THE QUESTION OF ABUSIVE CONDUCT AND PUNITIVE DAMAGES APPRECIATED BY THE SUPERIOR COURT OF QUEBEC

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Following a recent decision rendered by the Superior Court of Quebec, Industries Lassonde Inc. (hereinafter referred to as "Lassonde") was condemned to pay L'Oasis D'Olivia Inc. (hereinafter referred to as "Olivia") damages in the amount of $125 000, which included the payment of $25 000 as punitive damages and $100 000 on account of Olivia's extrajudicial fees and costs (*Industries Lassonde Inc.* v. *L'Oasis D'Olivia Inc.*, 2010 QCCS 3901, Zerbisias, J., 2010-08-26).

Lassonde first initiated proceedings against Olivia by seeking an injunction to prevent Olivia from using its trade-mark OLIVIAS' OASIS & DESIGN based on the claim that the use of said trade-mark by Olivia was infringing Lassonde's OASIS trade-mark.

Olivia contested the action and verbally requested at the end of the trial that Lassonde be condemned as an "abusive litigator" and therefore be ordered to pay punitive damages in accordance with Sections 54.1 to 54.6 of the *Civil code of procedures* (hereinafter referred to as the "C.c.p.").

Sections 54.1 to 54.6 of the C.c.p.

These sections deal with the Court's power to impose sanctions for improper use of procedure and came into effect in June 2009.

More particularly, Section 54.1 reads as follows:

> **54.1** A court may, at any time, on request or even on its own initiative after having heard the parties on the point, declare an action or other pleading improper and impose a sanction on the party concerned.

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> The procedural impropriety may consist in a claim or pleading that is clearly unfounded, frivolous or dilatory or in conduct that is vexatious or quarrelsome. It may also consist in bad faith, in a use of procedure that is excessive or unreasonable or causes prejudice to another person, or in an attempt to defeat the ends of justice, in particular if it restricts freedom of expression in public debate.

Olivia's claim and Lassonde's arguments

At the hearing, Olivia argued that Lassonde had, both by initiating an injunction proceeding and filing an opposition against the registration of Olivia's OLIVIAS' OASIS & DESIGN before the Trade-marks Opposition Board, engaged in "manifestly unfounded, frivolous, vexatious proceedings which were excessive and unreasonable in the circumstances". Olivia also argued that the proceedings initiated by Lassonde were an attempt to bully Olivia and to prevent it from its rights to use its trade-mark.

On the other side, Lassonde argued that there was, in both proceedings, a serious issue to litigate and that such proceedings were conducted in good faith and in a reasonable manner, without either excess or abuse.

The Court's analysis of the case

In reviewing the parties' arguments, the Court came to the conclusion that the action initiated by Lassonde in order to obtain an injunction against Olivia was not weighed down by unnecessary or superfluous proceedings. Moreover, the Court noted that Lassonde had not only the right, but also the obligation to be vigilant in the protection of its trade-mark rights in order to maintain the distinctiveness of its OASIS mark.

This being said, the Court questioned the necessity of Lassonde's injunction action, since it had already filed an opposition proceeding against the registration of Olivia's trade-mark before the Trade-marks Opposition Board.

In analysing the conduct of Lassonde, the Court noted that the injunction proceeding initiated by Lassonde was preceded by a threatening demand letter requesting, amongst others, that Olivia cease using its OLIVIAS' OASIS & DESIGN trade-mark; disclose the name of all retailers to whom its products had been sold; recall all of its products and promotional material; pay punitive damages of $20 000 and withdraw its trade-mark application with the Registrar of Trade-marks.

As qualified by the Court, these were intimidating requests, which represented a serious threat to Olivia's existence and business activities. Once initiated by Lassonde, Olivia's defence to the injunction action required not only time and

energy, but also substantial financial resources and organisation in order to succeed.

Upon review of the record and available evidence, the Court noted that Lassonde either knew or should have known that its action would not be successful. Indeed, the significant differences between the trade-marks at issue were leading to the conclusion that there was no likelihood of confusion between them. Additionally, Lassonde knew that it did not have the exclusive right in the term "oasis", since there were at the time more than 45 trade-marks on the register including the same term.

More importantly, the Court was of the view that Lassonde acted in bad faith when alleging in its action that other courts had recognized the fact that the OASIS trade-mark was famous in various occasions. As evidence with regards to this particular allegation, Lassonde filed copies of 3 decisions, 2 of them having been settled by consent and the last one pronounced by default. The Court noted that not only this allegation was misleading, but that Lassonde also failed to disclose the sole contested judgment relating to the OASIS trade-mark, which it actually lost.

In rendering its decision, the Court concluded that Lassonde, by using its economic power and experience, used a "shotgun approach" to attack and intimidate Olivia on several fronts. The Court further mentioned that Lassonde expected Olivia to retreat and succumb to its demands as others had done in the past and that such "menacing and abusive" conduct is not to be overlooked with impunity.

As mentioned in Section 54.4 of the C.c.p., the Court may:

> "order a provision for costs to be reimbursed, condemn a party to pay, in addition to costs, damages in reparation for the prejudice suffered by the other party, and, if justified by the circumstances, award punitive damages".

In the present case, the Court was of the opinion that the abusive conduct of Lassonde justified such a condemnation.

Lassonde has filed an appeal of the Superior Court's decision, which therefore suspends the execution by Olivia of the judgment rendered in its favour. It remains to be seen whether or not punitive damages as well as extrajudicial fees and costs will indeed be paid by Lassonde.

Conclusion

The notion of "improper use of procedure" or "abuse of process" has also been reviewed in other Canadian jurisdictions, such as Ontario and British Columbia. The Federal Court Rules furthermore allow at Rule 221(1) that a pleading be struck out

on the ground that it is scandalous, frivolous or vexatious or otherwise if such a pleading is considered as being abuse of due process.

The Federal Court of Appeal has also stated that nothing prevents the procedural defence of abuse of process to be applied to infringement proceedings (see *Levi Strauss & Co.* v. *Roadrunner Apparel Inc.* (1997), 76 C.P.R. (3d) 129 (F.C.A)).

This being said, to have a pleading be struck out does not appear to be such an easy thing to do. Indeed, the test generally applied by the Courts to determine whether a pleading should be struck out is if it is plain and obvious that said pleading is in fact frivolous or scandalous, per example (see *Operation Dismantle* v. *The Queen*, 74 (S.C.C.) [1985] 1 S.C.R. 441, see also *Sportmart, Inc.* v. *Toronto Hospital Foundation*, 1995 CanLII 7319 (ON S.C.)).

Moreover, it is worth nothing that the test for striking out pleadings is very high (see *Apotex Inc.* v. *Wellcome Foundation Ltd. Reflex*, (1996) 68 C.P.R. (3d) 23 (F.C.T.D.) and that the onus of proof on the party seeking the strike is a heavy one (see *Apotex Inc.* v. *Syntex Pharmaceuticals International Ltd.*, (2005) 44 C.P.R. (4th) 23 (F.C.), affirmed 47 C.P.R. (4th) 328 (F.C.A.)).

In view of the foregoing, it will be interesting to see how the Quebec's Court of Appeal will apply or refer to the above principles when rendering its decision in the Lassonde case.

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