

Federal Court



Cour fédérale

Date: 20210617

Docket: T-1320-20

Citation: 2021 FC 620

Ottawa, Ontario, June 17, 2021

PRESENT: Mr. Justice McHaffie

BETWEEN:

**H-D U.S.A., LLC AND HARLEY-DAVIDSON
CANADA LP**

Applicants

and

ELI VARZARI

Respondent

JUDGMENT AND REASONS

I. Overview

[1] The applicants, who I will refer to together as “Harley-Davidson,” bring this application to enforce their trademarks against Eli Varzari, who has offered for sale custom-built electric bicycles called the “Harley Davidson Willie G Edition” that incorporate Harley-Davidson motorcycle parts and bear Harley-Davidson’s “Bar and Shield” logo. Mr. Varzari did not respond to written demands from Harley-Davidson, although the name of the electric bicycles was changed to “The ‘H’ Edition.” Mr. Varzari has not responded to this application, which therefore proceeded unopposed.

[2] I conclude Mr. Varzari has infringed Harley-Davidson's registered trademarks, and his actions constitute passing off and depreciation of goodwill. The use of the HARLEY-DAVIDSON name and the "Bar and Shield" logo violates Harley-Davidson's trademark rights. The incorporation into the bicycle of parts that bear other Harley-Davidson trademarks also contravenes those trademarks. In these circumstances, although the parts may be genuine Harley-Davidson parts, they are not simply being resold as parts but amount to applying the trademark to a new good, namely the bicycle. Their use in this fashion is not protected by the principle that resale of trademarked goods is not contrary to the *Trademarks Act*, RSC 1985, c T-13.

[3] An injunction will therefore issue enjoining Mr. Varzari from selling or advertising the "Harley Davidson Willie G Edition" or "The 'H' Edition" electric bicycle, and requiring delivery up, disassembly, or destruction of any copies thereof and any marketing material. Damages of \$13,000 are awarded to the applicants jointly to compensate for the damage to Harley-Davidson's trademarks, together with costs in the further amount of \$23,000.

II. Issues

[4] Harley-Davidson's application raises the following issues:

A. Has Harley-Davidson established a remediable violation of its trademark rights by Mr. Varzari, and in particular:

- (1) infringement under section 20 of the *Trademarks Act*;
- (2) passing off under paragraph 7(b) of the *Trademarks Act*; and/or
- (3) a likely depreciation of goodwill under section 22 of the *Trademarks Act*?

B. If so, what remedies are appropriate?

[5] Although Mr. Varzari did not respond to this application, he is not taken to have admitted Harley-Davidson's allegations. Harley-Davidson bears the onus of establishing that the elements of its asserted causes of action are made out on a balance of probabilities.

III. Analysis

A. *Harley-Davidson has Established a Remediable Violation of its Trademark Rights*

(1) Infringement

(a) *General Principles*

[6] The owner of a registered trademark has the exclusive right to use the mark throughout Canada in respect of the goods and services in the registration: *Trademarks Act*, s 19. This right to exclusive use is deemed to be infringed by the sale, distribution, or advertisement of goods or services in association with a confusing trademark: *Trademarks Act*, s 20(1)(a). A trademark is confusing with another trademark 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 they are of the same general class or Nice Classification class: *Trademarks Act*, ss 2 ("confusing"), 6(2).

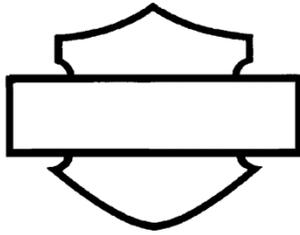
[7] The test for confusion is to be applied as a matter of "first impression in the mind of a casual consumer somewhat in a hurry" at a time when they have "no more than an imperfect recollection" of the registered mark and without giving the matter "detailed consideration or scrutiny": *Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée*, 2006 SCC 23 at paras 18–20. In assessing confusion, the Court considers all of the surrounding circumstances, including those

listed in subsection 6(5) of the *Trademarks Act*: inherent distinctiveness and the extent to which they have become known; length of time the trademarks have been in use; the nature of the goods, services, business, and trade; and the degree of resemblance between the trademarks. This list is not exhaustive, and the weight given to each factor will depend on the circumstances: *Veuve Clicquot* at para 21. That said, the degree of resemblance is “often likely to have the greatest effect on the confusion analysis”: *Masterpiece Inc v Alavida Lifestyles Inc*, 2011 SCC 27 at para 49. The “fame” of a mark is not an enumerated factor, but is relevant to inherent distinctiveness, the extent to which the mark has become known, and the length of time it has been used: *Veuve Clicquot* at para 27.

(b) *Harley-Davidson’s Registered Trademarks*

[8] As described in the affidavit of Adraea Brown, Assistant General Counsel for H-D USA, LLC, that company is the owner of over 40 Canadian registered trademarks that incorporate the name HARLEY or HARLEY-DAVIDSON; the abbreviations HD, H-D or HDMC; and/or designs that are termed the “Bar and Shield” logo and the “Willie G. Skull” logo.

[9] While Harley-Davidson’s application cites this entire “Family of Trademarks,” it clarified in oral submissions that it was relying primarily on five registrations. Two of these are for word trademarks, namely HARLEY-DAVIDSON, TMA649,923, registered in 2005 for use in association with *motorcycles* and a variety of motorcycle parts, tools and accessories [the HARLEY-DAVIDSON Mark]; and H-D, TMA640,988, registered in 2005 for *motorcycles*, a variety of motorcycle parts, and a variety of clothing items [the H-D Mark]. The remaining three are for the following design trademarks:



TMA358,497

[White Bar and Shield Mark]



TMA528,480

[Black Bar and Shield Mark]



TMA980,318

[Skull Design Mark]

[Description of inserted diagrams: Three designs are shown. (1) On the left, labelled TMA358,497 and “White Bar and Shield Mark,” is a design depicting an empty shield shape outlined in black with a superimposed empty rectangle also outlined in black. (2) In the centre, labelled TMA528,480 and “Black Bar and Shield Mark,” is the same shield and superimposed rectangle, each filled in black with an outline of a white line inside a black line. (3) On the right, labelled TMA 980,318 and “Skull Design Mark,” is a stylized skull design without a jaw, with the words HARLEY-DAVIDSON in an arc above the skull, and the word MOTORCYCLES in an arc below it.]

[10] The White Bar and Shield Mark was registered in 1989 for use in association with clothing items, including *motorcycle riding suits*. The Black Bar and Shield Mark was registered in 2000 for use in association with a wide variety of goods including *motorcycles and parts and accessories for motorcycles*. The Skull Design Mark was registered in 2017 for use in association with *motorcycles and structural parts therefor, various motorcycle parts and accessories*, and various clothing items and accessories. I note that other than Ms. Brown’s reference to it as the “Willie G. Skull,” there is no evidence on the record that the skull is known as “Willie G.” or the “Willie G. Skull,” or that the name “Willie G.” is associated with Harley-Davidson.

[11] As indicated, the foregoing registrations are owned by H-D USA, LLC. Ms. Brown’s evidence is that H-D USA, LLC licenses the other applicant, Harley-Davidson Canada LP, to use

its trademarks in Canada. Harley-Davidson Canada LP enters into Dealer Agreements for the sale of Harley-Davidson branded motorcycles, parts, accessories, and merchandise. Harley-Davidson licenses some of its marks to qualified licensees, but does not license their marks for vehicles. All Harley-Davidson motorcycles (including, as discussed further below, electric motorcycles) are manufactured by Harley-Davidson.

(c) *The Respondent's Electric Bicycles*

[12] As set out in Ms. Brown's affidavit, Harley-Davidson became aware in early 2020 that Mr. Varzari was advertising a model of electric bicycle for sale that bears a logo effectively identical to the White Bar and Shield Mark applied to its frame, as seen in this picture taken from a screenshot of Mr. Varzari's website:



[Description of inserted picture: A portion of the middle of an electric bicycle is seen. The bicycle has chrome handle bars and fork, black handgrips bearing a logo with the letters HD in a circle, and an orange frame bearing a logo with the outline of a shield with a superimposed rectangle.]

[13] The advertisements were presented online through the website of Mr. Varzari's store, East Van Chopcycles, and through YouTube videos. The website advertised the bicycle as the "Harley Davidson Willie G Edition," noting that the handgrips, pedals, axle bolt covers and air

valve caps were “all original parts from the factory.” These parts were incorporated into a specially built bicycle for which Mr. Varzari “chose the ikonic [*sic*] orange for the main color of the frame.” Pictures of the bicycle, including that reproduced above, show a logo essentially identical to the White Bar and Shield Mark on the frame of the bicycle, while HD appears on the handgrips, HDMC on the pedals, and the Skull Design Mark on the axle bolt covers. Screenshots from the YouTube videos, which appear to have been posted in December 2019, similarly show the bicycle being referred to as the “Harley Davidson Edition” built by East Van Chopcycles. The electric bicycle is offered for sale for US\$7,000.

[14] After Harley-Davidson sent demand letters through their counsel, Mr. Varzari apparently changed his website so that it now advertises the same electric bicycle under the name of the “H” edition. The reference to “original parts from the factory” was changed to “original parts from Harley Davidson.” The website maintained a reference to the “[i]konic [*sic*] orange for the main color of the frame.” Further correspondence from Harley-Davidson went unanswered.

[15] The evidence is unclear whether the “Harley Davidson Edition” or “The ‘H’ Edition” bicycle was a single bicycle or was a model of which multiple units were available. One of the YouTube videos is titled “Harley Davidson Edition 1 of 1 Custom E-Bike,” the “1 of 1” perhaps suggesting a unique bicycle, at least at the time of the video. However, the text of the website states that “[t]hese bikes are all tested and ready to ride.” This question, which might have a bearing on damages if nothing else, is evidently something that could have been cleared up had Mr. Varzari responded to Harley Davidson’s letters or this application. In the absence of such

evidence, the Court must conclude that Mr. Varzari's reference to "[t]hese bikes" indicates that he is advertising and selling electric bicycles as described.

[16] There is no indication in the record that East Van Chopcycles is a corporation. Rather, it appears to be a sole proprietorship owned and operated by Mr. Varzari, for whose operations Mr. Varzari is therefore liable.

(d) *Confusion*

(i) The HARLEY-DAVIDSON Mark

[17] I will consider first Mr. Varzari's electric bicycles as they first appeared, under the name "Harley Davidson Willie G Edition" or "Harley Davidson Edition," before turning to the change to the name "The 'H' Edition." At issue is whether, in the circumstances, these names are confusing with the HARLEY-DAVIDSON Mark, and that Mr. Varzari's manufacture, sale or advertisement of an electric bicycle bearing the names is therefore infringement pursuant to paragraphs 20(1)(a) or (b) of the *Trademarks Act*.

[18] I begin by considering whether the name "Harley Davidson Willie G Edition" or "Harley Davidson Edition" is a trademark for purposes of section 20. A trademark is defined in section 2 of the *Trademarks Act* as including "a sign or combination of signs that is used or proposed to be used by a person for the purpose of distinguishing or so as to distinguish their goods and services from those of others." A "sign" includes a "word" or a "personal name," such that "Harley Davidson Edition" (with or without "Willie G") is clearly a "combination of signs": *Trademarks*

Act, s 2 (“sign”, “trademark”(a)). In my view, the “Harley Davidson Edition” was used by Mr. Varzari to distinguish his electric bicycle from those of others, and was thereby a trademark: see *Tommy Hilfiger Licensing, Inc v International Clothiers Inc*, 2004 FCA 252 at para 40.

[19] In my view, no extensive analysis is needed to conclude that Mr. Varzari’s advertisement of electric bicycles in association with “Harley Davidson Willie G Edition” or “Harley Davidson Edition” is likely to cause confusion with the HARLEY-DAVIDSON Mark. The marks have a high degree of resemblance, with the name “Harley Davidson Edition” (with or without the “Willie G”) including the whole of the HARLEY-DAVIDSON Mark, and the remaining common word “Edition” not being a material point of distinction.

[20] The HARLEY-DAVIDSON Mark is inherently distinctive and has even greater acquired distinctiveness. Ms. Brown’s evidence speaks to extensive sales in Canada of Harley-Davidson motorcycles, with around 10,000 motorcycles sold per year in Canada over the past decade. Among the promotional and marketing materials described, Harley-Davidson has a Facebook page with around 13,000,000 followers and a Twitter feed with 447,000 followers, each of which displays the HARLEY-DAVIDSON name. It also has a Canadian Instagram page, “@harleycanada,” with over 53,000 followers. The evidence also shows that the Harley-Davidson brand was named one of the 100 most valuable brands in the world in 2018. This latter identification was not specific to Canada, but I am satisfied based on the entirety of the evidence that the HARLEY-DAVIDSON Mark is well known in Canada. While this conclusion is based on the evidence before the Court in this proceeding, it accords with the findings and observations

of the Court in other cases: *H-D Michigan Inc v MPH Group Inc*, 2006 FC 538 at paras 58–59; *H-D USA, LLC v Berrada*, 2014 FC 207 at para 166.

[21] In terms of the nature of the goods, the HARLEY-DAVIDSON Mark is not registered in association with bicycles or electric bicycles. However, I consider electric bicycles to be very close in nature to the *motorcycles* goods registered, particularly when one considers that motorcycles can include electric motorcycles, which Harley-Davidson has also sold for the past several years. The length of time the marks have been in use also favours a finding of confusion. The Harley-Davidson trademarks have been used and registered for many years, while Mr. Varzari has apparently only adopted his within the past two years. The nature of the trade appears to be somewhat different, as Harley-Davidson sells its motorcycles through authorized dealers, while Mr. Varzari appears to sell his bicycles via the internet and his bicycle store. However, I do not consider these differences would materially undermine the other factors, which all point to the existence of confusion.

[22] Based on an assessment of these factors, there is in my view little doubt a casual consumer somewhat in a hurry viewing an electric bicycle called the “Harley Davidson Edition” would infer it was manufactured or sold by or under license of Harley-Davidson. Mr. Varzari’s use of this trademark infringes the HARLEY-DAVIDSON Mark.

[23] In my view, this conclusion is not changed by Mr. Varzari having renamed his bicycle “The ‘H’ Edition.” The surrounding circumstances in which the “The ‘H’ Edition” name is used includes (a) Mr. Varzari having previously used the name “Harley Davidson Edition,” such that

the consuming public would be more likely to continue to draw the connection between the “The ‘H’ Edition” and Harley-Davidson; (b) Mr. Varzari’s promotional materials referring to “The ‘H’ Edition” immediately above reference to “original parts from Harley Davidson,” an addition to the marketing text made apparently to ensure that the consumer made the connection between the “H” and Harley-Davidson; (c) Harley-Davidson’s trademarks being frequently represented in initials, as seen in the H-D Mark, as well as its registered trademark HDMC; and (d) the bicycle continuing to be associated with other Harley-Davidson trademarks, as discussed below.

[24] The other circumstances described above (distinctiveness, length of use, nature of the goods and trade) remain essentially unchanged. Although the degree of resemblance between “The ‘H’ Edition” and the HARLEY-DAVIDSON Mark is lower, I consider in all of the circumstances that Mr. Varzari’s use of “The ‘H’ Edition” remains confusing with the HARLEY-DAVIDSON Mark, registered for use in association with *motorcycles*.

(ii) The White Bar and Shield Mark and the Black Bar and Shield Mark

[25] As noted above, the White Bar and Shield Mark is registered only in association with certain clothing items, while the Black Bar and Shield Mark is registered for use in association with *motorcycles* and a wide variety of *parts and accessories for motorcycles* (Harley-Davidson filed applications to amend certain registrations, including the Black Bar and Shield Mark, to include *electric bicycles* before becoming aware of Mr. Varzari’s activities, but these remain pending). The logo Mr. Varzari has affixed to his electric bicycles is essentially identical in

appearance to the White Bar and Shield Mark. However, since there is very little difference in appearance between the White and Black Bar and Shield Marks, I will conduct my confusion analysis solely with respect to the Black Bar and Shield Mark. As I conclude Mr. Varzari's use of the logo infringes the Black Bar and Shield Mark, I need not decide whether it also infringes the White Bar and Shield Mark despite the difference in goods.

[26] The logo used by Mr. Varzari strongly resembles the Black Bar and Shield Mark, the differences in appearance between the two being only the fill colour. The Black Bar and Shield Mark is in my view inherently distinctive. Although it incorporates widely used shapes (a shield and a rectangle) it does so in a distinctive way. It also has a high degree of acquired distinctiveness. I have referred to the evidence of sales and promotion of Harley-Davidson motorcycles above. That evidence shows the use of the Black Bar and Shield Mark, or a logo effectively the same, on some of these motorcycles, while the popular social media pages all show use of variations of the logo with the words "Harley-Davidson Motor Cycles" or "Harley-Davidson Motor Company." The emblem of the "Harley Owners Group" also incorporates the Black Bar and Shield Mark. While the various exhibits to Ms. Brown's affidavit show the White Bar and Shield Mark in greater use than the Black Bar and Shield Mark, again, I consider that the similarities are such that I can reasonably conclude from the evidence that the Black Bar and Shield Mark has acquired additional distinctiveness through its use and advertising in Canada. Again, the length of use favours Harley-Davidson, and the nature of the goods and the nature of the trade are as discussed above.

[27] The degree of resemblance, degree of inherent and acquired distinctiveness, and nature of the goods are particularly important circumstances in the current case. Considering these among the other circumstances, I have no difficulty concluding the marks are confusing and Mr. Varzari's affixing of a logo substantially identical in appearance to the White Bar and Shield Mark would lead a casual consumer somewhat in a hurry to believe it had the same source as the Black Bar and Shield Mark. Mr. Varzari is infringing Harley-Davidson's exclusive rights to the use of the Black Bar and Shield Mark.

(iii) H-D Mark and Skull Design Mark

[28] Mr. Varzari's website says he has incorporated "original parts" from Harley-Davidson into his custom electric bicycles. These include handgrips that bear the H-D Mark, and axle bolt covers that bear the Skull Design Mark.

[29] The resale of trademarked goods lawfully acquired is not, by itself, prohibited under the *Trademarks Act: Consumers Distributing Co v Seiko*, [1984] 1 SCR 583 at p 593; *Coca-Cola Ltd v Pardhan*, 1999 CanLII 7852 (FCA) at paras 12–21. This principle is sometimes referred to as "exhaustion," although that term tends to be used more frequently in respect of patent rights, or as the "doctrine of first use": *Coca-Cola* at para 12; J de Beer and R Tomkowicz, "Exhaustion of Intellectual Property Rights in Canada" (2009), 25 CIPR 3. If Mr. Varzari had purchased genuine Harley-Davidson motorcycle parts and were reselling them, such sales would fall within the scope of this principle.

[30] However, Mr. Varzari is not simply reselling motorcycle parts bearing the H-D Mark and the Skull Design Mark. Rather, he is altering them and incorporating them into a new good in such a way that the new good, the bicycle, bears the trademark and thereby suggests an association with the trademark owner. This association is underscored by the use of the other marks described above. I conclude that in these circumstances, Mr. Varzari's sale of a bicycle incorporating the handgrips and axle bolt covers bearing these marks does not fall within the principle stated in cases such as *Consumers Distributing* and *Coca-Cola*.

[31] I hasten to note that the circumstances are important. Not every incorporation of a trademarked good into a new good will result in the sale of the new good being a sale in association with the trademark or another act contrary to section 20 of the *Trademarks Act*. However, I am satisfied that in the current circumstances, Mr. Varzari's use of modified Harley-Davidson parts bearing the H-D Mark and Skull Design Mark in his electric bicycles, and the subsequent selling and advertising of those electric bicycles with the trademarks effectively marked on them is sufficient to take the situation outside that of simply lawfully reselling trademarked goods.

[32] In terms of the confusion analysis, the marks as used by Mr. Varzari are the same marks as registered by Harley-Davidson. While the H-D Mark is not particularly inherently distinctive, I find based on the evidence that it has become known as a manner of referring to Harley-Davidson and has some acquired distinctiveness in consequence. The Skull Design Mark has a high inherent distinctiveness. Each mark is registered in association with *motorcycles*, such that I adopt the discussion above with respect to the similarity of these goods with the electric bicycles

offered by Mr. Varzari. Length of use again favours a finding of confusion, and the channels of trade, while rather different, do not undermine the other factors pointing to confusion. I conclude that the marks are confusing and that Mr. Varzari's sale and advertising of his bicycles in association with the H-D Mark and the Skull Design Mark constitutes infringement of those marks.

(2) Passing off

[33] Paragraph 7(b) of the *Trademarks Act* prohibits a person from directing public attention to their goods, services, or business in a manner likely to cause confusion between them and the goods, services, or business of another. Paragraph 7(b) is a statutory codification of the common law tort of passing off, which requires a claimant to demonstrate 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 23, 66–68; *Ciba-Geigy Canada Ltd v Apotex Inc*, [1992] 3 SCR 120 at p 132; *Sadhu Singh Hamdard Trust v Navsun Holdings Ltd*, 2019 FCA 295 at para 38. A claimant under paragraph 7(b) must also prove they have a valid and enforceable “trademark,” as that term is used in the *Trademarks Act*, whether registered or unregistered, at the time the respondent first began directing public attention to their own goods: *Hamdard Trust (2019)* at para 39. The Federal Court of Appeal has described this as an “exception” to the recognition that paragraph 7(b) is simply a codification of common law passing off: *Nissan Canada Inc v BMW Canada Inc*, 2007 FCA 255 at para 14, citing *Kirkbi AG v Ritvik Holdings Inc*, 2003 FCA 297 at para 38.

[34] Harley-Davidson's arguments in passing off largely parallel those it makes in respect of infringement, although it relies on three additional arguments: Mr. Varzari's use of a particular shade of orange, the shape of Mr. Varzari's bicycles, and Harley-Davidson's recent advertising of electric bicycles.

[35] With respect to the use of the colour orange, Harley-Davidson notes that the Supreme Court in *Ciba-Geigy* confirmed that passing off may be established in relation to the guise or "get-up" of a product that is distinctive of a particular source: *Ciba-Geigy* at pp 137–138. While *Ciba-Geigy* was a common law passing off case, this Court has confirmed that under the prior version of the *Trademarks Act*, a get-up in the form of an unregistered "distinguishing guise" could form the basis for a statutory passing off case under paragraph 7(b): *Diageo Canada Inc v Heaven Hill Distilleries Inc*, 2017 FC 571 at paras 77–79. As noted above, with the amendments to the *Trademarks Act* that came into force in 2019, a "trademark" is now defined as "a sign or combination of signs that is used or proposed to be used by a person for the purpose of distinguishing or so as to distinguish their goods and services from those of others" [emphasis added]: *Trademarks Act*, s 2 ("trademark"(a)). As a "sign" expressly includes a "colour," the particular orange associated with Harley-Davidson can constitute a valid and enforceable unregistered trademark, and thus the basis for a passing off action, if it is used to distinguish Harley-Davidson's goods from those of others: *Trademarks Act*, s 2 ("sign").

[36] While the evidence before me on Harley-Davidson's use of orange is not extensive, I am satisfied in the absence of any contrary evidence that it shows the orange in question is used to distinguish Harley-Davidson's goods from those of others. Ms. Brown notes that the orange is

“found on most of the products and advertisement[s] made under the HARLEY Family of Trademarks,” and attaches examples of Harley-Davidson’s marketing materials that show orange as a primary accent colour on both those materials and its motorcycles. Mr. Varzari’s own reference to the “the ikonic [*sic*] orange” itself provides considerable support for Harley-Davidson’s argument that its products, services and business have become associated with a specific shade of orange. Harley-Davidson therefore satisfies the requirement of a valid and enforceable trademark with respect to the colour.

[37] Harley-Davidson further alleges that Mr. Varzari’s bicycles have a shape similar to that of Harley-Davidson motorcycles. I conclude there is insufficient evidence before me to establish there is a “shape” of motorcycle with respect to which Harley-Davidson has protectable trademark rights.

[38] Harley-Davidson also relies on its advertisement of HARLEY-DAVIDSON branded electric bicycles commencing in August 2019. These goods have not been sold in Canada, but Harley-Davidson points to advertisements and an article referring to prototypes, each of which were published online and were thus available in Canada. Harley-Davidson argues its launch of electric bicycles further underscores the likelihood of confusion, while recognizing that without “use” of HARLEY-DAVIDSON in association with electric bicycles through sale of such goods it may be difficult to establish goodwill. Given my conclusions about the similarities in goods between the electric bicycles offered by Mr. Varzari and the motorcycles sold by Harley-Davidson, I need not determine the extent to which Harley-Davidson’s marketing of a future line of electric bicycles contributes to a finding of passing off.

[39] I conclude Harley-Davidson has shown it had valid and enforceable trademarks, both registered (the registered trademarks referred to above) and unregistered (the “iconic orange”), at the time Mr. Varzari commenced his activities.

[40] I am also satisfied Harley-Davidson has established that it has goodwill in these trademarks. In determining the existence of reputation or goodwill for the purpose of passing off, factors such as distinctiveness, length of use, sales volumes, extent and duration of advertising and marketing, and intentional copying are relevant, with the ultimate question being whether the mark is distinctive and possesses reputation: *Hamdard Trust (2019)* at para 48. As noted above, Harley-Davidson has shown significant sales volumes over a lengthy period. Ms. Brown’s evidence also speaks to widespread marketing, a substantial social media presence, and Canadian chapters of the “Harley Owners Group.” Again, Mr. Varzari’s intentional copying of the Harley-Davidson name, “Bar and Shield” logo, and “iconic orange” further supports the existence of goodwill. While Ms. Brown’s evidence does not purport to break down the sales, promotion, or reputation among the various Harley-Davidson trademarks, I am satisfied that there is goodwill associated with the registered trademarks and the colour orange relied upon by Harley-Davidson.

[41] With respect to misrepresentation to the public, Harley-Davidson again relies on the same confusion arising from use of its registered trademarks, in addition to the colour element. For the reasons set out above, I am satisfied that there is a likelihood of confusion arising from Mr. Varzari’s use of the “Bar and Shield” logo, his prior use of “Harley Davidson Edition” and his current use of “The ‘H’ Edition.” This likelihood is further strengthened by Mr. Varzari’s adoption of the “iconic orange” as the colour of his bicycles.

[42] As to damages, Harley-Davidson does not allege the loss of any sales or profits arising from Mr. Varzari's activities. However, as the Federal Court of Appeal has affirmed, "the presence of the requisite damages to found a claim in passing off can be established through proof of a loss of control over reputation, image or goodwill": *Sadhu Singh Hamdard Trust v Navsun Holdings Ltd*, 2016 FCA 69 at para 31. I am satisfied that Mr. Varzari's offering for sale of electric bicycles over which Harley-Davidson has no quality control, that effectively misrepresent an association with Harley-Davidson, is sufficient to show damage arising from a loss of control over its reputation, image, or goodwill.

[43] I therefore conclude Harley-Davidson has established the requisite elements of its claim in passing off.

(3) Depreciation of goodwill

[44] Depreciation of goodwill under section 22 of the *Trademarks Act* is of a different nature to claims of infringement. There is no requirement that a claimant show a likelihood of confusion: *Veuve Clicquot* at para 38; *Hamdard Trust (2019)* at para 34. Rather, a claimant must show four things to establish depreciation of goodwill: use, goodwill, linkage, and damage.

Justice Binnie for the Supreme Court of Canada described these elements as follows at paragraph 46 of *Veuve Clicquot*:

Section 22 has four elements. 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).

[Italics in original; underlining added.]

[45] I am satisfied these four elements have been made out by Harley-Davidson in respect of the five registered trademarks it relies on.

[46] For the purposes of section 22, “use” need not mean use as a trademark: *Berrada* at para 67; *Trademarks Act*, ss 4, 22. It also need not be use of the trademark exactly as registered, provided the used mark is sufficiently similar to “evoke in a relevant universe of consumers a mental association of the two marks”: *Veuve Clicquot* at para 38. Mr. Varzari “used” the H-D Mark, the White Bar and Shield Mark, and the Skull Design Mark trademarks on his electric bicycles exactly as registered. Use of the White Bar and Shield Mark is sufficiently similar to the Black Bar and Shield Mark to evoke a mental association of the two marks in a relevant universe of consumers. I also conclude that before the change to “The ‘H’ Edition,” the use of “The Harley-Davidson Edition” on the website and YouTube videos constituted sufficiently similar use of the HARLEY-DAVIDSON mark in a manner so associated with the goods to give notice of the association to a purchaser.

[47] The purpose of the goodwill assessment for depreciation under section 22 is different from that for passing off under paragraph 7(b), although the factors considered may overlap: *Hamdard Trust (2019)* at paras 44–50. Relevant factors for assessing goodwill for purposes of section 22 include fame, degree of recognition, volume of sales, depth of market penetration,

extent and duration of advertising and publicity, geographic reach, inherent or acquired distinctiveness, channels of trade, and the extent to which the mark is identified with a particular quality: *Veuve Clicquot* at para 54. I conclude that Ms. Brown’s evidence of the fame, recognition, sales volumes, promotion, geographic reach, and public awareness of Harley-Davidson’s registered trademarks, considered together with the inherent distinctiveness of most of them (I would exclude the H-D Mark from this aspect of the assessment), show that there is “significant goodwill capable of being depreciated”: *Veuve Clicquot* at para 53.

[48] I also conclude it is highly likely consumers would make a linkage between Mr. Varzari’s use of the registered trademarks and the goodwill of Harley-Davidson. Indeed, all signs point to that linkage being exactly what Mr. Varzari was trying to establish and profit from in selling his electric bicycles.

[49] Finally, I conclude Mr. Varzari’s use of the registered trademarks is likely to lower the value of the goodwill attaching to Harley-Davidson’s trademarks. Such lowering in value can arise from the mark being “bandied about by different users,” a “blurring” of the brand image and its positive associations, or a “whittling away” of its power to distinguish the trademark owner’s goods from those of others: *Veuve Clicquot* at paras 63–64. These descriptions aptly capture Mr. Varzari’s use of Harley-Davidson’s registered trademarks in association with his electric bicycles.

B. *Remedy*

(1) Declaratory and injunctive relief and delivery up

[50] Mr. Varzari did not respond to Harley-Davidson's communications, and did not respond to this application. Although he changed the name of his electric bicycle from "Harley Davidson Edition" (or "Harley Davidson Willie G Edition") to "The 'H' Edition," he has shown no other intention to stop using Harley-Davidson's trademarks. I conclude Harley-Davidson is entitled to the requested declaration and permanent injunction prohibiting Mr. Varzari from violating Harley-Davidson's trademarks: *Pick v 1180475 Alberta Ltd (cob Queen of Tarts)*, 2011 FC 1008 at para 54; *Trademarks Act*, s 53.2(1).

[51] I am also satisfied I should order delivery up or destruction of goods, packaging, labels, and advertising material (including taking down any online references to the "Harley Davidson Edition" or "The 'H' Edition" bicycle) that infringe the Harley-Davidson trademarks. Destruction of the goods might include disassembly and does not, for example, preclude the reuse of parts from the bicycles in other forms that do not violate Harley-Davidson's trademark rights.

(2) Damages

[52] Harley-Davidson seeks compensatory damages of \$25,000 to each of the corporate applicants (a total of \$50,000), based on the harm to its trademark rights and the likely depreciation of its goodwill. It notes the Court may award "nominal" (not necessarily "small")

damages for loss of goodwill without proof of actual damage: *Teavana Corporation v Teayama Inc*, 2014 FC 372 at para 39; *Pick* at paras 49–52. Harley-Davidson points to the \$25,000 awarded in *Trans-High* for the unauthorized use of registered trademarks in association with the operation of a retail store, where the defendant similarly failed to acknowledge trademark rights or participate in the Court’s process: *Trans-High Corporation v Hightimes Smokeshop and Gifts Inc*, 2013 FC 1190 at para 26.

[53] Harley-Davidson highlights Mr. Varzari was offering his bicycles for sale for US\$7,000, a substantial sum. As noted above, the fact that neither the Court nor Harley-Davidson knows whether Mr. Varzari sold none, one, or a hundred of his bicycles, or what portion of the sale price represents profit, arises from his failure to respond to these proceedings.

[54] Damages, as with all aspects of a trademark claim, must be proved by the claimant: *Patterned Concrete Industries, Inc v Horta*, 2014 FC 359 at para 4; *Biofert Manufacturing Inc v Agrisol Manufacturing Inc*, 2020 FC 379 at para 208. That said, and leaving aside whether the term “nominal” is the right one, this Court has recognized the appropriateness of awarding general damages for trademark violations where an absent or uncooperative respondent makes proof of actual damage difficult: *Pick* at para 51; *Teavana* at paras 39–41; *Kwan Lam v Chanel S de RL*, 2016 FCA 111 at para 17.

[55] In her recent decision in *Biofert*, Justice McVeigh helpfully annexed a summary of cases from this Court in which a “global, arbitrary value” had been determined for compensatory damages where there was insufficient evidence to establish a particular quantum of losses from

trademark infringement: *Biofert* at paras 208, 209, Annex B(1). This Annex, which includes some of the cases cited above, shows the *Trans-High* case relied on by Harley-Davidson to be at the higher end of the spectrum for such cases. In the circumstances of this case, I do not consider the “per incident” approach often used in counterfeit goods cases, and described in Annex B(2) of *Biofert*, to be appropriate or applicable, and Harley-Davidson did not contend there were multiple “incidents” in this case.

[56] In each case, the Court attempts to estimate the actual harm to the claimants’ business, reputation, and goodwill arising from the trademark infringement, and does its best to treat like cases alike to the extent possible on the evidentiary record before it and the factors described in the jurisprudence.

[57] In this case, I consider the following factors tend to suggest a greater degree of damage and thus a higher award: the infringement of multiple Harley-Davidson trademarks by Mr. Varzari; the clear intent to trade off the goodwill in those marks (even if this intent appears to be as an “homage” rather than as direct competition); the use of the trademarks in a particular product area Harley-Davidson intends to enter (electric bicycles); the continued infringement despite enforcement attempts by Harley-Davidson; the failure to respond to this litigation and thereby provide information relevant to the assessment of damages, prompting a negative inference; and the fairly high price point of the advertised electric bicycle. Other factors sometimes considered to increase an award, such as repeat infringement and failure to abide by Court orders, are not applicable here.

[58] I consider the following factors tend to suggest a lesser degree of damage and a lower award: the use of the trademarks on a single product rather than the business as a whole; Mr. Varzari's attempt, albeit inadequate, to correct his conduct by changing the name of his bicycle (discussed further below in considering punitive damages); the apparent nature of Mr. Varzari's business as a small, legitimate cycle shop; and the absence of any evidence of actual confusion or reputational harm beyond loss of control of the marks. With respect to the first of these, I note that the *Trans-High* case relied on by Harley-Davidson (where \$25,000 was awarded) involved a business that used the infringing mark as the name for its entire business, as was the case in *Pick* (where \$10,000 was awarded), *Teavana* (where \$10,000 was awarded), and *Toys "R" Us (Canada) Ltd v Herbs "R" Us Wellness Society*, 2020 FC 682 (where \$15,000 was awarded). Here, while there is little evidence on the point, I believe I can reasonably infer from what evidence there is that the sale of this particular bicycle does not appear to be the entire, or a particularly significant, part of Mr. Varzari's business.

[59] Based on these considerations, the evidence before me, and the cases discussed, I conclude that \$13,000 in damages is reasonable and I will grant that amount in damages.

[60] Harley-Davidson asks that damages be awarded to each of the two applicants. It points to another Harley-Davidson decision of this Court, suggesting that damages awards may be multiplied to recognize the rights of the trademark owner and licensee: *Harley-Davidson Motor Company Group, LLC v Manoukian*, 2013 FC 193 at paras 43, 45, citing *Louis Vuitton Malletier SA v Singa Enterprises (Canada) Inc*, 2011 FC 776 at para 134; *Oakley, Inc v Doe*, 2000

CanLII 15963 (FC) at paras 12–13; *Louis Vuitton Malletier SA v Yang*, 2007 FC 1179 at para 43; see also *Kwan Lam* at para 17.

[61] Both *Manoukian* and the cases it cited were counterfeit goods cases that address, in part, the particular considerations and notions of conventional minimum awards arising from trying to assess damages appropriately in those cases: *Manoukian* at para 40; *Singga* at para 129; *Oakley* at paras 12–13; *Yang* at para 43; see *Louis Vuitton Malletier SA v Wang*, 2019 FC 1389 at para 168. I have some concern in applying an approach from such cases to the current case, where the assessment of damages is unrelated to the harm arising to a brand from product counterfeiting or to the potential lost sales a distributor or licensee might suffer as a result. I also note that, as Justice Roy pointed out in *Wang*, the *Oakley* case on which *Manoukian*, *Singga* and *Yang* rely pertained to multiple actions with multiple plaintiff groups, and not multiple corporate plaintiffs within a single company structure: *Wang* at paras 131–133; *Oakley* at para 1. As Justice Roy noted, it is unclear from *Yang* and *Singga* (or, in my view, from *Manoukian*) what the basis is for doubling a damages award for different corporate members of a family of companies: *Wang* at paras 149, 154, 158, 163.

[62] In the present case, the damages claimed by Harley-Davidson and awarded above are a best estimate based on an assessment of damage to the goodwill in Harley-Davidson's trademarks and a comparison to other cases in which this Court has tried to assess such damage in a non-counterfeiting context. The trademarks and the goodwill in them are owned by H-D USA, LLC alone. It is unclear that Harley-Davidson Canada LP has any separate claim to damages for the harm to such goodwill, and it has not established any independent basis for its

own claim for damages. To the extent its ability to profit from being the Canadian licensee has been harmed by Mr. Varzari's conduct, that harm is accounted for in assessing the harm to the trademark interests of H-D USA, LLC.

[63] Looked at another way, on Harley-Davidson's requested approach and level of damages, the harm to Harley-Davidson and its trademarks arising from the sale of Mr. Varzari's electric bicycles would be \$25,000 if the Canadian company happened to own the Canadian trademarks; \$50,000 if (as is the case) those marks were held by a different company; and \$75,000 or more if Harley-Davidson had two or more Canadian licensees. A reasonable assessment of the damages caused to the identified applicants by a respondent's conduct does not involve a simple multiplication by the number of corporate parties in the lawsuit. In the circumstances, I do not consider it appropriate in this case to effectively double the award of damages based on the corporate structure by which Harley-Davidson conducts business in Canada: *Wang* at paras 149, 154, 163. I will therefore award only the single amount of \$13,000 in damages.

(3) Punitive damages

[64] Harley-Davidson seeks punitive damages in the amount of \$20,000. It asserts Mr. Varzari's infringement was planned and deliberate, continued for over a year, and that he gave no basis for adoption of the Harley-Davidson trademarks other than to trade on Harley-Davidson's established goodwill. It describes Mr. Varzari's change to "The 'H' Edition" as indicative of its awareness of the infringement, but a partial and half-hearted response that amounts to an attempt to cover up his misconduct. They further underscore Mr. Varzari's failure to respond to their letters or this application.

[65] Punitive damages are reserved for exceptional cases in which “malicious, oppressive and high-handed” misconduct represents a “marked departure from ordinary standards of decent behaviour” and offends the court’s sense of decency: *Whiten v Pilot Insurance Co*, 2002 SCC 18 at para 36. Various factors may inform the inquiry into whether a defendant’s conduct merits the sanction of punitive damages: *Whiten* at paras 112–113; *Singga* at para 166. In the intellectual property sphere, punitive damages have been awarded in cases of “outrageous” or “highly reprehensible” conduct, or conduct that constitutes a “callous disregard for the rights of the Plaintiff or for injunctions granted by the court”: *Singga* at para 168.

[66] I do not consider Mr. Varzari’s conduct, or his failure to respond to Harley-Davidson or this application, to amount to the type of conduct described in *Whiten* and *Singga*. What Harley-Davidson describes as an attempt to cover up misconduct could be viewed as an effort (albeit half-hearted) to cease improper use of the HARLEY-DAVIDSON trademark. Although Mr. Varzari has required Harley-Davidson to expend time and money enforcing its rights, I do not consider the infringing conduct and failure to respond is sufficient in these circumstances to meet the description of malicious, high-handed, outrageous, or highly reprehensible conduct. I therefore conclude that this is not an appropriate case for punitive damages.

(4) Costs

[67] Harley-Davidson seeks elevated costs of this application. I agree that as the successful party, and having been put to the commencement and completion of this application by Mr. Varzari’s failure to respond to their correspondence and the litigation, they are entitled to their costs. Harley-Davidson’s counsel stated that costs prior to the hearing amounted to at least

\$30,000. However, Harley-Davidson did not present evidence of its costs incurred, nor file a bill of costs or other support for its claim beyond counsel's statement. While counsel's statement as an officer of the Court is accepted, claims for costs, particularly substantial or elevated claims, should be supported by a bill of costs or other evidence to justify the amount claimed.

[68] I have considered the nature and extent of the evidence and arguments filed by Harley-Davidson, the need to bring the matter to hearing given the lack of response from Mr. Varzari, and the Rule 400 factors including the result, the apparent amounts at stake, the importance of the issue to Harley-Davidson, and the amount of work involved: Rule 400(3), *Federal Courts Rules*, SOR/98-106. I conclude an award of \$23,000 in costs is justified in the current circumstances.

JUDGMENT IN T-1320-20

THIS COURT'S JUDGMENT is that

1. The Court declares that Eli Varzari has, through the sale and/or advertising of electric bicycles bearing or sold in association with trademarks owned by H-D USA, LLC:
 - a. infringed H-D USA, LLC's registered trademarks TMA649,923; TMA640,988; TMA528,480; and TMA980,318, contrary to section 20 of the *Trademarks Act*;
 - b. directed public attention to his goods, services or business in such a way as to cause or be likely to cause confusion in Canada between those goods, services or business and the goods, services or business of H-D USA, LLC, contrary to paragraph 7(b) of the *Trademarks Act*; and
 - c. used H-D USA, LLC's registered trademarks TMA649,923; TMA640,988; TMA358,497; TMA528,480; and TMA980,318 in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto, contrary to subsection 22(1) of the *Trademarks Act*.
2. Eli Varzari, and any of his companies and businesses, and their respective officers, directors, employees, agents, partners, or assigns, are hereby permanently enjoined from directly or indirectly:
 - a. selling, distributing, advertising, or otherwise dealing in goods or services in association with a trademark that is confusing with H-D USA, LLC's registered trademarks TMA649,923; TMA640,988; TMA358,497, TMA528,480; and/or TMA980,318;

- b. directing public attention to his goods, services or business in such a way as to cause or be likely to cause confusion in Canada between those goods, services or business and the goods, services or business of H-D USA, LLC; and/or
 - c. using H-D USA, LLC registered trademarks TMA649,923; TMA640,988; TMA358,497; TMA528,480; and/or TMA980,318 in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.
3. Eli Varzari shall deliver up or destroy under oath any goods, packages, labels, and advertising material in its possession, power or control that bear H-D USA, LLC registered trademarks TMA649,923; TMA640,988; TMA358,497; TMA528,480; and/or TMA980,318 or would be otherwise contrary to this judgment, including through removal of any such online materials, in accordance with section 53.2 of the *Trademarks Act*.
4. Eli Varzari shall pay to the applicants, H-D USA, LLC and Harley-Davidson Canada LP forthwith damages in the total amount of \$13,000.
5. H-D USA, LLC and Harley-Davidson Canada LP are awarded their costs of this application fixed in the lump sum amount of \$23,000 and payable forthwith by Eli Varzari.
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”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1320-20

STYLE OF CAUSE: H-D USA, LLC ET AL v ELI VARZARI

**HEARING HELD BY VIDEOCONFERENCE ON APRIL 19, 2021 FROM OTTAWA,
ONTARIO (COURT) AND MONTREAL, QUEBEC**

JUDGMENT AND REASONS: MCHAFFIE J.

DATED: JUNE 17, 2021

APPEARANCES:

Camille Aubin
Cara Parisien

FOR THE APPLICANTS

SOLICITORS OF RECORD:

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Montreal, Quebec

FOR THE APPLICANTS