

Federal Court



Cour fédérale

**Date: 20181030**

**Docket: T-431-18**

**Citation: 2018 FC 1089**

[UNREVISED ENGLISH CERTIFIED TRANSLATION]

**Ottawa, Ontario, October 30, 2018**

**PRESENT: Mr. Justice Annis**

**BETWEEN:**

**PROPRIO DIRECT INC.**

**Plaintiff**

**and**

**VENDIRECT INC.**

**Defendant**

**ORDER AND REASONS**

[1] The plaintiff, Proprio Direct Inc. [Proprio] is filing this motion in accordance with Rules 369, 75, 76 and 200 of the *Federal Court Rules* [the Rules] to obtain an order amending its statement of claim shortly after the closing of pleadings to add a new cause of action with respect to copyright to that of the cause of action regarding trade-marks that was originally pleaded.

[2] The defendant, Vendirect inc. [Vendirect], argues that the amendments sought by the plaintiff represent a new cause of action that is different from the original claim and are based on facts that are also different, which is prohibited under Rule 201, according to the defendant.

[3] For the reasons that follow, the Court authorizes the amendments requested given that Rule 201 does not apply to an amendment adding a new cause of action to a statement of claim that was not barred by a limitation period since it causes no injustice to the other party that could not be compensated by costs and that it serves the interests of justice.

I. Facts

[4] The plaintiff is a real estate agency that provides real estate brokerage services throughout the province of Quebec. It offers a hybrid service that is between property sale services without intermediaries and a traditional agency.

[5] The defendant is also a real estate agency that offers real estate brokerage services throughout Quebec. It uses a similar business model to Proprio.

[6] The plaintiff has held the mark PROPRIO DIRECT (TMA 430,877) since September 1987. It also owns the trade-marks PROPRIODIRECTCOM (TMA 632,855), PROPRIO DIRECT & DESIGN (TMA 727,578), PROPRIO DIRECT & DESIGN (TMA 831,750) and PROPRIO DIRECT & DESIGN (TMA 831,752). The plaintiff alleges that those are high-profile marks that are very distinctive, valued and recognized by consumers.

[7] On or about March 5, 2018, the plaintiff instituted trade-mark infringement proceedings against Vendirect as part of this file. The plaintiff alleges that the defendant applied for the trade-mark SLOGAN ECONOMISEZ...VENDDIRECT AND DESIGN bearing application number 18173576 [the mark at issue] to the Canadian Intellectual Property Office.



[8] That mark had allegedly been used by the defendant since January 9, 2017, on its website and Facebook page. The plaintiff therefore alleges that the use of this mark violates the exclusives rights associated with the above-mentioned family of trade-marks held only by the plaintiff, Proprio Direct.

[9] The defendant rejects the claim for various reasons. On April 4, 2018, Vendirect served its defence against the action. Following a successful motion to strike paragraphs from the defence and to file an amended defence, on July 24, 2018, the plaintiff sought to amend its statement of claim by notice of motion to add a new cause of action alleging a copyright violation.

[10] The amendment sought is to amend the original statement of claim by adding claims regarding copyright to it. The plaintiff alleges that the defendant illegally appropriated the product of an exercise of skill and judgment resulting from the plaintiff's marketing programs

sometimes by reproducing the text almost word for word and at other times by appropriating the qualitative essence of a program in reproducing the essential characteristics of the Proprio Directs logo.

[11] The defendant argues that the facts related to those causes of action cannot be associated with the original allegations of Proprio Direct and are a new cause of action that is different from the original claim and that the amendments are based on facts that are also different, which is prohibited under Rule 201, according to the defendant.

## II. Analysis

[12] The Court is of the view that the defendant's oppositions to the motion are not based on any serious alleged harm caused by the amendments or on a statement that the amendments are subject to a limitation period that has expired. It is seeking to satisfy the Court that it should apply Rule 201 without taking into account its association with Rule 77, which limits its application only to causes of action subject to a limitation period.

[13] The Court indicated at the hearing that it would authorize the motion in order to make it possible to adopt an accelerated timeline. The Court found that the reasons for allowing the motion to amend were clear since the new cause of action based on copyright was not subject to a limitation period. That finding is supported by the Court's reasoning in *Seanix Technology Inc v Synnex Canada Ltd.*, 2005 FC 243 270 FTR 183; 39 CPR (4th) 129 [*Seanix Technology*].

[14] Other than Rules 75, 76, 77 and 201 that are relevant, former Rules 424 and 427, similar to Rules 77 and 201, are an important part of the analysis that follows [emphasis added]:

#### **Amendments with leave**

75(1) Subject to subsection (2) and rule 76, the Court may, on motion, at any time, allow a party to amend a document, on such terms as will protect the rights of all parties.

#### **Leave to amend**

76 With leave of the Court, an amendment may be made

(a) to correct the name of a party, if the Court is satisfied that the mistake sought to be corrected was not such as to cause a reasonable doubt as to the identity of the party, or

(b) to alter the capacity in which a party is bringing a proceeding, if the party could have commenced the proceeding in its altered capacity at the date of commencement of the proceeding, unless to do so would result in prejudice to a party that would not be compensable by costs or an adjournment.

#### **Modifications avec autorisation**

75(1) Sous réserve du paragraphe (2) et de la règle 76, la Cour peut à tout moment, sur requête, autoriser une partie à modifier un document, aux conditions qui permettent de protéger les droits de toutes les parties.

#### **Autorisation de modifier**

76. Un document peut être modifié pour l'un des motifs suivants avec l'autorisation de la Cour, sauf lorsqu'il en résulterait un préjudice à une partie qui ne pourrait être réparé au moyen de dépens ou par un ajournement :

a) corriger le nom d'une partie, si la Cour est convaincue qu'il s'agit d'une erreur qui ne jette pas un doute raisonnable sur l'identité de la partie;

b) changer la qualité en laquelle la partie introduit l'instance, dans le cas où elle aurait pu introduire l'instance en cette nouvelle qualité à la date du début de celle-ci.

### **Amendment after expiration of limitation period**

77. The Court may allow an amendment under rule 76 notwithstanding the expiration of a relevant period of limitation that had not expired at the date of commencement of the proceeding.

### **Autorisation postérieure au délai de prescription**

77. La Cour peut autoriser une modification en vertu de la règle 76 même si le délai de prescription est expiré, pourvu qu'il ne l'ait pas été à la date du début de l'instance.

### **Amendment to add new cause of action**

201. An amendment may be made under rule 76 notwithstanding that the effect of the amendment will be to add or substitute a new cause of action, if the new cause of action arises out of substantially the same facts as a cause of action in respect of which the party seeking the amendment has already claimed relief in the action.

### **Nouvelle cause d'action**

201. Il peut être apporté aux termes de la règle 76 une modification qui aura pour effet de remplacer la cause d'action ou d'en ajouter une nouvelle, si la nouvelle cause d'action n'a pas de faits qui sont essentiellement les mêmes que ceux sur lesquels se fonde une cause d'action pour laquelle la partie qui cherche à obtenir la modification a déjà demandé réparation dans l'action.

### **Former Rule 424**

424. Where an application to the Court for leave to make an amendment mentioned in Rule 425, 426 or 427 is made after any relevant period of limitation current at the date of commencement of the action has expired, the Court may, nevertheless, grant such leave in the circumstances mentioned in that Rule if it seems just to do

### **Ancienne règle 424**

424. Lorsque permission de faire un amendement mentionné à la Règle 425, 426 ou 427 est demandée à la Cour après l'expiration de tout délai de prescription applicable, mais qui courait à la date du début de l'action, la Cour pourra néanmoins, accorder cette permission dans les circonstances mentionnées dans

so.

la Règle applicable s'il semble juste de le faire.

**Former Rule 427**

427. An amendment may be allowed under Rule 424 notwithstanding that the effect of the amendment will be to add or substitute a new cause of action if the new cause of action arises out of the same facts or substantially the same facts as a cause of action in respect of which relief has already been claimed in the action by the party applying for leave to make the amendment.

**Ancienne règle 427**

427. Un amendement peut être permis en vertu de la Règle 424 même si l'amendement aura pour effet d'ajouter une nouvelle cause d'action ou de remplacer une ancienne cause d'action par une nouvelle, si la nouvelle cause d'action naît de fait qui sont les mêmes ou à peu près les mêmes que ceux sur lesquels se fonde une cause d'action qui a déjà fait l'objet, dans l'action, d'une demande redressement présentée par la partie qui demande la permission de faire l'amendement.

[15] In *Seanix Technology*, Prothonotary Lafrenière, as he then was, dismissed a motion disputing amendments to the counterclaim, which raised new defences and a new cause of action because “no . . . limitation period has been missed”. The prothonotary stated that “[t]he Defendants were therefore not required to establish that the amendments arise out of substantially the same facts as originally pleaded”. The decision was, nevertheless, appealed.

[16] On appeal, in support of the decision, the defendant argued that “the Prothonotary was correct in his application of Rules 75 and 201” since Rule 201 “has no application if no limitation period is in play as is the case here”. The defendant also argued that the prothonotary’s decision was supported by (1) a contextual reading of Rule 201 with Rules 75, 76 and 77; (2) by the jurisprudence under the former Rules; and (3) by an examination of the proposals which led to the enactment of the new Rules.

[17] Justice Lemieux, exercising his discretion *de novo*, agreed with the findings in the prothonotary's decision. He described the relationship between Rules 424 and 427, that is, the former rules equivalent to Rules 77 and 201 as well as their common objective as follows at paragraph 16:

[16] It is clear that former Rules 424 and 427 permitted a new cause of action by way of amendment even though the limitation period for that cause of action had expired, provided that the new cause of action is based on the same or substantially the same facts as the cause of action originally pleaded and justice required the amendment to be made (see *Domco Industries Ltd. v. Mannington Mills Inc.* [1990] F.C.J. No. 269 (CA). I see nothing in the scheme of the new Rules which would alter this jurisprudence and indeed the Federal Court Rules Revision Project suggests a continuation of the former Rules in this respect.

[Emphasis added.]

[18] In *Domco Industries Ltd* (reversed on other grounds) the Court of Appeal agreed with Justice Strayer's interpretation of the rules in question:

[8] With respect to the allowance of the amendment to the Statement of Claim, Strayer, J. stated the amendment had to meet the requirements of Rules 424 and 427 cited above of the *Federal Court Rules*. In his view, these rules permit an amendment adding a new cause of action, even though the limitation period for that course of action has expired since the original Statement of Claim was filed, [Footnote 1 appended to judgment] if two major conditions are satisfied :

(1) the new cause of action is based on the same or substantially the same facts as the cause of action originally pleaded (Rule 427), and

(2) "it seems just to do so" (Rule 424).

[19] In other words, Rules 77 and 201 must be considered together, as was explicitly required by the former versions of those rules. That is the basis for Prothonotary Lafrenière's finding that



Rule 201 applies only to causes of action subject to an expired limitation period. That was also the basis for the interpretation of Justice Lemieux.

[20] The Court acknowledges that there are decisions that did not interpret *Seanix Technology* as requiring that Rule 201 be interpreted jointly with Rule 77, such as *Khadr v Canada*, 2014 FC 1001, at paragraph 6. However, after an in-depth analysis of the reasons, the Court is respectfully of the view that Justice Lemieux supported the finding of Prothonotary Lafrenière, according to which Rule 201 only applies to causes of action subject to expired limitation periods.

[21] All of these problems result from the fact that searching for a logical interpretation of the provisions of regulations related to amendments requires extremely arduous interpretation work. This was acknowledged by Justice Teitelbaum in the first decision to examine Rule 201, as it was worded after 1998, namely, *Scottish & York Insurance Co v Canada*, [2000] FCJ No 6 [*Scottish & York Insurance*].

[22] Justice Teitelbaum was obliged to adopt a very generous interpretation of Rule 201 in order to considerably broaden its scope. In fact, in that decision the Court applied Rule 201 to amendments based on Rule 75, that is, to all forms of amendments. However, it should be born in mind that that case concerned the addition of a barred cause of action.

[23] Justice Teitelbaum's interpretation deliberately disregarded the wording of Rule 201, which explicitly indicated that it applied only to the very limited circumstances in Rule 76, that is, changes in the party's name or capacity and that the rule. Without mentioning it, this

interpretation also disregards the wording of Rule 75, which explicitly indicated that it did not apply to the circumstances in Rule 76, which circumscribed Rules 77 and 201.

[24] Although the Court is concerned about the overly broad scope of the changes made to the rules by that decision, which seems to have greatly changed the clear wording of rules 201 and 75, that interpretation has necessarily been taken up in all of the Court's subsequent case law because, without it, Rule 201 had little meaning.

[25] According to the Court, the interpretation of Justice Teitelbaum should be applied in the same way as Rule 77 in tandem with Rule 201, which is also closely circumscribed by Rule 76, so that the two rules apply at the same time to any amendment, as was the case for their former counterparts, Rules 424 and 427.

[26] Based on their wording regarding an expired limitation period and a new cause of action, those rules can refer only to a new cause of action subject to an expired limitation period. They do not apply therefore to prohibiting an amendment to add a cause of action that is not barred by an expired limitation period, like it is the case for the amendment requested by the plaintiff.

[27] Returning to *Seanix Technology*, even though the decision approved *Scottish & York Insurance*, Justice Lemieux did not apply it in support of Prothonotary Lafrenière's decision. The Court did not make any comparison of the underlying facts of the new case and of the causes of action that were already in the statement of claim. Instead, the decision applied the general principles of harm to dismiss the appeal from the prothonotary's decision at paragraphs 12 to 15:

[12] I do not propose to exercise my discretion in a manner different from that of the Prothonotary because, in my opinion, his decision is correct.

[13] The Federal Court of Appeal decision in *Canderel v. Canada*, [1994] 1 F.C. 3, which has consistently been followed, is authority for the proposition that an amendment should be allowed at any stage of an action for the purpose of determining the real question in controversy between the parties provided that to do so would not result in injustice to the other party not capable of being compensated by an award of costs and that it would be in the interests of justice to allow such amendment.

[14] In this case, I do not see prejudice to the Plaintiff should the Defendants' amendments be allowed and the Plaintiff has advanced no such argument before me.

[15] Furthermore, the controversy between the parties is whether the Defendants have infringed the Plaintiff's trade-marks. The defences advanced by the Defendants are proper and material defences to the Plaintiff's actions with the counterclaim rationally connected to those defences.

[Emphasis added.]

[28] *Scottish & York Insurance* implicitly reformulated Rule 201 so that it applies to Rule 75 despite its wording that explicitly limits its application to Rule 76. If we accept the logic of *Scottish & York Insurance*, we would also have to reformulate Rule 77 so that it also applies to Rule 75 despite its wording that explicitly limits its application to Rule 76. This ensures that these rules have the same effect as Rules 424 and 427, which referred to each other, would have had, as established in *Seanix Technologies*.

[29] If we do not interpret the two rules together, neither one would have any logical meaning. The objective of Rule 201 is to allow amendments that add a legitimate cause of action based on the same facts, even though they are subject to a limitation period that has expired. This reflects the fundamental rule of pleadings set out in Rule 174, which requires that every pleading contain

“a concise statement of the material facts on which the party relies”, based on which any reasonable cause of action based on those facts is authorized.

[30] In addition, this interpretation complies with a basic principle, namely, that the expiry of a limitation period relative to a new cause of action based on new facts creates a presumption of harm caused by an amendment. That presumption is generally determinative as part of a motion to amend, unless it can be shown that there are special circumstances that may reverse the presumption: *Frohlick v. Pinkerton Canada Limited* (2008), 88 OR (3d) 401 (CA).

[31] If Rule 75 is not applied simultaneously with Rules 77 and 201, as was the case in *Scottish & York Insurance* (a matter involving a new cause of action that was not subject to a limitation period), the objective of Rule 201 is not attained. If Rule 201 is not applied in tandem with Rule 77, it will have the opposite, undesirable effect of prohibiting amendments that add reasonable causes of action, which are not barred, such as the one at issue in this proceeding.

[32] It should also be reiterated that there are no rules preventing the inclusion of reasonable separate causes of action based on different facts in one and the same statement of claim, as long as this causes no actual harm to the other party. If a cause of action had been admissible in the original statement of claim, there is no reason to prevent subsequent amendments, which would add that cause of action to the statement of claim, except in the interests of justice.

[33] Refusing to add a reasonable cause of action that can be immediately made into a new action because it is not subject to a limitation period would be contrary to the true intention of

Rule 201 and to Rule 3, which establishes the general interpretation principle that promotes adopting the just, most expeditious and least expensive determination of the proceeding. Counsel for the plaintiff indicated at the hearing that, should the amendment not be allowed, he would simply turn the cause of action into a new action. Such a result would clearly violate the rule against the multiplicity of proceedings established in *Halifax (Regional Municipality) v Canada*, 2008 FC 1159 at paragraph 10.

[34] In any case, Rule 179 of the *Federal Court Rules* seems to provide for amendments since it authorizes the pleading of a fact that occurs after the commencement of an action, even though the fact gives rise to a new claim or defence. A similar rule was interpreted in *Clarkson et al v Lukovich et al* (1986), 54 OR (2d) 609. The Court indicated [emphasis added] that “[t]he new rule allows rights to be adjudicated that involve causes of action and defences that arise subsequent to the commencement of proceedings”.

[35] In sum, since the defendant’s arguments opposing the amendments have no merit and since it would not suffer any harm if the amendments proposed by the plaintiff are authorized, the motion to add amendments to the pleading is allowed: *Canderel v Canada*, 1993 CanLII 2990 (FCA), [1994] 1 FC 3.

### III. Reformulating the rules for amending pleadings

[36] Given that Justice Teitelbaum and this Court were obliged to interpret all the rules for amending pleadings very generously, the need to reformulate them could be considered.

[37] Referring to the fact that “[t]his requires a shift in culture” in the civil litigation system (*Hryniak v Mauldin*, [2014] 1 SCR 87, 2014 SCC 7 at paragraph 28), and in the principle of comity between jurisdictions, any reformulation might involve simplifying the process for amending pleadings by having only one rule adopted in other provincial jurisdictions. This should reduce the number of motions relative to amendments, except on substantive grounds such as expired limitation periods or the absence of a reasonable cause of action.

#### IV. Costs

[38] The plaintiff claims total costs of \$4,000 relying on the fact that the amendment was requested soon after the closing of pleadings and that it serves no purpose other than to increase delays and costs since, if it is successful, it will require a new pleading to be issued. The defendant argues that no costs should be awarded. It argues that, normally, the party that files the motion to amend its conclusions must be subject to costs, especially since Rule 201, as it has been interpreted, is a legitimate ground to oppose the motion. It also stated that it had not had enough time to decide whether it should have opposed the motion before it had been presented.

[39] The Court accepts that the case law regarding the application of Rule 201 is inconsistent. However, the Court is concerned about the defendant’s opposition given that it should have been aware that it had to demonstrate harm in order to prevent the amendments, particularly, because the amendment was made shortly after the closing of written pleadings. The defendant did not satisfy the Court that it had a reasonable ground not to consent to the amendment. Indeed, the plaintiff could easily present the cause of action with respect to copyright in a new pleading.

There is therefore no real benefit in refusing to include this cause of action in the existing motion.

[40] Accordingly, the Court awards the plaintiff costs of \$1,000, all-inclusive.

**THE COURT ORDERS that** the motion is allowed allowing amendments to the pleading, which is Exhibit “EC-9” of the affidavit of Elizabeth Cullen dated July 24, 2018, with costs to the plaintiff of \$1000, all-inclusive.

“Peter Annis”

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Judge

Certified true translation  
This 8th day of November 2018  
Margarita Gorbounova, Translator

**FEDERAL COURT**  
**SOLICITORS OF RECORD**

**DOCKET:** T-431-18

**STYLE OF CAUSE:** PROPRIO DIRECT INC. v VENDIRECT INC.

**PLACE OF HEARING:** MONTRÉAL, QUEBEC

**DATE OF HEARING:** AUGUST 21, 2018

**ORDER AND REASONS:** ANNIS J.

**DATED:** OCTOBER 30, 2018

**APPEARANCES:**

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