Federal Court  Cour fédérale

Date: 20100622

Docket: T-697-02

Citation: 2010 FC 676

Ottawa, Ontario, June 22, 2010

PRESENT: The Honourable Mr. Justice Martineau

BETWEEN:

OSMOSE-PENTOX INC.

Applicant

and

SOCIÉTÉ LAURENTIDE INC.

Respondent

REASONS FOR JUDGMENT AND JUDGMENT

[1] These parties are no strangers to this Court. In fact, it has been eight years since the applicant first served the respondent with a statement of claim in which it is alleged that the respondent infringed the applicant's registered trade-mark, "Conservator". Since then, the parties have been engaged in what Justice Hugessen aptly described as an "unceasing guerrilla warfare relating to interlocutory matters" such that the file has never been able to progress beyond pre-trial procedures (*Osmose-Pentox Inc. v. Société Laurentide Inc.*, 2007 FC 242 at paragraph 2). The present motion is no exception.

[2] Pursuant to section 51 of the *Federal Courts Rules*, SOR/98-106 (the Federal Courts Rules) the applicant filed this motion to appeal the order of Prothonotary Morneau, dated November 26, 2009, wherein Prothonotary Morneau denied the applicant's motion to vary, pursuant to subsection 399(2), two previously rendered orders dated December 14, 2005 and June 5, 2008.

[3] For the reasons that follow, the applicant's motion is denied.

I – Background

[4] The parties are two competing companies that deal in wood preservation products. As mentioned above, the respondent, Société Laurentide Inc., is alleged to have infringed the applicant, Osmose-Pentox's, trade-mark "Conservator". By way of remedy, the applicant is seeking, *inter alia*, an accounting of profits. By way of defence and counterclaim, the respondent denies all allegations of infringement and alleges that the applicant's trade-mark is invalid and therefore ought to be expunged from the Trade-mark Register.

[5] The procedural history of these parties has been recounted on a number of occasions (see, for example, *Osmose-Pentox Inc. v. Société Laurentide Inc.*, 2006 FC 386 at paragraphs 2-17 (*Osmose-Pentox 2006*)). Central to the case at bar are the events that took place from 2005 onwards, which for ease of reference are recounted below.

[6] In preparation for trial, examinations for discovery were held in January and May 2005. During the examination held on January 10, 2005, the applicant sought to have disclosed a letter

sent from the respondent to a third party, Rona Inc. (Rona). According to the applicant, this letter contains evidence of the fact that the respondent incited Rona to continue selling its infringing wood preservation product. The respondent provided an undertaking (among others) to have this letter transmitted to the applicant once it was retrieved; however, upon continuation of the examinations for discovery in May 2005, the respondent claimed it did not have the letter.

[7] After the final examination for discovery which was held on May 25, 2005, both parties filed motions before this Court to have decided their respective objections made during the course of this examination. By directive issued August 5, 2005, Prothonotary Morneau scheduled these motions to be heard by special sitting on Tuesday October 25, 2005. Among the questions to be decided was the issue of the letter sent from the respondent to Rona.

[8] Before the motions could be heard on October 25, 2005, however, a number of other pre-trial issues were brought before this Court.

[9] For example, on October 12, 2005, the applicant filed a motion for confidentiality. According to the applicant, it wanted its motion record that was filed before the Court on August 29, 2005 in support of an *ex parte* motion brought on August 24, 2005 in which the applicant sought an Anton Piller injunction as well as a finding of contempt against the respondent to be made confidential from the public as well as the respondent. This *ex parte* motion was denied by Justice Lemieux who, in his reasons, expressly referred to the Anton Piller injunction but remained silent as to the motion for contempt.

[10] As a result of the Court's silence with regard to the motion for contempt, the applicant filed another *ex parte* motion on October 11, 2005, seeking a finding of contempt against the respondent. Essentially, the applicant claimed that the respondent was in contempt of court as a result of its failure to honour its undertakings provided during the examination for discovery held on January 10, 2005.

[11] In his order dated December 14, 2005, Prothonotary Morneau denied the applicant's motions and all the remedies sought, in addition to ordering the severance of the proceedings "so that issues of liability…may be decided first, and that remedial issues may be resolved in a separate proceeding if the Court concludes that the mark at issue is valid and was infringed" (*Osmose-Pentox Inc. v. Société Laurentide Inc.*, 2005 FC 1689 at paragraph 84) (the December 2005 order). Of significance to the case at bar, the Prothonotary notes at paragraph 85:

> …notwithstanding any past order, it will be ordered that the parties are herewith relieved henceforth of their respective duties to disclose any document and any information relating to remedial issues before the final conclusion of the trial on issues of liability that is, if this has not already been done. Without limiting the generality of the foregoing, this means that the motions to decide objections initially set down for hearing on October 25, 2005 will not be heard or ruled one. Those motions are adjourned *sine die.*

[12] The applicant appealed the December 2005 order all the way to the Federal Court of Appeal (see above, *Osmose-Pentox 2006* for the Federal Court reasons and *Osmose-Pentox Inc. v. Société Laurentide Inc.*, 2007 FCA 46 (*Osmose-Pentox 2007*) for the Federal Court of Appeal's reasons).

[13] So as not to render the applicant's motion for confidentiality moot, an interim order for confidentiality of the applicant's motion record remained in effect until the Prothonotary's order became final, which it did once the Federal Court of Appeal rendered its decision in January 2007. Therefore, it was not until that time that the respondent became aware of the allegation of contempt made against it**.**

[14] Justice de Montigny at this Court upheld the Prothonotary's decision, with the exception of his ruling on severance. Justice de Montigny found that in light of a decision rendered by Justice Gauthier in 2003, wherein she dismissed a motion for severance brought by the respondent, Prothonotary Morneau did not have the jurisdiction to order the severance of the proceedings. In so finding, he noted:

> 31 It goes without saying that I would find no difficulty in upholding the prothonotary's decision, but for the fact that it varies a prior decision by a judge...
> …
> 33 … Despite the efforts made by the applicant in its written and oral submissions, it did not persuade the Court that the prothonotary made an obvious error in his assessment of the facts.
> 34 That being said, however, I must subscribe to the applicant's argument regarding the prothonotary's lack of power in the very special context of this matter. Rule 50(1)(g) expressly provides that the prothonotary can make no order the effect of which is to stay, set aside or vary an order of a judge, except for an order made pursuant to paragraphs 385(a), (b) or (c)…
> …
> 36 Although this result may seem excessively formalistic, it is not without consequence, at least in this case. It should be borne in mind that, in his order of October 24, 2003, the Chief Justice designated Mr. Justice Hugessen to manage this proceeding, with the assistance of Prothonotary Morneau. Accordingly, it is always possible for Justice Hugessen to vary the order by Madam Justice Gauthier, on the prothonotary's recommendation or of his own motion, and order that the proceeding be severed.

[15] Justice de Montigny agreed with the Prothonotary that the motion for confidentiality in addition to the motion for contempt ought to be denied.

[16] The Federal Court of Appeal allowed the appeal in part and granted the applicant the right to re-submit its motion for contempt, but this time, upon notice to the respondent (*Osmose-Pentox 2007*, above).

[17] In accordance with the Federal Court of Appeal's decision, the applicant filed a new motion for contempt on February 22, 2007, upon notice to the respondent.

[18] In the meantime, on March 1, 2007, upon motion by the respondent and in accordance with Justice de Montigny's decision (*Osmose-Pentox 2006*, above), Justice Hugessen issued an order severing the issue of remedy from those of infringement and validity, the latter of which are to be dealt with first (*Osmose-Pentox Inc. v. Société Laurentide Inc.*. 2007 FC 242). The applicant never appealed this order or it was otherwise discontinued**.** More specifically, the applicant never attempted to resurrect its motion to have decided by the Court, the objections made during the course of the examinations for discovery held in 2005.

[19] On March 7, 2007 the respondent filed a motion to stay the applicant's contempt proceedings filed on February 22, 2007. In light of a motion for the recusal of Prothonotary

Morneau, brought by the applicant on March 23, 2007, the respondent's stay motion was granted until the motion for recusal was disposed of.

[20] Prothonotary Morneau dismissed the applicant's motion for recusal (*Osmose-Pentox Inc. c. Société Laurentide Inc.*, 2007 CF 504), a decision which was affirmed by Justice de Montigny at this Court (*Osmose-Pentox c. Société Laurentide Inc.*, 2007 CF 844) as well as the Federal Court of Appeal (*Osmose-Pentox Inc. v. Société Laurentide Inc.*, 2008 FCA 178). On May 26, 2008, the applicant informed the Court that it would not be seeking leave to appeal from the Supreme Court of Canada.

[21] The motion for recusal being finally determined, on June 5, 2008, Prothonotary Morneau rendered an order with regard to the applicant's motion for contempt filed on February 22, 2007. According to the order:

1. The motion is adjourned until the determination of the issues of liability, namely those of infringement and/or validity of the trade-mark, are final.
2. The parties are relieved of their obligations to provide documents and any other information concerning the issue of remedy until there is a final determination on the issues of liability. Without limiting the generality of the foregoing this includes the motions originally scheduled for October 25, 2005, to resolve the objections made during the examinations for discovery. These motions are adjourned *sine die*.
3. With regard to the examinations for discovery related to the issues of liability, the parties have essentially completed these and there is no need to continue them further.

4. Any schedule previously set down by the Court is to be replaced with the schedule to be filed by the applicant 90 days after this order becomes final.

[22] Despite the fact that the objections to be heard on October 25, 2005, along with the motion for contempt, were adjourned *sine die* by this order, the applicant never filed an appeal.

II – The Decision in Appeal

[23] On November 23, 2009, two days before the pre-trial conference was scheduled to take place, the applicant filed a motion regarding the respondent's "fraud on the Court" that is the subject of the present appeal. According to the Notice of Motion, the applicant specifically requested that the December 2005 Order be varied to enable the applicant to adjudicate its complaint against the respondent and its counsel concerning an undertaking that was made during the examinations for discovery held in January and May 2005. Specifically, the applicant states that the respondent undertook to provide the former with the letter sent to a third party, namely Rona, inciting the latter to continue the infringement of the applicant's trade-mark. According to the applicant, the respondent should be compelled to provide the applicant with this letter, and their avoidance of doing so, is a fraud on the Court putting them in contempt. In essence, the applicant's motion seeks to have set aside or varied, the orders severing the issues for trial and closing the examinations for discovery in addition to the order staying its motion for contempt against the respondent.

[24] In his decision dated November 26, 2009, Prothonotary Morneau denied the applicant's motion. According to the Prothonotary, the applicant failed to raise these concerns at the first possible opportunity. The applicant did not raise these concerns following the December 2005 Order which was appealed all the way to the Federal Court of Appeal, nor was it raised either before or after Justice Hugessen's order in March 2007, which ordered the severance of issues for trial. Finally, the applicant failed to raise this issue by appealing the most recent order in June 2008, wherein the Prothonotary ordered that the examinations for discovery related to liability were complete and that those related to the issue of remedy would be adjourned until the issues of liability were determined at trial. Given that these orders have long since become final, the applicant is out of time. Further, the Prothonotary notes that it is not in the interests of justice to allow the applicant's motion in light of the fact that the file had finally reached the pre-trial conference stage and that none of the issues raised by the applicant can be said to fit within the issues of liability, namely infringement and validity of the trade-mark, which are to be dealt with first.

III – Analysis

[25] The jurisprudence is clear that a judge is not to exercise his or her own discretion on appeal of a discretionary order of a Prothonotary unless such orders are clearly wrong in law, or based upon a misapprehension of the facts, or where they raise questions vital to the final issue of the case (*Merck & Co. v. Apotex Inc.*, 2003 FCA 488 at paragraph 17 and *Canada v. Aqua-Gem Investment Ltd.*, [1993] 2 F.C. 425 at pages 462-463 (F.C.A.)).

[26] The applicant has failed to establish that the Prothonotary's decision is clearly wrong or that the motion raises questions that are vital to the final issue of the case. Moreover, even if the Court assumes that the motion raises a question that is vital to the final issue of the case, I would not exercise my discretion *de novo* to vary, pursuant to subsection 399(2) of the Federal Courts Rules, the December 14, 2005 and June 5, 2005 orders (or any other order) made earlier by the Prothonotary of this Court.

[27] Where an order was obtained by way of fraud, subsection 399(2) of the Federal Courts Rules provides that the Court, on motion, may set it aside or vary it. There is no limitation period on when such a motion must be brought. That said, the jurisprudence is clear that any application to set aside an order is an exceptional remedy that must be brought with reasonable diligence (*Moutisheva v. Canada (Minister of Employment and Immigration)* (1993), 24 Imm. L.R. (2d) 212, [1993] F.C.J. No. 988 at paragraph 19 (F.C.A.); leave to appeal to S.C.C. refused (1994), 24 Imm. L.R. (2d) 212n (S.C.C.) (QL) (*Moutisheva*) and *Rostamian v. Canada (Minister of Employment and Immigration)* (1991), 129 N.R. 394, [1991] F.C.J. No. 525 (F.C.A.) (QL)). This is so because the security and consistency that is provided by not revisiting final judgments is of utmost importance to the proper administration of our justice system (*Blueberry River Indian Band v. Canada (Department of Indian Affairs and Northern Development)* (1999), 189 F.T.R. 111 at paragraph 14 (F.C.T.D.), affirmed by 2001 FCA 69).

[28] In the case at bar, the fraud alleged to have been committed by the respondent took place during the examinations for discovery held on January 10, 2005 and May 25, 2005. There is no

evidence before the Court that the applicant became aware of this fraud at some later date. On the contrary, it is evident from the transcript of the examination for discovery held on May 25, 2005, as well as from the fact that the applicant filed a motion before this Court to have decided its objections made during said examination, that the applicant was, at that time, of the opinion that the respondent was evading its request to supply the document in question. Significantly, this is seven months before the December 2005 order was rendered by Prothonotary Morneau. Not only was this question not raised on appeal to this Court or the Federal Court of Appeal, but when Justice Hugessen rendered his order in March 2007, and again when Prothonotary Morneau issued his order in June 2008, both of which dealt with the severance of issues to be determined at trial, the applicant failed to raise this issue of fraud. There having been no appeals filed, and it is of note, that all of these decisions have long since become final (*Benisti Import-Export Inc. v. Modes TXT Carbon Inc.*, 2002 FCT 810 at paragraph 15). The applicant has not offered any explanation as to why this issue was not raised at an earlier opportunity.

[29] Furthermore, intertwined with its request to adjudicate this issue of fraud, is a request to have the stay lifted from the applicant's motion for contempt against the respondent. Again, it must be asked why the applicant did not think it appropriate to appeal the order of Prothonotary Morneau dated June 5, 2008, wherein the latter ordered said stay.

[30] With the foregoing in mind, it cannot be said that the applicant exercised due diligence in bringing this motion and therefore, as concluded by the Prothonotary, the motion must be dismissed.

[31] Given that the Court should not enable or facilitate the commission of fraud, it is necessary to note that in addition to the delay in bringing its motion, the applicant has not provided enough evidence to support the contention that the fraud in question, even if it has been committed (which is highly debatable based on the present record), is relevant to a finding that the respondent has infringed on the applicant's trade-mark. Therefore, the first part of the trial, scheduled to determine the issues of liability, can move forward without a determination on the issue. Further, with regard to the allegation of contempt, the applicant has not demonstrated which order of this Court the respondent has failed to comply with. The failure of the respondent to supply a document which has not been demonstrated to be relevant to the issues of liability and with regard to which this Court has not ruled, cannot be said to be a contempt of court. With this in mind, and considering the judicial resources that have already been spent on this file, I have to agree with Prothonotary Morneau, that it is not in the interests of justice to allow the applicant to adjudicate the merits of its motion. In passing, I fail to see how the alleged fraud could have resulted in the issuance of the two orders made by the Prothonotary which the applicant now seeks to vary under subsection 399(2) of the Federal Courts Rules. Specifically, it must be recalled that the respondent opposed the motions brought by the applicant in October 2005 without knowledge of the contents of the applicant's motion record; therefore, it is difficult to understand what fraud could have been committed under such circumstances.

[32] For these reasons, the appeal is dismissed. I note that in the exercise of his discretion, in dismissing the applicant's motion of November 23, 2009, the Prothonotary ordered that costs of the

motion follow the result of the case (« le tout frais à suivre »). There has been no counter-appeal. That being said, the respondent has asked the Court to grant it its costs of the motion in appeal on a solicitor-and-client basis, in the lump sum amount of $10,000, payable forthwith.

[33] Subsection 400(1) of the Federal Courts Rules provides that the Court has full discretion over the award of costs. According to subsection 400(6), this includes the power to order all or part of the costs on a solicitor-and-client basis. The law is clear that solicitor-and-client costs are awarded where one of the parties has engaged in reprehensible, scandalous or outrageous conduct (*Roberts v. Canada.*, [2000] 3 C.N.L.R. 303 at paragraph 142 (F.C.A.)). According to the Supreme Court of Canada, “solicitor-client costs are awarded only on very rare occasions” (see *Mackin v. New Brunswick (Minister of Finance)*; *Rice v. New Brunswick*, 2002 SCC 13 at paragraph 86). Finally, subsection 401(2) allows the Court to order that the costs are payable forthwith, where the Court is satisfied that the motion should not have been brought.

[34] As provided by the Federal Courts Rules, costs may be payable forthwith where the Court is of the opinion that the motion should not have been brought, as in the case of the present appeal which I find to be vexatious and abusive in the circumstances. Allegations of fraud are always a serious matter. However, in bringing this appeal, the applicant’s conduct had the effect of unduly delaying the proceedings, while forcing the respondent to file a motion record and appear before the Court in the present appeal. I agree with the respondent that there should be some consequences.

[35] The respondent relies on the decision from this Court in *Montana Band v. Canada*, 2002 FCT 583 at paragraph 10, wherein Justice Hugessen ordered the plaintiff to pay the costs of the motion, fixed in the amount of $10,000 to be paid equally to two other parties to the proceedings, because there was no "valid excuse for the [plaintiff] bringing … the motion at such a late date." Given that there were two parties amongst whom that sum was to be split, this case does little to support the respondent's argument that its costs be fixed at $10,000 for this motion.

[36] This was not a complex appeal to plead on both sides. Thus, considering all the circumstances of this case, I find costs in the amount of $3,000 payable forthwith to the respondent to be reasonable and more in line with current case law of the Court (*Netbored Inc. v. Avery Holdings Inc.*, 2008 FC 756 paragraph 22).

JUDGMENT

THIS COURT ORDERS:

1. The motion in appeal is dismissed;

2. Respondent is entitled to costs in the amount of $3,000 payable forthwith by the applicant.

"Luc Martineau"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-697-02
STYLE OF CAUSE:	**OSMOSE-PENTOX INC.** **and** **SOCIÉTÉ LAURENTIDE INC.**
PLACE OF HEARING:	Montréal, Québec
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