

Federal Court of Canada
Trial Division



Section de première instance de
la Cour fédérale du Canada

Date: 20011220
Docket: T-481-99

Neutral citation: 2001 FCT 1421

BETWEEN:

MAGNOTTA WINERY CORPORATION
and MAGNOTTA WINES LTD.
and MAGNOTTA WINERY ESTATES LIMITED
and MAGNOTTA CELLARS CORPORATION
and MAGNOTTA VINEYARDS LTD.
and MAGNOTTA DISTILLERY LTD.
and MAGNOTTA VINTNERS LTD.
and MAGNOTTA WINERY (TORONTO) LTD.

Applicants

- and -

VINTNERS QUALITY ALLIANCE

Respondent

REASONS FOR ORDER

MacKAY J.

[1] This is an application for judicial review questioning certain decisions of the Registrar of Trade-marks (the "Registrar") made in May 1998, to publish notice of adoption and use of the mark "ICEWINE" (an "official mark") by the respondent, Vintners Quality Alliance of Canada ("VQA"), pursuant to subparagraph 9(1)(n)(iii) of the *Trade-marks Act*, R.S.C. 1985, c. T-13, as amended (the "*Act*"). These Reasons deal with judicial review of the Registrar's decision in relation to official marks for which the *Act* makes no provision for objection or appeal proceedings such as those applicable to trade-marks.

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[2] While the focus of the application concerns the mark ICEWINE, the parties were agreed that the outcome of this proceeding would apply also in relation to the marks VIN DE GLACE, ICE WINE, EISWEIN, ICE, ICEVINE LATE HARVEST COLLECTION, and ICEVINE, marks also published by the Registrar in September 1998 as having been adopted and used by VQA.

[3] The application was set down for hearing in January 2001 with a number of others raising similar issues. Several applications of wine producers in the Okanagan Valley of British Columbia, by Kettle Valley Winery Ltd. and other corporations and individuals, in Court files T-2129-98, T-2130-98 through T-2139-98, T-2141-98 through T-2148-98, with respect to some of the same and some different specified marks, originally cast in the form of appeals under s. 56 of the *Act*, were ordered to be consolidated, with all filings to be in Court file T-2129-98. That application, and an application by Institut National des Appellations D'Origine in Court file T-71-99, were set down to be heard together in Toronto with this application by the Magnotta group of companies that is dealt with in these Reasons.

[4] Some two weeks before the hearing, on January 5, 2001, VQA, the respondent in all the applications, advised the Registrar, and later the Court and the parties, that it withdrew publication of all the official marks in question in the various applications, which had been published by the Registrar under subparagraph 9(1)(n)(iii). In advice to the Court, by letter of January 9, 2001, counsel for the respondent indicated that this step, withdrawing the designated official marks, published pursuant to subparagraph 9(1)(n)(iii) of the *Act*, was undertaken at the

request of the federal government which proposed to establish a National Standard of Canada for Canadian wines.

[5] Following VQA's withdrawal of its marks, the applicant Institut National Des Appellations D'Origine discontinued its application in Court file T-71-99. The Institut did not appear when the hearing commenced and its application was not considered.

[6] Counsel for Kettle Valley Winery Ltd. appeared at the hearing and advised that his clients accepted the fact of VQA's withdrawal of its claim to official marks, though there was said to be some uncertainty about the legal effects of that action. Those applicants did not discontinue their application and since the withdrawal of the marks was made just before the scheduled hearing, the Kettle Valley applicants urged that they were entitled to costs, and that should be on a solicitor-client basis. That claim is now dealt with by a separate Order and Reasons in Court file T-2129-98, applicable to that and related files consolidated with it.

[7] In the result, apart from the issue of costs in Court file T-2129-98, the hearing, begun on January 22, 2001, dealt only with the merits of the application in Court file T-418-98, the application by the Magnotta group of companies. Initially cast in form of an appeal pursuant to s. 56 of the *Act*, by direction of Madam Justice Reed (see: *Magnotta Winery Corp. et al. v. Vintners Quality Alliance of Canada* (1999), 1 C.P.R. (4th) 68 (F.C.T.D.)), this application was recast as an application for judicial review.

[8] The Magnotta applicants seek an order setting aside the decisions of the Registrar to give notice under subparagraph 9(1)(n)(iii) of the *Act* of the adoption and use by VQA of the mark ICEWINE. By that publication the Registrar accepted the mark as an official mark. In addition, the applicants (the “Magnotta group” or “Magnotta”) seek a declaration that the publication by the Registrar of the notice and acceptance of the mark as an official mark of the respondent is invalid, or unlawful, null, void and of no effect.

[9] Magnotta declined to accept the withdrawal, in January 2001, of publication of the marks by VQA as a settlement of the claim for judicial review, since it was uncertain of the legal effect of that withdrawal, and since the declaratory relief it sought would not be dealt with unless the application were heard and if this application were not dealt with the respondent might apply again for recognition of official marks. In Magnotta’s view withdrawal of the marks by VQA did not render moot all of the issues raised by its application.

[10] For the record, I note that following the hearing in January, both parties made written submissions, which were received in February, March, May and June, 2001. Subsequently, in November, the Court invited counsel for the parties to comment on certain recent jurisprudence concerning subparagraph 9(1)(n)(iii) of the *Act*, and written comments were received in November 2001. These Reasons deal with the Magnotta application in light of all the submissions heard and received.

The background

[11] The applicants Magnotta are companies incorporated in Ontario, operating as a corporate group, controlled by Magnotta Winery Corporation, which in turn is controlled by Magnotta Family Holdings Ltd., a private Ontario corporation. Together the various companies cooperatively participate in the making, production and retailing of Magnotta wines, including Magnotta ICEWINE, under manufacturers' licenses from the Alcohol and Gaming Commission of Ontario. A Magnotta company has been a member of VQA since Magnotta's commencement. Magnotta takes pride in its ICEWINE and it had begun using the VQA designation for its ICEWINE in 1991.

[12] The respondent VQA is a non-share, not-for-profit corporation incorporated under Schedule 2 of the *Canada Corporations Act*. Initially established for member Ontario wineries as an industry trade association, VQA established a system for its members to use its marks in association with their wines that met VQA standards. The system was intended to benefit wine producers who seek to provide quality assurance to their customers by providing them, particularly those abroad, with confidence that the marked wines meet defined quality standards.

[13] The VQA as an organization promoted the establishment of national standards that would be accepted both in Canada and abroad, particularly in the European Union, including the standardized use of geographic indicators and of descriptive names of wines. The system was, initially at least, voluntary, permitting members who agreed to meet VQA standards to use

certain marks in association with their wares, intending to convey quality assurance. Those in Ontario wishing to use VQA marks were required to be members or associate members of the Ontario Wine Council. In addition, the wineries using the VQA marks have been required to agree to abide by its rules and regulations and to comply with its standards where those have been accepted by appropriate provincial bodies.

[14] When VQA was formed, it was intended by its founders to work closely with provincial and federal governments to establish and administer standards for wines produced in Canada. By-laws of the organization were drafted to provide for involvement of governments in creation and implementation of wine standards.

[15] An Ontario corporation, a predecessor of VQA, applied for and obtained registration of the mark VQA and VQA & Design as certification marks under the *Act*, on September 1, 1995. After creation of VQA by member wineries, it was assigned the VQA and VQA & Design certification marks in March, 1997. The establishment of wine standards among various sectors of the wine industry in Ontario, was facilitated by cooperation with the Government of Ontario acting through the Liquor Control Board of Ontario ("LCBO").

[16] By agreement between VQA and the British Columbia Wine Institute the standards and marks of VQA were adopted by that Institute. By legislation enacted in British Columbia, wineries in that province are members of the British Columbia Wine Institute and the standards of the provincial institute are enforceable. Through the 1990's the British Columbia Wine

Institute and VQA together sought jointly to develop national wine standards, for adoption by the industry and by governments across Canada.

[17] In Ontario in 1999 the *Vintners Quality Alliance Act*, S.O. 1999, c. 3 was adopted, and declared in force in 2000, to establish and maintain an appellation of origin system for wines produced in the province, to be administered by a new provincial corporation, Vintners Quality Alliance of Ontario ("VQAO"). The Government of Ontario then arranged for an agreement between VQAO and VQA, concluded on June 14, 2000, whereby VQA agreed not to enforce any of its official marks, or other marks existing or subsequently recognized under the *Trade-marks Act*, against VQAO, or any member of VQAO, or any other person in respect of the use of such marks in Ontario.

[18] In 1998 when litigation was originally commenced by Magnotta, VQA was actively pursuing its goal to establish national standards for the Canadian wine industry. Members of the Ontario Wine Council intending to use VQA's certification marks and later, official marks, were required to sign an agreement, a contract to accept VQA's by-laws and regulations, including standards and provisions for inspection. Magnotta, as a member of VQA and user of its certification marks and the descriptive term "ICEWINE" was not prepared to sign an agreement that would bring its ICEWINE products under VQA standards and supervision. Magnotta perceived the arrangements, essentially supervised by the Liquor Control Board of Ontario, to be in restraint of trade, and designed to benefit the two largest wine producers, both in the province and in VQA.

[19] Early in 1997 VQA made application for approval of certain marks, including the mark ICEWINE, as certification marks under the *Act*. Magnotta objected but only by writing to VQA. Ultimately the application was considered inappropriate at that stage by the examiner since the word ICEWINE was apparently considered as descriptive, in light of its use by many wineries. The application was allowed to lapse by VQA, although an opportunity for possible response and revival of the application by VQA has been extended a number of times. In November 1997, VQA changed tack and sought publication of ICEWINE and later of certain other descriptive words, and geographic indicators, as official marks under subparagraph 9(1)(n)(iii) of the *Act*.

[20] That provision reads as follows:

9. (1) No person shall adopt in connection with a business, as a trade-mark or otherwise, any mark consisting of, or so nearly resembling as to be likely to be mistaken for

...

(n) any badge, crest, emblem or mark

...

(iii) adopted and used by any public authority, in Canada as an official mark for wares or services, in respect of which the Registrar has, at the request of Her Majesty or of the university or public authority, as the case may be, given public notice of its adoption and use: ...

9. (1) Nul ne peut adopter à l'égard d'une entreprise, comme marque de commerce ou autrement, une marque composée de ce qui suit, ou dont la ressemblance est telle qu'on pourrait vraisemblablement la confondre avec ce qui suit

...

n) tout insigne, écusson, marque ou emblème

...

(iii) adopté et employé par une autorité publique au Canada comme marque officielle pour des marchandises ou services, à l'égard duquel le registraire, sur la demande de Sa Majesté ou de l'université ou autorité publique, selon le cas, a donné un avis public d'adoption et emploi; ...

[21] By decision dated May 11, 1998 the Registrar accepted the application of VQA and the word "ICEWINE" was published in the Trade-marks Journal on May 27, 1998, as an official

mark adopted and used by VQA. Those decisions, essentially one, are the basis for the application by Magnotta for judicial review. Similar decisions relating to other words, including geographic indicators, were the subjects of the other applications originally scheduled to be heard with this one. I note that other official marks claimed by VQA include VIN DE GLACE, ICE WINE, EISWEIN, ICE, ICEVINE LATE HARVEST COLLECTION and ICEVINE, all published by the Registrar on September 16, 1998, as official marks adopted and used by VQA. As earlier noted, between Magnotta and VQA it is understood that the decision in this application concerning ICEWINE will be applicable also in relation to these other published official marks.

[22] Magnotta puts much emphasis on what it perceives as action taken in bad faith by VQA, and VQA's reliance on "false or misleading" information in support of its application to the Registrar for publication of official marks. In its application for those marks VQA had not responded to objections, or conveyed notice to the Registrar of the opposition, by Magnotta in letters written to VQA, in September and October 1997, to VQA's intent to claim trade-marks or certification marks for ICEWINE.

[23] It may well have been VQA's failure to respond to Magnotta's objections before or when applying for official marks that led Madam Justice Reed, in permitting Magnotta's application to proceed by judicial review, to describe VQA's "application and obtaining publication of adoption and use of ICEWINE as an official mark without notice to Magnotta" as involving "a certain amount of subterfuge". (see: *Magnotta v. Vintners Quality Alliance of Canada, supra*, at

p. 78.) On the other hand, as VQA now points out Magnotta as a member of VQA was entitled to attend meetings of VQA and to obtain its minutes of its Board of Directors, their press releases and announcements, and VQA did not act in isolation from its board and its members.

Issues

[24] The parties by their written and oral submissions are concerned with a number of issues. I propose to list these in the order that I deal with them in these Reasons, indicating whether each issue is raised by the applicant (M, for Magnotta) or the respondent (VQA) or whether, as phrased, that issue is expressed as this Court (C) considers appropriate. The issues are:

1. Whether the applicants have standing to challenge the decision of the Registrar (VQA)
2. Evidence issues. A number of issues concerning evidence proffered in this application, were to be resolved by the Court. I now do so, in regard to:
 - the admissibility of evidence arising in cross-examination of the affiant of the party seeking admission of that evidence (M),
 - the admissibility of an affidavit and exhibits tendered at the hearing by the applicants (VQA), and,
 - the admissibility of affidavits sworn after the hearing by the applicant's principal affiant (VQA).
3. The appropriate standard of review (M-VQA-C), "correctness" (M) or deference/reasonableness (VQA)
 - a) whether VQA is a "public authority" (M);
 - b) whether VQA "adopted and used" the mark ICEWINE prior to its publication (M);
 - c) whether the mark is objectionable as merely descriptive (M).
4. The relief sought. In addition to an order (sought by Magnotta), setting aside the Registrar's decision, or an order dismissing Magnotta's application for judicial review (sought by VQA), both parties sought declarations.

The declaratory relief sought would underline each party's respective view of VQA's status in relation to official marks, a status that would be clarified, at least in part, by the Court's determination of the motion for judicial review. In my opinion, the primary focus of these reasons is whether the Registrar's decision is to be set aside, or is to be upheld by dismissing Magnotta's application.

5. Costs, to be resolved.

The balance of these Reasons deals with these issues in turn.

Standing of the applicants

[25] It is urged by VQA that the applicants do not have standing to challenge the decisions in question since they were not parties to proceedings before the Registrar leading to the decisions. Thus, it is urged they do not fall within s-s. 18.1(1) of the *Federal Court Act*, R.S.C. 1985, c. F-7 as amended, providing that an application for judicial review may be brought by a person "...directly affected by the matter in respect of which relief is sought". It is said that the applicants, not having been parties to proceedings before the Registrar could not be considered to be directly affected by the decisions in question, and thus could not seek judicial review.

[26] In my view this very issue was effectively resolved for this case by Madam Justice Reed in *Magnotta Winery Corp., supra*, when she directed that judicial review would be an appropriate procedure for the applicants to question the decisions here in issue. She found the applicants had a direct interest affected by the decisions and that they were exposed to possible prejudice unless they were able to question it. The decisions in question might well result in the applicants facing restrictions, enforced by the LCBO by agreement with VQA, on the use of names or marks used which were claimed as official marks by VQA.

[27] Questioning a decision of the Registrar, to publish official marks, by judicial review was approved by Mr. Justice McKeown in *Ontario Assn. of Architects v. Assn. of Architectural Technologists of Ontario* (2000), 9 C.P.R. (4th) 496 at 500 (F.C.T.D.). Standing to seek judicial review by one whose interests may be affected by a decision of the Registrar to publish notice of adoption and use under subparagraph 9(1)(n)(iii) was similarly found by Mr. Justice Blais, where the applicant was the licensee of the owner of a prior registered trade-mark said to be similar to a subsequently published official mark, in *FileNET Corporation v. The Registrar of Trade-marks et al.*, [2001] F.C.J. No. 1223 (F.C.T.D.).

[28] In this case Magnotta used the word ICEWINE in association with its wine before publication by the Registrar of the adoption and use of the word as an official mark of VQA. The continuing use of the mark by Magnotta for the same products could not have been precluded by VQA but Magnotta could not have extended its use to other products. Moreover, arrangements for marketing between VQA and the LCBO appear to have affected Magnotta's marketing through that provincial agency. I agree with Madam Justice Reed's determination that Magnotta's interests were directly affected by the decisions in issue. Having had no notice of, and no opportunity to participate in proceedings leading to decisions which could adversely affect their interests, Magnotta had standing to question the decision by initiating proceedings for judicial review.

Evidence issues

[29] Evidentiary issues arose in the course of the hearing and in relation to submissions thereafter made in writing. Three principal issues were raised, which I now resolve.

[30] In the course of presenting submissions for the respondent, counsel referred to evidence adduced from respondent's affiant given in the course of his cross-examination by counsel for the applicants. The latter objected to the admission of that evidence. I noted the objection and invited written submissions following the hearing. Submissions were subsequently received from both parties.

[31] The applicants base their arguments primarily on rules of the Ontario Courts, in anticipation of this Court acknowledging a "gap" in the *Federal Court Rules, 1998*, SOR/98-106, and upon the principle precluding the admissibility of evidence arising in examination for discovery of a party's own affiant. In my opinion the rules do not bar admission of statements of a party's own affiant given in cross-examination on his or her affidavit. Rather, Rules 306, 307 and 308 for use in dealing with applications provide for evidence by affidavits and cross-examination upon them. Evidence so obtained, from cross-examination as well as the underlying affidavit, forms part of the record (Rules 309(2)(e) and 310(2)(c)). There is no gap in the *Federal Court Rules* on this point and no need to refer to provincial rules, even if they were relevant.

[32] In my opinion, evidence from cross-examination of an affiant on his or her affidavit, may be relied upon by the party on whose behalf the affiant swears an affidavit. In this case the evidence in question, from cross-examination by counsel for the applicants of Mr. Peter Gamble on his affidavit, relied upon by the respondent, is admissible. The objection to admission of that evidence, raised by the applicants at the hearing, is dismissed.

[33] The second evidentiary issue concerns the admissibility of an affidavit of Robyn Campbell sworn January 21, 2001 and tendered on the following day by the applicants at the opening of the hearing in this matter, when the respondent objected to its admission. The objection was based on grounds that the affidavit contained primarily hearsay and that its admission, without any opportunity for cross-examination by the respondent, would be prejudicial. I noted the objection and invited written comments by counsel following the hearing.

[34] Those comments were received from both parties. After consideration of those submissions, I direct that the affidavit in question, offered to prove the assertions it includes, is primarily hearsay for which no evidence of necessity or reliability is offered (see *R. v. Smith*, [1992] 1 S.C.R. 133). Merely because the evidence would not otherwise be available to the Court is not sufficient to establish necessity.

[35] Moreover, I am not persuaded that the affidavit deals with matters relevant to the issues I must decide. Counsel for the applicants described the affidavit as relevant to whether or not there

is a live issue between the parties, whether VQA is a public authority, whether VQA has adopted and used the mark in question, and the enforcement proceedings initiated by VQA against Magnotta. The evidence exhibited with the affidavit is said to be information from the internet, and from letters, primarily from applicants' counsel, none of which was before the Registrar whose decision is questioned by the application for judicial review. In my opinion the affidavit is not relevant to the issue before me. Even if it were, its presentation at the opening of the hearing without prior service would be prejudicial to the respondent who has no opportunity to cross-examine the affiant.

[36] For all these reasons, I do not consider the affidavit of Robyn Campbell, sworn January 21, 2001 to be admissible as evidence in this proceeding.

[37] The third evidentiary issue arose after the hearing. Written submissions of counsel for the applicants, filed on May 2, 2001, and June 1, 2001, deal in substantial part with affidavits of Gabriele Magnotta sworn on April 23, 2001 and May 28, 2001, respectively. The former affidavit was said to deal with "evidence regarding the federal government's belief that VQA is a private party and not a public authority". The later affidavit, exhibiting a letter from the Minister of Agriculture and Agri-Food (Canada), noting that the dispute between the parties to this application concerning use of the mark ICEWINE was considered "a private sector undertaking in which his department was not involved", was apparently intended to further demonstrate the reputed opinion of the federal government, that VQA is not a public authority.

[38] For Magnotta it is urged that this Court should follow the determination of Mr. Justice Sharpe for the Court of Appeal of Ontario in *671122 Ontario Ltd. v. Sagaz Industries Canada Inc.* (2000), 46 O.R. (3d) 760 at para. 30. There he endorsed the test set out by Lord Denning in *Ladd v. Marshall*, [1954] 3 All E.R. 745 at 748:

...first, it must be shown that the evidence could not have been obtained with reasonable diligence for use at the trial; second, the evidence must be such that, if given, it would probably have an important influence on the result of the case, although it need not be decisive; third, the evidence must be such as is presumably to be believed, or in other words, it must be apparently credible, though it need not be incontrovertible.

[39] In my opinion the underlying principle of *Sagaz* is not here applicable. There, the “new evidence” in issue was an affidavit sworn after trial by a witness to the events in question who had not been called at trial and whose later affidavit contradicted a key underlying factual determination at trial. Here, the letters sought to be admitted by the affidavits of Mr. Magnotta both require interpretation, by inference, for the opinion that the applicants would have this Court accept, and in both cases that opinion, not a fact, could have been determined by enquiry before the hearing in this matter. That opinion is not one that can be said to have come into existence after the hearing, even if the letters said to express the opinion were written after the hearing.

[40] The two affidavits of Mr. Magnotta were sworn after the hearing and long after the Registrar’s decision here in issue. They are not directly relevant to the issue before the Court for they do not deal with or even purport to relate to the decision of the Registrar, or the record before the Registrar. They deal with opinions about the status or nature of VQA, which opinions presumably antedate the hearing of this application. Their admission after the hearing, even if they were relevant, would be prejudicial to the respondent for there is no opportunity to cross-

examine the affiant or to provide further evidence in response. In my opinion the two affidavits, sworn by Mr. Magnotta on April 23 and May 28, 2001 respectively, are not admissible as evidence in this proceeding.

Standard of review and its application

[41] In written submissions the applicants urged that this Court should review the decision of the Registrar on a standard of correctness, while the respondent urged initially that a standard of patent reasonableness, and at the hearing and in supplementary submissions that a standard of reasonableness, is appropriate.

[42] In my opinion, the appropriate standard for review of the decisions in question, in light of the purposes of the *Act* and the relative expertise of the Registrar in dealing with applications for trade and official marks, requires considerable deference. The determination by the Registrar is not one of jurisdiction, and a standard of correctness for issues of mixed fact and law, in my opinion, would deny deference to the Registrar. The standard adopted by Mr. Justice McKeown in a generally similar case, *Ontario Assn. of Architects v. Assn. of Architectural Technologists of Ontario*, (2000), 9 C.P.R. (4th) 496 at 501 (F.C.T.D.), is that of reasonableness *simpliciter*. He adopted that standard, by analogy from the determination by Mr. Justice Rothstein who, in dealing with appeals from a decision of the Registrar pursuant to s. 56 of the *Act*, had adopted that standard. (see *Molson Breweries v. John Labatt Ltd.*, [2000] 3 F.C. 145 at 168, 5 C.P.R. (4th) 180 (F.C.A.)).

[43] In *Piscitelli c.o.b. Millennium Wines and Spirits v. Liquor Control Board of Ontario et al.*, [2001] F.C.J. No. 1243 QL (F.C.T.D.) Mr. Justice Blais, dealing with a similar application questioning publication of adoption and use of an official mark, found that new evidence had been submitted by the parties to the application for judicial review, evidence that would have materially affected the Registrar's exercise of discretion. In those circumstances, as in an appeal from a decision of the Registrar to grant a trade-mark, Blais J. concluded he was required to come to his own conclusion as to the correctness of the Registrar's decision. On that basis, the respondent VQA in this case acknowledges that "correctness" is the appropriate standard in this case since in its view new evidence has been adduced to this Court by the parties, which could have materially affected the Registrar's findings or the exercise of discretion.

[44] The question ultimately at issue before the Registrar, here disputed, is a mixed question of law and fact, that is whether, on the facts, the Registrar reasonably applied subparagraph 9(1)(n)(iii), which, as we have seen, authorizes the publication of notice of the adoption and use of a defined mark by a public authority. In my opinion, the "new evidence" before this Court was not adduced by the applicants. Rather, it was from the respondent, supporting its arguments that it is a public authority that had adopted and used the mark ICEWINE. In these circumstances that evidence would not have materially affected the Registrar's decision. I am satisfied that in this case the appropriate standard for review is that of reasonableness *simpliciter*.

[45] The applicants urge that the Registrar erred in finding VQA is a “public authority”, and in finding that it had adopted and used the mark ICEWINE, within the meaning of those terms as used in subparagraph 9(1)(n)(iii).

[46] The term “public authority” is not defined by the statute but it is common ground that the test is that established by judicial authority. The elements of such an authority, derived from *Littlewood v. George Wimpey & Co. Ltd. et al.*, [1953] 1 All E.R. 583 (Q.B.), a case concerned with another, English, statute, are that the entity has a duty to the public, that it be subject to a significant degree of government control, and that any profit it earns must be for the benefit of the public and not for private benefit.

[47] Those three elements were accepted by Mr. Justice Gibson in *Big Sisters Association of Ontario et al. v. Big Brothers of Canada* (1997), 75 C.P.R. (3d) 177 (F.C.T.D.). In that case he commented that this test had been adopted implicitly by Mr. Justice Urie for the Federal Court of Appeal in *Registrar of Trade Marks v. Canadian Olympic Association*, [1983] 1 F.C. 695, (1982), 67 C.P.R. (2d) 59 (F.C.A.). I note, however, that McKeown J. in *Ontario Association of Architects, supra*, commented that in applying the test to the facts in *Canadian Olympic, supra*, the Federal Court of Appeal noted that the requirement of a duty owed to the public was not an essential element, and in that case that element was ignored where the entity concerned, the Canadian Olympic Association, clearly benefited the public by its activities and was subject to significant government control. In *Ontario Association of Architects*, McKeown J. refers to the decision of Wilson J. of the Ontario Superior Court in *Anne of Green Gables Licensing Authority*

Inc. v. Avonlea Traditions Inc. (2000), 4 C.P.R. (4th) 289 at 337. There the test applied was “the combined test of control, influence and purpose to promote the public good” to conclude that the Anne Authority is a public authority. Applying the same test McKeown J. found that the Association of Architectural Technologists of Ontario was a public authority within the meaning of subparagraph 9(1)(n)(iii).

[48] In this case the applicants, Magnotta, urge that VQA is not a public authority. It is said it has no duty to the public, it is not under significant control of government, and its profits are not all earned for the benefit of the public. Further, it is urged that VQA has no accountability to the electorate and it would be contrary to public policy to allow it to maintain its claim to ICEWINE as an official mark, though no basis for such a conclusion is specifically stated. In supplementary submissions the applicants urge that with enactment of the *Vintners Quality Alliance Act*, and the creation of VQAO, that association became a public authority, unrelated to VQA, with authority to seek to enforce the standard for ICEWINE. The creation of VQAO and its subsequent agreement with the respondent VQA, was after the decision of the Registrar here in issue, and that development is irrelevant in assessing the decision in question.

[49] I turn to the evidence that was before the Registrar of the nature of the respondent VQA. There was a letter signed November 14, 1997 by Peter J. Gamble, Executive Director of VQA requesting publication under subparagraph 9(1)(n)(iii) of the *Act* of the adoption and use by VQA of the official mark ICEWINE. That letter submitted that VQA was a public authority within the meaning of the subparagraph, that it was incorporated by Letters Patent issued by the Minister of

Industry, Science and Technology of Canada. A copy of the Letters was enclosed, setting out the objects of the Association which contemplated cooperation with federal and provincial government agencies to develop recognized standards for the quality of wines in Canada. In correspondence in support of VQA's request counsel wrote to the Registrar, indicating:

...VQA has the responsibility for setting and applying standards for wines produced in Canada and sold in Canada through provincially authorized outlets in association with its marks. The ability of VQA to enforce the standards applicable to these wines has, in addition, a direct and immediate impact on the ability of Canadian wine producers to sell wines in other countries. In particular, we are advised that until Canadian standards for wines sold under designations such as ICEWINE are consistently applied to all such wines, none of the Canadian manufactured wines sold under that designation, regardless of their quality, will be accepted for sale, for example, (in) European countries.

[50] The examiner reporting on VQA's request indicated that the office was not satisfied that the VQA is a public authority, and the report made reference to the three-part test set out in *Littlewood, supra*. To this report counsel for VQA responded by letter dated April 30, 1998, referring to the Association's incorporation by Letters Patent, as a non-profit organization, with objectives as defined in its by-laws, as follows:

- to establish standards for quality wines made entirely from Canadian grown grapes, which will ensure product authenticity and consumer protection;
- to create a quality image for all Canadian wines that bear the certification mark of the VQA, and develop and implement educational material in order to inform the Canadian public and interested members of the wine community about Canada's wine growing regions;
- to co-ordinate and exchange research in the areas of temperature, clonal selections, training methods, viticultural practices and wine varieties for the mutual benefit and development of Canada's wine growing regions;
- to disseminate information with regard to the uniqueness of Canada's wine growing regions in order to define the characteristics and qualities of the wines that are produced in those regions to inform the general public.

[51] The letter from counsel discussed the jurisprudence in relation to a "public authority" in particular the decision of the Federal Court of Appeal in *Canadian Olympic Association, supra*, and the statement of Urie J.A. that "...the necessity for finding...obligations or duties to the public

is not necessarily determinative of whether or not the public body is a public authority” (see (1982), 67 C.P.R. (2d) 59 at 68 (F.C.A.)). Counsel then set out the manner in which VQA pursued “objects of a public nature...[with] activities done, not for profit of its members, but entirely for the benefit of Canada and Canadians in response to generally recognized national needs”. Any profits earned were said to be used to promote the objects of the organization. Finally, counsel set out various factors and relationships that supported VQA’s perception it was subject to a significant degree of government control, under the act of incorporation and its Letters Patent, through its cooperation with the Ministry of Agriculture and Agri-Food Canada, and coordination of its activities with the LCBO, and the B.C. Wine Institute, each exercising regulatory authority for their respective provinces.

[52] That measure of significant government influence and control is surely evident from the agreement in June 2000 at the direction of the Government of Ontario whereby VQA undertook to VQAO not to pursue its claims to official marks against VQAO or its members or any other person. It was further demonstrated by VQA’s notice in January 2001 of withdrawal of the publication of the official marks previously published as adopted and used by it, at the request of Agriculture and Agri-Food Canada, in the interests of establishing national standards for Canadian produced wines.

[53] There was no contradictory evidence before the Registrar about the nature of VQA at the time of the publication of the official mark ICEWINE. In my view the evidence subsequently provided, by affidavit of Gabrielle Magnotta, sworn December 14, 1998 in support of the

application for judicial review does not effectively challenge the evidence before the Registrar. At paragraphs 32-35 of his affidavit Mr. Magnotta sets out his opinion that VQA falsely claims to be a public authority when it is merely an industry organization with voluntary membership, serving the interests of a minority of members, not the public, to which it owes no duty and its profits are not for the benefit of the public. Further, he states that he believes representations made by counsel for VQA to the Registrar were false and inaccurate, and that VQA misled the Registrar as to the date of its incorporation. With respect for his opinions, in my view Mr. Magnotta's beliefs are not themselves evidence that effectively challenges the evidence that was before the Registrar concerning VQA as a public authority within the meaning of that term in subparagraph 9(1)(n)(iii).

[54] Mr. Magnotta expresses his opinion, and his later affidavits, which I have excluded, would have added the opinions of others made without appropriate reference to the provision of the *Act* here applicable. In the circumstances, I conclude that the Registrar's decision that VQA was a "public authority" within the meaning of the words in subparagraph 9(1)(n)(iii) was reasonable on the basis of the evidence before the examiner, and there is no basis for the Court to intervene in relation to that aspect of the Registrar's decision.

[55] Magnotta urges that even if the Court were to uphold the Registrar's decision that VQA is a public authority, that decision erred in accepting that VQA had adopted and used the mark ICEWINE. That mark must have been adopted and used before publication of the notice of the mark by the Registrar, in this case May 27, 1998.

[56] As we have seen, subparagraph 9(1)(n)(iii) provides for exclusive use of an official mark “adopted and used by any public authority, in Canada as an official mark for wares or services” where the Registrar has given public notice of its adoption and use.

[57] For Magnotta it is urged that adoption and use must be in the trade-mark sense, for wares and services offered by the holder of the mark. VQA does not produce or market wine. It has no wares and it offers no services in association with its mark. Use of the mark by its members is said by the applicant not to be use by VQA.

[58] The evidence before the Registrar of adoption and use of ICEWINE as a mark consisted of a statement in the draft of a Notice for publication dated November 14, 1997, submitted as part of its request by VQA, that VQA “has adopted and is using the mark” ICEWINE as an official mark in association with wares and services. There was no contradictory evidence before the Registrar. In his affidavit in support of the application for judicial review, sworn December 14, 1998, Mr. Magnotta states that VQA falsely claims to have “used” or “adopted” the mark in question. It does not produce wine, or sell wine, its members may sell icewine, but VQA does not use the term and has not adopted it in accordance with subparagraph 9(1)(n)(iii) of the *Act*. As earlier noted, Mr. Magnotta’s opinions do not qualify as evidence. They are not sufficient to contest the bare assertion of adoption and use made by VQA in its application.

[59] Moreover, it is Magnotta's own evidence that it was a member of VQA and that it used the mark ICEWINE and the mark VQA for some years. Use of the marks of VQA by its members was use by VQA, for only members of the association, or those licensed by it, had the right to use the marks. Their use constituted use by VQA and demonstrated adoption of the mark by VQA. Nothing precludes the use of an official mark by a party licensed or otherwise permitted to use it by the public authority whose adoption and use of the mark has been accepted and published by the Registrar, and that authorized use constitutes use by the public authority.

[60] The Registrar's acceptance and publication of the adoption and use of the official mark ICEWINE by VQA, in my opinion, was a reasonable decision on the evidence submitted to the examining officer.

[61] Finally the applicants urge that the publication of the official mark was invalid because the mark ICEWINE is simply a generic word, descriptive of a variety or type of wine produced by many vintners. That may be so, although there was scant evidence of widespread use except by members of VQA, or by members of the wine institutes of B.C. and Ontario. Even if that is the case, as the applicants urge, there is no statutory bar to recognition of such a word, or coined word, as an official mark which is intended to designate a standard process or product with which the mark is to be associated. In my view, even if the term ICEWINE is perceived to be descriptive or generic, its recognition as an official mark is not precluded. That recognition cannot be said to be unreasonable, in my opinion.

The relief sought

[62] Each of the parties requested an order with respect to the Registrar's decision, that it be quashed or set aside (as Magnotta sought) or that the application be dismissed (as VQA sought), in effect upholding the decision. On the basis, as I find, that the Registrar's decision was reasonable, to accept VQA's application and to publish notice of its adoption and use of the mark ICEWINE, an Order now issues dismissing the application by Magnotta. The Court finds no basis to intervene to set aside the Registrar's decision to accept the application of VQA and to publish notice of its adoption and use of ICEWINE as an official mark, pursuant to subparagraph 9(1)(n)(iii) of the *Act*.

[63] That Order, now issued, also implicitly disposes of the request of Magnotta for a declaration that the action by the Registrar was invalid and of no effect.

[64] In addition to dismissal of the application, VQA also sought declaratory relief, that the respondent VQA is a public authority, that the mark in question is an official mark of VQA and that the official mark has been adopted and used by the respondent. The essence of the declaratory relief so sought concerns underlying determinations or the effects of determinations by the Registrar whose action the Court here recognizes as dealing with matters within the discretion of the Registrar. There is no need for the declaratory relief so sought, particularly with the change of circumstances, including VQA's withdrawal of publication of the mark.

[65] Thus, I decline to order the consequential declarations originally requested by both parties.

Costs

[66] Finally, I turn to the matter of costs. I dismiss the application for costs on a solicitor and client basis made by the applicants. Further, I deny any order for costs in favour of Magnotta.

[67] For VQA, costs were requested in its response to Magnotta's application for judicial review. At the hearing, counsel for VQA submitted that the Court should award to the respondent costs on a solicitor and client basis since the applicants by written submissions and at the hearing had argued that the respondent's submissions to the Registrar, concerning its nature as a "public authority" and concerning its "adoption and use" of the mark ICEWINE were false and misleading. VQA's failure to acquaint the Registrar with Magnotta's opposition to its efforts to obtain a trade-mark for ICEWINE, and certain representations at the hearing of this application, were said on behalf of Magnotta to demonstrate bad faith on the part of the respondent. None of those serious allegations of misconduct or of bad faith on the part of VQA was established by any evidence tendered at the hearing by Magnotta.

[68] I am not persuaded there was evidence of bad faith or fraud or misconduct of any kind in a legal sense on the part of VQA, even if its treatment of the written objections by Magnotta was less than good manners might dictate. I accept that there were deep differences of opinion

between the parties but those circumstances do not warrant an award of solicitor and client costs. Costs of that order were not requested by the respondent in advance of the hearing.

[69] That said, the Order now issued provides for costs to the respondent VQA, in an amount as may be agreed between the parties, or failing agreement as may be assessed, in accord with the higher than normal party and party costs under Tariff B in the *Federal Court Rules, 1998*.

[70] Special reasons warrant higher costs, following success in the case for the respondent. In the first place the applicant's written allegations of bad faith on the part of the respondent were entirely inappropriate, as were occasional comments at the hearing with reference to those allegations. Where this is the case and yet no evidence of bad faith was adduced, costs on a party and party basis at the mid-range of column IV of Tariff B are warranted.

[71] More important, in my view, is the fact that after June 14, 2000, when VQA agreed with VQAO to forego claims against VQAO, its members or others arising from VQA's claims to official marks, the necessity to continue with a hearing for the application was undercut. In my opinion, any necessity was effectively removed when, in early January 2001, VQA advised it had withdrawn publication of the marks in question. While not all issues between the parties may have been resolved by that step, there is every likelihood that could have been accomplished by negotiation of settlement terms, just as appears to have been done by Institut National des Appellations d'Origine and the respondent in Court file T-71-99. In this case it was the applicants Magnotta who were determined to have heard issues that might well have been

resolved by the parties, without the Court. In these circumstances, costs after January 16, 2001, in my opinion, at the mid-range of column V under Tariff B, are warranted.

Conclusion

[72] In summary I find that on the evidence before the Registrar the decision to publish notice of the adoption and use of the mark ICEWINE by VQA, as an official mark, was reasonable. While opinions were subsequently offered, relevant evidence was not presented to the Court on judicial review that seriously contested the bases of the decisions of the Registrar. Thus an Order goes dismissing the application to set aside the Registrar's decision.

[73] I decline to order declaratory relief originally requested by both parties. In my view, events have developed which render such relief unnecessary.

[74] Costs are ordered to the respondent in an amount as the parties may agree, or failing agreement as may be assessed, upon application of the respondent on or after January 21, 2002, in accord with Tariff B under the *Federal Court Rules, 1998*, SOR/98-106, for reasons herein set out, at the mid-range of column IV up to January 16, 2001, and thereafter at the mid-range of column V.

(signed) W. Andrew MacKay

JUDGE

OTTAWA, Ontario
December 20, 2001.

FEDERAL COURT OF CANADA
TRIAL DIVISION

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: T-481-99

STYLE OF CAUSE: Magnotta Winery Corporation and others v Vintners
Quality Alliance

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: January 22, 2001 to January 23, 2001

REASONS FOR ORDER : THE HONOURABLE MR. JUSTICE MACKAY

DATED: December 20, 2001

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