

Federal Court



Cour fédérale

**Date: 20200611**

**Docket: T-505-19**

**Citation: 2020 FC 682**

**Ottawa, Ontario, June 11, 2020**

**PRESENT: Mr. Justice McHaffie**

**BETWEEN:**

**TOYS “R” US (CANADA) LTD.**

**Applicant**

**and**

**HERBS “R” US WELLNESS SOCIETY**

**Respondent**

**JUDGMENT AND REASONS**

I. Overview

[1] Toys “R” Us (Canada) Ltd owns the following registered trademark:



It seeks to enforce this and related TOYS R US and “R US” trademarks against Herbs “R” Us Wellness Society, a company operating a cannabis boutique and “dispensary” in Vancouver under the trademark and trade name HERBS R US, styled in the following manner:



[2] Herbs “R” Us did not respond to this application although served with the notice of application, so the application proceeded solely on the evidence filed by Toys “R” Us. On the basis of that evidence, and despite concluding that I should disregard some of it, I am satisfied that Toys “R” Us has established that the use of the HERBS R US design mark is likely to depreciate the goodwill attaching to the registered trademark TOYS R US & Design, contrary to section 22 of the *Trademarks Act*, RSC 1985, c T-13. I conclude that Toys “R” Us is entitled to an injunction to prevent use of the HERBS R US trademark and trade name and is entitled to nominal but not punitive damages, as well as its costs of this application.

[3] However, I conclude that Toys “R” Us has not established trademark infringement under section 20 or passing off under subsection 7(b) of the *Trademarks Act*. Although the similarities between the trademarks are evident, the pronounced differences between the goods and services of Herbs “R” Us and those of Toys “R” Us are such that I cannot conclude that a consumer—even a casual one somewhat in a hurry with an imperfect recollection of the TOYS R US marks—would infer that they were manufactured, sold or performed by the same person.

[4] The application is therefore granted in part.

II. Issues

[5] The issues arising on this application are:

A. Can Toys “R” Us rely on the solicitor’s affidavit filed in support of its application, and if so, to what extent?

B. Has Toys “R” Us established a remediable violation of the *Trademarks Act*, and in particular:

(1) infringement under section 20 of the *Trademarks Act*;

(2) passing off under subsection 7(b) of the *Trademarks Act*; and/or

(3) a likely depreciation of goodwill under section 22 of the *Trademarks Act*?

C. If so, is Toys “R” Us entitled to the remedies it seeks, and in particular is it entitled to:

(1) an injunction and delivery up, and if so, of what scope;

(2) damages, and if so, in what amount;

(3) punitive damages, and if so, in what amount; and/or

(4) costs, and if so, in what amount?

[6] On each of these issues, Toys “R” Us bears the burden of proof on a balance of probabilities.

### III. Analysis

#### A. *Solicitor's Affidavit*

[7] In support of its application, Toys “R” Us filed two substantive affidavits: one from Frank Juhasz, a senior officer of Toys “R” Us, and one from an associate lawyer employed by Gowling WLG (Canada) LLP, counsel for Toys “R” Us on this application. It also filed certified copies of its registered trademarks and several affidavits of service and attempted service.

[8] The lawyer’s affidavit speaks to two attendances at the Herbs “R” Us retail store in March and April 2019, at which time he was an articling student. The affidavit attaches photographs of the exterior of the store, and gives subjective impressions of the “prominence” of both the store’s signage and the words on the signs. In addition, the affidavit describes the then-student’s actions in posing as a customer, registering as a “patient” to get access to the back section of the store, surreptitiously taking a picture of a product price list, and purchasing several items from the store. It goes on to give his subjective impressions of the interior of the store and its “atmosphere,” describing it as “an unimpressive, lower-end retail operation.”

[9] In the course of the hearing, I raised an issue regarding reliance on the lawyer’s affidavit in light of Rule 82 of the *Federal Courts Rules*, SOR/98-106, which states:

#### **Use of solicitor’s affidavit**

**82** Except with leave of the Court, a solicitor shall not both depose to an affidavit and present argument to the Court based on that affidavit.

#### **Utilisation de l’affidavit d’un avocat**

**82** Sauf avec l’autorisation de la Cour, un avocat ne peut à la fois être l’auteur d’un affidavit et présenter à la Cour des arguments fondés sur cet affidavit.

[10] The Federal Court of Appeal has confirmed that members or employees of counsel's law firm should not provide evidence in respect of contentious matters: *Cross-Canada Auto Body Supply (Windsor) Ltd v Hyundai Auto Canada*, 2006 FCA 133 at paras 4–5. As in this case, *Cross-Canada* was a trademark proceeding in which counsel relied on evidence of investigations by colleagues, making the Court of Appeal's observations particularly germane:

There can be no hard and fast rule, but it does seem to us that it is not good practice for a law firm to cause its employees to act as investigators for the purpose of having them later give opinion evidence on the most crucial issues in the case. This is especially true where, as in this case, there is no evidence from any non-employee of the firm on these crucial issues. Opinion evidence is meant to be objective. The goal of objectivity is not furthered by having employees of the law firms give crucial opinion evidence. Such employees may be motivated by loyalty to their employer or fear or reprisal or lack of advancement in giving such opinions.

Counsel for the Appellants argues that this potential lack of objectivity should go only to the weight which should be given to such evidence. In our view, that is not always a complete answer to the problem. In most cases such investigation and opinions can be conducted by objective non-employees. The lawyer who relies on members or employees of the firm to provide such evidence runs a risk that lesser weight may be given to such evidence. A client should not be subjected to this risk unless it is clearly necessary. This is not to say that it never can be done. There will always be exceptions and all of the circumstances in a case must be taken into account.

[Emphasis added.]

[11] While this discussion focuses on opinion evidence, similar concerns arise even where factual non-opinion evidence is being given on matters of substance, particularly those going to the heart of the issues and beyond the “non-controversial”: *AB Hassle v Apotex Inc*, 2008 FC 184 at paras 45–46, aff'd 2008 FCA 416; *Cross-Canada* at para 7. The Court of Appeal outlined a number of factors relevant to assessing whether to accept evidence from employees of the law

firm conducting the litigation, including the state of the proceedings, the significance of the evidence, the likelihood of conflict, and the relationship between counsel, the witness and the parties: *Cross-Canada* at para 5, adopting *Essa (Township) v Guergis; Membery v Hill*, 1993 CanLII 8756, 52 CPR (3d) 372 (Ont Div Ct) at p 382.

[12] In the present case, I consider the nature and significance of the evidence, and the absence of any indication why the evidence had to be led by a lawyer from Gowling WLG, to be of particular importance. Based on these principles and considering the relevant factors, I conclude that the evidence speaking to the lawyer's (a) subjective descriptions of the exterior signage; (b) investigative actions in entering the retail store and gaining access to the back section of the store; and (c) assessment of the store's interior and its "atmosphere," is improper evidence to come from a lawyer at the firm representing the party in the proceeding. I will disregard these aspects of the affidavit.

[13] Toys "R" Us submits that some aspects of the affidavit remain as objective non-controversial facts. In particular, it argues that the evidence that the lawyer went to the Herbs "R" Us store on the given dates and took the exhibited photographs of the exterior is not controversial. It points to Herbs "R" Us' social media accounts, which themselves display the store signage, a fact proved in Mr. Juhasz's affidavit. As a general rule, the Court should not be called upon to undertake a line-by-line severance of "surviving" evidence from a solicitor's affidavit that plainly goes beyond what is appropriate for such an affidavit. Nor does the fact that evidence is corroborated necessarily make it proper or "non-controversial." Nonetheless, in these circumstances I agree that in light of the evidence as a whole, the statements in the lawyer's

affidavit regarding the dates he went to the Herbs “R” Us store, and the exterior photographs that he took at that time, are not controversial, and are admissible. In any case, Mr. Juhasz’s evidence independently proves the nature and use of the signage.

[14] I will therefore consider paragraphs 1 to 3, the second sentence of paragraph 4, and paragraphs 17 and 18 of the lawyer’s affidavit, together with Exhibits A and I. I will disregard the remainder of paragraph 4, all of paragraphs 5 to 16, and Exhibits B to H of the affidavit.

B. *Violation of the Trademarks Act*

(1) *Infringement: Section 20 of the Trademarks Act*

[15] Under section 19 of the *Trademarks Act*, registration of a trademark gives the owner the exclusive right to the use throughout Canada of the trademark in respect of the goods or services listed in the registration. That exclusive right is deemed to be infringed by anyone who sells, distributes or advertises goods or services in association with a confusing trademark or trade name: *Trademarks Act*, s 20(1)(a).

[16] Toys “R” Us has established its ownership of sixteen registered trademarks, including TMA777,641 [the ’641 Mark], which is the mark reproduced at the outset of these reasons (shown in colour to reflect the colours claimed in the mark). Toys “R” Us’ other marks include three other variations of the TOYS R US design, which appear to show a design evolution over time; five other marks that include or consist of TOYS R US as a word mark; six other design

and word marks for related “R” US marks (such as KIDS “R” US Design and GIFTSRUS), and a word mark for R US alone (TMA353,213) [the ’213 Mark].

[17] Toys “R” Us refers to these marks as a family, which is a series of marks all having the same features and all owned by the same trader: *Techniquip Ltd v Canadian Olympic Assn*, 1999 CanLII 8993 (FCA) at para 15, citing *Molnlycke Aktiebolag v Kimberly-Clark of Canada Ltd*, [1982] FCJ No 4, 61 CPR (2d) 42 (TD) at pp 47–48. However, Toys “R” Us did not place substantial reliance on the broader scope of protection that may in some cases be granted to a family of marks: *Arterra Wines Canada, Inc v Diageo North America, Inc*, 2020 FC 508 at para 41. Rather, it places primary reliance on the ’641 Mark and the ’213 Mark, and asserts that the design mark used by Herbs “R” Us, shown in paragraph [1], and its trade name HERBS R US, infringe these marks contrary to section 20.

[18] In my view, the HERBS R US design mark is closest to the ’641 Mark, and the confusion analysis with respect to that mark is decisive. I will therefore take the approach adopted by Justice Rothstein in *Masterpiece* and confine my analysis to the comparison between these trademarks: *Masterpiece Inc v Alavida Lifestyles Inc*, 2011 SCC 27 at para 61. In other words, if Toys “R” Us is unable to establish confusion between the HERBS R US design and the ’641 Mark, it will be unable to establish it as between the HERBS R US trade name and the ’641 Mark, or between the HERBS R US trademark or trade name and any of Toys “R” Us’ registered marks that are less similar. Conversely, if the HERBS R US mark infringes the ’641 Mark, it is unnecessary to establish that it also infringes other registered trademarks.

[19] Herbs “R” Us’ trademark would be “confusing” with the ’641 Mark, and would thus infringe it, if use of both in the same area “would be likely to lead to the inference that the goods or services associated with those trademarks are manufactured, sold, leased, hired or performed by the same person, whether or not the goods or services are of the same general class”:

*Trademarks Act*, ss 6(2), 20. This test is to be applied as a matter of “first impression in the mind of a casual consumer somewhat in a hurry” at a time when they have “no more than an imperfect recollection” of the registered mark and without giving the matter “detailed consideration or scrutiny”: *Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée*, 2006 SCC 23 at paras 18–20.

[20] The confusion analysis considers “all the surrounding circumstances,” including (a) the inherent or acquired distinctiveness of the trademarks or trade names; (b) the length of time they have been in use; (c) the nature of the goods, services or business; (d) the nature of the trade; and (e) the degree of resemblance between them, including in appearance or sound or in the ideas suggested by them: *Trademarks Act*, s 6(5). All of the subsection 6(5) factors must be considered in assessing the likelihood of confusion: *Sandhu Singh Hamdard Trust v Navsun Holdings Ltd*, 2019 FCA 295 at paras 25–28. However, the weight to be given to each factor will depend on the circumstances and need not be equal, with the degree of resemblance often likely to have the greatest effect: *Veuve Clicquot* at para 21; *Masterpiece* at para 49; *Hamdard Trust* at para 28.

#### *Degree of resemblance*

[21] In my view, there is a high degree of resemblance between the Herbs “R” Us design mark and the ’641 Mark. In assessing the degree of resemblance, it is appropriate to consider whether there is an aspect of the trademark that is “particularly striking or unique”: *Masterpiece* at

para 64. The aspect of each trademark that is “particularly striking or unique” is the use of the name of the product with the “R US” signifier, presented in a design that accentuates the R. There are certainly some differences, both in the words incorporated into the Herbs “R” Us mark, resulting in a different sound and connotation, and in its graphic elements (the R is not reversed, a cannabis leaf replaces the star in the R, and the logo is presented in green colours). Nevertheless, the overall impression of the two marks is very similar, given the similarities in the “striking or unique” elements, as well as similarities in font, the use of varying coloration, and the appearance, sound and connotations of the R US element. A casual consumer would of course not spend the time to parse out these individual aspects, and the confusion analysis should similarly not rely on “detailed consideration or scrutiny”: *Veuve Clicquot* at para 20. I simply set out these aspects of the marks as I consider them to be the elements that would affect the “first impression” of the casual consumer.

[22] Toys “R” Us filed as evidence a news article related to the marketing of cannabis that reproduced the Herbs “R” Us signage and noted that its logo was “designed to mirror the one for the famous Toys R Us.” I consider this article as being of limited value in the analysis, as it does not speak to the impression of a casual consumer, and in any event, the question of resemblance is one that the Court is able to assess: see, by analogy, *Masterpiece* at para 80. In any event, *mens rea* is of little relevance to the issue of confusion: *Mattel, Inc v 3894207 Canada Inc*, 2006 SCC 22 at para 90.

*Distinctiveness*

[23] I consider that the '641 Mark has a fairly high degree of inherent distinctiveness. With respect to the word elements of the mark, I note that this Court has twice upheld conclusions of the Registrar of Trademarks that TOYS R US is not inherently distinctive, since it is phonetically equivalent to the phrase “toys are us,” which is suggestive of the business: *Toys “R” Us (Canada) Ltd v Babies-R-Us Inc*, [1992] FCJ No 1053, 45 CPR (3d) 495 (TD) at para 6; *Toys R Us (Canada) Ltd v Manjel Inc*, 2003 FCT 282 at paras 13, 35–36; see also *Toys “R” Us (Canada) Ltd v Stoyshin Inc*, [2004] TMOB No 27 at paras 15, 17. At the same time, in an infringement and passing off decision released concurrently with the *Manjel* opposition appeal just cited, Justice Tremblay-Lamer found that the substitution of the letter “R” for “are” in the phrase “toys are us” was not proper grammar and was a creative use of the alphabet, giving the TOYS “R” US Design mark at issue in that case “a strong degree of inherent distinctiveness”: *Toys R Us (Canada) Ltd v Manjel Inc*, 2003 FCT 283 at para 76. Significantly, in addition to the word elements of the mark, the '641 Mark has design elements, notably in its colours, the size and reversal of the R, and the star design in the R, that add considerably to its distinctiveness.

[24] I also find that there is some evidence that the '641 Mark has acquired additional distinctiveness through use in Canada. Mr. Juhasz’s affidavit states that Toys “R” Us has operated stores in Canada for over 35 years, and that there are currently over 80 TOYS R US stores across Canada, which have exterior signage bearing the '641 Mark. This includes five stores in Vancouver and the lower mainland, including a flagship store just down the street from Herbs “R” Us, which has been there since October 1997. Mr. Juhasz also speaks to interior

signage, and to the nature and extent of sales and promotion of goods and services in association with the “TOYS R US Trade-marks,” defined collectively. Toys “R” Us’ sales revenues and advertising expenditures in Canada are both substantial.

[25] Mr. Juhasz’s evidence does not break down the historical use as between the different TOYS R US design marks as they have apparently evolved over time. I note that the flagship store bears two variations of the TOYS R US design mark, neither of which is identical to the ’641 Mark. In addition, the design shown in much of the Canadian advertising and website is a “Canadianized” version of the ’641 Mark, in which the star in the reversed R is replaced by a maple leaf and the word “Canada” appears written in small text under the word US:



Mr. Juhasz’s evidence on historical use and on sales and advertising expenditures does not distinguish between the ’641 Mark as registered and the Canadianized version.

[26] In my view, at least the Canadianized version of the trademark retains the dominant features of the ’641 mark, and the “differences are so unimportant as not to mislead an unaware purchaser,” such that use of the Canadianized version of the mark can be viewed as use of the ’641 Mark: *Group III International Ltd v Travelway Group International Ltd*, 2017 FCA 215 at para 37. As the Federal Court of Appeal has noted, “Canadian law does not incorporate a linear

view of trade mark registration but can tolerate multiple variants of a mark”: *Promafil Canada Ltée v Munsingwear Inc*, 1992 CanLII 12831 (FCA), 44 CPR (3d) 59 at p 71.

[27] I am therefore satisfied that the evidence shows extensive use and advertising of the ’641 Mark and/or variants that would be recognized as the same mark by a consumer. In any event, I am satisfied that even on the evidence relating to the ’641 Mark itself, namely the evidence of exterior signage on Canadian stores, and in the absence of any evidence to the contrary, TOYS R US has shown that the ’641 Mark is likely to have become known in Canada in a manner that would give it some acquired distinctiveness in addition to its inherent distinctiveness.

[28] The HERBS R US trademark arguably has a similar inherent distinctiveness to the TOYS R US mark, although many of its points of inherent distinctiveness are also those that it shares with HERBS R US as points of resemblance. I have no evidence that the HERBS R US trademark has become known.

#### *Length of use*

[29] As noted, Mr. Juhasz stated that Toys “R” Us, and its predecessors in title, have operated the TOYS R US chain of stores and used its trademarks for over 35 years. The ’641 Mark has been registered since 2009 based on use since 2007, but this is not evidence of use. The earliest evidence of actual use of the ’641 Mark in particular is found in screen captures from the Internet Archive (the Wayback Machine), which show use of the ’641 Mark on the Canadian website of Toys “R” Us in December 2008 and thereafter.

[30] Herbs “R” Us appears to have been incorporated in January 2018, presumably the earliest date on which it could have used a trademark. Mr. Juhasz concluded based on his review of Herbs “R” Us’ social media accounts that it appears to have been in operation since at least as early as April 2018, although this does not speak directly to the use of the trademark. I have no specific evidence of the earliest use of the HERBS R US design mark beyond the lawyer’s affidavit stating that it was in use by March 2019. I am satisfied on balance that the ’641 Mark has been used for considerably longer than the HERBS “R” US trademark.

*Nature of the goods, services, business*

[31] I consider that the goods, services and business of Toys “R” Us are markedly different, and that this is an important factor in the confusion analysis in this case. Confusion may be found “whether or not the goods or services are in the same general class”: *Trademarks Act*, s 6(2); *Mattel* at paras 51, 59–65. Nevertheless, similarities or differences in the goods and services remain a relevant, and generally important, factor in the confusion analysis: *Mattel* at paras 51, 71, 73.

[32] Toys “R” Us argues that both parties offer retail store services, although it concedes that the primary goods of each are different. I do not believe one can simply compare the nature of the parties’ respective businesses at the level of “retail store services,” for two reasons.

[33] First, the services for which the ’641 Mark is registered are not simply “retail store services.” They are “[r]etail store and on-line retail store services all featuring ...” followed by a list of what is sold, such as “toys, games, playthings...” and “pens, paper, crayons, stationery...”

[emphasis added]. Other TOYS R US marks have similar qualifiers on the retail store services, such as “[r]etail department store services,” “[r]etail bicycle store services” or “retail store services featuring baby and children products namely...” [emphasis added]. The statements “in ordinary commercial terms” of the services associated with the marks define the scope of the exclusive right granted under section 19 and are thus relevant to whether there has been infringement through confusing use under section 20: *Trademarks Act*, ss 19, 20, 30(2)(a).

[34] Second, as a broader but related matter, the ubiquity of retail stores in Canadian commerce is such that undertaking a confusion analysis at the level of “retail store services” risks reaching a finding of confusion where none would be reasonably likely to exist in the mind of Canadian consumers. While the fact that two parties each sell goods through a retail store may be relevant to the analysis, it is unlikely to carry significant weight compared to the nature of the goods that are being sold in those stores and/or other relevant aspects of the nature of the goods, services and business. Nor can I accept Toys “R” Us’ contention that an assessment of the particular products that a store sells would only be determined by a consumer after the initial impression formed by the mark. If this were the case, then the “nature of the goods, services and business” would become effectively irrelevant to the test for confusion where both parties had retail stores. In my view, this would be contrary to both the scheme of the *Trademarks Act* and the import of the “first impression” test for confusion. Even a casual consumer somewhat in a hurry can be assumed to know what they are buying.

[35] The primary goods sold in association with the HERBS R US trademark are cannabis products and cannabis-related accessories. While the signage describes the store as a “Clothing

& Wellness Boutique,” the only clothing on offer appears to be limited to a t-shirt bearing the HERBS R US logo, seen in social media images. Certainly none of Herbs “R” Us’ social media advertising, or commentary from customers, is focused on their clothing offerings. I give some weight to the fact that both Toys “R” Us and Herbs “R” Us offer the overlapping product of clothing, but in the circumstances do not consider this overlap to be a significant driver of the confusion assessment.

[36] Overall, I consider the goods, services and business of Herbs “R” Us to be fundamentally dissimilar to those of Toys “R” Us. The nature of the respective businesses would appear to make it unlikely that any business in one of the markets would be likely to engage in the other.

[37] In the companion cases of *Mattel* and *Veuve Clicquot*, Justice Binnie discussed the impact of differences in goods and services in the particular context of “famous” marks. He accepted Professor McCarthy’s contention that a “relatively strong mark can leap vast product line differences at a single bound”: *Mattel* at paras 8, 78. However, he also confirmed that significant differences in product line (such as between the doll business and the restaurant business at issue in *Mattel*, or luxury champagne and mid-priced women’s wear at issue in *Veuve Clicquot*) might present a significant obstacle for even a famous mark: *Mattel* at para 78–85; *Veuve Clicquot* at paras 31–33, 37. Justice Binnie’s analysis also considered the difference between brands that are associated with a diversity of goods and services and those that are more product specific: *Mattel* at para 28–30; *Veuve Clicquot* at paras 32–33.

[38] Mr. Juhasz describes the nature of Toys “R” Us’ business, which consists of online and retail sale of toys, games, electronics, and baby products, including children’s and baby clothing, furniture and accessories. While the ’641 Mark and the other TOYS R US marks cited by Toys “R” Us are not limited to a single product, they are associated with product lines that are light years away from the products being sold by Herbs “R” Us.

*Nature of the trade*

[39] As noted, both Toys “R” Us and Herbs “R” Us have retail stores, but the similarity in the nature of the trade appears to end there. Little evidence was filed regarding the nature of Toys “R” Us’ retail stores, although the two retail stores shown in photographs attached to Mr. Juhasz’s affidavit are clearly large-scale retail operations, and the sales figures cited support this conclusion. The nature of the goods and services associated with the ’641 Mark, as well as their online materials and flier, suggest a child and family focused retail operation. Based on the information in the Juhasz affidavit, on the other hand, Herbs “R” Us store is a small street-front retail operation. Its exterior signage implies that it is for adults only, with a “19+” indicator. Its principal product is highly regulated and may not be sold to children. In the words of Justice McKeown, “[i]n short, these are two very different kinds of businesses”: *McDonald’s Corp v Coffee Hut Stores Ltd*, [1994] FCJ No 638, 55 CPR (3d) 463 (TD) at para 32, aff’d 1996 CanLII 3963, 68 CPR (3d) 168 (FCA).

*Other surrounding circumstances*

[40] Where two trademarks contain common elements that are also found in a number of other trademarks, consumers will pay closer attention to the other non-common features of the marks

and distinguish between them on that basis, decreasing the likelihood of confusion: *Kellogg Salada Canada Inc v Canada (Registrar of Trade Marks)*, [1992] 3 FC 442 (CA) at pp 455–456; *Eclectic Edge Inc v Victoria’s Secret Stores Brand Management, Inc*, 2015 FC 453 at paras 81–82. Evidence of such other marks on the register of trademarks or in the market, typically termed state of the register or state of the marketplace evidence, is sometimes considered as going to the question of distinctiveness under paragraph 6(5)(a) of the *Trademarks Act*, and sometimes simply as a “surrounding circumstance.”

[41] Toys “R” Us filed no evidence on the state of the register or the marketplace, notably speaking to the prevalence of trademarks containing the “R US” element common to the ’641 Mark and the HERBS R US trademark. The *Babies-R-Us*, *Manjel* and *Stoyshin* decisions suggest that “R US” may potentially be seen in other marks, although whether this is so to a degree that might affect the distinctiveness of the ’641 Mark or the likelihood of confusion between the ’641 Mark and the HERBS R US trademark is unknown. In my view, given the onus on Toys “R” Us to establish confusion, the absence of evidence tendered on these issues is relevant as a surrounding circumstance. However, it is ultimately not determinative as the resemblance between the marks goes beyond the “R US” elements to include the design elements.

[42] The lack of evidence of actual confusion is another surrounding circumstance to be “thrown into the hopper”: *Mattel* at para 89. In the present case, the absence of evidence of actual confusion must be viewed in light of the short period of time in which the HERBS R US trademark has been in use. I do not consider it material in the overall analysis.

*The first impression in the mind of a casual consumer somewhat in a hurry*

[43] The foregoing factors are all to be considered in the context of the overarching question: whether as a matter of first impression, the casual consumer somewhat in a hurry who sees the HERBS R US trademark would be likely to think that Herbs “R” Us was the same source of goods and services as Toys “R” Us: *Masterpiece* at para 41.

[44] Despite the similarity of the trademarks and the other factors that favour Toys “R” Us, I conclude that the vast differences between the goods and services are such that there is no likelihood of confusion. I cannot agree with Toys “R” Us’ contention that resemblance between the marks is such that use of the HERBS R US design trademark “unquestionably would give the impression to consumers that Toys R Us has expanded its retail services into these other areas.” To the contrary, it strikes me as unlikely in the extreme that a Canadian consumer, even a casual one somewhat in a hurry with an imperfect recollection of the TOYS R US mark, would see the HERBS R US trademark and conclude that a well-known toy retailer had started branching out into storefront “dispensary” services or cannabis sales, either by itself or through a licensee.

[45] I therefore find that on the evidence as filed, Toys “R” Us has not established that the HERBS R US mark is confusing with the ’641 Mark. It has therefore not established infringement of the ’641 Mark under section 20 of the *Trademarks Act*. As noted at the outset, I consider that the likelihood of confusion is lower in respect of Toys “R” Us’ other registered trademarks since the ’641 Mark is the most similar to the HERBS R US trademark. I therefore conclude that Toys “R” Us has not made out its case of infringement.

(2) Passing off: Subsection 7(b) of the *Trademarks Act*

[46] Subsection 7(b) prohibits a trader from directing public attention to their goods, services or business in a manner likely to cause confusion between his goods, services or business and those of another:

**Prohibitions**

7 No person shall

[...]

**(b)** direct public attention to his goods, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his goods, services or business and the goods, services or business of another;

**Interdictions**

7 Nul ne peut

[...]

**b)** appeler l'attention du public sur ses produits, ses services ou son entreprise de manière à causer ou à vraisemblablement causer de la confusion au Canada, lorsqu'il a commencé à y appeler ainsi l'attention, entre ses produits, ses services ou son entreprise et ceux d'un autre;

[47] The three necessary components to a passing off claim under subsection 7(b) are the existence of goodwill, deception of the public due to a misrepresentation, and actual or potential damage: *Kirkbi AG v Ritvik Holdings Inc*, 2005 SCC 65 at paras 66–68. In addition, the claimant must show ownership of a valid registered or unregistered trademark: *Hamdard Trust* at paras 36–39.

[48] In respect of the second element, the only misrepresentation on which Toys “R” Us relies is the likelihood of confusion in the same manner and on the same basis as its claim of

infringement under section 20. For the reasons set out above, I find that there is no likelihood of confusion, and Toys “R” Us’ passing off claim must therefore similarly fail.

[49] I note that as a passing off claim may rely on an unregistered mark, Toys “R” Us may rely directly on the Canadianized version of the trademark that appears in some of its evidence, notably with respect to the Canadian website and advertising. However, given my conclusion in the infringement analysis that use of the Canadianized version of the mark can be viewed as use of the ’641 mark, I conclude that reliance on the Canadianized version does not affect the analysis.

(3) Depreciation of Goodwill: Section 22 of the *Trademarks Act*

[50] Even where there is no likelihood of confusion, there may be a likelihood of depreciation of the goodwill attaching to a registered trademark, contrary to section 22 of the *Trademarks Act*:

**Depreciation of goodwill**

**22 (1)** No person shall use a trademark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.

**Dépréciation de l’achalandage**

**22 (1)** Nul ne peut employer une marque de commerce déposée par une autre personne d’une manière susceptible d’entraîner la diminution de la valeur de l’achalandage attaché à cette marque de commerce.

[51] Justice Binnie at paragraph 46 of *Veuve Clicquot* set out the four elements that must be established to make out a claim under section 22:

Firstly, that a claimant’s registered trade-mark was used by the defendant in connection with wares or services — whether or not such wares and services are competitive with those of the claimant. Secondly, that the claimant’s registered trade-mark is sufficiently

well known to have significant goodwill attached to it. Section 22 does not require the mark to be well known or famous (in contrast to the analogous European and U.S. laws), but a defendant cannot depreciate the value of the goodwill that does not exist. Thirdly, the claimant's mark was used in a manner *likely* to have an effect on that goodwill (i.e. linkage) and fourthly that the *likely* effect would be to depreciate the value of its goodwill (i.e. damage).

[Italic in original; underline added.]

[52] I find that Toys “R” Us has established each of these four elements.

*Use of the registered trademark*

[53] Use for the purpose of section 22 means use as defined in section 4 of the *Trademarks Act*, but need not be use “as a trademark”: *H-D USA, LLC v Berrada*, 2014 FC 207 at para 67.

The use need not be of the registered trademark exactly as registered. Rather, it need only be “sufficiently similar to [the registered mark] to evoke in a relevant universe of consumers a mental association of the two marks”: *Veuve Clicquot* at para 38. As Justice Binnie notes, “[i]f the casual observer would recognize the mark used by the respondents as the mark of the appellant” this will suffice: *Veuve Clicquot* at para 48. Conversely, without a “link, connection or mental association in the consumer’s mind” with the registered trademark, there can be no depreciation: *Veuve Clicquot* at para 49.

[54] The Federal Court of Appeal has described the standard as requiring the “use of the trademark or something so closely akin to it so as to be understood as the other party’s mark”: *Venngo Inc v Concierge Connection Inc (Perkopolis)*, 2017 FCA 96 at paras 13, 80.

[55] The evidence shows that the HERBS R US trademark is being used by Herbs “R” Us within the meaning of section 4. In addition, in my view, the strong resemblance between the HERBS R US design used by Herbs “R” Us and the ’641 Mark is sufficiently similar to evoke a mental association of the nature described in *Veuve Clicquot*. Indeed, the two are so similar that a “link, connection or mental association” with the ’641 Mark is all but inevitable, and must be inferred to have been intended. Similarly, I find that the HERBS R US design is “so closely akin” to the ’641 Mark, notwithstanding the differences described above, that it would be understood as the ’641 Mark. The first element is established.

*Sufficiently well known to have significant goodwill*

[56] Goodwill in a trademark “connotes the positive association that attracts customers towards its owner’s wares or services rather than those of its competitors”: *Veuve Clicquot* at paras 50–52. Justice Binnie referred to a number of factors relevant to the existence of goodwill, including “fame,” the degree of recognition of the mark, the volume of sales and depth of market penetration, extent and duration of advertising and publicity, geographic reach, degree of inherent or acquired distinctiveness, breadth of channels of trade, and the extent to which the mark is identified with a particular quality: *Veuve Clicquot* at para 54.

[57] I am satisfied that the evidence with respect to these factors shows the existence of significant goodwill in the TOYS R US trademarks, and in particular the ’641 Mark and its Canadianized version. Mr. Juhasz’s affidavit sets out evidence of significant sales volumes, through online sales and through 80 retail stores in every Canadian province, and extensive advertising and publicity efforts. I have discussed above the degree of inherent and acquired

distinctiveness. Mr. Juhasz states that in a one-year period in 2018-2019, Toys “R” Us’ Canadian website was visited over 22 million times by Canadians. He also describes, albeit at a general level, the significant charity efforts of Toys “R” Us, which would contribute to the goodwill associated with the marks. Each of these factors support a conclusion that the ’641 Mark is sufficiently well known in Canada to have significant goodwill associated with it.

### *Linkage*

[58] The requisite “connection or linkage” needed under section 22 is described as a linkage, connection, or mental association that is likely to have an effect on goodwill: *Veuve Clicquot* at paras 46, 56–57. Given this description, there appears to be a degree of overlap between the first and third elements of the section 22 analysis: *Veuve Clicquot* at paras 38, 46, 48–49, 56–57. This must be established on a balance of probabilities, in other words such a linkage must be “likely,” which is a question of evidence rather than mere speculation: *Veuve Clicquot* at paras 46, 60.

[59] In my view, the likelihood of a linkage or mental association between the HERBS R US trademark and the ’641 Mark is established in this case, as is the likely effect of that linkage on goodwill. While the question of linkage is one of evidence, I do not believe that this requires specific consumer evidence or survey evidence establishing the likelihood of linkage. Rather, I conclude that I can infer the existence of such a linkage in the mind of a consumer from the marked similarities between the ’641 Mark and the HERBS R US mark, combined with the evidence of the extensive use, sales, and advertising associated with the ’641 Mark. While not necessary to my conclusion, and with the recognition that the observation is not coming from a “consumer,” I note that the news article that drew an immediate connection between the

HERBS R US trademark and Toys “R” Us—without showing even a hint of confusion that HERBS R US was actually being used by Toys “R” Us—supports the assessment that a linkage or mental association between the two would be made.

### *Damage*

[60] Finally, I conclude that the evidence shows that it is likely that the goodwill in the ’641 Mark would be damaged or depreciated by the use of the HERBS R US mark. In *Veuve Clicquot*, Justice Binnie recognized that such depreciation can come about through disparagement, from the reduction of distinctiveness resulting from a mark being “bandied about by different users,” through blurring of brand image, or from a “whittling away” of the brand’s power to distinguish the owner’s products: *Veuve Clicquot* at paras 63–64.

[61] I agree with Toys “R” Us that it has no control over the character and quality of the goods and services offered by Herbs “R” Us. I conclude that the use of the HERBS R US trademark amounts to another trader “bandying the mark about” in a fashion that reduces the distinctiveness of the ’641 Mark, and “whittles away” at the brand’s power to distinguish Toys “R” Us’ products. In addition, I accept Mr. Juhasz’s evidence that the creation of an association between the Toys “R” Us and a cannabis “dispensary,” particularly one that appears to be operating without a licence, and one that markets through social media with adult-themed content said to include nudity and swear words, is “utterly inconsistent” with the reputation of the TOYS R US brand, and that this association is likely to tarnish the goodwill associated with the ’641 Mark.

[62] I also agree that there was no reason for Herbs “R” Us to adopt and use the HERBS R US trademark other than to trade off the goodwill and reputation established by Toys “R” Us, and that this points to a finding of depreciation: *Trans-High Corporation v Conscious Consumption Inc*, 2016 FC 949 at para 36.

[63] I therefore conclude that Toys “R” Us has established that Herbs “R” Us has used the ’641 Mark, or a mark so closely akin to the ’641 Mark as to be understood as such, in a manner likely to have the effect of depreciating the goodwill in the ’641 Mark. Having found a remediable violation of the *Trademarks Act*, I turn to the question of the appropriate remedy.

C. *Remedy*

(1) Injunction and delivery up

[64] In my view, Toys “R” Us is entitled to an injunction prohibiting Herbs “R” Us from using the HERBS R US trademark. While there is some evidence that Herbs “R” Us has transitioned at least some of its social media to the name “Herbs N Trees” and some of its exterior signage to just “Herbs,” the most recent evidence shows that significant exterior signage at the store continues to use the HERBS R US trademark. I note that even with these changes, there is no evidence that Herbs “R” Us has agreed or undertaken not to use the HERBS R US trademark.

[65] In my view, this injunction should extend to any form of the trademark or trade name HERBS R US. The use of HERBS R US in another form might arguably create less of a

connection with the '641 Mark or other marks of Toys "R" Us. Nonetheless, I agree with Toys "R" Us that having established a connection between its business and Toys "R" Us through the use of the HERBS R US design that plainly copies the '641 Mark, any future use of HERBS R US in any form would continue to draw on that same goodwill and continue to effect the same depreciation. I agree with Toys "R" Us that this injunction should extend to the use of any HERBS R US trademark or trade name, including through the use of social media names and domain names. However, I am not satisfied that I have the jurisdiction to make the order requested to require a change in the corporate name of Herbs "R" Us, which appears to be a society incorporated pursuant to the *Societies Act*, SBC 2015, c 18.

[66] I am also satisfied that I should order delivery up or destruction of goods, packaging, labels and advertising material that bear the HERBS R US trademark in any form. Subsection 53.2(2) of the *Trademarks Act* specifies that before making such an order, notice must be given to any person who has an interest or right in such items. I am satisfied that notice has been given to Herbs "R" Us through the service of the notice of application in this matter, and that there is no evidence of any other person who has an interest or right in such items.

(2) Damages

[67] Toys "R" Us seeks compensatory damages in the amount of \$25,000. It has not filed any evidence of actual monetary damage beyond the evidence of likely depreciation of its goodwill, so it seeks "nominal" damages, while asserting that nominal damages need not mean "small": *Decommodification LLC v Burn BC Arts Cooperative*, 2015 FC 42 at para 14. Toys "R" Us points to this Court's recognition that in the passing off context, the Court may award damages

for loss of goodwill without proof of actual damage: *Teavana Corporation v Teayama Inc*, 2014 FC 372 at paras 39–41. They also point to the need for a deterrent effect associated with such a damages award citing Justice Hughes’ observation in paragraph 14 of *Decommodification* that such damages “are usually based on an estimate of losses including an amount sufficient to serve as a deterrent to others contemplating similar activities.”

[68] While Toys “R” Us points to the \$25,000 damages award made by Justice Manson in *Trans-High*, I believe this to be on the high end of similar damages awarded by this Court. I consider it appropriate to recognize that Toys “R” Us has experienced some depreciation of the goodwill in its mark, and appropriate to consider the deterrent effect of a non-trivial damages award. In the circumstances, I assess damages in the amount of \$15,000, payable by Herbs “R” Us.

(3) Punitive damages

[69] Toys “R” Us seeks a further \$50,000 in punitive damages, on the basis that (a) Herbs “R” Us’ use of its trademarks was planned and deliberate; (b) the use continued for over two years despite Toys “R” Us’ demands; (c) Herbs “R” Us attempted to “cover up” their misconduct through what is described as “half-hearted efforts to rebrand their online presence”; (d) Herbs “R” Us have profited from their misconduct through their operation of a dispensary; and (e) Herbs “R” Us’ use of a brand associated with children amounts to targeting an illegal dispensary business at children, which is particularly reprehensible.

[70] I am not satisfied that this is an appropriate case for an award of punitive damages as I do not view the conduct of Herbs “R” Us as being in the category of conduct described at paragraph 36 of *Whiten v Pilot Insurance Co*, 2002 SCC 18. While I am persuaded that Herbs “R” Us deliberately adopted a mark that was designed to and did evoke the ’641 Mark, I do not believe this is enough to warrant punitive damages. Nor do I believe that one can view the use of the HERBS R US mark as targeting a cannabis dispensary to children in a reprehensible manner.

[71] What Toys “R” Us describes as an attempt to “cover up” misconduct could equally be viewed as an effort to mend its ways. While I agree with the description of such efforts as “half-hearted,” and they were done without acknowledging Toys “R” Us’ rights or demands, I do not see this as justifying a punitive damages award. As for the potential that Herbs “R” Us profited from its use of the mark that depreciated the goodwill in it, any such profit would appropriately be the basis for an accounting of profits and not punitive damages. Toys “R” Us did not request such an accounting, and there is no evidence on which I could order any sum as an accounting of profits.

[72] I therefore dismiss Toys “R” Us’ claim for punitive damages.

(4) Costs

[73] Toys “R” Us seeks its costs of this application in the amount of \$15,000. I agree that as the successful party, and having been put to bringing this application by the conduct of Herbs “R” Us, they are entitled to their costs. While the evidence supporting the quantum of the

costs claim is somewhat sparse, Mr. Juhasz's affidavit does provide adequate evidence to support the claim. Given the nature of the application, and giving consideration to the Rule 400 factors, I am satisfied that \$15,000 is a reasonable amount for costs.

**JUDGMENT IN T-505-19**

**THIS COURT'S JUDGMENT is that**

1. The Court declares that the Respondent, Herbs "R" Us Wellness Society, has used registered trademark TMA777,641 for the trademark TOYS R US Design, in a manner that depreciates the goodwill attaching thereto, contrary to subsection 22(1) of the *Trademarks Act*.
2. Herbs "R" Us Wellness Society, and any parent, affiliate, subsidiary or other related company or business, and all of their respective officers, directors, employees, agents, partners, successors, licensors, franchisees and assigns, as well as all others over whom any of the foregoing exercise authority or control, are hereby enjoined from using TMA777,641 in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto, including without limitation by adopting, using, or promoting the trademark or trade name HERBS R US as or as part of any trademark, trade name, logo, domain name or social media account name.
3. Herbs "R" Us Wellness Society shall deliver up or destroy under oath any goods, packages, labels and advertising material in its possession, power or control, that bear the HERBS R US trademark, trade name or logo, in accordance with section 53.2 of the *Trademarks Act*.
4. Herbs "R" Us Wellness Society shall pay to Toys "R" Us (Canada) Ltd forthwith damages in the amount of \$15,000 arising from its violations of the *Trademarks Act*.
5. Toys "R" Us (Canada) Ltd is awarded its costs of this application, which costs are fixed in the lump sum amount of \$15,000 and are payable forthwith by Herbs "R" Us Wellness Society.

6. All amounts payable under this judgment shall bear post-judgment interest at a rate of 5% per year from the date of this judgment.

“Nicholas McHaffie”

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Judge

**FEDERAL COURT**

**SOLICITORS OF RECORD**

**DOCKET:** T-505-19

**STYLE OF CAUSE:** TOYS “R” US (CANADA) LTD V HERBS “R” US  
WELLNESS SOCIETY

**HEARING HELD BY VIDEOCONFERENCE ON MAY 28, 2020 FROM OTTAWA,  
ONTARIO (COURT) AND TORONTO, ONTARIO (APPLICANT)**

**JUDGMENT AND REASONS:** MCHAFFIE J.

**DATED:** JUNE 11, 2020

**APPEARANCES:**

Kelly Gill  
James Green

FOR THE APPLICANT

**SOLICITORS OF RECORD:**

Gowling WLG (Canada) LLP  
Toronto, Ontario

FOR THE APPLICANT