

Federal Court



Cour fédérale

Date: 20070425

Docket: T-1838-05

Citation: 2007 FC 437

[ENGLISH TRANSLATION]

BETWEEN:

ECLIPSE INTERNATIONAL FASHIONS CANADA INC.

Plaintiff

and

THE JEAN SHOP LIMITED

Defendant

AND BETWEEN

THE JEAN SHOP LIMITED

Plaintiff by counterclaim

and

**ECLIPSE INTERNATIONAL FASHIONS CANADA INC.,
DARSHAN KHURANA, SANTOSH KHURANA, LLOYD
PRIZANT, JOYCE MANN PRIZANT, SUBHASH KHANNA,
LAUREN FERGUSON ET TRIO SELECTION INC.**

Defendant by counterclaim

REASONS FOR ORDER

PROTHONOTARY MORNEAU

[1] This is essentially a motion by the defendants by counterclaim under Rule 221 of the *Federal Courts Rules* (the Rules) to strike a series of paragraphs from the counterclaim that the defendant The Jean Shop Limited (the defendant Jean Shop) appended to the defence that it filed on March 8, 2007.

Background

[2] In a statement of claim filed in October 2005, the plaintiff Eclipse International Fashions Canada Inc. (hereinafter Eclipse Canada) alleged that the defendant Jean Shop, through the operation of businesses that sell clothing under the corporate name Eclipse, infringed its ownership rights in the registered trade-mark Eclipse that is used by Eclipse Canada in association with women's clothing and in association with other types of clothing with respect to one of the defendants by counterclaim, namely Trio Selection Inc., which is licensed to use the Eclipse mark (hereinafter Trio Selection Inc.).

[3] Based essentially on Rule 191, the defendant Jean Shop joined as defendants by counterclaim, aside from the plaintiff Eclipse Canada, the licensee Trio Selection Inc., as well as the three (3) respective directors of each of these corporations.

[4] First, the defendants by counterclaim are objecting that Trio Selection Inc. and the two groups of directors were included as defendants by counterclaim.

[5] The other major problem raised by these defendants involves the paragraphs of the counterclaim where Jean Shop seeks an injunction against Eclipse Canada to prevent it from pursuing an administrative remedy before the Registraire des entreprises du Québec through which, according to Jean Shop, Eclipse Canada could obtain a remedy that could interfere with the broader jurisdiction of this Court.

Analysis

Tests for striking out

[6] As pointed out in the following passage from the Federal Court of Appeal's decision in *Sweet et al. v. Canada* (1999), 249 N.R. 17, at paragraph 6 on page 23, nothing can be struck out under either paragraph of Rule 221 unless the situation is plain and obvious:

[6] Statements of claim are struck out as disclosing no reasonable cause of action only in plain and obvious cases and where the Court is satisfied that the case is beyond doubt (see *Attorney General of Canada v. Inuit Tapirisat of Canada et al.*, [1980] 2 S.C.R. 735 at 740; *Operation Dismantle Inc. v. The Queen*, [1985] 1 S.C.R. 441 and *Hunt v. Carey Canada. Inc.*, [1990] 2 S.C.R. 959). The burden is as stringent when the ground argued is that of abuse of process or that of pleadings being scandalous, frivolous or vexatious (see *Creaghan Estate v. The Queen*, [1972] F.C. 732 at 736 (F.C.T.D.), Pratte J.; *Waterside Ocean Navigation Company, Inc. v. International Navigation Ltd et al.*, [1977] 2 F.C. 257 at 259

(F.C.T.D.), Thurlow A.C.J.; *Micromar International Inc. v. Micro Furnace Ltd.* (1988), 23 C.P.R. (3d) 214 (F.C.T.D.), Pinard J. and *Connaught Laboratories Ltd. v. Smithkline Beecham Pharma Inc.* (1998), 86 C.P.R. (3d) 36 (F.C.T.D.) Gibson J.). The words of Pratte J. (as he then was), spoken in 1972, in *Creaghan Estate*, *supra*, are still very much appropriate:

“... a presiding judge should not make such an order unless it be obvious that the plaintiff's action is so clearly futile that it has not the slightest chance of succeeding ...”

[7] With regard to the motion to strike the paragraphs of the counterclaim involving the application for an injunction against any proceedings before the Registraire des entreprises du Québec, therefore essentially paragraphs 98(g), (h) and 108 to 113 of the counterclaim (hereinafter the anti-suit injunction), I consider that it is not plain and obvious that these paragraphs must be struck.

[8] The concept of the anti-suit injunction, while unusual, is not unknown in law.

[9] The Court also aptly notes the statements of Jean Shop to the effect that this request for a non-suit injunction is brought with the counterclaim essentially as a preliminary filing and that if Jean Shop intends to pursue that vein, it will proceed by motion. It is therefore premature to consider the defendants by counterclaim's objection to this non-suit injunction in the counterclaim since Eclipse Canada will have the chance to argue all grounds for objection in due course. Therefore, nothing will be struck out with regard to the paragraphs involving the non-suit injunction.

[10] With respect to the defendants by counterclaim's objection regarding the inclusion of Trio Selection Inc. and the directors of that corporation and those of Eclipse Canada, in my view, at this stage, the situation warrants the intervention of this Court with respect to the directors.

[11] It appears that Jean Shop considers that all the defendants by counterclaim currently named in the style of cause are so close to one another at the corporate level, and on an individual level between the two groups of directors, that this group of corporations and individuals are in fact ultimately a single corporate entity.

[12] Jean Shop is pursuing each member of this corporate entity on a contribution and indemnity basis with regard to any allegation that could be addressed to Jean Shop by virtue of the principal action, since Jean Shop considers that Eclipse Canada and Trio Selection Inc. have known for many years that Jean Shop used the Eclipse mark as a trade name. Jean Shop therefore refers to the application with regard to the defendants by counterclaim of the equitable institution known as "laches and acquiescence".

[13] I think that the defence and counterclaim contain sufficient allegations about Eclipse Canada and Trio Selection Inc. with regard to their role, sometimes confused, of owner or of licensee of the Eclipse mark, and accordingly their alleged blindness with regard to Jean Shop's use of this mark, that the Court should at this stage refuse to strike Trio Selection Inc. as a defendant by counterclaim. The Court considers that there is a sufficient connection between the primary cause of action and the cause of action of the counterclaim to maintain this counterclaim against Eclipse Canada and Trio Selection Inc.

[14] However, with regard to the directors of these two corporations, Eclipse Canada and Trio Selection Inc., namely the six (6) individuals who also appear in the style of cause as defendants by counterclaim, the situation warrants, as mentioned earlier, that the Court intervene.

[15] I think that to assess the situation, it is necessary to apply, *mutatis mutandis*, the principles referred to by this Court when a party seeks to implicate the personal liability of corporate officers in an intellectual property matter.

[16] In *Dolomite Svenska Aktiebolag v. Dana Douglas Medical Inc.* (1994), 58 C.P.R. (3d) 531 (hereinafter *Dolomite*), the Court summarized as follows at page 533 what should be alleged by a party to properly establish a cause of action in a personal capacity against a director or officer of a corporation:

In order to properly establish a cause of action against an individual as the directing mind of a corporation, a plaintiff cannot merely plead the facts of the defendant's capacity as a director or officer. The plaintiff must allege that the defendant knowingly and willingly authorized the infringing actions which form the basis of the cause of action. A statement of claim must particularize the circumstances from which it is reasonable to conclude that the purpose of the director or officer is not the direction of the manufacturing and selling activity of the company in the ordinary course of his relationship to it, but the deliberate, willful and knowing pursuit of a course of conduct that is likely to constitute infringement or reflects an indifference to the risk of infringement: *Mentmore Manufacturing Co., Ltd. v. National Merchandise Manufacturing Co. Inc.* (1978), 40 C.P.R. (2d) 164 at p. 174, [...] Individuals who are officers and directors of corporations are not *ipso facto* responsible for infringement committed by their corporation: *Katun Corp. v. Technofax Inc.* (1988), 22 C.P.R. (3d) 269 at p. 270, 21 C.I.P.R. 270.

(Emphasis added.)

[17] The passage from *Mentmore* that the Court refers to in *Dolomite* reads as follows:

[T]here must be circumstances from which it is reasonable to conclude that the purpose of the director or officer was not the direction of the manufacturing and selling activity of the company in the ordinary course of his relationship to it but deliberate, willful and knowing pursuit of a course of conduct that was likely to constitute infringement or reflected an indifference to the risk of it.

[18] If I apply these instructions to review the various allegations in the counterclaim, I cannot find sufficient material fact allegations to be able to accept or understand that the counterclaim is directed at the conscious conduct of any of the directors that goes beyond their traditional corporate affairs management duties.

[19] Accordingly, an order will be issued that stipulates that only the corporations Eclipse Canada and Trio Selection Inc. must appear as defendants to counterclaim in the style of cause and that in the fifteen (15) days of the date of the order, Jean Shop must serve and file an amended defence and counterclaim with a style of cause changed accordingly and with any allegation involving the directors struck out.

[20] Eclipse Canada (and Trio Selection Inc. with respect to the defence to counterclaim) will have twenty (20) days after that to serve and file their amended reply and defence to counterclaim.

[21] In view of the divided success of this motion, no order as to costs.

“Richard Morneau”

Prothonotary

Montréal, Quebec
April 25, 2007

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1838-05

STYLE OF CAUSE: ECLIPSE INTERNATIONAL FASHIONS
CANADA INC.
and
THE JEAN SHOP LIMITED ET AL

PLACE OF HEARING: Montréal, Quebec

DATE OF HEARING: April 16, 2007

REASONS FOR ORDER: PROTHONOTARY MORNEAU

DATED: April 25, 2007

APPEAREANCES:

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