Federal Court  Cour fédérale

Date: 20100910

Docket: T-549-10

Citation: 2010 FC 901

Ottawa, Ontario, this 10th day of September 2010

Present: The Honourable Mr. Justice Pinard

BETWEEN:

MOROCCANOIL ISRAEL LTD.

Plaintiff

and

SHOPPERS DRUG MART CORPORATION/
CORPORATION SHOPPERS DRUG MART,
JOHN DOE c.o.b. as SHOPPERS DRUG MART #904,
JOHN DOE c.o.b. as SHOPPERS DRUG MART #943,
JOHN DOE c.o.b. as SHOPPERS DRUG MART #966,
JOHN DOE c.o.b. as SHOPPERS DRUG MART #2205 and
JOHN DOE c.o.b. as SHOPPERS DRUG MART or
PHARMAPRIX

Defendants

REASONS FOR ORDER AND ORDER

[1] This is an appeal by the defendants from a discretionary decision made by Prothonotary Aronovitch on July 28, 2010, dismissing their motion for security for costs.

[2] It is trite law that such a discretionary order of a Prothonotary ought not to be disturbed on appeal to a Judge unless:

a) the questions in the motion are vital to the final issue of the case, or

b) the order is clearly wrong, in the sense that the exercise of discretion by the Prothonotary was based upon a wrong principle or upon a misapprehension of facts.

See *Canada v. Aqua-Gem Investments Ltd.*, [1993] 2 F.C. 425, and *Merck & Co. et al. v. Apotex Inc.* (2003), 30 C.P.R. (4th) 40 (F.C.A.).

[3] In the present case, the parties agree that the question of security for costs is not one that is vital to the final issue of the case. However, the defendants submit that the impugned decision was based upon both the application of a wrong legal principle and a misapprehension of the facts.

[4] The present action for trade-mark infringement was commenced by the plaintiff by way of a Statement of Claim filed on April 9, 2010. As found by the Prothonotary, the plaintiff is "ordinarily resident outside Canada" for the purposes of Rule 416(1) of the *Federal Courts Rules*, SOR/98-106.

[5] The following relevant facts, as stated by the plaintiff in its Memorandum of Fact and Law, are well established by the evidence:

- the plaintiff Moroccanoil Israel Ltd. is the owner in Canada of Canadian registered trade-mark TMA 734,460, which is registered for use in association with hair care products, among other wares, as follows: **MOROCCANOIL**;
- with respect to the distribution and sale of Moroccanoil merchandise in Canada, the plaintiff exports and sells its Moroccanoil Oil Treatment to Moroccanoil

Canada Inc., a company incorporated pursuant to the federal laws of Canada, with a registered head office in Montreal, Quebec;

- in addition to Moroccanoil Oil Treatment, Moroccanoil Canada Inc. buys Moroccanoil merchandise from the plaintiff on a regular monthly basis;
- Moroccanoil Canada Inc., through its distribution network in Canada, distributes and sells large volumes of Moroccanoil merchandise, including Moroccanoil Oil Treatment, throughout Canada;
- by virtue of its distribution of Moroccanoil merchandise in Canada, Moroccanoil Canada Inc. owes the plaintiff several hundreds of thousands of dollars on a regular basis, in the ordinary course of business;
- separately, the plaintiff has a 50% interest in lands and premises municipally known as 5740-5742 Ferrier Street, Mount-Royal, Quebec, which it acquired in March 2010, for $900,000.00;
- the plaintiff's equity in this property is worth several hundreds of thousands of dollars.

[6] In her decision, the Prothonotary stated the following:

> While security for costs will generally be required if one of the conditions listed under Rule 416(1) is met, the Court retains a discretion to deny a request for the posting of security where it is satisfied that the defendants are in no real jeopardy of recovering its costs once judgment has issued in its favour, or if requiring security would have the effect of preventing the prosecution of an otherwise meritorious claim: *Pembina (County) Water Resources District v. Manitoba*, 2005 F.C. 1226.
>
> The defendants have established one of the criteria under Rule 416(1). It is not disputed that the plaintiff is a corporation

> incorporated pursuant to the laws of Israel, and ordinarily resident outside Canada. The onus now shifts to the plaintiff to establish why the Court should not exercise its discretion to grant the security. In my view the plaintiff has satisfied that onus.
>
> The uncontroverted evidence of the plaintiff is that it has substantial assets in Canada. It is the owner, in Canada, of the registered trade-mark "MOROCCANOIL". More to the point, it has the following significant assets that are exigible in Canada. The plaintiff has a distribution network in Canada, and as a result is owed, and has receivables with Moroccanoil Canada Inc. a Canadian company, averaging $240,000.00 USD per month.
>
> The plaintiff also separately, has a 50% undivided, and unencumbered, title and interest in lands and premises situated in Mount-Royal, Quebec, which it acquired in March 2010, for $900,000.
>
> Given the value of the plaintiff's exigible assets and property in Canada, the Court is satisfied that the plaintiff has sufficient assets to pay the defendants' costs, that the defendants are not in jeopardy of recovering these, and accordingly, that the plaintiff should not be required to deposit security for costs.

[7] Upon hearing counsel for the parties and reviewing the material filed, I am not prepared to conduct a *de novo* review of the merits of the impugned decision and to exercise my own discretion differently, for the following reasons.

[8] There is no *prima facie* right to security for costs. The Court retains the discretion to deny a request for security in circumstances where the defendant is in no real jeopardy of not recovering its costs once judgment has issued in its favour (*Pembina County Water Resources District v. Manitoba*, 2005 FC 1226, at paragraph 13; *K-Tel International Ltd. et al. v. Benoit* (1995), 59 C.P.R. (3d) 370 (F.C.T.D.), at paragraph 15).

[9] No evidence was adduced indicating that the monies owing by Moroccanoil Canada Inc. to the plaintiff are not exigible pursuant to the *Federal Courts Rules* respecting garnishment, nor that the plaintiff's interest in real property located in Canada is not an exigible asset against which the defendants could seek to recover any unsatisfied cost award. Finally, it is not disputed that the plaintiff owns Canadian-registered intellectual property rights.

[10] In the circumstances, I fail to see how the Prothonotary did not apply the proper legal test, or made any palpable and overriding error in her conclusion drawn from uncontroverted facts. The quality of the plaintiff's assets has not been challenged in any way, either by distinct evidence or cross-examination of the affiant Haim Lampert, the General Manager and Chief Executive Officer for the plaintiff. Furthermore, it cannot be said that the plaintiff's assets in Canada are not "readily realizable" simply because third parties or recourse to enforcement of judgment under the *Federal Courts Rules* may be involved. I agree with counsel for the plaintiff that in this context, security for costs is not pre-judgment attachment.

[11] For all of the above reasons, the defendants' motion is dismissed, with costs payable to the plaintiff upon taxation, in any event of the cause.

ORDER

The defendants' motion is dismissed, with costs payable to the plaintiff upon taxation, in any event of the cause.

The defendants have leave to serve and file their Statement of Defence within ten (10) days of the date of this Order.

"Yvon Pinard"
Judge

FEDERAL COURT

NAME OF COUNSEL AND SOLICITORS OF RECORD

DOCKET:	T-549-10
STYLE OF CAUSE:	MOROCCANOIL ISRAEL LTD. v. SHOPPERS DRUG MART CORPORATION/ CORPORATION SHOPPERS DRUG MART, JOHN DOE c.o.b. as SHOPPERS DRUG MART #904, JOHN DOE c.o.b. as SHOPPERS DRUG MART #943, JOHN DOE c.o.b. as SHOPPERS DRUG MART #966, JOHN DOE c.o.b. as SHOPPERS DRUG MART #2205 and JOHN DOE c.o.b. as SHOPPERS DRUG MART or PHARMAPRIX
PLACE OF HEARING:	Ottawa, Ontario
DATE OF HEARING:	September 9, 2010
REASONS FOR ORDER AND ORDER:	Pinard J.
DATED:	September 10, 2010

APPEARANCES:

Mr. Thomas Slahta	FOR THE PLAINTIFF
Mr. Steven Garland	FOR THE DEFENDANTS

SOLICITORS OF RECORD:

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Smart & Biggar Ottawa, Ontario	FOR THE DEFENDANTS