

Federal Court



Cour fédérale

Date: 20210318

Docket: T-1589-19

Citation: 2021 FC 236

Ottawa, Ontario, March 18, 2021

PRESENT: Madam Justice Walker

BETWEEN:

SMART CLOUD INC.

Applicant

and

**INTERNATIONAL BUSINESS
MACHINES CORPORATION**

Respondent

JUDGMENT AND REASONS

[1] Smart Cloud Inc. (Smart Cloud) appeals the July 31, 2019 decision (Decision) of the Trademarks Opposition Board (TMOB) made on behalf of the Registrar of Trademarks. The TMOB rejected Smart Cloud's opposition to an application by International Business Machines Corporation (IBM) for registration of the trademark IBM SMARTCLOUD (the Mark) in association with a broad range of computer hardware and software (Goods) and business management, development, network and consulting services (Services). The appeal is brought under section 56 of the *Trademarks Act*, RSC 1985, c T-13 (the Act).

[2] IBM, an international computer hardware, software and services company, filed its application for registration of the Mark (the Application) based on proposed use in Canada for the Goods, and use in Canada since September 2011 for the Services.

[3] Smart Cloud is a Canadian company, incorporated in October 2010 for the purpose of developing and offering business computing and consulting services centred on cloud computing, digital security, data storage and technical support in Canada and elsewhere.

[4] Smart Cloud's opposition to the Application was primarily based on its position that the Mark is confusing with its prior use of the trademark SMARTCLOUD and the tradenames SMART CLOUD and SMARTCLOUD in association with services, including cloud computing services. The TMOB did not agree with Smart Cloud and concluded that, on a balance of probabilities, the issue of confusion "weighs slightly" in IBM's favour. The TMOB referred to Smart Cloud's trademark and tradenames collectively as SMARTCLOUD and I will do the same in this judgment to avoid repetition.

[5] In support of its appeal, Smart Cloud filed an affidavit dated November 14, 2019 sworn by Mr. Brian Everest, the co-founder and chief technology officer of Starport Managed Services Inc. (Starport), a Canadian information technology (IT) services company (Everest Affidavit). IBM filed two new affidavits: (A) an affidavit sworn by Ms. Carly Hicks, an articling student with IBM's counsel, dated January 15, 2020 (Hicks Affidavit); and (B) an affidavit sworn by Ms. Hallie Newman, a research consultant with IBM's counsel, also dated January 15, 2020 (Newman Affidavit). None of the affiants were cross-examined.

[6] Immediately prior to the hearing of the merits of this appeal, Smart Cloud submitted to the Court a motion seeking to file a supplemental affidavit from Mr. Everest (Supplemental Affidavit). The Respondent objected to the late-filed motion. I heard argument from the parties at the beginning of the hearing and declined to admit the Supplemental Affidavit. My written reasons for the refusal, which reflect in substance my oral ruling, are included in this judgment.

[7] The *Trade-marks Act* was amended on June 17, 2019 and is now the *Trademarks Act*. This appeal is governed by the former Act and all references in this judgment are to the former Act.

[8] For the reasons set out in this judgment, Smart Cloud's appeal is dismissed. Briefly:

1. The Everest Affidavit contains inadmissible opinion evidence that I have disregarded. The remaining full or partial paragraphs of the Affidavit that contain factual information or speak to Mr. Everest's own professional experience and recollections are admissible. His evidence regarding the TMOB's reliance on a dictionary definition that was added after the material dates in the opposition could have led to a different conclusion on one or more of the issues before the TMOB. Accordingly, I have conducted a *de novo* review of the evidence before the TMOB and the parties' admissible new evidence. I have reviewed for correctness the TMOB's conclusions regarding the ordinary meaning of the word 'cloud' in the computing sense in April 2011 and the degree of inherent distinctiveness of the trademark and tradename SMARTCLOUD, and the

TMOB's resulting finding that SMARTCLOUD is a weak mark. I have reviewed the TMOB's remaining findings for palpable and overriding error.

2. I find that the TMOB incorrectly relied on a dictionary definition of the term 'cloud' that was added after the material date for Smart Cloud's grounds of opposition based on paragraphs 16(3)(a) and (c) of the Act. However, my review of the admissible new evidence in this appeal demonstrates that the SMARTCLOUD trademark and tradename was comprised of two ordinary words on April 5, 2011. There are no errors in the TMOB's conclusions that SMARTCLOUD is a highly suggestive mark and possesses a low degree of inherent distinctiveness. The TMOB correctly relied on these conclusions and its finding that the mark SMARTCLOUD had not acquired any measure of distinctiveness through use in its review of the jurisprudence regarding weak marks. The TMOB did not err in concluding that the SMARTCLOUD trademark was a weak mark on the material dates in the opposition.
3. There is no palpable and overriding error in the TMOB's remaining analysis and conclusions in the Decision.

I. Background

[9] IBM filed the Application (trademark application no. 1,546,609) on October 5, 2011 and claims priority from French application no. 11/3820748, filed on April 5, 2011.

[10] The Application was advertised for opposition purposes in the *Trademarks Journal* on November 6, 2013.

[11] Smart Cloud filed its statement of opposition on November 26, 2013 in reliance on paragraphs 16(1)(a) and (c) and 16(3)(a) and (c), and section 2 of the Act, all of which turn on whether there is a likelihood of confusion between the Mark and Smart Cloud's trademark and tradename SMARTCLOUD. Smart Cloud also pleaded grounds of opposition under paragraphs 30(a), (b), (e) and (i) of the Act.

[12] The parties filed two affidavits in the opposition proceedings: (A) Smart Cloud filed an affidavit from its president, Mr. Clayton Feick, dated May 28, 2014; and (B) IBM filed an affidavit from Ms. Patti Smith, Advertising Program Manager of IBM Canada Ltd., one of IBM's wholly-owned subsidiaries, dated September 24, 2015. Both affiants were cross-examined.

II. TMOB Decision

[13] The TMOB summarized the Application, its procedural history and the evidence filed by the parties, and summarily rejected each of Smart Cloud's section 30 grounds of opposition. The TMOB's Decision focuses on the issue of confusion.

TMOB's summary of Smart Cloud's evidence

[14] The TMOB reviewed Mr. Feick's evidence from his affidavit and cross-examination in some detail in the Decision. The TMOB described Smart Cloud's development of its online

presence in 2010 and use of SMARTCLOUD on its web and login pages but noted that Mr. Feick provided no evidence that any customers in Canada saw or accessed the pages referenced. Mr. Feick stated that Smart Cloud's website had been continuously active since 2010 and that, from January through April 2011, its employees contacted and kept records of their conversations with various potential clients. Copies of the emails attached to the affidavit used the words "Smart Cloud" in their subject lines. None of the contacts identified by Mr. Feick became clients.

[15] The TMOB summarized Smart Cloud's use of its trademark and tradename in its advertising program, including exchanges with two prospective clients during the October 2010 to April 2011 timeframe. On cross-examination, Mr. Feick acknowledged that neither of the two entities became clients.

[16] The TMOB acknowledged Smart Cloud's application (trademark application no. 1,546,072) on September 30, 2011 to register the trademark SMARTCLOUD based on use in Canada since October 2010. Finally, the TMOB drew the following facts and admissions from Mr. Feick's cross-examination:

- Mr. Feick was asked whether Smart Cloud had performed any cloud computing services for a fee. He did not directly answer the question as his counsel consistently objected to it based on relevance.
- Smart Cloud had done no print advertising, by newspaper, magazine, flyer or brochure, nor had it undertaken any radio or television advertising.
- Smart Cloud was targeting the market for small and medium-size businesses (SMEs) but would not turn down any business that came its way.

TMOB's summary of IBM's evidence

[17] The TMOB summarized Ms. Smith's evidence, stating that she is one of the individuals responsible for managing IBM's marketing initiatives in Canada, including promotion of the IBM SMARTCLOUD brand. Ms. Smith explained IBM's long and continuous history in technology dating back to the 19th century and emphasized its global reputation as one of the premier manufacturers of computer and computer-related goods and services.

[18] Ms. Smith spoke to IBM's development of a new framework in association with the trademark SMARTER PLANET beginning in 2008. During the same period, IBM adopted a strategy around cloud computing. Ms. Smith attached to her affidavit IBM's 2009 and 2010 annual reports, both of which discussed the "targeted growth areas" SMARTER PLANET and Cloud computing. In the April 2011 timeframe, IBM announced an initiative under its Cloud offerings called IBM SMARTCLOUD. IBM SMARTCLOUD services were offered for sale in Canada beginning in 2011. The TMOB noted attachments to Ms. Smith's affidavit including: a welcome kit for customer administrators for the IBM SmartCloud enterprise offering (© 2011); the user guide for the IBM SmartCloud enterprise offering (© 2010, 2012); and representative printouts from the ibm.com website as it appeared on April 10, 2011, each promoting the Goods and Services offered by IBM in association with the IBM SMARTCLOUD trademark.

[19] The TMOB set out Ms. Smith's evidence regarding the promotion of the IBM SMARTCLOUD mark in Canada beginning in 2011 in print and web formats (Globe and Mail and National Post) and on other public websites. Advertising in connection with the Mark

continued in 2012 in print and online mediums (Maclean's, Financial Post, National Post, etc.).

In each case, the Mark appeared in the materials attached to Ms. Smith's affidavit.

[20] Finally, the TMOB drew the following facts and admissions from Ms. Smith's cross-examination:

- The target market for the Goods and Services associated with the Mark were mid-market to large enterprise.
- IBM does not always appear directly in front of the word SMARTCLOUD. The TMOB found that such use was not use of the Mark and did not contribute to any acquired distinctiveness of the Mark.
- The last advertising in Canada associated with the Mark was at the end of Q1 2014. The Mark is still being used in Canada in association with software as a service, particularly cloud-based email, calendar management and instant messaging services on the IBM Cloud.

Smart Cloud's initial evidentiary burdens (paras. 16(3)(a) and (c), 16(1)(a) and (c), s. 2)

[21] The TMOB began by addressing Smart Cloud's initial burden of filing sufficient evidence from which it could reasonably be concluded that the facts alleged in support of its opposition exist:

- (a) in respect of its paragraphs 16(3)(a) and (c) grounds of opposition pertaining to the Goods, Smart Cloud satisfied its obligation to show use of its SMARTCLOUD trademark and tradename prior to April 5, 2011, the priority filing date of the Application, and that it had not abandoned its trademark and tradename as of November 6, 2013, the date of advertisement of the Application;
- (b) in respect of its paragraphs 16(1)(a) and (c) grounds of opposition pertaining to the Services, Smart Cloud satisfied its obligation to show use of its SMARTCLOUD trademark and tradename prior to September 2011, the alleged date of first use of the Mark in Canada in association with the Services; and
- (c) in respect of its section 2 ground of opposition, Smart Cloud did not satisfy its initial burden of showing that, as of November 26, 2013, the date of filing of its opposition, its SMARTCLOUD trademark and tradename had become sufficiently known in Canada to negate the distinctiveness of the Mark.

Paragraphs 16(3)(a) and (c) grounds of opposition

[22] The TMOB analysed Smart Cloud's opposition based on paragraphs 16(3)(a) and (c) of the Act, which it summarized as follows:

[70] The section 16(3)(a) and 16(3)(c) grounds of opposition allege that the Applicant is not the person entitled to register the Mark because as of April 5, 2011, the priority filing date of the application, [use of] the Mark in association with the Goods was confusing with the Opponent's trademark SMARTCLOUD and its tradenames SMARTCLOUD and SMART CLOUD, all of which had been previously used by the Opponent in Canada in association with the Opponent's services. [...]

[23] The TMOB's analysis of the likelihood of confusion is set forth in this part of the Decision but applies equally to Smart Cloud's opposition based on paragraphs 16(1)(a) and (c) of the Act.

[24] The TMOB stated that the test for confusion is one of first impression and imperfect recollection and emphasized that subsection 6(2) of the Act is focused on confusion regarding the source of goods and services and not confusion of the trademarks themselves. In this case, the question is whether clients purchasing IBM's Goods and Services under the Mark would believe the Goods and Services were provided by Smart Cloud.

[25] The TMOB's assessment of the subsection 6(5) factors for determining confusion and the relevant surrounding circumstances (other than those the TMOB found favoured neither party and which are not relevant in this appeal) was as follows:

1. Para. 6(5)(a): The TMOB stated that Smart Cloud's trademark and tradename consists of two ordinary dictionary words and referenced the definitions of those words in the online Oxford English Dictionary (OED). As Smart Cloud's services are essentially cloud computing services, the TMOB considered its trademark and tradename to be highly suggestive, possessing a low degree of inherent distinctiveness. The TMOB found the Mark to also have a low degree of inherent distinctiveness as it shares the element SMARTCLOUD and the IBM prefix is a combination of letters. As Smart Cloud had provided minimal evidence of use, the TMOB was unable to find that its trademark and tradename had any measure of acquired distinctiveness "that would result in an ambit of protection greater than what would ordinarily be accorded to a weak mark". The TMOB did not consider IBM's promotional evidence because it post-dated April 5, 2011. The TMOB concluded that the paragraph 6(5)(a) factor favoured neither party.
2. Para. 6(5)(b): The TMOB also concluded that the paragraph 6(5)(b) factor did not significantly favour either party because the Application was based on proposed use with the Goods and Smart Cloud had not shown that its trademark and tradename had acquired any distinctiveness through use or promotion as of April 5, 2011.
3. Paras. 6(5)(c) and (d): The TMOB found that there was some overlap in the nature of IBM's Goods and Smart Cloud's services as they both relate to cloud computing. There was also overlap in the nature of trade because the parties' intended markets included medium/mid-market to large enterprises. The fact that the parties' prospective customers may be sophisticated or the goods and services offered specialized in nature did not diminish the potential for confusion.
4. Para. 6(5)(e): Turning to degree of resemblance, the TMOB considered Smart Cloud's position that the Mark is virtually identical to its trademark and tradename against IBM's argument that the use of the prefix IBM would distinguish the Goods and Services. The TMOB acknowledged a fair degree of resemblance between the parties' marks even though the component SMARTCLOUD was not the most striking element of the Mark by virtue of its highly suggestive connotation and positioning. The TMOB concluded that the Mark clearly signalled cloud computing-related goods and services emanating from IBM.
5. Surrounding circumstance - renown of the trademark IBM: The TMOB reviewed Ms. Smith's evidence on this point and concluded that the reputation of IBM and

its use as the prefix of the Mark would assist consumers in distinguishing the source of the Goods and Services associated with the Mark. This surrounding circumstance strongly favoured IBM.

6. Surrounding circumstance - jurisprudence concerning weak trademarks: The TMOB stated that it is well-established that a weak trademark (a mark of low inherent distinctiveness) is not entitled to a wide ambit of protection and that comparatively small differences will be sufficient to distinguish between weak marks. As Smart Cloud had not shown extensive use of its trademark and tradename, the low degree of distinctiveness of the SMARTCLOUD mark had not been enhanced. The TMOB concluded that the jurisprudence concerning weak trademarks favoured IBM.

[26] The TMOB concluded that the balance of probabilities with respect to the issue of confusion “weighs slightly in favour” of IBM and rejected Smart Cloud’s grounds of opposition based on paragraphs 16(3)(a) and (c) of the Act. The TMOB recognized the significant overlap in the paragraphs 6(5)(c) and (d) factors and found that the inclusion of the prefix IBM in the Mark significantly impacted the ideas suggested by the Mark such that it would clearly signal to the average consumer that the source of the Goods and Services was IBM. The TMOB also found that the jurisprudence on weak trademarks favoured IBM as Smart Cloud’s evidence of use was very limited.

Paragraphs 16(1)(a) and (c) grounds of opposition

[27] The TMOB reached the same conclusion with respect to confusion notwithstanding Smart Cloud’s paragraphs 16(1)(a) and (c) grounds of opposition pertain to the Services and have a material date of September 2011, the alleged date of first use of the Mark in Canada in association with the Services. The TMOB again found that the balance of probabilities slightly favoured IBM and rejected these grounds of opposition.

Section 2 ground of opposition

[28] The TMOB rejected Smart Cloud's opposition pursuant to section 2 of the Act. Smart Cloud had not satisfied its evidentiary burden of establishing that the SMARTCLOUD trademark and tradename had become sufficiently known in Canada to negate the distinctiveness of the Mark as of November 26, 2013. The TMOB found that Smart Cloud had provided no evidence of sales generated by the provision of services under SMARTCLOUD. Its evidence of advertising and promotion was narrow and limited to the period from late 2010 to mid-2011. Despite Mr. Feick's statement that Smart Cloud's website had been continuously active since 2010, there was no evidence indicating the number of Canadian consumers that may have visited the site.

III. Motion to admit the Supplemental Affidavit – Rule 312(a)

[29] One week prior to the hearing of this appeal, Smart Cloud filed a motion requesting leave of the Court to file Mr. Everest's Supplemental Affidavit pursuant to Rule 312(a) of the *Federal Courts Rules*, SOR/98-106. The motion was served on IBM and received by the Court on September 21, 2020. The Supplemental Affidavit consists of one substantive paragraph in which Mr. Everest confirms that the statements he made in paragraphs 8, 9, 16 and 20 of the Everest Affidavit referring to April 2011 or April 5, 2011 would also be true if he had made them in reference to September 2011. The September 2011 date is the alleged date of first use of the Mark in association with the Services and is the material date for the TMOB's consideration of Smart Cloud's paragraphs 16(1)(a) and (c) grounds of opposition.

[30] On September 22, 2020, I directed that the motion record be received but not filed and that IBM advise the Court whether it would consent to the motion. IBM responded on September 23, 2020 that it did not consent to the motion and that the motion should not be heard because:

1. Smart Cloud filed its motion on short notice in violation of Rule 362. It did not seek leave of the Court in the notice of motion, nor has any argument been made to satisfy the Court of the urgency of the motion, a requirement under Rule 362(2)(b).
2. Smart Cloud cannot satisfy the Court of the urgency of the motion as Smart Cloud raised the issue of supplemental evidence in February/March 2020 and IBM made its opposition to the filing of supplemental evidence clear at that time. The September 24, 2020 hearing date was set on July 20, 2020 but Smart Cloud failed to raise the issue until Thursday, September 17, 2020, when it failed to produce a motion record.
3. IBM opposes any adjournment of the hearing to accommodate a short served motion, or to permit it to file additional evidence or conduct cross-examination.

[31] IBM also filed a responding motion record on September 23, 2020.

[32] At the beginning of the hearing on September 24, 2020, I heard submissions from the parties as to whether the Court should entertain the Rule 312(a) motion. I agreed to hear the merits of the motion in the interests of affording Smart Cloud a full opportunity to explain the circumstances of the motion. Following the parties' substantive submissions regarding admission of the Supplemental Affidavit and a brief recess, I provided my ruling and reasons for denying Smart Cloud's motion. I indicated I would set out more fulsome reasons in this judgment.

[33] The timeline of the parties' discussions concerning the Supplemental Affidavit is:

February 20, 2020: Smart Cloud's counsel informs IBM that they would like to file an amended Notice of Application to include reference to September 2011.

February 24, 2020: IBM consents to the amendment of the Notice of Application.

February 27, 2020: Smart Cloud's counsel requests IBM's consent to file the Supplemental Affidavit.

March 3, 2020: IBM's counsel replies, stating that the evidence phase of the application had passed and Smart Cloud would be splitting its evidence, necessitating supplemental evidence from IBM. Counsel stated that IBM would oppose the filing of any supplemental evidence from Smart Cloud.

March 3, 2020: Smart Cloud's counsel responds to IBM and indicates that it would consent to any supplemental evidence IBM wished to file. Smart Cloud states that it would be seeking leave to refer to the Supplemental Affidavit and to make it part of the record at the hearing.

July 20, 2020: The Court issues an Order fixing the hearing of Smart Cloud's appeal for September 24, 2020.

September 17, 2020: Smart Cloud's counsel emails IBM, referencing the parties' March 3 correspondence, and reiterates that Smart Cloud will be seeking leave to refer to the Supplemental Affidavit and to make it part of the record at the hearing. Counsel proposes to send the Supplemental Affidavit to the Court with the March 2020 correspondence in advance of the hearing.

September 18, 2020: IBM's counsel replies, stating they are not agreeable to Smart Cloud's proposal. IBM repeats their opposition to the request and states that they had heard nothing on this topic even after the hearing date was set in mid-July. IBM assumed Smart Cloud had decided against the time and expense associated with bringing a motion and had not prepared supplementary evidence in response.

September 20, 2020: Smart Cloud informs IBM's counsel that it will be serving and filing a motion on September 21, 2020 to be heard at the start of the hearing. Smart Cloud states that IBM had since March to file supplemental evidence or to cross-examine Mr. Everest. If IBM requires more time, Smart Cloud would consent to an adjournment.

September 21, 2020: Smart Cloud serves and files this motion.

September 22, 2020: The Court receives the motion and issues a direction requesting IBM's submissions.

September 23, 2020: IBM responds to the Court as described above and files its responding record.

September 24, 2020: The hearing date.

[34] The parties agree that the Court will admit additional affidavits under Rule 312(a) only where it is “in the interests of justice” and that the Court must have regard to whether:

- (a) the evidence will assist the Court;
- (b) the evidence will not cause substantial or serious prejudice to the other side; and
- (c) the evidence sought to be adduced was not available when the party filed its affidavit(s).

(Tsleil-Waututh Nation v Canada (Attorney General), 2017 FCA 128 at para 11)

[35] Smart Cloud submits that its late motion reflects a somewhat naïve assumption that IBM would respond to its March 3, 2020 invitation to file supplemental evidence and/or cross-examine Mr. Everest should it wish to do so. Smart Cloud emphasizes that its timing in raising this matter does not reflect a tactic to delay the appeal or an attempt to split its case.

[36] Addressing the discrete factors of the test for admission, Smart Cloud argues that Mr. Everest’s statement updating his original evidence to September 2011 is of great importance to its case and would assist the Court in having a complete evidentiary record in which both parties have covered the two material dates. Smart Cloud also argues that the admission of the Supplemental Affidavit will cause IBM no prejudice because any adjournment of this matter would result in an immaterial delay and, in any event, the September 2011 date is already addressed in IBM’s evidence. IBM has known since March of this issue and any misunderstanding as to Smart Cloud’s intention lies partly with IBM.

[37] IBM submits that Smart Cloud has not discharged its onus of satisfying the Court that it is in the interests of justice and appropriate to grant leave to admit the Supplemental Affidavit. IBM emphasizes that it is not seeking to exploit any inadvertent error on Smart Cloud's part or any misunderstanding between the parties. Rather, IBM has the right to object to the admission of additional affidavits pursuant to Rule 312(a). It objected to admission of the Supplemental Affidavit in March 2020 and took a consistent position in the week prior to the hearing once Smart Cloud again raised the issue.

[38] IBM argues that the Supplemental Affidavit will not assist the Court in deciding the underlying appeal because it contains irrelevant and inadmissible opinion evidence. IBM also argues that admitting the evidence would prejudice IBM by either resulting in an unwanted adjournment to enable it to respond or by proceeding with the hearing on a moving evidentiary record. IBM states that it had no obligation to consent to Smart Cloud's request or to file additional evidence in rebuttal. Unless the Court grants leave, the Supplemental Affidavit is not evidence and was not part of the record. Any response on its part would have been premature. Finally, IBM submits that the evidence contained in the Supplemental Affidavit was available to Smart Cloud long before the date of the hearing.

[39] The parties agree that Smart Cloud bears the onus of satisfying the Court that the Supplemental Affidavit should be admitted into evidence in the interests of justice, balancing the Rule 312(a) factors. I agree with Smart Cloud that the three factors are not mandatory elements of a conjunctive test that must each be satisfied. They are factors that must be considered and

balanced in the exercise of my discretion under Rule 312 (*Havi Global Solutions LLC v IS Container PTE Ltd.*, 2020 FC 803 at paras 47, 58).

[40] By way of preliminary comment, I find no suggestion in the material that Smart Cloud has engaged in a tactical manoeuvre designed to split its evidence and prejudice IBM by bringing forward its motion the week before the hearing. Similarly, I find no fault with IBM's insistence on its right to object to the motion, either in March 2020 or at the hearing, or in its conduct in waiting for a formal motion before determining whether to file additional evidence or to cross-examine Mr. Everest. There is no indication in the correspondence between the parties or in IBM's Court filings that it is unfairly exploiting what I accept was an unintentional oversight on Smart Cloud's part stemming from its omission in the original Notice of Application to refer to September 2011.

[41] Consistent with my ruling at the hearing, I have declined to grant Smart Cloud leave under Rule 312(a) to file the Supplemental Affidavit. I find that Smart Cloud has not discharged its burden under the Rule. On balance, the interests of justice do not favour late admission of this evidence. With respect to the Rule 312(a) factors:

- (a) Importance of the Supplemental Affidavit: I accept Smart Cloud's submission that the Supplemental Affidavit is an important piece of evidence in its case and would assist the Court. Without it, Smart Cloud has adduced no evidence regarding Mr. Everest's knowledge of the meaning of cloud computing in September 2011. I acknowledge IBM's position that the Supplemental Affidavit is not admissible, consistent with its submissions regarding opinion evidence and

the Everest Affidavit, which I discuss below. However, material parts of the Everest Affidavit are admissible. As a result, there is value to Smart Cloud in the admission of the evidence. I find that this factor weighs in Smart Cloud's favour.

- (b) Prejudice to IBM: Smart Cloud is of the opinion that there is no necessity for IBM to file additional evidence in response to the Supplemental Affidavit but of course this is not a determination for Smart Cloud to make. Its opinion is necessarily informed by its own interests and is speculative. IBM informed Smart Cloud in March 2020 that it objected to admission of the Supplemental Affidavit. As part of its March 3, 2020 email, IBM stated that the filing of the Supplemental Affidavit "would necessitate supplemental evidence in response from the Respondent". IBM was entitled to await filing of a formal motion by Smart Cloud and a determination by the Court as to the admissibility of the Supplemental Affidavit. IBM was under no obligation to take action and incur additional costs in anticipation of evidence that may or may not be added to the record.

IBM submits that its Rule 307 evidence, the Hicks and Newman Affidavits, necessarily focused on the April 5, 2011 date because those Affidavits were filed in response to the Everest Affidavit. Although Smart Cloud argues that IBM's April 5, 2011 evidence in the Hicks and Newman Affidavits necessarily addresses the later date of September 2011, IBM must be permitted to make its own determination.

The prejudice to IBM in the admission of the Supplemental Affidavit lies in the fact it would be forced to accept an adjournment to properly consider its

evidentiary position or to move forward on an evidentiary record that the Court has permitted to change at the last hour.

Smart Cloud argues that its counsel informed IBM on March 3, 2020 that it would request the Court's leave to file the Supplemental Affidavit at the hearing. While Smart Cloud is entitled to its interpretation of that correspondence, the email acknowledged IBM's opposition and stated "[b]ut we will be seeking leave to refer to it and to make it part of the record at the hearing". In my view, IBM reasonably read the email to mean that Smart Cloud would seek the Court's leave prior to the hearing. If leave were granted, the Supplemental Affidavit would then become "part of the record at the hearing".

Smart Cloud's inaction from March 2020 to July 2020 may have been due to any number of factors, including the advent of the COVID-19 pandemic and the upheaval and restrictions that have fundamentally altered the Court's and counsels' practices. However, after this matter was set down on July 20, 2020, the necessity of pursuing this issue assumed a new urgency. Any obligation to take the next step in resolving admission of the Supplemental Affidavit lay with Smart Cloud. I do not agree with Smart Cloud's argument that it was incumbent on IBM to take action following the parties' March 2020 correspondence.

I find that admission of Smart Cloud's late-filed Rule 312(a) motion would cause serious prejudice to IBM. The second Rule 312(a) factor weighs heavily in favour of IBM.

- (c) Availability of the evidence: Mr. Everest's evidence in the Supplemental Affidavit was available well before the hearing. Smart Cloud knew there was a gap in its Court documents when it sought to amend the Notice of Application in February 2020. Smart Cloud had ample opportunity to act after March 3, 2020 and arguably should have taken action after July 20, 2020. It did not and this final factor weighs in IBM's favour.

[42] The evidence in the Supplemental Affidavit has been available to Smart Cloud for many months and Smart Cloud knew that IBM objected to its admission in March 2020. In balancing my findings on the Rule 312(a) factors, I find that Smart Cloud's inaction and the resulting prejudice to IBM outweigh the importance of the evidence to Smart Cloud. I have considered, as part of my balancing exercise, whether admission of the Supplemental Evidence would alter my conclusion regarding the appropriate standard of review in this appeal and have concluded that it would not.

[43] This issue has been outstanding since March 3, 2020. IBM explained its opposition to Smart Cloud on that date and was not required to repeat its opposition in the absence of further action by Smart Cloud. The parties read the email of March 3, 2020 from Smart Cloud's counsel differently and each is a reasonable reading of the words used but the prejudice to IBM remains.

[44] I conclude that it is not in the interests of justice to allow the late filed Rule 312(a) motion and the motion will be dismissed.

IV. Issues

[45] This appeal raises the following issues:

1. What is the appropriate standard of review, taking into consideration IBM's objection to admission of the Everest Affidavit and the materiality of the admissible new evidence?
2. Did the TMOB err in its analysis and conclusions regarding the likelihood of confusion between the Mark and Smart Cloud's trademark and tradenames?

V. Standard of review, admission of the Everest Affidavit and evaluation of the admissible new evidence

Jurisprudence regarding appeals under section 56 of the Act

[46] Subsection 56(5) of the Act permits the parties to a section 56 appeal to file new evidence. Where a party does so and the new evidence is “sufficiently substantial and significant” (*Vivat Holdings Ltd. v Levi Strauss & Co.*, 2005 FC 707 at para 27), the Court may exercise any discretion vested in the Registrar. The appeal takes the form of an appeal *de novo* and calls for the correctness standard (*The Clorox Company of Canada, Ltd. v Chloretec S.E.C.*, 2020 FCA 76 at para 21 (*Clorox Company*); see also *Obsidian Group Inc. v Canada (Attorney General)*, 2020 FC 586 at paras 26, 28 (*Obsidian*)). In such case, the Court accords no deference to the conclusions of the original decision maker.

[47] If no new evidence is filed in the appeal or if any new evidence filed is not sufficiently substantial and material, the Court will apply the appellate standard of review and assess questions of law according to the correctness standard and questions of fact and of mixed fact and law (other than extricable questions of law) for palpable and overriding error (*Clorox Company* at paras 22-23, citing *Canada (Minister of Citizenship and Immigration) v Vavilov*,

2019 SCC 65 at para 36 (*Vavilov*) and *Housen v Nikolaisen*, 2002 SCC 33). The presumption of reasonableness review of the merits of administrative decisions established by the Supreme Court in *Vavilov* is rebutted by the words of subsection 56(5).

[48] New evidence will trigger a *de novo* review of the Decision if, as stated above, it is material and significant to the issues addressed by the original decision maker. In the context of this appeal, the admissible new evidence cannot merely repeat or supplement the evidence that was before the TMOB. The test this Court is to apply is whether, on preliminary assessment, the new evidence could lead to a different conclusion on one or more of the issues considered by the TMOB (*AIL International Inc. v Canadian Energy Services L.P.*, 2019 FC 795 at paras 20-21). My colleague, Justice Fuhrer, recently summarized the nature of the Court's assessment of new evidence in a section 56 appeal (*Obsidian* at para 29):

[29] Accordingly, I must assess the nature, significance, probative value, and reliability of the Obsidian's new evidence, in the context of the record, and determine whether it would have enhanced or otherwise clarified the record in a way that might have influenced the Registrar's conclusions on a finding of fact or exercise of discretion, had it been available at the time of the Decision: *Seara Alimentos Ltda v Amira Enterprises Inc*, 2019 FCA 63 at paras 23-26.

The Everest Affidavit

[49] The Everest Affidavit was the focus of considerable debate before me. IBM submits that the Everest Affidavit is not admissible because it consists largely of opinion evidence. Smart Cloud argues that not only is the Affidavit admissible but also that Mr. Everest's evidence is material. Smart Cloud submits that his evidence would have influenced the TMOB's finding that

the term ‘cloud’ was an ordinary dictionary word in April 2011 and its conclusion that the trademark SMARTCLOUD possesses a low degree of inherent distinctiveness.

[50] Mr. Everest does not purport to be an expert, nor was he qualified as an expert in this appeal. Nevertheless, the Everest Affidavit states that he has worked as a senior IT executive and consultant for over 25 years. Mr. Everest speaks to his own experience in the IT industry and with Starport, and to his recollection and opinions as to awareness, usage and rate of adoption of cloud and cloud computing in the Canadian IT industry. The Everest Affidavit also contains evidence from the OED website indicating that the definition of cloud was only amended to refer to use of the word in relation to computing in June 2012.

Hicks and Newman Affidavits

[51] The Hicks Affidavit sets out the results of a series of web searches undertaken by Ms. Hicks in December 2019. The searches include the OED website and webpages containing information that explains the OED’s use of a quotation system in support of its entries. One set of search results focuses on OED entries for the word ‘cloud’ in the sense of telecommunications and computing and the sub-entry ‘cloud computing’. A number of the quotations for those entries bear dates prior to April 5, 2011. The Hicks Affidavit also contains online search results for: federal and provincial government publications in 2010 about cloud computing; papers by industry, national and international organizations predating April 5, 2011 on the risks, benefits and strategies of or for cloud computing; and the archival Wayback Machine website for Amazon entries relating to the cloud up to 2011.

[52] The Newman Affidavit contains the results of Ms. Newman's December 9, 2019 search of the Lexis Advance Research platform to locate news articles published on or prior to April 5, 2011, in the Globe and Mail, National Post, Toronto Star and Calgary Herald that included the term 'cloud computing'. Ms. Newman culled the articles based on their use of cloud and cloud computing as terms of general use and as applications for individuals and SMEs. She attaches to her Affidavit numerous articles based on these criteria.

Should the new evidence be admitted?

[53] IBM submits that no new evidence should be admitted in this appeal. In the alternative, if I admit all or portions of the Everest Affidavit, IBM states that the Hicks and Newman Affidavits should also be admitted as new evidence. Smart Cloud has not objected to the admission of the Hicks and Newman Affidavits.

[54] IBM argues that large swaths of the Everest Affidavit are statements of personal opinion and belief that are not presented through a qualified expert and that are made up of hearsay, all of which are inadmissible and must be disregarded. IBM also argues that Mr. Everest's remaining evidence is not material or significant in this appeal and would not have a material effect on the TMOB's findings of fact.

[55] The information and evidence contained in the Everest Affidavit can be divided into two categories. First, Mr. Everest speaks to his experience with Starport, the timeline of development of its cloud computing services and the fact that Starport began marketing its services as cloud services only after 2011. He states that he first became aware of the term 'cloud' as applied to IT

services in September 2011. Mr. Everest addresses the TMOB's reliance on the OED for definitions of the words 'smart' and 'cloud', attaching a screenshot of the OED's June 2012 update which shows words and new entries. He states that the screenshot establishes that the definition of cloud was not amended to refer to its computing sense until the 2012 update. The Everest Affidavit also includes two articles from September and November 2011 intended to reinforce Smart Cloud's position that the terms 'cloud' and 'cloud computing' lacked meaning on April 5, 2011, even within the computer sciences and IT industry.

[56] Second, Mr. Everest provides his recollection and beliefs regarding the familiarity of SMEs in Canada with the concepts of the cloud and cloud computing. He believes that a typical individual in charge of IT decisions in a Canadian SME in April 2011 would not have been familiar with cloud as an IT-related term. He also sets out his recollection and beliefs regarding rates of adoption of cloud computing within the IT industry.

[57] Smart Cloud makes no submissions on the issue of opinion evidence but argues that the first category of evidence in the Everest Affidavit is admissible because it is based on Mr. Everest's own knowledge and experience. Further, this evidence is material and significant because it pertains directly to the TMOB's reliance on an OED definition of the word 'cloud' in reference to technology and computing that post-dates April 5, 2011.

[58] It is well established that the Court may strike all or parts of affidavits where they are abusive or clearly irrelevant, or where they contain opinions, arguments or legal conclusions (*Canada (Attorney General) v Quadrini*, 2010 FCA 47 at para 18). Mr. Everest is tendered by

Smart Cloud as an experienced IT professional in a position to provide his own recollection and experience and his opinions and beliefs of the knowledge of a typical IT person working at a Canadian SME regarding the scope and timing of adoption of cloud and cloud computing leading up to April 2011.

[59] I agree with IBM that Mr. Everest's opinion evidence is not admissible in this appeal. He was not qualified as an expert pursuant to Rule 52.1 and his evidence must be limited to facts and statements within his own knowledge. As a result, paragraphs 8, 9, 10, 13, 16 and 20, and the last sentences in each of paragraphs 12, 15, 17 and 19, of the Everest Affidavit are inadmissible. I have disregarded those paragraphs and sentences in considering this appeal. The remaining full and partial paragraphs of the Everest Affidavit are admissible as new evidence.

[60] Smart Cloud has not challenged the admissibility of the Hicks or Newman Affidavits. After review of the two Affidavits, I will admit the Hicks and Newman Affidavits as new evidence.

Analysis of the admissible new evidence

[61] I find that the admissible evidence in the Everest Affidavit and exhibits regarding the date of inclusion in the OED of a definition of cloud that included reference to computing or computing services is substantial and significant. On preliminary assessment, this evidence could have materially affected the TMOB's conclusion in the Decision as to the ordinary meaning of cloud in the computing sense in April 2011 and the inherent distinctiveness of Smart Cloud's trademark and tradename. I also find that the Hicks and Newman Affidavits contain substantial

and significant evidence relating to the inherent distinctiveness of the mark SMARTCLOUD. I do not agree with Smart Cloud's characterization of the TMOB's reliance on the OED definitions of 'smart' and 'cloud' as a fixation that coloured a number of its conclusions. However, the TMOB's use of a definition that post-dates April 5, 2011 was an important element of its finding that SMARTCLOUD is a trademark comprised of two ordinary dictionary words.

[62] Consequently, I will conduct a *de novo* review of the evidence before the TMOB and the parties' admissible new evidence. I will review for correctness the TMOB's conclusions regarding the ordinary meaning of cloud in the computing sense in April 2011 and the degree of inherent distinctiveness of the trademark and tradename SMARTCLOUD, and its resulting finding that SMARTCLOUD is a weak mark. I see no reason to depart from the palpable and overriding standard of appellate review in my assessment of the TMOB's remaining findings and conclusions.

VI. Did the TMOB err in its analysis and conclusion regarding the likelihood of confusion between the Mark and Smart Cloud's trademark and tradenames?

[63] Smart Cloud submits that the TMOB made a determinative error in concluding that the SMARTCLOUD trademark and tradename is comprised of two ordinary dictionary words in reliance on a definition of cloud included in a 2019 version of the OED and not in the version(s) in existence on April 5, 2011 and in September 2011. Smart Cloud states that this finding of fact resulted in the TMOB's conclusion that the SMARTCLOUD mark has a low degree of inherent distinctiveness and is a weak mark. Smart Cloud also states that this conclusion permeates the TMOB's assessment of confusion. As the balance of probabilities with respect to confusion weighed only slightly in IBM's favour, Smart Cloud argues that any change to the TMOB's

conclusion that the SMARTCLOUD mark has little inherent distinctiveness would necessarily have reversed the TMOB's rejection of its opposition.

[64] IBM emphasizes that the trademark in issue is not SMARTCLOUD, it is IBM SMARTCLOUD. IBM submits that, regardless of any error by the TMOB in relying on a post-April 2011 OED definition, Smart Cloud has presented insufficient evidence and argument to overturn the Decision. The scope of the appeal is too narrow to change the result.

[65] IBM points to the TMOB's focus on the renown of the IBM mark and its use as a prefix in the IBM SMARTCLOUD Mark. IBM cites the TMOB's statement that "the reputation of the first portion of the Mark would assist consumers in distinguishing the source of the Goods and Services associated with the Mark". The TMOB returned to the importance of the IBM prefix in concluding its confusion analysis. IBM argues that there is no evidence before me that suggests the TMOB erred in its assessment of the importance of the prefix as an identifier of source and that Smart Cloud has made no submission to the contrary.

[66] Smart Cloud's appeal centres on paragraphs 83 and 84 of the Decision. The TMOB stated:

[83] The Opponent's trademark and tradename consists of two ordinary dictionary words. The Oxford Dictionary at *lexico.com* (previously *en.oxforddictionaries.com*) defines the word "smart", as it relates to a (technological) device, as being "programmed so as to be capable of some independent action"; "smart" can also be defined as "having or showing a quick-witted intelligence". The word "cloud" is defined, as it relates to computing, as "a network of remote servers hosted on the internet and used to store, manage, and process data in place of local servers or personal computers" [...].

[67] The TMOB took judicial notice of the OED definitions.

[68] In paragraph 84, the TMOB found that:

[84] Given that the Opponent's services are essentially cloud computing services [...], I consider the Opponent's trademark and tradename to be highly suggestive as it indicates that some form of automation is used in the provision of the Opponent's cloud services. Alternatively, one might consider that the trademark and tradename are highly suggestive in that they suggest that using the Opponent's cloud services is a smart or intelligent choice. Accordingly, I find that the Opponent's trademark and tradename possess a low degree of inherent distinctiveness.

[69] Mr. Everest states that the term 'cloud computing' first appeared in the OED in June 2012. Attached as exhibit A to the Everest Affidavit is a screenshot of the OED's June 2012 quarterly update which reflects the addition of cloud computing as a sub-entry and an addition to the definition of cloud. Mr. Everest indicates that the purpose of the addition was to include a definition of the word 'cloud' in relation to computing.

[70] IBM has not directly challenged this evidence but argues that the OED is based on quotation evidence. IBM relies on exhibit A to the Hicks Affidavit to show that the majority of the quotations that support the OED definition of cloud in the computing sense are industry quotations that predate April 5, 2011.

[71] Based on the admissible new evidence in the Everest Affidavit, I find that the TMOB erred in relying on the OED to conclude that, as of April 5, 2011, the term 'cloud' was an ordinary dictionary word. Mr. Everest has provided significant and probative new evidence that contradicts the TMOB's finding of fact. However, based primarily on IBM's new evidence, I

also find that the TMOB's conclusions that the mark SMARTCLOUD is highly suggestive and possesses a low degree of inherent distinctiveness were correct.

[72] A finding of low inherent distinctiveness in a trademark does not require the word or words that comprise the trademark to be ordinary dictionary words. A trademark that consists of a word or words that are in general usage and are sufficiently defined in the casual consumer's mind may have a low degree of inherent distinctiveness. IBM's new evidence canvasses a broad range of publications and source material that define cloud and cloud computing or that use the terms in a manner that assumes knowledge of their meanings. A sample of the material contained in the exhibits to the Hicks and Newman Affidavits is as follows:

- November 29, 2007, The Globe and Mail, "*Head in the Clouds? Welcome to the future*", setting out a definition of cloud computing and a "cloud" of data.
- February 14, 2008, The Globe and Mail, "*BlackBerry outage: Can you say 'we need a backup?'*", describing Canadians' use of cloud computing services through their mobile phones.
- June 3, 2008, Gartner, Inc., "*Assessing the Security Risks of Cloud Computing*", stating that organizations considering cloud-based services must understand the risks.
- April 5, 2009, The Calgary Herald, "*Future of computer industry lies in the clouds*", describing cloud computing as a hazy term, explaining its meaning in lay terms, stating that IBM was setting up cloud computing centres globally, and that Cisco and IBM were capitalizing on the emerging shift to cloud computing.
- December 5, 2010, The Toronto Star, "*Canada can be global leader in cloud computing*", referring to Amazon as one of the world's leading cloud computing providers. The article described "cloud forum shopping" as relatively new but assumed that cloud computing itself was a well established concept.
- December 14, 2010, The Toronto Star, "*Dell to pay \$960M for data storage firm; Acquisition of Compellent a bid by company to become a competitor in cloud computing*", stating that Dell was in the process of buying a data storage company to "catch up with rivals Hewlett-Packard Co. and IBM in technologies like cloud computing".

- 2010 Report of the Office of the Privacy Commissioner of Canada, defining cloud computing as the provision of web-based services located on remote computers.
- March 2010, Officer of the Privacy Commissioner of Canada, “*Reaching for the Cloud(s): Privacy Issues related to Cloud Computing*”, stating that the term ‘cloud computing’ is “seemingly omnipresent these days”.
- February 25, 2011, The National Post, “*Cloud computing minimizes risk*”, beginning with the statement “[a] common theme is that companies of all sizes should embrace cloud computing [...]”.
- Printouts from the Wayback Machine for listings on Amazon beginning in 2008 and progressing through 2010 to 2011, showing cloud-based products and services.

[73] Smart Cloud’s argument that IBM’s new evidence reflects the use of cloud and cloud computing in a futuristic sense is not persuasive against the breadth of the evidence assembled by IBM. The Hicks and Newman Affidavits include numerous articles and publications that pre-date April 5, 2011 and establish the terms ‘cloud’ and ‘cloud computing’ as words or terms of common understanding and in common use. The chronological progression of the publications to 2011 shows the authors’ confidence in their readers’ understanding of references to the cloud and cloud computing. The articles increasingly refer to the cloud, cloud computing and the competitive state of play of the cloud computing industry in the present tense. The various publications are directed to a number of different constituencies including readers of general interest newspapers such as the Toronto Star, Globe and Mail and National Post, individuals focussed on the computing industry and industry-specific publications, and readers of Canadian government publications. IBM’s evidence also indicates that the additions of a computing definition of cloud and of the term ‘cloud computing’ in the OED in June 2012 were predicated on a significant number of quotations that demonstrate repeated use of the terms in relation to computing prior to April 2011.

[74] Mr. Everest states that he first became aware of the use of the word ‘cloud’ to refer to IT services for SMEs in September 2010 and that, at that time, the transition to cloud computing was still in the future. I find that Mr. Everest’s evidence is not sufficient to undermine IBM’s evidence of significant industry and media use of cloud and cloud computing as commonly understood terms by April 5, 2011.

[75] Smart Cloud has not challenged the TMOB’s treatment of the word ‘smart’ and I have concluded that the word ‘cloud’ in relation to computing was, by April 5, 2011, a word in common usage, understood by the casual consumer. I find that the SMARTCLOUD trademark and tradename was comprised of two ordinary words on that date. It follows that there is no error in the TMOB’s conclusion that SMARTCLOUD is a highly suggestive mark “as it indicates that some form of automation is used in the provision of [its] cloud services” and positions those services as “a smart or intelligent choice”. There is also no error in the TMOB’s conclusion that the trademark SMARTCLOUD possesses a low degree of inherent distinctiveness. The TMOB relied on these conclusions and its finding that the mark had not acquired any measure of distinctiveness through use in its review of the jurisprudence regarding weak marks. I confirm the TMOB’s conclusion that the SMARTCLOUD trademark was a weak mark on the material dates.

[76] Smart Cloud submits that it was not sufficient for the TMOB to consider the two constituent words separately as the combination of the words into SMARTCLOUD was a novel double entendre. I agree but the TMOB considered the SMARTCLOUD mark in its full form immediately following its review of the meanings of the two words and throughout the

remainder of the Decision. I note, for example, that the TMOB stated that one way in which the SMARTCLOUD trademark and tradename could be considered highly suggestive is that they suggest that using Smart Cloud's cloud services is a smart or intelligent choice.

[77] Smart Cloud's remaining arguments are premised on its position that the TMOB made a determinative error in the course of its assessment of inherent distinctiveness. Smart Cloud argues that the TMOB erred in its weighing of several subsection 6(5) factors due to its fixation that SMARTCLOUD is a trademark and tradename comprised of two ordinary dictionary words. As I have explained, the TMOB correctly assessed inherent distinctiveness. Further, I am not persuaded that the TMOB made any palpable and overriding errors in its consideration of the remaining subsection 6(5) factors and the relevant surrounding circumstances, including the importance of the placement and renown of the prefix IBM. The TMOB's statement that trademark protection is not focused on confusion of the marks themselves but on confusion of goods and services from one source being from another source is consistent with subsection 6(2) of the Act. The TMOB found that the Mark would "clearly signal" to consumers that IBM is the source of the Goods and Services due to the reputation of the prefix IBM. I find that the TMOB made no error in concluding that this circumstance strongly favoured IBM.

[78] The TMOB's conclusion in the Decision is a clear and rational summary of its full consideration of confusion:

[120] [...]. While there is also necessarily a fair degree of resemblance between the parties' marks, I find that the inclusion of the prefix IBM in the Mark significantly impacts the ideas suggested by the Mark in that it would clearly signal to the average consumer that the source of the Goods and Services is the Applicant. I also consider that the jurisprudence on weak

trademarks favours the Applicant as the Opponent's evidence of use is very limited and does not broaden the scope of protection attributable to its trademark and tradename.

[79] In summary, my review *de novo* of the parties' admissible new evidence leads me to conclude that the two words comprising Smart Cloud's trademark and tradename SMARTCLOUD were words in common usage by April 5, 2011, and necessarily by September 2011, and were understood by the casual Canadian consumer of computer goods and related services. Therefore, the TMOB's error in using the wrong definition of the term 'cloud' as of April 2011, while a material error, does not undermine its remaining analysis and conclusions.

VII. Conclusion

[80] The application, and hence the appeal from the Decision, is dismissed.

VIII. Costs

[81] At the hearing of this appeal, the parties agreed to discuss the quantum of costs to be awarded. I have since received and reviewed correspondence from Smart Cloud's counsel and approved by IBM's counsel. The parties propose that the successful party in the appeal be awarded a lump sum in the amount of \$20,000.00, inclusive of disbursements and tax, to be payable by the unsuccessful party within 30 days of the date of this judgment. The parties also propose that costs in the amount of \$1,500.00 in respect of Smart Cloud's Rule 312(a) motion be payable or set off, as applicable, at the same time.

[82] I will adopt the proposal negotiated by the parties. Given my decision to dismiss Smart Cloud's appeal, IBM is entitled to costs from Smart Cloud in the amount of \$21,500.00,

inclusive of the costs awarded in respect of Smart Cloud's Rule 312(a) motion and inclusive of disbursements and tax, payable in accordance with the parties' proposed timeframe.

JUDGMENT IN T-1589-19

THIS COURT'S JUDGMENT is that

1. The motion brought pursuant to Rule 312(a) by the Applicant, Smart Cloud Inc. (Smart Cloud), to file additional evidence is dismissed.
2. The appeal is dismissed.
3. Smart Cloud shall pay the Respondent, International Business Machines Corporation, costs of this application in the amount of \$21,500.00, inclusive of the costs awarded in respect of Smart Cloud's Rule 312(a) motion and inclusive of disbursements and tax, to be paid within 30 days of the date of this judgment.

"Elizabeth Walker"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1589-19

STYLE OF CAUSE: SMART CLOUD INC. v INTERNATIONAL
BUSINESS MACHINES CORPORATION

PLACE OF HEARING: HELD BY VIDEOCONFERENCE BETWEEN
OTTAWA, ONTARIO (THE COURT) AND
TORONTO, ONTARIO (THE PARTIES)

DATE OF HEARING: SEPTEMBER 24, 2020

JUDGMENT AND REASONS: WALKER J.

DATED: MARCH 18, 2021

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