Federal Court  Cour fédérale

Date: 20240122

Docket: T-901-22

Citation: 2024 FC 101

Toronto, Ontario, January 22, 2024

PRESENT: Associate Judge Trent Horne

BETWEEN:

C-TOW MARINE ASSISTANCE LTD.

Applicant

and

SEA TOW SERVICES INTERNATIONAL, INC.

Respondent

ORDER AND REASONS

I. Overview

[1] This is a motion for leave to serve further affidavits in an application.

[2] The application is one of two proceedings involving the same parties and the same trademarks. The other is an action in T-877-22, where the applicant in this proceeding is the defendant.

[3] The application is scheduled to be heard at the same time as the plaintiff's motion for summary judgment in the action. In the summary judgment motion, the defendant (applicant) served affidavits that were previously served for the purposes of the application, as well as two further affidavits from the same witnesses. Among other things, one of these further affidavits seeks to correct earlier statements, particularly in respect of the applicant's corporate history and chain of title. The applicant now asks for leave to rely on these further affidavits in the application.

[4] Parties to an application have an obligation to put their best evidentiary foot forward. There is no ability to supplement or correct evidence as of right. A challenge to the applicant's chain of title was foreseeable when its evidence was first prepared; indeed this issue was addressed in the initial affidavits. The further evidence that is the subject of this motion was available with the exercise of reasonable diligence. While there would be good reason to dismiss the motion if only the application was before the Court, the interests of justice are best served by having the same evidentiary record in the two Court files. The judge hearing the application and summary judgment motion should not be asked to make findings of fact in closely-related proceedings on different, and perhaps conflicting, evidence from the same witnesses in the respective matters. The motion will be granted, but on terms.

II. Background

[5] C-Tow Marine Assistance Ltd ("C-Tow") and Sea Tow Services International, Inc ("Sea Tow") are parties to two proceedings involving trademark ownership and infringement.

[6] Sea Tow is the registered owner of Canadian trademarks TMA870,561 for SEA TOW & Design, and TMA870,562 for SEA TOW, both registered in 2014. C-Tow is the owner of two pending Canadian trademark applications (1755489 for C-TOW and 1755490 for C-TOW & Design) that were filed in 2015. It appears that an examiner has cited the SEA TOW registrations as an obstacle to registration of the C-TOW applications.

[7] On April 21, 2022, C-Tow issued a notice of application (T-901-22) seeking a declaration that the two SEA TOW trademark registrations are invalid.

[8] A week later, on April 28, 2022, Sea Tow brought an infringement action (T-877-22) against C-Tow, asserting contravention of sections 7(b), 19, 20, and 22 of the *Trademarks Act*, RSC 1985 c T-13. In addition to a request for injunctive relief and damages, Sea Tow asks for an order requiring C-Tow to withdraw its pending Canadian trademark applications for C-TOW and C-TOW & Design.

[9] C-Tow filed a statement of defence and counterclaim in the action. Among other things, C-Tow's counterclaim seeks a declaration that Sea Tow has passed off its goods and services as those of C-Tow, an injunction, and damages.

[10] The application and the action are being case managed together.

[11] C-Tow's evidence in the application was served on November 18, 2022; it consisted of the affidavit of Andrew Cardiff affirmed November 18, 2022.

[12] For reasons that are not relevant to the outcome of this motion, there were a number of delays in moving both the action and the application forward.

[13] On March 29, 2023, I issued directions in both proceedings setting a timetable that had been agreed to by the parties. The timetable in the application permitted C-Tow to serve additional supporting affidavits by April 28, 2023. The deadline to serve and file a requisition for hearing was October 10, 2023. At that time, the collective expectation was that the application would be heard before the trial of the action. The timetable for the action required the parties to be preparing discovery motions in October 2023.

[14] As permitted by the March 29, 2023 direction, C-Tow served a second affidavit in the application – one affirmed by Wayne Skinner on April 11, 2023.

[15] Again, for reasons not relevant to the outcome of this motion, the parties sought extensions of time. Sea Tow also expressed, for the first time, an interest in moving for summary judgment in the action.

[16] Sea Tow's notice of motion for summary judgment and supporting evidence was served on September 29, 2023. The supporting evidence is an affidavit sworn by a law clerk employed by Sea Tow's solicitors of record, and attaches affidavits and documents from proceedings before the Trademarks Opposition Board and this Court. The summary judgment motion record also includes certified copies of documents from the Canadian Intellectual Property Office and the Register of Companies of British Columbia.

[17] The parties were unable to agree on how the application and summary judgment motion would proceed.

[18] A case management conference was held on October 4, 2023. Sea Tow submitted that its summary judgment motion should be heard first because such a motion would practically resolve the issues in both proceedings. C-Tow opposed this request, and argued that the application should be heard first because it expected the outcome to practically resolve the issues in both proceedings. There was no indication from C-Tow that a motion to serve further evidence was contemplated.

[19] After hearing submissions from the parties, I directed during the case management conference that the summary judgment motion and application would be heard together. Both matters involved affidavit evidence, cross-examinations, written argument, and a hearing on a paper record. The estimated duration of the summary judgment motion was a half day, and the application 1.5 days – not enough for either one to cause a delay in scheduling a combined hearing. Further, Sea Tow did not move to stay the application, and I had difficulty effectively granting a stay by suspending the timetable in the application, particularly when all the previous scheduling directions contemplated that the application would be heard before the trial of the action.

[20] A direction issued on October 5, 2023. Among other things, the direction required the parties to submit a proposed timetable for steps leading up to the common hearing.

[21] The parties wrote to the Court on October 13, 2023 with a proposed timetable. The steps relating to the application made no mention of a motion by C-Tow to serve further evidence. The timetable was not endorsed because a hearing date had not yet been fixed.

[22] C-Tow served the evidence it intends to rely on in the summary judgment motion on November 3, 2023. This evidence consists of the affidavits that were previously served in the application (Andrew Cardiff affirmed November 18, 2022, and Wayne Skinner affirmed on April 11, 2023), plus a further affidavit from Mr Cardiff affirmed November 3, 2023, and a further affidavit from Mr Skinner affirmed on November 1, 2023. The second Skinner affidavit was replaced on December 4, 2023 with a version that corrected an error in the style of cause; the second Cardiff affidavit was replaced with one affirmed on December 4, 2023. There is no dispute that C-Tow was able to serve affidavits from Messrs Cardiff and Skinner (and anyone else) in response to the motion for summary judgment. When C-Tow served its evidence for the summary judgment motion, it also advised Sea Tow that it intends to rely on these affidavits in the context of the application.

[23] On November 15, 2023, it was ordered that the summary judgment motion and the application would be heard on July 10 and 11, 2024.

[24] After follow-up from the Court in respect of a proposed timetable, C-Tow wrote to the Court on November 27, 2023 and advised the Court for the first time that it anticipated bringing a motion to file further affidavits in this application. Such a motion was expected to be delivered by December 4, 2023, but was not filed until December 22, 2023.

[25] In both the application and the summary judgment motion, cross-examinations have not been conducted.

[26] The dispute on this motion is whether leave should be granted to C-Tow under Rule 312 of the *Federal Courts Rules*, SOR/98-106 ("Rules") to rely on the further affidavits of Messrs Cardiff and Skinner in support of the application.

III. Applications and Actions

[27] Before considering the test for leave under Rule 312, it is useful to consider the procedural differences between an application and an action.

[28] The Rules that apply to actions are in Part 4 of the Rules. In an action, both the plaintiff and defendant must serve and file pleadings that include a concise statement of material facts (Rule 174). After pleadings have been closed, there is an obligation to locate and produce relevant documents (Rule 223). Examinations for discovery follow, which include an obligation to answer questions relevant to any unadmitted allegation in the pleadings (Rule 240). If an answer is later discovered to be incorrect or incomplete, it must be corrected (Rule 245). A trial date is typically set after a pre-trial conference (Rule 263). The Court aims to have a trial scheduled about two years after the issuance of the statement of claim.

[29] The Rules for applications are found in Part 5. A notice of application is similar to a statement of claim in that it must set out a concise statement of the relief sought, and a complete and concise statement of the grounds intended to be argued (subrules 301(d) and (e)). There is no

equivalent obligation on a respondent. A notice of appearance only advises the applicant that the respondent "intends to appear in respect of this application" (Rule 305; Form 305). A respondent is not obliged to identify the facts or legal issues that are intended to be raised.

[30] In an application, each side has the opportunity to serve evidence (Rules 306 and 307), but there is no obligation to disclose all relevant documents. A party can be selective in the presentation of evidence. Indeed, a respondent may elect not to serve any evidence at all, and defend the proceeding on the basis of admissions made on cross-examination and argument.

[31] A party to an application must put its best evidentiary foot forward. Additional affidavits may be served (Rule 312), but only with leave, not as of right. It cannot be assumed that a party may file further evidence.

[32] Once affidavits have been exchanged, parties may cross-examine (Rule 308). Cross-examinations and examinations for discovery differ in important respects. In a cross-examination:

i. the person examined is a witness, not a party;

ii. answers given are evidence, not admissions;

iii. absence of knowledge is an acceptable answer; the witness cannot be required to inform himself;

iv. production of documents can only be required on the same basis as for any other witness, *i.e.* if the witness has custody or control of the document, and

v. the rules of relevance are more limited.

(Merck Frosst Canada Inc v Canada (Minister of Health) [1997] FCJ 1847 at para 4, aff'd *Merck & Co v Canada (Minister of Health)*, [1999] FCJ No 1536 (CA)).

[33] Unlike an action, an application is heard on a paper record (Rules 309 and 310); there are no live witnesses at the hearing. This can be material in the event credibility is an issue, because the judge does not have the ability to see a witness give evidence.

[34] Applications are designed to be expeditious proceedings. Interlocutory motions are discouraged (*Rebel News Network Ltd v Guilbeault*, 2023 FC 121 at para 24). If the deadlines in the Rules are followed, an application can be fully adjudicated in less than a year.

[35] In some circumstances (as here), parties can elect between filing an action or application for the same relief. A party that chooses to proceed by way of application will know that the procedure should be significantly faster and less expensive than an action, but will be more streamlined. In particular, a party electing to proceed by way of application knows or ought to know that:

- particulars of what defences will be relied on may not be known before the service of Rule 306 evidence;
- the respondent may choose not serve any evidence;
- cross-examinations are not the same as discovery; and
- further evidence may not be served as of right.

IV. The Proposed Further Evidence

A. *Wayne Skinner*

[36] Wayne Skinner states that he is a retired businessman, a former owner of C-Tow, and that he sold the business to Andrew Cardiff in 2008. As set out above, Mr Skinner's first affidavit was served on the respondent in April 2023. Mr Skinner's first affidavit is organized under the following headings: work for C-Tow; and Sea Tow's awareness of C-Tow.

[37] Mr Skinner's second affidavit has the same headings as the first. Other than correcting a minor typographical error, he states that "the present affidavit adds further detail to certain aspects of my previous statement."

B. *Andrew Cardiff*

[38] Andrew Cardiff states he is the Chief Executive Officer and owner of C-Tow. As set out above, the applicant's Rule 306 evidence consisted of Mr Cardiff's affidavit affirmed November 18, 2022. Mr Cardiff's first affidavit is organized under the following headings: history of C-Tow; C-Tow's business; sales figures; advertising and promotion using the C-Tow mark; C-Tow membership association benefits; C-Tow's relationship with the Canadian Coast Guard; Sea Tow's prior knowledge of my company; Sea Tow's business operations; and customer confusion.

[39] In his first affidavit, part of Mr Cardiff's evidence on the history of C-Tow is that Jim MacDonald started the C-Tow business in 1984, incorporated the business under the name "C-Tow Marine Assistance Ltd" in 1997, and that the corporation was dissolved in November

2006 for “failure to file.” I will refer to this as “the 1997 Corporation”. He says that C-Tow Marine Assistance Ltd was re-incorporated in November 2006, and remains active to this day.

[40] Mr Cardiff’s second affidavit revisits the corporate history of C-Tow, and states that his earlier evidence about the 1997 Corporation was incorrect “due to a certain degree of inadvertent carelessness on my part.” Mr Cardiff’s second affidavit states that the 1997 Corporation is unrelated to the C-Tow business that he now owns, and that this corporation may have been registered by a disgruntled former C-Tow captain (Mitch Rivest) who registered the name out of spite or in retaliation for some grievance Mr Rivest had with Mr MacDonald.

[41] C-Tow argues that the relevance of this new evidence was only brought to light when Sea Tow made allegations impugning the continuity of the chain of ownership of the C-Tow business in the context of the motion for summary judgment.

V. Analysis

[42] The test to file additional evidence is a four part conjunctive test: a) whether the further evidence serves the interests of justice; b) whether it will assist the Court; c) whether substantial prejudice will be caused to the other side; and d) whether the proposed evidence was not available or could not have been anticipated as being relevant at an earlier date (*Abbott Laboratories Limited v Apotex Inc*, 2007 FC 817 at para 16).

[43] In both the application and the action, much will turn on who was first to use SEA TOW/C-TOW as a trademark in Canada. Sea Tow says it was first; the statement of claim asserts

that Sea Tow has been providing marine assistance services in Canada since 1983. C-Tow says it was first, and points to the fact that the applications for the SEA TOW registrations were not filed until 2010, and were filed on the basis of use and registration abroad, not use in Canada since 1983 or another date. C-Tow claims that it and its predecessors in title have been using C-TOW in association with marine assistance services in Canada since 1984.

[44] C-Tow's chain of ownership was an issue long before Sea Tow served its summary judgment materials in September 2023.

[45] The notice of application asserts that the applicant *and its predecessor in title* have continuously used certain trademarks in Canada since at least 1984. Having alleged use by a predecessor in title, C-Tow has the burden to prove it, something it knew or should have known from the very beginning. When Sea Tow commenced its action a week after the notice of application was issued, it was apparent that there would be a conflict over who used certain trademarks in Canada at what time, perhaps going back 40 years.

[46] Upon service of the statement of claim, it was open to C-Tow to discontinue its application, pursue expungement of the SEA TOW trademarks by way of counterclaim, and take advantage of all of the procedural steps that apply to examinations for discovery, including the ability (indeed obligation) to correct discovery answers that are later determined to be incomplete or incorrect. It did not, and maintained its election to pursue expungement claims using the streamlined application procedure. While this was likely to result in the application

being heard before the trial of the action, it presumptively limited C-Tow to a single opportunity to present its evidence.

[47] C-Tow was, or should have been, aware before it served its Rule 306 evidence that it was open to Sea Tow to challenge the assertion that the applicant *and its predecessor in title* have continuously used certain trademarks in Canada since at least 1984, and that these issues would have to be addressed in the applicant's evidence. It did so. The applicant's Rule 306 evidence (the first Cardiff affidavit) spoke to the corporate history of C-Tow.

[48] Sea Tow fairly points out that the evidence on C-Tow's motion is an affidavit from a law clerk employed by its solicitors of record. There is no direct evidence as to why Mr Skinner did not present the evidence now contained in his second affidavit in the first instance, or the circumstances leading Mr Cardiff to believe that he needed to correct his evidence. Even if I was to consider the Skinner and Cardiff affidavits for this purpose, neither of them state when or how they came to believe that their evidence needed to be revised or updated.

[49] The first Cardiff affidavit, affirmed in November 2022, attaches documents from British Columbia Registry Services for the 1997 Corporation, and the 2006 "re-incorporation". The document relating to the former entity lists Mitch Rivest under director information. The document appears to state that it was created on July 9, 2020.

[50] As for the second Skinner affidavit, the only correction is to a minor typographical error. As stated in it, the affidavit is to add detail to his previous evidence.

[51] Failure to explain why the evidence was not presented earlier is a significant factor in determining whether to permit further evidence (*Pauktuutit, Inuit Women's Association v Canada*, 2004 FC 804 at para 99 ("*Pauktuutit*")). I do not know when C-Tow first believed that Mr Cardiff's first affidavit required correction, or that the first Skinner affidavit was in some way incomplete. In the absence of any evidence in that regard on this motion, I draw an adverse inference.

[52] Recall that during the case management conference on October 4, 2023, the parties were divided on whether the summary judgment motion or application should be heard first. C-Tow did not indicate before or during the case management conference that it intended to seek leave to file further evidence. I am not aware, one way or another, if Messrs Skinner and Cardiff believed at that time that their first affidavits needed to be updated or corrected. Had I been aware during the management conference that this motion was on the horizon, the outcome may have been different.

[53] The proposed evidence from both witnesses could have been anticipated as being relevant at an earlier date, and was available with the exercise of reasonable diligence, factors that weigh heavily against its admission.

[54] Sea Tow will be prejudiced if this further evidence is admitted. Doubtless Sea Tow made decisions on the content of its Rule 307 evidence and its position on the summary judgment motion based on what C-Tow had served, and with the reasonable expectation that the

applicant's evidence in the application (particularly in respect of corporate history) was "in the can."

[55] It is difficult to imagine that Sea Tow expected C-Tow to change its corporate history story in the context of the summary judgment motion from what was affirmed to be true in the application, particularly as it relates to the 1997 Corporation. Sea Tow's summary judgment motion materials refer to and rely on the 1997 Corporation as part of the corporate chain. Sea Tow's reliance on what C-Tow said under oath, and the surprise arising from a material change to that evidence, are self-evident.

[56] I agree with Sea Tow that C-Tow re-visiting and revising its corporate history in the further affidavits looks more like case splitting than addressing new or unexpected issues. This particularly applies to the second Skinner affidavit, which seeks to provide further detail on matters already addressed.

[57] Sea Tow makes a compelling argument that the further affidavits include inadmissible hearsay, particularly in respect of the second Cardiff affidavit.

[58] Rule 81 provides that affidavits shall be confined to facts within the deponent's personal knowledge. There is an exception in this Rule for motions, but that exception does not extend to motions for summary judgment. There is no exception in Rule 81 for applications.

[59] The second Cardiff affidavit (para 5) states that he "learned within the last month" that a particular company was incorporated in 1985. The source of the information and grounds of the belief are unknown. The affidavit refers to records "recently obtained on my behalf" from the BC corporate registry, but does not say who obtained these records or when. Unlike Sea Tow's material in the summary judgment motion record, the corporate records in Mr Cardiff's second affidavit do not appear to be certified. The second Cardiff affidavit also speaks to business transactions involving Mr Paul Dupré, but there is no indication as to why Mr Dupré is unable to give evidence directly.

[60] While there are certainly hearsay issues, particularly in respect to the second Cardiff affidavit, each of them also includes first-hand evidence from the witnesses. Sea Tow did not provide a "red line" version as to what should be struck and what should remain if its hearsay objections were maintained, and I am not inclined to parse the affidavits for the purposes of admitting some, but not all, of them.

[61] There is no motion before the Court to strike all or part of the second Skinner and Cardiff affidavits in the context of the summary judgment motion. Sea Tow refers to *Canadian Tire Corp Ltd v PS Partsource Inc*, 2001 FCA 8 as an instance where the Court struck part of an affidavit on a preliminary motion, but there is ample authority that "motions within motions" are discouraged (see *Figgie International Inc v Citywide Machine Wholesale Inc*, 1995 CarswellNat 1930 at page 8 where Justice Joyal stated that the Court will rarely make an *a priori* ruling on admissibility). In applications, an advance ruling on admissibility of evidence is only made when "clearly warranted", and those embarking upon an interlocutory foray to seek such a ruling will not

often find a welcome mat when they arrive (*Association of Universities and Colleges of Canada v Canadian Copyright Licensing Agency (Access Copyright)*, 2012 FCA 22 at para 11). I see no reason why these principles would not equally apply to summary judgment motions. See also *1196303 Ontario Inc v Glen Grove Suites Inc*, 2012 ONSC 758 at para 12 for the proposition that, as a general rule, the proper time and place to request a court to strike out, in whole or in part, an affidavit filed in support of a motion or application is on the return of the main motion or application.

[62] On this motion, I have considered the hearsay issues as an all or nothing outcome. I agree with Sea Tow that if the evidence would not survive a motion to strike, it should not be admitted. While there may be hearsay issues in the affidavits, I am not persuaded that these issues are so pervasive that the motion should be dismissed on that basis. Sea Tow may, of course, raise whatever hearsay objections it wants at the hearing in July.

[63] If the only matter before the Court was the application, there would be good reason to dismiss C-Tow's motion, particularly in respect of the second Skinner affidavit. However, it cannot be overlooked that the application is joined at the hip with the summary judgment motion, and that they will be heard together.

[64] There is certainly overlap in the issues to be decided in the application and the summary judgment motion, including the corporate history of C-Tow. If C-Tow's motion is dismissed, it would be unreasonable to expect a judge to make findings of fact in closely-related proceedings on different, and perhaps conflicting, evidence from the same witnesses in the respective matters.

In these circumstances, having the same evidentiary record in the two Court files serves the interests of justice.

[65] I am not satisfied that the prejudice Sea Tow will face if the motion is granted cannot be compensated in costs. The fixed hearing date in July will create pressure on Sea Tow to respond to the new evidence on the 1997 Corporation, but this will need to be done for the summary judgment motion in any event.

[66] I also note that a significant factor in *Pauktuutit* (where a Rule 312 motion was dismissed on appeal) was the fact that cross-examinations had been conducted. Here, no cross-examinations have been conducted in either the application or the action.

[67] C-Tow's motion will be granted, but on terms. Those terms will include granting leave to Sea Tow to serve evidence in reply, both in this proceeding and the summary judgment motion in T-877-22.

VI. Costs

[68] The Court has complete discretionary power over the amount and allocation of costs (subrule 400(1)).

[69] Notwithstanding that C-Tow obtained the relief it sought on the motion, these are appropriate circumstances where costs should be awarded against the successful party. Had C-Tow been diligent in preparing its evidence, particularly in respect of its own corporate

history, this motion would not have been necessary. The consequences of granting the motion include the likelihood of yet further affidavits, and compressing steps into an already busy timetable. The fact that this motion was not brought with alacrity contributed to the problem.

[70] As for quantum, Sea Tow requests costs based on Column IV of the Tariff. A bill of costs presented at the hearing, including fees and disbursements, totals just under $6,000.00. Certain disbursements such as photocopying and court reporter fees were unknown at the time of the hearing, and left “TBD.”

[71] A higher amount of costs is necessary to compensate Sea Tow for the costs it incurred on the motion. I will award costs to Sea Tow in the all-inclusive amount of $8,000.00, payable forthwith and in any event of the cause.

[72] To be clear, this award of costs relates only to preparation and attendance for this motion. Costs associated with any further affidavits by Sea Tow, cross-examinations, and all other steps up to and including the hearing of both the application and summary judgment motion, including any costs thrown away, are in the discretion of the presiding judge.

ORDER in T-901-22

THIS COURT ORDERS that:

1. The applicant is granted leave to serve, and include in its applicant's record, the affidavit of Wayne Skinner affirmed December 1, 2023 and the affidavit of Andrew Cardiff affirmed December 4, 2023.

2. The respondent may serve, and include in its respondent's record, evidence in reply to the affidavit of Wayne Skinner affirmed December 1, 2023 and the affidavit of Andrew Cardiff affirmed December 4, 2023.

3. In T-877-22, the plaintiff may serve and file evidence for its summary judgment motion in reply to the affidavit of Wayne Skinner affirmed December 1, 2023 and the affidavit of Andrew Cardiff affirmed December 4, 2023.

4. By no later than January 31, 2024, the parties shall write to the Court with an agreed timetable for all steps up to the hearing of the application and summary judgment motion, together with mutually available dates for a case management conference, should one be necessary.

5. Costs of this motion are payable by the applicant to the respondent, fixed at $8,000.00, payable forthwith and in any event of the cause.

6. A copy of this order shall be placed in T-877-22.

"Trent Horne"
Associate Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET:	T-901-22
STYLE OF CAUSE:	C-TOW MARINE ASSISTANCE LTD. v SEA TOW SERVICES INTERNATIONAL, INC.
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DATED:	JANUARY 22, 2024

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