

Date: 20061017

Docket: T-1591-05

Citation: 2006 FC 1229

OTTAWA, Ontario, October 17, 2006

PRESENT: The Honourable Mr. Justice Teitelbaum

BETWEEN:

DISTRIMEDIC INC.

Plaintiff

and

DISPILL INC. and RICHARDS PACKAGING INC.

Defendants

AND BETWEEN:

RICHARDS PACKAGING INC.

Plaintiff by counterclaim

and

**DISTRIMEDIC INC., ROBERT POIRIER
and CLAUDE FILIATRAULT**

Defendants by counterclaim

REASONS FOR ORDER AND ORDER

[1] This is a motion to appeal, brought by the Defendants and Plaintiff by Counterclaim, Dispill Inc. and Emballages Richards Inc. (Richards), the Order of Prothonotary Morneau dated June 29, 2006, which ordered that particulars be furnished by Richards in their Defence and Counterclaim

and which struck out certain paragraphs and selected text from the same document pursuant to Rule 221(1)(a), (b) and (c) of the *Rules for Regulating the Practice and Procedure in the Federal Court of Appeal and the Federal Court*, SOR/98-106 (Federal Court Rules).

[2] Distrimed Inc. (Distrimetric) filed a Statement of Claim dated September 26, 2005 and amended on November 3, 2005, seeking a declaration of non-infringement of Canadian Patent No. 2, 207, 045 (045 Patent) under subsection 60(2) of the *Patent Act*, R.S.C. 1985, c. P-4.

[3] On November 8, 2005, Richards filed a document with the Canadian Intellectual Property Office (“CIPO”) in order to register a disclaimer for the 045 Patent, pursuant to subsection 48(1) of the *Patent Act*.

[4] On or about December 1, 2005, Richards filed a Statement of Defence and Counterclaim, in which their allegations of infringement of the 045 Patent as well as infringement of Richards’ DISPILL trade-mark by Distrimed and Robert Poirier and Claude Filiatrault rely in large part on the disclaimer filed on November 8, 2005.

[5] On December 20, 2005, the Commissioner of Patents at the CIPO refused the disclaimer filed by Richards, deciding that it would have widened the scope of one of the claims of the 045 Patent, which is not permitted in the context of a disclaimer. Richards is currently seeking judicial review of the Commissioner’s decision, particularly, a writ of *mandamus* requiring the Commissioner to register/make effective the disclaimer and a declaration that the disclaimer was

filed and is effective as of its filing date of November 8, 2005. The Notice of Application for judicial review was filed on January 18, 2006 (Federal Court file no. T-92-06).

[6] On December 21, 2005, Distrimedica sent a letter to Richards requesting further particulars and requesting that certain allegations be struck from the Defence and Counterclaim. By letters dated January 6, 2006 and January 18, 2006, Richards replied that they would not amend their Defence and Counterclaim accordingly.

[7] As a result, Distrimedica filed a Notice of Motion dated February 2, 2006 before this Court for an order that further particulars be added, as well as to strike out certain allegations from the Defence and Counterclaim.

[8] Meanwhile, on February 8, 2006, Distrimedica brought a motion to the Court to grant it status as a respondent or intervener in the judicial review proceedings discussed above (T-92-06). Prothonotary Morneau in an Order dated February 27, 2006 granted party status to Distrimedica.

[9] On June 29, 2006, Prothonotary Morneau ordered Richards to serve an amended Statement of Defence and Counterclaim containing some of the particulars requested by Distrimedica and further ordered that the paragraphs and selected text subject to the motion to strike be struck out.

[10] Finally, by Notice of Motion dated July 10, 2006, Richards brought a motion to have Prothonotary Morneau's decision reversed with respect to the striking out of the paragraphs and selected text in question. This is the issue that is now before this Court.

[11] Prothonotary Morneau held that there was no valid disclaimer affecting the 045 Patent as a result of the Commissioner's negative decision as to the filing of the Richards' disclaimer, and that, consequently, paragraph 13 and selected text from paragraphs 14, 18(a), 18(c)(i) and 32 of Richards' Defense and Counterclaim be struck out, stating that it was plain and obvious that the allegations contained therein were immaterial and frivolous, in accordance with Rule 221(1) of the Federal Court Rules.

[12] Additionally, Prothonotary Morneau ordered that certain paragraphs in the same Defense and Counterclaim be struck out, specifically the text which related to claims by Richards that their trademark, DISPILL, under trade-mark registration number 547,764 was infringed. Richards alleged that their trademark was infringed by a violation of subsection 7(c) and section 22 of the *Trade-marks Act*, R.C.S. 1985, c. T-13. Prothonotary Morneau reasoned that, even if one was to give a more than liberal interpretation to these paragraphs and to the *Trade-marks Act*, there were no material facts alleged in Richards's Defense and Counterclaim to support such claims, and therefore, they did not disclose any reasonable cause of action.

[13] Lastly, Prothonotary Morneau ordered Richards to serve and file an amended Statement of Defense, which would then be followed by a Reply and Defense by Counterclaim from Distrimetric.

APPLICANT'S SUBMISSIONS

Standard of review

[14] The applicants first set out the standard of review to be applied to appeals from prothonotaries, relying on *Merck & Co. v. Apotex Inc.* ((2003), 30 C.P.R. (4th) 40 (F.C.A.) at page 53, leave to appeal to S.C.C. refused 30 C.P.R. (4th) vii) and *Canada v. Aqua-Gem Investments Ltd.* ([1993] 2 F.C. 425 (C.A.) at page 463). Discretionary orders of prothonotaries may be set aside on an appeal when questions raised in the motion are vital to the final issue of the case, meaning that it is vital to the result of the case, or if orders are clearly wrong, in the sense that the exercise of discretion by the prothonotary was based upon a wrong principle or upon a misapprehension of the facts.

[15] The applicants submit that the decision to strike certain paragraphs of the Statement of Defense and Counterclaim are vital to the issue before the Court, and, thus, the Court should exercise its discretion *de novo* (*Canada v. Aqua-Gem Investments Ltd.* ([1993] 2 F.C. 425 (C.A.) at page 463 and *Zambon Group S.P.A. v. Teva Pharmaceutical Industries Ltd.* (2005), 44 C.P.R. (4th) 173 (F.C.) at page 177).

Striking out pleadings

[16] The applicants argue that their pleadings should not be struck out for failure to disclose a reasonable cause of action under Rule 221(1)(a) of the Federal Court Rules because the pleadings disclose causes of action that have some chance of success, and that it is proper to assume that all facts in the pleadings are true. Furthermore, the applicants submit their pleadings should not be

struck out on the grounds that they are frivolous or vexatious or an abuse of process (Rule 221(1)(c) and (f)).

[17] The applicants further rely on *Apotex Inc. v. Wellcome Foundation Ltd.* (1996), 68 C.P.R. (3d) 23 (F.C.T.D., at page 41) to argue that the test to strike out is a difficult test to meet: “[...] if there is a scintilla of success in a claim, a Court should not strike it down. [...] The case law is clear that it has to be beyond doubt.” Furthermore, the onus of proof is a heavy one on the party seeking to strike pleadings (*Apotex Inc. v. Syntex Pharmaceuticals International Limited* (2005), 44 C.P.R. (4th) 23 (F.C.) at page 33, affirmed 47 C.P.R. (4th) 328 (F.C.A.) (Q.L.)).

[18] Lastly, the applicants argue that a pleading should not be struck unless it is plain and obvious that it has no chance of success, even though it may call for a complex or novel application of the law (*Pason Systems Corp. et al. v. Varco Canada Limited et al.* 2006 FCA 100 at pages 3-4). Therefore, the applicants argue that if there is the possibility of debate concerning interpretation of the *Patent Act* relied on by a party, then that question should be argued in the context of a trial on the merits.

Striking references to the disclaimer

[19] The applicants submit that eliminating references to the disclaimer would not secure the just determination of the proceeding in accordance with Rule 3 of the Federal Court Rules and would be an abuse of process, in that it would be used for an improper purpose, especially since Distrimedica has also relied on the disclaimer to argue that they should intervene in the judicial review

application. Furthermore, the defendants to the counterclaim have intervened in the record of the disclaimer even though there is no procedure in the *Patent Act* for such an intervention.

[20] The applicants argue that the legislative history and case law suggest that, while the CIPO has not registered the disclaimer, it still has an effect in law and should be considered (*Canadian Celanese Ltd. v. B.V.D. Co. Ltd.* [1939] 2 D.L.R. 289 (P.C.) at pages 291 and 294; *R. v. Ulybel Enterprises Ltd.*, [2001] 2 S.C.R. 867 at page 885; *Bayer Aktiengesellschaft and Bayer Inc. v. Pfizer Research and Development Co., N.V./S.A.* (2002), unreported at page 2; *Monsanto Co. v. Commissioner of Patents* (1976), 28 C.P.R. (2d) 118 (F.C.A.) at page 119; *Cooper & Beatty v. Alpha Graphics Ltd.* (1980), 49 C.P.R. (2d) 145 (F.C.T.D.) at page 163; section 48 of the *Patent Act* R.S.C. 1985 c. P-4; *Act to Amend Patent Act* R.S.C. 1985 c. 33 (3rd Supp.); and *Intellectual Property Law Improvement Act* S.C. 1993 c. 15).

Striking references to trade-mark infringement

[21] The applicants argue that paragraphs 30 and 38 of Richards' Statement of Defense and Counterclaim contain support for allegations in respect to trade-mark infringement referred to in paragraphs 18(c)(iii), 18(c)(vi), 18(d)(iii), 18(d)(iv), 18(d)(viii), 45(i) and 45(ii) of the same document.

[22] In the applicant's motion record, the applicants rely on sections 20 and subsections 22(1), 4(1), 4(2) of the *Patent Act*, as well as on case law to support their allegations.

Order sought by the applicants

[23] The Applicants thus seek an order by this Court setting aside paragraphs 1(c), 1(e), 2 and 3 of Prothonotary Morneau's Order; extending the time for Richards to serve and file the amended Statement of Defence and Counterclaim required in the order until 30 days after the disposition of this motion; and that costs be payable to the applicants at all levels.

RESPONDENT'S SUBMISSIONS

Standard of review

[24] The respondents do not make any submissions regarding the appropriate standard of review of decisions of prothonotaries. During the hearing, counsel stated that they did not contest the applicants' submissions and left the matter to this Court to determine the appropriate standard of review.

Striking out pleadings

[25] The respondents, Distrimedic, support Prothonotary Morneau's decision to strike out certain pleadings in accordance with Rule 221(1) of the Federal Court Rules. They argue that pleadings should be struck out if they do not meet the criteria listed in Rule 221(1).

[26] First, the respondents argue that the pleadings must achieve certain objectives, which were set out in *Gulf Canada Ltd. V. Tug "Mary Mackin"* ([1984] 1 F.C. 884 at 889, (F.C.A.)), such as inform the opposing party as to the nature of the case they must meet, enable the opposing party to properly prepare for trial and limit the issues to be tried.

[27] Secondly, relying on *Glaxo Canada Inc. v. Department of National Health and Welfare* ((1987), 15 C.P.R. (3d) 1 at pages 10-11, (F.C.T.D.)), the respondents argue that pleadings must disclose the claims of the parties in sufficient detail and clarity so as to enable the parties to understand the questions in dispute and grounds of the debate and enable the tribunal to examine the truthfulness of the claims

[28] Third, a party may not bring its claim to trial if its allegations are not based on specific material facts, and hence, its pleading will fail for lack of evidence (*Caterpillar Tractor Co. v. Babcock Allatt Ltd.* (1982), 67 C.P.R. (2d) 135, at pages 138-139 (F.C.T.D.), affirmed (1983), 72 C.P.R. (2d) 286 (F.C.A.)).

[29] Fourth, the respondents argue that failure to ground a conclusion in law on material facts, especially when there has been a request for particulars, allows the Court to infer that there exists no reasonable cause of action (*Precision Metalsmiths Inc. v. Cercast Inc.* (1966), 49 C.P.R. 234 at page 247 (Ex. Ct.)).

Striking references to the disclaimer

[30] The respondents' main argument is that Prothonotary Morneau was correct when he concluded that, since the Court has not yet, by way of judicial review, pronounced itself on the matter of the disclaimer filed and rejected by CIPO, the claims containing references to the disclaimer found in the Defence and Counterclaim should be struck out.

[31] The respondents argue that the disclaimer is invalid or of no effect, using case law to support their arguments (*Monsanto Co. v. Commissioner of Patents* (1976) C.P.R. (2d) 118 at page 119 (F.C.A.); *Free World Trust v. Électro Santé Inc.*, [2000] 2 S.C.R. 1024 at paragraphs 41-42).

Striking references to trade-mark infringement

[32] With regards to trade-mark infringement, the respondents argue that Prothonotary Morneau was correct when he ordered to strike out the relevant paragraphs and certain text from the Defense and Counterclaim, since even if one were to give a more than liberal interpretation to these and to the *Trade-marks Act*, it is plain and obvious that the Defense and Counterclaim do not introduce any material facts which constitute use of the registered trade-mark DISPILL or of a trade-mark or trade-name creating confusion with DISPILL; the selections are conclusions of law unsupported by material facts.

[33] Pursuant to Rule 221(1)(a) of the Federal Court Rules, these selections would disclose no reasonable cause of action.

[34] The respondents agree that Richards holds exclusive and registered rights to the trademark under sections 19 and 20 of the *Trade-marks Act*. Hence, the respondents' main argument is that material facts must be alleged to demonstrate infringement. They argue that, in their Defense and Counterclaim, Richards fail to bring material facts to demonstrate infringement, even after receiving a request for particulars.

[35] Therefore, these paragraphs and certain text should be struck out for reasons of disclosing no reasonable cause of action.

[36] The respondents argue that the same reasoning applies to allegations of violations of subsection 7(c) – dealing with passing off – and section 22 – dealing with depreciation of goodwill – of the *Trade-Marks Act*.

Order sought by the respondents

[37] The respondents seek an order dismissing the motion to appeal, maintenance of Prothonotary Morneau’s Order, and costs from the applicants at all levels.

ISSUES

[38] The issues to be considered in this appeal are the following:

- a. Did Prothonotary Morneau err in law by concluding that selected text from the Defendant’s Statement of Defense and Counterclaim which refer to the disclaimer be struck out pursuant to Rule 221(1)(b) and (c) of the Federal Court Rules on the grounds that they are immaterial and frivolous?
- b. Did Prothonotary Morneau err in law by ordering that certain paragraphs, which allege a trademark infringement in the Defense and Counterclaim, be struck out pursuant to Rule 221(1)(a) of the Federal Court Rules on the grounds that they disclose no reasonable cause of action?

ANALYSIS

Statutory scheme

[39] Section 221(1) of the Federal Courts Rules:

<p>221. (1) On motion, the Court may, at any time, order that a pleading, or anything contained therein, be struck out, with or without leave to amend, on the ground that it</p>	<p>221. (1) À tout moment, la Cour peut, sur requête, ordonner la radiation de tout ou partie d'un acte de procédure, avec ou sans autorisation de le modifier, au motif, selon le cas :</p>
<p>(a) disclosed no reasonable cause of action or defence, as the case may be,</p>	<p>a) qu'il ne révèle aucune cause d'action ou de défense valable;</p>
<p>(b) is immaterial or redundant,</p>	<p>b) qu'il n'est pas pertinent ou qu'il est redondant;</p>
<p>(c) is scandalous, frivolous or vexatious,</p>	<p>c) qu'il est scandaleux, frivole ou vexatoire;</p>
<p>(d) may prejudice or delay the fair trial of the action,</p>	<p>d) qu'il risque de nuire à l'instruction équitable de l'action ou de la retarder;</p>
<p>(e) constitutes a departure from a previous pleading, or</p>	<p>e) qu'il diverge d'un acte de procédure antérieur;</p>
<p>(f) is otherwise an abuse of the process of the Court,</p>	<p>f) qu'il constitue autrement un abus de procédure.</p>
<p>and may order the action be dismissed or judgment entered accordingly.</p>	<p>Elle peut aussi ordonner que l'action soit rejetée ou qu'un jugement soit enregistré en conséquence.</p>

[40] According to subsection 48(1) of the *Patent Act*, it is possible in certain circumstances to file a disclaimer in order to narrow a claim in a patent:

48. (1) Whenever, by any mistake, accident or inadvertence, and without any willful intent to defraud or mislead the public, a patentee has

(a) made a specification too broad, claiming more than that of which the patentee or the person through whom the patentee claims was the inventor, or

(b) in the specification, claimed that the patentee or the person through whom the patentee claims was the inventor of any material or substantial part of the invention patented of which the patentee was not inventor, and to which the patentee has no lawful right,

the patentee may, on payment of a prescribed fee, make a disclaimer of such parts as the patentee does not claim to hold by virtue of the patent or the assignment thereof.

48. (1) Le breveté peut, en acquittant la taxe réglementaire, renoncer à tel des éléments qu'il ne prétend pas retenir au titre du brevet, ou d'une cession de celui-ci, si, par erreur, accident ou inadvertance, et sans intention de frauder ou tromper le public, dans l'un ou l'autre des cas suivants :

a) il a donné trop d'étendue à son mémoire descriptif, en revendiquant plus que la chose dont lui-même, ou son mandataire, est l'inventeur;

b) il s'est représenté dans le mémoire descriptif, ou a représenté son mandataire, comme étant l'inventeur d'un élément matériel ou substantiel de l'invention brevetée, alors qu'il n'en était pas l'inventeur et qu'il n'y avait aucun droit.

[41] Section 7 of the *Trade-marks Act* deals with passing-off:

7. No person shall

7. Nul ne peut :

(a) make a false or misleading statement tending to discredit the business, wares or services of a competitor;

a) faire une déclaration fausse ou trompeuse tendant à discréditer l'entreprise, les marchandises ou les services d'un concurrent;

(b) direct public attention to his wares, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his wares, services or business and the wares, services or business or another;

b) appeler l'attention du public sur ses marchandises, ses services ou son entreprise de manière à causer ou à vraisemblablement causer de la confusion au Canada, lorsqu'il a commencé à y appeler ainsi l'attention, entre ses marchandises, ses services ou son entreprise et ceux d'un autre;

(c) pass off other wares or services as and for those ordered or requested;

c) faire passer d'autres marchandises ou services pour ceux qui sont commandés ou demandés;

(d) make use, in association with wares or services, of any description that is false in a material respect and likely to mislead the public as to

d) utiliser, en liaison avec des marchandises ou services, une désignation qui est fausse sous un rapport essentiel et de nature à tromper le public en ce qui regarde :

- (i) the character, quality, quantity or composition,
- (ii) the geographical origin, or
- (iii) the mode of the manufacture, production or performance

- (i) soit leurs caractéristiques, leur qualité, quantité ou composition,
- (ii) soit leur origine géographique,
- (iii) soit leur mode de fabrication, de production ou d'exécution;

of the wares or services; or

(e) do any other act or adopt any other business practice contrary to honest industrial or commercial usage in Canada.

e) faire un autre acte ou adopter une autre méthode d'affaires contraire aux honnêtes usages industriels ou commerciaux

ayant cours au Canada.

[42] Section 19 of the *Trade-marks Act* states as follows:

19. Subject to sections 21, 32 and 67, the registration of a trade-mark in respect of any wares or services, unless shown to be invalid, gives to the owner of the trade-mark the exclusive right to the use throughout Canada of the trade-mark in respect of those wares or services.

19. Sous réserve des articles 21, 32 et 67, l'enregistrement d'une marque de commerce à l'égard de marchandises ou services, sauf si son invalidité est démontrée, donne au propriétaire le droit exclusif à l'emploi de celle-ci, dans tout le Canada, en ce qui concerne ces marchandises ou services.

[43] Subsection 20(1) of the *Trade-marks Act* deals with the rights of the owner of a registered trade-mark:

20. (1) The right of the owner of a registered trade-mark to its exclusive use shall be deemed to be infringed by a person not entitled to its use under this Act who sells, distributes or advertises wares or services in association with a confusing trade-mark or trade-name, but no registration of a trade-mark prevents a person from making

20. (1) Le droit du propriétaire d'une marque de commerce déposée à l'emploi exclusif de cette dernière est réputé être violé par une personne non admise à l'employer selon la présente loi et qui vend, distribue ou annonce des marchandises ou services en liaison avec une marque de commerce ou un nom commercial créant de la confusion. Toutefois, aucun enregistrement d'une marque de commerce ne peut empêcher une personne :

<p>(a) any <i>bona fide</i> use of his personal name as a trade-name, or</p>	<p>a) d'utiliser de bonne foi son nom personnel comme nom commercial;</p>
<p>(b) any <i>bona fide</i> use, other than as a trade-mark,</p>	<p>b) d'employer de bonne foi, autrement qu'à titre de marque de commerce :</p>
<p>(i) of the geographical name of his place of business, or</p>	<p>(i) soit le nom géographique de son siège d'affaires,</p>
<p>(ii) of any accurate description of the character or quality of his wares or services,</p>	<p>(ii) soit toute description exacte du genre ou de la qualité de ses marchandises ou services,</p>
<p>in such a manner as is not likely to have the effect of depreciating the value of the goodwill attaching to the trade-mark.</p>	<p>d'une manière non susceptible d'entraîner la diminution de la valeur de l'achalandage attaché à la marque de commerce.</p>

[44] Subsection 22(1) of the *Trade-marks Act* states:

<p>22. (1) No person shall use a trade-mark registered by another person in a manner that is likely to have the effects of depreciating the value of the goodwill attaching thereto.</p>	<p>22. (1) Nul ne peut employer une marque de commerce déposée par une autre personne d'une manière susceptible d'entraîner la diminution de la valeur de l'achalandage attaché à cette marque de commerce.</p>
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Standard of review

[45] As submitted by the applicants, discretionary orders of prothonotaries may be disturbed on appeal to a judge when questions raised in the motion are vital to the final issue of the case, meaning that it is vital to the result of the case, or if the orders are clearly wrong, in the sense that the exercise of discretion by the prothonotary was based upon a wrong principle or upon a misapprehension of the facts (*Merck & Co. v. Apotex Inc.* (2003) C.P.R. (4th) 40 (F.C.A.), at paragraph 19, leave to appeal to S.C.C. refused 30 C.P.R. (4th) vii; *Canada v. Aqua-Gem Investments Ltd.*, [1993] 2 F.C. 425 (C.A.)).

[46] The decision to strike certain paragraphs of the Statement of Defense and Counterclaim is vital to the final issue of the case, therefore, Prothonotary Morneau's decision may be reviewed *de novo* (*Zambon Goup S.P.A. v. Teva Pharmaceutical Industries Ltd.* (2005, 44 C.P.R. (4th) 173 (F.C.), at paragraph 10).

Striking references to the disclaimer

[47] The selected text in question is contained in paragraphs 13, 14, 18(a), 18(c)(i) and 32 of the Defence and Counterclaim, which read:

13. As to Paragraphs 16-18 of the Amended Statement of Claim, the Defendants state that on or about November 8, 2005, Richards Packaging filed a disclaimer in respect of Canadian Patent No. 2, 207, 045 which stated the following in respect of claims 15-21: [...]

14. By its manufacture, use, marketing, offering for sale and sale of the DISTRIMEDIC Product, and by its promotion and inducement of such use, the Plaintiff has threatened to infringe and infringed the exclusive right, privilege and liberty of Richards Packaging as claimed in claims 1-28 of the Canadian Patent No. 2, 207, 045 prior to the disclaimer and claims 1-15, 17-28 of

Canadian Patent No. 2, 207, 045 as they read after the disclaimer and continues to infringe such exclusive rights.

18. The Defendant Richards Packaging (Plaintiff by Counterclaim) claims:

(a) a declaration that Canadian Patent No. 2,207,045 and current claims 1-15, 17-28 thereof and claims 1-28 of Canadian Patent No. 2,207,045 prior to the disclaimer are valid;

[...]

(c) a declaration that Distrimed, Robert Poirier (“Poirier”) and Claude Filiatrault (“Filiatrault”) have:

(i) threatened to infringe and infringed current claims 1-15, 17-28 of Canadian Patent No. 2, 207, 045 and prior to the disclaimer in respect of Canadian Patent No. 2,207,045 threatened to infringe and infringed claims 1-14, 22-28 and prior claims 15-21 of Canadian Patent No. 2,207,045.

32. Filiatrault and Poirier arranged for Distrimed to manufacture, use, market, offer for sale and sell the DISTRIMEDIC, Product, and by its promotion and inducement of such use, Filiatrault, Poirier and Distrimed have threatened to infringe and infringed the exclusive right, privilege and liberty of the Defendant Richards Packaging (Plaintiff by Counterclaim) as claimed in claims 1-28 of Canadian Patent No. 2,207,045 prior to the disclaimer and claims 1-15, 17-28 of Canadian Patent No. 2,207,045 as they read after the disclaimer and Filiatrault, Poirier and Distrimed continue to infringe such exclusive rights.

[48] Prothonotary Morneau held that references to the disclaimer contained in all of paragraph 13, as well as the underlined text in paragraphs 14, 18(a), 18(c)(i) and 32, should be struck out on the grounds that they are immaterial and frivolous, pursuant to Rule 221(1)(b) and (c).

[49] The test to be applied to determine if pleadings should be struck out is if it is plain and obvious that they disclose no reasonable cause of action. In other words, in order to strike out pleadings, the Court must be satisfied that they do not disclose a cause of action that has some chance of success (*Operation Dismantle v. The Queen*, [1985] 1 S.C.R. 441). The test for striking a pleading on the grounds that it is frivolous or vexatious or an abuse of the process of the Court is

just as stringent as the test for striking out a statement of claim (*Waterside Ocean Navigation Co. v. International Navigation Ltd.*, [1977] 2 F.C. 257).

[50] As stated by Madam Justice Danièle Tremblay-Lamer in *Apotex Inc. v. Wellcome Foundation Ltd.* (1996), 68 C.P.R. (3d) 23 (F.C.T.D.), the test for striking out pleadings is very high:

In conclusion, I would like to reiterate that striking out pleadings is a draconian measure. The defendants may not have a strong case on some of the issues raised by the plaintiffs in their motion. However, the test in my view is stringent: if there is a scintilla of success in a claim, a Court should not strike it down. As pointed out by counsel for the defendant Apotex, this is not a mini-trial or a summary judgment proceeding where I could have resolved some of the issues. The case law is clear that it has to be beyond doubt. Despite able argument by counsels for the plaintiff Wellcome, I have not been convinced that there is sufficient lack of substance to use this draconian measure, thereby depriving the defendants of their day in Court.

[51] The onus of proof on the party seeking to strike pleadings is a heavy one (*Apotex Inc. v. Syntex Pharmaceuticals International Ltd.* (2005), 44 C.P.R. (4th) 23 (F.C.), at paragraph 31, affirmed 47 C.P.R. (4th) 328 (F.C.A.)).

[52] As for immateriality, the Court generally will refuse to strike out “surplus statements” that are not prejudicial (*Apotex Inc. v. Glaxo Group Ltd.*, 2001 FCT 1351). Generally, doubt is to be resolved in favor of permitting the pleading so that the relevant evidence in support of the pleading may be brought before the trial judge (*Apotex Inc. v. Glaxo Group Ltd.*, 2001 FCT 1351). In this case, the references to the disclaimer are not necessarily surplus statements that are not prejudicial; they are immaterial nevertheless since the disclaimer has not, for the moment, been accepted and registered with CIPO, and therefore, should not form part of the Defense and Counterclaim.

[53] As for frivolity, a frivolous action includes an action where the pleadings are so deficient in factual material that the defendant cannot know how to answer (*Kisikawpimootewin v. Canada*, 2004 FC 1426). Furthermore, the plain and obvious test should apply in cases of frivolity as well. (*Sweet v. Canada* (1999), 249 N.R. 17 (Fed. C.A.), at paragraph 6).

[54] Prothonotary Morneau was correct when he concluded that, so long as this Court had not resolved the issue of the alleged disclaimer in the context of the judicial review proceeding (T-92-06), there is no valid disclaimer that can be relied upon in this proceeding. As a result, Prothonotary Morneau properly concluded that the paragraphs and selected text at issue in the Defense and Counterclaim should be struck out.

[55] The appropriate remedy available to Richards to challenge the Commissioner's Decision concerning the disclaimer is the judicial review proceeding introduced (T-92-06). Should Richards be successful in that judicial review proceeding, they may then move this Court to allow them to amend their pleadings to reintroduce allegations based on the disclaimer into the Defense and Counterclaim.

[56] This Court agrees with Prothonotary Morneau that until the issue of the validity and effect of the disclaimer has been judicially reviewed, the references to the disclaimer should be struck out of the Defense and Counterclaim on the grounds that they are immaterial and frivolous pursuant to Rule 221(1)(b) and (c) of the Federal Court Rules.

Striking references to trade-mark infringement

[57] The selected text in question is contained in paragraphs 18(c)(iii), 18(c)(v), 18(c)(vi), 18(d)(iii), 18(d)(iv), 18(d)(viii), 18(d)(ix) and 45(i), (ii), (iv) of the Defence and Counterclaim, which read:

18. The Defendant Richards Packaging (Plaintiff by Counterclaim) claims:

(c) a declaration that Distrimedec, Robert Poirier (“Poirier”) and Claude Filiatrault (“Filiatrault”) have:

[...]

(iii) threatened to infringe and infringe the exclusive rights of the Defendant Richards Packaging (Plaintiff by Counterclaim) under Trade-mark Registration No. 547,764 for DISPILL in association with pill dispenser to sort out pills, tablets or capsules (the “DISPILL trade-mark”);

[...]

(v) passed off their businesses, wares and services and for the business, wares and services and for the business, wares and services of the Defendant Richards Packaging (Plaintiff by Counterclaim);

(vi) used the DISPILL trade-mark in a manner likely to have the effect of depreciating the value of the goodwill attaching to the DISPILL trade-mark; and

[...]

(d)(iii) selling, advertising or otherwise using in Canada in association with their businesses, services or wares, the DISPILL trade-mark, the Richards Packaging Label Colour Trade-marks as defined below, or any other trade-marks, corporate names or trade names that are confusing with the DISPILL trade-mark, or the Richards Packaging Label Colour Trade-marks;

[...]

(d)(iv) infringing the exclusive rights of the Defendant Richards Packaging (Plaintiff by Counterclaim) to the use of the DISPILL trade-mark;

[...]

(d)(viii) using the DISPILL trade-mark or any other trade-marks that are confusing with the DISPILL trade-mark in a manner likely to have the effect of depreciating the value of the goodwill attaching to the DISPILL trade-mark;

(d)(ix) appropriating the benefit of the reputation and goodwill built up by Richards Packaging in association with the DISPILL trade-mark; and [...]

45. By reasons of the foregoing, Distrimedica, Poirier and Filiatrault have:

(i) infringed and, by virtue of Section 20 of the Trade-marks Act, are deemed to have infringed Richards Packaging's exclusive right to the use throughout Canada of the DISPILL trade-mark;

(ii) used the DISPILL trade-mark in a manner likely to have the effect of depreciating the value of the goodwill attaching thereto, contrary to law and to Section 22(1) of the Trade-marks Act;

[...]

(iv) wrongfully passed off their businesses, services and wares as and for the businesses, services and wares of the Defendant Richards Packaging (Plaintiff by Counterclaim) contrary to Section 7(c);

[58] Prothonotary Morneau reasoned that these paragraphs and selected text be struck out pursuant to Rule 221(1)(a) of the Federal Court Rules as they disclose no reasonable cause of action or defense.

[59] No reasonable cause of action has been determined to exist where no material facts are alleged against the defendant (*Chavali v. Canada*, 2002 FCA 209, affirming 2001 FCT 268). In this motion, the respondents rightly argue that there are no material facts supporting Richards' allegations of trade-mark infringement.

1. Claims relating to the infringement of the registered trademark DISPILL

[60] There is infringement of exclusive rights where the alleged infringer used the trade-mark as registered or sold, distributed or advertised wares or services in association with the trade-mark so as to create confusion.

[61] In any trade-mark infringement action, the plaintiff must allege material facts demonstrating that the defendant used the trade-mark in question within the definition of deemed use found in subsection 4(1) of the *Trade-marks Act*:

The concept of “use” is fundamental to trade-mark law generally and is a critical linchpin within the *Trade-marks Act*. Use comes into play for purpose of, *inter alia*, registration, infringement and depreciation of goodwill. However, what use means in each of these instances is not necessarily the same. Use for the purpose of proving infringement requires that: (1) the defendant’s use of the trade-mark is within the s. 4 definition of deemed use; and (2) such use must be use *as a trade-mark*. (*Fox on Canadian Law of Trade-marks and Unfair Competition*, 4th ed., Toronto (Ont.), Thomson Carswell, 2005, at page 7-8)

[62] Section 4 of the *Trade-marks Act* defines use of the trade-mark:

4. (1) A trade-mark is deemed to be used in association with wares if, at the time of the transfer of the property in or possession of the wares, in the normal course of trade, it is marked on the wares themselves or on the packages in which they are distributed or it is in any other manner so associated with the wares that notice of the association is then given to the person whom the property or possession is transferred.

4. (1) Une marque de commerce est réputée employée en liaison avec des marchandises si, lors du transfert de la propriété ou de la possession de ces marchandises, dans la pratique normale du commerce, elle est apposée sur les marchandises mêmes ou sur les colis dans lesquelles ces marchandises sont distribuées, ou si elle est, de toute autre manière, liée aux marchandises à tel point qu’avis de liaison est alors donné à la personne à qui la propriété ou possession est transférée.

(2) A trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.	(2) Une marque de commerce est réputée employée en liaison avec des services si elle est employée ou montrée dans l'exécution ou l'annonce de ces services.
...	[...]

[63] Hence, there is no use of a trade-mark in association with wares without transfer of the wares:

According to s. 4(1), in order for a trade-mark to be deemed used in association with the wares, the trade-mark must be marked on the wares themselves, on the packaging or in a manner “so associated with the wares that notice of the association is then given to the person to whom the property or possession is transferred”. Marking the wares with the trade-mark is the easiest way to conform to the use requirements, but it is not essential. If the trade-mark is not affixed to the wares or the packages containing the wares, there must be notice of the association given to the person to whom the wares are transferred. This notice can be given in a number of ways, but the notice must also be given at the time of the transfer of the wares. (*Fox on Canadian Law of Trade-marks and Unfair Competition*, above, at page 3-49)

[64] Transfer of wares also means a transfer of possession:

In order for the use to be considered at the time of transfer, there must be a transfer of possession. Entering into an agreement or placing an order for wares is not considered use; use will not occur until the wares have had a transfer of possession. [...] (*Fox on Canadian Law of Trade-marks and Unfair Competition*, above, at page 3-55)

[65] Richard refers to the use of a trade-mark in association with “services” in its written representations but the Defense and Counterclaim do not refer to “services” offered by the Defendants to the Counterclaim. The concept of use of a trade-mark in association with services is therefore inapplicable to this proceeding. Nevertheless, there are no allegations that present material

facts that demonstrate the use of a trade-mark in association with services and there are no allegations of services being performed or advertised by the Defendants to the Counterclaim.

[66] The pleadings do not introduce any material facts indicating use of the registered trade-mark DISPILL or indicating that the Defendants by Counterclaim sold, distributed or advertised wares or services in association with a trade-mark or trade-name so as to create confusion with the registered trade-mark DISPILL.

2. Claims relating to subsection 7(c) of the *Trade-marks Act*

[67] The cause of action described at subsection 7(c) of the *Trade-marks Act* is a codification of the common law action of “passing off by substitution” (*Fox on Canadian Law of Trade-marks and Unfair Competition*, above, at page 4-15)

[68] An action based on subsection 7(c) of the *Trade-marks Act* must satisfy the following criteria:

[...] Passing off by substitution will be established where, in answer to an order for what plainly appears to be the plaintiff’s goods, the defendant, without any explanation of the circumstances, supplies corresponding goods of his own or someone else’ manufacture without any enquiry whether the plaintiff’s goods or merely equivalent goods are required. In order, however, to found a case of passing off by substitution it must be clear that the words in which the order was given referred to goods of the plaintiff and nobody else. It must be clear that proper notice was given to the retailer as to the articles desired and that something was substituted for that which was ordered. It is not an improper substitution of goods or services if the purchaser is told that the goods or services he asked for are not available and agrees to take others in their place. (*Fox on Canadian Law of Trade-marks and Unfair Competition*, above, at page 4-16)

[69] The portions of the pleadings at issue regarding the claim of passing off by substitution contain no material facts necessary to support such a claim. As a result, the paragraphs and selected text listed above should be struck out as disclosing no reasonable cause of action.

3. Claims relating to section 22 of the *Trade-marks Act*

[70] To satisfy the criteria necessary to ground an action under section 22 of the *Trade-marks Act*, a plaintiff must allege use of the registered trade-mark by the defendant:

For a plaintiff to succeed in a s. 22 action, it must first show that the defendant has *used* its registered trade-mark. The courts have interpreted this *use* requirement to mean that the defendant's conduct must fall within the s. 3 definition of *use*. [...]

Provided the defendant's use of the plaintiff's registered trade-mark falls within the s. 4 definition of deemed use, the first requirement of the s. 22 action is met. However, the courts have held that the use by the defendant must be consistent with the specifics of the registration as to whether the plaintiff's trade-mark is registered in association with wares or services. If the plaintiff's trade-mark is only registered in association with wares, the defendant's use of the trade-mark must fall within the s. 4(1) definition of use for wares. In other words, if the defendant were to use the plaintiff's trade-mark in advertising only, such would not constitute use sufficient to meet the s. 22 requirement if the plaintiff's trade-mark were only registered for use in association with wares. [...] (*Fox on Canadian Law of Trade-marks and Unfair Competition*, above, at page 7-23)

[71] As explained previously, Richards has not provided any material facts to establish use of the registered trade-mark DISPILL by the Defendants to the Counterclaim. As a result, the paragraphs and selected text listed above should be struck out as disclosing not reasonable cause of action.

[72] Following the plain and obvious test applied by Prothonotary Morneau, I agree that the text of paragraphs 18(c)(iii), 18(c)(v), 18(c)(vi), the words in paragraph 18(d)(iii) that are underlined in the notice of motion, 18(d)(iv), 18(d)(vii), 18(d)(viii), 18(d)(ix), 45(i), 45(ii) and 45(iv) of the

Defense and Counterclaim do not disclose any reasonable cause of action since they do not introduce any material fact tending to establish violations of the *Trade-marks Act* and of the trade-mark DISPILL. These should, therefore, be struck pursuant to Rule 221(1)(a) of the Federal Court Rules.

CONCLUSION

[73] This Court finds that Prothonotary Morneau did not err in law by concluding that selected text from Richards' Statement of Defense and Counterclaim which refer to the disclaimer be struck out pursuant to Rule 221(1)(b) and (c) of the Federal Court Rules on the grounds that they are immaterial and frivolous.

[74] This Court further finds that Prothonotary Morneau did not err in law by ordering that certain paragraphs, which allege a trade-mark infringement in the Defense and Counterclaim, be struck out pursuant to Rule 221(1)(a) of the Federal Court Rules on the grounds that they disclose no reasonable cause of action.

[75] Therefore, the motion for appeal of the order of Prothonotary Morneau dated June 29, 2006 is dismissed with costs.

ORDER

THIS COURT ORDERS that

1. This motion for appeal be dismissed.
2. Costs be granted to the respondent.

“Max M. Teitelbaum”

Judge

FEDERAL COURT

Names of Counsel and Solicitors of Record

DOCKET: T-1591-05

STYLE OF CAUSE: DISTRIMIC INC.

Plaintiff

- and -

DISPILL INC. and EMBALLAGES
RICHARDS. INC.

Defendants

PLACE OF HEARING: TORONTO, Ontario

DATE OF HEARING: August 14, 2006

**REASONS FOR ORDER
AND ORDER BY:** Teitelbaum, J.

DATED: October 17, 2006

APPEARANCES BY:

Mr. Louis Gratton

Plaintiff

Mr. Dale Schlosser
Mr. Shane Hardy

Defendants

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