

Date: 20080307

Docket: T-2261-05

Citation: 2008 FC 328

Ottawa, Ontario, March 7, 2008

PRESENT: The Honourable Mr. Justice Lagacé

BETWEEN:

MÖVENPICK-HOLDING

**Plaintiff
(Defendant by Counterclaim)**

and

INTER MANAGEMENT SERVICES LIMITED

and

HANS JÖRG REICHERT

and

MARIANNE REICHERT

and

GASTRO INTERNATIONAL INC.

**Defendants
(Plaintiffs by Counterclaim)**

REASONS FOR ORDER AND ORDER

[1] The plaintiff appeals from the Prothonotary's Order of December 20, 2006, dismissing its motion for particulars or to strike certain paragraphs of the defendants' pleadings.

[2] The plaintiff submits that the Prothonotary committed two reviewable errors of law. First, she failed to realize that the subject matter and remedy requested by the defendants under ss. 18 and 57 of the *Trade-marks Act*, R.S.C. 1985, c. T-13 are beyond the jurisdiction of this Court. Second, she misunderstood the significance and the legal consequences of the defendants failing to plead factually each of the constituent elements of fraud and abandonment.

Background

[3] This is an action under the *Trade-marks Act* in which the plaintiff alleges violation of its "MARCHÉ" trade-marks covering restaurant services.

[4] The defendant *Inter Management Services Limited* ("IMSL") operated a restaurant and shop in Innisfil, Ontario under the name and trade-mark "*INNISFIL HEIGHTS MARCHE*".

[5] The two individuals were made defendants because of their involvement either as directors of *IMSL* or in the day-to-day management of the activities of *IMSL*.

[6] The defendant *IMSL* filed an assignment in bankruptcy on December 19, 2008 and, as a result, there was a lengthy delay in bringing this motion against the Prothonotary's decision.

[7] The plaintiff finally obtained an order authorizing it to pursue its case against *IMSL*. The demand alleges that use of the “*INNISFIL HEIGHTS MARCHE*” trade-mark causes confusion with its registered “*MARCHÉ*” trade-marks in violation of its trade-marks rights.

[8] Among other defences, the defendants allege in paragraphs 10, 11, 12, 16, 17, 19, 22, 24, 25, 28 and 45(a) of their amended statement of defence and counterclaim, as amended, June 8 and further amended July 24, 2006, that the plaintiff’s “*MARCHÉ*” trade-marks and trade-mark registration are invalid because:

- *IMSL* has operated since September 2005 a free-flow market-style restaurant and shop under the name of “*INNISFIL HEIGHTS MARCHE*”, and applied since to register the following trade-marks in Canada for use in association with the operation of its market-style restaurant namely: “*INNISFIL HEIGHTS MARCHE*”, “*INNISFIL HEIGHTS MARCHÉ and Design*”, “*INNISFIL HEIGHTS MARCHÉ RESTAURANT MARKET SHOP and Design*”, and “*LETS MARCHE*” and has since commenced use of these trade-marks in association with its market-style restaurant;
- *IMSL* has never used the word “*MARCHÉ*” alone in association with the operation of its market-style restaurant and the trade-marks it uses are not confusing with any of the trade-marks relied upon by the plaintiff;

- In July 2005, the domain name <letsmarche.net> was registered for IMSL and has been used since then in association with a webpage advertising its market-style restaurant;
- At the date of registration, the French word “Marché” (meaning “market” in English) was unregistrable under ss. 12(1)(b) and 18(1)(a) of the *Trade-Marks Act* because it was clearly descriptive when associated with restaurant services;
- The mark in question is not distinctive of the plaintiff’s restaurant services due to the wide-spread adoption of various “*MARCHÉ*” names and marks by third-parties for restaurant services;
- In fact, the plaintiff’s predecessor had not used the “*RESTAURANT MÖVENPICK MARCHÉ*” & Design trade-mark;
- The word “marché” is commonly used by different traders in Canada in association with markets or market-style business and has been used or registered or applied to register trade-marks containing this word in association with restaurant services, as appears in a series of registrations and applications identified by the plaintiff;
- That plaintiff trade-mark registrations are invalid and should be each expunged as such from the Trade-marks Register [namely “*MARCHÉ*” (TMA460,114), “*RESTAURANT MÖVENPICK MARCHÉ*” & Design (TMA416,921),

“*MARCHÉLINO*” (TMA459,991), “*RISTORANTE MARCHÉLINO MÖVENPICK MARCHÉ & Design*” TMA416,591) and “*RESTAURANT MARCÉLINO & Design*” (TMA540,161)].

[9] The preceding points represent the substance of the allegations contained in the paragraphs that the plaintiff seeks to have struck and which remained unaffected by the Prothonotary’s decision.

The reasons of the Prothonotary’s Order

[10] After reviewing the statement of defence as a whole and the paragraphs upon which the Plaintiff seeks particulars, the Prothonotary was not satisfied of the need for particulars and explained why. Having so concluded, the Prothonotary addressed the alternative remedy requesting to strike paragraphs 10, 11, 12, 16, 17, 19, 22, 24, 25, 28 and 45(a) of the amended statement of defence and counterclaim and dismissed the request after reasoning that she was “*not satisfied that the legal propositions contained or implied in the impugned paragraphs are plainly and obviously bereft of any merit*”.

Test on Appeal of Prothonotary’s Decisions and on Motion to Strike

[11] The Appeal is made under rule 51(1) of the *Federal Courts Rules*. This rule does not prescribe a standard of review. However, an appellant still faces a high threshold test. That test was established by the Federal Court of Appeal in *Canada v. Aqua-Gem*, [1993] 2 F.C. 425, and provides that discretionary Order of Prothonotaries ought not to be disturbed on appeal to a judge unless they are clearly wrong in the sense that the exercise of discretion by the Prothonotary was based upon a wrong principle or upon a misapprehension of the facts.

Rule 221(1) of the *Federal Court Rules*

[12] The plaintiff's motion for an Order reversing the Order of the Prothonotary is made pursuant to Rule 51, and the demand for striking out without leave to amend the pleadings contained in the above mentioned paragraphs is made under Rule 221(1)(a) and (b) of the *Federal Courts Rules*.

Rule 221(1) reads as follows:

221. (1) On motion, the Court may, at any time, order that a pleading, or anything contained therein, be struck out, with or without leave to amend, on the ground that it

(a) discloses no reasonable cause of action or defence, as the case may be,

(b) is immaterial or redundant,

(c) is scandalous, frivolous or vexatious,

(d) may prejudice or delay the fair trial of the action,

(e) constitutes a departure from a previous pleading, or

(f) is otherwise an abuse of the process of the Court,

and may order the action be dismissed or judgment entered accordingly.

221. (1) À tout moment, la Cour peut, sur requête, ordonner la radiation de tout ou partie d'un acte de procédure, avec ou sans autorisation de le modifier, au motif, selon le cas :

a) qu'il ne révèle aucune cause d'action ou de défense valable;

b) qu'il n'est pas pertinent ou qu'il est redondant;

c) qu'il est scandaleux, frivole ou vexatoire;

d) qu'il risque de nuire à l'instruction équitable de l'action ou de la retarder;

e) qu'il diverge d'un acte de procédure antérieur;

f) qu'il constitue autrement un abus de procédure.

Elle peut aussi ordonner que l'action soit rejetée ou qu'un jugement soit enregistré en conséquence.

Analysis

[13] The statement of defence and the counterclaim is well detailed. I therefore have no hesitation to accept the Prothonotary's conclusion "*that on its face, nothing indicates that the Plaintiff would have difficulty understanding the case it has to meet or to intelligently plead thereto. Absent such prima facie vagueness or insufficiency, the Plaintiff had the onus of establishing that, in the circumstances, the particulars were indeed necessary for it to understand the defence or plead to it.*"

[14] The order dismissing the request for particulars is therefore well founded.

[15] Now turning to the alternative remedy, the Court cannot ignore that the standard applicable to a motion to strike as disclosing a reasonable cause of action is a very high one. The moving party must satisfy the Court that the allegations of fact, if proven, can support reasonable defence.

[16] The Court also agrees with the additional reasons given by the Prothonotary that, "*when the attack is directed, as is the case here, only to certain specific paragraphs of the pleadings rather than the entire pleading, it is appropriate for the Court to consider if the facts alleged – divorce from the propositions of law of which they are alleged – are otherwise relevant to the issues in the action. While points of law may be raised in pleadings, they are not essential to pleadings – only allegations of facts are necessary. Motions to strike should accordingly address only the propriety of the factual allegations, not the points of law otherwise included in the pleadings.*"

[17] In her decision the Prothonotary finds « ...*that, with the exception of the intentional or reckless aspect of the allegations of fraudulent misrepresentation in paragraphs 16 and 17 and the intention to abandon in paragraph 19, all facts alleged in the impugned paragraphs are relevant to and reiterated in other, unobjectionable part of the statement of defence and counterclaim, in particular, the defence to the claims of confusion, passing off and depreciation of good will*».

[18] The plaintiff insists that it is well-settled law that a proper allegation of fraud requires a higher level of material fact disclosure than other allegations of facts and that here the defendants have laid no factual ground for alleging fraud in their pleadings.

[19] True in paragraph 17 of the Amended Statement of defence the defendant is alleging that « a false declaration of use containing a fraudulent misrepresentation » was filed in the course of obtaining the registration.

[20] But as explained in the decision rendered in *WCC Containers Sales Ltd. v. Haul-All Equipment Ltd.* (2003), 28 C.P.R. (4th) 175, 2003 FC 962, at para. 25 [WCC], there are two situations where a registration based on an application containing a false statement of use will be held to be invalid and void *ab initio*: (a) where the application contains a fraudulent misrepresentation; and, (b) where the application contains a material false statement of use that is fundamental to the registration. In the latter case, neither fraud nor an intent to deceive is a necessary element. Therefore, the defendants' allegation in paragraph 17 clearly falls under the first situation described in the *WCC* case cited above.

[21] Moreover, in their Respondents' Motion Record, the defendants announced that they do not intend to prove fraud against the plaintiff but only that the application contained a fraudulent misrepresentation. This should serve to reassure the plaintiff as to the proof it has to overcome.

[22] The Court agrees with the defendants that since their allegations set out all the material facts necessary to meet the test for invalidity set out in the *WCC* case, no further particulars are necessary, and more so after the defendants' recent confirmation that they do not intend to prove fraud against the plaintiff.

[23] This Court certainly has jurisdiction to decide the issues raised by the parties. But it is only upon hearing the merits of the various issues raised in the pleadings that the Court will be in a position to value their merit. This should not be done prematurely at this stage of the procedure but should instead be done at the hearing stage.

[24] The plaintiff has not convinced the Court that there is ground to intervene, annul the Prothonotary's Order and strike paragraphs 10, 11, 12, 16, 17, 19, 22, 24, 25, 28 and 45(a) of the Amended Statement of Defence and Counterclaim.

[25] Counsel for the defendants did not appear at the hearing but did, however, notify the Court of his absence and filed a Responding Record completed by a Book of Authorities. It is therefore appropriate in these circumstances to fix costs of the motion against the plaintiff at \$500.00.

ORDER

FOR THESE REASONS THIS COURT ORDERS that:

The motion is dismissed with costs fixed at \$500.00 against the plaintiff.

“Maurice E. Lagacé”

Deputy Judge

FEDERAL COURT

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: T-2261-05

STYLE OF CAUSE: MÖVENPICK-HOLDING v. INTER
MANAGEMENT SERVICES LIMITED

PLACE OF HEARING: Ottawa, Ontario

DATE OF HEARING: March 6, 2008

**REASONS FOR ORDER
AND ORDER:** Lagacé D.J.

DATED: March 7, 2008

APPEARANCES:

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FOR THE PLAINTIFF
(DEFENDANT BY COUNTERCLAIM)

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