Trail, which is also trade-marked. Wallaroo Trail has been sold in grocery stores and convenience stores in Quebec since 2007 and in Wine Rack stores in Ontario since 2010. It is said that the label on the Wallaroo Trail bottles depicts a colorful kangaroo.

[7] The relief sought is for damages or an accounting of the profits of the Defendant. No election has been made as yet.

[8] Constellation Brands Canada, Inc. has filed a very feisty Statement of Defence and Counterclaim. It is a subsidiary of Constellation Brands Inc., said to be the largest wine producer in the world. In Canada there are two Constellation companies, Constellation Brands Canada, Inc., the Defendant, which sells wines in Ontario, and Constellation Brands Québec, Inc. which sells wine in Quebec and the Maritimes.

II. Analysis

[9] The defence goes on to set out in some detail different channels of trade dictated by provincial liquor boards. For instance Yellow Tail is sold in Liquor Control Board of Ontario outlets while Wallaroo Trail is sold through Wine Rack, its own enterprise. In Quebec Yellow Tail is sold in the Société des alcools du Québec outlets while Wallaroo is sold in "dépanneurs". In Ontario Wallaroo has to have some Canadian content, i.e. Canadian grapes, but not in Quebec. However, in Quebec one cannot identify the grapes which are in the bottles. Different channels of trade may well be relevant at trial in terms of whether there is confusion in the marketplace, but we are only at the examination for discovery stage.

[10] However, to get to the questions which Prothonotary Morneau ordered answered with respect to profits and expenses, it is submitted that they are too onerous, which I do not for a moment accept, and that to a large extent they relate to the profits of Constellation Brands Québec, Inc. which is not a party to the proceedings. However, the Defendant's representative on discovery was responsible for marketing Constellation Wines throughout the country. Furthermore the Wallaroo Trail trade-mark belongs to the Quebec company. Prothonotary Morneau had it right when he said that Constellation Brands Québec "ne peut être vue ici comme une simple partie tierce non impliquée dans le débat."

[11] It was also argued that the timeframe covered by the question is excessive; 2007 to the present. Casella has known since 2008 that Wallaroo was on the market, yet lay in the willows to allow Wallaroo's market share to increase dramatically before pouncing. Laches has been

pleaded, but not time-bar. Again this argument may be relevant as to the Plaintiff's remedy, if successful, but it is not relevant at the discovery stage.

[12] The other question related to the provenance of the grapes. The Plaintiff is somewhat suspicious about representations that the wine sold in Quebec comes exclusively from Australian grapes, given the situation in Ontario. The concern is that there may be some misrepresentation in Quebec as to the provenance of the grapes. This question should also be answered.

[13] Concerns that the Defendant has about trade secrets and confidentiality can be dealt with. It is well established that information gathered on discovery can only be used for the purposes of the case. If used otherwise there may well be a finding of contempt of court (*NM Paterson & Sons Ltd v St Lawrence Seaway Management Corp*, 2002 FCT 1247, [2002] FCJ No 1713 (QL), affirmed 2004 FCA 210, [2004] FCJ No 946 (QL)). Furthermore, in most intellectual property cases confidentiality orders under *Federal Courts Rule* 151 are almost always granted as a matter of course.

[14] In addition it does not follow that an answer given on discovery can automatically be read into the record at trial. Constellation Brands Canada can raise relevance, hearsay and other objections at that time.

[15] Turning to the bifurcation order, reliance was placed on the decision of Mr. Justice Hugessen in *Osmose-Pentox Inc v Société Laurentide Inc*, 2007 FC 242, [2007] FCJ No 302 (QL) where he said, "[a]n accounting for profits is a notoriously cumbersome and lengthy

procedure and it is very common for this Court in intellectual property cases to order that validity and infringement be dealt with prior to damages or profits, which will often, in any event be made the subject of a reference."

[16] In this case we are talking about profits in Ontario, Quebec and the Maritimes, not, as in some pharmaceutical cases, worldwide profits. Weighing this possibility against delays inherent in bifurcation, I am not prepared to grant the motion at this time. There has yet to be a pre-trial conference and the Plaintiff has yet to be put to its election.

ORDER

FOR REASONS GIVEN;

THIS COURT ORDERS that:

1. The appeal of the order of Prothonotary Morneau dated March 2, 2015 is dismissed;

2. The motion for a bifurcation order is dismissed;

3. The Plaintiff shall be entitled to its costs.

"Sean Harrington"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-1594-13
STYLE OF CAUSE:	CASELLA WINES PTY LIMITED V CONSTELLATION BRANDS CANADA, INC.
PLACE OF HEARING:	MONTRÉAL, QUEBEC
DATE OF HEARING:	MARCH 24, 2015
ORDER AND REASONS:	HARRINGTON J.
DATED:	MARCH 30, 2015

APPEARANCES:

Mr. Bob H. Sotiriadis	FOR THE PLAINTIFF / DEFENDANT BY COUNTERCLAIM
Mr. Mortimer Freiheit Mr. Bruno Barrette	FOR THE DEFENDANT / PLAINTIFF BY COUNTERCLAIM

SOLICITORS OF RECORD:

Robic LLP Lawyers, Patent and Trade-mark Agents Montreal, Quebec	FOR THE PLAINTIFF / DEFENDANT BY COUNTERCLAIM
Barrette Legal Inc. Lawyers Montreal, Quebec	FOR THE DEFENDANT / PLAINTIFF BY COUNTERCLAIM