Federal Court  Cour fédérale

Date: 20111228

Docket: T-1024-06

Citation: 2011 FC 1526

Ottawa, Ontario, December 28, 2011

PRESENT: The Honourable Mr. Justice Zinn

BETWEEN:

THE GAP, INC., GAP (ITM) INC. AND GAP (CANADA) INC.

Plaintiffs/ Defendants by Counterclaim

and

G.A.P. ADVENTURES INC.

Defendant/ Plaintiff by Counterclaim

REASONS FOR ORDER AND ORDER

[1] G.A.P Adventures Inc. appeals the Order of the Case Management Judge granting leave to the plaintiffs (The Gap) to amend their statement of claim. The statement of claim has previously been amended twice and the trial of the action is set to commence in six months.

[2] The Gap was granted leave to file its proposed Thrice Amended Statement of Claim to amend paragraph 1(b)(ii) that currently reads as follows:

> 1. The plaintiffs' claim:
>
> …
>
> b. An interim, interlocutory and permanent injunction restraining the defendant and its officers, directors, agents, servants, employees, and representatives and all those under their control, and anyone having knowledge of this order, from:
>
> …
>
> ii using or displaying GAP, or any confusingly similar mark, as, or as part of, any trade mark, trade name, corporate name, domain name, or otherwise, in association with the advertisement, distribution and/or sale of clothing and retail store services;

The amended paragraph would read as follows:

> 1. The plaintiffs' claim:
>
> …
>
> b. An interim, interlocutory and permanent injunction restraining the defendant and its officers, directors, agents, servants, employees, and representatives and all those under their control, and anyone having knowledge of this order, from:
>
> …
>
> ii using or displaying GAP, or any confusingly similar mark, as, or as part of, any trade mark, trade name, corporate name, domain name, or otherwise, in association with the advertisement, distribution and/or sale of clothing, ~~and~~ or any retail store services including online retail store services;

[3] "Discretionary orders of prothonotaries ought to be disturbed by a motions judge only where (a) they are clearly wrong, in the sense that the exercise of discretion was based upon a wrong principle or a misapprehension of the facts, or (b) in making them, the prothonotary improperly exercised his or her discretion on a question vital to the final issue of the case: *Canada v. Aqua-Gem Investments Ltd.*, [1993] 2 F.C. 425 (C.A.), *per* MacGuigan J.A., at pp. 462-63:" *Z.I. Pompey Industrie v ECU-Line N.V.*, 2003 SCC 27 at paragraph 18, [2003] 1 S.C.R. 450. As was recently observed by the Court of Appeal: "On appeal to the Federal Court, it was incumbent on the appellant to show that the Prothonotary's discretionary order was "clearly wrong."

[4] The appellant submits that the Order ought to be overturned and The Gap denied leave to amend its statement of claim because:

i. The proposed amendment is inconsistent with the body of the claim;

ii. The amendment is not supported by the material facts pleaded in the claim;

iii. The amendment permits The Gap to withdraw a substantial admission; and

iv. The proposed amendment is overbroad and extends beyond rights of The Gap.

[5] In this appeal we have the advantage of a transcript of the hearing before the Case Management Judge, which includes his decision. The transcript shows that the Case Management Judge correctly stated the test for permitting an amendment as set out in *Canderel Ltd v Canada*, [1994] 1 FC 3:

> An amendment should be allowed at any stage of an action for determining the real questions in controversy, however, the amendment should not result in injustice to the other party which is not capable of being compensated for by an award of costs. The amendment should serve the interests of justice. While an amendment may be sought at any stage of a trial, the closer a party is to the end of trial, the more difficult it becomes to prove the amendment does not work an injustice.

[6] It is submitted that the amendment requires that “retail stores” in the body of the claim includes G.A.P. Adventures’ business of online sales of travel. The appellants says that this is not supported by the pleadings and it points to paragraphs 22 to 24 of the statement of claim in which it is said that three specific retail stores are referenced and thus the claim expressly excludes online activities.

[7] The appellant submits that the requested amendment "raises a new claim and cause of action that is not supported by the body of the statement of claim and thus dramatically expands the scope of the action." The Gap submits that the proposed amendment "updates or particularizes certain allegations" in the claim as it currently reads.

[8] The appellant submits that the Case Management Judge erred in accepting the submission of the responding parties that the proposed amendment "simply particularizes what is already at issue in the claim." Having read the pleadings and the parties' submissions I find that it was open to the Case Management Judge to conclude, as he did, that "it is abundantly clear that the whole issue of the use of the trademark in connection with online services has been in play since the outset of this proceeding." I acknowledge that the original statement of claim does not use the word "e-commerce" but there are references to "domain name," and "electronic files" and a prayer to have the domain name <www.gap.ca> transferred to the plaintiff.

[9] Further, I do not accept the submission of the appellant that the amendment is not supported by the facts pled or expands the scope of the injunction against "retail store" use as currently claimed. The statement of claim does not seek an injunction related to the use of the impugned trade mark with respect to a "retail store" but with respect to "retail store services." The phrase "retail store services" may reasonably be said to mean more than merely operating a brick and mortar building from which one sells goods and services. The services of a retail store in this day and age may well include online advertising, tweeting, emailing customers and prospective customers, and offering goods over the internet, thus giving the customer the convenience of shopping at home. It is the 21st Century equivalent to the 20th Century catalogue

shopping and mail order, which arguably are also retail store services. For these reasons I cannot find that the Case Management Judge was "clearly wrong" in the determination he made.

[10] In any event, even if I were to agree with the appellant that the previous claim expressly excluded internet services, the question that would then have to be addressed is whether the amendment granted by the Case Management Judge results in an injustice to the appellant that cannot be compensated in an order for costs. In this respect I agree with the following statement made by the Case Management Judge: "I don't have any concrete examples of things that were done that would cause you prejudice by virtue of an amendment at this juncture."

[11] The only injustice evident to me is if the amendment is not granted. In that circumstance, all of the real questions in controversy might not all be addressed in one trial and, as the Case Management Judge noted, that may result in another action and the resulting waste of judicial resources and resources of the parties.

[12] I further reject the submission of the appellant that in permitting this amendment, the Case Management Judge has permitted the plaintiffs to resile from an admission that online services offered by the appellant prior to 2005 were accepted. The submission that there was such an admission is based on the statement in the claim that in opening retail stores the appellant "materially expanded" its use of the allegedly infringing trade mark. The appellant says that by using that turn of phrase The Gap drew a line between those activities of the appellant that were "legitimate and those which allegedly infringe the rights of the Plaintiff." I am not convinced that this mere turn of phrase can be read as an admission that the conduct prior

to this expansion, whether it was a material expansion or not was accepted. I do not find that the Case Management Judge was clearly wrong, and in fact I share his view, that he was "not satisfied that in fact there is any clear cut positive admission that in any way is being withdrawn by the Plaintiff regarding the pursuit of on-line retail store services."

[13] The parties have agreed to a time for the appellant to examine a representative of The Gap for an additional four hours of discovery in January. When one compares that to another trial and all of its processes, time, and costs, the interests of justice are met by permitting the amendment. One could only reach a contrary conclusion if one were satisfied that there was a real injustice to the appellant; however, it has failed to provide any evidence on which the Court finds on the balance of probabilities that an injustice existed.

[14] The appeal will be dismissed. The appellants sought leave to serve and file an Amended Statement of Defence to the Thrice Amended Statement of Claim. That is granted. It is hoped that the parties may agree on the period within which the amended defence shall be served and filed; however, if they are unable to do so, they may seek the direction of the Case Management Judge.

ORDER

THIS COURT ORDERS that:

1. The appeal of the decision of the Case Management Judge permitting the plaintiffs to amend their statement of claim is dismissed;
2. The defendant is granted leave to file an amended statement of defence within a period to be either agreed upon by the parties or, if there is no agreement, as set by the Case Management Judge; and
3. The plaintiff is awarded its costs of the appeal, in the cause.

"Russel W. Zinn"
Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-1024-06
STYLE OF CAUSE:	THE GAP, INC., GAP (ITM) INC. AND GAP (CANADA) INC. v G.A.P. ADVENTURES INC.
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REASONS FOR ORDER AND ORDER:	ZINN J.
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APPEARANCES:

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