Federal Court of Appeal  Cour d'appel fédérale

Date: 20190514

Docket: A-460-16

Citation: 2019 FCA 121

CORAM: **DAWSON J.A.**
GAUTHIER J.A.
RIVOALEN J.A.

BETWEEN:

ADVANTAGE PRODUCTS INC., MSI MACHINEERING SOLUTIONS INC., LYNN P. TESSIER, JAMES L. WEBER AND JOHN P. DOYLE

Appellants/
Respondents on Cross-Appeal

and

EXCALIBRE OIL TOOLS LTD., EXCALIBRE DOWNHOLE TOOLS LTD., KUDU INDUSTRIES INC., CARDER INVESTMENTS LP, CARDER MANAGEMENT LTD. AND LOGAN COMPLETION SYSTEMS INC.

Respondents/
Appellants on Cross-Appeal

Heard at Calgary, Alberta, on May 7, 2019.

Judgment delivered at Ottawa, Ontario, on May 14, 2019.

REASONS FOR JUDGMENT BY: GAUTHIER J.A.

CONCURRED IN BY: DAWSON J.A.
RIVOALEN J.A.

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REASONS FOR JUDGMENT

GAUTHIER J.A.

[1] This is a cross-appeal by Excalibre Oil Tools Ltd., Excalibre Downhole Tools Ltd., Kudu Industries Inc., Carder Investments LP, Carder Management Ltd., and Logan Completion

Systems Inc. (collectively, the appellants) from the judgment of the Federal Court (2016 FC 1279) declaring that they are entitled to damages only from Advantage Products Inc. (API) as a result of false and misleading statements made contrary to subsection 7(a) of the *Trade-marks Act*, R.S.C. 1985, c. T-13 (*Trade-marks Act*). The only question raised before this Court is whether the Federal Court erred by failing to hold MSI Machineering Solutions Inc. (MSI Offshore) also liable for said damages.

[2] At the hearing, it became clear that the determinative issue was whether there was any basis to conclude that MSI Offshore was a competitor of the appellants. It is trite law that to give rise to a statutory cause of action for which damages may be awarded under the combined effect of subsection 7(a) and subsection 53.2(1) of the *Trade-marks Act*, the statements must be made to discredit the business, goods or services of a "competitor".

[3] If the goods, services or business of the party making the statement are not in competition with those of the aggrieved party, resort must be had to the common law action of trade libel or slander of title, rather than the statutory cause of action provided for in the *Trade-marks Act* (Harold G. Fox, *The Canadian Law of Trade Marks and Unfair Competition*, 3d ed. (Toronto: Carswell, 1972) at 491). When it is apparent that there is no basis to find that the false or misleading statements were made on behalf of a competitor, motions to strike have been granted because the statement of claim did not disclose a reasonable cause of action (see, for example, *Dufort Testing Services Ltd. v. Berube*, [2005] O.J. No. 5208, 2005 CanLII 45189 (C.A.) at paragraph 7 and *Canadian Copyright Licencing Agency v. Business Depot Ltd.*, 2008 FC 737, 330 F.T.R. 133 (*Business Depot*)).

[4] The false and misleading statements at issue were made by API on its own behalf and on behalf of the patentee, MSI Offshore. There was no dispute before the Federal Court that API sold products (torque anchors) in competition with the appellants' own products (Federal Court's reasons at paragraph 19). Although MSI Offshore was the registered owner of the patents, there is absolutely no evidence that it sells or distributes any products in Canada that are in competition with products of the appellants. In fact, there is very little evidence about the activities of MSI Offshore, a company incorporated under the laws of Turks and Caicos, British West Indies. There is no evidence that it even operates in Canada or that API is a related company of MSI Offshore.

[5] When this Court inquired about what theory and upon what evidence the appellants were asking the Court to conclude that MSI Offshore was their competitor, the appellants acknowledged that there was very scant evidence limited to brief passages from one of the witness's testimony evidencing that MSI Offshore, through a chain, was the licensor of API (an exclusive sub-licensee). This fact was not in dispute. The appellants submitted that the fact that MSI Offshore ultimately earned royalties or revenue from the sales of API's products should be sufficient to make them a competitor within the meaning of subsection 7(a). It is worth mentioning that there is no evidence as to what portion, if any, of the royalties paid by API to its direct licensor would ultimately be paid to MSI Offshore as none of the relevant agreements were in evidence.

[6] The appellants admitted that they had no legal authorities supporting their theory that such a relationship without more would be sufficient to come within the ambit of subsection 7(a) of the *Trade-marks Act.*

[7] In fact, it appears that a similar theory was dismissed by the Federal Court in *Business Depot* where it found that, on the facts before it, the indirect advantage (royalties) flowing to the respondent was not sufficient to bring them within the common understanding of the word "competitor", a word that is not defined in the *Trade-marks Act*.

[8] Before us, the appellants did not develop their theory any further, and the Court did not have the benefit of submissions from the respondents on the cross-appeal as they did not appear before us.

[9] Considering the very thin evidentiary record available and the submissions made, I have not been persuaded that the Federal Court committed an error in respect of the issue raised in this cross-appeal that would warrant our intervention. In reaching this conclusion, I note that it may well be that in other circumstances, and where a more substantial evidentiary record is available, a licensor and licensee could both be competitors of the aggrieved party.

[10] In light of the foregoing, I would dismiss the cross-appeal.

"Johanne Gauthier"
J.A.

"I agree
Eleanor R. Dawson J.A."

"I agree
Marianne Rivoalen J.A."

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

APPEAL FROM A JUDGMENT OF THE HONOURABLE JUSTICE MANSON DATED NOVEMBER 17, 2016, NOS. T-1741-08 AND T-1946-09

DOCKET:	A-460-16
STYLE OF CAUSE:	ADVANTAGE PRODUCTS INC., MSI MACHINEERING SOLUTIONS INC., LYNN P. TESSIER, JAMES L. WEBER AND JOHN P. DOYLE v. EXCALIBRE OIL TOOLS LTD., EXCALIBRE DOWNHOLE TOOLS LTD., KUDU INDUSTRIES INC., CARDER INVESTMENTS LP, CARDER MANAGEMENT LTD. AND LOGAN COMPLETION SYSTEMS INC.
PLACE OF HEARING:	CALGARY, ALBERTA
DATE OF HEARING:	MAY 7, 2019
REASONS FOR JUDGMENT BY:	GAUTHIER J.A.
CONCURRED IN BY:	DAWSON J.A. RIVOALEN J.A.
DATED:	MAY 14, 2019

APPEARANCES:

Shaun B. Cody	FOR THE RESPONDENTS/ APPELLANTS ON CROSS-APPEAL

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