

**IN THE SUPREME COURT OF CANADA
(ON APPEAL FROM THE COURT OF APPEAL
OF NEWFOUNDLAND AND LABRADOR)**

BETWEEN:

**ATLANTIC LOTTERY CORPORATION INC. –
SOCIÉTÉ DES LOTERIES DE L’ATLANTIQUE**

Appellant
(Appellant)

- and -

DOUGLAS BABSTOCK AND FRED SMALL

Respondents
(Respondents)

- and -

BALLY GAMING CANADA LTD. AND BALLY GAMING INC.

Interveners
(Interveners)

*Style of cause continued on next page.

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ENTERTAINMENT LIMITED**

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- and -

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- and -

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Table of Contents

PART I - OVERVIEW	1
PART II –POSITION ON THE QUESTIONS IN ISSUE	1
PART III – STATEMENT OF ARGUMENT	1
A. The <i>Code</i> Grants Provinces Broad Authority to Conduct and Manage Gaming	1
B. Provincial Authority to “Conduct and Manage” Gaming Includes the Licensing of Private Parties.....	3
C. “Three-Card Monte” Means Games Based Upon Physical Sleight of Hand, Not all Deceptive Games	7
i. The Grammatical and Ordinary Sense of “Three-Card Monte” Requires Manipulation of Physical Objects Using Sleight of Hand.....	8
ii. Expanding the Prohibition on “Three-Card Monte to Apply to all Deceptive Games Renders s. 209 Redundant	8
ii. The Legislative History of s. 206(1)(g) Reveals Parliament’s Intention to Define “Three-Card Monte” Narrowly.....	10
D. Conclusion	10
PART VII – TABLE OF AUTHORITIES	11

PART I - OVERVIEW

1. This appeal concerns the interpretation of the gaming provisions contained in the *Criminal Code*, RSC 1985 c C-46 (the “*Code*”). In particular, it raises important questions regarding the participation of private operators in gaming schemes “conducted” and “managed” by provincial governments. The appeal offers this Court an opportunity to provide needed clarity and certainty on the interpretive framework for the *Code*’s gaming provisions and the scope of provincial authority to operate gaming in compliance with the *Code*.

PART II – POSITION ON THE QUESTIONS IN ISSUE

2. Ontario submits that the *Code*’s gaming provisions afford broad discretion to provincial legislatures to determine the nature and extent to which private parties may be involved in the delivery of provincial gaming, and the types of games offered, within their jurisdiction. Specifically, Ontario submits that:

- i. Section 207(1)(a) of the *Code* permits a provincial Legislature to enable a gaming scheme that is conducted and managed through licenses issued to private parties; and
- ii. The prohibition on “three-card monte” contained in s. 206(1)(g) of the *Code* prohibits games based upon physical sleight of hand, but not all games which may be played deceptively.

PART III – STATEMENT OF ARGUMENT

A. The *Code* Grants Provinces Broad Authority to Conduct and Manage Gaming

3. The *Code*’s gaming provisions¹, interpreted in light of their history, context, and the overall statutory scheme, were intended to grant provincial Legislatures broad authority to enable lottery schemes within their jurisdiction.

4. Early Canadian criminal statutes broadly prohibited virtually all forms of public gambling and lotteries.² However, beginning with the *Reports of the Joint Committee of the Senate and House of Commons on Capital Punishment, Corporal Punishment and Lotteries* in 1956, Parliament recognized that these prohibitions were not effectively controlling illegal

¹ The *Code*’s Gaming and Betting provisions (referred to in this Factum as “gaming provisions”), at ss 201-209, use the terms “gaming”, “betting” and “lottery scheme” to describe various forms of gambling. This Factum uses the term “gaming” to encompass all three terms referred to in ss 201-209, unless otherwise expressly stated.

² *The Criminal Code*, SC 1892 (55-56 Vict), c 29, Part XIV.

gaming and required reform. A joint committee of both chambers of Parliament was struck to consider reforms to gaming.

5. The committee ultimately recommended the liberalization of Canadian gaming legislation to permit some forms of legal gambling. It was believed this would: (a) prevent evasion of existing laws by achieving “workable control” of gaming in the public interest, and (b) prevent the growth of fraudulent lottery schemes.³ Comparing the complete prohibition of gaming to the prohibition of alcohol, the committee observed that “[p]rohibition [of alcohol] proved unworkable, and led to many serious abuses; but the present system of licensing and control...on the whole appears to have contributed to efficient law enforcement”.⁴

6. In response to the committee’s recommendations, Parliament finally amended the *Code* in 1969 to permit lotteries conducted by charitable or religious organizations as well as lotteries conducted by provincial and federal governments.⁵

7. Parliament did not substantially amend the gaming provisions of the *Code* again until 1985.⁶ The 1985 amendments were enacted pursuant to an agreement between the Federal government and the provinces in which the Federal government undertook, “to ensure that the rights of the Provinces in that field are not reduced or restricted.”⁷ The agreement was negotiated primarily with provincial Ministers responsible for revenue and lotteries, and was intended to “leave it up to each province to determine what types of gaming activities are to be permitted”.⁸

8. The 1985 amendments granted to the provincial governments broad and exclusive jurisdiction over lotteries and specified gaming operations. The legislative history makes clear that the purpose of the amendments was to provide provincial governments with an important revenue stream and to recognize existing provincial gaming activity. The importance of gaming

³ Joint Committee of the Senate and House of Commons on Capital Punishment, Corporal Punishment and Lotteries, *Final Report on Lotteries* (July 31, 1956) at para 22.

⁴ *Ibid.*

⁵ *Criminal Law Amendment Act*, SC 1968-69 (17-18 Eliz II), c 38.

⁶ *An Act to Amend the Criminal Code (Lotteries)*, SC 1985 (33-34 Eliz II), c 52 at 1233.

⁷ Canada, Senate, Standing Committee on Legal and Constitutional Affairs, “Appendix LEG-31-C: Federal/Provincial Agreement” in *Proceedings*, 33rd Parl, 1st sess, vol 2 (December 4, 1985) at 31A:7.

⁸ Canada, Senate, Standing Committee on Legal and Constitutional Affairs, “Appendix LEG-31-B: Letter from Ian Scott, Attorney General of Ontario to the Honourable John C. Crosbie Attorney General and his Reply” in *Proceedings*, 33rd Parl, 1st sess, vol 2 (December 4, 1985) at 31A:5 [Letter from Attorney General Crosbie, 1985].

as a source of revenue for provincial governments has only grown since that time. This Court subsequently affirmed the constitutionality of granting provincial governments exclusive control over the conduct and management of gaming.⁹

9. The history and evolution of the *Code's* gaming provisions, and the scheme itself, evidence Parliament's intention that the provincial Legislatures should be permitted broad authority to determine the appropriate regulatory scheme for gaming within their jurisdiction.¹⁰ This interpretation serves Parliament's objectives of: (1) granting provinces an important revenue tool; (2) creating workable control of gaming; and (3) undermining illicit gaming.

B. Provincial Authority to “Conduct and Manage” Gaming Includes the Licensing of Private Parties

10. This appeal presents an opportunity for the Court to clarify the scope of the authority to “conduct and manage” gaming under s. 207(1)(a) of the *Code*. In particular, the Court can provide clarity on the existing case law regarding the involvement of private parties in provincially-enabled gaming schemes.

11. Section 207(1)(a) provides that it is lawful:

...for the government of a province, either alone or in conjunction with the government of another province, to conduct and manage a lottery scheme in that province, or in that and the other province, in accordance with any law enacted by the legislature of that province;¹¹ [emphasis added]

12. The question of whether the *Code* permits a provincial Legislature to authorize licensed siteholders to operate VLTs as part of a lottery scheme “conducted and managed” by a provincial government is directly at issue in this appeal. It arises from both the Respondents' pleadings and from the common issues certified below. The Appellant, Atlantic Lottery Corporation, licenses private siteholders to operate Video Lottery Terminals (“VLTs”) throughout Newfoundland and Labrador pursuant to the *Video Lottery Regulations* made under the *Lotteries Act*. The Respondents plead that this licensing arrangement does not meet the requirement of being

⁹ *R v Furtney*, [1991] 3 SCR 89 at paras 30-41 and 50 [*Furtney*]; *Siemens v Manitoba (Attorney General)*, 2003 SCC 3 at paras 20-22 and 51 [*Siemens*].

¹⁰ Canada, House of Commons, *Standing Committee on Justice and Legal Affairs, Proceedings*, No 9, 28th Parl, 1st sess, vol 1 (11 Mar 1969) at 331; Letter from Attorney General Crosbie, 1985, *supra* note 8 at 31A:5; *Alberta Shuffleboards (1986) Ltd v Alberta* (1992), 132 AR 126, 1992 CarswellAlta 648 at paras 24-28 (QB) [*Alberta Shuffleboards*].

¹¹ *Criminal Code*, RSC 1985 c C-46 at s 207(1)(a) [*Criminal Code*].

“conducted and managed” by the province pursuant to s. 207(1) of the *Code*. As a result, the Respondents plead that siteholders are operating common gaming houses contrary to s. 201 of the *Code*. This pleading has not been struck out by the courts below.¹² Further, the following common issues were certified below:

- (a) Does the *Criminal Code* authorize the operation of video lotteries by siteholders, in view of s. 206(1)(g) which prohibits games similar to "three card monte"?
- (b) Does the *Criminal Code* authorize the operation of video lotteries by siteholders, in view of s. 201, which prohibits keeping a common gaming house?¹³ [emphasis added]

13. The majority below did not explicitly address either ss. 201 or 207(1) of the *Code*, though its decision implicitly accepts that the “conduct and manage” requirements of the *Code* were satisfied in this case. The courts below appear to have assumed, without extensive analysis, that a provincially-enabled licensing scheme involving private siteholders was lawfully conducted and managed by the province pursuant to s. 207(1)(a) of the *Code*. Nevertheless, a determination of the certified common issues necessarily requires a determination of whether the licensing of private siteholders is consistent with the requirements of the *Code*.

14. Ontario submits that a provincially-enabled licensing scheme involving private siteholders is authorized by s. 207(1)(a) of the *Code*. However, the appropriate degree of private participation in provincial gaming schemes has been a matter of uncertainty among lower courts and a source of administrative uncertainty for responsible provincial governments.¹⁴ This case

¹² *Video Lottery Regulations*, CNR 760/96; *Lotteries Act*, SN 1991, c 53, s 5; Statement of Claim, Tab 8 of the Joint Appellants’ Record Vol II, at paras 36-40; Affidavit of Paul Burns, Tab 16 of the Joint Appellants’ Record Vol III, at para 11.

¹³ Order of Faour J on Certification, Tab 4 of the Joint Appellants’ Record Vol I, at para 6.

¹⁴ *Great Canadian Casino Co Ltd v Surrey* (1998), 53 BCLR (3d) 379 at para 56 (SC), rev’d on other grounds [2000] 3 WWR 681 (BCCA) [*Surrey*]; *Keystone Bingo Centre Inc v Manitoba Lotteries Foundation* (1990), 69 Man R (2d) 63 at paras 19-22 (CA), leave to appeal ref’d [1991] SCCA No 60 [*Keystone*]; *Nanaimo Community Bingo Assn v British Columbia Attorney General* (1998), 52 BCLR (3d) 284 at para 53-55 (SC) varied on other grounds, 2000 BCCA 166 [*Nanaimo*]; *Reference Re: Earth Future Lottery* (2002), 211 Nfld & PEIR 311 at paras 4, 7 and 9 (CA), aff’d 2003 SCC 10 [*Earth Future Lottery*]; Patrick J Monahan & A Gerold Goldlist, “Roll Again: New Developments Concerning Gaming” (1999) 42:2 *Crim LQ* 182 at 201-202; Timothy I W Patrick, “No Dice: Violations of the Criminal Code's Gaming Exceptions by Provincial Governments” (2000) 44:1 *Crim LQ* 108 at 113; *Fiske v Nova Scotia (Attorney General)*, 2001 NSSC 99 at paras 36-55.

provides an opportunity for this Court to provide to definitive guidance.

15. This Court’s guidance about the degree to which private licensees may participate in a lottery scheme conducted and managed by a province is especially important in view of the significance of gaming revenue for provincial governments in Canada and the need for provinces to craft gaming legislation to comply with the *Code*.¹⁵

16. Ontario submits that s. 207(1)(a) affords broad discretion to provincial legislatures to determine the nature and extent to which private parties may be involved in the delivery of gaming. This conclusion is supported by the plain language of s. 207(1)(a), which authorizes gaming conducted and managed by a provincial government “in accordance with a law enacted by the legislature of that province”.

17. Moreover, the history, context, and purpose of the *Code*’s gaming provisions all support the conclusion that, in enacting s. 207(1)(a), Parliament intended to defer to the provinces regarding the manner in which gaming should be conducted and managed within their jurisdictions. This view is also reflected in the observation of Welsh J.A., in the court below, that, “The authority of a province to ‘conduct and manage’ a lottery scheme is broad in scope and subject only to the exceptions and requirements specified in Part VII of the *Code*.”¹⁶

18. Some Canadian courts have accepted that legislation enacted by a provincial Legislature authorizing gaming through the licensing of private parties is presumptively “conducted and managed” in compliance with s. 207(1)(a).¹⁷ However, other Canadian courts have instead adopted a narrow and restrictive view of provincial authority to regulate gaming by licensing private parties.¹⁸ These cases have held that while licensees may “operate” some aspects of gaming on behalf of a province, the province itself must ultimately remain the “operating mind” conducting and managing the activity.¹⁹ They suggest that an improper degree of involvement on

¹⁵ *Earth Future Lottery*, *supra* note 14 at para 4.

¹⁶ Reasons of Welsh JA, dissenting, in the Court of Appeal for Newfoundland and Labrador, Tab 5 of the Joint Appellants’ Record Vol II, at para 30 [Reasons of Welsh JA].

¹⁷ *Alberta Shuffleboards*, *supra* at paras 24-28; *Legoyeau Holdings Ltd v Windsor* (1994), 52 LCR 241 at para 4 (CA); *Monahan & Goldlist*, *supra* note 14 at 196-200.

¹⁸ *Surrey*, *supra* note 14 at paras 65-68; *Keystone*, *supra* 24; and *Nanaimo*, *supra* at paras 53-5.

¹⁹ *Monahan & Goldlist*, *supra* note 14 at 215-19.

the part of private parties, including by licensing private siteholders and sharing profits with them, may render a provincial scheme invalid and illegal.²⁰

19. Ontario submits that such a restrictive view of provincial authority under s. 207(1)(a) is:

- i. fundamentally inconsistent with the *Code*'s legislative evolution and the intention of Parliament;
- ii. ignores the distinction drawn by Parliament between gaming conducted by a province under s. 207(1)(a) and gaming conducted under license by charitable and religious organizations under s. 207(1)(b); and
- iii. ignores the fact that gaming legislation is enacted pursuant to a province's own legislative authority under ss. 92(7), (9) and (13) of the *Constitution Act, 1867*.²¹

20. First, the legislative evolution of s. 207 evidences Parliament's intention to permit provincial governments to decide whether and how lotteries should be conducted within a province.²² A narrow view of provincial authority to conduct and manage gaming is inconsistent with Parliament's intention to permit provinces authority to do so in order to generate revenue and undermine fraudulent or unregulated lotteries.

21. Second, the more restrictive interpretation of "conduct and manage" adopted by lower courts was informed, to a large part, by concerns arising out of the involvement of private parties in charitable or religious gaming under s. 207(1)(b) of the *Code*. Charitable gaming is an area that invites a real risk of exploitation by unscrupulous service providers, necessitating a strict application of the "conduct" and "management" requirements. However, gaming authorized by provincial legislature under s. 207(1)(a) has a fundamentally different character and does not give rise to the same concerns.²³

22. As Monahan and Goldlist observe in their 1999 article considering s. 207(1)(a) of the *Code*, when provincially-enacted gaming schemes permit engagement with private parties, governments possess the expertise and the resources needed to negotiate on an equal footing, provide appropriate oversight, and to ensure that the public interest is protected. Courts should not second-guess the wisdom of provincial legislation governing the manner in which gaming

²⁰ *Surrey*, *supra* note 14 at paras 65-68.

²¹ Monahan & Goldlist, *supra* note 14 at 190-192 and 209-15.

²² Judith A Osborne & Colin S Campbell, "Recent Amendments to Canadian Lottery and Gaming Laws: The Transfer of Power between Federal and Provincial Governments" (1988) 26:1 *Osgoode Hall LJ* 19 at 21-25.

²³ *R v Andriopoulos*, 1994 CanLII 147 at para 4 (ONCA).

within a province should be conducted and managed, including decisions concerning the nature and extent of any private involvement in the delivery of the gaming scheme. Such decisions are inherently political, and not legal, in nature.²⁴

23. Third, while s. 207(1)(a) of the *Code* contemplates the enactment of provincial laws authorizing lottery schemes, it is not the source of a provincial legislature’s authority to enact such laws. Rather, provinces enact legislation authorizing and regulating lottery schemes on the basis of their own constitutional heads of power under ss. 92(7), (9) and (13) of the *Constitution Act, 1867*.²⁵ Gaming legislation, therefore, falls within the “double aspect” doctrine. For this reason, this Court has affirmed that the *Code* should be interpreted to avoid any conflict or inconsistency with provincial gaming legislation so that it is not necessary to resolve such conflicts with resort to principles of paramountcy.²⁶

24. A purposive and contextual analysis of s. 207(1)(a), as outlined above, requires that it be interpreted so as to authorize a provincially-enabled licensing scheme involving private siteholders as lawfully conducted and managed by the province.

C. “Three-Card Monte” Means Games Based Upon Physical Sleight of Hand, Not all Deceptive Games

25. Ontario submits that the prohibition on games of “three-card monte” in s. 206(1)(g) of the *Code* extends to games involving the manipulation of cards or other physical objects in an effort to induce the player to make an erroneous selection. It does not encompass all games which are “actually played in a deceptive way without following rules so as to cheat participants.”²⁷

26. Games which are actually played deceptively with an intention to cheat a player are prohibited by a different provision of the *Code* – s. 209. The prohibition on “three-card monte” serves a different purpose: to prohibit games which, when played by their rules, are games of pure skill, but which are particularly susceptible to cheating by physical sleight of hand. The construction of three-card monte adopted by the court below is overly broad, contrary to the

²⁴ Monahan & Goldlist, *supra* note 14 at 213-14.

²⁵ *Ibid* at 190; *Furtney*, *supra* note 9 at paras 29-30, and 50; *Siemens*, *supra* note 9 at paras 35 and 51.

²⁶ *Siemens*, *supra* note 9 at para 35.

²⁷ Reasons of Green JA for the Majority in the Court of Appeal for Newfoundland and Labrador, Tab 5 of the Joint Appellants’ Record Vol II, at para 208 [Reasons of Green JA].

ordinary and grammatical sense of the words, creates redundancy between ss. 206 and 209 of the *Code*, and ignores the history and purpose of s. 206(1)(g).

i. The Grammatical and Ordinary Sense of “Three-Card Monte” Requires Manipulation of Physical Objects Using Sleight of Hand

27. The grammatical and ordinary sense of “three-card monte” does not accord with the definition of VLTs pleaded in this case. Both dictionary definitions and appellate authority support an interpretation of three-card monte as requiring manipulation, by sleight of hand, of cards or objects that invite the player to identify and bet on the location of a particular item.²⁸ However, the description of VLTs accepted by the courts below is in the way of a traditional line game in a slot machine and incompatible with the ordinary meaning of three-card monte.²⁹

28. The *Code* contemplates that three-card monte may be played with different numbers of cards and “other things” than cards. However, VLTs do not involve sleight of hand or manipulation of “...other things that are used for the purpose of playing.”³⁰ Ontario submits that two well-established rules of statutory construction, the associated words rule (*noscitur a sociis*) and the limited class rule (*esjudem generis*), require that “other things” in s. 206(2) be interpreted as physical objects which can be manipulated by sleight of hand.³¹

29. The words “other things”, in s. 206, are modified by their proximity to the word “cards” (associated words). Additionally, the phrase “number of cards or other things” establishes a limited class such that “other things” must be similar in kind to “cards”. Accordingly, “other things” should be taken to mean a physical object, similar in kind to cards. It should not be taken to refer to a computer algorithm, which is neither associated with cards nor in the same class of things, in the absence of express statutory language to that effect.

ii. Expanding the Prohibition on “Three-Card Monte” to Apply to all Deceptive Games Renders s. 209 Redundant

30. Games which are deceptive, fraudulent or played in a manner so as to cheat players are

²⁸ *R v Rosen* (1920), 61 DLR 500 at paras 22-23 (Que CA) [*Rosen*]; Reasons of Welsh JA, *supra* note 16 at para 33.

²⁹ Reasons of Welsh JA, *supra* note 16 at para 4. Reasons of Green JA, *supra* note 27 at para 105.

³⁰ *Criminal Code*, *supra* note 11 at s 206(2).

³¹ *Regina v Goulis* (1981), 33 OR (2d) 55 at para 11 (CA); *R v Maddeaux* (1997), 33 OR (3d) 378 at para 12 (CA); Ruth Sullivan, *Sullivan on the Construction of Statutes*, 6th ed (Toronto: LexisNexis, 2014) at §8.58-86 [Sullivan].

unlawful pursuant to s. 209 of the *Code*. There is no need to expand the interpretation of “three-card monte” to cover such activity. In *R. v. McGarey*, this Court held that s. 181 of the *Code* (later re-enacted as s. 209) prohibited cheating at a game of milk bottle toss where the bottom bottles were four times heavier than the top bottle.³² The Court held that, “...the like appearance of bottles which in fact were varied very markedly in weight constituted a deceit and that the deceit was intended to induce the player to part with his money”.

31. If the majority’s construction of “three-card monte” in the court below were adopted, both ss. 206(1)(g) and 209 would apply to the facts in *McGarey*. The milk bottle would be the “other thing” used for playing under s. 206, and s. 209 would be rendered redundant. This construction offends the rule of statutory construction against redundancy.³³ Additionally, expanding the scope of “three-card monte” to any game which could potentially be played deceptively, even though no sleight of hand is involved, could potentially criminalize a significant number of existing games of skill which Parliament did not intend to prohibit.

32. Section 209 prohibits cheating while playing a “game”. Games are defined in s. 197(1) of the *Code* as “games of chance or mixed chance and skill”.³⁴ Three-card monte is not a game of mixed chance and skill. Rather, the prohibition on “three-card monte” exists to capture different conduct than s. 209: games of skill which are especially susceptible to cheating through sleight of hand, even where the game itself is not deceptive or may be played without cheating. In *R. v. Rosen*, the Quebec Court of Appeal considered whether the *Code*’s prohibition on deceptive gameplay contained in what is now s. 209 applied to three-card monte. The Quebec Court of Appeal concluded that it did not, precisely because three-card monte is a game of skill which may be played without cheating and wherein sleight of hand is an essential element.³⁵ The mischief at which the prohibition on three-card monte is directed is the potential for cheating through the use of sleight of hand.

³² *R v McGarey*, [1974] SCR 278 at 285.

³³ *Schreiber v Canada (Attorney General)*, 2002 SCC 62 at paras 73-74; Sullivan, *supra* note 31 at §8.23.

³⁴ *Criminal Code*, *supra* note 11 at ss 209 and 197(1); *R v Riesberry*, 2015 SCC 65 at paras 9-11.

³⁵ *Rosen*, *supra* note 28 at paras 8, 17 and 22. Considering s 442, later re-enacted as s 181 and again re-enacted as s 209.

ii. *The Legislative History of s. 206(1)(g) Reveals Parliament’s Intention to Define “Three-Card Monte” Narrowly*

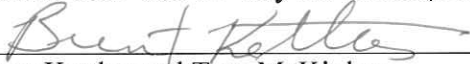
33. The legislative history of s. 206(1)(g) demonstrates that Parliament intended “three-card monte” to be defined narrowly to prohibit games which involved “betting upon a guess which a man makes as to the result of some sleight-of-hand trick.”³⁶ The prohibition on three-card monte was introduced as a private member’s bill prepared by David Lafortune, who was the Crown prosecutor in *Rosen*. The bill was a direct response to the court’s decision in *Rosen*, that the then version of s. 209 did not apply to games of skill. The bill was unanimously approved and merged with a government bill tabled by the then Minister of Justice.³⁷

34. The prohibition on three-card monte in the *Code* was crafted in response to an epidemic of three-card monte in Montreal in the early 1920s. It was only ever intended to apply to games which were notionally games of skill, but where the dealer’s sleight of hand too often cheated the player. Mr. Lafortune explained Parliament’s intention regarding s. 206(2) in this way: “[i]f we made it a crime for people to play with three cards, they might play with four cards or they might play with other instruments than cards, and that is why we thought it proper to enlarge the clause so as to endeavor to cover other cases”.³⁸ Nothing in the legislative history of s. 206(1)(g) supports a construction that “three-card monte” was intended to apply to all deceptive gameplay.

D. Conclusion

35. Ontario submits that a contextual and purposive interpretation of the *Code*’s gaming provisions requires that provincial Legislatures be granted broad authority to regulate gaming, including by licensing private parties, within their jurisdiction. The prohibition on “three-card monte” contained in s. 206(1)(g) of the *Code* prohibits games based upon physical sleight of hand, but not all games which may be played deceptively.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 12th day November, 2019.


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³⁶ Canada, House of Commons Debates, 13th Parl, 5th Sess (26 May 1921) at 3922 [Bill 138, 2nd Reading].

³⁷ Canada, House of Commons Debates, 13th Parl, 5th Sess (1 April 1921) at 1439; Canada, House of Commons Debates, 13th Parl, 5th Sess (11 April 1921) at 1857-1858; Bill 138, 2nd Reading, *supra* note 36 at 3921.

³⁸ *Ibid.*

PART VII – TABLE OF AUTHORITIES

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<i>Nanaimo Community Bingo Assn v British Columbia Attorney General</i> (1998), <u>52 BCLR (3d) 284</u>	14, 18
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<i>R v Furtney</i> , <u>[1991] 3 SCR 89</u>	8, 23
<i>R v Maddeaux</i> (1997), <u>33 OR (3d) 378</u>	28
<i>R v McGarey</i> , <u>[1974] SCR 278</u>	30, 31
<i>R v Riesberry</i> , <u>2015 SCC 65</u>	32
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<i>Siemens v Manitoba (Attorney General)</i> , <u>2003 SCC 3</u>	8, 23
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<i>Lotteries Act</i> , SN 1991, c 53 <u>s 5</u>	12
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