Federal Court of Canada
Trial Division

Section de première instance de
la Cour fédérale du Canada

SEP 02 1997

97 245 095

T-2378-95

BETWEEN:

C.T.C. CANADA INC.,

Plaintiff and
defendant by counterclaim,

-and-
Norman Wolman
-and-
Henry Marvin
-and-
Arnold Kastner

Defendants by counterclaim,

AND

ALAIN PAUL
and
LUC PAUL
and
DONALD PAUL,

(all three doing business under the names and styles
"Gestion A.D.L. Enr." and
"A.D.L. Tobacco Enr.")

Defendants and
plaintiffs by counterclaim.

REASONS FOR ORDER

**RICHARD MORNEAU,
PROTHONOTARY:**

These are three motions in an action dealing with infringement of rights under the *Trade-marks Act*, R.S.C. 1985, c. T-13, all in respect of the counterclaim filed in this Court by the defendants on September 23, 1996 (hereinafter referred to as the A.D.L. claim).

It must be noted that since September 23, 1996, the A.D.L. claim has been against not only the plaintiff (hereinafter referred to as C.T.C.) but also three other persons who were added as defendants by counterclaim, who will be referred to as Messrs. Wolman, Marvin and Kastner.

Two of these motions have the same object: to have the A.D.L. claim struck out on the ground that this Court has no jurisdiction *ratione materiae* to grant A.D.L. the primary remedies it is seeking in the relief sought in its claim. One of these motions was made by C.T.C. and Mr. Kastner and the other by Messrs. Marvin and Wolman.

In my view, this is essentially an attack on the A.D.L. claim.

The Court considers these two motions to have been made under Rules 401 and 419 of the *Federal Court Rules*.

The third motion, by C.T.C. and Mr. Kastner, seeks remedies that I would characterize as more in the nature of alternative relief. These other remedies will be addressed later in these reasons, at the appropriate moment.

The parties involved and the main issues

C.T.C. describes itself as a manufacturer and distributor of cigarette tubes. A.D.L. also acts as a distributor of cigarette tubes.

Armed with a chain of title and various assignments set out in the Register of Trade-marks, C.T.C. brought action against A.D.L. for infringement of the MAR-CO trade-mark.

A.D.L. reacted to that action by taking the position that it, and not C.T.C., was the owner of the title to the MAR-CO trade-mark, and accordingly that it was C.T.C. that was infringing the rights of A.D.L.

A.D.L. also alleges that three people who have all been involved at some time in the management of the corporations mixed up in this matter - Norman Wolman, Henry Marvin and Arnold Kastner - conspired among themselves and with C.T.C. to infringe the rights of A.D.L. in the MAR-CO trade-mark.

Analysis

Seeking to have its ownership of the MAR-CO trade-mark recognized, A.D.L. attacks C.T.C.'s chain of title, and accordingly seeks, first and foremost, to have this Court declare two agreements which tend to substantiate C.T.C.'s rights to be null (items 2 and 3 of the relief sought in the claim). A.D.L. is also seeking a declaration that a contract that was entered into during the period between those two agreements gives it title to the said trade-mark (item 5 of the relief sought in the claim, to which items 4 and 6 are connected).

Items 2 to 6 of the relief sought in the claim read as follows:

[TRANSLATION]

2. DECLARE the assignment and transfer of the MAR-CO trade-mark by the MAR-CO tobacco company to Norman Wolman on December 21, 1993, to be null, invalid and of no effect between the parties;

3. DECLARE the assignment and transfer of the MAR-CO trade-mark registered as number 330,158 by Norman Wolman to the defendant C.T.C. Canada on August 25, 1995, to be null, invalid and of no effect between the parties;

4. DECLARE that Gestion A.D.L. was the sole and only user of the MAR-CO trade-mark in association with tobacco products, cigarette tubes, cigarettes and goods and services connected therewith during the period from May 25, 1994, to August 25, 1995, and that the said trade-mark is the distinctive mark of the defendants-plaintiffs by counterclaim Gestion A.D.L., even on the date hereof, were it not for the unlawful use by the plaintiff-defendant by counterclaim C.T.C. Canada Inc.;

5. DECLARE that on May 25, 1994, the defendants-plaintiffs by counterclaim acquired the MAR-CO trade-mark and the goodwill associated therewith at the same time as it acquired the tobacco inventories and equipment of the MAR-CO Inc. tobacco company;

6. DECLARE that the defendants-plaintiffs by counterclaim Gestion A.D.L. are the sole and only owners of rights in the MAR-CO trade-mark and its goodwill, in association with tobacco products, cigarette tubes, cigarettes and the goods and services connected therewith, including both common law rights and rights in the trade-mark registered as number 330,158;

I believe that the order in which these heads of relief appear in the A.D.L. claim reflects the order of the steps by which this Court must proceed before it can order the Registrar of Trade-marks, by virtue of the exclusive jurisdiction of this Court, to amend the registration of the MAR-CO trade-mark and enter A.D.L. as the owner. In fact, that amendment of the Register is sought by A.D.L. as item 7 in the relief it is seeking, which reads as follows:

[TRANSLATION]

7. ORDER the Registrar of Trade-marks to amend the registration of the MAR-CO trade-mark, number 330,158, to enter Gestion A.D.L. as the owner;

In my view, in the context of the A.D.L. claim, amendment of the Register cannot be regarded as the central and primary remedy the result of which would be the nullity of contracts and the interpretation described *supra*. The exercise that must be carried out is the reverse.

Accordingly, I cannot concur in the approach proposed by counsel for A.D.L. where he states, at page 4 of the memorandum of argument submitted to the Court during oral argument:

[TRANSLATION]

III. CLAIMS BY GESTION A.D.L.

18. Gestion A.D.L. is claiming:

(1) Amendment of the Register of Trade-Marks to reflect the identity of the true owner of the MAR-CO trade-mark, Gestion A.D.L., and to strike out the predecessors in title, Normal Wolman and C.T.C.

- Item 7 of the relief sought in the Statement of Defence and Counterclaim.

And, in the alternative,

(2) The nullity of any right of Norman Wolman in the MAR-CO trade-mark;

- Item 2 of the relief sought in the Statement of Defence and Counterclaim.

(3) The nullity of any right of C.T.C. in the MAR-CO trade-mark;

- Item 3 of the relief sought in the Statement of Defence and Counterclaim.

Accordingly, and as I mentioned on page 5 of my reasons in *Engineering Dynamics Ltd. v. Constantinos J. Joannou* (decision now reported in English at (1996), 70 C.P.R. (3d) 16):

> However, when consideration of the remedies sought inevitably involves determining a breach or nullity of a contract between individuals the Court, even though the matter may be one of intellectual property, or I would add in any other area, must decline jurisdiction in favour of the provincial courts. See as to this *Flexi-Coil Ltd. v. Smith Roles Ltd.* (1980), 50 C.P.R. (2d) 29, [1981] 1 F.C. 632; *R.W. Blacktop Ltd. v. Artec Equipment Co.* (1991), 39 C.P.R. (3d) 432, 50 F.T.R. 225 (F.C.T.D.) and *Lawther v. 424470 B.C. Ltd.* (1995), 60 C.P.R. (3d) 510 (F.C.T.D.).

Since this Court does not have jurisdiction to grant A.D.L. the principal and primary remedies it is seeking, its claim will be struck out.

Counsel for A.D.L. referred the Court to the decisions in *Eli Lilly and Co. v. Apotex Inc.* (1996), 66 C.P.R. (3d) 329 (C.A.); *Eli Lilly and Co. v. Novopharm Ltd.* (1986), 67 C.P.R. (3d) 377 (C.A.); *Merck Frosst Canada Inc. v. Canada (Minister of National Health and Welfare)* (1996), 67 C.P.R. (3d) 455 (C.A.); *Eli Lilly and Co. v. Novopharm Ltd.* (1994), 53 C.P.R. (3d) 428 (Forget J.); *Kyorin v. Novopharm*, unreported decision of the Quebec Superior Court, no. 500-05-009-658-947, 15-12-1994 (Crépeau J.). In his view, those decisions establish that this Court has agreed to consider the merits of an agreement between private parties. I think that in those cases the Court, and primarily the Court of Appeal, examined the merits of a sub-licence agreement in order to determine whether the agreement might provide a valid defence to the issuance of writs of prohibition. The Court was not asked to declare, and did not declare as a remedy, the nullity of the agreement as between the parties. In my view, this is a fundamental distinction from the situation before us here.

The essence of the attack on the A.D.L. claim having been disposed of by ruling that it be struck out, it must be understood that the corollary to this relief is that the people named as defendants in that claim, primarily Messrs. Wolman, Marvin and Kastner, must for now be considered also to have been struck out. This general situation means, in my view, that it is pointless at this stage to try to rule as to the alternative remedies sought by C.T.C. and Mr. Kastner (in which Messrs. Marvin and Wolman joined orally) in a third motion.

It must be understood that despite the fact that the A.D.L. claim has been struck out, A.D.L. will certainly want to pursue a defence to the C.T.C. action and may want to pursue a counterclaim in respect of the limits of this Court's jurisdiction. If that is the case, the wording of the defence filed by A.D.L. on September 23, 1996, will certainly have to be amended and leave of the Court may be needed for that.

I believe that it is at that point that the Court should be asked to determine whether, *inter alia*, any new counterclaim against Messrs. Wolman, Marvin and Kastner could be made pursuant to some extra-contractual head of liability and whether, similarly, A.D.L. will then have asserted enough material facts to be able to retain any of those people as defendants.

In order to avoid any upsets in the style of cause of this case in the interim, the style will remain as it currently appears in these reasons, even though the A.D.L. claim has been struck out,the corollary being that Messrs. Wolman, Marvin and Kastner and C.T.C. must be considered to have been struck out as defendants by counterclaim.

Richard Morneau
Prothonotary

Montréal, Quebec
April 16, 1997

Certified true translation

C. Delon, LL.L.

Federal Court of Canada

Court file No. T-2378-95

BETWEEN

C.T.C. CANADA INC.,
Plaintiff and
defendant by counterclaim,

— *and* —

Norman Wolman -and- Henry Marvin -and- Arnold Kastner
Defendants by counterclaim,

— *and* —

ALAIN PAUL -and- LUC PAUL -and- DONALD PAUL,
(all three doing business under the names and styles "Gestion A.D.L. Enr." and "A.D.L. Tobacco Enr.")
Defendants and
plaintiffs by counterclaim

REASONS FOR ORDER

FEDERAL COURT OF CANADA

NAMES OF COUNSEL AND SOLICITORS OF RECORD

COURT FILE NO:	T-2378-95
STYLE OF CAUSE:	C.T.C. CANADA INC., Plaintiff and defendant by counterclaim, -and- Norman Wolman and Henry Marvin and Arnold Kastner Defendants by counterclaim, AND ALAIN PAUL and LUC PAUL and DONALD PAUL, (all three doing business under the names and styles "Gestion A.D.L. Enr." and "A.D.L. Tobacco Enr.") Defendants and plaintiffs by counterclaim
PLACE OF HEARING:	Montréal, Quebec
DATE OF HEARING:	March 24, 1997
REASONS FOR ORDER BY:	Richard Morneau, Prothonotary
DATE OF REASONS FOR ORDER:	April 16, 1997

APPEARANCES:

J. Nelson Landry	for the defendants and plaintiffs by counterclaim
Silvana Conte	for C.T.C. Canada and Arnold Kastner
Tibor Hollander	for Norman Wolman and Henry Marvin

SOLICITORS OF RECORD:

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Silvana Conte Goodman Phillips & Vineberg Montréal, Quebec	for C.T.C. Canada and Arnold Kastner
Tibor Hollander Kaufman Laramée Montréal, Quebec	for Norman Wolman and Henry Marvin

THE FEDERAL COURT OF CANADA

LA COUR FÉDÉRALE DU CANADA

Court No.: T-2378-95

No. de la cause:

Let the attached certified translation of the following document in this cause be utilized to comply with Section 20 of the **Official Languages Act.**

Je requiers que la traduction ci-annexée du document suivant telle que certifiée par le traducteur soit utilisée pour satisfaire aux exigences de l'article 20 de la **Loi sur les langues officielles.**

Reasons for Order

August 12, 1997

DATE

Richard Morneau

Prothonotary Protonotaire

Form T-4M

Formule T-4M

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