

Federal Court of Appeal



Cour d'appel fédérale

Date: 20190516

Docket: A-115-18

Citation: 2019 FCA 152

**CORAM: GAUTHIER J.A.
BOIVIN J.A.
GLEASON J.A.**

BETWEEN:

**HUTCHINGAME GROWTH CAPITAL
CORPORATION**

Appellant

and

**DAYTON BOOT CO. ENTERPRISES LTD.,
RED CAT LTD., DAYTON BOOT BRANDS
LTD. AND RODERICK HALL RISK**

Respondents

Heard at Vancouver, British Columbia, on March 21, 2019.

Judgment delivered at Ottawa, Ontario, on May 16, 2019.

REASONS FOR JUDGMENT BY:

GAUTHIER J.A.

CONCURRED IN BY:

**BOIVIN J.A.
GLEASON J.A.**

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REASONS FOR JUDGMENT

GAUTHIER J.A.

[1] Hutchingame Growth Capital Corporation [Hutchingame] appeals from the decision of Barnes J. of the Federal Court dated March 20, 2018 (2018 FC 316). At issue in the Federal Court's decision was Canadian trademark registration No. TMA792915 for the word mark "DAYTON". The trademark was originally registered in 2011 by Dayton Boot Co. Enterprises

Ltd. [Dayton Enterprises] for use primarily in association with footwear, namely boots, since as early as 1947. In May 2016, the Registrar of Trade-marks [Registrar] recorded a change in title for the trademark from Dayton Enterprises to Red Cat Ltd. [Red Cat]. The Registrar recorded another change in title later in August of that year, this time from Red Cat to Hutchingame.

[2] By way of an application before the Federal Court under section 18.1 of the *Federal Courts Act*, R.S.C. 1985, c. F-7 [FC Act] and subsection 57(1) of the *Trade-marks Act*, R.S.C. 1985, c. T-13 [TM Act], Dayton Enterprises sought to have these changes in title struck out. Dayton Enterprises claimed that the initial assignment of the trademark to Red Cat had in fact never occurred, and that the corresponding change in title recorded by the Registrar had been done on an incomplete and misleading factual record. The Federal Court agreed with Dayton Enterprises and ordered 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 [be] set aside”. Finding the facts of the case “sufficiently troubling”, the Federal Court also awarded elevated costs against Hutchingame.

[3] Hutchingame, which, at the time the Federal Court’s decision was issued, was the registered owner of the trademark, appeals principally on the basis that the Federal Court erred by admitting and weighing in the context of a judicial review evidence that was not originally before the Registrar. Dayton Enterprises, which the register once again shows is the owner of the contested mark, defends the Federal Court’s decision because, in its submission, the Federal Court correctly identified the test for admitting new evidence and did not commit palpable and overriding error in applying it. Dayton Enterprises submits that the Registrar’s underlying

decision was unreasonable. The remaining respondents, Red Cat, Dayton Boot Brands Ltd. [Dayton Brands] and Mr. Roderick Hall Risk, have not filed appearances on this appeal.

[4] For the reasons that follow, the appeal should be allowed.

I. Background

A. *Parties*

[5] At the core of this case is what appears to be a multi-party dispute regarding the ownership of the “DAYTON” trademark.

[6] We first have Dayton Enterprises, the Vancouver-based bootmaker which, as mentioned, first registered the trademark in 2011. I note that, in addition to these proceedings, Dayton Enterprises has filed a civil claim against two of the parties described below, Red Cat and Mr. Risk, in the Supreme Court of British Columbia seeking, *inter alia*, a declaration that it is the legitimate owner of the contested trademark (BCSC file No. S-1711772).

[7] Mr. Risk, a respondent in this appeal, offered to invest in the “DAYTON” brand and entered into an agreement with Dayton Enterprises on May 4, 2012 [the 2012 Agreement] through his firm, Red Cat. At the hearing, the parties indicated that Red Cat, though still a respondent in this appeal, is no longer a registered company.

[8] Next, we have Dayton Brands, a company which appears to have been incorporated shortly after the signature of the 2012 Agreement. It seems that Dayton Brands subsequently used the “DAYTON” trademark during a period of time with the permission of Red Cat and Dayton Enterprises (though it is not clear which firm’s permission was required to do so). Dayton Brands filed a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 on August 24, 2017 (FC Reasons at para. 3). In fact, there is some indication that Dayton Brands had been insolvent for some time before it entered into bankruptcy proceedings in the Supreme Court of British Columbia in August 2017 (see letter dated March 31, 2016, AB, tab 5-G at pp. 68-69; BCSC file No. B-170382).

[9] Finally, there is Hutchingame, which, as mentioned, was registered as owner of the trademark at the time of the proceedings before the Federal Court. Though the record indicates that the “DAYTON” trademark was assigned by Red Cat to Hutchingame in March 2016, the exact nature of the relationship between Hutchingame, Mr. Risk, Red Cat, as well as Dayton Brands, is unknown.

[10] As noted above, none of these parties, except Hutchingame, appeared before this Court. I note parenthetically that, in the context of the application in the Federal Court, the law firm Clark Wilson LLP filed a notice of appearance on behalf of Red Cat, Dayton Brands and Mr. Risk in July 2016. Later in April 2017, the firm Beament Hebert Nicholson LLP filed a notice of appearance on behalf of Hutchingame. In October of the same year, Red Cat, Dayton Brands and Mr. Risk then filed a notice of change of solicitor indicating that Beament Hebert Nicholson LLP was now representing them as well as Hutchingame. In December 2017, Hutchingame notified

the Federal Court that it had appointed another law firm, SMITHS IP, to act as co-counsel. Some two weeks before the hearing in the Federal Court in January 2018, Beament Hebert Nicholson LLP again wrote to the Federal Court to advise that it would not be attending the hearing but that it would rely on the submissions of its co-counsel for Hutchingame, SMITHS IP, and its position. Further, at the hearing in the Federal Court, the trustee in bankruptcy for Dayton Brands, Webster, Hudson & Coombe LLP, was permitted to make short oral submissions regarding the bankruptcy proceedings before the Supreme Court of British Columbia.

B. *Underlying facts*

[11] One of the problems of this case is that the Federal Court and this Court have not been privy to all of the facts at the heart of the underlying dispute. As such, a limited amount of evidence has been proffered, most of which stems from a single source, the affidavit of Mr. Stephen Encarnacao, the principal of Dayton Enterprises (see Affidavit of Stephen J. Encarnacao No. 1, AB, tab 5 at pp. 28-38).

[12] The main facts on hand are described in the Federal Court's reasons. At paragraphs 7 to 9, the Federal Court recounts the following:

[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".

[Emphasis added.]

[13] In addition to the foregoing, I note that Dayton Enterprises' first default letter dated November 18, 2015 (the reference to 2013 was an error) is addressed to Red Cat as well as Dayton Brands, both listed as having the same address on East Hastings Street in Vancouver (AB, tab 5-F at pp. 65-66). I underline this fact, as a letter by Clark Wilson LLP dated April 12, 2016 in response to the second default letter does not specify which party (or parties) – whether it is Red Cat, Dayton Brands or both – the firm represents (AB, tab 5-H at pp. 71-72). What is clear, however, is that by April 12, 2016 Red Cat had already assigned the "DAYTON" trademark to Hutchingame by way of an agreement dated March 23, 2016 (AB, tab 7-B at p. 138). It is curious that this important piece of information was not disclosed in Clark Wilson LLP's letter to Dayton Enterprises.

[14] It is thus only after having effectively assigned the “DAYTON” trademark to Hutchingame that Red Cat applied to the Registrar to have the mark’s registration amended to reflect that Red Cat purportedly held title to it since May 2012. As found by the Federal Court at paragraphs 10 and 11 of its reasons:

[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.

[Emphasis added.]

[15] It is worth noting that Red Cat’s letter to the Registrar about the alleged assignment by way of the redacted 2012 Agreement came but a couple of weeks after Dayton Enterprises had itself written to the Registrar to record a change of address on April 22, 2016 (AB, tab 9-H at p. 188). The change of address was recorded (with an incorrect postal code) on May 9, 2016 – the same day as the letter sent by Red Cat to communicate the alleged assignment through the redacted Agreement (AB, tab 9-G at p. 187). And on May 30, 2016 – the same day as the registration of the trademark in Red Cat’s name – Dayton Enterprises had written back to Registrar to flag the incorrect postal code (AB, tab 9-D at p. 177). This should have raised a red

flag for the Registrar. Why would a company which, according to Red Cat, had not owned the trademark since 2012 want to ensure that its new address is properly recorded in the register in 2016?

[16] In any event, Dayton Enterprises was only advised of the change of registration to Red Cat by the Registrar by way of letter dated June 6, 2016 (FC Reasons at para. 12) after its trademark agent received a copy of the letter from the Registrar to Red Cat's agent. Dayton Enterprises followed up on June 22, 2016 by objecting on the basis that the Registrar had been misled about the legal effect of the Agreement and that title to the "DAYTON" trademark had never in fact passed to Red Cat. Indeed, it would appear from the record before us that at no time between 2012 and 2016 was Dayton Enterprises asked to sign documents formally assigning the trademark to Red Cat or to provide any of the other documents required pursuant to the Agreement (see section 21 of the 2012 Agreement). In effect, in Clause 25, the Agreement is defined as a "prospective transaction" [emphasis added] (see AB, tab 5-B at p. 51). Nevertheless, the Registrar declined to provide relief on the basis that, according to its reading of section 57 of the TM Act, the Federal Court is vested with the exclusive jurisdiction to order the Registrar to amend the register.

[17] It is at this juncture that Dayton Enterprises proceeded by way of an application before the Federal Court pursuant to section 18.1 of the FC Act and subsection 57(1) of the TM Act. According to its Notice of Application, Dayton Enterprises sought a declaration that the Registrar had erred in recording the change in title to Red Cat, as well as an order setting aside

the Registrar's decision to record this change and *directing it to correct the register by restoring Dayton Enterprises as the proper owner of the "DAYTON" trademark.*

[18] Upon learning that the trademark had been further assigned by Red Cat to Hutchingame, Dayton Enterprises amended its Notice of Application to include Hutchingame as a respondent in the proceedings (see Dayton Enterprises' Further Amended Notice of Application dated September 16, 2016, AB, tab 3 at p. 21). However, I note that Dayton Enterprises did not modify the form of relief it sought, so that the Notice of Application still only concerns the Registrar's initial registration of the change in title to Red Cat and not the subsequent registration in Hutchingame's name.

[19] That Dayton Enterprises belatedly added Hutchingame as a party is understandable given that, though dated March 23, 2016, the assignment agreement between Red Cat and Hutchingame was only filed with the Registrar on July 21, 2016. The Registrar recorded this new change on August 17, 2016 – seemingly without regard to Dayton Enterprises' letter objecting to the first registration change received close to two months earlier (AB, tab 7-A, B at pp. 134, 137). The Registrar also ignored this other red flag.

[20] I pause here to underline that Dayton Brands was added as a third party to the March 2016 assignment agreement between Red Cat and Hutchingame even though it has never been listed as the owner of the "DAYTON" trademark in any of the documents in the record. In the said assignment, Red Cat is expressly described as the assignee, i.e. the owner of the registered mark. I also note that Mr. Risk signed the agreement on behalf of both Red Cat and Dayton

Brands. This is worth mentioning, as it further underscores the fact that we have no indication whatsoever of the context in which the trademark was assigned to Hutchingame, including as to why the assignment was not registered with the Canadian Intellectual Property Office [CIPO] until some five months after it was made. What is clear however is that when the assignment was signed, Hutchingame ought to have known that neither Red Cat nor Dayton Brands were recorded as owners in the public register kept under the TM Act. There is no evidence that Hutchingame inquired with Dayton Enterprises, the then registered owner of the mark.

C. *Federal Court's decision*

[21] The Federal Court found that 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. According to the Federal Court, Red Cat and Clark Wilson LLP 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 (FC reasons at para. 15). The Federal Court concluded that 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 Clark Wilson LLP 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" trademark or give Dayton Enterprises appropriate notice of Red Cat's request to register a transfer. This conduct, in the Federal Court's view, breached the "exceptional duty of full and frank disclosure" that attaches to *ex parte* procedures; Red Cat effectively misled the Registrar (FC reasons at para. 16).

[22] The Federal Court therefore found at paragraph 17 of its reasons:

[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.

[Emphasis added.]

[23] As such, despite the second registration reflecting Hutchingame as the trademark’s title holder not being the subject of Dayton Enterprises’ underlying application, the Federal Court ordered that “[t]he transfers of the Dayton trade-mark effected by the Registrar from Dayton Enterprises to Red Cat and from Red Cat to Hutchingame [be] declared void and [thereby] set aside” [emphasis added] (FC Reasons at para. 18).

[24] I also note in passing an anomaly in the wording of the Federal Court’s judgment. On an application for judicial review, the usual remedy is for the matter to be returned to the decision-maker. In this case, the Federal Court’s judgment is somewhat inaccurate given that the Registrar is not empowered to do anything more than “register” a mark under an owner’s name – it does not decide to “transfer” a mark. Without a specific order made under section 57 of the TM Act instructing the Registrar to amend the register, the Registrar could not, in theory, have done so.

[25] After the hearing, the parties informed this Court that, despite the anomaly in the Federal Court's judgment and since no party had sought to stay the judgment, the Registrar amended the register on April 2, 2019 to reinstate Dayton Enterprises as the owner of the "DAYTON" mark after receiving a copy of the Federal Court's judgment. As held by this Court in *Emall.ca Inc. v. Cheaptickets and Travel Inc.*, 2008 FCA 50 at para. 9 (*Emall.ca*), the Registrar will have to give effect to this Court's judgment, which will be filed with the Registrar in accordance with section 61 of the TM Act.

[26] As mentioned, Hutchingame, the only respondent who filed a responding record, was ordered to pay Dayton Enterprises costs assessed at the high end of Column V of the Tariff.

II. Issues

[27] The appellant focused the following issues:

- 1) Whether the Federal Court was entitled to consider new evidence that was not before the Registrar; and
- 2) Whether the Dayton Enterprises' application could have succeeded if the Federal Court had not considered new evidence;
- 3) Whether the Federal Court erred in awarding elevated costs against Hutchingame.

[28] During the hearing, it became evident that the answer to the first question depends on what was the correct jurisdictional vehicle and basis for the Federal Court's intervention in this matter. This is a question of law which attracts the standard of correctness (*Housen v. Nikolaisen*, 2002 SCC 33 [*Housen*]; *Pembina County Water Resource District v. Manitoba (Government)*, 2017 FCA 92 at para. 35; *Alberta v. Canada*, 2018 FCA 83 at para. 19).

[29] Since, as I explain below, I conclude that the Federal Court erred in holding that section 18.1 of the FC Act was the appropriate jurisdictional vehicle and that the appropriate vehicle was in fact section 57 of the TM Act, the standards of review applicable to the issues before this Court are those set out in *Housen*.

[30] An award of costs is a question of mixed fact and law involving the Federal Court's discretion. Absent an extricable error of law, such an award is reviewable on a standard of palpable and overriding error (*Nova Chemicals Corporation v. Dow Chemical Company*, 2017 FCA 25 at para. 6; *Alani v. Canada (Prime Minister)*, 2017 FCA 120 at para. 12).

III. Analysis

[31] I will first tackle the question regarding whether section 56 of the TM Act, section 57 of the TM Act, section 18.1 of the FC Act – or a combination of any of these provisions – was the appropriate basis on which to resolve the legal issues in the circumstances of this case. I note that, though Dayton Enterprises made an oral motion at the hearing before the Federal Court to amend its application to add section 56 of the TM Act as an additional ground for the relief it sought, it was the Federal Court which first raised the issue of section 56's applicability. Despite this, and for reasons which are not entirely clear upon a reading of its reasons, the Federal Court decided that it was only necessary to consider Dayton Enterprises' application insofar as it involves the Federal Court's judicial review jurisdiction under section 18.1 of the FC Act (FC Reasons at para. 1).

- A. *What is the appropriate vehicle for resolving the parties' disagreement about the ownership of the mark and the validity of the entries in the register relating to transfer of ownership?*

[32] Sections 18 and 18.1 of the FC Act do indeed confer on the Federal Court exclusive original jurisdiction to hear and determine applications for judicial review of decisions made by a federal board, commission or other tribunal. However, this general power is not without limits. For instance, section 18.5 of the FC Act establishes that, when an Act of Parliament – such as the TM Act – provides for an appeal to the Federal Court from a decision or an order of a federal board, commission or other tribunal, that decision is not to be dealt with by way of an application for judicial review, except in accordance with that Act.

[33] Such an appeal provision does exist in the TM Act: subsection 56(1) of the TM Act provides that an appeal lies with the Federal Court from any decision made by the Registrar, provided the appeal is brought within two months of the Registrar rendering their decision. But does Dayton Enterprises have a right to appeal the Registrar's decision to record a change in title?

[34] At the hearing, both parties submitted that, since neither Dayton Enterprises nor Hutchingame were party to the initial request to record the change of title before the Registrar, neither of them had the right under section 56 of the TM Act to appeal the Registrar's decision to modify the register when it recorded Red Cat as the owner of the "DAYTON" mark.

[35] The parties' position on the applicability of section 56 seems to correspond to the teachings of this Court in *Ontario Assn. of Architects v. Assn. of Architectural Technologists of Ontario*, 2002 FCA 218 [*Association of Architects*]. At issue in that case was the Registrar's decision to give public notice of the adoption and use of official marks pursuant to section 9 of the TM Act. On the question of who had the right to appeal such a decision under section 56, Evans J.A. concluded as follows:

[37] In *Restaurants Pacini Inc. v. Pachino's Pizza Ltd.* (1994), 112 F.T.R. 29 at para. 8, Pinar J. said [translation]: "although the right of appeal granted by subsection 56(1) of the Act is not limited to any person, this does not mean that any person can file a notice of appeal", since a right of appeal is exceptional in nature. Indeed, Décaré J.A.'s *obiter dicta* in *Austin Nichols [& Co., Inc. v. Cinnabon Inc.*, [1998] 4 F.C. 569 at para. 10], limited the right of appeal under subsection 56(1) to the parties to proceedings before the Registrar.

[38] Accordingly, the question in this appeal is whether the Court should conclude that the right of appeal in section 56 is implicitly limited to the person making the request to the Registrar under subparagraph 9(1)(n)(iii) as the only party to the administrative proceeding, or extends also to persons interested in the decision because their interests (or, as in this case, their members' interests) may be adversely affected by the Registrar's giving public notice of the adoption and use of the official marks.

[39] In my opinion, the Applications Judge was correct to conclude that this application should be treated as an application for judicial review, and not as an appeal under section 56, even though the OAA is no mere idle bystander and has an interest sufficient to give it standing to bring an application for judicial review under section 18.1.

[40] Normally, rights of appeal are limited to the parties to and, sometimes, to interveners in the proceedings leading to the decision under appeal. Appellate courts may permit an intervention in an appeal launched by a party, even though the intervener had not participated in the proceedings below. However, that is not our case. The OAA seeks to bring an appeal in its own name, not to intervene in an appeal brought by another.

[...]

[42] In the absence of any authority on point, I see nothing in the scheme of subsection 9(1) that would justify a departure from the normal principle that a person who was neither a party to nor an intervener in the proceedings below has no standing to exercise a statutory right of appeal.

[43] On the contrary, it would be very odd in my view for Parliament to give to a person who had no right to participate before the Registrar the benefit of a right of appeal under section 56, with its unusual, trial *de novo* aspect. It is one thing for Parliament to decide to permit a party to a proceeding before the Registrar to adduce evidence for the first time on the appeal, but quite another to conclude that this right extends to a person who neither participated nor had the right to participate in the proceeding culminating in the decision under appeal.

[Emphasis added.]

[36] The principles relating to the right to appeal a decision of the Registrar under section 9 of the TM Act could apply equally to the Registrar's decision in this case to record a change of ownership pursuant to section 48. Had Red Cat been denied its request to have the change in ownership recorded, then it would have had a right to appeal that denial decision. However, though Dayton Enterprises, whose name was removed from the register, undoubtedly has an interest in the trademark and the request made by Red Cat, it did not participate in the *ex parte* application initiated by Red Cat. Dayton Enterprises was only notified of the change once the decision to modify the register had been made. Dayton Enterprises did not appear or make submissions before the Registrar as there is no rule preventing such application from being made *ex parte*.

[37] It would thus appear that Dayton Enterprises does not have the right to proceed with an appeal of the Registrar's recording of the transfer in the register. There may be special circumstances in which a party could not unilaterally prevent another party from exercising a right of appeal it should have had. But no argument on this point was made before this Court. The issue is better left to another day.

[38] Though Dayton Enterprises did not, as mentioned, amend its notice of application so as to attack the Registrar's second decision to record the change in title to Hutchingame, the same reasoning would necessarily apply to the possibility of Dayton Enterprises' having a right to appeal this second decision.

[39] That an appeal avenue is barred does not necessarily mean that Dayton Enterprises must now proceed by way of an application for judicial review under sections 18 and 18.1 of the FC Act.

[40] The parties agree that the appropriate procedural vehicle for amending the register is an "application" pursuant to section 57. Though not a party to this appeal, based on correspondence reproduced in the record, the Registrar appears to share this position (see AB, Tab 5, Exhibit N at p. 99 (taking the position that section 57 "provides the Federal Court with exclusive jurisdiction to order amendments to the register where rights are not accurately reflected" and that, accordingly, "the Registrar does not possess any separate, implicit authority to review and strike out or amend registered transfers", "even in cases of clerical error (except for minor errors having no effect on substantive ownership e.g. minor spelling mistakes) or fraud")).

[41] Paragraph 20(1)(b) of the FC Act provides that the Federal Court has exclusive original jurisdiction in all cases in which it is sought to have any entry in any register of trade-marks "made, expunged, varied or rectified". Subsection 57(1) of the TM Act specifies that the Federal Court has exclusive jurisdiction to order that the register be amended if it does not accurately express or define the existing rights of the person appearing to be the registered owner of the

mark. Although section 57 refers to an application, section 58 of the TM Act provides that such an application can be made by filing an originating notice of motion, by counter-claim in an action for infringement of the trademark or by a statement of claim in an action claiming additional relief under the TM Act. Furthermore, subsection 57(2) of the TM Act adds the caveat that a person cannot bring an application under section 57 to call into question any decision given by the Registrar of which that person had express notice and from which they had a right to appeal pursuant to section 56.

[42] Since Dayton Enterprises did not have the right to appeal the Registrar's initial decision in this case, an application under section 57 was open to it. Indeed, under subsection 57(1), "any person interested" (emphasis added) may apply to the Federal Court to have any entry on the register amended or even expunged altogether. Section 2 of the TM Act defines the term "person interested" as including "any person who is affected or reasonably apprehends that he may be affected by any entry in the register, or by any act or omission or contemplated act or omission under or contrary to this Act, and includes the Attorney General of Canada". Indeed, as held by this Court in *Sadhu Singh Hamdard Trust v. Registrar of Trade-Marks*, 2007 FCA 355 at paragraph 24 [*Sadhu Singh*]:

...Unlike a proceeding under section 56, an expungement action [under section 57] is not an appeal. It can be commenced by any person with an interest, even if not a party to the opposition proceedings. There is no time limit within which it must be commenced. The result is binding against the world in the sense that once a trade-mark is removed from the register, it is removed for all purposes: see *Compulife Software Inc. v. Compuoffice Software Inc.* (1997), 77 C.P.R. (3d) 451. The differences between an appeal under section 56 and an action for expungement under section 57 are real and substantial.

[43] As the former registered owner of the trademark, Dayton Enterprises is undoubtedly an interested person for the purposes of subsection 57(1) of the TM Act.

[44] I therefore agree with the parties that an application pursuant to section 57 of the TM Act should provide Dayton Enterprises with an adequate alternative means of correcting the register and Dayton Enterprises was not required to proceed by way of judicial review.

[45] Section 18.1 of the FC Act preserves the discretionary nature of judicial review: *Canadian Pacific Ltd. v. Matsqui Indian Band*, [1995] 1 S.C.R. 3 at para. 31; *Canada (Citizenship and Immigration) v. Khosa*, 2009 SCC 12 at paras. 39-40 (confirming the Federal Court’s “discretion to grant or withhold relief, a discretion which, of course, must be exercised judicially and in accordance with proper principles”); *Strickland v. Canada (Attorney General)*, 2015 SCC 37 at para. 38 (*Strickland*).

[46] One of the factors that may lead the Federal Court to exercise its discretion and withhold relief is the availability of an adequate alternative remedy (*Strickland* at para. 40). The alternative remedy must be adequate to address the applicant’s grievance, but the relief it offers need not be “identical to [that] available on judicial review” (*ibid* at paras. 42, 59). Although determining the adequacy of the alternative and the appropriateness of judicial review is necessarily a multifactorial inquiry, respect for the statutory scheme is a particularly important consideration in the instant case (*ibid* at paras. 43-44, citing David J. Mullan, “The Discretionary Nature of Judicial Review” in Robert J. Sharpe & Kent Roach, eds., *Taking Remedies Seriously: 2009* (Montreal: Canadian Institute for the Administration of Justice, 2010) 420 at 447).

[47] In *Sadhu Singh*, this Court found that section 57 of the TM Act provided the party seeking to overturn a Registrar's decision to register a mark, i.e. seeking expungement, with an adequate alternate remedy justifying the Federal Court's refusal to exercise its jurisdiction under sections 18 and 18.1 of the FC Act (*Sadhu Singh* at paras. 26, 28-29).

[48] The same is true for a party seeking to overturn the Registrar's decision to register a transfer under subsection 48(3) of the TM Act. In practical terms, the party (i.e. Dayton Enterprises, in this appeal) wishes to see the entry in the register corrected. That is precisely what the Federal Court was granted the power to do by paragraph 20(1)(b) of the FC Act and, more specifically, by subsection 57(1) of the TM Act.

[49] By contrast, on an application for judicial review, availability of an order requiring a body to do anything it has unlawfully failed or refused to do under paragraph 18.1(3)(a) of the FC Act, depends on the body whose decision is being reviewed having the power to do what it is to be ordered to do. Assuming that, as the parties agree, the Registrar does not currently have the statutory power to correct the register, the Federal Court would be limited on judicial review to setting aside the Registrar's decision and remitting the issue of whether the transfer should be registered to the Registrar (FC Act, s. 18.1(3)(b)).

[50] In addition, proceeding under paragraph 20(1)(b) of the FC Act and subsection 57(1) of the TM Act offers a more direct and convenient route to achieving what Dayton Enterprises seeks in the underlying application than judicial review. Proceeding in this manner is also more

respectful of the statutory scheme since it was undoubtedly Parliament's intention that a party be able to seek to have the register corrected before the Federal Court.

[51] The Federal Court should therefore have declined to proceed by way of judicial review in light of the powers to order the amendment of the register granted to it by section 57 of the TM Act. The Federal Court does not deal with this issue in its reasons.

[52] I pause here to note that under amendments to the TM Act due to come into force on June 17, 2019, the Registrar will have the power to remove the registration of a transfer on receipt of satisfactory evidence that the transfer should not have been registered (*Economic Action Plan 2014 Act, No. 1*, S.C. 2014, c. 20, s. 352, enacting *Trademarks Act*, R.S.C. 1985, c. T-2, s. 48(5); *Order Fixing June 17 and 18, 2019 as Days on which Certain Provisions of the three Acts Come into Force*, P.C. 2018-1329, C. Gaz. 2018.II.4243). Had that power been available to the Registrar when Dayton Enterprises objected to registration of the transfer to Red Cat in June 2016, the Registrar would have had to decide whether Dayton Enterprises had provided satisfactory evidence. Depending on the Registrar's decision, both Dayton Enterprises and Red Cat would then have had the right to appeal under section 56 of the TM Act.

[53] Although the amendments to the TM Act not yet in force do not directly impact the disposition of this appeal, they do reinforce the exceptional and unusual nature of this appeal.

B. *What order should the Federal Court have made and how should this Court proceed?*

[54] Having determined that the appropriate procedural vehicle for achieving the relief sought by Dayton Enterprises – essentially that the entry in the register reflecting the transfer to Red Cat be struck out – is an application pursuant to section 57 of the TM Act, the question remains whether such an order should have been made in the circumstances.

[55] The only substantive issue at bar is the ownership of the “DAYTON” trademark, including particularly the effect of the 2012 Agreement. This is ultimately a contractual dispute between commercial parties. In my view, there was insufficient evidence before the Federal Court for it to be able to determine this issue. Moreover, I agree with the Federal Court that, in this particular case, given the sole substantive issue before it, the Court did not have the jurisdiction to decide who the actual owner of the registered trademark was on May 9, 2016 (the date Red Cat made its request to the Registrar to modify the register). Still, the Federal Court does have the exclusive jurisdiction under paragraph 20(1)(b) of the FC Act and subsection 57(1) of the TM Act to order the Registrar to amend the register if it does not accurately reflect the rights of the registered owner, i.e. in this case, Red Cat and then Hutchingame.

[56] In the circumstances, the Federal Court had no choice but to stay the proceedings under section 57 of the TM Act until the issue of ownership had been resolved by the Supreme Court of British Columbia (and any appeal rights have been exhausted) (FC Act, s. 50(1)). It is only after the issue of ownership has been finally determined that the Federal Court will be in a position to determine if any entries on the register should be either struck out or amended.

[57] This solution is certainly not ideal, especially considering that a dispute like this one could ultimately have an impact on the distinctiveness of the trademark (TM Act, s. 2). An ongoing dispute about the ownership of a trademark may jeopardize the association of the mark with a particular origin or source and thereby undermine its distinctiveness.

[58] Given this conclusion, Hutchingame's argument to the effect that the Federal Court inappropriately considered new evidence on an application for judicial review under section 18.1 of the FC Act need not be considered. Indeed, it is obvious, as the parties accepted, that new evidence may be submitted on an application pursuant to section 57 of the TM Act. The fact that this application should have proceeded by way of an originating notice of motion (or one of the other routes identified by section 58 of the TM Act) should not, in my view, in the particular circumstances of this case, lead to a dismissal of the proceedings.

[59] Before briefly commenting on a final clerical error that was relevant to the award of costs, a word about the proceedings before the Registrar is warranted. As mentioned by the Federal Court, under section 48 of the TM Act, the Registrar relies heavily on the good faith and full and frank disclosure of the party seeking to have the transfer recorded on an *ex parte* basis. Disputes like the one before us are exceedingly rare. This may explain why the TM Act and *Trade-marks Regulations*, S.O.R./96-195 do not prescribe formal requirements for recording such transfers. *Ex parte* requests supported by the type of simple assignment agreement that was used by Red Cat and Hutchingame in this case are common. Such agreements are used to keep the details of overall transactions confidential.

[60] However, Red Cat's conduct, and that of its trademark agent Clark Wilson LLP, gives me pause. A person's use of a heavily redacted document to register a change in ownership where they know that there is a dispute as to the effect of such document, leaves much to be desired. Indeed, the fact that the Federal Court's decision must in my view be quashed should not be interpreted as a disagreement with its findings regarding Red Cat's deliberate withholding of crucial information in respect of the dispute surrounding the "DAYTON" trademark and that Red Cat intentionally misled the Registrar (FC reasons at para. 16).

[61] The accuracy of the register is a matter of public interest (see TM Act, s. 29(1)(a) (requiring that the register be made available to the public)). The Federal Court's task pursuant to section 57 of the TM Act is foremost to protect members of the public. Register entries may create a *prima facie* presumption that the registered parties validly retain title to a given mark. However, like the presumption of validity of a registered trademark or a presumption arising from the issuance of a patent, this is a weak presumption (see *Emall.ca* at paras. 11-12).

[62] Still, the public interest demands that third parties not be left with incomplete or misleading information. It is for this reason that, at the hearing, this Court raised the issue of whether it would be appropriate in the somewhat exceptional circumstances of this case, to order the Registrar to amend the register in respect of the entries relating to the transfer to Red Cat and then Hutchingame to include a notice informing the public that the ownership of the trademark and the validity of the recorded entries in respect of these transfers are in dispute. Both parties agreed that this Court could indeed order the Registrar to add such a notice under section 57 of the TM Act.

[63] Hutchingame asked that the notice also include a reference to the bankruptcy proceedings relating to Dayton Brands (file No. B-170382). It is difficult to see how Dayton Brands could have been the owner of the trademark on March 26, 2016. Indeed as mentioned earlier, Dayton Brands acknowledged in the assignment to Hutchingame that Red Cat was the owner of the Dayton trademark. Dayton Brands was never the recorded owner of the mark.

[64] However, there is no real prejudice in referring to both proceedings. I therefore conclude that it would be appropriate to make such an order in the circumstances.

C. *Did the Federal Court err in awarding elevated costs against Hutchingame?*

[65] Finally, there remains the question of the Federal Court's costs award against Hutchingame. Normally, there would be no need to say anything about this, given that the award of costs falls if the Federal Court's decision is quashed. However, to avoid any further misunderstanding, if and when a new hearing takes place, I must note that the Federal Court – in awarding elevated costs against Hutchingame on the basis that the company knew or ought to have known that the trademark's ownership was contentious because its representative before the Registrar was the same as Red Cat's – may have been misled by a clerical error in the register. Indeed, although the extract of the trademark register included in the evidentiary record does indicate that Clark Wilson LLP was Hutchingame's agent as well as Red Cat's, it appears from the correspondence received by the Registrar that Hutchingame's agent was actually the firm's president, Mr. Eric Hutchingame (see AB, tabs 7-A, B at pp. 132, 137). As such, Clark Wilson LLP was never Hutchingame's appointed representative for service before the CIPO (see FC reasons at para. 17), the firm having only been described as such by the Registrar by mistake.

IV. Conclusion

[66] I would allow Hutchingame's appeal and quash the Federal Court's decision. Under subparagraph 52(b)(i) of the FC Act, I would render the judgment that the Federal Court should have rendered and would order the following:

- a) Under subsection 50(1) of the FC Act, Dayton Enterprises' application in Federal Court file No. T-1031-16 is stayed until a final determination as to the ownership of the Dayton mark has been made in file No. S-1711772 or B-170382, currently before the Supreme Court of British Columbia;
- b) Under section 57 of the TM Act, the Registrar is ordered to add the following notice to the English and French versions of the register, respectively, in respect of the entries relating to the transfers to Red Cat and Hutchingame:

The ownership of this trademark and the validity of these transfers are in dispute. See Supreme Court of British Columbia files numbered B-170382 and S-1711772, Federal Court file numbered T-1031-16 and Federal Court of Appeal file numbered A-115-18.

La propriété à l'égard de cette marque de commerce et la validité de ces transferts font présentement l'objet d'un débat juridique devant les tribunaux. Voir les dossiers de la Cour suprême de Colombie-Britannique numérotés B-170382 et S-1711772, de la Cour fédérale numéroté T-1031-16 et de la Cour d'appel fédérale numéroté A-115-18.

[67] Finally, in the particular circumstances of this case, including what was discussed during the hearing before this Court, in my view, each party should bear its own costs in this appeal.

“Johanne Gauthier”

J.A.

“I agree
Richard Boivin J.A.”

“I agree
Mary J.L. Gleason J.A.”

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

**APPEAL FROM A JUDGMENT OF THE HONOURABLE JUSTICE BARNES DATED
MARCH 20, 2018, DOCKET NO. T-1031-16**

DOCKET: A-115-18

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

PLACE OF HEARING: VANCOUVER, BRITISH
COLUMBIA

DATE OF HEARING: MARCH 21, 2019

REASONS FOR JUDGMENT BY: GAUTHIER J.A.

CONCURRED IN BY: BOIVIN J.A.
GLEASON J.A.

DATED: MAY 16, 2019

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