

Date: 20090904

Docket: T-2084-07

Citation: 2009 FC 872

Ottawa, Ontario, September 4, 2009

PRESENT: The Honourable Mr. Justice Zinn

BETWEEN:

2045978 ONTARIO INC. c.o.b. CHAPS THE ORIGINAL

Plaintiff

and

**CHAPS ALDERSHOT INC. c.o.b. LEZLEY'S CHAPS
and KEVIN SAUNDERS**

Defendants

and

**2022472 ONTARIO INC. and
JAMES GILLBERRY and ROBERT WILKINSON**

Third Parties

REASONS FOR ORDER AND ORDER

[1] The Plaintiff brought a motion for summary judgment seeking a declaration that the Defendants have infringed Canadian trade-mark registration number TMA636,343 contrary to

sections 19 and 20 of the *Trade-marks Act*, R.S.C. 1985, c. T-13; a declaration that the Defendants have directed public attention to their services and business in such a way as to cause or be likely to cause confusion in Canada between their services and business and the services and business of the Plaintiff, contrary to subsection 7(b) of the Act; a permanent injunction restraining the Defendants; that the Defendants deliver up the offending wares and signage; an order that any questions as to damages and profits be determined by reference under the *Federal Courts Rules*; and an order for costs.

[2] On March 30, 2005, the Plaintiff became the registered owner of Canadian trade-mark registration number TMA636,343 “CHAPS” in association with restaurant services. The Plaintiff carries on business as Chaps The Original a restaurant located at 3419 Fairview Street, Burlington, Ontario. The Certificate of Registration indicates a claim that the trade-mark has been used in Canada since at least November 21, 1981 on services and the Plaintiff provided affidavit evidence that its restaurant is well-known and has a history dating to 1981.

[3] In 2006 the corporate Defendant entered into an agreement with the Third Party numbered company for the purchase of a restaurant business. The purchase price included \$100,000 for the goodwill and trade name associated with that business. Thereafter the Defendants carried on the business under the trade name Lezley’s Chaps. This business is located on the same street as the Plaintiff’s restaurant, but 6 kilometres away. This business is also a restaurant although it also offers in-house musical entertainment from live rock and pop musicians.

[4] In support of its motion for summary judgment the Plaintiff filed the affidavit of Owen Carr, President, Secretary and Treasurer of the Plaintiff. The Plaintiff also filed and relies on the transcript of the Examination for Discovery of the Defendant Kevin Saunders dated March 9, 2009.

[5] The Plaintiff's action is a specially managed proceeding. Prothonotary Aalto was appointed as the Case Management Judge. In a letter dated June 19, 2009, the Plaintiff requested a case management teleconference with Prothonotary Aalto with respect to a summary judgment motion and a proposed timetable for the taking of the steps necessary leading to the motion. The conference, with counsel for both the Plaintiff and the Defendants present, was held in Toronto by conference call on July 14, 2009. The following timetable, as set out in a letter dated July 17, 2009, was directed for completion of the steps leading to this summary judgment motion:

1. The Plaintiff shall serve and file their Motion Record by July 27, 2009.
2. The Defendants shall serve and file their responding Motion Record by August 7, 2009.
3. Completion of all cross-examinations of affidavits by August 17, 2009.
4. Parties shall serve and file the Memoranda of Fact and Law by August 24, 2009.
5. Summary Judgement motion to be set down at the Toronto General Motions list on Monday, August, 31, 2009.

[6] The Plaintiff complied with the schedule; the Defendants did not. No Motion Record was filed by the Defendants. On August 24, 2009, they filed an Affidavit of Kevin Saunders and their

Memorandum of Fact and Law. The affidavit indicates that it was sworn on August 12, 2009 and counsel advises the Court that it was served on the Plaintiff on August 13, 2009.

[7] The Plaintiff objects to this affidavit being part of the record on this motion in light of the Defendants' failure to comply with the established timetable and their failure to seek leave of the Court or the consent of the Plaintiff to file the affidavit late.

[8] The only explanation offered by counsel for the late affidavit was that Mr. Saunders had been ill and had not been able to come to his counsel's office to swear the affidavit until August 12, 2009. No affidavit from Mr. Saunders attesting to his inability to swear the affidavit, which was due on August 7, 2009 was presented, neither was any explanation offered as to why a commissioner for oaths could not attend on Mr. Saunders to have him swear the affidavit.

[9] The only explanation offered by the Defendants for failing to seek leave of the Court to permit the late filing was that it was thought that it would not be a problem. As counsel is no doubt well aware, failure to comply with a direction of the Court is always a problem and, moreover, is one that ought to be immediately addressed. In my view, there has been no adequate or acceptable explanation for the Defendants' failure to file their Motion Record on time, nor has there been any adequate or acceptable explanation for the failure to either contact the Court or opposing counsel to seek an extension. Accordingly, the Court will not accept the affidavit as forming any part of the evidence on this motion.

[10] In any event, had I been inclined to accept that affidavit, I would have given it very little if any weight as Mr. Saunders attempts in that affidavit to resile from admissions he previously made under oath on his examination for discovery.

[11] It is well settled that a response to a motion for summary judgment must set out specific facts showing that there is a genuine issue for trial. The responding party cannot simply rely on the statements and denials in its pleadings but must put its “best foot forward” by leading evidence and submitting argument that there is a genuine issue requiring a trial. In this case, the Defendants have put no evidence forward. On that basis alone the motion ought to be granted. However, the Plaintiff, at paragraphs 66 to 115 of its Memorandum, has put forward a summary of admissions from the examination for discovery of Kevin Saunders that establishes on a balance of probabilities that all of the material claims alleged in the Statement of Claim have been proved.

- [12] From my review of the material before the Court the following have been proved:
- a. That the Plaintiffs are the registered owners of the CHAPS trade-mark used in association with restaurant services;
 - b. That the trade-mark is valid;
 - c. That the Defendants admit that they provide restaurant services to the public at Lezley’s Chaps;
 - d. That the two restaurants are of the same style and category and are located on the same road within 6 kilometres of each other;

- e. That the name Lezley's Chaps is intended to convey to the public that it is a Chaps restaurant, owned and operated by Lezley;
- f. That the most prominent word in the Lezley's Chaps signage and advertizing is the word Chaps;
- g. That there have been instances were the public have confused Lezley's Chaps restaurant with the Plaintiff's restaurant; and most importantly
- h. That they admit that their use of "Chaps" with respect to the services and wares of Lezley's Chaps infringes the Plaintiff's trade-mark.

[13] I find that there is evidence that there is passing off pursuant to subsection 7(b) of the Act. The Defendants have directed public attention to their restaurant Lezley's Chaps in such a way as to cause or be likely to cause confusion in Canada at the time commenced so to direct attention to them. The signage, advertising and other materials from the Defendants that display the CHAPS trade-mark is intended to draw customers to their restaurant. Further, the Defendants have admitted that this was intended to convey to the public that their restaurant was a Chaps restaurant owned by Lezley.

[14] I am further satisfied that the personal Defendant has no valid defence to the Statement of Claim in light of these admissions and in light of the fact that he is the directing mind of the corporate Defendant. He is the sole officer of the Defendant corporation, holding the positions of president, secretary and treasurer, as well as being the sole director. He and his wife are the sole

shareholders. He does consult with a friend, a Mr. Baird with respect to the business decisions but ultimately he makes and implements those decisions.

[15] The evidence before the Court on this motion can lead only to the conclusion that Kevin Saunders engaged in a deliberate, wilful and knowing pursuit of a course of conduct that he knew constituted infringement of the Plaintiff's trade-mark. His involvement with the corporate Defendant was much more than simply managing the operations of the restaurant. In such circumstances he is personally liable for the infringement: See *Mentmore Manufacturing Co. v. National Merchandise Manufacturing Co.* (1978), 40 C.P.R. (2d) 164 (F.C.A.).

[16] Accordingly, this motion for summary judgment is allowed.

ORDER

THIS COURT:

1. **DECLARES** that the Defendants, Chaps Aldershot Inc. and Kevin Saunders, have infringed Canadian trade-mark registration number TMA636,343 contrary to sections 19 and 20 of the *Trade-marks Act*;

2. **DECLARES** that the Defendants, Chaps Aldershot Inc. and Kevin Saunders, have directed public attention to their services and business in such a way as to cause or be likely to cause confusion in Canada, at the time they commenced so to direct public attention to them, between their services and business and the services and business of the Plaintiff, contrary to section 7 (b) of the *Trade-marks Act*;

3. **ISSUES** a permanent injunction restraining the Defendant, Chaps Aldershot Inc. and its officers and directors, and the Defendant Kevin Saunders, as well as their respective employees, agents, licensees, successors, assigns and all others over whom any of the foregoing exercise authority from:
 - (a) infringing the Plaintiff's CHAPS Trade-mark contrary to s. 19 of the *Trade-marks Act*;

- (b) using the trade-mark Lezley's CHAPS or any trade-mark or trade-name that is confusing with the Plaintiff's CHAPS Trade-mark, contrary to section 20 of the *Trade-marks Act*; and
 - (c) directing public attention to their services or business in such a way as to cause or be likely to cause confusion in Canada, at the time they commence so to direct public attention to them, between their services or business and the services or business of the Plaintiff, contrary to s. 7(b) of the *Trade-marks Act*;
4. **ORDERS** the Defendants, Chaps Aldershot Inc. and Kevin Saunders, and their employees, representatives, agents or any person under their direct or indirect control, not sell, transfer, dispose of, pledge or otherwise encumber or deal with the domain name www.lezleychaps.ca to anyone or any entity other than the Plaintiff;
5. **ORDERS** the Defendants, Chaps Aldershot Inc. and Kevin Saunders, to forthwith deliver-up to the Plaintiff, or destroy under oath, all wares, advertising, promotional and/or labelling material and signage, including exterior signage at Lezley's Chaps, in any form whatsoever, the use of which would violate the rights of the Plaintiff, which are in the possession, power or control of the Defendants;

6. **ORDERS** that all issues concerned solely with any question as to the damages flowing from the Defendants' infringement and the profits arising from the Defendants' infringement shall be determined by reference under Rule 153 *et seq.*; and

7. **RESERVES** the right to make an Order as to costs of this motion and the action to date after receiving submissions from the parties. The Plaintiff is to serve and file its submissions within 7 days hereof, the Defendants shall then have 7 days to serve and file its submissions and the Plaintiff shall have 3 days to file any Reply. Submissions are to be limited to a maximum of 5 pages and any Reply is limited to 2 pages.

“Russel W. Zinn”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-2084-07

STYLE OF CAUSE: 2045978 ONTARIO INC. (CHAPS THE ORIGINAL) v.
CHAPS ALDERSHOT INC. ET AL

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: August 31, 2009

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

DATED: September 4, 2009

APPEARANCES:

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