

Federal Court



Cour fédérale

**Date: 20180320**

**Docket: T-1031-16**

**Citation: 2018 FC 316**

**Ottawa, Ontario, March 20, 2018**

**PRESENT: The Honourable Mr. Justice Barnes**

**BETWEEN:**

**DAYTON BOOT CO. ENTERPRISES LTD.**

**Applicant**

**and**

**RED CAT LTD.,  
DAYTON BOOT BRANDS LTD.,  
RODERICK HALL RISK AND  
HUTCHINGAME GROWTH  
CAPITAL CORPORATION**

**Respondent**

**JUDGMENT AND REASONS**

[1] This application is brought by Dayton Boot Co. Enterprises Ltd. [Dayton Enterprises] under section 18.1 of the *Federal Courts Act*, RSC, 1985, c F-7 and subsection 57(1) of the *Trade-marks Act*, RSC, 1985, c T-13. In the course of oral argument, Dayton Enterprises moved to further amend its Notice of Application to include relief under section 56 of the *Trade-marks*

*Act*. For the reasons that follow, it is only necessary to consider the application insofar as it involves the Court's judicial review jurisdiction under section 18.1 of the *Federal Courts Act*.

[2] The Applicant challenges a decision made by the Registrar of Trade-marks [Registrar] on May 30, 2016. The effect of the Registrar's decision was to register a change in the title to Canadian trade-mark registration no. TMA792915 [the Dayton trade-mark] from Dayton Enterprises to Red Cat Ltd. [Red Cat]. Dayton Enterprises asserts that the Registrar's decision was made erroneously and on the strength of an incomplete factual record. It seeks to have the decision set aside, the registration to Red Cat cancelled, and the reinstatement of its original registration as the owner of the Dayton trade-mark. The situation is complicated by the Registrar's subsequent transfer of the registration of the Dayton trade-mark from Red Cat to Hutchingame Growth Capital Corporation [Hutchingame] on August 17, 2016 at the request of Hutchingame.

[3] Dayton Boot Brands Ltd. [Dayton Brands] filed a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act*, RSC, 1985, c B-3 on August 24, 2017. It is not entirely clear from the record before me whether the issue of ownership of the Dayton trade-mark will be resolved in the context of the bankruptcy proceedings or in other litigation now underway in the Supreme Court of British Columbia (Action Nos. B170382 and S1711772). However, it is unnecessary and inadvisable for this Court to attempt to resolve that issue in the context of this proceeding. It is also doubtful that this Court has the necessary jurisdiction to decide what appears to be a contractual disagreement between private commercial entities: see *Alpha Marathon Technologies Inc v Dual Spiral Systems Inc*, 2017 FC 1119 at paras 63-64,

[2017] FCJ No 1197, *Lawthier v 424470 BC Ltd*, 60 CPR (3d) 510 at para 5, [1995] FCJ No 549 and *Salt Canada Inc v Baker*, 2016 FC 830 at para 20, 140 CPR (4th) 213.

[4] No factual disagreements arise on this application because none of the Respondents have filed any material evidence. What I am left with are the affidavits filed on behalf of Dayton Enterprises, including a fairly robust historical record describing the parties' conduct leading up to the Registrar's decision.

[5] Much of the documentary record produced on this application was not before the Registrar. Hutchingame seeks to exclude the fresh evidence because it did not inform the Registrar's decision. This argument is based on the well-known principle that, on judicial review, only the evidence before the decision-maker can be considered in assessing the reasonableness of the resulting decision. This principle is, of course, subject to certain exceptions, including those discussed in the following passage from *Bernard v Canada (Revenue Agency)*, 2015 FCA 263, [2015] FCJ No 1396:

[24] The second recognized exception is really just a particular species of the first. Sometimes a party will file an affidavit disclosing the complete absence of evidence on a certain subject-matter. In other words, the affidavit tells the reviewing court not what is in the record—which is the first exception—but rather what cannot be found in the record: see *Keeprite Workers' Independent Union v. Keeprite Products Ltd.* (1980), 29 O.R. (2d) 513 (C.A.) and *Access Copyright*, above at paragraph 20. This can be useful where the party alleges that an administrative decision is unreasonable because it rests upon a key finding of fact unsupported by any evidence at all. This too is entirely consistent with the rationale behind the general rule and administrative law values more generally, for the reasons discussed in the preceding paragraph.

[25] The third recognized exception concerns evidence relevant to an issue of natural justice, procedural fairness, improper purpose or fraud that could not have been placed before the administrative decision-maker and that does not interfere with the role of the administrative decision-maker as merits-decider: see *Keprite and Access Copyright*, both above; see also *Mr. Shredding Waste Management Ltd. v. New Brunswick (Minister of Environment and Local Government)*, 2004 NBCA 69, 274 N.B.R. (2d) 340 (improper purpose); *St. John's Transportation Commission v. Amalgamated Transit Union, Local 1662* (1998), 161 Nfld. & P.E.I.R. 199 (fraud). To illustrate this exception, suppose that after an administrative decision was made and the decision-maker has become *functus* a party discovers that the decision was prompted by a bribe. Also suppose that the party introduces into its notice of application the ground of the failure of natural justice resulting from the bribe. The evidence of the bribe is admissible by way of an affidavit filed with the reviewing court.

[26] I note parenthetically that if the evidence of natural justice, procedural fairness, improper purpose or fraud were available at the time of the administrative proceedings, the aggrieved party would have to object and adduce the evidence supporting the objection before the administrative decision-maker. Where the party could reasonably be taken to have had the capacity to object before the administrative decision-maker and does not do so, the objection cannot be made later on judicial review: *Zündel v. Canada (Human Rights Commission)*, (2000), 195 D.L.R. (4th) 399; 264 N.R. 174; *In re Human Rights Tribunal and Atomic Energy of Canada Limited*, [1986] 1 F.C. 103 (C.A.).

[27] The third recognized exception is entirely consistent with the rationale behind the general rule and administrative law values more generally. The evidence in issue could not have been raised before the merits-decider and so in no way does it interfere with the role of the administrative decision-maker as merits-decider. It also facilitates this court's ability to review the administrative decision-maker on a permissible ground of review (*i.e.*, this Court's task of applying rule of law standards).

[28] The list of exceptions is not closed. In some cases, reviewing courts have received affidavit evidence that facilitates their reviewing task and does not invade the administrative decision-maker's role as fact-finder and merits-decider: *Hartwig v. Saskatchewan (Commissioner of Inquiry)*, 2007 SKCA 74, 284 D.L.R. (4th) 268 at paragraph 24. For example, in one case the applicant wished to submit that the administrative decision-maker's decision was unreasonable because it wrongly construed

certain submissions made by counsel as admissions. But counsel's submissions to the administrative decision-maker were not in the record filed with reviewing court. The reviewing court admitted evidence of counsel's submissions so that it could assess whether the decision was unreasonable: *Ontario Shores Centre for Mental Health v. O.P.S.E.U.*, 2011 ONSC 358. In another case, a reviewing court admitted a partial transcript of proceedings before an administrative decision-maker. The transcript was prepared by one of the parties, not by the administrative decision-maker. In the circumstances, the reviewing court was satisfied that the partial transcript was reliable, did not work unfairness or prejudice, and was necessary to allow it to review the administrative decision: *SELI Canada Inc. v. Construction and Specialized Workers' Union, Local 1611*, 2011 BCCA 353, 336 D.L.R. (4th) 577.

[6] In order to determine whether the evidence Dayton Enterprises relies upon is properly admissible under one of the above-noted exceptions, it is necessary to consider its content and evidentiary purpose.

[7] What is now before the Court and largely not before the Registrar is the history of a purported sale of corporate assets from Dayton Enterprises to Red Cat. On May 4, 2012, those parties executed a poorly drafted Asset Acquisition Agreement [the Agreement] which provided for the sale of assets, including the Dayton trade-mark, for stipulated financial and other consideration. The Agreement is unclear as to when title to the assets would pass to Red Cat – it uses terms such as “will acquire”, “will provide”, and “will be granted”. It also refers to the need to “complete contracts and paperwork in order to finalize all the terms of the Agreement”. The parties agreed to keep all of the terms and conditions of the Agreement confidential.

[8] Needless to say, the relationship between Dayton Enterprises and Red Cat did not run smoothly and, by late 2015, the parties were exchanging legal threats. Counsel for Dayton Enterprises wrote a letter to Red Cat on November 18, 2015 in which he asserted a breach of contract arising from Red Cat's failure to meet its financial obligations. The letter demanded an accounting and a commitment that Red Cat would cease and desist from using or asserting ownership of the Dayton trade-mark. On March 31, 2016, Dayton Enterprises' then counsel wrote once more to Red Cat giving notice of its termination of the Agreement and revoke its "permission" to use the Dayton trade-mark.

[9] Red Cat responded through its legal counsel on April 12, 2016. Red Cat did not dispute that it was in breach but took the position that title to the assets, including the Dayton trade-mark, had passed such that Dayton Enterprises was "an unsecured creditor" of Red Cat's successor, Dayton Brands, "no more no less". Red Cat also alleged that Dayton Enterprises had failed to meet its contractual obligations including the required transfer of the Dayton trade-mark registration. A further letter from Red Cat's counsel dated May 6, 2016 stated that "our client will be taking the necessary steps to ensure that the 'Dayton' trademark is transferred pursuant to the Agreement".

[10] On May 9, 2016, Red Cat delivered on its threat to effect a transfer of the registration of the Dayton trade-mark by way of an *ex parte* application to the Canadian Intellectual Property Office [CIPO]. The application was supported by a highly redacted copy of the Agreement. Red Cat asserted that the Agreement effected an assignment of the Dayton trade-mark from Dayton

Enterprises to Red Cat. Only six of the Agreement's 28 clauses were disclosed, including the following:

13. The Purchaser will acquire all Trademarks registered (and unregistered) under the Vendors in the USA, Canada and elsewhere and the Vendors will ensure that the registered Trademarks are in good order.

[11] Notably omitted from the disclosure to the Registrar was clause 23 which required that the terms and conditions of the Agreement be kept confidential. The Registrar was also never told that the parties had a material disagreement about the ownership of the Dayton trade-mark and were exchanging serious allegations of contractual default and misconduct.

[12] On June 6, 2016, the Registrar advised Dayton Enterprises' legal counsel of the change of registration of the Dayton trade-mark to Red Cat. Dayton Enterprises objected to the Registrar's decision on the basis that the Registrar had been misled about the legal effect of the Agreement and that title to the Dayton trade-mark had never passed to Red Cat. The Registrar declined to provide relief for the following reasons:

In your letter you request that the Registrar cancel the erroneously recorded change of title requested by Red Cat Ltd., since the change of ownership was made on the basis of a heavily redacted document dated May 4, 2012. Based on your submissions, the recordal of the change of ownership was done without the knowledge or consent of Dayton Boot Company Enterprises Ltd. By redacting key terms from the agreement, Red Cat Ltd. would have misrepresented the agreement to CIPO as a concluded and effective transfer of trademark rights, when in fact it was an agreement of purchase of sale with a number of conditions which were never satisfied.

The Office considers that the language of section 57 of the Trade-marks Act is clear and provides the Federal Court with exclusive jurisdiction to order amendments to the register where rights are not accurately reflected. As such, the Registrar does not possess any separate, implicit authority to review and strike out or amend registered transfers.

[13] In the result, this application for judicial review was filed seeking the relief the Registrar was unable to provide.

[14] It seems to me that the evidence submitted to the Court but not disclosed to the Registrar is admissible under the exceptions discussed in *Bernard*, above. In this case, the reasonableness of the Registrar's decision cannot be assessed without knowing what Red Cat deliberately withheld from the Registrar. This falls squarely into the exception allowing for proof of an absence of evidence. I have no doubt whatsoever that, had the Registrar been advised of the ownership dispute between the parties, the Registrar would not have transferred the Dayton trade-mark.

[15] These circumstances also demand recourse on the grounds of procedural fairness and improper purpose. It was inexcusable for Red Cat to submit a transfer application to the Registrar as though it was a routine transaction carried out in good faith and effectively on consent. Red Cat and its then legal counsel took unfair advantage of the Registrar's *pro forma* approach to such transactions in the knowledge that if the background facts were disclosed the transfer would almost certainly be refused.

[16] A party seeking administrative relief of this sort in the face of a disagreement with an interested party should rarely, if ever, proceed *ex parte*. But if it does proceed *ex parte*, it carries an exceptional duty of full and frank disclosure. Dayton Enterprises had an interest in maintaining the registration of the Dayton trade-mark in its name because, under subsection 54(3) of the *Trade-marks Act*, that registration created a presumption of ownership in its favour. Although the Registrar was obviously satisfied on the evidence presented by Red Cat that an effective transfer of ownership had occurred as required by subsection 48(3) of the *Trade-marks Act*, that decision was tainted by procedural unfairness. Dayton Enterprises was deprived of its right to a fair consideration of its asserted right to maintain the existing registration. This unfairness did not arise from any failing by the Registrar who obviously treated the transfer request as routine. Rather, the unfairness resulted from Red Cat's deliberate withholding of material information from the Registrar in order to effect a change that it would not otherwise have obtained. Red Cat and its legal counsel had an obligation to either inform the Registrar that the parties were in the midst of a full-blown legal dispute about the ownership of the Dayton trade-mark or give Dayton Enterprises appropriate notice of the request for a transfer. By proceeding as it did, Red Cat misled the Registrar and thereby obtained an unfair advantage over Dayton Enterprises.

[17] On the basis of this undisputed history, the Registrar's decision to transfer the registration of the Dayton trade-mark from Dayton Enterprises to Red Cat is set aside. The effect of this is to also extinguish the Registrar's subsequent decision to transfer the registration from Red Cat to Hutchingame. That is so because the initial transfer to Red Cat is void and no legal rights can arise from a nullity: see *Imperial Oil Resources Ltd v Canada (Indian Affairs and Northern*

*Development*), 2003 FCT 478 at para 20, [2003] FCJ No 660. I would add that, in the absence of any evidence from Hutchingame and noting that Hutchingame's appointed representative for service with CIPO is the same law firm that had acted for Red Cat [see Applicant's Record, p 113], an inference arises that Hutchingame knew that the earlier transfer was vulnerable to being set aside. In other words, its claimed interest in the Dayton trade-mark was acquired with notice of Dayton Enterprises' claim to ownership. In these circumstances, Hutchingame accepted the risk that its own registration was subject to being voided. It has, therefore, no basis to complain that its registration of the Dayton trade-mark has been unfairly set aside.

[18] For the foregoing reasons this application is allowed. The transfers of the Dayton trade-mark effected by the Registrar from Dayton Enterprises to Red Cat and from Red Cat to Hutchingame are declared void and are hereby set aside.

[19] The facts of this case are sufficiently troubling that an elevated award of costs is justified. Hutchingame took the lead in its unsuccessful attempt to defend the Registrar's decision in the face of clear evidence of Red Cat's improper conduct. In the result, Hutchingame will pay costs to the Applicant at the high end of Column V of the Tariff.

**JUDGMENT in T-1031-16**

**THIS COURT'S JUDGMENT is that** the Registrar's decisions to transfer the Dayton trade-mark from Dayton Boot Co. Enterprises Ltd. to Red Cat Ltd. and from Red Cat Ltd. to Hutchingame Growth Capital Corporation are set aside.

**THIS COURT'S FURTHER JUDGMENT is that** the Applicant shall be paid costs by Hutchingame Growth Capital Corporation to be assessed at the high end of Column V of the Tariff.

"R.L. Barnes"

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Judge

**FEDERAL COURT**

**SOLICITORS OF RECORD**

**DOCKET:** T-1031-16

**STYLE OF CAUSE:** DAYTON BOOT CO. ENTERPRISES LTD. v RED CAT LTD., DAYTON BOOT BRANDS LTD., RODERICK HALL RISK AND HUTCHINGAME GROWTH CAPITAL CORPORATION

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**JUDGMENT AND REASONS:** BARNES J.

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**APPEARANCES:**

Bruce M. Green FOR THE APPLICANT

Andy Chow FOR THE RESPONDENT  
Lawrence Chan HUTCHINGAME GROWTH CAPITAL CORPORATION

Brent DB Loewen FOR THE RESPONDENT  
TRUSTEE OF DAYTON BOOT BRANDS LTD.

**SOLICITORS OF RECORD:**

Oyen Wiggs Green & Mutala LLP FOR THE APPLICANT  
Vancouver, BC

Clark Wilson LLP FOR THE RESPONDENTS  
Vancouver, BC RED CAT LTD.,  
DAYTON BOOT BRANDS LTD. AND  
RODERICK HALL RISK

Smiths IP FOR THE RESPONDENT  
Vancouver, BC and HUTCHINGAME GROWTH CAPITAL CORPORATION

Beament Hebert Nicholson LLP  
Ottawa, ON

Webster Hudson & Coombe LLP  
Barristers and Solicitor  
Vancouver, BC

FOR THE RESPONDENT  
TRUSTEE OF DAYTON BOOT BRANDS LTD.