

Federal Court



Cour fédérale

**Date: 20100908**

**Docket: T-1804-07**

**Citation: 2010 FC 883**

**Ottawa, Ontario, September 8, 2010**

**PRESENT: The Honourable Madam Justice Mactavish**

**BETWEEN:**

**TRACTOR SUPPLY CO. OF TEXAS, LP and  
TRACTOR SUPPLY COMPANY**

**Plaintiffs/  
Defendants by Counterclaim**

**and**

**TSC STORES L.P.**

**Defendant/  
Plaintiff by Counterclaim**

**REASONS FOR ORDER AND ORDER**

[1] The plaintiffs seek a stay of opposition proceedings currently pending before the Trade-marks Opposition Board pertaining to the defendant's Trade-mark Applications Nos. 1341965 and 1341975, pending the final disposition of this action.

[2] For the reasons that follow, I have concluded that a stay of the opposition proceedings is not warranted. Consequently, the motion will be dismissed.

## **Background**

[3] The plaintiffs and their predecessors have carried on business in the United States since the 1930's selling farm supplies, hardware and the like. In the 1960's, the plaintiffs expanded their business into Canada through a wholly-owned subsidiary. In 1987, the shares of the Canadian subsidiary were sold to the subsidiary's Canadian senior management.

[4] The sale was governed by two contracts, the "Purchase Agreement" and the "Support Agreement", which purported to deal with rights to different forms of intellectual property, including various trade-marks. There is a dispute between the parties with respect to the nature and extent of the rights conferred on the defendant by these agreements. The plaintiffs insist that the defendant became a licensee of the trade-marks in question, whereas the defendant claims ownership of the trade-marks.

[5] On April 3, 2007, the defendant applied to register "TSC Stores" and a design version of "TSC Stores" in Canada.

[6] By statement of claim issued on October 12, 2007, the plaintiffs commenced this action, seeking, amongst other things, a declaration that the plaintiffs are the owners of the TSC trade name, and of a number of different trade-marks, including, but not limited to "TSC Stores" and the design version of the "TSC Stores" mark. The plaintiffs also seek expungement of a number of registered Canadian trade-marks, damages for passing-off and an interim, interlocutory and permanent injunction restraining the defendant from using the marks in issue.

[7] On November 30, 2007, the defendant filed a statement of defence and counterclaim, wherein the defendant seeks numerous forms of relief, including a declaration that the defendant is the owner of the “TSC Stores” trade-mark and the design version of the “TSC Stores” mark, damages for trade-mark infringement and injunctive relief.

[8] In early 2008, the plaintiffs commenced opposition proceedings before the Canadian Intellectual Property Office in relation to the defendant’s application to register the “TSC Stores” mark and the design version of the mark. The plaintiffs now seek an order staying the opposition proceedings pending the final disposition of this action.

[9] Before turning to consider the arguments advanced by each side as to whether a stay of the opposition proceedings should be granted, a legal issue must first be decided. That is, what the appropriate test is to be applied on a motion for a stay such as this.

### **The Test to be Applied**

[10] The granting of a stay is a discretionary order, and I understand the parties to agree that the Court's discretionary power to stay proceedings is one that must be exercised sparingly, and only in the clearest of cases: see, for example, *Mugesera v. Canada (Minister of Citizenship and Immigration)*, 2005 SCC 39, [2005] 2 S.C.R. 91, at para. 12; *Safilo Canada Inc. v. Contour Optik Inc.*, 2005 FC 278, [2005] F.C.J. No. 384, at para. 27, aff’d 2005 FCA 434, [2005] F.C.J. No. 2118; *Compulife Software Inc. v. Compuoffice Software Inc.* (1997), 77 C.P.R. (3d) 451, [1997] F.C.J. No.

1772 (F.C.T.D.) at para. 16. and *Varnam v. Canada (Minister of National Health and Welfare)*, [1987] F.C.J. No. 511, 12 F.T.R. 34 (F.C.T.D.), at para. 7.

[11] Where the parties disagree is with respect to the test that should govern the exercise of the Court's discretion in circumstances such as this, where what is sought to be stayed is one of two proceedings which are being pursued simultaneously in different fora.

[12] The defendant submits that it is well established in the jurisprudence that the applicable test is the tripartite test articulated by the Supreme Court of Canada in *RJR-MacDonald Inc. v. Canada (A.G.)*, [1994] 1 S.C.R. 311.

[13] That is, the defendant says that the plaintiffs must demonstrate:

- (i) that a serious issue exists;
- (ii) that they would suffer irreparable harm if the stay is not granted; and
- (iii) that the balance of convenience favours the granting of the stay.

[14] In support of this contention, the defendant relies on the decision of this Court in *Prenbec Equipment Inc. v. Timberblade Inc.*, 2010 FC 23, [2010] F.C.J. No. 25 at para. 26, as well as the decisions of the Federal Court of Appeal in *Canada (Attorney General) v. Canada (Canadian International Trade Tribunal)*, 2006 FCA 395, [2006] F.C.J. No. 1827 at para. 12, *SC Prodal 94*

*SRL v. Spirits International B.V.*, 2009 FCA 88, [2009] F.C.J. No. 330 at para. 8 and *Canada (Attorney General) v. United States Steel Corp.*, 2010 FCA 200, [2010] F.C.J. 902 at para. 4.

[15] In contrast, the plaintiffs argue that the proper test on a motion seeking to stay one of two parallel proceedings is the two-part test described in *Figgie International Inc. v. Citywide Machine Wholesale Inc.* (1993), 50 C.P.R. (3d) 89, [1993] F.C.J. No. 662 at para. 6 (F.C.T.D.). There, Justice Rothstein stated that to justify the granting of a stay of proceedings, two conditions must be met, one positive and one negative. These are:

- (i) The moving party must satisfy the Court that the continuation of the action will work an injustice because it would be oppressive or vexatious to him or would be an abuse of the process of the Court in some other way; and
- (ii) The stay must not cause an injustice to the responding party. The onus is on the moving party to establish these conditions.

[16] The plaintiffs point out that this was the test applied in *Royal Bank of Canada v. Canadian Imperial Bank of Commerce*, [1994] F.C.J. No. 1341, 84 F.T.R. 148 (F.C.T.D.), a proceeding somewhat similar to this one. The plaintiffs also rely on the decision in *Prenbec Equipment Inc.* in support of their position.

[17] Subsection 50(1) of the *Federal Courts Act*, R.S.C. governs stays of proceedings. It provides that:

50. (1) The Court may, in its discretion, stay proceedings in any cause or matter,	50. (1) La Cour a le pouvoir discrétionnaire de suspendre les procédures dans toute affaire:
(a) on the ground that the claim is being proceeded with in another court or jurisdiction; or	a) au motif que la demande est en instance devant un autre tribunal;
(b) where for any other reason it is in the interest of justice that the proceedings be stayed.	b) lorsque, pour quelque autre raison, l'intérêt de la justice l'exige.

[18] The plaintiffs rely on paragraph 50(1)(b) of the Act in support of their motion, submitting that it is in the interests of justice that the opposition proceedings be stayed.

[19] There is no question that the *RJR-MacDonald* test is often applied in stay applications. It is undoubtedly applicable where what is sought to be stayed is the enforcement of regulations, pending a judicial determination of their constitutionality. Indeed, that was the issue before the Supreme Court of Canada in the *RJR-MacDonald* case.

[20] The *RJR-MacDonald* test also clearly applies where what is sought to be stayed is the decision of an inferior court or tribunal, pending an appeal or application for judicial review of that decision. This was the situation facing the Federal Court of Appeal in *Canada (Attorney General) v. Canada (Canadian International Trade Tribunal)* and *Canada (Attorney General) v. United States Steel Corp.*, both cited above.

[21] However, stays are also sought in circumstances where the *RJR-MacDonald* test has no application. For example, a proceeding in one jurisdiction may be stayed in favour of a proceeding brought in a different jurisdiction on the basis of the principle of *forum non conveniens* or because the other forum is “more appropriate”: see, for example, the decisions of the Federal Court of Appeal in *Apotex Inc. v. AstraZeneca Canada Inc.*, 2003 FCA 235, [2003] F.C.J. No. 838, application for leave to appeal dismissed [2003] 2 S.C.R., p. v, and *Discreet Logic Inc. v. Canada (Registrar of Copyrights)*, [1994] F.C.J. No. 582, 55 C.P.R. (3d) 167 (F.C.A.).

[22] A stay of proceedings can also be granted on the basis that the conduct of state actors is such that the proceeding in question constitutes an abuse of process: see, for example, *Mugesera*, cited above, *Canada (Minister of Citizenship and Immigration) v. Tobiass*, [1997] 3 S.C.R. 391, and *Canada (Attorney General) v. Sheriff*, 2007 FCA 90, [2007] F.C.J. No. 380. Once again, the *RJR-MacDonald* test has no application in such circumstances.

[23] There is a substantial body of jurisprudence dealing with situations where a stay is being sought with respect to one of two related proceedings being pursued in different fora: see, for example, *Safilo Canada Inc. v. Contour Optik Inc.*, cited above; *Plibrico (Canada) Limited v. Combustion Engineering Canada Inc.*, [1990] F.C.J. No. 36, 30 C.P.R. (3d) 312 (F.C.T.D.); *Ass'n of Parents Support Groups v. York*, [1987] F.C.J. No. 141, 14 C.P.R. (3d) 263 (F.C.T.D.); *Compulife Software Inc. v. Compuoffice Software Inc.* (cited above); *94272 Canada Ltd. v. Moffatt*, [1990] F.C.J. No. 422 31 C.P.R. (3d) 95 (F.C.T.D.); *General Foods v. Struthers*, [1974] S.C.R. 98.

[24] The principles to be derived from these decisions were summarized by Justice Dubé in *White v. E.B.F. Manufacturing Ltd.*, [2001] F.C.J. No. 1073 at para. 5, as follows:

1. Would the continuation of the action cause prejudice or injustice (not merely inconvenience or extra expense) to the defendant [the plaintiffs in this case]?
2. Would the stay work an injustice to the plaintiff [the defendant in this case]?
3. The onus is on the party which seeks a stay to establish that these two conditions are met.
4. The grant or refusal of the stay is within the discretionary power of the judge.
5. The power to grant a stay may only be exercised sparingly and in the clearest of cases.
6. Are the facts alleged, the legal issues involved and the relief sought similar in both actions?
7. What are the possibilities of inconsistent findings in both Courts?
8. Until there is a risk of imminent adjudication in the two different forums, the Court should be very reluctant to interfere with any litigant's right of access to another jurisdiction.
9. Priority ought not necessarily be given to the first proceeding over the second or, vice versa.

[25] In considering which test should be applied in this case, I will start by considering the recent decision of this Court in *Prenbec Equipment Inc.*, cited above, which was relied upon by both sides in support of their respective positions.



[26] In *Prenbec Equipment Inc.*, the Court specifically considered the issue of the appropriate test to be applied on a motion for a stay of patent re-examination proceedings pending the final disposition of a patent infringement action in the Federal Court.

[27] At paragraph 26 of the reasons, the Court identifies the *RJR-MacDonald* test as the test to be applied on such a motion. However, the decision goes on in the following paragraph to identify the factors listed in *White v. E.B.F. Manufacturing Ltd.* as being relevant to the exercise of the Court's discretion. Moreover, a review of the Court's ensuing analysis discloses no explicit finding being made in relation to either the serious issue or balance of convenience components of the *RJR-MacDonald* test. Instead, the analysis seems to focus on the *White v. E.B.F. Manufacturing Ltd.* factors.

[28] In the circumstances, I am of the view that the decision in *Prenbec Equipment Inc.* is of limited assistance in this case.

[29] There is obviously some overlap between the *White v. E.B.F. Manufacturing Ltd.* factors and the *RJR-MacDonald* test, particularly as the latter relates to the issues of irreparable harm and balance of convenience. Given that what is really in issue in this case is whether having the two proceedings continue in tandem amounts to an abuse of process, I am of the view that considerations such as those identified in *White v. E.B.F. Manufacturing Ltd.* are more relevant and appropriate in considering a motion such as this than are the three elements of the *RJR-MacDonald* test.

[30] Having identified the relevant test, the next matter to decide is whether I should exercise my discretion to grant a stay in the circumstances of this case.

### **Should a Stay be Granted in this Case?**

[31] When this motion was originally brought, the plaintiffs were also seeking relief from any implied undertaking that may apply in relation to documents obtained by the plaintiffs from the defendant on discovery. The evidence filed by the plaintiffs in support of the motion consists of the affidavit of Alex Stanton, the Senior Vice-President of Finance and Strategy for Tractor Supply Company. Mr. Stanton's affidavit only addresses the implied undertaking issue.

[32] Prior to the return of the stay motion, the parties settled the implied undertaking issue, which settlement is reflected in an August 18, 2010 Order of Prothonotary Aronovitch. This Order provides that "The plaintiff, Tractor Supply Co. of Texas, LP, and the defendant are relieved from any implied undertaking". The Order grants leave to file any evidence produced in this action, including the examinations for discovery and documentary productions in the opposition proceedings.

[33] This development distinguishes the facts of this case from the situation facing the Court in the *Royal Bank of Canada* decision relied upon by the plaintiffs. In granting a stay of proceedings before the Registrar of Trade-marks in that case pending the resolution of an action in this Court, Justice Noël was clearly influenced by the fact that the Royal Bank had obtained evidence

damaging to the opposing party through the discovery process, which could not be led in the administrative proceedings before the Registrar of Trade-marks.

[34] This state of affairs satisfied Justice Noël that the continuation of the proceedings before the Registrar of Trade-marks could cause serious prejudice to the Royal Bank, as the issues, including the validity of its trade-marks, could not be fully debated before the Registrar of Trade-marks.

[35] Justice Noël found that the allegation made by the opposing party that the Royal Bank “did not or could not use its trade-marks in relation to banking activities based on a legal prohibition should not be shielded from examination in light of the CIBC's own practice as revealed by the discovery in this action”. He concluded that “[t]he continuation of the proceedings [before the Registrar of Trade-marks] would be an abuse of the judicial process inasmuch as it would allow decisions to be made without the benefit of highly relevant evidence in circumstances where such evidence is known to exist and is available to both parties: all quotes at para. 16.

[36] In light of the August 18, 2010 Order of Prothonotary Aronovitch, there is no longer any concern that the plaintiffs will be precluded from adducing relevant evidence in the opposition proceedings. In this regard, it should be noted that not only does the affidavit of Alex Stanton not identify any specific evidence that the plaintiffs will be unable to put before the Trade-marks Opposition Board, it also fails to identify any other prejudice that will be suffered by the plaintiffs if the opposition proceedings are not stayed.

[37] A review of the pleadings in this action together with the statements of opposition in the opposition proceedings discloses that there is some commonality of parties between the two matters, although it appears that the Tractor Supply Company is not a party to the opposition proceedings. There is also some overlap between the issues raised in the two proceedings as relates to nature and extent of the defendant's rights with respect to the "TSC Stores" trade-mark and the design version of the "TSC Stores" mark. However, the relief sought in the two proceedings is different.

[38] In the opposition proceedings, the plaintiffs seek the dismissal of the defendant's applications for registration of the two marks in question. In contrast, in this Court, the plaintiffs are seeking a declaration that they are the owners of the TSC trade name, and of a number of different trade-marks, including, but not limited to the two in issue in the opposition proceedings. The plaintiffs are also seeking expungement of various registered Canadian trade-marks (not including the two in issue in the opposition proceedings which have yet to be registered), damages and injunctive relief.

[39] While there is always some risk of inconsistent findings whenever two matters proceed in different fora, the plaintiffs have not persuaded me that there is a significant risk of inconsistent findings in this case. This is not a situation such as that facing the Court in the *Royal Bank* case discussed earlier, where the substantial differences in the evidentiary record in the two proceedings gave rise to a real risk of inconsistent results.

[40] Furthermore, unlike the situation that faced the Court in *Prenbec Equipment Inc.*, there is no suggestion that allowing the opposition proceedings to continue could render this action nugatory: see *Prenbec Equipment Inc.* at para. 45.

[41] In this regard, it should be observed that in the event that the plaintiffs lose before the Trade-marks Opposition Board, it is always open to them to amend their statement of claim in this action to seek expungement of the registration of the two disputed marks on the ground of lack of entitlement.

[42] The plaintiffs also argued at the hearing of this motion that the Trade-marks Opposition Board is not well-positioned to decide the complex issues of credibility that surround the question of ownership to the trade-marks in question. Not only was this argument not even mentioned in the plaintiffs' memorandum of fact and law, the plaintiffs have also failed to identify what these credibility issues are with any degree of particularity.

[43] Consequently, while I accept that the continuation of the opposition proceedings may cause inconvenience and expense to the plaintiffs, they have not persuaded me that it would be oppressive or vexatious or an abuse of process in some other way.

[44] I am also satisfied that the delay in the proceedings before the Trade-marks Opposition Board denying the defendant access to the trade-mark registration process and the potential statutory advantages of having registered trade-marks would cause prejudice to the defendant: see

*Novopharm Ltd. v. Eli Lilly and Co.*, [1998] F.C.J. No. 1634 84 C.P.R. (3d) 292 (F.C.T.D) at para. 9.

[45] Finally, I note that the opposition proceedings have been ongoing since February of 2008. Evidence has been filed by both sides, and cross-examinations have taken place on that evidence. Additional evidence obtained from the discoveries in this action is now being put before the Trade-marks Opposition Board as a result of Prothonotary Aronovitch's August 18 Order. One would have thought that if the plaintiffs were really concerned about prejudice or injustice arising from the Trade-marks Opposition Board proceedings, the motion for a stay would have been brought long before this.

[46] The plaintiffs have thus failed to persuade me that this is one of "the clearest of cases" where it is in the interests of justice that a stay of the proceedings before the Trade-marks Opposition Board should be granted. Consequently, the plaintiffs' motion is dismissed.

**Would the Result have been Different had I Applied the *RJR-MacDonald* Test?**

[47] Before concluding, and in the event that a reviewing Court were to take a different view as to the legal test applicable on a motion such as this, I would simply note that my conclusion that the motion should be dismissed would not have changed, had I applied the *RJR-MacDonald* test.

[48] To be entitled to a stay using the *RJR-MacDonald* test, the party seeking the stay must adduce clear and non-speculative evidence that irreparable harm will follow if their motion is

denied: see, for example, *Aventis Pharma S.A. v. Novopharm Ltd.* 2005 FC 815, [2005] F.C.J. No. 1019, at para. 59, aff'd 2005 FCA 390, 44 C.P.R. (4th) 326.

[49] As was noted earlier, the affidavit of Alex Stanton addresses the prejudice that the plaintiffs say they would have faced before the Trade-marks Opposition Board, had they not been relieved from their implied undertaking. That is no longer in issue, in light of Prothonotary Aronovitch's August 18 Order. There is no clear and non-speculative evidence before the Court of any other form of irreparable harm that will be suffered by the plaintiffs if the Trade-marks Opposition Board proceedings are not stayed.

#### **Costs**

[50] I am of the view that the defendant should have its costs of the motion, which are fixed at \$1,500.

**ORDER**

**THIS COURT ORDERS AND ADJUDGES that** the motion for a stay is dismissed, with costs to the defendant fixed in the amount of \$1,500.

“Anne Mactavish”

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Judge



**FEDERAL COURT**  
**SOLICITORS OF RECORD**

**DOCKET:** T-1804-07

**STYLE OF CAUSE:** TRACTOR SUPPLY CO. OF TEXAS, LP ET AL v.  
TSC STORES L.P.

**PLACE OF HEARING:** Toronto, Ontario

**DATE OF HEARING:** August 30, 2010

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

**DATED:** September 8, 2010

**APPEARANCES:**

Cliff Cole  
James Buchan

FOR THE PLAINTIFFS/  
DEFENDANTS BY COUNTERCLAIM

Mark Robbins

FOR THE DEFENDANT/  
PLAINTIFF BY COUNTERCLAIM

**SOLICITORS OF RECORD:**

GOWLINGS  
Barristers & Solicitors  
Toronto, Ontario

FOR THE PLAINTIFFS/  
DEFENDANTS BY COUNTERCLAIM

BERESKIN & PARR LLP  
Barristers & Solicitors  
Toronto, Ontario

FOR THE DEFENDANT  
PLAINTIFF BY COUNTERCLAIM