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FEDERAL COURT OUTLINES RELEVANT TEST IN APPLICATION TO STAY OPPOSITION PROCEEDINGS

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Should concurrent injunction and opposition proceedings involving basically the same parties and raising related issues be allowed both to continue and risk inconsistent findings in each case? This was the issue considered by Madam Justice Mactavish in a recent application to stay opposition proceedings brought before the Federal Court of Canada by U.S. plaintiffs against a former Canadian subsidiary (*Tractor Supply Co. of Texas, LP et al. v. TSC Stores L.P.*, 2010 FC 883 (F.C., Mactavish J., September 8, 2010)).

Plaintiffs Tractor Supply Co. of Texas LP and Tractor Supply Company (the "Plaintiffs") have been involved in the sale of farming supplies and hardware equipment for several decades. During the 1960's, they entered the Canadian marketplace and carried on their business in Canada through a wholly-owned subsidiary. In 1987, the shares of that subsidiary were sold to its Canadian senior management.

Following the 1987 sale, it does not appear clear who exactly owned the rights to the TSC STORES trade-mark in Canada: the U.S. Plaintiffs or the Defendant TSC Stores L.P. (the "Defendant"), the Plaintiffs' former subsidiary? The Plaintiffs claimed they own the trade-mark TSC STORES (and its design version) and argued that the Defendant was only a licensee of the trade-marks while the Defendant claimed that it has been in fact the owner at all time of those trade-marks.

In 2007, events came to a head when the Defendant sought registration of two versions of the TSC STORES trade-mark. On October 12, 2007, the Plaintiffs commenced an action against the Defendant seeking, *inter alia*, a declaration that the Plaintiffs were in fact the owners of the TSC STORES trade-mark; it also sought a permanent injunction restraining the Defendant from using such mark. On November 30, 2007, the Defendant counterclaimed also seeking, for its part, a declaration that it, the *Defendant*, was the actual owner of the TSC STORES trade-mark.

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In early 2008, after publication of the Defendant's trade-marks, the Plaintiffs initiated opposition proceedings before the Registrar against the TSC STORES-type trade-marks that the Defendant was seeking to register in its name.

In 2010, the Plaintiffs sought an order staying the opposition proceedings pending the final disposition of the claim and counterclaim commenced in 2007.

The Court examined the appropriate test to be applied on a motion for stay such as the one filed by the Plaintiffs (where what was sought to be stayed is one of two proceedings which are being pursued simultaneously in different fora).

To decide the issue, the Court found most helpful the principles summarized in the case of *White v. E.B.F. Manufacturing Ltd.*, [2001] F.C.J. No. 1073 at para. 5:

1. Would the continuation of the action cause prejudice or injustice (not merely inconvenience or extra expense) to the defendant [the Plaintiffs in this case]?
2. Would the stay work an injustice to the plaintiff [the Defendant in this case]?
3. The onus is on the party which seeks a stay to establish that these two conditions are met.
4. The grant or refusal of the stay is within the discretionary power of the judge.
5. The power to grant a stay may only be exercised sparingly and in the clearest of cases.
6. Are the facts alleged, the legal issues involved and the relief sought similar in both actions?
7. What are the possibilities of inconsistent findings in both Courts?
8. Until there is a risk of imminent adjudication in the two different forums, the Court should be very reluctant to interfere with any litigant's right of access to another jurisdiction.
9. Priority ought not necessarily be given to the first proceeding over the second or, vice versa.

The Court applied these factors to the Plaintiffs' application. The Court noted that one of the Plaintiffs was not involved in the opposition proceedings. It further underlined that while there is some overlap between the issues raised in the two proceedings as they relate to the parties' respective rights with respect to the TSC STORES trade-mark, this overlap is only partial in that the relief sought in the two proceedings is different: In the opposition proceedings, the Plaintiffs are asking the Registrar to

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reject the Defendant's applications to register the trade-mark TSC STORES; on the other hand, before the Federal Court, both parties are seeking a declaration that they are the owners of the TSC STORES trade-mark. Other relief is also sought by both parties before the Federal Court.

Having considered all the relevant factors, the Court ultimately concluded that the Plaintiffs had not made out their case that there would be a significant risk of inconsistent findings in this case. Although the continuation of the opposition proceedings would likely cause inconvenience and expense to the Plaintiffs, such scenario would not amount to an abuse of process or any other oppressive or vexatious action. On the other hand, denying the Defendant access to the trade-mark registration process and the benefit of registration (presuming the Registrar would decide in its favour) would, in fact, cause prejudice to the Defendant.

Finally, the opposition proceedings were commenced in February of 2008. The Court noted that if the Plaintiffs were really concerned about prejudice in letting the opposition proceedings continue, the motion for a stay would have been brought before the Court much earlier.

In summary the Court concluded that this was not one of the "clearest of cases" where a stay of proceedings should be granted.

This decision confirms the general reluctance of judges in closing the door to proceedings that are otherwise available under the *Trade-marks Act*, R.S.C. 1985, c. T-13. Because different proceedings are sometimes available to parties whose disagreement is multi-jurisdictional, Courts tend to let all proceedings play out rather than limiting the ability of a party to obtain a decision in an otherwise legitimate exercise of its rights as a litigant.



