Federal Court  Cour fédérale

Date: 20130730

Docket: T-290-13

Citation: 2013 FC 831

[UNREVISED ENGLISH CERTIFIED TRANSLATION]

Ottawa, Ontario, July 30, 2013

PRESENT: The Honourable Mr. Justice Boivin

BETWEEN:

DOMAINES PINNACLE INC.

Plaintiff / Defendant by Counterclaim

and

BEAM INC. and BEAM CANADA INC.

Defendants / Plaintiffs by Counterclaim

and

WHITE ROCK DISTILLERIES, INC.

Defendant

and

JIM BEAM BRANDS CO.

Plaintiff by Counterclaim

REASONS FOR ORDER AND ORDER

I. Introduction

[1] The plaintiff and defendant by counterclaim, Domaines Pinnacle Inc. (the plaintiff), under section 51 of the *Federal Courts Rules*, SOR/98-106 (the Rules), are appealing from an order by Prothonotary Morneau on May 14, 2013.

[2] Prothonotary Morneau dismissed the plaintiff's motion filed under section 75 of the Rules for the purpose of amending its statement of claim. The amendment sought by the plaintiff was to explicitly exclude Quebec from the scope of the Federal Court action. Prothonotary Morneau found that the amendment did not seek to determine the real questions in controversy between the parties and did not seek to serve the interests of justice.

II. Issue

[3] The issue in this case is the following: did the Prothonotary err in dismissing the motion to amend filed by the plaintiff?

III. Standard of review

[4] The test for determining the standard of review applicable to the discretionary order of a prothonotary was set out by the Federal Court of Appeal in *Canada v Aqua-Gem Investments Ltd.* (FCA), [1993] 2 FC 425, 149 NR 273. That test was subsequently affirmed by the Supreme Court of Canada in *Z.I. Pompey Industrie v ECU-Line NV*, 2003 SCC 27, [2003] 1 SCJ 450, and was reformulated by the Federal Court of Appeal in *Merck & Co. v Apotex Inc.*, 2003 FCA 488, [2004] 2 FCR 459 (*Merck*), at paragraph 19:

> [19] . . . Discretionary orders of prothonotaries ought not be disturbed on appeal to a judge unless:

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

(b) the orders are clearly wrong, in the sense that the exercise of discretion by the prothonotary was based upon a wrong principle or upon a misapprehension of the facts.

[5] The present case involves a discretionary decision of the prothonotary to dismiss the plaintiff's motion to amend. The decision is not vital to the final issue of the case in this case before the Federal Court. In fact, regardless of whether the plaintiff's motion excludes the Province of Quebec, the action may proceed.

[6] Thus, applying the test described in *Merck*, above, the Court must not, therefore, intervene, except where the prothonotary's order is clearly wrong, in the sense that the exercise of discretion was based upon a wrong principle or misapprehension of the facts. The Court, however, specified that even if such an error existed and the discretion was *de novo*, it would come to the same conclusion.

IV. Facts

[7] The plaintiff manufactures various apple-based alcoholic products, particularly an ice cider named "Domaine Pinnacle." The plaintiff has been selling it since 2001 in its store and since 2002 to the Société des alcools du Québec. The defendants distribute flavoured vodkas also called "Pinnacle." The vodka brand Pinnacle was first introduced in the United States in 2003, and then in Canada in 2005 by one of the defendants in the Federal Court action: White Rock Distilleries, Inc. It was subsequently acquired in June 2012 by Jim

Beam Brands Co. and Beam Inc., who continued to sell the Pinnacle vodka in Canada, with the exception of Quebec.

[8] On December 7, 2012, the plaintiff filed a motion to institute proceedings in the Quebec Superior Court, seeking to obtain a permanent, interlocutory and interim injunction against the defendant Beam Inc. to prevent the commercialization of vodkas and other Pinnacle on the Quebec market.

[9] On February 13, 2013, the plaintiff also instituted proceedings in the Federal Court against defendants Beam Inc., Beam Canada Inc., and White Rock Distilleries Inc., alleging unfair competition and trade-mark infringement under paragraphs 7(*b*) and 7(*c*) of the *Trade-marks Act*, RSC 1985, c. T-13. Defendants Beam Inc. and Beam Canada Inc. brought a counterclaim seeking, *inter alia*, a declaration that the use of the "Pinnacle" mark for their vodka does not infringe any of the rights alleged by the plaintiff in Canada under the *Trade- marks Act*.

[10] On April 25, 2013, the defendants indicated their intention to request a stay of proceedings in the Quebec Superior Court, on the basis that there was a bifurcation of proceedings in the Federal Court as far as Quebec was concerned and of *lis pendens* and/or *forum non conveniens*. On April 26, 2013, the plaintiff filed a motion in the Federal Court to amend its statement under section 75 of the Rule, expressly seeking to exclude Quebec from its pleading. The defendants opposed the motion to amend and a hearing was held before

Prothonotary Morneau on May 13, 2013.The order under was appeal was issued on May 14, 2013.

V. Analysis

[11] The plaintiff alleges that Prothonotary Morneau failed to appreciate its primary intention, exclude Quebec from the jurisdiction of the injunction application before the Federal Court, as a motion to that effect was filed with the Superior Court of Québec before the statement of claim was filed in the Federal Court. The plaintiff submits that however negligent or careless may have been its omission to clarify that intention, the amendment should nonetheless be allowed (citing *VISX Inc v Nidek Co.* (1998), 234 NR 94, 84 ACWS (3d) 662 (CA) (*Visx*)).

[12] The basic principle of amendment remains that set out in *Canderel Ltd. v Canada* (1993), [1994] 1 FC 3, 157 NR 380 (CA) (*Canderel*): the amendment must be sought for the purpose of determining the real questions in controversy between the parties, and serve the interests of justice:

> . . . while it is impossible to enumerate all the factors that a judge must take into consideration in determining whether it is just, in a given case, to authorize an amendment, the general rule is that an amendment should be allowed at any stage of an action for the purpose of determining the real questions in controversy between the parties, provided, notably, that the allowance would not result in an injustice to the other party not capable of being compensated by an award of costs and that it would serve the interests of justice.

[13] In his order, Prothonotary Morneau referred to the *Canderel* case to identify the approach to be used for amendments to pleadings. The prothonotary was of the view that the

amendment had not been sought for the purpose of determining the real questions in controversy between the parties and did not seek to serve the interests of justice. The prothonotary found that the primary purpose of the amendments was to thwart the defendants' intentions to request a stay of proceedings in the Superior Court of Québec. The prothonotary also noted that the defendants' counterclaim in the Federal Court included Quebec, and that accordingly, Quebec would be party to that proceeding even if the amendment was allowed. The prothonotary also adopted the submissions of the defendant White Rock Distilleries Inc. that an amendment that facilitates a number of related litigation does not serve the interests of justice (Motion Record of the Plaintiff, Tab 3, Order of Prothonotary Morneau, page 3).

[14] I note, from the outset, that the issue of the jurisdiction of the Superior Court and of the Federal Court is not at issue. The parties agree that the two courts in the present case have jurisdiction.

[15] The plaintiff admits that its intention to institute an action before the Federal Court for all matters beyond Quebec was unclear and is not reflected in the record. In addition, the plaintiff submits that Prothonotary Morneau concerned himself with *lis pendens* when the issue was not before him. However, on this point, it is important to note that the motion filed by the defendant Beam Inc., seeking a stay of proceedings in the Superior Court of Québec in June 2013, was allowed. In its decision dated July 15, 2013, the Superior Court of Québec ordered a stay of proceedings. In its judgment, the Superior Court took into account the criteria for *lis pendens* (identity of the parties, identity of the object and identity of the cause)

and ordered that the proceedings in the Superior Court be stayed until the earliest of the following dates: (a) the date of a judgment allowing an appeal from the decision of Prothonotary Morneau on the motion to amend; or (b) the date of a final judgment of the Federal Court on the merits in this case.

[16] The plaintiff's approach, of instituting two actions in two separate jurisdictions—albeit concurrent—(Superior Court and Federal Court) raises not only the issue of multiplicity of proceedings as indicated by the prothonotary (Motion Record of the Plaintiff, Tab 3, Order of Prothonotary Morneau, page 4), but also a real possibility of contradictory judgments that the plaintiff did not seek to deny before this Court. The only difference in the plaintiff's approach is in the remedies to which the plaintiff may be entitled if successful: although it would entail a mere injunction for Quebec, it would entail an injunction accompanied by compensatory damages for the other jurisdictions where the Pinnacle vodka has already been marketed for several years.

[17] The plaintiff also claims that the prothonotary failed to consider the plaintiff's choice of forums. However, the Court will simply note that one must not lose sight of the fact that the present situation is one where the plaintiff itself instituted proceedings before two Courts of separate jurisdiction, and not the defendants who subsequently brought an action in a different forum. The plaintiff itself commenced an action in the Federal Court after having done the same in the Superior Court of Quebec. The plaintiff retains all of its remedies before a Court chosen by it.

[18] For all these reasons, the Court is not satisfied, in the circumstances of this case, that the impugned order is clearly wrong that the exercise of discretion by the prothonotary was based upon a wrong principle or misapprehension of the facts.

ORDER

THE COURT ORDERS that the appeal from the order issued on May 14, 2013, is dismissed. With costs.

"Richard Boivin"
Judge

Certified true translation
Daniela Guglietta, Translator

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-290-13
STYLE OF CAUSE:	DOMAINES PINNACLE INC. v BEAM INC. AND BEAM CANADA INC. and WHITE ROCK DISTILLERIES INC. and JIM BEAM BRANDS CO.
PLACE OF HEARING:	Montréal, Quebec
DATE OF HEARING:	July 16, 2013
REASONS FOR JUDGMENT:	BOIVIN J.
DATED:	July 30, 2013

APPEARANCES:

Magali Fournier	FOR THE PLAINTIFF/ DEFENDANT BY COUNTERCLAIM DOMAINES PINNACLE INC.
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Kiernan Murphy	FOR THE DEFENDANT WHITE ROCK DISTILLERIES INC.

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