

Federal Court



Cour fédérale

Date: **20220404**

Docket: T-152-17

Citation: **2022 FC 425**

Ottawa, Ontario, **April 4, 2022**

PRESENT: The Honourable Justice Fuhrer

BETWEEN:

MILANO PIZZA LTD.

Plaintiff

and

**6034799 CANADA INC.; CHADI WANSA; YOUSSEF ZAHER, A.K.A. JOSEPH
ZAHER; AND YOUSEF NASSAR, A.K.A. JOE NASSAR**

Defendants

AND BETWEEN:

**6034799 CANADA INC.; CHADI WANSA; YOUSSEF ZAHER, A.K.A. JOSEPH
ZAHER; AND YOUSEF NASSAR A.K.A. JOE NASSAR**

Plaintiffs By Counterclaim

and

**MILANO PIZZA LTD.; MAZEN KASSIS; MARWAN KASSIS; MAHMOUD
TABAJA; MILANO BASELINE; AND JOE KASSIS**

Defendants By Counterclaim

AMENDED JUDGMENT AND REASONS

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I. Overview

[1] At the heart of this dispute are take out restaurants operating as MILANO PIZZERIA in Ottawa and surrounding areas, and the Plaintiff’s rights in the trademark MILANO PIZZERIA & Design reproduced below [Milano Design Mark], that are contested by alleged former licensees:



[2] The Milano Design Mark is registered in the Plaintiff’s name under registration number TMA571,144, dated November 22, 2002 for “take out restaurant services, with delivery” based on use in Canada since at least as early March 1994 [Milano Design Registration]. No predecessor in title is named. The word PIZZERIA is disclaimed.

[3] The registrability of the Milano Design Mark at the time of registration is no longer in question in this dispute. Justice Mactavish (as she then was) sided with the Plaintiff on this

narrow issue in summary judgment motions brought by these parties (*Milano Pizza Ltd v 6034799 Canada Inc*, 2018 FC 1112 [2018 Summary Judgment]). The validity of the Milano Design Mark, however, remained in issue at the trial of this matter, along with the Plaintiff's claimed rights in the unregistered word marks MILANO PIZZERIA, MILANO PIZZA, MILANO'S PIZZA and MILANO'S [collectively, Milano Word Marks]. In these Reasons, I refer to all of the Plaintiff's asserted trademarks together as "Milano Marks" including, for clarity, the Milano Design Mark.

[4] As explained in greater detail below, the Plaintiff presently claims for trademark infringement, passing off, and depreciation of goodwill, while the Defendants counterclaim for expungement of the Milano Design Registration by reason of non-distinctiveness, abandonment, and non-entitlement. In addition, the Defendants seek redress in their counterclaim for false or misleading statements allegedly made by the Plaintiff tending to discredit the Defendants' business, goods or services, passing off, and making use by the Plaintiff of materially false descriptions that are likely to mislead the public as to the geographic origin of the goods and services ordered by the public.

[5] For the reasons that follow, the Plaintiff's action is dismissed, while the Defendants' counterclaim for the expungement of the Milano Design Registration is granted pursuant to paragraph 18(1)(b) of the *Trademarks Act*, RSC 1985, c T-13 [TMA]. The Plaintiff has failed to demonstrate sufficient controlled licensing of the Milano Design Mark, as contemplated by the TMA s 50(1), to justify maintaining the Milano Design Registration. The balance of the Defendants' counterclaim otherwise is dismissed.

[6] Shortly before the trial of this matter, the parties agreed to bifurcate the liability and damages issues. In light of the findings on the liability issues in this matter, however, the damages issues have been rendered moot in my view.

II. Factual Background

[7] Justice Mactavish summarized the factual context, as well as the evidence and submissions the parties presented on their summary judgment motions, which formed the backdrop for her analysis: *2018 Summary Judgment*, above at paras 1-23, 42-82. Although overlapping with the summary judgment factual context, what follows is a description of the background facts applicable to the trial of this matter, including a summary of the parties' evidence. For this background, I draw on the live and documentary evidence at trial, the agreed partial statement of facts submitted by the parties, as well as the *2018 Summary Judgment*.

(1) Parties

[8] The Plaintiff/Corporate Defendant by Counterclaim, Milano Pizza Ltd. [Plaintiff or MPL] is an Ontario corporation incorporated on May 14, 1996 by the individual Defendant by Counterclaim, Marwan Kassis.

[9] The individual Defendants by Counterclaim, Mazen Kassis, Marwan Kassis, Mahmoud Tabaja, and Joe Kassis (also known as "Youssef" Kassis) are all shareholders of MPL [collectively, Personal Defendants by Counterclaim]. Mazen Kassis has been the president of MPL since 2013.

[10] The Defendant by Counterclaim, Milano Baseline, is a Milano Pizzeria store located at 2529 Baseline Road in Ottawa [Baseline Location], which opened in April 2016 and is owned and operated by Joe Kassis.

[11] The Corporate Defendant/Plaintiff by Counterclaim, 6034799 Canada Inc. is a Federal corporation incorporated on November 6, 2002 [Corporate Defendant] by the individual Defendants/Plaintiffs by Counterclaim Chadi Wansa, Youssef Zaher and Yousef Nassar (also known as “Joe” Nassar) [collectively, Personal Defendants].

[12] There are several noteworthy familial relationships among the parties and others. Mazen, Marwan and Youssef Kassis are brothers. Mahmoud Tabaja is married to a niece of Yousef Nassar, while Mahmoud’s brother, Mohammed Tabaja is married to Chadi Wansa’s sister. Chadi Wansa and Youssef Zaher are cousins, and Yousef Nassar is their uncle.

(2) MILANO PIZZERIA Business and Licences Granted by MPL

[13] MPL is an Ottawa-based company that licenses independent pizzeria owner-operators. When MPL was incorporated in 1996, there were at least six pizzerias or stores offering take out restaurant services with delivery, in various locations under the name MILANO PIZZERIA and the Milano Design Mark. These locations were opened by Marwan Kassis but later were sold to other owner-operators. By the time of trial, there were thirty-eight MILANO PIZZERIA stores run by independent owner-operators and licensed by MPL [MPL Licensees].

[14] Although the Defendants dispute the licensing aspect, I find that the above description represents the essence of the MILANO PIZZERIA Business, as demonstrated by the evidence, on a balance of probabilities. Whether the licences granted are valid is a different issue that I address later in the Analysis.

[15] The licence agreements were not always in writing but were agreed to verbally or were understood to involve “purchasing” and “territory” in exchange for use of the name “Milano Pizza” or “Milano Pizzeria.” More details emerge in the written licence agreements, and in the parties’ live evidence, described below.

[16] Any written agreements that may have existed prior to the mid 2000s were destroyed in a flood in the home of Marwan Kassis where some MPL records were kept at the time. The written licence agreements in evidence at trial do not cover all of the MILANO PIZZERIA stores that were licensed by MPL but do cover the majority of the licensed stores at the time when MPL commenced its action in 2017. The evidenced agreements are from 2008, 2012-2014, and 2016-2019. The bulk of the agreements are from 2013-2014 and 2017-2018, with only a small number from 2008, 2012, 2016 and 2019. None of these agreements states that it is *nunc pro tunc* or confirmatory of an existing licensing relationship. Further, Mazen Kassis does not know whether Marwan Kassis had any written licences for the name prior to the flood in his home.

[17] While not identical, the written agreements are substantially similar. Some identify the registered trademark as “Milano Pizza,” while others refer to “Milano Pizzeria” as the registered trademark, which then is defined as the “Business Name” that is licensed to the named MPL

Licensee on a non-exclusive basis. Only one of the agreements (the most recent one from 2019) mentions the Milano Design Mark *per se*. The rules or terms involve purchasing branded products from approved distributors or suppliers, and using the Business Name within an agreed upon territory. No other licence would be awarded or granted for that territory without the licensee's consent. Any further locations approved by the shareholders of MPL must enter into an agreement that replicates the licence agreements; that said, the licence agreements also provide, contradictorily, that the licence terms within the territory awarded by the MPL Licensee (and approved by MPL), shall be set at the sole discretion of the MPL Licensee.

[18] The written licence agreements refer to "License / franchise fees and royalties" that the MPL Licensee (as opposed to MPL) would receive in the context of an approved second location in the MPL Licensee's territory. While some MPL Licensees paid a royalty to MPL in the early days, royalties were eliminated when MPL received rebates from the approved supplier Tannis (described below). The rebates initially were earmarked for joint advertising or promotion campaigns but eventually became MPL's sole source of revenue. MPL's business model thus can be summed up as purchasing commitments by MPL Licensees and rebates received by MPL for the purchasing commitments.

[19] Although not identified by name in the agreements, the designated suppliers are "Tannis" (that is, Tannis Food Distributors, now known as "Sysco") and Pepsi. The branded products provided by Tannis include pizza sauce, cheese, pepperoni, and pizza boxes, but do not include vegetables and accounting supplies. Early branded products involved designated third party

products. MPL later developed its own line of private label products. The pizza sauce, for example, is sold in cans labelled with the Milano Design Mark as follows:



[20] The written agreements also refer to a menu approved by MPL, taking the location into consideration, but in my view, there is insufficient evidence to demonstrate an approval process and little documentary evidence regarding the menus used in licensed MILANO PIZZERIA stores. In any event, the *2018 Summary Judgment* holds that any copyright claim in the menus no longer is in issue (at para 153).

[21] Pursuant to audit or review controls that, at best, can be described as “ad hoc,” Mazen Kassis demanded, in one instance, that a licensee remove Halal offerings from the menu. As well, MPL relies on its Tannis representative to bring to MPL’s attention instances of non-compliance with the purchasing requirement (such as noticeable reductions in purchasing).

[22] As admitted by Mazen Kassis and substantiated by the parties’ live evidence, the MPL Licensees otherwise are free to operate their businesses as they see fit, including store décor,

advertising, staffing, uniforms, training, menu offerings (with limited exceptions, such as the one mentioned above) and pricing, and food preparation, including recipes used.

[23] Store signage was patchwork in the early days among MPL Licensees until the Milano Design Mark was developed, the MPL Licensees agreed to adopt it, and Marwan Kassis changed the store signs for the MPL Licensees, at no cost to them, to signs displaying the Milano Design Mark. The MPL Licensees also used the Milano Design Mark on their menus, after receiving a camera-ready version for such purpose, but each location had its own menu. Every MILANO PIZZERIA shop was different, with different combinations of pizza and different menu items. As several of the witnesses testified at trial, however, including Chadi Wansa, it was beneficial to their businesses to be perceived as part of a larger group, or a “franchise” (even though a franchise – in the legal sense – has not been established to date), by using the Milano Design Mark.

[24] The written licence agreements also refer to advertising and promotion campaigns from time to time that MPL and the MPL Licensees agree to make, but in practice, participation in the cooperative or joint campaigns that occurred was voluntary.

[25] Online ordering is a significant feature of the MILANO PIZZERIA Business, with all MPL Licensees depending on the sales generated through the website platform at www.milanopizzeria.ca, including the supporting software and mechanism supplied by menu.ca (that is, Local Media Concepts Inc.) that enables the MPL Licensees to accept online orders.

Further details about how online ordering features in these proceedings are provided under the next heading.

(3) Baxter Location

[26] Since 2002, the Defendants have owned and operated a MILANO PIZZERIA store on Baxter Road in Ottawa [Baxter Location]. As described below, they purchased the business from Vahid and Farid Khorrami [Khorrami brothers]. It was an asset purchase that included the equipment, leasehold improvements, and goodwill. They subsequently moved to a nearby location, still on Baxter Road. For clarity, the term Baxter Location means the Defendants' business in either location.

[27] Marwan Kassis and Youssef Kassis acquired the Baxter Location in 1992 and sold it to Kamal Ibrahim in 1994 who in turn sold 50% of the business to Vahid Khorrami in 1995. Vahid later brought in his brother, Farid with whom he ran the business, after purchasing the remaining 50 per cent. Together, they set up the company 1252106 Canada Inc..

[28] During the time when Vahid Khorrami owned 50% of the business with Kamal Ibrahim, he learned Mr. Ibrahim was paying a monthly fee for the use of the Milano name. After the Khorrami brothers bought the remaining 50% of the business from Kamal Ibrahim, they continued paying the monthly fee for a little while to use the Milano name. The Khorrami brothers also continued making purchases from Tannis, but otherwise they made business decisions for their location without any assistance from MPL during the "trial-and-error" phase of their business.

[29] Chadi Wansa approached Vahid Khorrami in 2002 about purchasing the business. Mr. Wansa worked at the Baxter Location before purchasing it to learn the business. Although initially reluctant to sell the business to Mr. Wansa, Mr. Khorrami changed his mind upon learning there was no MILANO PIZZERIA Business structure and agreed to sell the business to the Corporate Defendant.

[30] The evidence confirms that there was no involvement of MPL in the actual sale, in terms of the purchase documents prepared to effect the transfer of the business to the Defendants. In other words, MPL was not a party to the transaction. This is consistent with the evidence of one of the Personal Defendants, Youssef Nassar, who previously owned a MILANO PIZZERIA store in Russell, Ontario. His niece's husband, Mahmoud Tabaja, approached him in early 2000 about buying the operation. According to Mr. Nassar, MPL owned the building and had to sign off on the lease, but otherwise, it was not involved with the purchase.

[31] No trademark clearance search was conducted when the Corporate Defendant acquired the business from the Khorrami brothers. Although the asset purchase included the goodwill, there is no mention in the Bill of Sale, and related documentation in evidence, of any trademarks. Further, the Bill of Sale avers that the "said goods [namely, the equipment, leasehold improvements and goodwill] are free and clear from any and all encumbrances."

[32] None of the purchase documents required the Corporate Defendant to enter into a licence agreement with MPL, nor had 1252106 Canada Inc. been subject to any written licence agreement restrictions regarding its use of the names Milano, Milano Pizza and Milano Pizzeria.

None of the written licence agreements in evidence covers the Baxter Location. From the Defendants' point of view, the MILANO PIZZERIA locations are a somewhat loosely organized cooperative formed for the purposes of funding marketing campaigns, and for joint purchasing from suppliers; this is the structure that always had been in place.

[33] Nonetheless, Tannis was a significant supplier for the Baxter Location until 2016. Although Mr. Wansa attempted to characterize the Defendants' continued purchasing from Tannis after their acquisition of the Baxter Location as a "gesture," I find this unpersuasive. For example, Youssef Nassar recalled it was possible meeting with Marwan and Mazen Kassis in 2007 to discuss a decline in purchasing from Tannis because they could buy products cheaper elsewhere. After the meeting, the Defendants' decline in purchasing from Tannis reversed.

[34] The Defendants also complied with their territory. Mr. Nassar recalled that Vahid Khorrami gave them a map that was on his cooler outlining the territory for the Baxter Location. Mr. Nassar also recalled that he believed he had Marwan Kassis sign the map. Mr. Wansa testified that the map is displayed on what now is their walk-in cooler. A copy of the signed map was produced at trial. Further, the Defendants' territory changed over time; Marwan Kassis agreed to add Centrepointe to the Baxter Location territory, in exchange for the Defendants agreeing to use a centralized phone number.

[35] In 2003, Chadi Wansa acquired the domain milanopizzeria.ca and hired a web designer to create and set up a website. About nine locations eventually joined the Baxter Location in advertising on the website. When online ordering platforms came along starting in about 2010,

with Just Eat, followed by Skip the Dishes and later Uber Eats, the Baxter Location jumped on. All of this was done without any input or oversight by MPL. Online ordering became a significant part (about 25%) of the Baxter Location's business.

[36] From 2002 until 2013, Mr. Wansa had a friendly relationship with Mazen Kassis. Relations deteriorated after Mr. Kassis became the president of MPL in 2013. At that time, they discussed transferring the milanopizzeria.ca domain to Mr. Kassis. Mr. Wansa agreed to the transfer after Mr. Kassis assured him that the Baxter Location would not be removed from the website for any reason without Mr. Wansa's consent. Mr. Kassis attempted to have Mr. Wansa sign an "Agreement of Non-Abuse of proprietary Trade name, Trademarks. [sic] and The Milano Pizza Brand" which references the agreed upon transfer of the domain name, among other terms, but there is no evidence that it ever was signed. Mr. Kassis eventually had the domain transferred with the assistance of a domain service provider.

[37] Contrary to the assurances given to the Baxter Location, it was removed from the website and online ordering system, first in November 2015 over refusal to buy a certain size of Pepsi, and then permanently in February 2016 over refusal to purchase pizza boxes (that display the domain milanopizza.ca, a second, related domain owned by MPL). At the end of June 2016, MPL's counsel sent a letter to Mr. Wansa at the Baxter Location formally terminating permission to use MPL's trademarks in association with takeout restaurant services and related food offerings.

[38] In the meantime, the Baseline Location, owned and operated by Joe Kassis, opened in April 2016. Facebook listings for the Baseline Location have included the description “Milano Baxter – Iris Cobden.” Further, the menu for the Baseline Location in evidence contains a note addressed generally to the MPL customer from Mazen Kassis, President MPL. The note describes Joe Kassis as “one of two brothers who founded the Milano Pizza franchise.” It also mentions the opening of a second location in the area but leaves the reason for doing so unanswered. A letter to “Milano Pizza Ltd. Customer” contains similar content and, in addition, describes that “we are having grave issues with the location that has until now, been serving our **Milano Pizza** brand to your dining room table.” [Emphasis in original.]

[39] As a consequence of these developments, the Defendants acquired the domain milanoottawa.com, as well as ottawamilano.com, and launched their own website to restore online ordering for the Baxter Location. In addition, from about the end of June 2016 to the present, the Corporate Defendant has used the trademark shown below in association with goods and services offered and sold by the Baxter Location:



[New Milano Design]

[40] Notwithstanding the adoption of the New Milano Design, the Defendants continue to use signs, menus and social media advertising displaying the Milano Design Mark or a substantially

similar variation of the trademark, such as with the word PIZZERIA dropped but with the design elements of the stylized word MILANO maintained.

[41] Also from about the end of June 2016, Tannis no longer is a significant supplier to the Corporate Defendant, which, since then, has purchased pizza ingredients from other suppliers. Prior to at least mid-2015, Tannis was the Corporate Defendant's primary supplier for pepperoni, pizza sauce and cheese.

(4) Third Party PIZZERIA MILANO in Masson, QC

[42] Dimitrios Stougianos has operated PIZZERIA MILANO in Masson, Québec for the last 40 years. Masson is located about 30 minutes from Ottawa by car. The following is the sign on display in a front window of the restaurant which is open 7 days per week:



[43] The word PIZZERIA MILANO are in the colour red, while the background colour is yellow. The sign also has a red border.

[44] In addition, Mr. Stougianos has been using the same menu for 40 years. It depicts the words “Pizzeria Milano Restaurant,” with the words Pizzeria and Restaurant in green letters and the larger word Milano in red letters, as shown below:



[45] Mr. Stougianos testified that his restaurant sells more pizzas than other items, and he offers delivery to the Masson area. The name of his business, as it appears on receipts for food orders, is “Pizzeria Nouveau Milano.” This always has been the name of his business. When asked how customers refer to his business, he answered “Milano Pizzeria.”

(5) Parties’ Live Evidence

[46] Although the above paragraphs capture the more salient facts from the live evidence in these proceedings (and some of the documentary evidence), a summary of the testimony of the witnesses at trial can be found in Annex “A” below.

(6) Prosecution History Regarding the Milano Design Registration

[47] The underlying application to register the Milano Design Mark was filed on October 6, 1997 under number 857,952 in the name of MPL and took more than five years to proceed to registration. During that time, MPL amended the application to include a disclaimer of the word PIZZERIA, and to redefine the services as “take out restaurant services, with delivery.” At no

point was the application amended to identify a predecessor in title, even though the claimed date of first use, March 1994, precedes the date of MPL's incorporation, May 14, 1996, by more than two years.

[48] MPL also responded to the objection raised and maintained by the Registrar of Trademarks [Registrar] in successive official actions to the registrability of the Milano Design Mark, under the *TMA* s 12(1)(d), on the basis of confusion with the registered trademark MILANO, registration number TMA380,997 for "restaurant and dining facilities serving Italian food, Western food and seafood."

[49] MPL's responses to this registrability objection contained notable admissions, including that "'Milano' is actually a common trade term in association with restaurants and cafés in Canada." In support, MPL pointed to the coexistence of the prior, registered trademark MILANO EXPRESS & Design, registration number TMA267,423, that was considered by former Justice Cullen in *Milano Dining Room & Lounge Ltd. et al. v Milano Express (Medicine Hat) Ltd.* (1987), 15 CPR (3d) 272 (FCTD) [*Milano Dining Room*]. At page 274 of the decision, Justice Cullen observed that "Milano," a city in Italy, is a geographically descriptive term, and "[i]f merely a geographic name with no secondary meaning, it cannot be monopolized and remains in the public domain, by virtue of its geographical significance."

[50] I infer from the fact of the Milano Design Registration that the Registrar eventually approved, advertised, and allowed the application. The file history in evidence is incomplete in

this regard. I note, however, that there is no evidence that any third party opposed the registration of the Milano Design Mark.

(7) Other Third Party MILANO Marks

[51] The documentary evidence in this matter includes file histories for the following trademarks:

- MILANO COFFEE HOUSE design, registration number TMA836,464, for goods and services that include the “operation of restaurants”;
- MILANO FRUITERIE LOGO TRADEMARK, allowed application number 1,703,103, for goods and services that include “restaurant and catering services”;
- MILANO English logo, allowed application number 1,753,787 for goods and services that include “restaurant and catering services.”

III. Procedural History

[52] The following is a summary of the 4-year procedural history leading to the trial of this matter in February 2021.

[53] The Plaintiff filed its Statement of Claim on January 31, 2017 claiming: declaratory and injunctive relief against the Defendants regarding alleged infringement of the Plaintiff’s exclusive right to the Milano Design Mark by reason of the Milano Design Registration, passing off, depreciation of goodwill, and copyright infringement; an order for delivery up of offending material; an order requiring the Defendants to transfer to the Plaintiff the domain name milanoottawa.com and any other relevant domain name; damages or an accounting of profits;

aggravated, punitive, and exemplary damages; pre- and post-judgment interest; and solicitor-and-client costs. The Statement of Claim was amended just before trial on January 8, 2021.

[54] The Defendants filed their Statement of Defence and Counterclaim on June 2, 2017, claiming: enumerated damages for the Plaintiff's removal of the Defendants from the online ordering system found at www.milanopizzeria.ca, and additional damages for other business disruption and confusion caused by the Plaintiff/Defendants by Counterclaim; declaratory and injunctive relief regarding alleged invalidity of the Milano Design Registration pursuant to the *TMA* s 18, false and misleading statements, and descriptions that were false in a material respect, made by the Plaintiff/Defendants by Counterclaim contrary to the *TMA* s 7(a) and s 7(d)(ii), and passing off; an order for delivery up of offending material; aggravated, punitive and exemplary damages; solicitor-and-client costs; and pre- and post-judgment interest. The Statement of Defence and Counterclaim was amended on July 28, 2017 and again shortly before trial on January 5, 2021.

[55] The Plaintiffs' Reply and Defence to Counterclaim was filed on August 11, 2017 and amended on January 8, 2021. The Defendants' Reply to Defence to Counterclaim was filed on August 24, 2017.

[56] The parties' amendments to their pleadings flow, to a large extent, from the *2018 Summary Judgment*, discussed in more detail below.

IV. 2018 Summary Judgment

[57] As noted, both sides of the dispute moved for summary judgment. The Defendants sought to have the Plaintiff's action dismissed, while the Plaintiff sought summary judgment in its favour on all issues, except the copyright claim. Justice Mactavish found that there were no genuine issues for trial regarding the impugned registrability of the Milano Design Registration under the *TMA* s 18(1)(a), and regarding the Plaintiff's copyright claim. The *2018 Summary Judgment* issued for the Plaintiff on the first issue, but favoured the Defendants on the second issue resulting in the partial dismissal of the Plaintiff's action to the extent that it was framed in copyright (at paras 6 and 155-156). The motions otherwise were dismissed (at paras 7 and 157).

[58] In her analysis of the registrability issue, Justice Mactavish noted that the "Plaintiff specifically disclaimed the use of the word 'pizzeria' in relation to the MILANO Design Mark, and **it does not now claim ownership of the word 'Milano' per se, as a trade-mark or otherwise**" [emphasis added]: *2018 Summary Judgment*, above at para 95. In her view, the distinctiveness of the Milano Design Mark, as a whole, resides in the combination of the words "Milano" and "Pizzeria", coupled with the design elements, namely "the layout and font of the words, as well as the pizza slice appearing in the letter 'O' of 'Milano', which is the most distinctive element of the MILANO Design Mark": *2018 Summary Judgment*, above at paras 96 and 99.

[59] In reaching this distinctiveness conclusion in the context of the registrability analysis, Justice Mactavish referred to the decision in *Milano Dining Room*, and noted the combination of the words "Milano" and "Express," coupled with a train logo [Milano Express Mark] which

mark was upheld. Although not stated expressly, I find that Justice Mactavish impliedly analogized the format of the Milano Design Mark here, to that of the Milano Express Mark.

[60] In concluding that there was a genuine issue for trial in respect of Plaintiff's passing off claim (and others), Justice Mactavish noted that the existence of a registered trademark is a complete defence to an action for passing off: *2018 Summary Judgment*, above at para 133.

[61] In dismissing the Plaintiff's copyright claim, Justice Mactavish noted the lack of evidence establishing the creation and provenance of the Milano Design Mark. In particular, even assuming that Marwan Kassis authored the Milano Design Mark, evidence of which was considered "vague, non-specific, inconsistent and incomplete," there was no evidence he ever assigned his alleged copyright to the Plaintiff: *2018 Summary Judgment*, above at paras 148-150. The Plaintiff thus failed to establish any enforceable copyright rights in the Milano Design Mark. Justice Mactavish also found at para 153 that the Plaintiff failed to establish enforceable rights in the menus.

V. Dispute and Issues

[62] Both the Plaintiff and the Defendants allege that the activities of the other party(ies) have caused confusion in the marketplace and harmed their respective businesses. While the parties agree that customers in the Ottawa area have come to know the MILANO PIZZERIA operations of the independent owner-operators as, interchangeably, MILANO, MILANO'S, MILANO PIZZA, MILANO'S PIZZA, and MILANO PIZZERIA, neither the Plaintiff nor the Defendants

presented direct evidence of the perceptions of their customers, or of other third parties, in this regard.

[63] Further, for their part, the Defendants challenge whether MPL or any predecessor in title has licensed any of the MILANO PIZZERIA owner-operators. A key issue of the dispute, in my view and as discussed further below, is whether the Plaintiff has demonstrated sufficient controlled licensing within the meaning of subsection 50(1) of the *TMA*. A determination on this point, in the larger context of distinctiveness, is a necessary antecedent to a consideration of the validity of the Milano Design Registration, which the Defendants challenge in their counterclaim.

[64] Based on the parties' pleadings and the above factual background, I find that the liability phase of the trial raises the following issues:

A. With respect to the alleged invalidity of the Milano Design Registration:

- (a) Whether, as of the date of the Defendants' counterclaim, namely June 2, 2017, the Milano Design Mark was distinctive of MPL in association with take out restaurant services, with delivery, and if not, whether the registration is invalid under the *TMA* s 18(b) for at least one of two possible reasons, namely:
 - (i) whether MPL's licensing program is valid under the *TMA* s 50(1) such that use of the Milano Marks by the MPL Licensees enures to MPL's benefit, and if not, whether this renders the Milano Marks non-distinctive; and/or
 - (ii) whether the co-existence of other third party MILANO marks/operations, such as PIZZERIA MILANO of Masson, QC, renders the Milano Marks non-distinctive;

- (b) Depending, in part, on whether MPL's licensing program is valid, whether MPL abandoned or intended to abandon the Milano Design Mark, as contemplated by the *TMA* s 18(c);
 - (c) Whether the Milano Design Mark was used under licence at the time the application for its registration was filed on October 6, 1997 or its claimed first use date of March 1994, failing which the registration would be invalid under the *TMA* s 18(d);
 - (d) Whether the Milano Design Registration is invalidated because the claimed first use date of March 1994 precedes the incorporation date of May 14, 1996 of MPL but the registration does not identify any predecessor in title;
 - (e) Whether the Corporate Defendant's predecessor in title used the Milano Design Mark prior to the claimed first use date of March 1994;
 - (f) Whether the lack of a disclaimer of the word MILANO in the Milano Design Registration invalidates the registration, or whether, alternatively, the registration can be amended to incorporate a disclaimer of the word MILANO in addition to PIZZERIA; and
 - (g) Whether MPL has enforceable rights in the registered Milano Design Mark (and/or the Milano Word Marks) to sustain its claims that the Defendants have contravened the *TMA* sections 19, 20, 22, 7(b) and/or 7(c);
- B. Whether the Defendants have made any unauthorized use of the registered Milano Design Mark, either before or after any alleged licence or permission to use it ceased in June 2016, in contravention of the *TMA* s 19;
- C. Whether the New Milano Design Mark and the Milano Word Marks, as used by the Defendants, are confusing with the registered Milano Design Mark, such that their unauthorized use constitutes infringement under the *TMA* s 20;
- D. Whether the Defendants' unauthorized use of the Milano Marks and the New Milano Design Mark has depreciated MPL's goodwill in registered the Milano Design Mark in contravention of the *TMA* s 22;

- E. Whether the Defendants, by using the Milano Marks and the New Milano Design Mark without MPL's authorization, have passed off their goods and services as and for those of MPL in contravention of the *TMA* sections 7(b) and 7(c);
- F. Whether the Personal Defendants should be liable for any unlawful acts of the Corporate Defendant;
- G. Whether the actions and communications of MPL and the Personal Defendants by Counterclaim to the Defendants' third party suppliers, service providers, and/or their customers, on the milanopizzeria.ca website and elsewhere, constitute:
 - (a) making false or misleading statements tending to discredit the business, goods or services of a competitor, in contravention of the *TMA* 7(a);
 - (b) directing public attention to their goods, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time they commenced so to direct attention to them, between their goods, services or business and the goods, services or business of the Defendants, in contravention of the *TMA* s 7(b);
 - (c) passing off their goods or services as and for those ordered or requested, in contravention of the *TMA* s 7(c);
 - (d) making use, in association with goods or services, of any description that is false in a material respect and likely to mislead the public as to their geographical origin, in contravention of the *TMA* s 7(d)(ii); and
- H. Whether the Defendants have used the trademark MILANO BAXTER and acquired any reputation or goodwill in said trademark.

VI. Relevant Provisions

[65] See Annex "B" below.

VII. Analysis

[66] I begin my analysis by noting that the version of the *TMA* that existed prior to the implementation of substantial changes on June 17, 2019 is applicable to my consideration of this matter.

A. *Is the Milano Design Registration Invalid?*

[67] For the reasons explained below, I find Defendants have met their onus of establishing, on a balance of probabilities, that the Milano Design Mark is not distinctive and, hence, the Milano Design Registration is invalid under the *TMA* s 18(1)(b): *Kirkbi AG v Ritvik Holdings Inc.*, 2003 FCA 297 at para 80 (CanLII), [2004] 2 FCR 241; aff'd 2005 SCC 65. There are two principal reasons for finding non-distinctiveness.

[68] First, regardless of the existence of oral versus written licence agreements, MPL has not satisfied the onus on it to establish that it exercises sufficient control over the services performed (and goods sold) by the MPL Licensees such that MPL would benefit from the deeming provision in the *TMA* s 50(1): *Live! Holdings, LLC v Oyen Wiggs Green & Mutala LLP*, 2020 FCA 120 at para 36. In other words, the lack of control means that any use, advertisement or display of the Milano Design Mark (and the Milano Word Marks, for that matter) by the MPL Licensees does not enure, and has not enured, as of the date when the Plaintiff commenced its action, or as of the date of the Defendants' counterclaim, to the Plaintiff's benefit.

[69] I add that, given the proliferation and coexistence of independently owned and operated MILANO PIZZERIA locations, the use, advertisement or display of the Milano Design Mark

(and the Milano Word Marks) has not enured to their benefit either in the circumstances. I address the latter point further below in the context of the Defendants' counterclaim.

[70] Second, the lengthy coexistence of PIZZERIA MILANO in Masson, QC undermines the distinctiveness MPL otherwise might have enjoyed in the Milano Design Mark, and the Milano Word Marks, were they validly licensed.

(a) *Invalidity under the TMA s 18(b) for lack of distinctiveness*

(i) Insufficient controlled licensing under the TMA s 50(1)

[71] I am not satisfied that the Plaintiff has established sufficient controlled licensing in respect of the character or quality of the services “take out restaurant services, with delivery” in association with which the Milano Design Mark is used, advertised or displayed, so as to benefit from the deeming provision under the TMA s 50(1). This case is less about inconsistent usage of the Milano Design Mark *per se*, although that has occurred as well (for example, by replacing PIZZERIA with milanopizza.ca). Rather, the focus of the analysis is the MILANO PIZZERIA Business and the licences granted by MPL.

[72] The Defendants/Plaintiffs by Counterclaim characterize this case as being “unclear what was said and done, who said it, when was it said, and who agreed to what.” While I do not disagree, I find that as a result, there has been a significant focus in the trial of this matter on form over substance. The lack of formal documentation in the early years of the MILANO PIZZERIA Business has resulted in a “he said, he said” situation (i.e. Mazen Kassis on the one

hand, and Chadi Wansa on the other hand) regarding the years prior to the implementation of a more formulaic licensing program essentially in the mid 2010s.

[73] In my view, this case instead can be characterized as a cautionary tale regarding the difficulties of proving, with the passage of time, both the subsistence and terms of an oral licence arrangement. Further, as shown by some of the witnesses, there is a tendency of “lay” people (in the sense of those without legal training but with some legal advice) to discount or deny the existence of a licence or “contractual” terms, absent a formal written agreement.

[74] In addition, I find that the background context described by Justice Mactavish in the *2018 Summary Judgment* has not been clarified significantly through live testimony. That said, in my view, the evidence at trial points, on a balance of probabilities, to the operation of the Baxter Location by the Khorrami brothers, with an unwritten understanding of permission (which is what a licence is, in essence) to use the “Milano’s name” (including the Milano Design Mark), in exchange for purchasing, respecting territory, and initially, a royalty payment.

[75] The above is borne out by Vahid Khorrami’s live testimony regarding his understanding of the applicable “ground rules” about Tannis (i.e. purchasing from a designated supplier) and respecting the territory assigned to the Baxter Location. He also testified on re-examination that he was paying a fee to Marwan Kassis for the use of the Milano’s name. It is not determinative, in my view, that there was no formal MILANO PIZZERIA Business structure, that the licence agreements were not more precise, for example, about what was registered, that the parties to the

licence agreements, at best, had just a general understanding of the terms, or that compliance was imperfect. The parties and their witnesses are business people, not lawyers.

[76] Further, when testifying about his acquisition and operation of the Montreal Road location, Vahid Khorrami described a discussion he had with Marwan Kassis where he confirmed that he would “try to buy most of the stuff from Tannis still, and I said to respect **that agreement verbally we had in the beginning**, and I respect that, **and I just continue that.**”

[Emphasis added.] Although Mr. Khorrami expressed reluctance to buy certain things that were not top quality, I find that, on a balance of probabilities, Mr. Khorrami’s testimony overall points to an understanding that there was an oral licence arrangement in place regarding purchasing and territory in exchange for permission to use the Milano Marks.

[77] I find the fact that MPL was not involved formally in the sale of the Baxter Location from the Khorrami brothers to the Defendants or in the sale of other MILANO PIZZERIA locations, and together with MPL’s general “hands off” approach to the MPL Licensees, underscore the “looseness” of the licensing arrangements. Ultimately, the lack of control exercised by MPL, as shown by the evidence, negatively affects the distinctiveness of the Milano Design Mark (and the Milano Marks generally), as I explain below.

[78] The *TMA* s 50(1) deems the use, advertisement or display of a trademark by an authorized licensee to be that of the trademark owner if the owner maintains, under licence, direct or indirect control of the character or quality of the goods or services in association with which the trademark is used, advertised or displayed. A written licence agreement is not a

requirement to establish licensed use of a trademark; evidence of the owner's control over use can point to the existence of a licensing arrangement: *Wells' Dairy, Inc. v U L Canada Inc.*, 2000 CanLII 15538 (FC) at para 38.

[79] I note that the rebuttable presumption contemplated by the *TMA* s 50(2) does not apply in the circumstances because no evidence was adduced that public notice was given that MPL is the owner of the Milano Design Mark and that it is used under licence.

[80] Depending on the circumstances, a well-structured franchise arrangement can involve the requisite degree of control to satisfy the *TMA* s 50(1): *Boston Pizza International Inc. v Boston Chicken Inc.*, 2001 FCT 1024 (CanLII) at paras 56-57. That said, "...the fact that a franchisor has some control over its franchise is not sufficient on its own to show control over the character and quality of the services. Each case, however, has its own facts and despite the differences between the types of business relationships, the owner of the trade-mark must be able to evidence control over the licensee to meet the requirement under s. 50": *Fox on Canadian Law of Trade-marks and Unfair Competition*, 4th ed., Gill, A. Kelly; Jolliffe, R. Scott; Fox, Harold G. (Toronto: Carswell, c2002-) (looseleaf) [*Fox on Trade-marks*], citing (at page 15-24, footnote 96) *Realestate World Services (1978) Ltd. v Firstline Trust Co.* (1997), 77 CPR (3d) 406 (TMOB).

[81] Notwithstanding the references to "License/franchise fees and royalties" in the licence agreements, and the possibility of MPL making "an application to register Milano Pizzeria as a franchise" in at least one of the licence agreements in evidence, MPL simply is not a "franchise"

as this term is defined in section 1 of the *Arthur Wishart Act (Franchise Disclosure), 2000*, SO 2000, c 3. Among other things, the MPL has not established that it exercises significant control or provides significant assistance, directly or indirectly, to MPL Licensees. The issue here, however, is whether MPL exercises sufficient control within the meaning of the *TMA* s 50(1) to maintain the Milano Design Registration.

[82] The Plaintiff argues that a licensee’s “desired autonomy in the day-to-day administration of its affairs does not... equate with an abdication of control”: *Stamos v Belanger*, 1994 CanLII 7426 (ON SC) [*Stamos*] at para 64. As Justice Walker observed more recently, “[t]he lack of control by the Plaintiff of the Defendants’ day-to-day business operations is not fatal to the existence of a section 50 license”: *Corey Bessner Consulting Inc. v Core Consultants Realty Inc.*, 2020 FC 224 [*Corey Bessner*] at para 78. While I do not disagree, I find that this is not of much assistance to the Plaintiff here in establishing sufficient control with regard to the MPL Licensees. Further, the unique circumstances at play in *Stamos* and in *Corey Bessner* make these decisions distinguishable, in my view, from the matter before me.

[83] *Stamos* involved a dispute among members and former members of an international union and a local union, and a motion for an interim injunction to restrain the defendants from using certain trademarks. The Court in that case found compliance with the *TMA* s 50(1) and a strong *prima facie* case of breach of contract by the defendants, having regard to the international union’s constitution and the monitoring the international union undertook of all activities of its locals.

[84] *Corey Bessner* involved a business arrangement between a trademark owner and two colleagues that fell apart. While the proposed business alliance included a term that the three business partners would own an equal share of the intellectual property, the trademark owner did not agree to the proposal and the business alliance was not formalized in writing. While the trademark owner had been prepared to move forward with the business alliance to see how it proceeded, it was short-lived, lasting about 1½ years. Further, the trademark owner did not agree to co-ownership or assignment of the trademarks at issue. Rather, the trademark owner maintained physical control over the trademarks through control of the relevant website, email and social media accounts. The control of the trademarks was a determinative factor in the Court's finding of a licence under the *TMA* s 50.

[85] In the case before me, I find that MPL woke up late to the importance of the Internet and online ordering to the MILANO PIZZERIA Business. I further find credible Chadi Wansa's testimony that he acquired the domain milanopizzeria.ca, developed a website with the help of a website designer, hopped on the new online ordering platforms of the day, and encouraged the participation of other locations, all without input or oversight by MPL for at least a decade from 2003 to 2013. Relations between the parties started to deteriorate when MPL belatedly sought to control the domain, the website and eventually social media for the MILANO PIZZERIA Business.

[86] This element of control was solidified in the hands of MPL just under two years before the Defendants initiated their counterclaim challenging the distinctiveness of the Milano Design Registration. Although, in my view, online ordering is the Internet equivalent of a centralized

telephone ordering system (which the MPL Licensees rejected years ago), I find it was “too little too late.” The Plaintiff has maintained consistently throughout the action that the essential terms of the licence are “purchasing” and “territory.” Online ordering is not mentioned in the written licence agreements. Nor is it mentioned or inherent in the services “take out restaurant services, with delivery” listed in the Milano Design Registration. This is not surprising given that the underlying application to register the Milano Design Mark was filed in 1997, in the early days of the Internet and long before the adoption of online ordering in the MILANO PIZZERIA Business. In addition, the evidence does not show that all of the independent owner-operators are obligated or have chosen to participate.

[87] The authors of *Fox on Trade-marks* posit (at page 15-24) that there are two main issues regarding the sufficiency of control – the type of control and whether it actually is exercised – and they point to a number of cases where control is in issue. They suggest that a cautious approach would be to “have the license specifically provide for the owner’s control over the character and quality of the wares or services” and “the right to regular inspections, which the owner would actually exercise”: Section 15.3(c)(ii) at pages 15-25 – 15-26. The licence agreements granted by MPL do not contain either such provision.

[88] This Court has held that the lack of a clause providing for control of the quality of the wares in a licensing agreement, plus a lack of evidence that the owner exercised direct or indirect control of the use of the mark by the licensee, and the absence of any other new material evidence, was sufficient to reject an appeal from the Registrar’s decision expunging the trademark registration in issue: *Eclipse International Fashions Canada Inc. v Cohen*, 2004 FC

617 at para 17. In *Tucumcari Aero, Inc. v Cassels, Brock & Blackwell LLP*, 2010 FC 267, (former) Justice Barnes found that a right of annual inspection and a right to terminate the applicable licence agreement in the case of deficient products were indicative of sufficient control as required by the *TMA* s 50(1).

[89] While the written licence agreements with the MPL Licensees provide MPL with the right to terminate in the event of breach, and obligate the MPL Licensees to sell products and menu items approved by MPL, they do not contain any right of inspection. In addition, there is little evidence that MPL regularly inspects or approves products and menu items (apart from the one example of requesting the removal of Halal items from a menu).

[90] Many of the cases cited by the authors of *Fox on Trade-marks* deal with the adequacy of a corporate or similar relationship between the trademark owner and the licensee(s) in the context of controlled licensing. I find the following case, however, provides a useful discussion germane to the issue here of controlled licensing.

[91] In *Flansberry Menard & Associates v RB Music Ltd.* (2000), 7 CPR (4th) 569 (TMOB) [*Flansberry*], the Trademarks Opposition Board found that the registrant failed to demonstrate the requisite section 50 control, and ordered the challenged registration expunged for non-use under the *TMA* s 45. In considering whether the registered trademark BACHMAN-TURNER OVERDRIVE was used during the relevant period with pre-recorded tapes, the Opposition Board Member found that while the trademark owner likely would have had control over the character and quality of the band's master recordings, it failed to demonstrate how it exercised

control over the character and quality of the **finished** products which display the registered mark (that is, the tapes, records or compact discs produced from the master recordings). The Member noted specifically that the licence agreement did not contain a right to inspect and control the use of the trademark to ensure that it was used properly, nor to obtain samples of the goods produced in connection with the trademark.

[92] By analogy, I find that while MPL may control the character and quality of the branded pizza ingredients - pepperoni, cheese and sauce - that it requires the MPL Licensees to purchase from Tannis, in addition to the pizza boxes, MPL for the most part has failed to exercise control over the finished product, the pizza itself, and other menu items.

[93] For example, Mazen Kassis testified that “none of the other ingredients would affect the taste of the pizza more than the sauce would” and agreed with counsel that “by requiring your licensees to all use the Milano sauce, then that essentially makes – the key to all of their pizza all the same across all operators.” On the other hand, Yousef Nassar testified that the dough is the most important aspect of pizza, while other witnesses testified, including Chadi Wansa, Vahid Khorrami and Rania Yehia (a former owner-operator of the Montreal Road Location, and whose father is Chadi Wansa’s father-in-law), that they were free to use their own recipes. In other words, there was nothing to prevent the taste of the sauce being altered by the addition of other ingredients, such as herbs and spices, or by its interaction in the cooking process with other ingredients, significantly the dough. Nor does MPL appear to have monitored in any meaningful way, such as through periodic or regular sampling, the finished product, that is, the pizzas or any other food products on the menus of the MPL Licensees.

[94] Mr. Kassis also testified that “the entire business is fluid” and that “licensees come to Milano, because **they are relaxed licence agreements with few requirements.**” [Emphasis added.] Further, Mr. Kassis confirmed that there are no uniforms. Additions to the menu are allowed (such as Kemptville Pizza or Manotick Special) because “it won’t affect the larger mark of company.” The control over the quality of the service being provided, in “the early days, would have come through a supplier... a rep that would work for the distributor... by the customers..., and by the licensees themselves.” Mostly, however, controlling the service of a territory is out of MPL’s hands once the territory has been assigned; the MPL Licensees would have to deal with territorial disputes on their own.

[95] While MPL encourages higher pricing, it is neither compelled, nor uniform. Instead, MPL Licensees have control over their pricing. MPL does not audit sales - Mazen Kassis testified that he just goes by experience or makes an educated guess. According to Mr. Kassis, apart from territory and purchasing, the MPL Licensees (that is, the MILANO PIZZERIA owner-operators) essentially control their own operations.

[96] Based on the testimony of Mazen Kassis and having regard to the written licence agreements, apart from initially assigning a territory to a licensee, I am not persuaded that MPL actually controls the territory, a key aspect of MPL’s licensing program. This is a problem for MPL because “...s. 50(1) of the Act requires the owner of the mark, and not the licensed company, to have direct or indirect control of the character or quality of the wares or services in order for the use of a trade-mark by a licensee to be deemed to be used by the owner”: *Facton Ltd v Diplomat Watch of Canada*, 2012 TMOB 142 (CanLII) at para 59. An exception might

occur where a licensing arrangement involves the delegation of control from the trademark owner to a “head” licensee or franchisee who in turn exercises control on behalf of the trademark owner (i.e. indirect control) over sublicensees or subfranchisees. That is not the case here, however.

[97] The Plaintiff argues that the territories were assigned to optimize the speed and quality of delivery of the ordered food and, hence, represents an element of control of the Milano Design Registration services (that is, “take out restaurant services, with delivery”). I am not satisfied, however, that this is meaningful control in the sense of sufficiency. First, territories are different sizes. Vahid Khorrami testified, for example, that the Montreal Road location was too large to be served effectively by only one MILANO PIZZERIA store. Youssef Nassar had a similar complaint regarding the Russell location. Mr. Nassar also testified that timing of delivery is a key factor. Second, in the case of orders that are picked up, the size of the territory may have little, if any, impact on the speed with which an order is filled.

[98] Third, the evidence establishes that the MPL Licensees have control over the hiring and training of drivers. No evidence was adduced on the speed at which delivery drivers drive or the routes they take (i.e. the timing of delivery mentioned by Mr. Nassar). Even assuming they drive at posted speed limits, this is but one factor in the overall timing of order fulfillment. For example, the MPL Licensees also have control over their operations. In other words, they control how the food is prepared, including the timing of preparation. They also control staffing and, thus, whether they have sufficient staff to meet demand at any given time and how quickly they do so.

[99] All of these factors, over which MPL exercises little to no control, are significant determinants, in my view, of the character or quality of the services, including the finished pizza products and the speed at which or how food orders are filled. As noted in an earlier case, “[n]ot only is the provision in that agreement as to the character of the hamburgers to be sold under the agreement of the most superficial and unrestrictive character, but there is no provision for supervision or control and the evidence indicates that actual control concerning ‘nature and quality of the goods’ [or services, here] is practically speaking, non-existent”: *Robert C. Wian Enterprises, Inc. v Mady*, [1965] 2 Ex. C.R. 3 at p 15.

[100] The Plaintiff’s counsel objected, during Vahid Khorrami’s examination in chief, to the relevance of the line of questioning regarding the sale of the Baxter Location from the Khorrami brothers to the Defendants, having regard to the relevant date for assessing the distinctiveness of the Milano Design Mark (i.e. as of the date of the Defendants’ Counterclaim dated June 2, 2017). Although there is a difference of about 15 years, apart from the development of private label branded pizza ingredients and the increased utilization of written licence agreements, there is little evidence that much else has changed over the intervening years in respect of the actual exercise of control by MPL over the character or quality of the applicable services. I base this observation on the testimony of several of the independent owner-operators of MILANO PIZZERIA stores. Further, as mentioned above, online ordering (and MPL’s belated control) is not a significant factor in this case, in my view.

[101] I therefore conclude that the insufficient control exercised by MPL over the character or quality of the services, including the finished food products, notwithstanding oral or written

licence agreements with most of the MPL Licensees, renders the Milano Design Mark non-distinctive, and hence, the Milano Design Registration invalid, as of the date of the Defendants' counterclaim, namely June 2, 2017.

[102] As a consequence, not only is the Milano Design Mark non-distinctive of MPL, its concurrent use by the MPL Licensees renders the Milano Design Mark non-distinctive of any one of them as well, in my view, particularly in the absence of any direct evidence of acquired distinctiveness by either side to this dispute, notwithstanding lengthy use (about 20 years or more) of the Milano Design Mark and one or more of the Milano Word Marks. I explain the implications of the latter result further below in connection with the Defendants' counterclaim. This consequence does not apply, however, to the design elements of the New Milano Design.

(ii) Lengthy co-existence of PIZZERIA MILANO in Masson, QC

[103] I find the coexistence of PIZZERIA MILANO in Masson, Québec, undermines any acquired distinctiveness MPL otherwise might have enjoyed in the Milano Design Mark, and the Milano Word Marks, by reason of the *TMA* s 50(1), were it not for the uncontrolled licensing that occurred.

[104] Justice Mactavish found, as noted above, that the distinctiveness of the Milano Design Mark resides in the combination of the words "Milano" and "Pizzeria", coupled with the design elements: *2018 Summary Judgment*, above at para 96. This finding in my view relates to the inherent distinctiveness of the Milano Design Mark on its face, rather than possible acquired distinctiveness, which is not mentioned in the registrability analysis.

[105] I find, however, that the Milano Design Mark is an inherently weak mark, with the word PIZZERIA specifically disclaimed, and rights in the word MILANO disavowed by MPL (i.e. “Milano’ is actually a common trade term in association with restaurants and cafés in Canada”), and the design of a slice of pizza descriptive of “take out restaurant services, with delivery” where the featured, finished product is pizza. (The lack of an express disclaimer of MILANO in the Milano Design Registration is discussed below.)

[106] Further, I find that any distinctiveness that resided in the combination of the words MILANO PIZZERIA is extinguished by the coexistence, and prior use, of PIZZERIA MILANO, by Dimitrios Stougianos for about 40 years. The fact that the words are reversed does not add any meaningful, distinguishing feature between these marks or names; they mean essentially the same thing, and are similar in sound and appearance: *Made in Nature, LLC v Pharmavite LLC*, 2022 TMOB 21 (CanLII) at para 31; *Allan Beverages Ltd. v Canada Dry Ltd.*, 1974 CarswellNat 489, 15 CPR (2d) 86 at 87-88 (Registrar of Trade Marks).

[107] In addition, the Milano Design Mark and the PIZZERIA MILANO sign used by Mr. Stougianos in the front window of his restaurant, involve the same eye-catching colours of red and yellow.

[108] The Plaintiff sought to rely on the fact that Masson, QC is approximately 30 minutes away from Ottawa by car. I agree with the Defendants, however, that the PIZZERIA MILANO in Masson, QC is closer to Ottawa than a number of the MILANO PIZZERIA stores, including those located in Alfred, Almonte, Arnprior, Beachburg, Bourget, Casselman, Cobden, Cornwall,

Kemptville, Pembroke, Perth, Renfrew and Smith Falls (according to the list, in evidence, of MILANO PIZZERIA locations as of August 2018). As the Supreme Court has held, “for the owner of a registered trade-mark to have exclusive use of the trade-mark throughout Canada, there cannot be a likelihood of confusion with another trade-mark anywhere in the country”:
Masterpiece Inc. v Alavida Lifestyles Inc., 2011 SCC 27 at para 31 (CanLII), [2011] 2 SCR 387.

[109] During the trial, Mazen Kassis admitted he is aware that there are other restaurants in Ontario and Canada that use MILANO in their name. Apart from this action, and an action against Milano City Pizza in respect of which MPL obtained default judgment (dated June 23, 2016 on Court File No. T-43-16), there is no other evidence that MPL has a program for policing the Milano Design Mark, including in respect of the PIZZERIA MILANO. For example, the written licence agreements with the MPL Licensees do not contain any provision obligating the licensee to bring to MPL’s attention any unauthorized, confusing uses of the Milano Design Mark or the Milano Word Marks by a third party.

[110] In addition, regarding the third party marks evidenced by the Defendants, namely MILANO COFFEE HOUSE design, registration number TMA836,464, MILANO FRUITERIE LOGO TRADEMARK, allowed application number 1,703,103, and MILANO English logo, allowed application number 1,753,787, there is no evidence that MPL sought to oppose them. I find, otherwise, that this evidence is of little assistance to the Defendants in their defence of the main action. In particular, there is an insufficient number of registered and allowed trademarks to draw any inferences regarding the state of the marketplace in respect of the asserted prevalent use of MILANO for restaurant services: *Tokai of Canada Ltd v Kingsford Products Company*,

LLC, 2021 FC 782 at paras 56-57. I give greater weight in this regard to the Plaintiff's admission made during the processing of the application underlying the Milano Design Registration to the effect that "Milano" is a common trade term in association with restaurants and cafés in Canada.

(b) *Invalidity under the TMA s 18(c) because of abandonment*

[111] I am not persuaded that the Defendants have established abandonment of the Milano Design Mark. There are two requirements to show abandonment – first, that the trademark no longer is in use in Canada, and second, that the owner intended to abandon the trademark:

Diageo Canada Inc. v Heaven Hill Distilleries, Inc., 2017 FC 571 at para 43.

[112] MPL itself does not use the Milano Design Mark for "take out restaurant services, with delivery" and has not done so for many years. It does use the Milano Design Mark, however, in association with private label pizza sauce. MPL asserts that pepperoni and cheese are similarly private labelled; I note, however, that there are no images in evidence of the packaging for these food products.

[113] Further, while I have found a lack of distinctiveness from insufficiently controlled licensing, the Plaintiff's licensing program, imperfect as it is, does not support an intention to abandon the Milano Design Mark, in my view. I thus find that the two requirements for establishing abandonment have not been met.

(c) *Invalidity under the TMA s 18(d) because of non-entitlement*

[114] Given my finding of invalidity for lack of distinctiveness, the question of whether the Milano Design Mark was used under licence at the time the application for its registration was filed on October 6, 1997 or as of its claimed first use date of March 1994 for the most part no longer is relevant. I agree with the Plaintiff, however, that the *TMA* s 17(1) operates to preclude the Defendants from succeeding on this ground of invalidity.

[115] I note that the evidence shows the Baxter Location was acquired in 1992 by Marwan and Youssef Kassis, and they owned it until 1994 when they sold it to Kamal Ibrahim. As observed by Justice Mactavish, “Marwan Kassis (one of the Defendants by Counterclaim) identifies himself as the founder of the Milano pizzeria business”: *2018 Summary Judgment*, above at para 13. Although Marwan and Youssef Kassis were shareholders of MPL, there is no evidence about whether their initial interests in the MILANO PIZZERIA Business flowed to MPL.

[116] By the time the application to register the Milano Design Mark was filed in 1997, the Khorrami brothers owned the Baxter Location, through their numbered company, and as I have found, they used the Milano Design Mark with permission (that is, under an oral licence), in exchange for purchasing and respecting territory.

[117] Further, while the Bill of Sale for the purchase of the Baxter Location by the Defendants mentions goodwill, it is silent about any trademarks, trademark rights, trade names or other intellectual property, as noted by Justice Mactavish: *2018 Summary Judgment*, above at para 73. In light of the *TMA* s 48(1), however, I am not prepared to infer that trademarks follow goodwill. Subsection 48(1) provides that registered or unregistered trademarks are transferrable, either with

or **separately from the goodwill of the business**. In other words, subsection 48(1) recognizes a commercial reality that a business and its goodwill can be sold with or without the trademark(s) that the business used.

[118] Consequently, while the Defendants in my view are the successors to the business operated by the Khorrami brothers at the Baxter Location, I find that they are not the successors to any trademark rights that would permit them, under the *TMA* s 17(1), to challenge the Plaintiff's entitlement to the Milano Design Mark, notwithstanding that the Milano Design Registration is more than five years old: *Havana House Cigar & Tobacco Merchants Ltd. v Skyway Cigar Store*, 1998 CanLII 7773 (FC) at para 61; varied (in other respects) 1999 CanLII 9100 (FCA).

(d) *Invalidity because claimed first use date precedes incorporation date*

[119] There is no question that under the *TMA*, as it existed prior to June 17, 2019, this would have been a valid basis for opposing a trademark application, with regard to paragraphs 38(2)(a) and 30(b). The law is less clear, however, whether a registration could be expunged under the *TMA* s 18 on that basis (i.e. non-compliance with section 30 which is not mentioned in section 18, unlike the former paragraph 38(2)(a)).

[120] In any event, the Defendants did not address or maintain this issue in their closing arguments. In light of my finding of invalidity for lack of distinctiveness, I conclude it is unnecessary to make a determination regarding this issue.

- (e) *Whether Corporate Defendant's predecessor used the Milano Design Mark prior to March 1994*

[121] As I have found above, while the evidence shows that 1252106 Canada Inc., the Khorrami brothers' numbered corporation, is the Corporate Defendant's predecessor in so far as the business operated at the Baxter Location is concerned, 1252106 Canada Inc. is not a predecessor in my view of any trademarks or trademark rights that the Defendants allege they hold. I therefore conclude it also is unnecessary to make any other determination in connection with this issue.

- (f) *Invalidity because of lack of disclaimer of MILANO*

[122] Again, given the finding of invalidity for lack of distinctiveness, this issue has become moot. That said, were I to consider the issue, I would be inclined to the view that the Defendants' complaint regarding the lack of a disclaimer in this case is tantamount to an impermissible collateral attack against the registrability finding in the *2018 Summary Judgment*.

[123] The Defendants have not articulated clearly, in my view, the statutory basis on which they seek to have the Milano Design Registration declared invalid for lack of a disclaimer of MILANO or, alternatively, to have the Milano Design Registration amended to incorporate the disclaimer. I find that the Defendants' complaint about the lack of a disclaimer of MILANO appears to be rooted in the registrability of the Milano Design Mark, which Justice Mactavish found is not in issue. I note that neither party appealed the *2018 Summary Judgment*. Further,

both sides of the dispute were expected to have “put their best foot forward” in their respective motions and responses: *2018 Summary Judgment*, above at paras 34-35.

[124] As Justice Gleason (as she then was) observed, “[t]he rule against collateral attack prevents parties from questioning an order made by a court of competent jurisdiction in any other proceeding except through the appeal process applicable to the order”: *Strickland v. Canada (Attorney General)*, 2013 FC 475 at para 43. The Supreme Court defines a “collateral attack” as “an attack made in proceedings other than those whose specific object is the reversal, variation, or nullification of the order or judgment”: *Wilson v The Queen*, [1983] 2 SCR 594 at 599.

[125] For this reason, I find that the Defendants’ reliance on the decision in *Emall.Ca Inc (Cheaptickets.Ca) v Cheap Tickets and Travel Inc.*, 2007 FC 243 [*Cheap Tickets*], in respect of this issue, misplaced. The *Cheap Tickets* decision turned on the question of whether the challenged trademarks were descriptive and, hence, whether they were registrable.

[126] For the above reasons, I would have concluded that the Defendants could not succeed on this issue.

(g) *Enforceable rights in the registered Milano Design Mark (and/or the Milano Word Marks)*

[127] Given my finding of lack of distinctiveness, because of insufficiently controlled licensing, I conclude that the issue of whether MPL has enforceable rights in the registered Milano Design Mark (and/or the Milano Word Marks) to sustain its claims that the Defendants

have contravened the *TMA* sections 19, 20, 22, 7(b) and/or 7(c) must be answered in the negative for all of the Plaintiff's asserted Milano Marks. The *TMA* s 50(1) applies to both registered and unregistered trademarks.

[128] If my finding were not sustainable, however, I would have considered the Defendants' ongoing use of the exact and otherwise validly registered Milano Design Mark, after MPL's termination of permission to use it (or in the absence of such permission), to be a breach of at least sections 19 and 20 of the *TMA*. The evidence demonstrates that the Milano Design Mark was not removed from the Defendants' website until 2018, and is still on a sign at the Baxter Location. The Defendants also admitted using substantially the Milano Design Mark on their latest menu from 2019.

[129] In any event, I add that the issue of whether the Milano Design Mark is nonetheless distinctive of MPL for the privately-labelled pizza ingredients (i.e. pizza sauce, pepperoni and cheese), or, in other words, the goods it sells through Tannis, was not asserted or argued in the Plaintiff's claim or the Defendants' counterclaim. Further, there was no evidence that anyone other than MPL sells such goods. It is not an issue I need to determine and, thus, is not a factor in these Reasons.

[130] In the circumstances, I find it unnecessary to consider issues B, C, D, E and F above, leaving issues G and H for consideration, to which I turn next.

G. *Actions and communications of MPL and the Personal Defendants by Counterclaim*

- (a) Have MPL and the Personal Defendants by Counterclaim made false or misleading statements tending to discredit the business, goods or services of the Defendants, in contravention of the *TMA* s 7(a)?

[131] I find that the Defendants have not made out their counterclaim of contravention of the *TMA* s 7(a) by MPL and the Personal Defendants.

[132] The parties do not disagree about the elements required to succeed in a claim under this provision, namely (1) a false and misleading statement, (2) tending to discredit the business, wares or services of a competitor, and (3) resulting damage: *S. & S. Industries Inc. v Rowell*, 1966 CanLII 53 (SCC), [1966] SCR 419 at 424.

[133] The Defendants assert, in their Reply to the Defence to Counterclaim, however, that the alleged deceptive and misleading actions by the Defendants by Counterclaim with respect to section 7 breaches “stand independently of any determination regarding the ownership of the trade-marks at issue.” I disagree.

[134] As I previously have held, “[t]here is a constitutional limitation on section 7, in that standing alone and in association only with (now) section 55, it would not be valid federal legislation under subsection 91(2) of the *British North America Act*; the section derives its ‘nourishment’ or validity from rounding out the regulatory schemes prescribed by Parliament exercising its legislative power in respect of patents, copyrights, trademarks and trade names”: *Immigration Consultants of Canada Regulatory Council v CICC The College of Immigration and*

Citizenship Consultants Corp., 2020 FC 1191 at para 62, citing *MacDonald et al v Vapor Canada Ltd*, 1976 CanLII 181 (SCC), [1977] 2 SCR 134 [*Vapor*] at 172.

[135] The Supreme Court in *Vapor* stated further at 172: “The subparagraphs of s. 7, if limited in this way, would be sustainable.” The Supreme Court, thus, concluded that paragraph 7(e) was not sustainable (and hence, it later was repealed) because there was no subject matter left in relation to patents, copyright, trademark and trade names, once paragraphs 7(a) to 7(d) were taken into account.

[136] Regarding the *TMA* s 7(a) specifically, this Court has held, “[f]or section 7(a) to be valid, its application must be limited to creating a cause of action relating to false and misleading statements made about a trade-mark or other intellectual property owned by the claimant”: *Canadian Copyright Licensing Agency v Business Depot Ltd.*, 2008 FC 737 [*Canadian Copyright*] at para 27. As I explain below in connection with issue H, to the extent the that Defendants base this claim on alleged rights in MILANO BAXTER, the Defendants have not established that they have used MILANO BAXTER as a trademark within the meaning of section 4 of the *TMA*, or as trade name for that matter.

[137] The Defendants point to email exchanges in early 2017 between the Plaintiff and two suppliers regarding online order fulfillment, Just Eat and Uber, as well as to the testimony of Chris Bouziotas of Local Media Concepts Inc., doing business as menu.ca, in support of their assertion that the Plaintiff (including the Personal Defendants by Counterclaim) made false or

misleading statements tending to discredit the business, goods or services of a competitor, contrary to the *TMA* s 7(a).

[138] I find the email exchange with Uber to be factual for the most part, while the email exchange with Just Eat is inconclusive. In both cases, the representative of the supplier apparently sought information about the dispute between MPL and the Baxter Location, to which MPL's counsel responded in the case of Uber and Mazen Kassis responded in the case of Just Eat.

[139] In response to Uber, MPL's counsel forwarded a copy of the Milano City Pizza judgment and a copy of the Statement of Claim filed naming the owner-operators of the Baxter Location as Defendants and "alleging infringement of our client's exclusive rights in the trademarks MILANO PIZZERIA, MILANO PIZZA ... and MILANO PIZZERIA & Design..." Although in my view it was an overreach to assert exclusive rights in MILANO PIZZERIA and MILANO PIZZA in this statement, nonetheless the Plaintiff had a valid and subsisting registration at the time for the trademark MILANO PIZZERIA & Design (i.e. the Milano Design Registration). Accordingly, pursuant to the *TMA* s 19, the Plaintiff enjoyed exclusive rights in its registered trademark until the registration was declared invalid.

[140] Regarding Just Eat, the representative indicated that after having spoken with both sides, they wished not be involved until the dispute was resolved. Although Mazen Kassis asserted in his email response that "we are the owners of the trade name Milano Pizza," this too is not inaccurate because the name of the corporation is Milano Pizza Ltd. (The scope of the rights that

reside in that name, Milano Pizza, were not addressed until the trial.) Further, Mr. Kassis ended his response with: “Of course I will respect your position but only ask that you consult with your legal department and see if there is something that can be done.”

[141] As for Mr. Bouziotas, he testified in cross-examination that he understood that Chadi Wansa was a franchisee who owned Baxter’s. As I noted earlier, this is a perception on which the Defendants sought to benefit (i.e. that they were part of a larger group or a franchise). That it worked to their disadvantage in respect of their relationship with menu.ca is not indicative, in my view, of a contravention of the *TMA* s 7(a). Apart from Mr. Bouziotas testifying that he became aware of the dispute and that Mazen Kassis asked him to remove Milano Baxter’s from the platform, which they did, I find his testimony overall is insufficient to support the Defendants’ claim under the *TMA* s 7(a).

[142] The Defendants also point to the actions and communications of the Plaintiff in connection with the opening of the Baseline Location in 2016, described above. Although I am prepared to infer that the Baxter Location is implicated in MPL’s communications via letter and menu that mention the unanswered question about why it was opening another location in the area, I am not satisfied this equates to a reference to a trademark, as required by *Canadian Copyright*, namely, the alleged trademark MILANO BAXTER. Simply, the Defendants have not established that they have used MILANO BAXTER as a trademark.

[143] I thus conclude that the Defendants’ counterclaim based on the *TMA* s 7(a) cannot succeed.

- (b) Have MPL and the Personal Defendants by Counterclaim directed public attention to their goods, services or business in such a way as to cause or be likely to cause confusion with those of the Defendants, in contravention of the *TMA* s 7(b)?

[144] I am not persuaded that the Defendants can succeed on this ground because, as they have framed it, it is inconsistent with their position that the Milano Design Registration is invalid for non-distinctiveness. More significantly, until the Milano Design Registration was invalidated by this Court, the use of the registered Milano Design Mark was an absolute defence to an action in passing off: *Remo Imports Ltd. v Jaguar Cars Ltd.*, 2007 FCA 258 at para 111; *2018 Summary Judgment*, above at para 133; *TFI Foods Ltd. v Every Green International Inc.*, 2021 FC 241 at para 35.

[145] Leaving aside the latter principle for a moment, according to the Supreme Court, the three elements required to establish passing off are goodwill, misrepresentation (resulting in deception), and actual or potential damages: *Ciba-Geigy Canada Ltd. v Apotex Inc.*, 1992 CanLII 33 (SCC), [1992] 3 SCR 120 [*Ciba-Geigy*] at 132. The Supreme Court also has held that “the [Trademarks] Act creates a scheme regulating both *registered* and *unregistered* trade-marks[; ... i]n its pith and substance, s. 7(b) is directly connected to the enforcement of trade-marks and trade-names in Canada: the civil remedy in s. 7(b) protects the goodwill associated with trade-marks and is directed to avoiding consumer confusion through use of trade-marks” [emphasis in original]: *Kirkbi AG v Ritvik Holdings Inc.*, 2005 SCC 65 [*Kirkbi*] at para 35.

[146] The Defendants assert that absent a binding written or verbal agreement with MPL, all their use of Milano Pizzeria and the Milano Design Mark must flow to their benefit in their area

of operation. They point to no case law that would permit the Court to entertain the notion that in the face of a finding of non-distinctiveness, the Milano Design Mark nonetheless remains distinctive in a slice of the city of Ottawa where, including in neighbouring regions, there are more than thirty differently owned and operated MILANO PIZZERIA stores, not to mention PIZZERIA MILANO on the other side of the Ottawa River.

[147] Further, online ordering means there are no restrictions on the area of delivery throughout the city, as Mr. Wansa testified, and the evidence demonstrates that the Defendants have delivered food, or filled orders from, outside their area. Online ordering also facilitates the placing of orders by customers from anywhere in the city who then pick up the ordered food. In the circumstances, I am not convinced that the name Milano Pizzeria and the Milano Design Mark are distinctive of the Baxter Location in that area only, if at all. Further, according to the Defendants, there is no defined area. As noted by Mazen Kassis in his email exchange with the Just Eat representative in early 2017, the MPL Licensees “must abide by territorial boundaries, while [the Baxter] location ... have none.”

[148] The logical consequence of a lack of controlled licensing for so many years is that the names Milano Pizzeria, Milano Pizza and the Milano Design Mark are not distinctive of anyone, at least in association with “take out restaurant services, with delivery.” Whether the Milano Design Mark is distinctive in association with branded pizza ingredients, and whether the New Milano Design as a whole is distinctive of the Defendants, are different questions that remain undetermined at this time.

[149] In addition, to the extent that the Defendants' counterclaim includes reliance on asserted rights in MILANO BAXTER, it cannot succeed on this basis either, in my view, because of the Defendants' failure to establish the use of that term as a trademark or even as a trade name. At the time when the Baxter Location was removed from the website and online ordering system in February 2016, the evidence shows that it had been listed among the "Milano Locations" as "Baxter – Ottawa West." At an earlier time when Chadi Wansa controlled the website, the Baxter Location was listed as "Ottawa West – Baxter & Iris." More significantly, there is no direct evidence from any of the Baxter Location's customers that they know the business as, or that it is called, Milano Baxter. The fact that the Baseline Location was listed on the website as "Milano Baxter – Iris Cobden" after the Baxter Location was removed, is explained by Mazen Kassis' testimony that this is a description of the area served by that location.

[150] I thus conclude that the Defendants' have not established first and second elements of the passing off test articulated by the Supreme Court in *Ciba-Geigy*.

- (c) Have MPL and the Personal Defendants by Counterclaim passed off their goods or services as and for those ordered or requested, in contravention of the *TMA s 7(c)*?

[151] For the same reasons, I am satisfied that the Defendants' also cannot succeed on their second passing off ground. For example, the Defendants argue they have an excellent reputation among their longstanding customers. Yet there is no direct evidence supporting this assertion from any of the Defendants' customers, let alone longstanding ones. The Defendants also refer to "regular repeat business" from their customers without any supporting evidence. In other words, the Defendants cannot point to any direct evidence from customers or others showing that "its

get-up had acquired a secondary meaning or reputation in the mind of the public such that the public identifies that get-up with the [Defendants]”: *Searle Canada Inc. v Novopharm Limited*, 1994 CanLII 3502 (FCA), [1994] 3 FC 603.

- (d) Have MPL and the Personal Defendants by Counterclaim made use, in association with goods or services, of any description that is false in a material respect and likely to mislead the public as to their geographical origin, in contravention of the *TMA* s 7(d)(ii)

[152] To the extent that the Defendants’ complaint under the *TMA* s 7(d)(ii) is based on the use of “Milano Baxter – Iris Cobden” to identify the Baseline Location on the milanopizza.ca website after the Baxter Location was removed, I am not persuaded that this represents a description that is false in a material respect and likely to mislead the public as to the geographical origin of the applicable goods or services, for several reasons.

[153] First, the Defendants have not established goodwill or reputation in “Milano Baxter” because they have not used the term themselves as a trademark under the *TMA* s 4 or as a trade name.

[154] Second, the street address of the Baseline Location is indicated immediately under the reference to “Milano Baxter – Iris Cobden”. All MILANO PIZZERIA store locations are listed in this manner, i.e. with a bolded reference to the location, followed by the street address of the applicable store. The first reference to the Baseline Location in the list of MILANO PIZZERIA stores appears as “Baseline and Greenbank” with the street address for the location underneath. By increasing the resolution of the map in evidence of the Baxter Location’s territory or area of

operation, I can see that Greenbank and Cobden intersect Baseline, while Baxter and Iris are nearby streets.

[155] I thus accept the Plaintiff's evidence, in the form of Mazen Kassis' testimony, that the reference to "Milano Baxter – Iris Cobden" describes the area that the Baseline Location serves. I do not find that it is false in a material respect.

H. *Have the Defendants used the trademark MILANO BAXTER and acquired any reputation or goodwill in this mark?*

[156] I find there is insufficient evidence to establish that the Defendants have used MILANO BAXTER as a trademark and, therefore, I further find they have acquired neither reputation nor goodwill in this asserted trademark.

[157] General ledger entries in evidence identify the Corporate Defendant as "6034799 Canada Inc. (Milano Pizzeria – Baxter)." In my view, the reference to "Baxter" is meant to identify that particular MILANO PIZZERIA store to which the general ledger entries pertain. There is no use of MILANO BAXTER *per se* in the entries and, in any event, it would not be use as a trademark in association with goods or services, within the meaning of section 4 of the *TMA*.

[158] An archived screenshot of the website at <http://www.milanopizzeria.ca/> from January 6, 2010 shows an Ottawa Location listing for "Ottawa West – Baxter & Iris." Again, this is not use of MILANO BAXTER *per se*, and at best, is a description of a location of a MILANO PIZZERIA store (i.e. at or near the streets Baxter and Iris in the west end of Ottawa). It is not,

however, trademark use in association with goods or services, within the meaning of section 4 of the *TMA*.

[159] The Defendants complain about the duplicate entry, in the archived website at <http://order.milanopizzeria.ca/> for August 18, 2018, for the MILANO PIZZERIA store located at 2529 Baseline Road in Ottawa, one with the heading “Baseline and Greenbank” and the other with the heading “Milano Baxter – Iris Cobden.” The Defendants have not established, however, that they use MILANO BAXTER as a trademark within the meaning of the *TMA* s 4 or as a trade name. There is no direct evidence showing the Defendants’ use of MILANO BAXTER as a trademark or trade name or that it has any reputation as such among customers of the Baxter Location or other members of the public who may be familiar with the Defendants’ business.

VIII. Conclusions

[160] For the foregoing reasons, the Plaintiff’s action is dismissed. While the Defendants’ succeed in their counterclaim challenging the validity of the Milano Design Registration for non-distinctiveness of the Milano Design Mark under the *TMA* s 18(1)(b), their counterclaim is otherwise dismissed. In the circumstances, I find that the issue of damages is moot.

[161] I add that, in any event, the Defendants’ claim for enumerated damages for the Plaintiff’s removal of the Defendants from the online ordering system discussed earlier in these Reasons is not “under a sphere of valid federal jurisdiction vested in the Federal Court”: *Salt Canada Inc. v Baker*, 2020 FCA 127 at para 24 (CanLII), [2020] 4 FCR 279. In other words, to the extent that the Defendants rely on a breach of covenant (that is, the Plaintiff’s agreement not to remove the

Defendants from the milanopizzeria.ca website under any circumstances in exchange for the assignment of the domain name) as a foundation of their counterclaim, the breach of contract allegation is beyond the jurisdiction of this Court to address, in my view.

IX. Costs

[162] Both sides submitted a Bill of Costs through to the end of trial, including their summary judgment motions, the costs of which Justice Mactavish ruled would be payable in the cause.

Bearing in mind the general costs principles described below, and for the following reasons, I determine that the Defendants/Plaintiffs by Counterclaim, as the successful parties, are entitled to lump sum costs, including applicable HST and reasonable disbursements, in the amount of \$104,848.10, payable by the Plaintiff/Defendants by Counterclaim.

[163] Chief Justice Crampton thoroughly canvassed general costs principles recently in *Allergan Inc. v Sandoz Canada Inc.*, 2021 FC 186 [*Allergan*] at paras 19-36. Briefly, these include:

- Indemnifying the successful party(ies), even if not successful in respect of all positions pursued, except in cases of divided success or mixed results (noting that success with respect to only some grounds of invalidity does not constitute divided success or mixed results);
- Sanctioning behaviour that increases the duration and expense of the proceeding, or is unreasonable or vexatious;
- Broad discretion of the Court over the amount and allocation of costs, *per* the *Federal Courts Rules*, SOR/98-106 [*FCR*], Rule 400(1);

- Fixing costs with reference to Tariff B (the default level being the mid-point of Column III) or in a lump sum amount, per the *FCR* Rules 400(4) and 407;
- Determining a lump sum amount by beginning at the mid-point of 25%-50% range for a complex drug patent proceeding, or at the lower end of this range for other cases and assessing the Rule 400(3) factors to determine if a higher amount is warranted (per *Seedlings Life Science Ventures, LLC v Pfizer Canada ULC*, 2020 FC 505 at para 22); and
- Assessing disbursements in full, provided they are reasonable.

[164] The Defendants have not convinced me that solicitor-client costs are warranted in the circumstances, nor that the Plaintiff's/Defendants' by Counterclaim conduct was "so malicious, oppressive and high-handed that it offends the court's sense of decency," thus warranting an award of punitive damages: *Bauer Hockey Corp. v Sport Maska Inc. (Reebok-CCM Hockey)*, 2014 FCA 158 at para 19.

[165] The fact that the Court took the Plaintiff to task for a course of conduct in a related but separate proceeding (that is, in connection with the Milano City Pizza matter discussed above), is not a factor, in my view, that justifies a finding of "reprehensible, scandalous or outrageous behaviour," and hence costs sanctions, in the instant action. Until the Court found the Milano Design Registration invalid for insufficient controlled licensing, the Plaintiff otherwise was entitled to pursue lawful enforcement measures.

[166] Further, I am not persuaded that the Plaintiff's conduct of its case unduly lengthened or made the proceedings more complex than necessary in the circumstances. As the Defendants'

noted, they raised in their counterclaim multiple grounds of invalidity of the Milano Design Registration, in addition to multiple section 7 claims that both parties raised. That said, I find that this matter was a moderately complex trademark action with multiple inter-related claims raised by both sides.

[167] I have considered the Defendants'/Plaintiffs' by Counterclaim Bill of Costs. It proposes three possible awards: one based on a mix of mid Column III and top of Column V of Tariff B, another based on 50% of actual costs and the third based on 100% of actual costs. I have noted discrepancies in the total amounts for the actual costs columns, none of which appears to change the totals, however, by more than \$1,000.

[168] I observe that a bill of costs generally should not present an accounting exercise for the Court. Further, where a bill of costs is broken down into components, such as "pleadings and documentary discovery," "examinations for discovery," and "pre-trial procedures," among others, sub-total amounts should be provided to assist the Court.

[169] Having regard to the above discussion on costs, I am satisfied that a lump sum costs award of \$104,848.10, payable by the Plaintiff/Defendants by Counterclaim, is justified in the circumstances. This amount represents 30% (\$89,794.35, being reasonable fees) of the Defendants' estimated 100% actual costs for the entire proceeding including the summary judgment motion, plus HST ($\$89,794.35 \times .13 = \$11,673.27$ (rounded)) and reasonable disbursements (\$3,380.48).

JUDGMENT in T-152-17

THIS COURT ADJUDGES, DECLARES AND ORDERS that:

1. The Plaintiff's action, as amended on January 8, 2021, is dismissed.
2. Registration number TMA571,144 for trademark MILANO PIZZERIA & Design dated November 22, 2002 for "take out restaurant services, with delivery" is invalid and is to be expunged from the register of trademarks, pursuant to paragraph 18(1)(b) of the *Trademarks Act*, RSC 1985, c T-13.
3. In all other respects, the counterclaim of the Defendants/Plaintiffs by Counterclaim, as amended on January 5, 2021, is dismissed.
4. Lump sum costs in the amount of \$104,848.10 shall be payable by the Plaintiff/Defendants by Counterclaim to the Defendants/Plaintiffs by Counterclaim.
5. There is no separate award of damages; the issue is moot.

"Janet M. Fuhrer"

Judge

Annex “A” : Summary of the Parties’ Live Evidence at Trial

Witnesses of the Plaintiff/Defendants by Counterclaim

Mazen Kassis

Mazen Kassis testified twice at trial, first on behalf of the Plaintiff, and then later on behalf of the Defendants by Counterclaim. Mr. Kassis confirmed that he has been the president of Milano Pizza Ltd. [MPL] since 2013. He testified that MPL is an Ottawa-based licensing company that has been in the area for 40 years, and presently has 38 licensees at the time of the trial.

Mr. Kassis testified that his family started in the pizza business in 1973, and that he and all of his siblings later went on to own their own individual pizza businesses. Mr. Kassis stated that his brother, Marwan, owned the first Milano Pizzeria, and that he, Mazen, became involved with Milano Pizza in 1998 by selling off his pizzeria and purchasing shares in MPL. They looked to expand the business to new locations, each named “Milano Pizzeria.” He further testified that these locations were not owned by MPL, but rather by individual operators who agreed to certain conditions in exchange for permission to use the Milano name and mark, including purchasing supplies and territorial agreements.

The Milano Design Mark has been the same, in general appearance, for as long as he can recall. He stated that most of these licensees have come from their group of operators; that is, they are former employees. Training of the licensees was never formally mandated.

He stated further that licensing agreements are not always in writing but were agreed to verbally and comply with the rules (i.e. purchasing from distributors/suppliers, including branded products such as pizza sauce, complying with the menu, to an extent, and with the territory). Mr. Kassis explained that copies of licensing agreements, that were retained by Marwan Kassis, his now late brother and founder of Milano Pizza at that time, were lost in a flood in 2004 or 2005. Mr. Kassis also explained that licensees must purchase certain items under the Milano brand, including pizza boxes, cheese, pepperoni and pizza sauce, which is essential to their mark. The sauce is a designated sauce for Milano Pizza and all licensees have been required to use the specified Milano sauce for more than 20 years.

Mr. Kassis acknowledged that some of the licensing agreements were signed in 2017, after litigation against Mr. Wansa began. He testified later to his understanding that MPL would have approved the sale of the Baxter Location to the licensees with conditions and that there was a licence agreement with the purchasers but he did not meet with them to have the agreement signed. He added that they paid royalties until April or May 2006. The Montreal Road Location also paid royalties.

Mr. Kassis also testified regarding MPL’s licensing arrangements. He stated that it’s a fluid business and that licensees come to Milano because they have relaxed licence agreements with few requirements. Sometimes the licensees don’t comply with the licence agreement but there is an understanding, an explanation for it. He confirmed that there are no uniforms. Additions to menus are tolerated (such as Kemptville Pizza or Manotick Special); there is no impact on the

total look of menu or the larger mark of the company. There is loose quality control through the supplier or distributor representative, customers, and licensees. Mr. Kassis admitted that the service of a territory is out of their hands once it has been assigned and further, that the territory could be under- or poorly-served if the licensee does not open a second location where encouraged. He stated that while MPL encourages higher pricing, it is not compelled nor uniform. Further, MPL does not do audits of sales; they just go by experience.

Christos Bouziotas

Christos Bouziotas confirmed that he works for menu.ca (Local Media Concepts Inc.); they provide restaurants with the software and mechanism to be able to accept online orders. He testified that the company first started working for Chadi Wansa by setting up an online ordering platform and installing hardware in his store so that he could receive online orders.

After Mr. Bouziotas was introduced to Mazen Kassis, they started working with him. According to Mr. Bouziotas, it was clear right from the beginning that Mazen was “the man,” or that he was the franchisor, as far as Mr. Bouziotas knew, that he was responsible for all the Milanos and that it was his website (i.e. milanopizzeria.ca). Mr. Bouziotas explained that everyone, including Chadi, introduced Mr. Kassis as the franchisor. He stated that after he started working with Kassis, the contact with Mr. Wansa was minimal.

Mr. Bouziotas testified that, to his knowledge, the milanopizzeria.ca domain was never transferred to Mr. Kassis by Mr. Wansa and references emails supporting this statement. Mr. Bouziotas stated he found it odd that Mr. Wansa did not transfer the domain because he had promised to do so, and that he got the sense there was a dispute between the parties. Mr. Bouziotas later testified, however, that Milano Pizza eventually acquired the domain through a domain service.

Rabah Abou Hassan

Rabah Abou Hassan confirmed that he has owned the Milano Pizzeria at 1078 Merivale in Ottawa [Merivale Location] since 2012 and managed the store for 4 years before purchasing it. He stated that he has always used the name Milano Pizzeria, and that the location has been there for 40 or 42 years. It is the main Milano Pizzeria location.

Mr. Hassan testified that he has a franchise with his own territory and nobody (other Milano Pizzeria operators) is allowed to go into it. He stated that he has permission to use the trademark and name Milano Pizzeria, and that the conditions on this permission include purchasing supplies through Tannis and Pepsi. Mr. Hassan confirmed that other than purchasing supplies, he has control over running the Merivale Location, including the food he prepares, and the recipes he uses and delivery drivers. He also provided that he has control over advertising, but has joined in on joint initiatives with Mr. Kassis and other locations.

Mohammed Toufaely

Mohammed Toufaely confirmed that he owns a Milano Pizzeria in Richmond, Ontario [Richmond Location]. He bought the store in 1996, then under a different name and changed to Milano's in 1998. He understands that he has permission to use the Milano Pizzeria name and logo as long as he purchases supplies from Tannis. He confirmed that he did not have a written licence agreement in 1998 but that he signed an agreement with MPL "a couple years ago" which outlined similar conditions. He testified that he has never had any issues with MPL.

Mr. Toufaely further testified that he did not talk to a lawyer before signing the (September 2013) licence agreement with MPL, and that he considered the clause that MPL owns the trademark an important term of the agreement. He added that he and Mazen Kassis defined the territory for his location. He also testified that he controls the territory (his consent is required for another licence to be awarded in his territory), the recipes he uses, and that he prepares certain recipes and controls delivery, training/hiring, and customer service.

Abed el Hadi Zawawi

Abed el Hadi Zawawi confirmed that he is the owner of a Milano Pizzeria in Orleans, at 3848 Innes Road [Orleans Location]. He owns the store which he has operated for 12 years. He stated that the business is a franchise owned by the Kassis family, and that the franchise owns the name "Milano," which he has permission to use as long as he purchases supplies from Tannis and Pepsi. He considers that his business operates under the "Milano's franchise" and that his business does not the name. Mr. Zawawi stated that he did not sign a licence agreement right away, only after he had started operating. Nothing changed after he signed the agreement.

Mr. Zawawi testified that he did not have a lawyer review the September 2013 agreement, and that he understands that MPL owns the Milano trademark. Mr. Zawawi further testified that his location has its own territory, and that this was allocated by Mazen Kassis. They agreed on the territory when Mr. Zawawi's store, the second location in the area, was opened because the first location had been there for almost 30 years. He stated that he is in control over the delivery services, customer service, staff training, and some aspects of marketing and advertising (flyers) in his territory.

Witnesses of the Defendants/Plaintiffs by Counterclaim

Chadi Wansa

Chadi Wansa, along with his partners, his cousin, Youssef Zaher and his uncle, Youssef Nassar, own and operate a Milano Pizzeria on Baxter Road, Ottawa [Baxter Location], through the Corporate Defendant, 60434799 Canada Inc.. They acquired the business, including assets and goodwill, from Vahid Khorrami who, with his brother Farid Khorrami, owned the business at this location through 1252106 Canada Inc. According to Mr. Wansa, no trademark clearance search was conducted when they purchased the business. Although Mr. Wansa testified that he did not approach with Marwan Kassis about acquiring a Milano location, he did recall speaking with Vahid Khorrami. Mr. Wansa also recalled that Mazen Kassis did explain the purchasing arrangement to him: "He's like, you know, I negotiate on your behalf, I get the best deal and then I take my cut from it, you know."

Mr. Wansa testified that all three partners were involved in different aspects of running the business. He testified that they decided on ingredients, menus, décor, advertising, how they addressed, how to hire, training for employees, and delivery, with no restrictions. Mr. Wansa further testified that the Milano locations cooperate for marketing efforts, and that they formed a somewhat loosely organized cooperative for the purpose of funding marketing campaigns from joint purchasing from suppliers.

Mr. Wansa provided an overview of the dispute between the Baxter Location and Mazen Kassis, including issues surrounding the website listing and online ordering. He explained that he acquired the domain milanopizzeria.ca in 2003 and paid a web designer \$4,000 to create and set up the website. Mr. Wansa testified that he had full control over the website and initially they were the only location advertising on it. About nine locations later were added.

When Just Eat came along in 2010 with an online ordering platform, Mr. Wansa jumped on it. He testified that there was no input from MPL. Mr. Wansa explained that when Skip the Dishes came along in 2012, the three partners decided to jump on that too, and then later on Uber Eats. Online ordering became a crucial part of their business, representing about 25 per cent. He highlighted that with online ordering, there is no restriction on the delivery area.

Prior to the dispute, Mr. Wansa had a friendly relationship with Mr. Kassis. From 2002-2013, there was no mention of trademarks. Mr. Wansa testified that after Mazen Kassis became the president of MPL in 2013, they discussed transferring the milanopizzeria.ca domain to Mr. Kassis. He stated that he had some reservations about this, but decided to move forward with the plan once Mr. Kassis agreed not to remove the Baxter Location from the website for any reason without consent. Mr. Wansa testified that he remained as an administrator on the domain account, at the request of Mr. Kassis, until he eventually was removed.

The Baxter Location was removed from the website and online ordering system first on November 15, 2015 over refusal to order a certain size of Pepsi and then again, permanently, in February 2016 over refusal to order pizza boxes. Mr. Wansa stated that shortly after the Baxter Location was removed from the website, Mr. Kassis began marketing a new Milano location off Baseline Road [Baseline Location], in close proximity to the Baxter Location. Mr. Wansa testified that, as a result, online sales declined after the Baxter Location was removed from the website, and customers expressed confusion with the new location opening – with some believing that the Baxter Location had closed or was closing. He added that he came across sponsored posts on Facebook advertising this location.

Mr. Wansa testified that he is familiar with a Milano Pizzeria located in the Masson-Angers sector of Gatineau, QC. He stated that he has visited the location twice and noted that they are operating with a different logo than the Milano Pizza Ltd. logo.

On cross-examination, Mr. Wansa testified that Vahid Khorrami explained that the Milano locations cooperate for marketing efforts, and that they formed a somewhat loosely organized cooperative. He stated that, from his point of view, this structure had always been in place. He stated that a Milano location joins the cooperative by agreeing to participate in a marketing campaign. Mr. Wansa testified that Mr. Khorrami told him that purchasing supplies from Tannis allows MPL to collect a kickback that goes toward marketing campaigns for the locations. Mr.

Wansa stated that he paid a monthly fee of \$500 to MPL, identified in his accounting ledger as royalty payments, for marketing purposes

Mr. Wansa stated that he did not consider himself a licensee and they did not have a contract for their location. He recognized Marwan Kassis' signature on a map of the territory for the Baxter Location. He testified that he was free to set the pricing at his location. He stated that other locations controlled their pricing through their menus, also posted in milanopizzeria.ca.

Mr. Wansa stated that he believed that the perception that Milano was a franchise was beneficial.

Youssef Nassar

Youssef Nassar testified that he was approached by his niece's husband, Mahmoud Tabaja about purchasing a Milano Pizzeria location in Russell, Ontario. He purchased the assets of the business in early 2000s which he operated as a sole proprietor.

In 2002, Mr. Nassar, along with his business partners Chadi Wansa and Youssef Zaher, purchased the Baxter Location from the previous owners, Vahid and Farid Khorrami. Mr. Nassar stated that MPL was involved with the lease of the building but not with the actual purchase of the business itself. Further, there were no licence agreements nor any reference to trademarks when they purchased the business. Mr. Nassar testified, however, that the Baxter Location was making monthly payments to MPL for marketing.

Mr. Nassar testified that he was the manager of the Baxter Location. He stated that from 2002 to 2012, MPL was not involved in the operation of the business. He stated that they had complete control over the food they prepared and had distinct menu items. He testified that they generally had no oversight from Milano Pizza Ltd, from décor, operational hours, and delivery details; it was all at the discretion of himself, Wansa and Zaher. Mr. Nassar testified that Tannis was the main supplier of goods, and the Baxter Location began using it in 2005 until 2016.

Mr. Nassar provided testimony with respect to the dispute between the Baxter Location and MPL over compliance regarding purchasing from Milano suppliers Pepsi and Tannis. Mr. Nassar testified about the soft drink dispute and the details surrounding the website listing and their location's removal. He noted the disruption to the revenue. He also added that they had declined to be involved in some of the initiatives Kassis was supporting, specifically a two-for-one deal.

Mr. Nassar described the dispute that arose from the pizza boxes the Baxter Location chose to use from another supplier. He stated that they felt that they were at the mercy of Mr. Kassis, regarding their online ordering presence, and explained the impact of the newly opened Baseline Location in close proximity to their own, including customer confusion for pick-up orders. Mr. Nassar stated that they switched from the Milano boxes to the boxes of their choosing after the time they were taken offline in 2016 because they did not want to promote ordering online.

Vahid Khorrami

Vahid Khorrami is the previous owner and operator of the Baxter Location. He testified that he became involved with a Milano Pizzeria in 1987 when he worked part-time at the Bank and Hunt

Club location. Marwan Kassis and Frank Ianni were the owners. He changed locations in 1992 to the Baxter Location, owned by Joe Kassis at that time who sold it to Kamal Ibrahim.

Mr. Khorrami explained that he purchased 50% of the business from Kamal Ibrahim in 1995 and later brought in his brother, Farid with whom he ran the business, after purchasing the remaining 50 per cent. They set up a company together, 1252106 Canada Inc. During the time when Mr. Khorrami owned 50% of the business with Kamal Ibrahim, he learned Mr. Ibrahim was paying a monthly fee for the use of the Milano name. They continued paying the monthly fee for a little while, after they bought the remaining 50% of the business from Kamal Ibrahim, to use the Milano name.

Mr. Khorrami stated that he and his brother had complete control of the business, including menus, specials, and marketing. He stated that he was not aware that MPL existed when he purchased the business.

Mr. Khorrami testified that he made the sauce in-house and that there was no involvement from MPL. He stated that while they used the camera-ready logo from the designer, all of the menus were different - every location had its own menu with different combinations of pizza and different menu items.

Mr. Khorrami testified that Marwan Kassis approached him about a meeting of Milano owners where they first discussed a group discount for purchases from Tannis and putting rebate money toward a combined marketing effort. He stated that they also discussed a uniform (for which arrangements were made only once) and a logo at a later meeting, where it was decided to adopt uniform signage (in the sense of consistent) at all locations. Mr. Khorrami stated that Mr. Kassis contacted a designer and together the group selected the final design. He testified that there was no written agreement, nor any discussion about who would own the logo. It made good business sense, however, in the eyes of the customers to have a common look and give the impression of a bigger company with six or seven stores.

Mr. Khorrami stated that at another meeting, Mr. Kassis informed him and other location owners that he owned the Milano name and would be keeping the rebate. Mr. Khorrami testified that it didn't have much of an impact on his business; so he continued to operate and make purchases from Tannis and making business decisions for his location. He stated that he had no assistance from Milano Pizza with the trial-and-error phase of his business.

Mr. Khorrami testified that he was approached by Chadi Wansa in 2002 about purchasing the business. He added that Mr. Wansa came to work for him to learn about the business. He stated that he was hesitant to sell the business, but changed his mind after learning from his lawyer that there was no Milano structure, no solid company, and no solid foundation for going forward. He agreed to sell the business to 6034799 Canada Inc.. He stated that by that time, he had established a lot of goodwill with the business.

Mr. Khorrami further testified that MPL was not involved in the sale. He advised Mr. Wansa, however, to speak with Marwan Kassis and Mahmoud Tabaja. Mr. Khorrami recalled that Mr. Wansa reported back that "they said they're okay" and that they thought Mr. Wansa was paying

too much for the store. He also testified that he explained the “ground rules” about buying from Tannis and respecting your territory.

Mr. Khorrami stated that he approached Nick Mourad about purchasing his Milano Pizzeria on Montreal Road [Montreal Road Location] and he stated that there was again no involvement by MPL. He testified that MPL only became involved after he had made major changes to the business. At that time, he was encouraged to buy the Tannis pizza sauce. Mr. Khorrami stated that he would try to buy most of the ingredients from Tannis, as he did at the Baxter Location, “to respect that agreement verbally we had in the beginning.” He still relied on other suppliers, however, for “top quality” for his business. He testified that he later sold the business to the daughter of Chadi Wansa’s father-in-law, Rania Yehia. He stated again that MPL was not involved in the sale.

Mr. Khorrami testified that at one point there was discussion of using a main phone number for all of the operators, but that he decided not to proceed and preferred to maintain his own number.

Mr. Khorrami testified that he was not privy to the sale documents between Joe Kassis and Kamal Ibrahim. He testified that when he became a part owner, he was made aware of a monthly fee paid to Milano for use of the Milano name, which he continued to pay until the Tannis rebate program was introduced which then covered the monthly fee. Mr. Khorrami testified that he wrote the monthly fee cheque to Marwan Kassis directly.

Mr. Khorrami testified (in cross-examination) that while there were territories for the locations, they were not on paper but rather “it was just imaginative lines.”

Rania Yehia

Rania Yehia is a former owner of the Montreal Road Location. She testified that MPL was not involved when she purchased the business from Vahid and Farid Khorrami, and that she did not have contact with anyone other than the Khorrami brothers. (Mazen Kassis testified, however, that he dealt several times with Rania Yehia’s father, Hussein Yehia, who also was Chadi Wansa’s father-in-law, including with respect to royalty payments and the issue of permitting Halal steak on the menu. Vahid Khorrami also testified that when he sold the Montreal Road Location, while the business was put into Rania Yehia’s name, it was Chadi Wansa’s father-in-law, i.e. Ms. Yehia’s father, who was interacting with Mr. Khorrami.)

Ms. Yehia testified that she made her own sauce and that she purchased supplies – cheese, tomato paste to make her sauce, spices, flour, yeast - sometimes from Tannis, but also National Grocer and Costco. Controlling food costs was important. She also did the hiring, firing, training, inventory – any aspect of the business, including advertising and specials. There was never any involvement by MPL – no agreements, no guidance. They did visit the store once, for about 10-15 minutes, commented that the pizza sauce needed more sugar, and left.

Ms. Yehia stated that she sold the business and all of the assets in 2010 to Mr. Naji Zizi, and again MPL was not involved with the sale in any capacity. Ms. Yehia stated that neither she nor her father had any contact with Marwan or Mazen Kassis.

Nicolas Aboud-Mourad

Nicolas Aboud-Mourad confirmed that he is the former owner of the Montreal Road Location, which he purchased from Marwan Kassis. He testified that he later sold the location to the Khorrami brothers around 2002/2003. Mr. Aboud-Mourad testified that he did not have any contact with Milano Pizza Ltd., until the meeting regarding joint purchasing with Mazen Kassis and other location operators. He stated that they also discussed the Milano logo, but that there was never any discussion about who owned the logo or a formal agreement.

Dimitrios Stougianos

Dimitrios Stougianos testified that he currently operates a restaurant at 745 chemin de Masson, and has been operating it for the last 40 years. He has been using the same menu for this length of time. It depicts the words “Pizzeria Milano Restaurant,” with the words Pizzeria and Restaurant in green letters and the larger word Milano in red letters. He testified that he sells more pizzas than other items, and offers delivery to the Masson area.

Mr. Stougianos also was shown a photograph of the façade of his restaurant showing, in the front window, a yellow sign with a red border, and the words PIZZERIA MILANO also in red letters, with a phone number in black numbers underneath the larger of the two words, MILANO. He testified that the sign for his restaurant is visible from the road and is the main sign for his business, although it sometimes is covered when the blinds are lowered, such as when there is sun or at night. There used to be a sign on the pole outside the restaurant but it fell down in the past year. He stated that his business is well known in the area as Milano Pizzeria.

Mr. Stougianos confirmed that his receipts have always said “Pizzeria Nouveau Milano,” and that his business does not have a website. He stated that he recognized the online listings with a red location pin as his business, “Pizzeria Nouveau Milano.” He stated that the name of his business is, and has always been, “Pizzeria Nouveau Milano,” and that he refers to it as such.

Jean Lemieux

Jean Lemieux testified that he has been an accountant for 45 years, and confirmed that Dimitrios Stougianos is one of his clients. He stated that he has known him since 2010, and that Mr. Stougianos owns and operates a pizzeria in the Masson sector of Gatineau, QC.

Mr. Lemieux stated that he came to know Mr. Stougianos while he was living in Masson from 1994 to 2017. He testified that he ordered food from the restaurant that was delivered. The business is known for pizza. He testified that, as far as he knows, the business always has operated at the same location.

Mr. Lemieux testified that he referred to Mr. Stougianos’s business as Pizza Milano, and that the sign for his business is visible from the street. He stated that the business was well known when he lived in Masson.

Mr. Lemieux confirmed that the business operates under the name Pizzeria Nouveau Milano. He stated that when he lived in Masson he did not have pizza or other take out food delivered to him from Ottawa.

Yousef Jaber

Yousef Jaber testified that he has been a CPA for 20-25 years and provides bookkeeping and income tax preparation services. He stated that Chadi Wansa and his partners and the Milano Pizzeria business on Baxter Road are his clients and have been for the last 15 years. He testified that his firm also represents other Milano Pizzeria operators and MPL.

Mr. Jaber recalled that Mr. Wansa asked for accounting records for the business and Mr. Jaber responded that he had records going back six years as required by CRA rules. He testified that when he checked the record, he could access to 2004. Mr. Jaber stated that he provided the Milano Baxter general ledger to Mr. Wansa.

Mr. Jaber explained that although the heading “royalties” appears on the ledger, it was not confirmed with anyone; one of his bookkeepers assumed the payments were royalties because they were made to MPL. He stated that he did not receive instructions from Chadi Wansa or anyone else to call these payments royalties. Mr. Jaber testified that because they have many Milano Pizza clients, they operated under the impression that they are a franchise. It was not based on fact or document or anything else. He confirmed that the classification was done for tax purposes. He stated that in recent years, there were no payments.

On re-examination, Mr. Jaber testified that he does not recall meeting with Marwan Kassis and giving him the document with all of the royalty payments. He stated that he was not aware of any ongoing legal proceedings when he provided this document.

Annex “B” : Relevant Provisions

Trade-marks Act, RSC 1985, c T-13
Loi sur les marques de commerce, LRC 1985, ch T-13

Version of document from 2018-12-30 to 2019-06-16
Version du document du 2018-12-30 au 2019-06-16

<p>Interpretation</p> <p>When deemed to be used</p> <p>4 (1) A trade-mark is deemed to be used in association with goods if, at the time of the transfer of the property in or possession of the goods, in the normal course of trade, it is marked on the goods themselves or on the packages in which they are distributed or it is in any other manner so associated with the goods that notice of the association is then given to the person to whom the property or possession is transferred.</p> <p>Idem</p> <p>(2) A trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.</p>	<p>Définitions et interprétation</p> <p>Quand une marque de commerce est réputée employée</p> <p>4 (1) Une marque de commerce est réputée employée en liaison avec des produits si, lors du transfert de la propriété ou de la possession de ces produits, dans la pratique normale du commerce, elle est apposée sur les produits mêmes ou sur les emballages dans lesquels ces produits sont distribués, ou si elle est, de toute autre manière, liée aux produits à tel point qu’avis de liaison est alors donné à la personne à qui la propriété ou possession est transférée.</p> <p>Idem</p> <p>(2) Une marque de commerce est réputée employée en liaison avec des services si elle est employée ou montrée dans l’exécution ou l’annonce de ces services.</p>
<p>Unfair Competition and Prohibited Signs</p> <p>Prohibitions</p> <p>7 No person shall</p> <p style="padding-left: 20px;">(a) make a false or misleading statement tending to discredit the business, goods or services of a competitor;</p> <p style="padding-left: 20px;">(b) direct public attention to his goods, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his goods, services or business and the goods, services or business of another;</p>	<p>Concurrence déloyale et signes interdits</p> <p>Interdictions</p> <p>7 Nul ne peut :</p> <p style="padding-left: 20px;">a) faire une déclaration fautive ou trompeuse tendant à discréditer l’entreprise, les produits ou les services d’un concurrent;</p> <p style="padding-left: 20px;">b) appeler l’attention du public sur ses produits, ses services ou son entreprise de manière à causer ou à vraisemblablement causer de la confusion au Canada, lorsqu’il a commencé à y appeler ainsi l’attention, entre ses produits, ses services ou son entreprise et ceux d’un autre;</p>

<p>(c) pass off other goods or services as and for those ordered or requested;</p> <p>(d) make use, in association with goods or services, of any description that is false in a material respect and likely to mislead the public as to</p> <p>...</p> <p>(ii) the geographical origin, or</p> <p>...</p> <p>of the goods or services.</p>	<p>c) faire passer d'autres produits ou services pour ceux qui sont commandés ou demandés;</p> <p>d) employer, en liaison avec des produits ou services, une désignation qui est fausse sous un rapport essentiel et de nature à tromper le public en ce qui regarde :</p> <p>...</p> <p>(ii) soit leur origine géographique</p> <p>...</p>
<p>Validity and Effect of Registration</p> <p>Effect of registration in relation to previous use, etc.</p> <p>17 (1) No application for registration of a trade-mark that has been advertised in accordance with section 37 shall be refused and no registration of a trade-mark shall be expunged or amended or held invalid on the ground of any previous use or making known of a confusing trade-mark or trade-name by a person other than the applicant for that registration or his predecessor in title, except at the instance of that other person or his successor in title, and the burden lies on that other person or his successor to establish that he had not abandoned the confusing trade-mark or trade-name at the date of advertisement of the applicant's application.</p> <p>When registration incontestable</p> <p>(2) In proceedings commenced after the expiration of five years from the date of registration of a trade-mark or from July 1, 1954, whichever is the later, no registration shall be expunged or amended or held invalid on the ground of the previous use or making known referred to in subsection (1), unless it is established that the person who adopted the registered trade-mark in Canada did so with</p>	<p>Validité et effet de l'enregistrement</p> <p>Effet de l'enregistrement relativement à l'emploi antérieur, etc.</p> <p>17 (1) Aucune demande d'enregistrement d'une marque de commerce qui a été annoncée selon l'article 37 ne peut être refusée, et aucun enregistrement d'une marque de commerce ne peut être radié, modifié ou tenu pour invalide, du fait qu'une personne autre que l'auteur de la demande d'enregistrement ou son prédécesseur en titre a antérieurement employé ou révélé une marque de commerce ou un nom commercial créant de la confusion, sauf à la demande de cette autre personne ou de son successeur en titre, et il incombe à cette autre personne ou à son successeur d'établir qu'il n'avait pas abandonné cette marque de commerce ou ce nom commercial créant de la confusion, à la date de l'annonce de la demande du requérant.</p> <p>Quand l'enregistrement est incontestable</p> <p>(2) Dans des procédures ouvertes après l'expiration de cinq ans à compter de la date d'enregistrement d'une marque de commerce ou à compter du 1^{er} juillet 1954, en prenant la date qui est postérieure à l'autre, aucun enregistrement ne peut être radié, modifié ou jugé invalide du fait de l'emploi ou révélation antérieure mentionnée au paragraphe (1), à moins qu'il ne soit établi que la personne qui a adopté au Canada la marque de commerce</p>

<p>knowledge of that previous use or making known.</p>	<p>déposée l'a fait alors qu'elle était au courant de cet emploi ou révélation antérieure.</p>
<p>When registration invalid</p> <p>18 (1) The registration of a trade-mark is invalid if</p> <ul style="list-style-type: none"> (a) the trade-mark was not registrable at the date of registration; (b) the trade-mark is not distinctive at the time proceedings bringing the validity of the registration into question are commenced; (c) the trade-mark has been abandoned; (d) subject to section 17, the applicant for registration was not the person entitled to secure the registration; ... 	<p>Quand l'enregistrement est invalide</p> <p>18 (1) L'enregistrement d'une marque de commerce est invalide dans les cas suivants :</p> <ul style="list-style-type: none"> a) la marque de commerce n'était pas enregistrable à la date de l'enregistrement; b) la marque de commerce n'est pas distinctive à l'époque où sont entamées les procédures contestant la validité de l'enregistrement; c) la marque de commerce a été abandonnée; d) sous réserve de l'article 17, l'auteur de la demande n'était pas la personne ayant droit d'obtenir l'enregistrement; ...
<p>Rights conferred by registration</p> <p>19 Subject to sections 21, 32 and 67, the registration of a trade-mark in respect of any goods or services, unless shown to be invalid, gives to the owner of the trade-mark the exclusive right to the use throughout Canada of the trade-mark in respect of those goods or services.</p>	<p>Droits conférés par l'enregistrement</p> <p>19 Sous réserve des articles 21, 32 et 67, l'enregistrement d'une marque de commerce à l'égard de produits ou services, sauf si son invalidité est démontrée, donne au propriétaire le droit exclusif à l'emploi de celle-ci, dans tout le Canada, en ce qui concerne ces produits ou services.</p>
<p>Infringement</p> <p>20 (1) The right of the owner of a registered trade-mark to its exclusive use is deemed to be infringed by any person who is not entitled to its use under this Act and who</p> <ul style="list-style-type: none"> (a) sells, distributes or advertises any goods or services in association with a confusing trade-mark or trade-name; (b) manufactures, causes to be manufactured, possesses, imports, exports or attempts to export any goods in association with a 	<p>Violation</p> <p>20 (1) Le droit du propriétaire d'une marque de commerce déposée à l'emploi exclusif de cette dernière est réputé être violé par une personne qui est non admise à l'employer selon la présente loi et qui :</p> <ul style="list-style-type: none"> a) soit vend, distribue ou annonce des produits ou services en liaison avec une marque de commerce ou un nom commercial créant de la confusion; b) soit fabrique, fait fabriquer, a en sa possession, importe, exporte ou tente d'exporter des produits, en vue de leur vente ou de leur distribution et en liaison avec une

<p>confusing trade-mark or trade-name, for the purpose of their sale or distribution;</p> <p>(c) sells, offers for sale or distributes any label or packaging, in any form, bearing a trademark or trade-name, if</p> <p>(i) the person knows or ought to know that the label or packaging is intended to be associated with goods or services that are not those of the owner of the registered trade-mark, and</p> <p>(ii) the sale, distribution or advertisement of the goods or services in association with the label or packaging would be a sale, distribution or advertisement in association with a confusing trade-mark or trade-name; or</p> <p>(d) manufactures, causes to be manufactured, possesses, imports, exports or attempts to export any label or packaging, in any form, bearing a trade-mark or trade-name, for the purpose of its sale or distribution or for the purpose of the sale, distribution or advertisement of goods or services in association with it, if</p> <p>(i) the person knows or ought to know that the label or packaging is intended to be associated with goods or services that are not those of the owner of the registered trade-mark, and</p> <p>(ii) the sale, distribution or advertisement of the goods or services in association with the label or packaging would be a sale, distribution or advertisement in association with a confusing trade-mark or trade-name.</p>	<p>marque de commerce ou un nom commercial créant de la confusion;</p> <p>c) soit vend, offre en vente ou distribue des étiquettes ou des emballages, quelle qu'en soit la forme, portant une marque de commerce ou un nom commercial alors que :</p> <p>(i) d'une part, elle sait ou devrait savoir que les étiquettes ou les emballages sont destinés à être associés à des produits ou services qui ne sont pas ceux du propriétaire de la marque de commerce déposée,</p> <p>(ii) d'autre part, la vente, la distribution ou l'annonce des produits ou services en liaison avec les étiquettes ou les emballages constituerait une vente, une distribution ou une annonce en liaison avec une marque de commerce ou un nom commercial créant de la confusion;</p> <p>d) soit fabrique, fait fabriquer, a en sa possession, importe, exporte ou tente d'exporter des étiquettes ou des emballages, quelle qu'en soit la forme, portant une marque de commerce ou un nom commercial, en vue de leur vente ou de leur distribution ou en vue de la vente, de la distribution ou de l'annonce de produits ou services en liaison avec ceux-ci, alors que :</p> <p>(i) d'une part, elle sait ou devrait savoir que les étiquettes ou les emballages sont destinés à être associés à des produits ou services qui ne sont pas ceux du propriétaire de la marque de commerce déposée,</p> <p>(ii) d'autre part, la vente, la distribution ou l'annonce des produits ou services en liaison avec les étiquettes ou les emballages constituerait une vente, une distribution ou une annonce en liaison avec une marque de commerce ou un nom commercial créant de la confusion.</p>
<p>Depreciation of goodwill</p>	<p>Dépréciation de l'achalandage</p>

22 (1) No person shall use a trade-mark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.

Action in respect thereof

(2) In any action in respect of a use of a trade-mark contrary to subsection (1), the court may decline to order the recovery of damages or profits and may permit the defendant to continue to sell goods marked with the trade-mark that were in his possession or under his control at the time notice was given to him that the owner of the registered trade-mark complained of the use of the trade-mark.

22 (1) Nul ne peut employer une marque de commerce déposée par une autre personne d'une manière susceptible d'entraîner la diminution de la valeur de l'achalandage attaché à cette marque de commerce.

Action à cet égard

(2) Dans toute action concernant un emploi contraire au paragraphe (1), le tribunal peut refuser d'ordonner le recouvrement de dommages-intérêts ou de profits, et permettre au défendeur de continuer à vendre tous produits revêtus de cette marque de commerce qui étaient en sa possession ou sous son contrôle lorsque avis lui a été donné que le propriétaire de la marque de commerce déposée se plaignait de cet emploi

Applications for Registration of Trade-marks

Contents of application

30 An applicant for the registration of a trade-mark shall file with the Registrar an application containing

...

(b) in the case of a trade-mark that has been used in Canada, the date from which the applicant or his named predecessors in title, if any, have so used the trade-mark in association with each of the general classes of goods or services described in the application;

...

Disclaimer

35 The Registrar may require an applicant for registration of a trade-mark to disclaim the right to the exclusive use apart from the trade-mark of such portion of the trade-mark as is not independently registrable, but the disclaimer does not prejudice or affect the applicant's rights then existing or thereafter arising in the

Demandes d'enregistrement de marques de commerce

Contenu d'une demande

30 Quiconque sollicite l'enregistrement d'une marque de commerce produit au bureau du registraire une demande renfermant :

...

b) dans le cas d'une marque de commerce qui a été employée au Canada, la date à compter de laquelle le requérant ou ses prédécesseurs en titre désignés, le cas échéant, ont ainsi employé la marque de commerce en liaison avec chacune des catégories générales de produits ou services décrites dans la demande;

...

Désistement

35 Le registraire peut requérir celui qui demande l'enregistrement d'une marque de commerce de se désister du droit à l'usage exclusif, en dehors de la marque de commerce, de telle partie de la marque qui n'est pas indépendamment enregistrable. Ce désistement ne porte pas préjudice ou atteinte aux droits du

<p>disclaimed matter, nor does the disclaimer prejudice or affect the applicant's right to registration on a subsequent application if the disclaimed matter has then become distinctive of the applicant's goods or services.</p> <p>Statement of opposition</p> <p>Grounds</p> <p>(2) A statement of opposition may be based on any of the following grounds:</p> <p style="padding-left: 40px;">(a) that the application does not conform to the requirements of section 30;</p> <p style="padding-left: 40px;">...</p>	<p>requérant, existant alors ou prenant naissance par la suite, dans la matière qui fait l'objet du désistement, ni ne porte préjudice ou atteinte au droit que possède le requérant à l'enregistrement lors d'une demande subséquente si la matière faisant l'objet du désistement est alors devenue distinctive des produits ou services du requérant.</p> <p>Déclaration d'opposition</p> <p>Motifs</p> <p>(2) Cette opposition peut être fondée sur l'un des motifs suivants :</p> <p style="padding-left: 40px;">a) la demande ne satisfait pas aux exigences de l'article 30;</p> <p style="padding-left: 40px;">...</p>
<p>Transfer</p> <p>Trade-mark transferable</p> <p>48 (1) A trade-mark, whether registered or unregistered, is transferable, and deemed always to have been transferable, either in connection with or separately from the goodwill of the business and in respect of either all or some of the goods or services in association with which it has been used.</p>	<p>Transfert</p> <p>Une marque de commerce est transférable</p> <p>48 (1) Une marque de commerce, déposée ou non, est transférable et est réputée avoir toujours été transférable, soit à l'égard de l'achalandage de l'entreprise, soit isolément, et soit à l'égard de la totalité, soit à l'égard quelques-uns des services ou produits en liaison avec lesquels elle a été employée.</p>
<p>Licences</p> <p>Licence to use trade-mark</p> <p>50 (1) For the purposes of this Act, if an entity is licensed by or with the authority of the owner of a trade-mark to use the trade-mark in a country and the owner has, under the licence, direct or indirect control of the character or quality of the goods or services, then the use, advertisement or display of the trade-mark in that country as or in a trade-mark, trade-name or otherwise by that entity has, and is deemed always to have had, the same effect as such a</p>	<p>Licences</p> <p>Licence d'emploi d'une marque de commerce</p> <p>50 (1) Pour l'application de la présente loi, si une licence d'emploi d'une marque de commerce est octroyée, pour un pays, à une entité par le propriétaire de la marque, ou avec son autorisation, et que celui-ci, aux termes de la licence, contrôle, directement ou indirectement, les caractéristiques ou la qualité des produits et services, l'emploi, la publicité ou l'exposition de la marque, dans ce pays, par cette entité comme marque de commerce, nom commercial — ou partie de ceux-ci — ou autrement ont le même effet et sont réputés</p>

<p>use, advertisement or display of the trade-mark in that country by the owner.</p> <p>Idem</p> <p>(2) For the purposes of this Act, to the extent that public notice is given of the fact that the use of a trade-mark is a licensed use and of the identity of the owner, it shall be presumed, unless the contrary is proven, that the use is licensed by the owner of the trade-mark and the character or quality of the goods or services is under the control of the owner.</p>	<p>avoir toujours eu le même effet que s'il s'agissait de ceux du propriétaire.</p> <p>Licence d'emploi d'une marque de commerce</p> <p>(2) Pour l'application de la présente loi, dans la mesure où un avis public a été donné quant à l'identité du propriétaire et au fait que l'emploi d'une marque de commerce fait l'objet d'une licence, cet emploi est réputé, sauf preuve contraire, avoir fait l'objet d'une licence du propriétaire, et le contrôle des caractéristiques ou de la qualité des produits et services est réputé, sauf preuve contraire, être celui du propriétaire.</p>
<p>Legal Proceedings</p> <p>Exclusive jurisdiction of Federal Court</p> <p>57 (1) The Federal Court has exclusive original jurisdiction, on the application of the Registrar or of any person interested, to order that any entry in the register be struck out or amended on the ground that at the date of the application the entry as it appears on the register does not accurately express or define the existing rights of the person appearing to be the registered owner of the mark.</p> <p>Restriction</p> <p>(2) No person is entitled to institute under this section any proceeding calling into question any decision given by the Registrar of which that person had express notice and from which he had a right to appeal.</p>	<p>Procédures judiciaires</p> <p>Jurisdiction exclusive de la Cour fédérale</p> <p>57 (1) La Cour fédérale a une compétence initiale exclusive, sur demande du registraire ou de toute personne intéressée, pour ordonner qu'une inscription dans le registre soit biffée ou modifiée, parce que, à la date de cette demande, l'inscription figurant au registre n'exprime ou ne définit pas exactement les droits existants de la personne paraissant être le propriétaire inscrit de la marque.</p> <p>Restriction</p> <p>(2) Personne n'a le droit d'intenter, en vertu du présent article, des procédures mettant en question une décision rendue par le registraire, de laquelle cette personne avait reçu un avis formel et dont elle avait le droit d'interjeter appel.</p>

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET: T-152-17

STYLE OF CAUSE: MILANO PIZZA LTD. v 6034799 CANADA INC.;
CHADI WANSA; YOUSSEF ZAHER, A.K.A. JOSEPH
ZAHER; AND YOUSEF NASSAR, A.K.A. JOE
NASSAR *ET AL*

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AMENDMENT DATE APRIL 4, 2022

APPEARANCES:

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