

Federal Court



Cour fédérale

Date: 20180830

Docket: T-442-18

Citation: 2018 FC 875

Ottawa, Ontario, August 30, 2018

PRESENT: The Honourable Mr. Justice Manson

BETWEEN:

C.C. JENTSCH CELLARS INC.

Applicant

and

**O'ROURKE FAMILY VINEYARDS LTD. AND
SUREWAY CONSTRUCTION GROUP LTD.**

Respondents

ORDER AND REASONS

[1] The Respondents bring three motions to the Court for determination:

- a) An appeal to set as aside the Order of Prothonotary Aalto dated July 25, 2018, refusing production of certain documents requested from the Applicant by motion dated July 18, 2018, as sought in paragraphs 1, 2 and 3 of that motion;
- b) To make this application proceed as an action; and
- c) To give leave to file the affidavit of Dr. Ruth Corbin, sworn August 21, 2018.

[2] For the reasons below, all three motions are dismissed, with costs to the Applicant.

I. Background

[3] This application is for, *inter alia*, passing off, at both common law and under section 7(b) of the *Trade-marks Act*, RSC 1985, c T-13.

[4] The Applicant produces, markets and sells wine named “THE CHASE” in the Okanagan region of British Columbia, which is described as its “flagship wine”. It has been producing this wine since 2012.

[5] In 2017, the Respondents began producing wines at a winery named the Chase Winery in the Lake District of Okanagan, and has advertised, marketed and sold a selection of wines under the name “The Chase Wines”.

[6] As set out in the decision of Prothonotary Aalto, and in the parties’ motion materials, in support of this Application the Applicant filed affidavits of an owner, C.C. Jentsch, the affidavits of Rayna Corner and Philippe Daigle, who are wine agents and distributors, the affidavit of Daenna Van Mulligin, sommelier and wine journalist, the affidavit of Laura Dierdorf, general manager of a liquor store in Oliver, British Columbia, and the affidavits of Terry David Mulligan and Christine Coletta.

[7] Prior to the cross-examination of Mr. Jentsch, Rayna Corner and Philippe Daigle, Respondents’ counsel served a summons on each of them which required each witness to

produce a lengthy list of documents at the cross-examination. Those lists included storage records, production and accounting records, sales and distribution agreements and inventory records for each wine produced by the Applicant, maps of vineyards, promotional materials for all products, copies of all radio advertisements for all products.

[8] Over 500 pages of promotional material, sell sheets, brochures, tasting notes, production and sales figures and other documents were produced originally in the affidavits filed. While the Applicant objected to a number of the categories of documents requested, the Applicant produced an additional 135 pages of documents in response to the Respondents' Directions to Attend.

[9] The Prothonotary held that the additional documents sought by the Respondents' in their July 17, 2018 motion were, in large part, completely irrelevant.

[10] In response to the Respondents' argument that the documents sought were needed to "test the veracity of the allegations in the affidavits", particularly whether THE CHASE is a "flagship" wine, Prothonotary Aalto found that "[w]hether it is a flagship wine or not is not an issue in this proceeding and does not assist in determining whether there is an infringement of the alleged unregistered trademark in the name THE CHASE used by the Applicant". In response to the Respondents' argument that the documents sought are needed to quantify the claim for damages, Prothonotary Aalto was advised by the Applicant that it is not seeking damages for lost profits, and in any event Prothonotary Aalto found that the hearings judge is in

the best position to deal with that issue and give whatever directions are necessary on a reference.

[11] Prothonotary Aalto also found that the documents sought by the Respondents are not relevant to the issues to be determined and fall into the category of fishing, and even an abuse of process.

II. Appeal of the Prothonotary's July 25, 2018 decision

[12] The parties are agreed that the standard of review with respect to this appeal concerning the Prothonotary's decision as to whether documents are to be produced on cross-examination is whether there is a palpable and overriding error, unless there is an extricable question of law, in which case the standard of review is correctness (*Hospira Health Care Corporation v Kennedy Institute of Rheumatology*, 2016 FCA 215 at para 66; *Canada (Attorney General) v Fink*, 2017 FCA 87 at para 7).

[13] The Respondents argue that the Prothonotary erred in law by holding that the scope of document production on cross-examination of affiants in this matter is highly restricted and therefore the standard of review should be correctness.

[14] The Respondents further take the position that the Prothonotary erred in fact and law in holding that the documents refused in their motion were not relevant to the issues in dispute.

[15] In making their argument here and before the Prothonotary, I agree with the Applicant that the Respondents have made several factual misstatements:

- a) Mr. Jentsch did not “broadly refuse” to produce the requested documents (para 26) and in fact did comment on the other categories required for production by the Corner Direction and the Daigle Direction (para 28). Mr. Jentsch only objected to certain specific requests or portions of requests, and explicitly stated “We address each request that we object to in turn”. Mr. Jentsch’s witnesses produced approximately 135 pages of additional documents.
- b) Contrary to paragraph 34, Ms. Corner did not confirm there were requested documents in her possession that were not produced. She did not say there were more recent sell-sheets, but rather said she stopped using sell sheets and that “there are the sell sheets that I have”, referring to the ones she produced. She did not say there were other promotional documents she uses, but rather said she tailor makes an e-mail for the particular customer based on what there have asked about.
- c) Contrary to paragraph 35, Mr. Daigle did not confirm there were requested documents in his possession that were not produced. What he said was that “Sometimes” he has some brochures (QQ. 35, 37); and “What you see is what I have” (referring to a representative sample of an old brochure) (Q. 48). He also said that marketing was not his job and that these types of materials would originate with Mr. Jentsch (QQ. 89, 90). Mr. Jentsch produced hundreds of pages of its marketing materials both in Chris Jentsch’s original affidavit and before cross-examination.
- d) Contrary to paragraphs 36 and 38, Mr. Jentsch did not confirm there were other documents in his power and control that were not produced. Regarding some specific

radio advertising he referred to, he said “I haven’t see it, what they [Bell Radio] provide”. (Q. 15). Regarding all his promotional material generally, including radio advertising, he said “It could be buried. But if I haven’t provided it, then I couldn’t find it” (Q. 53).

[16] More importantly, contrary to the Respondents’ arguments, the Prothonotary did not apply the wrong test for scope of document production on a cross-examination. He quite correctly relied on principles in the *Autodata* and *Merck Frosst* cases, and expressly stated that while document production in cross-examinations may be broad in scope, that production does not become a fishing expedition and is more limited than document production during discovery – that is the correct test (*Autodata Ltd v Autodata Solutions Co*, 2004 FC 1361 [*Autodata*]; *Merck Frosst Canada Inc v Canada (Minister of Health)* (1997), 80 CPR (3d) 550 at paras 4, 7, 8).

[17] He also recognized that cross-examinations are not confined to the four corners of an affidavit – the Respondents are simply wrong in their characterization of Prothonotary Aalto’s approach to the scope of documentary production in this case, and as such the test to be applied is whether the Prothonotary made a palpable and overriding error in reaching his decision.

[18] As well, the Prothonotary’s comment on the Respondents taking certain procedural steps if they wished to ensure their ability to advance a full and complete defence, while perhaps not necessary, simply confirms that given this proceeding was not only started as an Application as opposed to an Action, but has progressed to a stage where affidavits have been filed and cross-

examinations have taken place – it is too late to now complain that discovery in an action may have allowed further production of documents – that ship has sailed, as discussed further below.

[19] There is no doubt that for a passing off action to succeed, the Applicant must meet the three prongs of the test set out by the Supreme Court of Canada in *Ciba-Geigy Canada Ltd v Apotex Inc*, [1992] 3 SCR 120:

- a) There must be reputation or good will established in the trademark as used with the goods or services;
- b) There must be a deception of the public due to a misrepresentation; and
- c) There must be actual or potential damage to the trademark owner.

[20] It is trite law as well that the underpinning for a valid trademark includes the need for the mark to be distinctive of a single source of that trademark as used in association with goods and/or services (*Kirkbi AG v Ritvik Holdings Inc*, 2005 SCC 65 at paras 65-67).

[21] The real complaint by the Respondents rests with the scope of relevant documents to be produced. What they appear to misunderstand is that relevance is not only limited to what is pleaded, but also whether the document might reasonably contain information which may directly or indirectly enable the party requesting production to advance his or her own case, or to damage the case of his or her adversary. Moreover, the Court must use its discretion to ensure proportionality is a factor and to avoid unduly onerous productions.

[22] The Respondents stated at the hearing that while their appeal was broad on documents to be produced, they are now only seeking all documents related to promotional, financial and production materials for all the Applicant's wines.

[23] The documents relating to all wines produced by the Applicant since 2012 is in any event, far too broad and irrelevant, including financial records, production records and promotional records – to seek these documents is an obvious fishing expedition and constitutes an abuse of process.

[24] Moreover, as pointed out by counsel for the Applicant, TABS D and E to the affidavit of Mr. Jentsch actually provide production data on all the Applicant's wines, including THE CHASE produced from 2013 to 2016, and distribution of THE CHASE wine from September 2013 to January 2018.

[25] As well, given that the Applicant is not seeking damages for lost profits, the Prothonotary was correct on that front as well. The idea that the Respondents should be entitled to all financial documents of the Applicant is simply wrong. The Court is not to read-in limits to what would be reasonable and relevant document production when a party makes far-flung demands well beyond what is acceptable – here the Respondents insisted on maintaining their demand for all such documents.

[26] Other wines produced by the Applicant are not relevant – it is the reputation of THE CHASE trademark as used with the Applicant's wine in the Okanagan and British Columbia that

the Applicant must prove, and that the Respondents' activities have caused or are likely to cause deception and damage as a result. Whether other wines under other labels may also have a reputation does not matter, and does not affect the likelihood of deception or any relevant damage calculation in this case.

[27] As for the second prong of the test to prove passing off, again, it is for the Applicant to show that use of THE CHASE by the Applicant for wine in the Okanagan and use by the Respondents of The Chase Winery or "Chase" on wines in the Okanagan would likely lead to confusion as to source, such that there is a deception to the public due to a misrepresentation by the Respondents, which would then cause damage or potential damage to the Applicant. The requested documents refused by the Prothonotary add nothing to the issues for proper and reasonable consideration by the hearings judge and were correctly refused.

[28] A final word on scope of documentary production – the need for proportionality is key to limiting intrusive, abusive demands for alleged "relevant" documents, and the Respondents have exceeded any reasonable bounds on this relatively simple, straightforward passing off case.

III. Converting the Application to an Action

[29] As I indicated earlier in this decision, the ship has sailed on any opportunity to convert this proceeding into an action. Affidavits have been exchanged, cross-examinations have taken place, and contrary to the Respondents' assertion that this is a complex matter, it is not. This is a simple case requiring no more than at most two to three days of hearing on the merits. The Federal Court of Appeal recognized that in cases such as this one, an expeditious and

proportionate proceeding is best served by way of application on a written record, not through trial proceedings (*BBM Canada v Research in Motion Limited*, 2011 FC 960 at para 28 [*BBM*]).

[30] When one considers all the factors to be considered on motion to convert an application to an action, I agree with the Applicant that the Respondents fail on all levels (*BBM* at para 19):

- i. The Applicant's choice of proceeding should not lightly be interfered with;
- ii. The parties have followed the application procedure to date, including relying on affidavit evidence and cross-examining witnesses;
- iii. The Respondents requested and received numerous additional documents for those cross-examinations, and irrelevant documents will not be produced;
- iv. There have been no steps taken by the Applicant which militate against the Respondents' right to fully and fairly defend the Application;
- v. The Applicant's affiants are each directly involved with the issues; the Applicant has not failed to produce relevant documents, and there has not been unwarranted interference by the Applicant's counsel;
- vi. There are only three primary issues on the Application: the existence of goodwill in THE CHASE, likelihood of confusion, and actual or potential damage, and these are not complex issues;
- vii. There are only two main parties to the proceeding (and Sureway is only named because it registered the impugned domain name used by O'Rourke) and there are no cross-applications or a multiplicity of proceedings;
- viii. To the extent there are any credibility issues at all, they are easily addressed on the existing documentary record and by admissions made on cross-examination.

[31] The motion to convert this application to a trial is refused.

IV. Leave to file Dr. Ruth Corbin survey

[32] Rule 312 provides that parties may file affidavits in addition to those filed within the application procedure, specifically affidavits filed under Rules 306 and 307:

312 With leave of the Court, a party may

(a) file affidavits additional to those provided for in rules 306 and 307;

(b) conduct cross-examinations on affidavits additional to those provided for in rule 308; or

(c) file a supplementary record.

[33] *Rosenstein v Atlantic Engraving Ltd*, 2002 FCA 503, provides that leave to file additional affidavits under Rule 312 will be provided when certain criteria are met:

[8] ... Rule 312 allows a party, with leave of the Court, to file additional affidavits. Under that rule, the Court may allow the filing of additional affidavits if the following requirements are met:

i) The evidence to be adduced will serve the interests of justice;

ii) The evidence will assist the Court;

iii) The evidence will not cause substantial or serious prejudice to the other side (see *Eli Lilly and Co. v. Apotex Inc.* (1997), 1997 CanLII 5475 (FCT 76 C.P.R. (3d) 15 (T.D.)); *Robert Mondavi Winery v. Spagnol's Wine & Beer Making Supplies Ltd.* (2001), 2001 CanLII 22119 (FQ. 10 C.P.R. (4th) 331 (T.D.)).

[9] Further, an applicant, in seeking leave to file additional material, must show that the evidence sought to be adduced was not available prior to the cross-examination of the opponent's affidavits. Rule 312 is not there to allow a party to split its case and a party must put its best case forward at the first opportunity (see *Salton Appliances (1985) Corp. v. Salton Inc.* (2000), 2000 CanLII 14828 (FC), 181 F.T.R. 146, 4 C.P.R. (4th) 491 (T.D.); *Inverhuron*

& District Ratepayers Assn. v. Canada (Min. of Environment)
(2000) 2000 CanLII 14848 (FC), 180 F.T.R. 314 (T.D.)).

[34] To obtain leave to file additional evidence under Rule 312, O'Rourke must first establish that:

- i. The evidence is admissible; and
- ii. The evidence is relevant to an issue that is properly before the court.

Forest Ethics Advocacy Association v National Energy Board, 2014 FCA 88 at paras 4-6.

[35] Provided those two preliminary requirements are satisfied, O'Rourke must then persuade the Court that it should exercise its discretion in favour of the additional evidence, "on the basis of the evidence before it and proper principles", namely:

- a) Was the evidence sought to be adduced available when the party filed its affidavits under Rule 306 or 307, as the case may be, or could it have been available with the exercise of due diligence?
- b) Will the evidence assist the Court, in the sense that it is relevant to an issue to be determined and sufficiently probative that it could affect the result?
- c) Will the evidence cause substantial or serious prejudice to the other party?

Forest Ethics Advocacy Association, at para 4; *Rosenstein v Atlantic Engraving Ltd*, *supra*.

[36] *Masterpiece* reminds us that "litigation is costly. Courts must fulfil their gatekeeper role to ensure that unnecessary, irrelevant and potentially distracting expert and survey evidence is not allowed to extend and complicate court proceedings" (*Masterpiece Inc v Alavida Lifestyles Inc*, 2011 SCC 27 at para 76 [*Masterpiece*]).

[37] The Respondents seek to file the additional survey evidence of Dr. Ruth Corbin, who conducted an online survey of about 75 people in British Columbia, 79 people in Alberta and 75 people in the rest of Canada. Dr. Corbin concludes that based on the survey, only 8% claimed to be aware of a wine with “THE CHASE” on the label, and only 2% identified British Columbia as the location where the wine with “THE CHASE” is produced.

[38] The apparent purpose of the survey is to try to show that the Applicant’s THE CHASE trademark lacks sufficient goodwill to support a passing off action.

[39] By Dr. Corbin’s own standards, the sample size of the survey is insufficient to be statistically significant. In her book *Trial by Survey: Survey Evidence and the Law* (Toronto: Carswell, 2000), she recommends a minimum sample size of 400, and Advertising Standards Canada has chosen a recommended minimum of 300 for sample sizes.

[40] I also agree with the Applicant that the survey is unreliable and not helpful to the Court:

- i. The survey of people outside British Columbia and Alberta is irrelevant – the relevant territory for establishing a reputation is the Okanagan and British Columbia; the fact that the Respondents only sell from their winery in the Okanagan and at local restaurants or retail establishments there highlights that the relevant territory to establish passing off is the area where there is a reputation in the Applicant’s THE CHASE wine and where the alleged infringing activity by the Respondents has taken place;
- ii. The fact that 75 people in British Columbia do not recognize THE CHASE as being associated with Mr. Jentsch is not probative; whether there is a reputation in the

Okanagan and British Columbia for THE CHASE as a trademark used with wine and enumerating from a single source is what matters;

- iii. There is extensive witness testimony and sales volumes related to THE CHASE wine of the Applicant in British Columbia, and it is generally significant and sufficient if even a small percentage of the relevant market recognizes the indicia of a trademark (*Vancouver Community College v Vancouver Career College (Burnaby) Inc*, 2017 BCCA 41 at para 39);
- iv. The survey respondents included persons who had purchased a bottle of wine in the past six months, without any focus on whether they ever purchased or considered wine from the Okanagan region or British Columbia;
- v. The exclusion of people in the alcohol or wine business was improper, resulting in an improper universe being chosen (*Ciba-Geigy Canada Ltd v Apotex Inc*, [1992] 3 SCR 120 at 133-134b and 157e).

[41] While it may be true that residents from other parts of the country may visit the Okanagan, it is rather obvious that any reasonable or probative attempt to establish a reputation or refute such a reputation for a brand of wine produced, distributed and sold in the Okanagan and British Columbia would focus on that region. A sample size of only 75 in British Columbia, or 154 if one includes both British Columbia and Alberta, is woefully deficient as a representative survey worth any value to help the hearings judge on this issue.

[42] This purported survey is not reliable or necessary. The Court can, in a case such as this, determine for itself the reputation or goodwill in the trademark THE CHASE for use with wine

in the Okanagan and British Columbia based on the direct evidence from advertising and sales on record and the direct testimony of witnesses, and cross-examination on that testimony if done.

[43] As gatekeeper for ensuring only reliable and probative evidence be put forward for the hearings judge, I find that this evidence should be rejected.

V. Costs

[44] The Applicant has succeeded on all fronts in these three motions. The fact that any of them were pursued ignores the reality of proper documentary discovery related to cross-examinations in an application, ignores proportionality in what could conceivably be considered reasonable requests for documents, was not a proceeding in which conversion to an action was warranted, and serves only to delay these proceedings and increase time and expenses in getting to a hearing on the merits.

[45] I have carefully considered the Applicant's draft bill of costs and in the circumstances find they are generally fair and reasonable, given the Respondents' conduct on those motions. A lump sum award is appropriate (*Nova Chemicals v The Dow Chemical Company*, 2017 FCA 25 at para 16). I have considered the breakdown of tariff items for the motions on appeal from the Prothonotary and for conversion (\$40,000.00) and for the motion to allow the affidavit of Dr. Corbin (\$8,190.00) and find that a lump sum award of \$24,000.00 is granted to the Applicant in respect of all three motions, payable in any event of the cause.

ORDER in T-442-18

THIS COURT'S ORDER is that:

1. The Respondents' three motions are dismissed;
2. The Respondents shall have until September 10, 2018, to file and serve their motion record;
3. A lump sum award of \$24,000.00 is granted to the Applicant in respect of all three motions, payable in any event of the cause.

"Michael D. Manson"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-442-18

STYLE OF CAUSE: C.C. JENTSCH CELLARS INC. v O'ROURKE FAMILY VINEYARDS LTD. AND SUREWAY CONSTRUCTION GROUP LTD.

PLACE OF HEARING: VANCOUVER, BRITISH COLUMBIA

DATE OF HEARING: AUGUST 28, 2018

ORDER AND REASONS: MANSON J.

DATED: AUGUST 30, 2018

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