

Regulated Conduct Doctrine Brews Defence for Competition Class Action Against the Beer Store

22 mars 2018

In a decision using metaphors ranging from the sinking of the Bismarck to a baseball game and a tennis match, the Ontario Superior Court of Justice recently granted summary judgment to the defendants in a \$1.4 billion competition class action lawsuit **against Ontario's privately-held but government-authorized beer store monopoly**, Brewers Retail Inc. ("Beer Store"), its multi-national beer company owners, and the **province's government-owned liquor store monopoly, the Liquor Control Board of Ontario ("LCBO")** (collectively, the "Defendants").¹

The decision is important because it reaffirms the strength and breadth of the **Regulated Conduct Defence ("RCD") to the criminal conspiracy provisions of the Competition Act**, and confirmed that the RCD can be relied on by defendants in defence of civil claims for damages alleged to result from conduct that violates these criminal conspiracy provisions. The RCD provides that conduct will be exempt from application of the **criminal conspiracy provisions under the Competition Act when it is permitted**, authorized or mandated by another validly enacted federal or provincial law. It has long **existed at common law, and was explicitly codified in the Competition Act in 2010**.

The plaintiffs claimed that the Defendants conspired to "fix, raise, maintain or stabilize **prices of beer in Ontario**," **contrary to section 45 of the Competition Act**. The action **stemmed from the 2014 public revelation of a "Beer Framework Agreement" between the LCBO and the Beer Store** (the "Agreement"), signed in 2000, under which the LCBO, ordered by the provincial Cabinet minister with responsibility for its affairs under provincial law, agreed not to sell various beer products, including packages of more than six bottles or cans of beer.

The Defendants brought a motion for summary judgment, arguing that the RCD applied because the Agreement was an authorized activity of a regulated industry, and that it **thereby could not violate section 45 of the Competition Act**. The plaintiffs argued that the **RCD did not apply, both because the Competition Act does not specifically provide that the RCD applies to civil claims for damages resulting from violations of the criminal conspiracy provisions**, and because the Agreement was a commercial contract that was not entered under the authority of a provincial law.

Justice Paul Perell noted in his judgment that in order for the RCD to be available, the impugned conduct must be required, directed or authorized by the claimed provincial or federal legislation. In addition, Justice Perell stated that the person relying on the RCD must identify in the legislation governing its industry or profession a specific provision that expressly or by necessary implication directs or authorizes the person to engage in the impugned conduct.

On this basis, Justice Perell ruled for the Defendants, finding that although the Agreement was a contract, because it was entered directly under the authority conferred **on the LCBO and Beer Store under the provincial Liquor Control Act**, it was fell squarely "in the wheelhouse" of the RCD. Furthermore, the Ontario government had made **amendments to the Liquor Control Act** in 2015 specifically authorizing the Agreement, with retroactive effect. Justice Perell found that such retroactive authorization was sufficient to ground reliance on the RCD, and that therefore if he was wrong in finding that the initial Agreement was saved from the criminal conspiracy provisions by the **RCD, the retroactive amendment to the Liquor Control Act** would lead to the same result.

Also significantly, Justice Perell confirmed that the RCD equally applies in defence of civil claims that rely on apparent violations of the criminal conspiracy provisions of **the Competition Act**, stating that allowing the defence to apply only in criminal actions and not civil would lead "to the absurd result that Crown agencies and private entities authorized by both provincial law and the applicable regulator to act would be protected from criminal sanctions but be civilly liable for conduct expressly authorized, or even required, by valid provincial law." Therefore, if a business is operating under express provincial legislation which authorizes their conduct, they would be able to rely on the RCD to defend against both criminal penalties, as well as any potential class actions filed against their conduct.

¹ Hughes v Liquor Control Board of Ontario, 2018 ONSC 1723.

Par

[Denes A. Rothschild, Danielle Ridout](#)

Services

[Concurrence/antitrust et investissements étrangers](#)

BLG | Vos avocats au Canada

Borden Ladner Gervais S.E.N.C.R.L., S.R.L. (BLG) est le plus grand cabinet d'avocats canadien véritablement multiservices. À ce titre, il offre des conseils juridiques pratiques à des clients d'ici et d'ailleurs dans plus de domaines et de secteurs que tout autre cabinet canadien. Comptant plus de 725 avocats, agents de propriété intellectuelle et autres professionnels, BLG répond aux besoins juridiques d'entreprises et d'institutions au pays comme à l'étranger pour ce qui touche les fusions et acquisitions, les marchés financiers, les différends et le financement ou encore l'enregistrement de brevets et de marques de commerce.

blg.com

Bureaux BLG

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000, rue De La Gauchetière Ouest
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

Les présents renseignements sont de nature générale et ne sauraient constituer un avis juridique, ni un énoncé complet de la législation pertinente, ni un avis sur un quelconque sujet. Personne ne devrait agir ou s'abstenir d'agir sur la foi de ceux-ci sans procéder à un examen approfondi du droit après avoir soupesé les faits d'une situation précise. Nous vous recommandons de consulter votre conseiller juridique si vous avez des questions ou des préoccupations particulières. BLG ne garantit aucunement que la teneur de cette publication est exacte, à jour ou complète. Aucune partie de cette publication ne peut être reproduite sans l'autorisation écrite de Borden Ladner Gervais S.E.N.C.R.L., S.R.L. Si BLG vous a envoyé cette publication et que vous ne souhaitez plus la recevoir, vous pouvez demander à faire supprimer vos coordonnées de nos listes d'envoi en communiquant avec nous par courriel à desabonnement@blg.com ou en modifiant vos préférences d'abonnement dans blg.com/fr/about-us/subscribe. Si vous pensez avoir reçu le présent message par erreur, veuillez nous écrire à communications@blg.com. Pour consulter la politique de confidentialité de BLG relativement aux publications, rendez-vous sur blg.com/fr/ProtectionDesRenseignementsPersonnels.

© 2025 Borden Ladner Gervais S.E.N.C.R.L., S.R.L. Borden Ladner Gervais est une société à responsabilité limitée de l'Ontario.