

Federal Court



Cour fédérale

Date: 20211125

Docket: T-542-20

Citation: 2021 FC 1304

Toronto, Ontario, November 25, 2021

PRESENT: Mr. Justice Andrew D. Little

BETWEEN:

**S&P GLOBAL INC.
and
STANDARD AND POOR'S FINANCIAL SERVICES LLC**

Plaintiffs

and

S&P DATA CORP

Defendant

ORDER AND REASONS

[1] The plaintiffs appeal an Order dated April 21, 2021 made by Prothonotary Milczynski under Rule 51 of the *Federal Courts Rules*, SOR/98-106. The Prothonotary, serving as the Case Management Judge of this trademark proceeding, dismissed the plaintiffs' motion for an Order striking out certain paragraphs of the Amended Statement of Defence and Counterclaim dated November 20, 2020 and, alternatively, for an Order for particulars of certain allegations in that pleading.

[2] The main issues on this appeal, and on the plaintiffs' motion, concern abuse of process. The plaintiffs' position was that the Prothonotary's decision contained at least four errors of law or palpable and overriding errors that require this Court to intervene on appeal. The defendants asserted that the Prothonotary's decision was correct and, in any event, there are no grounds to reverse it on appeal.

[3] I conclude that the appeal must be dismissed. The plaintiffs have not shown that the Prothonotary made an error that permits this Court to intervene on appeal.

I. **Relevant Allegations in the Pleadings**

[4] In these reasons, I will call the plaintiffs (who are also defendants by counterclaim) the "plaintiffs". I will use "defendant" to refer to the defendant/plaintiff by counterclaim. I will retain that convention when discussing the court decisions cited by the parties.

[5] The plaintiffs' Statement of Claim alleged that they are the owners of certain trademarks that include "S&P" and that the defendant infringed those trademarks through its use and display of the trade name and trademark "S&P DATA". The plaintiffs claimed infringement contrary to sections 19 and 20 of the *Trademarks Act*, RSC 1985, c T-13, together with injunctive relief and damages under paragraphs 7(b) and 7(c) and section 22 of the *Trademarks Act*.

[6] In its Amended Statement of Defence and Counterclaim, the defendant denied all of the plaintiffs' allegations. The defendant alleged that the plaintiffs' and the defendant's businesses, customers, services, names, places of business and business models are all different. The

defendant pleaded that the only similarity is the “S&P” in their names, which represented the last names of the two founders of its business and is common to thousands of other companies in North America. The defendant also alleged that the plaintiff’s trademark has been abandoned, and there is no likelihood of confusion between the parties’ respective marks. The defendant pleaded that the plaintiffs’ trademarks are invalid.

[7] In its Amended Statement of Defence, the defendant made the following allegations that were challenged on the motion to strike and are material to this appeal:

- in 1995, the plaintiffs demanded that the defendant cease using the name “S&P Data Corp.” The defendant’s predecessor (a prior owner of assets) responded that there was no infringement and that it was the plaintiffs that were interfering with and infringing its rights (paras 9-10);
- “The Plaintiffs commenced this action not to protect any right but rather for the collateral and abusive purpose of attempting to force the Defendant to capitulate and abandon the name they have used for 34 years”. The “true purpose” of the action is not to protect their rights but to force the defendants to abandon its rights (para 11);
- “Any suggestion otherwise by the Plaintiffs is an attempt in furtherance of their abusive efforts to coerce the Defendant into abandoning their long use of its founders’ name so that the Plaintiffs can use it” (in paragraph 56);
- “... if there is any infringement or passing off it is by the Plaintiffs of the Defendants” (para 47);

- the parties, including their predecessors, “have coexisted in Canada for nearly 35 years and have coexisted for many decades with thousands of other entities operating with the “S&P” in their name[s]” (para 28);
- the plaintiffs commenced the proceeding “in bad faith and for an ulterior purpose”, which was to seek to either expand the services that they provide that are similar to the defendant or to rebrand their current business and services (para 29);
- there are hundreds of entities using “S&P” in their business names that the plaintiffs had not sued, including over 600 in 33 states of the United States. The “sheer magnitude of businesses in North America utilizing ‘S&P’ in their business names demonstrates that there is no distinctiveness to the ‘S&P’ name” (paras 34 and 36-39).

[8] In the Counterclaim, the defendant sought damages of \$1 million for abuse of process in tort (para 73(c)). The Counterclaim incorporated the matters pleaded in the Statement of Defence. The defendant alleged in the Counterclaim that the commencement of the proceeding constituted an abuse of process (para 80) and claimed:

- the action was initiated for the predominant purpose of furthering the plaintiffs’ indirect, collateral and improper objective of acquiring the right to use the name “S&P Data” in furtherance of the expansion or rebranding of its businesses and services (para 81);
- the plaintiffs brought the action, and another lawsuit in Delaware, in an attempt to obtain rights “to which they know they are not entitled”. The predominant

purpose of the two actions was “not to enforce an existing right, but to bully a smaller and less powerful Corporation into abandoning its name, through economic hardship imposed by litigation” so that the plaintiffs may expand their existing services into a new industry (para 82);

- here is “simply no other reason why” the plaintiffs have commenced the action and the Delaware action after first complaining 25 years ago and having not pursued the hundreds of other entities using “S&P” in their names (para 83);
- the plaintiffs maliciously notified the media of a prior lawsuit in New York against “S&P DATA LLC”, the American subsidiary of the defendant, which concerned their trademarks registered in the United States. The defendant alleged that the plaintiffs advised the media that the defendant was a competitor but it was not, and that the defendant infringed their trademarks but it did not. The plaintiffs allegedly knew and intended that the numerous press releases and articles would result and would cause harm to the defendant’s Canadian business operations. As a result, the Counterclaim alleged that the plaintiffs’ false and misleading claims were published in Canada, with specific articles pleaded (para 86). The defendant alleged that doing so damaged its relationship with its lenders, including by jeopardizing a “large and delicate financing” that the defendant was in the process of completing in Canada when the publications occurred (para 87). The defendant alleged that other lenders have been hesitant or refused to provide loans as a direct result of the media coverage (para 88).

[9] I will refer below to additional excerpts from the pleadings as required in the analysis below.

II. The Prothonotary's Decision

[10] The Prothonotary declined to strike out the paragraphs related to abuse of process as identified by the plaintiffs. She articulated the following legal standard:

... every pleading must contain a concise statement of the material facts upon which the party relies. Those material facts must give rise to a reasonable cause of action or defence. The court must consider whether, as pleaded, the defence or claim asserted is frivolous, vexatious or an abuse of the courts process. The court must also determine whether it is plain and obvious that the pleading fails to disclose a reasonable cause of action or defence. The bar is high – it must be clear that it is doomed to fail.

[11] Neither party questioned this statement of law.

[12] The Prothonotary could not conclude that the defendant's allegations were scandalous, vexatious or an abuse of the Court's process. She referred to the defendant's allegations of a 25-year delay in commencing the action and reliance on the equitable doctrine of laches. She observed that, taken as a whole, the Statement of Defence and Counterclaim alleged essentially that the plaintiffs had acted in bad faith, with ulterior motives and in a high-handed manner. The defendant submitted that the action gives rise to considerations beyond and more than "mere" infringement - including "whether the action belies the plaintiffs' true coercive of purpose", which the defendant pleaded was to "force the defendant into abandoning its founders' names and to use it themselves".

[13] The Prothonotary held that as noted in *Tractor Supply Co of Texas, LP v TSC Stores LP*, 2009 FC 154 (Russell J) [*Tractor Supply FC*], the commencement of a trademark infringement action before the Federal Court can, as a matter of law, support an abuse of process claim, and:

It may be made by a party who alleges as sword and shield that a trademark action was commenced for an improper purpose (eg. in *Tractor Supply*, to harass and intimidate competitors in an attempt to interfere with their business).

[14] The Prothonotary referred to the defendant's allegations that: (a) the plaintiffs took no steps for 25 years to enforce their trademark rights; (b) the defendant was singled out and that no other parties using "S&P" are being sued; (c) the predominant purpose of the action was collateral to protecting its trademark and was to bully or coerce the defendant into abandoning its name through the plaintiffs' improper actions and the hardship imposed by litigation so as to facilitate the plaintiff's expansion and force the defendant to give up its name; and (d) the plaintiffs had taken steps that caused reputational damage and economic harm to the defendant.

[15] Considering these factors, and the pleading as a whole, the Prothonotary was not satisfied that a reasonable cause of action and defence had not been asserted in the Statement of Defence and Counterclaim. That pleading was not scandalous, frivolous, vexatious or an abuse, and it was not plain and obvious that the action was doomed to fail.

[16] Turning to the alternative request for particulars, the Prothonotary stated that it was "well settled" that the purpose of particulars at the pleading stage of an action is to enable a party to understand the nature of the case to be met, so it may provide a responsive defence. She held that the requesting party had the burden to establish with evidence that particulars were necessary for

the purpose of pleading and that the particulars sought were not within the party's own knowledge.

[17] After contrasting a request for particulars at the pleading stage with a request for particulars at the discovery stage, the Prothonotary held that in this case, the plaintiffs had not established that particulars were necessary to prepare a Reply and Defence to Counterclaim. The plaintiffs had not filed an affidavit stating that they did not understand what had been alleged about the defences to trademark infringement or about the allegation that the litigation had been commenced for collateral and abusive purposes. The Prothonotary was not satisfied that the pleading on its face was so deficient to require particulars.

[18] Accordingly, the Prothonotary dismissed the plaintiffs' motions.

[19] The plaintiffs appealed to this Court under Rule 51 of the *Federal Courts Rules*.

III. **The *Hospira* Standards for Rule 51 Appeals**

[20] The applicable standards of review on this appeal are not in dispute. On an appeal from a discretionary order of a Prothonotary under Rule 51, the Court applies the standards of review established in the Federal Court of Appeal's decision in *Hospira Healthcare Corp v Kennedy Institute of Rheumatology*, 2016 FCA 215, [2017] 1 FCR 331. The Federal Court may only interfere with a discretionary decision of a Prothonotary if the Prothonotary made an error on a question of law, or if the Prothonotary made a palpable and overriding error on a question of fact or mixed fact and law: *Hospira* at paras 68-69 and 79. The Federal Court of Appeal in *Hospira*

adopted the same appellate review standard for Rule 51 appeals as set out by the Supreme Court in *Housen v Nikolaisen*, 2002 SCC 33, [2002] 2 SCR 235, for appellate review of decisions by trial judges: *Housen*, at paras 19-37.

[21] The correctness standard may also apply to a question of law or a legal principle that is extricable from a question of mixed fact and law: *Hospira*, at paras 66 and 71-72. See also *Mahjoub v Canada (Citizenship and Immigration)*, 2017 FCA 157, [2018] 2 FCR 344, at paras 57 and 74; *Teal Cedar Products Ltd v British Columbia*, 2017 SCC 32, [2017] 1 SCR 688, at para 44. The palpable and overriding error applies if the impugned findings are factually suffused or a legal principle is not readily extricable: *Mahjoub* at paras 60, 156 and 318; *Housen*, at para 36; *Teal Cedar Products*, at paras 45-46.

[22] The palpable and overriding standard is a highly deferential standard of review: *Benhaim v St-Germain*, 2016 SCC 48, [2016] 2 SCR 352, at para 38; *Mahjoub*, at paras 61-64. The correctness standard permits the Court to substitute its own conclusion for the Prothonotary's conclusion.

[23] A Case Management Judge is assumed to be very familiar with the particular circumstances and issues in a proceeding. Decisions are afforded deference, especially on factually suffused questions: *Hospira*, at paras 102-103.

IV. **The Plaintiffs' Position on the Appeal**

[24] The plaintiffs submitted that the Prothonotary's Order contained the following errors:

- a) it erred in law by failing to set out the legal test for abuse of process claim and by failing to consider the necessary element of an overt act or threat;
- b) it accepted conclusory statements in the pleading as material facts, which are argument and do not support the abuse of process claim;
- c) it made a palpable and overriding error by drawing an analogy between this case and *Tractor Supply FC*;
- d) it made a palpable and overriding error in the application of the law by failing to order particulars of allegations in the Statement of Defence and Counterclaim.

[25] Both sides made extensive submissions on the law and on the details of the pleadings.

V. Analysis

A. *Appeal of the Unsuccessful Motion to Strike the Abuse of Process Allegations*

- (i) The alleged error of law concerning the requirements for abuse of process

[26] The plaintiffs submitted that a proper claim for abuse of process requires a party to plead four elements: the commencement of a proceeding; a collateral or improper purpose; an overt act or threat independent of the litigation in furtherance of that purpose; and resulting damage. They submitted that the Prothonotary's decision made a clear error by failing to consider the requirement for an overt act or threat.

[27] In response, the defendant maintained that in the Federal Courts, it is not necessary to plead an overt act or threat to maintain an allegation abuse of process, referring to *Tractor Supply FC* and its subsequent appeal decision: *Tractor Supply Co of Texas, LP v TSC Stores LP*,

2009 FCA 352 [*Tractor Supply FCA*]. The defendant submitted that, in any event, its pleading complied with the requirements for pleading abuse of process including that element.

[28] At the hearing, both parties referred extensively to Justice Russell's reasons in *Tractor Supply FC* and to the Federal Court of Appeal's reasons in *Levi Strauss & Co v Roadrunner Apparel Inc* (1997), 76 CPR (3d) 129 (FCA), digested at [1998] 1 FC D-25. The reasoning in these two decisions is fundamental to the plaintiffs' position on this appeal.

[29] In *Levi Strauss*, the plaintiffs moved to strike out two paragraphs in the Statement of Defence. The Federal Court did not strike them out. The Federal Court of Appeal dismissed an appeal.

[30] The Statement of Defence in *Levi Strauss* pleaded that the plaintiffs had failed to diligently enforce their alleged rights in alleged trademarks against others. The defendant pleaded that the plaintiffs' action was "frivolous and vexatious and intended only to try to harass and intimidate" the defendant (at paragraph 21 of the Defence). In the same paragraph of that Defence, the defendant pleaded that the plaintiffs had threatened numerous jeans manufacturers and vendors with legal action and had sued some, but had not diligently pursued those actions and avoided final adjudication of their rights. By that course of action, the defendant pleaded that the plaintiffs attempted to interfere with the jeans manufacturers/vendors' business and maintain the plaintiffs' market share.

[31] The defendant in *Levi Strauss* characterized its allegations in the Statement of Defence as claiming an abuse of the process of the Court—that under the guise of a valid proceeding to enforce their trademark, the plaintiffs were really abusing the Court’s process. The defendant wanted to “establish that the abuse of process resides in the [plaintiffs’] action or course of conduct which is designed to harass him and other users of the trademark and also to avoid by all means a determination of the validity of their registration”.

[32] Speaking for the Federal Court of Appeal, Létourneau JA found that the validity of the pleading concerned abuse of the Court’s process, and that motive was “highly relevant”. He distinguished between the tort of abuse of process and the “procedural defence” of abuse of process. He also described the gist and key element of the tort. Létourneau JA explained:

The concept of abuse of process has developed both in substantive and procedural law. It is well settled law, from the point of view of substantive law, that an abuse of process is an actionable tort. As Henry J. stated in *Tsiopoulous v. Commercial Union Assurance Co.* when dealing with a counterclaim for damages for abuse of process:

“This cause of action arises when the processes of law are used for an ulterior or collateral purpose. It is defined as the misusing of the process of the courts to coerce someone in some way entirely outside the ambit of the legal claim upon which the court is asked to adjudicate. It occurs when the process of the court is used for an improper purpose and where there is a definite act or threat in furtherance of such purpose.”

In Fleming’s *The Law of Torts*, the learned author distinguishes between certain forms of abuse of legal procedure such as malicious arrest and execution and the concept of abuse of process:

“Quite distinct, however, are cases where a legal process, not itself devoid of foundation, has been perverted for some extraneous purpose, such as extortion or oppression. Here an action will lie at the suit of the injured party for what has come to be called “abuse of process”.”

A review of the authorities shows that the essential element of the tort of abuse of process is that the abuser must have used the legal process for a purpose other than that which it was designed to serve, in other words for a collateral, extraneous, ulterior, improper or illicit purpose. The gist of the tort is the misuse or perversion of the Court's process and there is no abuse when a litigant employs regular legal process to its proper conclusion, even with bad intentions.

Abuse of process has also been invoked as a procedural defence, especially in criminal law when the proceedings were oppressive or vexatious or offensive to the principles of fundamental justice and fair play. When successful, the defence has resulted in a stay of the proceedings.

However, the procedural defence of abuse of process knows of no legal barrier in the sense that its application is not limited to the field of criminal law, but extends to other fields such as civil, constitutional or administrative law. There is nothing to prevent its application to an infringement lawsuit. The abuse of process notion proceeds from a rationale unconnected with the various segments of the law in which it can be invoked. It is a request to a Court to vindicate its process and protect it from abuse by litigants and I, for one, would be very loath to deny a litigant the right to raise the issue in its Statement of Defence and seek our protection against such an abuse when there is a factual basis to support the claim.

Again, I think the motions judge properly exercised his discretion when he came to the conclusion that there was a supporting factual basis for the allegation made by the Respondent and refused to strike paragraph 21 and the relevant portion of paragraph 18.

[Underlining added. Footnotes excluded.]

[33] Justice Russell's 2009 decision in *Tractor Supply FC* concerned an appeal from an Order of Prothonotary Milczynski. The plaintiffs alleged that the defendant had failed to plead the necessary elements of the tort of abuse of process and that the Federal Court had no jurisdiction over that that tort. The Prothonotary declined to strike out portions of a Statement of Defence and Counterclaim. Justice Russell dismissed the plaintiffs' appeal.

[34] The abuse of process claim in *Tractor Supply FC* related to the defendant's pleading that the plaintiffs wanted to acquire the defendant's business in Canada. In that case, the plaintiffs filed proceedings seeking a declaration that they owned certain trademarks in Canada that were wrongfully registered by the defendant. In the Statement of Defence and Counterclaim, the defendant pleaded that for more than 20 years, the plaintiff had not objected to the defendant's extensive and continuous use of certain trademarks in Canada. The defendant pleaded that the plaintiffs wanted to acquire the defendant's business in Canada. The plaintiff started directing confusing advertisements for their US business towards Canadian customers and then started trademark proceedings.

[35] The defendant in *Tractor Supply FC* alleged that the plaintiffs had commenced the trademark action "in bad faith, without justification, and with an extraneous and improper purpose, namely, to use this litigation to reduce the valuation of [the defendant] in the context of a takeover bid". The defendant pleaded that the plaintiffs had no reason to believe that the defendant's use of the trademarks would interfere with or damage their business in the United States. The plaintiffs' predominant purpose in commencing the action was not to preserve or defend any alleged rights in relation to the trademarks, or to obtain proper compensation for the violation of those rights. Rather, the predominant purpose was to "use the litigation in order to coerce acceptance of a lower valuation for the [defendant's] business in the context of a takeover bid" by the plaintiffs.

[36] After setting out the long passage from *Levis Strauss*, above, and considering its contents, Russell J observed that it might be that the defendant would not ultimately be able to establish

that this Court had jurisdiction to hear the defence or the counterclaim based on abuse of process or to prove that the constituent elements were present. He concluded, however, that it was not “plain and obvious” that the defendant could not succeed on its abuse of process allegations: *Tractor Supply FC*, at para 77. In his view, *Levis Strauss* considered abuse of process as both a procedural defence and as an actionable tort, even though it did not consider a counterclaim seeking damages for abuse of process. There was sufficient scope in the *Levis Strauss* decision to allow the defendant to use abuse of process as both a shield and as a sword: *Tractor Supply FC*, at paras 78 and 80.

[37] On appeal, the Federal Court of Appeal held that Russell J made no error in concluding that it was not plain and obvious that the defendant could not succeed given the existing state of the law. Layden-Stephenson JA noted that the plaintiffs’ position before Russell J concerned both the jurisdiction of the Federal Court over the tort (an issue not raised in the present motion) and the constituent elements required to assert the tort: *Tractor Supply FCA*, at para 2. She also set out an excerpt from *Hunt v Carey Canada*, [1990] 2 SCR 959, in which the Supreme Court indicated that it may be critical for claims to proceed on difficult or important points of law raised in a pleading: *Tractor Supply FCA*, at para 5, quoting *Hunt*, at pp. 990-991.

[38] The parties in the present case differed in their interpretations of *Levis Strauss* and *Tractor Supply FC* and specifically, whether these cases determined that abuse of process requires proof of two or four elements. As mentioned earlier, the plaintiffs identified four elements. The defendant maintained that there were only two elements (i.e., a proceeding commenced and an improper purpose) and that no overt act was necessary in this Court, based

on the opposing parties' arguments in *Tractor Supply FC* (first that no overt act had been pleaded, and in response that none was required: at paras 28 and 58) and Russell J's conclusion that the pleading would stand.

[39] I do not read *Tractor Supply FC* as denying a requirement to plead the element of an overt act or threat. Consistent with the Federal Court of Appeal's reasoning in *Tractor Supply FCA*, I believe that Justice Russell's conclusion did not turn on the failure to plead a specific element. It concerned whether, more broadly, the pleading revealed an arguable cause of action over which the Federal Court may have jurisdiction that should proceed towards a trial.

[40] The Federal Court of Appeal in *Tractor Supply FCA* did not determine the required elements for pleading the tort of abuse of process. The tort itself has not often been considered in the reported decisions of the Federal Courts. However, the requirement to plead and prove an overt act or threat in furtherance of the purpose has attracted significant—if not unanimous—support in Canada. In the passage from *Levis Strauss* set out above, Létourneau JA quoted with apparent approval an excerpt from an Ontario case that required it. In addition, an overt act or threat appears to be an element of the tort in most Canadian provincial superior courts: see *Oei v Hui*, 2020 BCCA 214, at para 77 (citing cases in 6 provinces) and para 79 (holding that it is a requirement in British Columbia). Further, appellate decisions refer to support for this element in academic works, particularly Professor Fleming's description of the tort: see *Oei v Hui*, at paras 5-6; *Barton v Potash Corporation of Saskatchewan Inc*, 2013 SKCA 141, at para 95; *Harris v Glaxosmithkline Inc*, 2010 ONCA 872, 106 OR (3d) 661, at paras 27-30; *Metrick v Deeb*, (2003),

172 OAC 229, at para 3; and the passage above from *Levis Strauss* (quoting Fleming). See also Philip H Osborne, *The Law of Torts*, 6th ed (Toronto: Irwin Law, 2020) at pp. 281-282.

[41] For present purposes, I distil the following from *Levis Strauss*, *Tractor Supply FC* and *Tractor Supply FCA*:

- a) Abuse of process is both an actionable tort and a “procedural” defence.
- b) A defendant may plead abuse of process in a Statement of Defence, in a Counterclaim, or both. To a defendant, abuse of process may be both a shield and a sword.
- c) The substance of the tort is the misuse or perversion of the Court’s process. The essential element of the tort is the use of the legal process for a purpose other than what it was designed to serve: a collateral, extraneous, ulterior, improper or illicit purpose.
- d) There is no tort of abuse of process if a litigant “employs the regular legal process to its proper conclusion, even with bad intentions”.
- e) The metes and bounds of pleading abuse of process in tort or as a procedural defence are not well settled in the Federal Courts.

[42] In addition, the weight of authority in Canada is that the tort of abuse of process does require the pleading (and eventual proof) of an overt act or threat in furtherance of the pleaded (and later proven) ulterior or collateral purpose.

[43] The parties in this proceeding directed little attention to the requirements to plead the procedural defence of abuse of process and whether they are different from the elements of the tort. As will be apparent from the analysis below, I do not need to resolve that question.

[44] Turning to the Prothonotary's decision in this appeal, I see no error of law as alleged by the plaintiffs. I do not believe it is an error of law merely to fail to set out the legal test expressly or not to list the elements for the claim of tortious abuse of process. The plaintiffs did not refer to any case to support that position. While it may be preferable to do so on a motion to strike, the absence of an express statement, without more, does not establish that the Prothonotary made an error of law.

[45] In addition, I do not believe that the Prothonotary ignored any requirement to plead overt acts or threats in furtherance of the alleged purpose. She referred to "steps that have caused reputational damage and economic harm to the [d]efendant", which must have been a reference to the actions that caused harm as pleaded in paragraphs 82 and 86-88 of the Counterclaim. It may be noted that the Prothonotary was the Case Management Judge for this matter and is presumed to know and understand the pleadings at all stages of the matter—which in my view includes at the outset of the process (in this case, on the first motion filed).

[46] I note in this context that the Prothonotary, on my reading of her Order, did not hold that the mere commencement of a trademark action in this Court can constitute an abuse of process. She stated that the commencement of a trademark infringement action can, as a matter of law, support an abuse of process claim, and immediately explained that it may be used as sword and

shield and that the trademark action had to be commenced for an improper purpose. Her stated example was *Tractor Supply FC*, in which she found the purpose was to harass and intimidate competitors in an attempt to interfere with their business.

[47] For these reasons I find no merit in the plaintiffs' first argument on this appeal.

(ii) The alleged error of accepting bald or conclusory statements in the pleading as material facts

[48] A party is required concisely to plead sufficient material facts to support the claim or cause of action alleged and relief sought: *Mancuso v Canada (National Health and Welfare)*, 2015 FCA 227, at paras 16-17. Under Rule 174, “[e]very pleading shall contain a concise statement of the material facts on which the party relies, but shall not include evidence by which those facts are to be proved.”

[49] The purposes of pleading sufficient material facts are to provide notice to the other party(ies) to enable the preparation of a Statement of Defence, to define the issues to be tried with reasonable precision, to frame the discovery process, to allow counsel to advise their client(s), prepare the case and develop a trial strategy, and to establish the parameters of relevancy of evidence at discovery and eventually at trial: *Mancuso*, at para 17.

[50] It is improper in a pleading to make bald, conclusory allegations without a foundation in pleaded material facts: *Merchant Law Group v Canada Revenue Agency*, 2010 FCA 184, at paras 34-35. There is no bright line between material facts and such bald allegations. A pleading must be assessed in light of the elements of the cause(s) of action pleaded and the material facts as

pleaded and must define the issues with sufficient precision to make the pre-trial and trial proceedings both “manageable and fair”: *Mancuso*, at paras 18-19. In deciding whether pleadings are manageable and fair, the Court “should consider the whole of the circumstances, including the relative knowledge and means of knowledge of the parties”: *Enercorp Sand Solutions Inc v Specialized Desanders Inc*, 2018 FCA 215, at para 36. The statement in *Mancuso* that “[t]he pleading must tell the defendant who, when, where, how and what gave rise to its liability” must be understood in light of the “manageable and fair” requirement: *Enercorp*, at para 37, referring to *Mancuso*, at para 19; *McCain Foods Limited v JR Simplot Company*, 2021 FCA 4, at para 39.

[51] On this appeal, the plaintiffs urged that the defendant failed to plead material facts that could support an ulterior or collateral purpose, an overt act or threat, and an allegation of resulting damage, to support of its claim of abuse of process in tort. According to the plaintiffs, the Prothonotary erred in law by finding that the abuse of process claim had some prospect of success and by allowing it to proceed in the face of such absent material facts.

[52] With respect to the defendant’s pleading of a collateral purpose, the plaintiffs made six detailed arguments that certain allegations were bald or conclusory statements rather than material facts. The plaintiffs submitted: (i) as the Federal Court of Appeal in *Levis Strauss* held, mere commencement of the proceeding is not sufficient to make out a claim of abuse of process, even with bad intentions, because the purpose must be collateral or outside the proceeding; (ii) Canadian trademarks are territorial and the filing of a lawsuit in the United States was therefore not a collateral purpose in Canada; (iii) the bullying or coercion allegations were not material

facts but were only conclusory allegations that need not be accepted as true (citing the Order in *Canada Goose Inc v Sears Canada Inc*, FC File T-1820-13 (Aalto P)); (iv) there were no facts pleaded to support the allegation that show the plaintiffs' intent to expand their services into the defendants' area of business; (v) an allegation of delay is not a collateral or improper purpose in the civil context (although it can be a defence, as in laches); and (vi) this is not a case in which the defendant alleged it was unjustly targeted. The allegation that no other alleged infringers of the plaintiffs were sued is not enough because they are not alleged to be in the same business as the defendant (as in *Levis Strauss*).

[53] With respect to a pleading of an overt act or threat in furtherance of the alleged collateral purpose, the plaintiffs meticulously sought to distinguish the *Tractor Supply FC* decision on its facts. They also submitted that the defendant's allegations about contacting the media in the United States could not support a claim for abuse of process because they occurred before the plaintiffs filed their trademark claim in this Court.

[54] On the defendant's pleading of resulting damage, the plaintiffs submitted during the hearing that all of the harm was alleged to have occurred because of US media coverage, and there was no allegation of damage in Canada. They argued that the Prothonotary's decision did not set out what the alleged reputation damage was and where it occurred.

[55] The defendant referred to the legal standard set out in *Hunt v Carey Canada* and methodically reviewed what it pleaded in the Amended Statement of Defence and Counterclaim. The defendant pointed to the Prothonotary's analysis of the test on a motion to strike, her

awareness of the requirements for pleading abuse of process and reference to *Tractor Supply FC*, and her stated reasons for finding that the claim for abuse of process had been sufficiently pleaded for the purposes of a motion to strike.

[56] Having reviewed the Prothonotary's decision, as well as the matters pleaded in the Statement of Defence and Counterclaim, I find no extricable legal error or a palpable and overriding error in Prothonotary's application of the law to the defendant's pleadings in this case. Despite the plaintiffs' submissions on this appeal, it was open to the Prothonotary to conclude that the defendant's pleadings contained sufficient material facts to survive a motion to strike with respect to the purpose and elements of the tort of abuse of process. She made no palpable and overriding error in doing so.

[57] Certain of the plaintiffs' submissions in support of this appeal (including whether *Tractor Supply FC* can and should be distinguished and on the alleged targeting of the defendant) had a flavour of arguments on the merits of their claims and of the frailties in the defendant's position. Although part of the objective is to determine whether the defendant's allegations have no reasonable prospect of success, the analysis does not involve an assessment of the relative merits of both parties' legal arguments on competing factual theories of the case. The salient question at this stage is whether the party's pleading makes sufficient legal and factual allegations to support the cause of action. It must plead the requisite elements of the tort and plead material facts to support it, in accordance with the legal standards described already in these reasons. The facts in an impugned pleading are assumed to be true on a motion to strike, for the purposes of that motion only (unless the alleged "facts" are outlandish or manifestly incapable of proof).

[58] Turning to the plaintiffs' arguments, as noted, the Amended Statement of Defence and Counterclaim alleged that the purposes of the plaintiffs' trademark proceeding were not to protect their own rights but rather to bully or force the defendant to abandon its rights and the name it has used for 34 years (including through economic hardship imposed by litigation); and to enable the expansion of the services they offer into a new industry and to include services that are similar to the defendant, or to rebrand their current business and services.

[59] The plaintiffs challenged the defendant's stated collateral purposes on the basis that the allegations were conclusory and had no foundation in pleaded material facts. In my view, the plaintiffs have not shown that the Prothonotary made an error that would justify this Court's intervention on this issue. Considering the state of the law on abuse of process in the Federal Courts, the defendant's pleading is sufficient to establish a fair and manageable discovery and litigation process. Specifically, the Prothonotary made no error of law or palpable and overriding error in concluding that the defendant's allegations of the two ulterior or collateral purposes were sufficient, having regard to the relative knowledge of the opposing parties and what may be expected of a defendant alleging such purposes: *Enercorp*, at para 36; *McCain Foods*, at para 39. Whether the defendant's position will carry the day at a trial on the merits is not at issue here.

[60] The plaintiffs also submitted that trademark rights are territorial and therefore the pleadings in the US litigation did not constitute a material fact for the purposes of abuse of process. However, the plaintiffs referred to no case law that precludes acts allegedly taken outside Canada cannot be evidence of a collateral purpose to support a pleading of abuse of

process in tort. At this stage of the proceeding, the plaintiffs' argument attracts the principles in *Tractor Supply FCA* and *Hunt v Carey Canada*.

[61] I note that the plaintiffs did not argue on this appeal that the pleaded purposes were not collateral to or independent of the legal proceeding, or not improper. The plaintiffs also made no submissions that the pleaded purpose had to be both collateral and improper: *Oei v Hui*, at paras 16 and following, and para 79.

[62] Given the burden on the plaintiffs on a motion to strike and on this appeal, and my conclusions on abuse of process as a procedural defence (below), it is not necessary to address the rest of the plaintiffs' six arguments about the allegations of a collateral purpose.

[63] With respect to material facts pleaded to support an overt act or threat, the plaintiffs noted that in *Tractor Supply FC*, the plaintiffs had sold their trademarks years ago, did not carry on business in Canada and unsuccessfully tried to buy the defendant's business before starting its efforts to reduce the value of the defendants' 35 business locations and commencing litigation. The plaintiffs observed that by contrast in this case, S&P operates in Canada, owns trademarks in Canada, has pleaded prior use of its trademarks and pleaded no material facts about wanting to enter the same business as the defendant. While the purpose of the *Tractor Supply* litigation was not to enforce trademark rights, the overt act or threat was to obtain the company at a lower value. The plaintiffs maintained that in this case, there was no overt act pleaded that could lead to liability. According to the plaintiffs, the allegation of media contacts in the US about US litigation allegedly occurred months before the Canadian proceeding started. They argued that

those actions cannot, as a matter of law, be an overt act because the Canadian proceeding did not yet exist. Any abuse could only occur in the US and could only be raised there, and therefore there can be no allegation of abuse of process in tort.

[64] I see no grounds to intervene on this issue. The plaintiffs cited no cases to support the somewhat counterintuitive submission that an overt act or threat cannot occur before a plaintiff files the court proceeding that is allegedly part of an abuse of process. Nor was any tort case cited that requires the overt act or threat to occur in Canada. In any event, at this stage of the litigation, the defendant's pleaded position falls within the scope of an arguable case as contemplated by *Hunt v Carey Canada* and the Federal Court of Appeal's decision in *Tractor Supply FCA*.

[65] On the fourth element of the alleged tort, damage, I conclude again that the plaintiffs have not shown that Prothonotary made an error that this Court may reverse. Considering paragraphs 86-88 in particular, the Counterclaim contained sufficient allegations of damage or harm to the defendant, whose business is, on the pleadings, carried out in Canada. It will be up to the defendant to prove damages and quantify its loss for trial.

[66] I therefore conclude that the Prothonotary's decision contained no palpable and overriding error on her assessment of the factual sufficiency of the defendant's pleading of a collateral purpose and an overt act or threat.

(iii) The alleged error of making an erroneous analogy to *Tractor Supply FC*

[67] The plaintiffs also maintained that the Prothonotary made a palpable and overriding error when she found that the abuse of process pleading in this proceeding was analogous to the pleading in *Tractor Supply FC*. I will not repeat the plaintiffs' submissions that seek to distinguish the present pleadings from those in *Tractor Supply FC*.

[68] I have carefully considered the plaintiffs' submissions and reviewed the facts alleged in the defendant's pleadings and the comparable pleadings in both *Levis Strauss* and *Tractor Supply FC*. I am satisfied that the Prothonotary's decision did not contain a palpable and overriding error that would justify this Court's intervention and reversal of her decision not to strike out the defendant's claim for abuse of process.

[69] The plaintiffs' third argument on this appeal does not succeed.

(iv) Abuse of Process as a Procedural Defence

[70] While the plaintiffs' submissions focused on allegations related to tortious abuse of process, those allegations in the Amended Statement of Defence are also related to abuse of process as a procedural defence as contemplated by *Levis Strauss* and *Tractor Supply FC*. The plaintiffs did not advance any separate basis to strike them out. On their face, many of the allegations also related to the defendant's position on costs. Paragraph 71 of the Amended Statement of Defence claims a higher award of costs as a result of: the plaintiffs' awareness of the defendant's prior use of "S&P" before their trademarks were registered and before the

plaintiff started using “S&P” in its corporate name; the targeted and apparently tactical nature of the plaintiffs’ claims; and the abusive purpose of commencing the proceeding to force the defendant under economic distress to abandon their name so the plaintiffs can use it.

[71] Paragraph 47 of the Amended Statement of Defence referred to the defendant’s “longer history” of using “S&P” as a tradename in Canada and then pleaded: “[a]ccordingly, if there is any infringement or passing off it is by the Plaintiffs of the Defendants”. I tend to agree with the plaintiffs that the latter statement went beyond a rhetorical flourish and into the territory of hyperbole. There is no reference there to section 7 of the *Trademarks Act* and nothing in paragraph 73 of the Counterclaim to claim damages for passing off or a remedy for infringement. However, I do not conclude that permitting that allegation to remain in the Amended Statement of Defence was a palpable and overriding error given the defendant’s allegation of abuse of process as a procedural defence and its allegations of abandonment and the invalidity of the plaintiffs’ trademarks. It will be up to the Prothonotary to decide the scope of paragraph 47 as a basis for discovery.

(v) Conclusion on the Appeal of the Motion to Strike

[72] For these reasons, the plaintiffs’ appeal is dismissed from the Prothonotary’s Order with respect to the motion to strike.

B. Appeal of the Unsuccessful Motion for Particulars

[73] The plaintiffs’ last argument on this appeal concerned the Prothonotary’s Order on their motion for particulars.

[74] The plaintiffs alleged that the Prothonotary made a palpable and overriding error in the application of the law by failing to order particulars of allegations in the Statement of Defence and Counterclaim. The plaintiffs claimed that they cannot respond meaningfully to the defendant's allegations about the alleged non-distinctiveness of the trademarks because they need to know which of the "thousands" or "hundreds" of companies mentioned in the pleading operate in Canada. They raised the spectre of the proverbial "fishing expedition" at discovery.

[75] The defendants submitted that the Prothonotary made no error. Particulars were not necessary for the plaintiffs to plead and that the plaintiffs failed to support their motion with an affidavit. They referred to *Imperial Manufacturing Group Inc v Decor Grates Incorporated*, 2015 FCA 100, [2016] 1 FCR 246 and *Reliance Comfort Limited Partnership v Commissioner of Competition*, 2013 FCA 129.

[76] The Prothonotary declined to order particulars at the pleading stage. She found that the essential question was whether the party seeking particulars understands the case to be met, can plead intelligently and then efficiently obtain additional facts, clarification and documents through examinations for discovery. In her decision, she quoted from *Mancuso*, at paras 16-17. She concluded that the plaintiffs had not established that any of the particulars sought were necessary for them to prepare a Reply and Defence to Counterclaim. There was no affidavit on the motion testifying that the plaintiffs did not understand what had been alleged in respect of the defences to infringement of the trademarks and the allegations that the litigation had been commenced for collateral and abusive purposes. She was not satisfied that the Statement of Defence and Counterclaim on its face was so deficient as to order the particulars requested. From

the plaintiffs' motion record, she found that the plaintiffs displayed a good understanding of the defences and claims asserted and the basis of what would comprise their responding pleading.

[77] The plaintiffs' submissions on this appeal appeared to argue the motion for particulars over again. Although the plaintiffs submitted that it was manifestly clear from the face of the Statement of Defence and Counterclaim that particulars were necessary for them to plead.

[78] The plaintiffs' submissions revealed no palpable and overriding error in the Prothonotary's decision with respect to particulars at the pleadings stage. She correctly set out the applicable legal principles, including whether particulars were necessary to enable the plaintiffs to plead: *Imperial Manufacturing Group*, at paras 7-8; *Reliance Comfort Limited Partnership*, at para 9; *Stryker Corporation v Umamo Medical Inc*, 2016 FC 378 (LeBlanc J), at para 25. As just noted, the Prothonotary expressly considered whether the pleading was, on its face, so deficient as to require particulars. She found it was not. She also properly observed that no affidavit supported the motion for particulars.

[79] Having reviewed the defendant's allegations myself with the benefit of the parties' submissions, the plaintiffs have not shown any basis for this Court to intervene on appeal. The three references to "thousands" of corporations as identified by the plaintiffs do not require particulars to plead in response. Those allegations may even be hyperbole (as the Prothonotary observed about the pleading more generally). In paragraph 34 of the Statement of Defence, the defendant referred to "hundreds" of entities in Canada that used "S&P" but were not sued. A list of 11 examples followed in that paragraph, which was sufficient to enable the plaintiffs to

prepare a meaningful response and proceed to discovery. In their respective contexts, the other two references in the defendant's pleading to "hundreds" of entities also do not require particulars to plead.

[80] Accordingly, the appeal on the motion for particulars is dismissed.

VI. **Conclusion**

[81] The plaintiffs' appeal is therefore dismissed. Having considered the parties' submissions on costs in their memoranda and at the hearing, I decline to order costs in the cause as requested by the plaintiffs. The defendant was successful on this appeal. Costs of the appeal are fixed at \$3,000, all-inclusive, payable by the plaintiffs to the defendant.

ORDER in T-542-20

THIS COURT ORDERS:

1. The plaintiffs' appeal from the Order of Prothonotary Milczynski dated April 21, 2021, is dismissed.
2. The plaintiffs shall pay costs of the appeal to the defendant in the amount of \$3,000.

"Andrew D. Little"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-542-20

STYLE OF CAUSE: S&P GLOBAL INC. and STANDARD & POOR'S
FINANCIAL SERVICES LLC and S&P DATA CORP.

PLACE OF HEARING: TORONTO, ONTARIO

DATE OF HEARING: JUNE 15, 2021

JUDGMENT AND REASONS: LITTLE J.

DATED: NOVEMBER 25, 2021

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