

Federal Court of Appeal



Cour d'appel fédérale

Date: 20160315

Docket: A-256-15

Citation: 2016 FCA 88

**CORAM: NOËL C.J.
STRATAS J.A.
RENNIE J.A.**

BETWEEN:

DAVID MICHAELS AND MICHAELS INC.

Appellants

and

**MICHAELS STORES PROCUREMENT
COMPANY, INC. AND MICHAELS OF
CANADA, ULC**

Respondents

Heard at Toronto, Ontario, on March 15, 2016.
Judgment delivered from the Bench at Toronto, Ontario, on March 15, 2016.

REASONS FOR JUDGMENT OF THE COURT BY:

RENNIE J.A.

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REASONS FOR JUDGMENT OF THE COURT
(Delivered from the Bench at Toronto, Ontario, on March 15, 2016).

RENNIE J.A.

[1] This is an appeal from the decision dated April 24, 2015 of the Federal Court (*per* St. Louis J.) granting default judgment against the appellants. The appellants advance multiple grounds of appeal, which coalesce into three principal challenges: the judge erred in finding the allegations in the Statement of Claim to have been made out; the judge committed a palpable and

overriding error in the exercise of her discretion to hear the motion; and the order was overly broad.

[2] At the outset of his submissions, the personal appellant David Michaels sought to file what he characterized as an aid to argument. This was in fact a fresh, 30 page memorandum of argument, which had not been delivered to respondents' counsel. We declined to accept this document.

[3] Following a review of the extensive motion record before her, the Federal Court Judge found that the respondents had established the allegations in the Amended Statement of Claim that they were the owners of certain trademarks and that the marks had been infringed by the appellants. The Court also found the allegations of passing off, deprecation of goodwill and communication of false and misleading statements, contrary to the *Trade-marks Act* (R.S.C., 1985, c. T-13), and the *Competition Act* (R.S.C., 1985, c. C-34) to have been established. There was considerable evidence before the Court that established actual confusion on the part of consumers of Michaels Stores of Canada, ULC and its suppliers. The Notice of Appeal did not raise any issue with respect to the findings of infringement and no error of law or palpable and overriding error has been identified in the judge's analysis of the allegations of passing off and deprecation of goodwill.

[4] The appellants further contend that the judge breached the principles of natural justice in failing to grant an adjournment and in not hearing from the corporate appellant.

[5] The decision of the judge to proceed with the merits of the motion was discretionary and that discretion was, in the circumstances, reasonably exercised. The appellants had been given generous delays by respondent's counsel in order to allow them to defend. The statement of claim was filed in April 2014. The long promised statement of defence did not materialize and in March 2015, the respondents moved for default judgment. The appellants neither cross-examined on the affidavits relied on in support of the motion for default judgment, nor did they file a responding motion record. While they had ample notice of the motion for default judgment, on return of the motion they offered a draft statement of defence which was not filed, and on which they indicated they would not, in any event, rely.

[6] The corporate appellant also says that procedural fairness was breached by reason of the fact that it was not allowed to argue its position through David Michaels. However, at no time prior to the motion for default judgment did the corporate respondent retain counsel, or seek relief from the requirement of Rule 120 of the *Federal Courts Rules*, SOR/98-106 that it appear through counsel. The decision of the Judge to require compliance with the *Federal Courts Rules* is unassailable, as is the decision not to allow David Michaels, personally, to give oral evidence on the return of the motion.

[7] Finally, there is no merit to the argument that the order of the judge is without jurisdiction or overly-broad. It does not, as urged, restrict the personal appellant, David Michaels, from using his own name on the internet or in trade. The order only prevents the appellants from using the word MICHAELS and similar marks in a confusing way.

[8] Further, the jurisdiction to order delivery up of the domain names in question (e.g. michaels.ca) is firmly rooted in statute. Section 53.2 of the *Trade-marks Act* gives the Court a wide discretion to grant the remedies it considers necessary to give effect to rights that have been infringed, such as those under ss. 20(1.1) of the *Trade-marks Act*. It provides that “if a Court is satisfied... that any act has been done contrary to this Act, the court may make any order that it considers appropriate in the circumstances...”. A statutory basis for the order requiring delivery up of the domain name can also be found in subsection 20(2) of the *Federal Courts Act* (R.S.C. 1985, c. F-7), which gives the Court jurisdiction to order any appropriate remedy known to common law or equity: *Merck v. Apotex*, 2006 FCA 323 at para 123.

[9] On the evidence before the judge, the domain name was the mechanism by which the respondent’s mark was infringed, and was the instrument of confusion in the marketplace. No palpable and overriding error has been demonstrated in the judge’s discretionary decision to require delivery up of the domain name.

[10] The appellants also raised miscellaneous arguments related to *laches*, limitations and the validity of the marks in question. We see no merit in any of these arguments.

[11] Accordingly, the appeal will be dismissed.

"Donald J. Rennie"

J.A.

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

**APPEAL FROM AN ORDER OF THE HONOURABLE MADAM JUSTICE ST-LOUIS
OF THE FEDERAL COURT DATED APRIL 24, 2015, IN DOCKET NO. T-985-14.**

DOCKET: A-256-15

STYLE OF CAUSE: DAVID MICHAELS AND
MICHAELS INC. V. MICHAELS
STORES PROCUREMENT
COMPANY, INC. AND
MICHAELS OF CANADA, ULC

PLACE OF HEARING: TORONTO, ONTARIO

DATE OF HEARING: MARCH 15, 2016

REASONS FOR JUDGMENT OF THE COURT BY: NOËL C.J.
STRATAS J.A.
RENNIE J.A.

DELIVERED FROM THE BENCH BY: RENNIE J.A.

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