Federal Court  Cour fédérale

Date: 20201104

Docket: T-293-19

Citation: 2020 FC 1031

Ottawa, Ontario, November 4, 2020

PRESENT: The Honourable Madam Justice Fuhrer

BETWEEN:

DAVID MICHAELS

Applicant

and

UNITOP SPOLKA Z ORGANICZONA ODPOWIEDZIALNOSCIA

Respondent

ORDER AND REASONS

I. Overview

[1] On September 29, 2020, I dismissed the Applicant's appeal from the decision of the Registrar of Trademarks in *David Michaels v Agros Trading Confectionery Spolka Akcyjna*, 2018 TMOB 157: see *David Michaels v Unitop Spolka Z Organiczona Odpowiedzialnoscia*, 2020 FC 937. I provided the parties with 14 days from the date of the Judgment and Reasons to

come to an agreement regarding costs and advise the Court of their agreement or, absent agreement, to serve and file costs submissions in writing not exceeding five pages.

[2] The parties did not agree on costs. According to the Court's records for this matter, both parties filed their submissions late. Given the short filing delays, however, and having regard to Rule 3 of the *Federal Courts Rules*, SOR/98-106, I nonetheless considered their respective submissions.

[3] I find that neither party is entitled to the costs sought. I award lump sum costs of $3,200 in favour of the Respondent, the successful party, for the reasons that follow.

II. Analysis

[4] The Court has broad discretion over costs, including who will pay them, and even may award costs against the successful party: Rules 400(1) and 400(6) of the *Federal Courts Rules*, SOR/98-106 [FCR]. The Court can take into account "any other matter it considers relevant" in addition to a variety of enumerated factors: FCR Rule 400(3). Consistent with its broad discretion, the Court can refer to Tariff B to fix costs and it may award a lump sum instead of, or in addition to, assessed costs: FCR Rule 400(4). Awarding lump sum costs avoids "granular analyses" that devolve into "an exercise in accounting": *Nova Chemicals Corporation v Dow Chemical Company*, 2017 FCA 25 at paras 11 and 15. Further, an unaccepted or refused settlement offer can have significant costs consequences, provided it meets certain conditions: FCR Rule 420.

[5] To trigger a doubling of costs under Rule 420, the offer must be made in writing at least 14 days before the commencement of the trial or hearing and remain open until then: FCR Rules 420(3)(a) and 420(3)(b). It also must be genuine, meaning it must include an element of compromise, and it must end the litigation: *Bauer Hockey Ltd v Sport Maska Inc (CCM Hockey)*, 2020 FC 862 [*Bauer Hockey*] at para 39, citing *Venngo Inc v Concierge Connection Inc (Perkopolis)*, 2017 FCA 96 at para 87. Further, the offer must be "clear and unequivocal": *MK Plastics Corporation v Plasticair Inc*, 2007 FC 1029 at para 39. While the Court's discretion continues to apply - in light of the limitation "unless otherwise ordered by the Court" – departure from Rule 420 should not occur lightly so as to encourage early settlement: *Bauer Hockey*, above at para 36.

[6] With these principles in mind, I consider the parties' submissions next. For context, I note that this was not a complex intellectual property matter. It was a straight forward appeal from the Registrar's decision maintaining three trademark registrations for SESAME SNAPS and sesame snaps & Design under Section 45 of the *Trademarks Act*, RSC 1985, c T-13. The fate of the three registrations was determined together, rather than in three separate proceedings. The evidence was not voluminous; the Registrar's decision was succinct; and the Respondent did not file any new evidence on appeal.

[7] The Applicant seeks, alternatively, $500, $1000, or an assessment order regarding the Respondent's bill of costs. The Respondent, as the successful party, seeks $599.20 in disbursements, plus legal fees in the following alternative amounts: $21,350 in actual costs on a solicitor-client basis; $12,810, representing 30% of actual costs and then doubled under FCR

Rule 420; or $12,000, being fees calculated at the top of Column III of Tariff B (40 units x $150/unit = $6000) and then doubled under FCR Rule 420.

[8] I find the Applicant has not persuaded me that he is entitled to any costs as the unsuccessful party, notwithstanding Rule 400(6). Further, the Applicant has not made any submissions that in my view justify an assessment of the Respondent's costs in the circumstances of this matter.

[9] The Applicant disputes whether the Respondent can point to the Applicant's alleged conduct before the Trademarks Opposition Board as a factor justifying costs on a solicitor-client basis. I agree with the Applicant that for the purpose of fixing the costs of an appeal from an administrative decision, only the conduct before the Federal Court(s) is relevant: *Canada (Attorney General) v Bri-Chem Supply Ltd*, 2016 FCA 257 at para 64.

[10] The Applicant also disputes whether the Respondent is entitled to disbursements for preparing and binding paper copies of the Respondent's Record. I disagree. Mr. Michaels asserts that he is unaware of whether the Respondent filed paper copies of its record; he was not served with a paper copy (although he concedes he agreed to accept service of documents by email); and it would not be a cost efficient option. Nonetheless, I note that Rule 310(1.1)(a) mandates the filing of an electronic copy **or** three paper copies of a Respondent's Record. There is no obligation to choose one format over the other. I further agree with the Respondent that its asserted costs for binding ($120) and photocopying ($379.20) its record are minimal.

[11] Mr. Michaels submits that he was cooperative in several respects, including resolving a cross-examination issue, thus tending to minimize costs of the parties. I note, however, that the cross-examination issue was wholly of Mr. Michaels' making. The case law is clear that absent new evidence on appeal (by or on behalf of the registered owner), there can be no cross-examination on evidence the trademark owner filed with the Registrar in response to a Section 45 Notice: *Berg Equipment Co (Canada) Ltd v Meredith & Finlayson*, [1991] FCJ No 1318 (FCA) [*Berg Equipment*]. Affidavits that are part of the Registrar's record are not considered to have been filed with the Court on appeal and thus, are not amenable to cross-examination; there is no provision permitting the Court "to order cross-examination on affidavits filed in proceedings before another tribunal": *Berg Equipment*, above. Only new evidence that the registered owner files on appeal can be subjected to cross-examination: *Sim & Mcburney v Microtel Ltd*, 2000 CanLII 15722 (FC) at para 9. That Mr. Michaels may have understood otherwise because of a trademarks course or tutorial is not relevant.

[12] Mr. Michaels also served and attempted to submit affidavit evidence about the definitions of snaps and bars, to which the Respondent's counsel objected at a case management conference. The Federal Court of Appeal also previously has ruled on this issue. In Section 45 proceedings, the Registrar may receive only evidence tendered by or on behalf of the registered owner; an appeal under Section 56 of the *Trademarks Act* does not broaden the scope of enquiry about trademark use and the relevant evidence: *Berg Equipment*, above.

[13] Mr. Michaels maintains that he was respectful throughout, while the Respondent's counsel was not. I am not persuaded that the Respondent's counsel crossed an ethical line,

however. Mr. Michaels points to, among other things, the Respondent's assertion (in the settlement proposal discussed in greater detail below) that Mr. Michaels' filing of trademark applications corresponding to well-known third party marks constitutes bad faith or trolling behaviour. Mr. Michaels further alleges abrasive, bombastic and jarring conduct on the part of the Respondent's counsel. Mr. Michaels' comments regarding this issue are largely hearsay. The alleged conduct was not evident in the hearing before me. This matter therefore did not involve incivility in the courtroom, unlike the situation in *Groia v Law Society of Upper Canada*, 2018 SCC 27, [2018] 1 SCR 772 [*Groia*]. Nonetheless, the *Groia* decision provides guidance about what constitutes "resolute advocacy" as opposed to incivility.

[14] While reminding lawyers of their duty to practise with civility, the Supreme Court of Canada recognized that this is not the sole ethical mandate of lawyers; "standards of civility cannot compromise the lawyer's duty of resolute advocacy": *Groia*, above at para 71. Resolute advocacy calls on lawyers to make submissions on behalf of their clients that are unpopular or uncomfortable, even distasteful: *Groia*, above at para 73. Lawyers must remain resolute when faced with harsh criticism – from the public, bar and court alike - about such submissions, and continue "to advocate on their clients' behalf, despite popular opinion to the contrary": *Groia*, above at para 73.

[15] Further, "it is not professional misconduct to challenge opposing counsel's [or party's] integrity [in the case before me, the allegation of trolling behaviour] based on a sincerely held but [possibly] incorrect legal position so long as the challenge has a sufficient factual foundation, such that if the legal position were correct, the challenge would be warranted": *Groia*, above at

para 88. Finding otherwise could frustrate the duty of resolute advocacy: *Groia*, above at para 91. Nonetheless, I underscore the importance of civility and cogent reasons for avoiding incivility outlined at paragraphs 63-67 of the *Groia* decision.

[16] I note neither party's allegations of the other's behaviour (including failing to negotiate costs in good faith) in the matter before me have been substantiated or tested in evidence before this Court. Even if I assume that there was a reasonable factual foundation to Mr. Michaels' allegations, I am not persuaded that the "resolute advocacy" of the Respondent's counsel crossed a line. The threshold must be set sufficiently high that it "will not chill the kind of fearless advocacy that is at times necessary to advance a client's cause": *Groia*, above at para 76.

[17] Finally, Mr. Michaels points to extraneous allegations, pertaining to litigation in the WDNY Federal Court and in the Ontario Court of Appeal, that I find irrelevant.

[18] Regarding the Respondent's costs submissions, I am not persuaded that solicitor-client costs are warranted in the circumstances of this matter. The Respondent points to extraneous facts and alleged behaviour on the part of the Applicant, which I find largely hearsay or irrelevant, in support of the Respondent's position that the entire section 45 proceeding was improper, vexatious or unnecessary, as per Rule 400(3)(k)(i). I remind the Respondent that there is no requirement in the *Trademarks Act* that a party who initiates Section 45 proceedings must be a "person interested" as defined in Section 2. Such proceedings may be commenced simply at the written request of "any person who pays the prescribed fee;" their motivation for doing so is not a relevant consideration. That Section 45 proceedings may be prone to the kind of abuse

about which the Respondent complains is inherent in the provision itself. Again, in the circumstances of this case, including the number of registrations involved for nearly identical trademarks resulting essentially in consolidated proceedings, I am not persuaded that it is a relevant factor. Further, whether Mr. Michaels might initiate Section 45 proceedings again in the future, in respect of trademarks owned by the Respondent or third parties, is speculative and irrelevant particularly insofar as third party marks are concerned.

[19] Thus, I next consider the two similar amounts proposed by the Respondent ($12,180 v $12,000), arrived at on different bases, and whether in my view FCR Rule 420 applies. I find it does not because the offer was not sufficiently clear and unequivocal, and is tantamount to a request to capitulate, with little more.

[20] I note first that the prescribed conditions were met. The Respondent made its settlement offer in writing on November 13, 2019, more than 14 days before the hearing of this matter, and it was not withdrawn and did not expire before the start of the hearing: FCR Rules 420(3)(a) and 420(3)(b). Further, had the offer been accepted, instead of rejected, it would have ended the litigation; one of the proposed terms was that the Applicant would discontinue the appeal on consent.

[21] I am not persuaded, however, about the genuineness of the element of compromise which at best is minimal. It is described in the offer as the exclusion (from Respondent’s costs calculated at the top of column III of Tariff B, plus all reasonable disbursements) of “all costs

and disbursements incurred *before* the date of this offer, and … the first $500 CAD of costs or disbursements incurred *after* the date of this offer [emphasis in original]."

[22] According to the Respondent's proposed bill of costs, I cannot discern any costs and disbursements claimed for any steps that occurred before the date of the offer. The Respondent did not serve and file its Notice of Appearance until December 10, 2019, almost one month after the offer. Thus, not even the Notice of Appearance court filing fee of $100 was incurred prior to the offer, nor is there any evidence or statement to the effect that the photocopying and binding of the Respondent's Record occurred before the offer.

[23] According to the Court's records for this matter, there was a status review in August-September 2019. Otherwise, there was little activity from the filing of the filing of the Notice of Application until the appointment of the Case Management Judge, Prothonotary Furlanetto, on November 15, 2019. I find therefore that the offer is not "clear and unequivocal" regarding the extent of the compromise in respect of costs and disbursements incurred before the date of the offer. Apart from the exclusion of $500 of costs or disbursements incurred after the date of the offer, in my view the compromise was illusory at best. This amount would have covered, for example, just the photocopying and binding disbursements totalling $499.20 which the Respondent acknowledged were minimal.

[24] The final component of the offer was essentially a proposed mechanism for determining costs in the situation where the offer was accepted at any time and is not relevant to my analysis.

[25] I therefore exercise my discretion to decline to award double costs under Rule 420. Instead, I award the Respondent the lump sum of $3,200, inclusive of disbursements and applicable taxes, payable forthwith by the Applicant. This amount takes into account the lack of complexity of the matter, and other factors discussed above; in my view, it is just and proportionate in the circumstances.

ORDER in T-293-19

THIS COURT ORDERS that: the Respondent is entitled to a lump sum award of $3,200, inclusive of disbursements and taxes, payable forthwith by the Applicant.

"Janet M. Fuhrer"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-293-19
STYLE OF CAUSE:	DAVID MICHAELS v UNITOP SPOLKA Z ORGANICZONA ODPOWIEDZIALNOSCIA

MOTION IN WRITING CONSIDERED AT OTTAWA, ONTARIO PURSUANT TO RULE 369 OF THE *FEDERAL COURTS RULES*

ORDER AND REASONS:	FUHRER J.
DATED:	NOVEMBER 4, 2020

WRITTEN REPRESENTATIONS BY:

David Michaels	FOR THE APPLICANT ON HIS OWN BEHALF
Daniel M. Anthony Nora Labbancz	FOR THE RESPONDENT

SOLICITORS OF RECORD:

Daniel M. Anthony Nora Labbancz Smart & Biggar Ottawa, Ontario	FOR THE RESPONDENT