Federal Court Cour fédérale

Date: 20240916

Docket: T-609-17

Citation: 2024 FC 1455

Ottawa, Ontario, September 16, 2024

PRESENT: Madam Justice Gagné

BETWEEN:

VERMILLION NETWORKS INC.

Applicant

and

GREEN CIRCLE IDEAS INC.

Respondent

ORDER AND REASONS

I. Overview

[1] The Applicant, Vermillion Networks Inc., appeals a decision of Associate Judge Catherine A. Coughlan, in her capacity of Case Management Judge [CMJ], whereby she dismisses Vermillion's Application for delay, as per Rule 167 of the *Federal Courts Rules* [Rules]. The CMJ found that the seven years that lapsed since the Applicant's application was

filed was undue and inexcusable, and that the Respondent was likely to be prejudiced by the delay.

[2] In a separate order, she granted costs to the respondent in the amount of $69,327 plus taxes and disbursements of $1,310.12.

[3] Both orders are under appeal.

II. Procedural history and impugned decision

[4] The Applicant invites the Court to consider the delays by reference to three separate time periods. Although the Respondent appears to have done the same before the CMJ, it is now more of the view that the Court should look at the entire period; in doing so, argues the Respondent, the Court has to side with the CMJ and dismiss this appeal.

[5] In order to properly canvass the Applicants' arguments, I will review the initial period, during which the CMJ found no undue delay, as well as the three time periods where she did. I will also review the CMJ's reasons pertaining to each one of these time periods.

A. *April 25, 2017-February 2018 – Initial Period*

[6] The Applicant filed an application seeking expungement of the Respondent's trademark in April 2017. The Registrar of Trade Marks filed a certified copy of the original material and the Respondent filed its Notice of Appearance the following week.

[7] Two weeks later, the Applicant requested that the application continue as a specially managed proceeding; in spite of the Respondent's objection, the Chief Justice assigned Associate Judge Kevin Aalto as case management judge. After the initial Case Management Conference, the Applicant filed its Rule 306 affidavit in June 2017.

[8] The parties then engaged in unsuccessful settlement discussions until January 2018 but the Applicant's then counsel sought a further one-month extension to a case management conference scheduled for January 18, 2018.

[9] Considering that the only substantive steps taken (i.e. the service of the Rule 306 affidavit and the settlement discussions) all occurred in the first year following the filing of the Application, the CMJ finds no undue delay during that period.

B. *February 2018-September 2019 – First Undue Delay*

[10] The Applicant filed a Notice of Change of Solicitor in March 2018 and counsel #2 was retained as solicitor of record.

[11] Then the file "went cold" until August 2019, when AJ Aalto granted a motion brought by counsel #2 requesting to be removed as solicitor of record and directed the Applicant to appoint solicitors or bring a motion pursuant to Rule 120 to have a corporate representative represent the Applicant.

[12] Here, the CMJ first rejects the Applicant's argument that the clock for this period only started to run on May 14, 2018, when Respondent's counsel threatened to bring motions to strike portions of the application and to seek security for costs. As those motions were never filed, she finds the delay for this period to have started in February 2018.

[13] The CMJ finds that the delay during that period is solely attributable to the Applicant and its counsel. The Applicant could have found new counsel earlier and move this case further. She adds that the mere threat of interlocutory motions is not sufficient to justify a 20-month delay.

C. *October 2019-January 2023 – Second Undue Delay*

[14] Unfortunately, and regardless of any laxity on the part of the Applicant, this period brings its share of embarrassment to the Court.

[15] In September 2019, the Applicant opted to bring a motion under Rule 120. The Respondent opposed the motion and the motion was perfected by September 27, 2019.

[16] However, no decision was ever released by the Court. The Applicant's representative states that he called the registry during the summer of 2021 but was told nothing could be done, that he had to await a decision. Nothing transpires from the Court's recorded entries for that period.

[17] The CMJ rejects the Applicant's argument that this delay of 39 months is entirely excusable as it was entitled to bring a Rule 120 motion. In her view, the Applicant bore some responsibility for that delay or portion of the delay during that period.

[18] First, she considers the fact that only 8 weeks before the Rule 120 motion was filed in the present case, a similar motion, brought by the same applicant, was rejected by AJ Aalto in Court file number T-533-19. Nevertheless, the Applicant filed its motion in the present case on the basis of the same financial statements and evidence of impecuniosity that AJ Aalto had just found "singularly lacking." The CMJ rejects the Applicant's argument that it attempted to cure the deficiencies identified by AJ Aalto, partly on the basis that in a third file initiated by the Applicant (T-1484-21), she had also dismissed a similar Rule 120 motion largely on the basis of a failure to prove the Applicant was impecunious. In addition, in July 2023, counsel #3 advised the Court that the Applicant would not be pursuing its Rule 120 motion because its proposed representative was no longer available. He did not say when he became unavailable.

[19] The CMJ therefore finds that it was imprudent for the Applicant to bring its Rule 120 motion and simply do nothing for 39 months. She sees it as either an abuse of process or a strategic delay tactic; the Applicant chose to put its resources toward other litigations it had before the Court at the detriment of this one.

D. *January 19, 2023-November 20, 2023 – Third Undue Delay*

[20] On January 19, 2023, after AJ Aalto retired from the Court and the Chief Justice issued an Order assigning AJ Coughlan as the new CMJ. This Order was served on counsel #2 and not

on the Applicant. On May 11, 2023, at the request of the CMJ, the registry contacted the Applicant’s representative who advised the Court that the Applicant would not be pursuing its Rule 120 motion, but would seek to retain new counsel.

[21] Counsel #3 filed a Notice of Appointment of Solicitor on July 11, 2023.

[22] On September 28, 2023, the CMJ issued a direction directing the Applicant to provide a status update by October 30, 2023; failing receipt of which, the proceeding would be placed in status review with a view to dismissal for delay. In late October 2023, the parties responded and a case management conference was convened for November 20, 2023. At that case management conference, the Respondent informed the CMJ of its intent to file a motion to dismiss for delay; the Court thus set a schedule for the exchange of their motion material. The Motion was filed on December 4, 2023, and was perfected by March 22, 2024.

[23] Meanwhile, on February 13, 2024, a new Notice of Change of Solicitor was filed on behalf of the Applicant and counsel #4 was appointed.

[24] Since the January 2023 order appointing the new CMJ was not served on the Applicant until May, the CMJ disregards the first part of that time period. However, she is concerned with the fact that it took the Applicant from May to July to appoint counsel #3, and even more concerned that little of substance was accomplished thereafter. She was compelled to issue a direction on September 28, 2023, reminding the parties of the years of inactivity and demanding that the Applicant provide a status update.

[25] The CMJ notes that although this delay is relatively short by comparison to the others, given the big picture, it cannot be ignored. She reviewed the transcript of the cross-examination of the Applicant's representative and notes that during all those years, the Applicant worked with its counsel in 4 different files before the Court. She concludes that the Applicant was simply prioritizing those other files over this proceeding and that this makes the delay inexcusable.

E. *Serious prejudice to the Respondent*

[26] Having found that the delay in bringing this proceeding forward was undue and inexcusable, the CMJ relies on this Court's finding in *Universal Graphics Ltd v Canada*, 1997 CanLII 16683 (FC), 1997 CarswellNat 1084, at paras 10 and 11, for the proposition that she can infer prejudice where there is a finding of inordinate or undue delay. Given an inordinate and largely unexplained delay of seven (7) years, she infers serious prejudice.

F. *Choice of remedy*

[27] The CMJ then turns her mind to the question as to whether there is a less drastic measure that should be considered in lieu of dismissal. In all the circumstances of this file, she cannot conclude that there is a fair prospect the Applicant is intent on bringing this Application to an end. Concluding otherwise would be relying on mere statements of hope or belief.

G. *Costs award*

[28] Once the CMJ had disposed of the Motion to dismiss, she received further observations from the parties on costs.

[29] The Respondent sought costs of $96,968.01 inclusive of HST and disbursements. That quantum represented a lump sum recovery as a percentage of its actual legal fees as well as a doubling of a portion of its party-and-party costs pursuant to Rule 420(2)(b). The Applicant replied that the costs should be fixed at $12,600, calculated at the mid-point of Column III of Tariff B, plus taxes and disbursements. Alternatively, the Applicant stated that if the Respondent was entitled to increased costs, then a maximum of $25,920, calculated at the high-end of Column IV was appropriate.

[30] The CMJ finds that in the circumstances of this case, the Tariff would not adequately compensate the Respondent, and that a number of Rule 400(3) factors favour a lump sum award — the success of the Respondent, the numerous settlement offers made, etc.

[31] The CMJ awarded the Respondent $69,327, plus HST and disbursements of $1,310.12, which represents 25% of actual fees incurred from April 25, 2017 to April 19, 2018, and 30% of actual fees incurred from April 19, 2018, onwards, doubled pursuant to Rule 420.

III. Issue and Standard of Review

[32] Discretionary orders of Associate Judges are to be assessed against the standards enunciated by the Supreme Court of Canada in *Housen v Nikolaisen*, 2002 SCC 33, [2002] 2 SCR 235. Accordingly, such orders should only be reversed if they are incorrect in law or are based on a palpable and overriding error concerning the facts. As for questions of mixed fact and law, they are also reviewable on the deferential standard of palpable and overriding error absent an extricable error of law: *Hospira Healthcare Corp v Kennedy Institute of Rheumatology*, 2016

FCA 215, 402 DLR (4th) 497 at para 64; *Canada (Attorney General) v Iris Technologies Inc*, 2021 FCA 244, 2021, at para 33; *Boily v Canada*, 2017 FCA 180, at para 23.

[33] The question is therefore whether the CMJ erred in law or made a palpable and overriding error in allowing the Respondent's motion to dismiss for delay. At the parties' suggestion, the Court's analysis will focus on the following issues:

A. Did the CMJ breach procedural fairness by finding that the delay during the Second Undue Period was inexcusable?

B. Did the CMJ err in her finding that the Respondent was likely to suffer serious prejudice from the delay?

C. Did the CMJ err in her holding the appropriate remedy was dismissal?

D. Did the CMJ err in her Costs order?

[34] At the hearing, counsel for the Applicant admitted that the delay in bringing this proceeding forward is undue and that the First Undue Period and the Third Undue Period are inexcusable. Although I will pay special attention to the Second Undue Delay (the 39 months where the Rule 120 motion was pending), I am of the view that one cannot disregard the Applicant's behaviour throughout the entire seven-year period; the Applicant's vigilance in bringing this case forward, or lack thereof, has to be regarded holistically.

[35] As stated by the Federal Court of Appeal in *Sweet Productions Inc v Licensing LP International SARL*, 2022 FCA 111, at para 24, the decision to dismiss a proceeding instead of

imposing another sanction under Rule 167 is largely a question of mixed fact and law. As such, it cannot be disturbed in the absence of an overriding and palpable error.

[36] However, the Applicant argues that in paragraph 43 of her reasons, the CMJ made an error of law when she asked herself whether the Applicant bears some responsibility for the delay during that period (the Second Undue Period) instead of asking whether the delay was excusable or not. This error, according to the Applicant, is reviewable under the correctness standard.

IV. Analysis

[37] For the purpose of this motion, the Applicant sought leave to file the following evidence, all related to file T-1484-21, also involving Vermillion Networks Inc. as an applicant and AJ Coughlan as the Case Management Judge:

> The entirety of Vermillion's Rule 120 motion record (tab 10 of Vermillion's present motion record);
>
> The order of Associate Judge Coughlan dismissing Vermillion's Rule 120 motion (tab 11);
>
> Two letters sent in November 2022 by former counsel to Vermillion to the court (tab 12);
>
> A scheduling order of Associate Judge Aalto dated December 1, 2022 (tab 13); and
>
> A letter sent in February 2023 by former counsel to Vermillion to the court (tab 14).

[38] The Applicant asserts that leave should be granted because of the fact that, on her own initiative, the CMJ relied on this other file to conclude that the Rule 120 motion in this file was

either an abuse of process or a strategic delay party. As such, the Applicant could not have filed these documents earlier. I agree and leave is granted.

A. *Did the CMJ breach procedural fairness by finding that the delay during the Second Undue Period was inexcusable?*

[39] The Applicant argues that the CMJ breached procedural fairness in finding that the delay during the Second Undue Period was inexcusable by:

i. Raising a new issue, namely that the Applicant's Rule 120 motion was either an abuse of process or a strategic delay tactic; and

ii. Referring to her order in file T-1484-21 where she dismissed the Applicant's similar Rule 120 motion.

[40] The CMJ is of the view that it was not prudent for the Applicant to bring a Rule 120 motion following the removal of counsel #2 and then to simply do nothing for a period of 39 months. At some point during that period, the intended representative ceased to be available to act. Yet, the Applicant provided no indication as to when that individual became unavailable to act, nor did it inform the Court of this change in circumstances.

[41] The CMJ also considered the fact that just 8 weeks before the Applicant filed its Rule 120 motion in this proceeding, AJ Aalto dismissed an identical motion in file T-533-19. Having relied on the same financial statement and evidence of impecuniosity in this file, the Applicant could not have expected a different outcome.

[42] The Applicant does not take issue with the factual findings of the CMJ. Rather, it contends that in characterizing the Rule 120 motion as "either an abuse of process or a strategic delay tactic," the CMJ raised a new issue and breached the duty of procedural fairness.

[43] First, I do not agree that the CMJ raised an issue that was not before her.

[44] At paragraphs 36 and 37 of its Written Representations, the Respondent cites the following excerpts of its notice of motion seeking dismissal for delay and written representations:

> 14. Even though it had just lost a motion for self-representation in court file T-533-19, Vermillion sought the identical relief, using almost identical evidence, in this application (Notice of motion dated December 4, 2023);
>
> 31. By notice of motion dated September 12, 2019 (i.e., one day before the proceeding would be struck), Vermillion sought an order permitting Ira Feldman to represent it in this proceeding. Vermillion did so, notwithstanding that the court had just refused to allow Feldman to represent Vermillion in court file T-533-19 (Written representations dated March 13, 2024).

[45] Therefore, the Applicant knew the Respondent would argue that the Rule 120 motion was an attempt to relitigate a point that the Court had already determined against the Applicant, and that the CMJ was entitled to find that the Applicant was simply recycling a failed motion.

[46] As to the reference the CMJ makes to a similar motion filed by the Applicant in file T-1484-21, I agree it was not the best reason provided by the CMJ in order to undermine the seriousness of the Rule 120 motion in this file. First, it was filed and decided in 2022, long after the Applicant filed its Rule 120 motion in the present file. Second, it was not argued by the

parties, nor were they given an opportunity to provide comments on the issue or on the evidence filed in support of both Rule 120 motions.

[47] However, this in my view has no impact on the overall analysis made by the CMJ. She did not comment on the merit of the Applicant's Rule 120 motion in the present file, but on whether the Second Undue Delay was excusable or not.

[48] In order to find that it was not, she did not have to conclude that the Rule 120 motion was likely an abuse of process or a delay tactic. She only had to assess what the Applicant could have done during that period, but chose not to do, in order to bring this proceeding forward. And this assessment, in my view, cannot be made in isolation, solely in light of what occurred during the Second Undue Delay period.

[49] I repeat, the fact that a motion was sent to the Court for disposition and no decision ensued is embarrassing. The Court acknowledges it.

[50] However, there would have been several actions that could have been taken by the Applicant to break the deadlock.

[51] Instead of a simple phone call in three years to the registry, the Applicant could have written a letter to AJ Aalto, or to the Chief Justice/Associate Chief Justice of the Court to enquire about the situation and seek assistance.

[52] The Applicant could have informed the Court that its intended representative was no longer available and that it had decided to appoint counsel #3 when this occurred, not 39 months later when forced by the Court to take position.

[53] It is true that I have to consider the fact that during that period, the Applicant was not represented by counsel. However, it was represented by counsel in several other files before this Court and could have sought advice. In addition, its corporate Director and Officer Wade Ferguson is arguably not your usual self-represented litigant. According to the affidavits filed in support of the Applicant's Rule 120 motion in file T-1484-21, he has extensive knowledge and experience in commercial litigation in general, and in trademark law in particular. He even states in his own affidavit that he "verily believe[s] [his] general skills and knowledge of legal principles and procedures in Canada [to be] comparable or superior to those of many second-year associates at Canadian law firms."

[54] In my view, the Applicant's inertia during the Second Undue Delay period is inexcusable, especially in light of the time that had lapsed, and the event that had occurred, before the Applicant filed its Rule 120 motion in this file.

[55] Finally, the fact that the Applicant's inertia continued after May 2023 also taints the Second Undue Period in a negative way.

[56] I am of the view that the CMJ did not breach procedural fairness, nor did she commit an overriding and palpable error in finding that there was undue and inexcusable delay in the advancement of this procedure.

[57] I now turn to the error of law the Applicant claims the CMJ made in paragraph 43 of her reasons.

[58] The Applicant argues that by asking whether it bore some responsibility for the delay or portions of the delay during the Second Undue Delay period, the CMJ mischaracterized the test for a Rule 167 motion to be granted. I disagree.

[59] The CMJ did not find the delay to be somewhat inexcusable, as the Applicant puts it, but she found it inexcusable.

[60] She had to consider the fact that during 3 years out of the total 6-year undue delay, a motion was pending before the Court. But she did not have to end her analysis there. She had to consider what the Applicant did — or did not do — during that period.

[61] In my view, the CMJ did not mischaracterize the test. Rather, she adapted it to the particular circumstances of the case before her. When she heard the Rule 167 motion, 7 years had passed since the Applicant's Notice of Application was filed and four different counsel had represented the interests of the Applicant. The CMJ did not ignore the Court's responsibility for

part of the delay but she found that in fact, it had served the interests of the Applicant who chose to put its limited resources on advancing other litigations before this Court.

B. *Did the CMJ err in her finding that the Respondent was likely to suffer serious prejudice from the delay?*

[62] The Applicant states that the CMJ misapprehended a concession it made at the hearing.

[63] The Applicant did not concede that *Universal Graphics* at paragraphs 10 and 11, stood for the proposition that the Court can infer prejudice where there is a finding of inordinate or undue delay. Rather, the Applicant's only concession is that *Universal Graphics* stands for the proposition that prejudice could be inferred in limited circumstances where there was both inordinate <u>and inexcusable</u> delay, but no actual evidence of prejudice, and it would be unjust to refuse to dismiss a proceeding solely on the basis that there was no direct evidence of prejudice.

[64] The Applicant submitted before the CMJ, and reiterates before the Court, that the present case is not an appropriate circumstance to infer the existence of prejudice.

[65] I agree with the Respondent that without the transcript of the hearing before the CMJ, it is impossible for me to know whether she misapprehended the Applicant's concession or not.

[66] In any event, since both the CMJ and I consider the delay, viewed holistically, to be both undue and inexcusable, I am of the view that the CMJ did not make an overriding and palpable error in finding that she could infer serious prejudice for the Respondent.

[67] In addition, the Respondent did put forward evidence of actual prejudice as a result of the delay. One of its potential witnesses, with whom the Applicant's representative allegedly had a conversation regarding the use of the trademark and the need to obtain a licence, passed away during the First Undue Period. The Respondent has now no ability to respond in any way to the Applicant's contentions regarding that conversation.

[68] The death of a key witness constitutes prejudice for the purpose of a motion to dismiss for delay (*Ticchiarelli v Ticchiarelli*, 2017 ONCA 1 at paras 9 and 38; *Genious Maritime Inc v "Federal Atlantic" (The)*, 1994 CarswellNat 734 at para. 15). In addition to the inference that can be drawn in the circumstances of this case, the Respondent has shown actual prejudice arising from the Applicant's delay in bringing this case forward.

C. *Did the CMJ err in her holding the appropriate remedy was dismissal?*

[69] According to the Applicant, the CMJ failed to consider the availability and appropriateness of other sanctions than dismissal. The Applicant asserts that while acknowledging that there was no presumption of dismissal upon a finding of delay, the CMJ nonetheless concluded that given the lengthy delay and finding of prejudice, the only appropriate sanction is dismissal. In so concluding, says the Applicant, the CMJ made errors of law and principle that vitiate the decision to dismiss the application.

[70] First, the Applicant contends that the CMJ erred in law by holding that an award of costs is simply the outcome of the motion and cannot serve as an appropriate sanction for an undue and inexcusable delay. The Applicant goes on to give examples of contexts where the Rules

expressly empower the Court to award costs as a sanction. Since Rule 167 does not exclude an award of costs as a potential sanction, it ought to be an alternative. As per *Sweet Productions*, discretion is the central element of the Court's power under Rule 167. As a result of this error in law, the Applicant asserts that the CMJ's dismissal of the action should not be permitted to stand.

[71] Second, the Applicant states that the CMJ applied incorrect principles in assessing its evidence of its continuing intention to see the application through to a determination of the merits.

[72] As stated by the Federal Court of Appeal in *Sweet Productions*, the decision to dismiss the proceeding instead of imposing another sanction under Rule 167 is largely a question of mixed fact and law reviewable under the more deferential standard.

[73] The CMJ acknowledged that dismissal was not the presumptive remedy and that she had to determine whether there was a less drastic measure that would be appropriate. However, saying so does not mean that dismissal is not an option at all. After all, Rule 167 is entitled *Dismissal for delay* and grants the Court that discretion.

[74] When is dismissal appropriate if not in the case of an application that is meant to be a summary procedure and that is still at its early stage 7 years later?

[75] In my view, the CMJ used the proper test set out by the Federal Court of Appeal in *Sweet Productions*: is there "a fair prospect" that the Applicant was intent on bringing the application to an end? The CMJ stated:

> [65] In all of the circumstances of this proceeding, I cannot conclude that there is a fair prospect the Applicant is intent on bringing this Application to an end. For me to conclude otherwise is to rely on mere statements of hope or belief.

[76] The CMJ considered all the evidence and the arguments made. There is no basis for this Court to intervene.

D. *Did the CMJ err in her Costs order?*

[77] Costs orders should not be interfered with absent a palpable and overriding error on a question of fact or mixed fact and law or an error of law or principle. The amount and allocation of costs are at the discretion of the Court, and elevated awards of lump-sum costs are permitted under the Rules.

[78] In the instant case, the Applicant submits that the Costs Award was not only unreasonable, but that the CMJ does not provide sufficient reasons as to why an elevated award of lump sum costs is warranted, rather than the default costs in accordance with Tariff B. The Applicant further submits that the CMJ failed to reference the Rule 400(3) factors that it had argued in response to the Respondent's arguments, or to assess the reasonableness of the Respondent's actual fees. I disagree.

[79] In her separate order, the CMJ properly set the applicable principles, as well as the guiding jurisprudence.

[80] In her analysis, she considers the evidence and arguments brought forward by both parties. She rightfully notes the settlement offers made and repeated by the Respondent throughout the life of the file. On that topic, the CMJ specifically considers the Applicant's argument that the Respondent was not entitled to a doubling of costs because the November 8, 2023, offer, which provided for a monetary donation and an explicit expiry date, effectively withdrew the April 19, 2018, offer. As a result, the Applicant submitted that the Respondent had not met the requirements of Rule 420(3)(b) and was not entitled to a doubling of costs.

[81] Having considered all the evidence and arguments, the CMJ finds that it would undermine the very purpose of Rule 420(3)(b) to deprive the Respondent of a doubling of costs simply because it increased its final offer in an effort to conclude a settlement.

[82] I see no reviewable error in this finding, just as I see no error in the choice of a lump sum award in the circumstances of this proceeding.

V. Conclusion

[83] Although I command counsel #4 for his efforts, it is well known that successive counsel take the file in the state in which they find it. The Applicant has not convinced me that by appointing counsel #4, it infused a new lease on life to this file. It has not convinced me either

that the CMJ committed an error in law or a palpable and overriding error of facts or mixed facts and law in her assessment of the evidence and in her determination of the appropriate remedy.

ORDER in T-609-17

THIS COURT ORDERS that:

1. The Applicant's appeal is dismissed;

2. Costs on this appeal in the amount of $5,000 are granted to the Respondent.

"Jocelyne Gagné"

Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-609-17
STYLE OF CAUSE:	VERMILLION NETWORKS INC. v GREEN CIRCLE IDEAS INC.
PLACE OF HEARING:	HELD BY VIDEOCONFERENCE
DATE OF HEARING:	AUGUST 14, 2024
ORDER AND REASONS:	GAGNÉ J.
DATED:	SEPTEMBER 16, 2024

APPEARANCES:

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