

Federal Court



Cour fédérale

**Date: 20220907**

**Docket: T-1049-18**

**Citation: 2022 FC 1268**

**Ottawa, Ontario, September 7, 2022**

**PRESENT: The Honourable Justice Fuhrer**

**BETWEEN:**

**RE/MAX, LLC**

**Plaintiff**

**and**

**SAVE MAX REAL ESTATE INC. AND  
RAMAN DUA**

**Defendants**

**ORDER AND REASONS**

I. Overview

[1] RE/MAX LLC brings this motion under Rule 51 of the *Federal Courts Rules*, SOR/98-106 [FCR], to appeal an order of Case Management [CM] Judge Ring.

[2] On August 12, 2022, CM Judge Ring dismissed RE/MAX's earlier motion under the *FCR* Rule 75 for an order granting leave to amend the Statement of Claim, as proposed in its

motion record [Order]. Consequently, RE/MAX seeks an order setting aside the Order and granting leave to amend its claim as proposed, or, in the alternative, leave to re-apply to amend the claim, as well as its costs of this motion.

[3] For clarity, I will refer in these reasons to RE/MAX's current motion as the Rule 51 motion and its earlier motion as the Rule 75 motion.

[4] Having considered the parties' written material, and having heard their oral submissions by videoconference on September 1, 2022, I am satisfied that the Court ought not to intervene to set aside the Order. For the reasons below, I thus dismiss RE/MAX's Rule 51 motion.

## II. Background

[5] In its underlying action, RE/MAX claims essentially trademark infringement and passing off against Save Max Real Estate Inc. [Save Max] and Raman Dua [collectively, Defendants]. Among its allegations, RE/MAX asserts that the Defendants have advertised, offered, and provided real estate and related services in Canada in competition with RE/MAX in association with infringing trademarks which are confusingly similar to the RE/MAX Trademarks (as defined in the Claim). RE/MAX further alleges that the Defendants have adopted an infringing trade dress which compounds the likelihood of confusion with the RE/MAX Trademarks. RE/MAX also avers that the Defendants have contravened paragraphs 7(b), 7(c) and 7(d) of the *Trademarks Act*, RSC 1985, c T-13 [TMA].

[6] The pleadings for the underlying action closed subsequent to August 28, 2018, after RE/MAX filed a Reply to the Defendants' Statement of Defence. The order scheduling the date and place of the trial issued on November 23, 2021, with the trial scheduled to begin on September 21, 2022.

[7] On July 26, 2022, RE/MAX brought a motion to amend its Statement of Claim. The proposed amendments fall into two categories, characterized by RE/MAX as follows:

- (a) Amendments clarifying the Defendants' use of infringing trademarks by way of licence through the Defendants' affiliate, Save Max International Inc., and sublicences to franchised brokerages and brokers in Canada [Franchise Amendments]; and
- (b) Amendments adding two more registered trademarks to the list of RE/MAX Trademarks allegedly infringed by the Defendants [Trademarks Amendments].

[8] On August 12, 2022, CM Judge Ring denied RE/MAX leave to amend the Statement of Claim. In the Order, CM Judge Ring observed the threshold test that the moving party must meet on a motion to amend pleadings; that is, the proposed amendment must have a reasonable prospect of success, citing *Teva Canada Limited v Gilead Sciences Inc.*, 2016 FCA 176 at paras 29-32.

[9] With reference to the decisions of this Court in *Whaling v Canada (Attorney General)*, 2018 FC 748 at para 6, and *Farmobile, LLC v Farmers Edge Inc.*, 2022 FC 22 at para 21, CM Judge Ring determined that RE/MAX failed to plead the requisite material facts in the proposed Franchise Amendments to support any viable cause of action. In CM Judge Ring's view, the

Franchise Amendments involve a novel claim that is a radical departure from the existing claim, as opposed to “refinements” of the claim, contrary to RE/MAX’s argument.

[10] Notwithstanding the finding that RE/MAX failed to meet the threshold test for succeeding on its Rule 75 Motion, CM Judge Ring also addressed the two-pronged test for permitting an amendment at any stage of the proceedings to determine the questions in controversy between the parties. The elements of the test are that (i) the allowance would not result in injustice to the other party non-compensable by an award of costs, and (ii) it would serve the interests of justice [*Canderel* test], citing *Canderel Ltd. v Canada*, 1993 CanLII 2990 (FCA), [1994] 1 FC 3 (CA) at 10 [*Canderel*], and *Enercorp Sand Solutions Inc. v Specialized Desanders Inc.*, 2018 FCA 215 at para 19.

[11] Applying the *Canderel* test, CM Judge Ring found that the interests of justice would not be served by allowing the proposed amendments for several reasons. First, there was an inordinate unexplained delay of 18 months in bringing the motion to amend from the time when the applicable facts came to light during the examination for discovery of the individual Defendant, Raman Dua.

[12] Second, as mentioned above, CM Judge Ring was not persuaded that the proposed amendments are merely a refinement of the existing claim but rather, they represent a radical departure from the current claim and, if permitted, they would expand the scope of the claim in two respects. The proposed amendments would change the focus of the claim, from just the named to Defendants to one that would include non-parties, and from one focussed on the

Defendants' residential real estate activities to one that examines their commercial real estate business.

[13] Third, the proposed amendments could delay the expeditious trial of the matter, currently scheduled to commence on September 21, 2022.

[14] Fourth, CM Judge Ring was not convinced that the proposed amendments would facilitate the Court's consideration of the substance of the dispute on its merits.

[15] Fifth, and last, CM Judge Ring held that permitting the proposed amendments would prejudice the Defendants manifestly in a manner not compensable by an award of costs, and would render the current pre-trial schedule unworkable, thus resulting in considerable delay of the trial.

### III. Issues and Standard of Review

[16] In seeking to have the Order set aside, RE/MAX asserts that CM Judge Ring erred in deciding that:

- (a) the Franchise Amendments did not disclose a reasonable cause of action and therefore did not have a reasonable prospect of success; and
- (b) the Trademarks Amendments were a radical departure that expanded the true scope of the action from one focused on residential real estate to one that also looks at commercial real estate.

[17] As an alternative to its request to have the Order set aside, RE/MAX asks that it be granted leave to re-apply to amend its Statement of Claim.

[18] The standard of review applicable to a Rule 51 motion appealing a decision of a prothonotary or associate judge is the appellate standard described by the Supreme Court of Canada in *Housen v Nikolaisen*, 2002 SCC 33 at paras 7-36 : *Hospira Healthcare Corporation v Kennedy Institute of Rheumatology*, 2016 FCA 215 at paras 63, 65, 79 and 83.

[19] As the Federal Court of Appeal more recently guides, “questions of fact and mixed questions of fact and law are subject to the palpable and overriding error standard while questions of law, and mixed questions where there is an extricable question of law, are subject to the standard of correctness”: *Worldspan Marine Inc. v Sargeant III*, 2021 FCA 130 at para 48.

[20] The “palpable and overriding error” standard of review is highly deferential. Palpable means an obvious error, while an overriding error is one that affects the decision-maker’s conclusion: *Mahjoub v Canada (Citizenship and Immigration)*, 2017 FCA 157 at paras 61-64.

#### IV. Analysis

[21] Although I have some concerns about CM Judge Ring’s assessment of whether the proposed amendments have a reasonable chance of success, I am not convinced that she made a reviewable error warranting the Court’s intervention. Even if I am incorrect, this issue is not determinative, in my view, because I am not persuaded that the CM Judge erred in her

consideration of the *Candereel* test. I deal with each issue in turn below, followed by RE/MAX's alternative request for leave to re-apply to amend its Statement of Claim.

A. *Threshold Issue – Reasonable Chance of Success*

[22] I consider first the manner in which CM Judge Ring distinguished *Robert Simpson Co. v. Simpson's-in-the-Strand Ltd.*, [1980] 49 CPR (2d) 16, 1980 CarswellOnt 1336 [*Simpson*] from RE/MAX's action to conclude that its proposed amendments do not have a reasonable chance of success.

[23] RE/MAX relied on the *Simpson* case in support of its proposed Franchise Amendments which include an allegation that Save Max "aided and abetted" the sublicensed franchisees. As noted by CM Judge Ring, the defendant licensor, and the licensee co-defendant there, who the licensor is alleged to have aided and abetted in engaging in infringing activities, were both parties in the *Simpson* case. So too were the employer and his selling agent co-defendant in an earlier case of the Exchequer Court involving an allegation of "aiding and abetting" in a passing off context cited in *Fox on the Canadian Law of Trade-marks and Unfair Competition*, 4th Edition, at 4:14, footnote 2: *Cardwell v Leduc* (1962), 41 CPR 167.

[24] I am not convinced, however, that there must be a direct relationship, as held by CM Judge Ring, between the Defendants and the non-parties here to consider the operation of subsection 50(1) of the *TMA*, as urged by RE/MAX on this Rule 51 motion. The proposed amendments allege that Save Max authorized and licensed Save Max International Inc. [SMI] to enter into franchise agreements, and that SMI in turn entered into franchise agreements with real

estate brokerages and brokers in Canada, and sublicensed infringing trademarks and trade dress to the franchisees.

[25] Subsection 50(1) provides:

**License to use trademark**

**50 (1)** For the purposes of this Act, if an entity is licensed by or with the authority of the owner of a trademark to use the trademark in a country and the owner has, under the licence, direct or **indirect** control of the character or quality of the goods or services, then the use, advertisement or display of the trademark in that country as or in a trademark, trade name or otherwise by that entity has, and is deemed always to have had, **the same effect** as such a use, advertisement or display of the trademark in that country by the owner.

[Emphasis added.]

**Licence d'emploi d'une marque de commerce**

**50 (1)** Pour l'application de la présente loi, si une licence d'emploi d'une marque de commerce est octroyée, pour un pays, à une entité par le propriétaire de la marque, ou avec son autorisation, et que celui-ci, aux termes de la licence, contrôle, directement ou **indirectement**, les caractéristiques ou la qualité des produits et services, l'emploi, la publicité ou l'exposition de la marque, dans ce pays, par cette entité comme marque de commerce, nom commercial — ou partie de ceux-ci — ou autrement ont **le même effet** et sont réputés avoir toujours eu le même effet que s'il s'agissait de ceux du propriétaire.

[26] It is well established that the existence of a corporate relationship, on its own, is insufficient to establish the requisite control under the *TMA* s 50: *Cheung Kong (Holdings) Ltd v Living Realty Inc*, [2000] 2 FC 501, 1999 CanLII 9394 (FC) at paras 44-45; *Live! Holdings, LLC v Oyen Wiggs Green & Mutala LLP*, 2020 FCA 120 at para 47 (to name but a few Federal Courts decisions in a long line of cases).

[27] Further, the Defendants concede on the Rule 51 motion that the Plaintiff mentioned the *TMA* s 50, at least in passing, at the hearing of the Rule 75 motion. I note, however, that neither RE/MAX's proposed amendments nor its written submissions on the latter motion make any



mention of the *TMA s 50*, and its oral submissions were not clear, in my view, regarding the application of the *TMA s 50*.

[28] For example, when questioned by CM Judge Ring about whether the proposed amendments are a refinement of the existing claims, as asserted by RE/MAX, versus novel claims, RE/MAX's counsel responded that the way they are doing it, with not all the franchisees listed as defendants and relying on the chain between the Defendants and the ultimate infringers and basing it on that control, might not be a regular claim.

[29] I further note that the proposed amendments also allege that Raman Dua is the sole officer and director of SMI, and that the alleged infringing activities of the franchisees occurred "under the authorization and direction of the Defendants." The existing claim alleges that Raman Dua uses Save Max as a vehicle knowingly to secure profits belonging to the Plaintiff. The proposed amendments allege additionally that Raman Dua uses Save Max and SMI knowingly to secure profits belonging to the Plaintiff.

[30] The Defendants argue on both motions that to hold SMI and the franchisees liable requires piercing or lifting of the corporate veil because, as I understand the argument, the individual Defendant, Raman Dua is the principal of both Save Max and SMI. Absent further clarification by RE/MAX on the Rule 75 motion about the nature of the control relied on, that is corporate control versus control of the nature described in subsection 50(1), I am not persuaded that CM Judge Ring made an error of law or a palpable and overriding error in concluding, in the context of alleged corporate control and a failure to plead requisite material facts, that the

Franchise Amendments should not be allowed because RE/MAX has not discharged its burden to demonstrate that those amendments have a reasonable chance of success.

[31] Even if the remedies RE/MAX seeks in its action, such as injunctive relief, could impact, if granted, the franchisor/licensor SMI and the unidentified franchisees/sublicensees, it is unclear in my view to what extent, if any, RE/MAX would be entitled to the profits earned by non-parties, absent a piercing of the corporate veil. This situation is to be contrasted with the *Simpson* case where both the licensor and licensee were parties.

[32] Contrary to RE/MAX's submissions, I also am not convinced that CM Judge Ring erred in law or made a palpable and overriding error in relying on the decision of this Court in *Specialized Desanders Inc. v Enercorp Sand Solutions Inc.*, 2018 FC 689 [*Desanders*] at para 38 to find that she could not consider RE/MAX's evidence submitted on the Rule 75 motion, except for the limited purpose described in *Desanders*. That evidence includes a document entitled Franchise Agreement that was produced by the Defendants following the examination for discovery of Raman Dua that included questions about franchises. In my view, RE/MAX's efforts to rely on the Franchise Agreement to justify the proposed Franchise Amendments reinforce CM Judge Ring's finding that the proposed amendments do not contain the requisite material facts to establish a reasonable prospect of success.

[33] RE/MAX urges that the Franchise Agreement should have been admitted in evidence to clarify the proposed amendments: *Visx Inc. v Nidek Co.*, (1996) 72 CPR (3d) 19 (FCA) at 24, 1996 CarswellNat 2475 at para 16. I am not satisfied, however, that the admission of the

document would have elucidated the proposed amendments. In my view, it muddies them because it is an unsigned document that identifies “SAVE MAX INTERNATIONAL INC.” as the franchisor on the title and first pages but states “SAVE MAX REAL ESTATE INC.” over the signature line for the franchisor on the last page.

[34] The Defendants argue further on the Rule 51 motion that the Plaintiff’s submissions on the *TMA* s 50 in this motion involve improperly reframing its argument on a new legal theory, to the effect that a “deeming provision” can be relied on to found infringement and passing off claims. The Defendants say it is plain that the purpose of subsection 50(1) is to prevent trademark expungement for non-use where the trademark is used by the owner’s licensees instead of the owner, but they provide no case law in support of this proposition. Based on a plain reading of subsection 50(1) and the words “the same effect” (or “le même effet” in the French version of this provision), I am not persuaded that the purpose of subsection 50(1) is solely as averred by the Defendants. I also need not decide this issue, however, in the context of this Rule 51 motion, in part because the Defendants’ submissions, like the Plaintiff’s “new legal theory” (according to the Defendants), were not argued before CM Judge Ring. I agree with my colleague Justice Manson, that it is not appropriate to do so on a Rule 51 motion: *ViiV Healthcare Company v Gilead Sciences Canada, Inc.*, 2019 FC 1579 [*ViiV*] at para 50.

[35] In the circumstances, I am satisfied that CM Judge Ring did not make a reviewable error in finding that RE/MAX has not discharged its burden of demonstrating that the proposed amendments have a reasonable prospect of success, when viewed in the context of the alleged corporate relationship between Save Max and SMI.

B. *Canderel test*

[36] Turning to CM Judge Ring's consideration of the *Canderel* test, I am not persuaded that she made any error of law or palpable and overriding error warranting the Court's intervention.

[37] On appeal, RE/MAX reiterates that the proposed amendments, both the Franchise Amendments and the Trademarks Amendments are a refinement of the existing claims. While they are based on information that came to light during the examination of Raman Dua 18 months earlier, it is only in the course of preparing for trial that it occurred to RE/MAX to advance the amendments. Preparation for trial, however, is no answer in my view, to the question of why the amendments were not proposed then or soon after, rather than shortly before trial. I thus find no error with CM Judge Ring's determination that "there has been an inordinate unexplained delay in bringing the [Rule 75] motion," a significant "interests of justice" factor that speaks strongly against permitting the proposed amendments.

[38] Further, although I might not have chosen to describe the proposed amendments as a "radical" departure from RE/MAX's current claim that expand the scope of the action, I do not disagree that they are nonetheless a departure, for the reasons articulated by CM Judge Ring.

[39] That said, I am of the view that CM Judge Ring made a palpable error but not an overriding one in determining that "the Trademarks Amendments propose to expand the scope of the action from one that is focussed on the Defendants' residential real estate activities to one that also looks at the Defendants' commercial real estate business." RE/MAX Trademarks as

currently pleaded generally are not restricted in terms of the applicable channels of trade (i.e. residential versus commercial real estate). RE/MAX's justification, however, for seeking to add registration Nos. TMA771851 for RE/MAX COMMERCIAL & Design and TMA1017770 for FOR SALE & BAR Design, like the proposed Franchise Amendments, is rooted in the examination for discovery of Raman Dua where he was questioned about the scope of the Defendants' business. Similarly, there is not explanation for the inordinate delay. Although registration No. TMA1017770 did not issue to registration until after the action was commenced, it is based on use of the trademark in Canada long before then and could have been included in the passing off claim.

[40] Finally, RE/MAX asserts that the proposed amendments would not occasion any additional steps because (a) it would rely on what it has received to date through the discovery process, (b) the information on which the amendments are based is within the knowledge of the Defendants, and (c) the Defendants' Statement of Defence is broad enough to cover them. I am not convinced, however, that CM Judge Ring erred in concluding the Defendants would be prejudiced manifestly by the amendments in a manner non-compensable by an award of costs because of a myriad of procedural steps that the amendments would occasion resulting in the considerable delay of the trial.

C. *Leave to re-apply*

[41] I agree with the Defendants that RE/MAX's alternative request for leave to re-apply to amend its Statement of Claim was not advanced before CM Judge Ring, either in writing or orally, which makes it a new issue on appeal. The party seeking to raise a new issue on appeal

has the burden to demonstrate that the Court should consider the new issue without prejudice to the opposing party: *Guindon v Canada*, 2015 SCC 41 at paras 22-23; *Viviv*, above at para 50.

RE/MAX has not satisfied me that this issue should be considered.

V. Conclusion

[42] For the above reasons, I am not persuaded that interference with CM Judge Ring's discretionary decision to dismiss the RE/MAX's Rule 75 motion is warranted in the circumstances. I thus dismiss RE/MAX's Rule 51 motion, with costs to the Defendants, payable by the Plaintiff in any event of the cause.

[43] Contrary to the Court's Consolidated General Practice Guidelines dated June 8, 2022, the parties did not inform the Court whether they have agreed on the quantum of costs. I note that on an earlier Rule 51 motion in this proceeding, the successful party was awarded a lump sum of \$2,500, the parties having agreed that the successful party should be entitled to costs between \$2,000 and \$3000. If the parties cannot agree on the amount of costs to which the Defendants are entitled on the present Rule 51 motion, the parties can make brief submissions not exceeding two pages within one week of this Order and Reasons. In framing their submissions, if any, the parties should note that I disagree with the Defendants that elevated costs are warranted. I agree with RE/MAX that the timing of the Rule 51 motion was permitted under the *FCR*.

[44] I add that the above reasons are not intended to foreclose RE/MAX from evidencing and arguing the theory of its case at trial, including in opening and/or closing submissions. Though parties are not allowed usually to make submissions about matters which have not been pleaded,

the Court may be flexible “in allowing a party to raise an issue that is outside a literal reading of the pleadings, provided that no unfairness results”: *101217990 Saskatchewan Ltd (District Brewing Company) v Lost Craft Inc*, 2022 FC 1254 at para 9.

**ORDER in T-1049-18**

**THIS COURT ORDERS that:**

1. RE/MAX, LLC's motion under Rule 51 of the *Federal Courts Rules* appealing the August 12, 2022 Order of Case Management Judge Ring is dismissed, with costs to Save Max Real Estate Inc. and Raman Dua, payable by RE/MAX, LLC in any event of the cause.
2. If the parties cannot agree on the amount of costs, they can make brief submissions not exceeding two pages within one week of this Order and Reasons.

"Janet M. Fuhrer"

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Judge



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

**DOCKET:** T-1049-18

**STYLE OF CAUSE:** RE/MAX, LLC v SAVE MAX REAL ESTATE INC.  
AND RAMAN DUA

**PLACE OF HEARING:** HELD VIA VIDEOCONFERENCE

**DATE OF HEARING:** SEPTEMBER 1, 2022

**REASONS FOR ORDER AND ORDER:** FUHRER J.

**DATED:** SEPTEMBER 7, 2022

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