Date: 20070828

Docket: T-894-06

Citation: 2007 FC 861

Toronto, Ontario, August 28, 2007

PRESENT: The Honourable Mr. Justice Harrington

BETWEEN:

SUN WORLD INTERNATIONAL INC.

Applicant

and

PARMALAT DAIRY AND BAKERY INC.

Respondent

REASONS FOR ORDER AND ORDER

[1] This motion raises a novel point of procedure. May this Court, on appeal, permit an amendment to the Statement filed with the Registrar in opposition to the registration of a trade-mark, after the Registrar has decided on the merits of the registration application? Prothonotary Aronovitch held (2007 FC 641, [2007] F.C.J. No. 890) that the Court could not. These reasons are given in the appeal from her decision.

BACKGROUND

[2] Sun World applied to register the words "Black Diamond" as a trade-mark in association with fresh fruits and vegetables, later confined to plums. It claimed it had used the trade-mark in

Canada since 1990. Parmalat filed a Statement of Opposition. It submitted that Sun World had not established use of the trade-mark from that time, and also argued that the trade-mark was not registerable as it was confusing with several of its own trade-marks which had been registered for use in association with cheese and other dairy products.

[3] The opposition was successful. The Registrar, in the form of the Trade-mark Opposition Board, held that Sun World had not established its use of the mark as of 1990, nor had it demonstrated that there would be no reasonable likelihood of confusion between the applied-for mark for plums and Parmalat's registered trade-marks for cheese.

[4] Sun World appealed to this Court as permitted by section 56 of the *Trade-marks Act*. The Act does not enumerate the powers of the Court in appeal save that subsection 56(5) thereof states:

On an appeal under subsection (1), evidence in addition to that adduced before the Registrar may be adduced and the Federal Court may exercise any discretion vested in the Registrar.	Lors de l'appel, il peut être apporté une preuve en plus de celle qui a été fournie devant le registraire, et le tribunal peut exercer toute discrétion dont le registraire est investi.

[5] Sun World has now adduced evidence of use of the words "Black Diamond" as a mark in Canada in association with plums. Parmalat candidly concedes that Sun World's appeal on this point is likely to succeed. It has also filed new evidence on the confusion issue. The relevance and weight of that evidence are matters to be considered when the appeal is heard on its merits.

[6] Now, Parmalat, in addition to its second successful ground of opposition with respect to the likelihood of confusion, wishes to assert a third reason for opposition, supported by evidence, a

reason not set out in the Statement of Opposition filed with the Registrar under section 38 of the *Trade-marks Act*. That reason derives from section 22 of the *Trade-marks Act* which prohibits a person from using another person's registered mark in a manner "that is likely to have the effect of depreciating the value of the goodwill attaching thereto". Although that section of the Act has been on the books for years, it is alleged that the Supreme Court significantly expanded upon and clarified the law in *Veuve Clicquot Ponsardin v. Boutique Clicquot Ltée*, 2006 SCC 23, [2006] 1 S.C.R. 824, a decision handed down some two months after the Trade-mark Opposition Board handed down its own decision in favour of Parmalat. It is now clear that a mark may not be confusing with but nevertheless still have an adverse effect on the goodwill associated with a registered mark.

[7] Parmalat accepts as a general proposition that courts frown upon new issues being raised in appeal. The novelty of the motion before Prothonotary Aronovitch, according to it, was that if an amendment to its original pleading (the Statement of Opposition) is allowed, then section 22 of the *Trade-marks Act* will not be a new issue. The argument is twofold.

[8] The first is that section 40 of the *Trade-marks Regulations, 1996* gives the Registrar discretion to allow an amendment to a Statement of Opposition. Since section 56(5) of the Act allows this Court to exercise "any discretion vested with the Registrar" it follows that this Court may in its discretion likewise give leave to file an amendment.

[9] The second is that this Court, acting as a Court of Appeal, has the jurisdiction to permit an amendment to the pleadings which were before the tribunal below. Rule 75 of the *Federal Courts Rules* was invoked. It permits an amendment to a "document" at any time.

THE PROTHONOTARY'S DECISION

[10] The Prothonotary, relying upon extensive case law, was of the view that section 56 of the *Trade-marks Act* allows the Court to entertain new evidence, but normally not new issues. She added that new grounds on a pure question of law may be added but only in reference to evidence already before the Registrar. She read subsection 56(5) of the *Trade-marks Act* together with section 40 of the Regulations as relating to the Court's discretion with respect to additional evidence, but did not extend to empowering the Court to grant leave to a party to raise new issues.

[11] She interpreted rule 75 of the *Federal Courts Rules*, in the context before her, as limiting the meaning of "document" to pleadings, an originating document, or document required to be filed pursuant to the *Federal Courts Rules*. The Statement of Opposition did not fall within that meaning as it was an originating document filed with the Registrar. She relied upon the decision of Madam Justice Sharlow in *Halford v. Seed Hawk Inc.*, 2005 FCA 12, [2005] F.C.J. No. 26.

ISSUES

[12] In my view there are three issues raised by this appeal from Prothonotary Aronovitch's decision.

[13] The first is the deference owed to the Prothonotary. She quite properly considered the issues before her as jurisdictional in nature. These are matters of law on which I must agree or disagree. The standard is correctness. The law does not permit me to defer on the grounds that her analysis of the law may have been reasonable (*Magic Sportswear Corp. v. OT Africa Line Ltd.*, 2006 FCA 284, [2006] F.C.J. No. 1292, per Mr. Justice Evans at paragraphs 20-22).

[14] The second issue is whether section 56 of the *Trade-marks Act*, coupled with section 40 of the Regulations, gives this Court discretion to permit an amendment to a Statement of Opposition, after the Registrar has handed down his decision on the merits.

[15] The third issue is whether this Court has discretion, under rule 75 of the *Federal Courts Rules* or otherwise, to grant leave to amend in these circumstances. If the Court has that discretion it was not exercised by the Prothonotary, and so I must do so *de novo.* (*Z.I. Pompey Industrie v. Ecu-line N.V.*, 2003 SCC 27, [2003] 1 S.C.R. 450; *R. v. Aqua-Gem Investments Ltd. (C.A.)*, [1993] 2 F.C. 425, [1993] F.C.J. No. 103; *Merck & Co. v. Apotex Inc.*, 2003 FCA 488, [2004] 2 F.C.R. 459).

DECISION

[16] Although I agree with the Prothonotary in the result, I have reached the same conclusion on somewhat different issues of law. As I read it, she compressed two questions into one. She asked whether the jurisprudence supported the application. I agree with her that on the facts of this case, the jurisprudence does not. However, I would rather have asked two questions. The first is whether

it is ever possible to give leave to amend, and the second is, if so, should the Court in its discretion grant that leave.

[17] In my opinion the *Trade-Marks Act* does not give this Court the jurisdiction to grant Parmalat leave to file an amendment to its Statement of Opposition at this stage in the proceedings. I base myself on the important principle of finality of judgments, partly expressed by the Latin maxim *functus officio*. However, I conclude that the Federal Court, as a Court of Appeal, has jurisdiction to grant leave to amend. Nevertheless, in the exercise of my discretion *de novo*, I do not think leave should be given, and so would dismiss Parmalat's appeal from Prothonotary Aronovitch's order.

DISCUSSION

The *Trade-Marks Act*

[18] Section 40 of the *Trade-Marks Regulations* provides:

No amendment to a statement of opposition or counter statement shall be allowed except with leave of the Registrar and on such terms as the Registrar determines to be appropriate.	La modification d'une déclaration d'opposition ou d'une contre-déclaration n'est admise qu'avec la permission du registraire aux conditions qu'il estime indiquées.

[19] The regulation does not specifically state that an amendment may be permitted after a decision on the merits has been made. There is nothing in the Regulations to imply a departure from the principle of *functus officio*, which I shall discuss as part of the Federal Court's jurisdiction as a court of appeal. Section 56(5) of the Act allows this Court to exercise "any discretion vested with

the Registrar". Since the Registrar did not have discretion, neither does this Court standing in his shoes.

Jurisdiction of a Court of Appeal

[20] The vast majority of decisions of federal boards, commissions or other tribunals are considered by this Court by way of judicial review pursuant to sections 18 and 18.1 of the *Federal Courts Act*. However, section 18.5 states that when Parliament expressly provides for an appeal to the Federal Court, to the extent a decision may be so appealed, it is not subject to judicial review. The *Trade-Marks Act* is one of those acts which provides for an "appeal" to this Court, as opposed to the Federal Court of Appeal. That Act has nothing substantial to say about what the Federal Court, as an appeal court, can or cannot do other than receive new evidence and exercise any discretion that was vested in the Registrar.

[21] The *Federal Courts Act*, which establishes both the Federal Court and the Federal Court of Appeal, enumerates powers of the Federal Court of Appeal at section 52, but does not specifically state that the Federal Court has similar powers when sitting in appeal under the *Trade-Marks Act*. Rules 335 and following of the *Federal Courts Rules* apply to "appeals to the Court under an Act of Parliament, unless otherwise indicated in that Act or these Rules. "Court" is defined as including the Federal Court as the circumstances require. However, there is nothing in that part of the Rules, Part 6, which deals with an amendment to the pleadings in first instance.

[22] I agree with the learned Prothonotary that Parmalat cannot invoke rule 75 in support of its proposition that leave may be given by the Federal Court, as a court of appeal, to amend the pleadings in first instance, after a decision is rendered on the merits. Such an order, if granted, would necessarily reopen the hearing. Rules 397 through 399 set out the circumstances in which the Court, as a court of first instance, may reconsider, set aside or vary its earlier order.

[23] The only provisions of any possible relevance are those set out in rule 399(2), which allows the Court to set aside or vary an order which was obtained by fraud (not the case here), or by reason of a matter that arose or was discovered subsequent to the making of the order.

[24] Section 22 of the *Trade-Marks Act* was not "discovered" after the decision under appeal. It has been in place for more than sixty years. Madam Justice Sharlow's decision in *Halford, supra*, is squarely on point. In that case, after judgment was rendered, Seed Hawk moved the trial judge for leave to amend its pleadings pursuant to rule 75. Mr. Justice Pelletier, then in first instance, refused to grant leave. He said the logic of *functus officio* applied to rule 75. "At any time" could not be interpreted so as to allow a party to circumvent the doctrine by moving to amend after judgment. Although a trial judge has broad discretion to allow amendments to the pleadings at any time prior to judgment, that right is extinguished after judgment has been signed.

[25] Seed Hawk did not appeal that refusal. Rather, it moved the Court of Appeal for leave to amend the trial pleadings. Madam Justice Sharlow held that rule 75 did not serve to give the Federal Court of Appeal jurisdiction to grant a motion for leave to amend the pleadings upon which the trial

was heard by the Federal Court. She went on to say the Federal Court of Appeal may consider an appeal from an order of the Federal Court granting or refusing such a motion, and might also order an amendment to trial pleadings as one of the remedies on appeal. However the Court's jurisdiction in that regard did not flow from rule 75 but rather from subsection 52(b)(i) of the *Federal Courts Act* which provides that:

52. The Federal Court of Appeal may	**52.** La Cour d'appel fédérale peut :
[…]	[…]
(b) in the case of an appeal from the Federal Court,	*b*) dans le cas d'un appel d'une décision de la Cour fédérale :
(i) dismiss the appeal or give the judgment and award the process or other proceedings that the Federal Court should have given or awarded.	(i) soit rejeter l'appel ou rendre le jugement que la Cour fédérale aurait dû rendre et prendre toutes mesures d'exécution ou autres que celle-ci aurait dû prendre,

[26] Thus Prothonotary Aronovitch was correct in her interpretation of rule 75. However, the *Halford* decision begs this question: is there another rule or provision of law which would permit the Federal Court, sitting as a court of appeal, to grant leave to amend a pleading in the tribunal below, after that tribunal had rendered its decision?

[27] What then is the point of an "appeal"? The party bringing the appeal wishes to have the decision reconsidered. The Court, sitting in appeal, may grant the appeal, or dismiss it. Common sense and experience dictates that if an appeal is granted, the Court will deliver the decision it

considers should have been given in the first place. It may also send the matter back for a new hearing or a new trial, on such terms and conditions it sees fit. But, may it grant leave to amend the pleadings below? The jurisdiction of a court of appeal is statutory (*R. v. W. (G)*, [1999] 3 S.C.R. 597, [1999] S.C.J. No. 37). Parliament empowered the Federal Court of Appeal to grant leave after judgment in first instance to amend the pleadings below by virtue of section 52 of the *Federal Courts Act*, as noted by Madam Justice Sharlow in *Halford*, above. It is not necessary, however, to determine whether section 52 applies, *mutatis mutandis*, to the Federal Court when sitting in appeal from decisions of federal boards and tribunals (as opposed to in judicial review). Courts have the innate power to control their own process.

[28] Parmalat also bases its arguments on the *Canadian Council of Professional Engineers v. Lubrification Engineers Inc.* [1990] 2 F.C. 525, 32 C.P.R. (3d) 327 (F.C.A). Most of the cases cited therein are not fully on point because they relate to new issues advanced in appeal, or new spins on old facts not supported by an amendment to the pleadings (*The Tasmania* 15 App. Cas. 223 and *The SS "Tordenskjold" v. The SS "Euphemia"* (1908), 41 S.C.R. 154) or in appeal on a refusal by the Court of first instance to grant an amendment (*C.N.R. v. Muller*, [1934] 1 D.L.R. 768, (1933) 41 C.R.C. 329 (S.C.C.)).

[29] However there is one decision squarely on point; the decision of the House of Lords in *Ley v. Hamilton* (1935), 153 LT 384 (H.L.), cited by this Court in *Northwest Airporter Bus Service Ltd. v. Canada* (1978), 23 N.R. 49, [1978] F.C.J. No. 804. The appellants in that case raised new points

and like Parmalat moved the House of Lords to amend the pleadings below. Lord Atkin said at page 385:

> I do not propose to discuss these propositions, for they are founded on a view of the pleadings which, as I have said, appears to me unwarranted. They could only, therefore, be supported if the pleadings were amended, and I believe your Lordships were agreed that any amendment to support such a plea should not at this stage be admitted. It is obvious that if either point had been raised at the trial the examination of the plaintiff and the cross-examination of the defendant and Wakeling might have taken a very different form. Moreover, even if the questions had not involved further evidence as to facts, I am of opinion that an Appellate Court should be very chary of permitting amendments where counsel have had ample opportunity of raising alternative pleas at the trial and have not thought fit to do so. Nothing would be more unfortunate than to encourage the idea that counsel may present one point to the jury and keep an alternative for the Court of Appeal

[30] I conclude that, unless taken away, an appellate court has the jurisdiction to grant leave to amend the pleadings in the court or tribunal below, notwithstanding that that court or tribunal has already rendered the decision on the merits. No statute or regulation has impinged upon that jurisdiction.

[31] I read this passage from *Ley v. Hamilton* with another from Lord Atkin two years later in *Evans v. Bartlam*, [1937] A.C. 473 (H.L.), which dealt with the power of an appellate court to interfere with the exercise of discretion by a trial judge. Lord Atkin said at pages 480 and 481:

> Appellate jurisdiction is always statutory: there is in the statute no restriction upon the jurisdiction of the Court of Appeal: and while the appellate Court in the exercise of its appellate power is no doubt entirely justified in saying that normally it will not interfere with the exercise of the judge's discretion except on the grounds of law, yet if it sees that on other grounds the decision will result in injustice being done it has both the power and the duty to remedy it.

[32] This is consistent with the reasons of Justice Iacobucci in *Pezim v. British Columbia (Superintendent of Brokers)*, [1994] 2 S.C.R. 557, [1994] S.C.J. No. 58 regarding the statutory right of appeal from a highly specialized tribunal on an issue which arguably goes to the core of that tribunal's regulatory mandate and expertise. In *Pezim*, the Supreme Court relied on its earlier decision *Bell Canada v. Canada (Canadian Radio-Television and Telecommunications Commission)*, [1989] 1 S.C.R. 1722, [1989] S.C.J. No. 68 in which Justice Gonthier said at pages 1745 and 1746:

> It is trite to say that the jurisdiction of a court on appeal is much broader than the jurisdiction of a court on judicial review. In principle, a court is entitled, on appeal, to disagree with the reasoning of the lower tribunal.
>
> However, within the context of a statutory appeal from an administrative tribunal, additional consideration must be given to the principle of specialization of duties. Although an appeal tribunal has the right to disagree with the lower tribunal on issues which fall within the scope of the statutory appeal, curial deference should be given to the opinion of the lower tribunal on issues which fall squarely within its area of expertise.

Discretion *de novo*

[33] Since, unlike the Prothonotary, I have come to the conclusion that the Federal Court, sitting in appeal under the *Trade-Marks Act*, has the jurisdiction to grant leave to amend the Statement of Opposition, it falls upon me to exercise my discretion *de novo*.

[34] Leave, in my opinion, should not be granted.

[35] One of the early cases on point is *Tildesley v. Harper* (1878), 10 Ch. D.393, a decision of the English Court of Appeal. The trial judge had refused to give the defendant leave to amend his statement of defence. The Court of Appeal held that leave should have been given. Lord Justice Bramwell said at pages 396 and 397:

> My practice has always been to give leave to amend unless I have been satisfied that the party applying was noting *malâ ide*, or that, by his blunder, he had done some injury to his opponent which could not be compensated for by costs or otherwise.

[36] The law has not changed (*Steward v. North Metropolitan Tramways Company,* (1886) 16 Q.B.D. 556 (C.A.); *Clarapede v. Commercial Union Association,* 32 W.R. 262 and *Canadian Council of Professional Engineers, supra.)*

[37] Parmalat argues that Sun World has suffered no prejudice since the appeal is *de novo* and it has the right to file evidence on the issue.

[38] Although I cannot agree with the Prothonotary that the many cases she cited barred her in law from exercising her discretion, they do serve as guideposts as to the circumstances which ought to be taken into account in the exercise of judicial discretion. Turning to subsection 56(5), she stated at paragraph 12:

> Justice Binnie, in *Mattel U.S.A. Inc. v. 3894207 Canada Inc.* [2006] SCC 22, at para. 35, describes the nature of the exercise as follows:
>
> > [2][…..] Where fresh evidence is admitted, if may, depending on its nature, put quite a different light on the record that was before the Board, and thus require the applications judge to proceed more by

> way of fresh hearing on an extended record than a simple appeal. …

[39] In this case, Parmalat wants a new record. Although there may possibly be circumstances in which a new issue may be introduced in a section 56 appeal, supported by an amendment to the original pleadings, this is not one of them. Like Lord Atkin in *Ley v. Hamilton*, I look askance at the proposition that one could save up new issues for appeal. Although a case in judicial review, *Nova Scotia (Workers' Compensation Board) v. Martin*, 2003 SCC 54, [2003] 2 S.C.R. 504 stands for the proposition that factual findings and the record compiled by the administrative tribunal as well as its informed and expert analysis will often be invaluable to a reviewing court.

[40] I do not consider it appropriate that the many decisions of this Court, which deal with section 56 of the *Trade-Marks Act*, may be avoided simply by moving to amend the original pleadings.

[41] Like the Prothonotary, I need not consider whether section 22 of the *Trade-Marks Act* is an admissible ground of opposition under subsection 38(2) thereof.

[42] Nothing in these reasons is intended to restrict such rights as Parmalat has, or may have, to take action against Sun World based on the allegation that it uses a trade-mark in a manner likely to have the effect of depreciating the goodwill attaching to its own registered trade-marks, the whole as contemplated by section 22 of the Act.

ORDER

THIS COURT ORDERS that the motion to appeal the order of Prothonotary Aronovitch dated June 20, 2007 is dismissed with costs.

"Sean Harrington"
Judge

FEDERAL COURT

NAME OF COUNSEL AND SOLICITORS OF RECORD

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