

Federal Court



Cour fédérale

**Date: 20220812**

**Docket: T-722-21**

**Citation: 2022 FC 1193**

**Ottawa, Ontario, August 12, 2022**

**PRESENT: The Honourable Mr. Justice Gleeson**

**BETWEEN:**

**MARS CANADA INC.**

**Plaintiff**

**and**

**JOHN DOE #1, operating and carrying on  
business as KING TUTS CANNABIS, JOHN  
DOE #2, operating and carrying on business as  
WEST COAST SUPPLY, JOHN DOE #3,  
operating and carrying on business as  
SHROOMS ONLINE, JOHN DOE #4,  
operating and carrying on business as FLASH  
BUDS,  
and JOHN DOE #5, operating and carrying on  
business as SURE BUDS**

**Defendants**

**JUDGMENT AND REASONS**

I. Overview

[1] The Plaintiff, Mars Canada Inc., commenced an action alleging the Defendants have marketed and sold, in Canada, THC-infused confectionary products in association with registered SKITTLES trademarks and in lookalike SKITTLES packaging.

[2] The Plaintiff seeks declarations that the Defendants have infringed the Plaintiff's registered trademarks, used the trademarks in a manner likely to depreciate goodwill, caused confusion and passed off their goods as the Plaintiff's, contrary to sections 19, 20, 22 and subsections 7(b) and (c) of the *Trademarks Act*, RSC 1985, c T-13. The Plaintiff seeks damages for the infringing activities, punitive and exemplary damages, a permanent injunction against the Defendants and an order requiring the Defendants to deliver up and destroy all infringing products and packaging.

[3] The Plaintiff sought and obtained an order allowing substituted service of the Statement of Claim via email [September 16, 2021 Order]. On September 17, 2021, service was effected in accordance with the September 16, 2021 Order.

[4] The Plaintiff now brings this motion in writing pursuant to Rules 369, 210 and 211 of the *Federal Courts Rules*, SOR 98-106 [Rules] for:

- A. Leave to bring this motion in writing under Rule 369;
- B. Default judgment against the Defendants (with the exception of John Doe #1, operating and carrying on business as King Tuts Cannabis [King Tuts Cannabis]);  
and
- C. Costs of the motion and the action as against the Defendants (with the exception of King Tuts Cannabis).

[5] The Plaintiff acknowledges there is insufficient evidence in the motion record to support default judgment against King Tuts Cannabis.

[6] An oral hearing was held at the Court's request to address questions arising from the written motion material.

[7] For the reasons that follow, the motion for default judgment is granted in part.

## II. Background and evidence

[8] The Plaintiff has filed three affidavits in support of the motion: the affidavits of Jay Burgett, sworn January 24, 2022; Melissa Marsan, sworn February 11, 2022; and Kim Humphrey, sworn March 7, 2022. The Plaintiff also relies on the affidavit of Kim Humphrey, sworn June 11, 2021.

[9] Jay Burgett is a lawyer with Mars, Incorporated, a corporation affiliated with the Plaintiff. The Burgett affidavit:

- A. Attests that the Plaintiff has sold confectionery products in Canada in association with its SKITTLES trademarks for many decades, the first trademark having been registered in Canada in 1976;
- B. Identifies a number of the Plaintiff's SKITTLES trademark registrations and attaches copies of those registrations at *Exhibit A* of the affidavit [SKITTLES Marks];
- C. Relies on advice from Barbara Cooper (the Plaintiff's marketing director) to set out the value of SKITTLES sales in Canada in each of the past five years and identifies the retailers that sell the products;
- D. Relies on Ms. Cooper's advice to describe the Plaintiff's advertising and promotional activities in Canada and attaches examples of the Plaintiff's internet and social media marketing of SKITTLES at *Exhibit B*;
- E. Describes the distinctive packaging used for SKITTLES products and expresses the view that the packaging layout and design is unique amongst confectionery products [SKITTLES Trade Dress];
- F. Explains that in February 2021, Mr. Burgett learned that stores and online companies in Canada were selling THC-infused confectionery products in association with the SKITTLES marks and in lookalike SKITTLES packaging [Infringing Product];
- G. Recounts that he was charged with managing the investigation of the issues and describes an incident in February of 2021 involving the hospitalization of a child in Ontario who mistakenly consumed the Infringing Product (*Exhibits C, D and E*).

- H. States his investigation indicated each of the Defendants appeared to be selling the Infringing Product on their websites, that screenshots of each of the Defendant's websites, with the exception of John Doe #1, were acquired showing the Infringing Product for sale (*Exhibit H*) and that the Plaintiff engaged Integra Investigation Services Ltd. [Integra] to assist in locating and engaging with the Defendants;
- I. Attests that it has not been possible to identify the individuals owning and operating the Defendant enterprises but that each has been electronically contacted by Integra;
- J. Recounts that, as of January 2022, only Defendant John Doe #5 continued to advertise the Infringing Product on its website; and
- K. Expresses the view that the sale of the Infringing Product has damaged the reputation and goodwill associated with the SKITTLES Marks, in part because the Infringing Product presents a risk of harm to consumers and is not compliant with Canadian laws governing the marketing and sale of cannabis products.

[10] Melissa Marsan is a Private Investigator and Investigative Services Manager of Integra.

The Marsan affidavit details the following:

- A. Integra was retained by the Plaintiff and Ms. Marsan was involved in its assignment to review the websites of the Defendants and to purchase the Infringing Product available on those websites;
- B. Integra prepared a report and supporting documentation, attached as *Exhibit A* to the affidavit; and

- C. Summarized the results of the assignment:
- i. **John Doe #2, operating and carrying on business as West Coast Supply** [West Coast Supply] – the Infringing Product was not located on the West Coast Supply website, Integra was able to communicate with West Coast Supply by email and Integra was advised by way of email exchange on March 10, 2021 that the Infringing Product was not sold by West Coast Supply (*Exhibit A* at page 345). However, this is contrary to an undated screenshot showing the Infringing Product being offered for sale by West Coast Supply (*Exhibit D*);
  - ii. **John Doe #3, operating and carrying on business as Shrooms Online** [Shrooms Online] – Integra was unable to locate or purchase the Infringing Product from Shrooms Online and communicated with the Defendant via email on March 11, 2021, at which point it was advised the Defendant did not carry the Infringing Product (*Exhibit A* at page 355). This is contrary to an undated screenshot indicating the business had, at some point, advertised and offered the Infringing Product for sale (*Exhibit E*);
  - iii. **John Doe #4, operating and carrying on business as Flash Buds** [Flash Buds] – Integra was able to communicate with the Defendant via email on March 11, 2021, and purchased and received the Infringing Product from www.flashbuds.ca (*Exhibit A* at pages 366, 374, 385-386, 387-388, 396-398, which are also replicated at *Exhibit B*);

- iv. **John Doe #5, operating and carrying on business as Sure Buds** [Sure Buds] – Integra was unable to communicate with the Defendant via email or phone and an order placed with the Defendant was not processed. The Infringing Product continues to be advertised for sale on the Sure Buds website (*Exhibit A* at pages 400 and 412-418 and *Exhibit C*).

[11] Kim Humphrey is a legal assistant and law clerk with the firm representing the Plaintiff in this action. She has been involved in communicating with the Defendants and liaising with Integra. The Humphrey affidavit details the following:

- A. On September 17, 2021, in accordance with the September 16, 2021 Order, email messages were sent to each of the Defendants that included as attachments a letter from Plaintiff's counsel, the Statement of Claim and a copy of the September 16, 2021 Order (*Exhibit C*);
- B. No response was received to the September 17 emails, nor was there any indication that the emails had not been received or were undeliverable to the email addresses used;
- C. Subsequent to service of the Statement of Claim, a substantive response was received from the Defendant Flash Buds, the nature and timing of that response is not addressed in the motion record; and
- D. The websites of each of the Defendants were visited on three occasions, twice in December 2021 and once in February 2022. With the exception of the Defendant Sure Buds, which continued to list and advertise the Infringing Product, there was

no indication the Defendants were, at that time, advertising or selling the Infringing Product.

[12] Ms. Humphrey's June 11, 2021 affidavit, filed in support of the motion for an order for substituted service, details information relating to the Defendants' websites and efforts to communicate with the Defendants by way of email.

### III. Issues

[13] Rule 210 of the *Rules* states:

#### **Motion for default judgment**

**210 (1)** Where a defendant fails to serve and file a statement of defence within the time set out in rule 204 or any other time fixed by an order of the Court, the plaintiff may bring a motion for judgment against the defendant on the statement of claim.

#### **Motion in writing**

**(2)** Subject to section 25 of the *Crown Liability and Proceedings Act*, a motion under subsection (1) may be brought *ex parte* and in accordance with rule 369.

#### **Cas d'ouverture**

**210 (1)** Lorsqu'un défendeur ne signifie ni ne dépose sa défense dans le délai prévu à la règle 204 ou dans tout autre délai fixé par ordonnance de la Cour, le demandeur peut, par voie de requête, demander un jugement contre le défendeur à l'égard de sa déclaration.

#### **Requête écrite**

**(2)** Sous réserve de l'article 25 de la *Loi sur la responsabilité civile de l'État et le contentieux administratif*, la requête visée au paragraphe (1) peut être présentée *ex parte* et selon la règle 369.



**Affidavit evidence**

**(3)** A motion under subsection (1) shall be supported by affidavit evidence.

**Preuve**

**(3)** La preuve fournie à l'appui de la requête visée au paragraphe (1) est établie par affidavit.

**Disposition of motion**

**(4)** On a motion under subsection (1), the Court may

**Pouvoirs de la Cour**

**(4)** Sur réception de la requête visée au paragraphe (1), la Cour peut :

**(a)** grant judgment;

**a)** accorder le jugement demandé;

**(b)** dismiss the action; or

**b)** rejeter l'action;

**(c)** order that the action proceed to trial and that the plaintiff prove its case in such a manner as the Court may direct.

**c)** ordonner que l'action soit instruite et que le demandeur présente sa preuve comme elle l'indique.

[14] A motion for default judgment raises two issues: (1) whether the defendant is in default; and (2) whether there is evidence to support the plaintiff's claim, including an entitlement to the relief requested (*Canada (Ship-Source Oil Pollution Fund) v Wilson*, 2017 FC 796 at para 2, citing *Chase Manhattan Corp v 3133559 Canada Inc*, 2001 FCT 895).

#### IV. Analysis

##### A. *Principles – Default judgment*

[15] The principles guiding default judgment were very helpfully reviewed by Justice Andrew Little in *NuWave Industries Inc v Trennen Industries Ltd*, 2020 FC 867 at paras 16–21. Those principles are:

- A. On a motion for default judgment, all of the allegations in the plaintiff's statement of claim are to be taken as denied – in the Federal Court, the plaintiff bears the onus and must lead evidence that establishes, on a balance of probabilities, the claims set out in its statement of claim and entitlement to the relief requested (see *BBC Chartering Carriers GMBH & CO. KG v Openhydro Technology Canada Limited*, 2018 FC 1098 at para 15; *Canada (Citizenship and Immigration) v Rubuga*, 2015 FC 1073 at para 77; *Teavana Corporation v Teayama Inc*, 2014 FC 372 at para 4; *Aquasmart Technologies Inc v Klassen*, 2011 FC 212 at para 45; *Louis Vuitton Malletier S.A. v Yang*, 2007 FC 1179 at para 4);
- B. The evidence is to be scrutinized and must be sufficiently clear, convincing and cogent to satisfy the balance of probabilities test (*FH v McDougall*, 2008 SCC 53 at paras 45–46; *Canada (Attorney General) v Fairmont Hotels Inc*, 2016 SCC 56 at paras 35–36; *Nelson (City) v Mowatt*, 2017 SCC 8 at para 40).
- C. Default judgment is never automatic; it is a discretionary order (*Johnson v Royal Canadian Mounted Police*, 2002 FCT 917 at para 20).

B. *Are the Defendants in default?*

[16] To succeed on this motion, the Plaintiff must, as noted above, first demonstrate that the Defendants are in default – they have received notice, and the time for service and filing of a defence has expired.

[17] Because the Defendants have organized their online activities in a manner that protects their anonymity, the Plaintiff was unable to personally serve the Statement of Claim. The

Plaintiff sought and was granted the September 16, 2021 Order providing for substituted service by email.

[18] Where a plaintiff relies on substituted service, Rule 211 reflects the need for the Court to be satisfied that providing a plaintiff with judgment on a default basis is just, having regard to all of the circumstances:

**Service pursuant to order for substitutional service**

**211** Judgment shall not be given against a defendant who is in default where service of the statement of claim was effected pursuant to an order for substitutional service, unless the Court is satisfied that it is just to do so having regard to all the circumstances.

**Signification substitutive en vertu d'une ordonnance**

**211** Lorsque la signification de la déclaration a été faite en vertu d'une ordonnance de signification substitutive, aucun jugement ne peut être rendu contre le défendeur en défaut à moins que la Cour ne soit convaincue qu'il est équitable de le faire dans les circonstances.

[19] Ms. Humphrey attests that service in accordance with the September 16, 2021 Order was effected on September 17, 2021. She further attests, based on her having accessed the Defendants' websites on December 24, 2021, December 30, 2021, and February 8, 2022, that four of the five Defendants were no longer advertising and offering for sale the Infringing Product on those dates. The Plaintiff asserts that this is strong evidence that the Defendants received the Statement of Claim. I am not prepared to draw this inference for two reasons.

[20] First, the evidence indicates the Defendants West Coast Supply and Shrooms Online were not advertising or offering for sale the Infringing Product at the time the Statement of Claim was served. Second, the investigation carried out in March 2021 (Marsan Affidavit,

*Exhibit A*) resulted in assertions by email from the Defendants West Coast Supply and Shrooms Online to the effect that they do not sell the Infringing Product. While neither of these factors establish notice was not received, they undermine the suggestion that the Defendants removed the Infringing Product from the website due to receipt of the Statement of Claim.

[21] However, the evidence does demonstrate the investigator Integra successfully communicated with the Defendants West Coast Supply, Shrooms Online and Flash Buds using the email addresses later authorized for substituted service. The evidence also indicates that the Statement of Claim was informally sent to each of the three above-noted Defendants at the same email addresses in May 2021 as part of the Plaintiff's efforts to effect personal service. The Plaintiff has provided affidavit evidence of substituted service in accordance with the September 16, 2021 Order and there has been independent substantive communication with the Defendant Flash Buds by email since service occurred on September 17, 2021.

[22] On the basis of the evidence summarized above, I am satisfied that service has been effected and notice received by the Defendants West Coast Supply, Shrooms Online and Flash Buds. There is no record of a statement of defence being filed by the Defendants West Coast Supply, Shrooms Online or Flash Buds within the time provided by Rule 204, and there is nothing in the Court docket indicating an extension of time has been requested. I therefore conclude that the Defendants West Coast Supply, Shrooms Online and Flash Buds are in default.

[23] With respect to the Defendant Sure Buds, the evidence is not sufficient to establish default. There is no evidence of any prior communication with the Defendant Sure Buds at the

email address relied on for service. Ms. Marsan's evidence does state that an order for the Infringing Product was placed with Sure Buds in the course of the Integra investigation. However, Ms. Marsan attests that no confirmation of the order was ever provided by Sure Buds; there were no instructions provided for payment; and email communications initiated by Integra following the placement of the order were returned as undeliverable. In addition, telephone numbers for the Defendant found on business listings are no longer associated with Sure Buds (Marsan Affidavit, *Exhibit A* at page 2).

[24] In the absence of any evidence demonstrating successful communication of some nature with Sure Buds at the email address identified for substitutional service or any other address or phone number, I am not satisfied that Sure Buds has been served or given notice of the Statement of Claim. The Plaintiff has therefore failed to demonstrate John Doe #5 is in default.

C. *The Plaintiff has established a violation of the Trademarks Act*

(1) General

[25] The owner of a registered trademark has the exclusive right to use the mark throughout Canada (*Trademarks Act*, s 19). That right is infringed by the sale, distribution, or advertisement of goods or services associated with a confusing mark (*Trademarks Act*, para 20(1)(a)). A mark is confusing with another mark where use is likely to lead to the inference that the goods or services are manufactured, sold, leased, hired or performed by the owner of the registered trademark (*Trademarks Act*, subsection 6(2)).

[26] In assessing confusion, the Court considers all of the surrounding circumstances, including those listed in subsection 6(5) of the *Trademarks Act*: inherent distinctiveness; the extent to which the trademarks 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 (*Veuve Clicquot Ponsardin v Boutiques Clicquot Ltée*, 2006 SCC 23 at para 21 [*Veuve Clicquot*]). The test for confusion is to be applied as a matter of first impression for the casual consumer in somewhat of a hurry who has no more than an imperfect recollection of the registered mark (*Veuve Clicquot* at paras 18–20).

(2) Infringement and confusion established

[27] The evidence of infringement by West Coast Supply and Shrooms Online is set out in Exhibit H of the Burgett affidavit and Exhibits D and E of the Marsan affidavit. The evidence demonstrates that web pages attributed to each of the respective Defendants advertised and offered the Infringing Product for sale. Although the evidence detailing the circumstances surrounding the collection of the screenshots is sparse, the affidavit of Mr. Burgett does state that he collected the screenshots in the course of his investigation. That investigation was undertaken at some point in February 2021.

[28] West Coast Supply and Shrooms Online did advise, in email response to inquiries by Integra in March 2021, that they did not sell the Infringing Product. However, I am satisfied that this exchange occurred after the screenshots were taken and does not contradict the evidence indicating both Defendants had previously marketed and offered the Infringing Product for sale.

[29] Turning to the Defendant Flash Buds, the evidence establishes a web page attributed to Flash Buds advertising the Infringing Product and that Flash Buds has confirmed in email exchanges with Integra that it offers the Infringing Product for sale. Integra successfully placed an order for the Infringing Product with Flash Buds and paid for that product over the internet. The Infringing Product was subsequently delivered. The Infringing Product is advertised and sold in packaging that depicts the SKITTLES Marks and Trade Dress.

[30] The evidence further establishes that the activities of the Defendants West Coast Supply, Shrooms Online and Flash Buds have not been authorized by the Plaintiff.

[31] The Plaintiff's Marks are distinctive and the evidence establishes they are well known and widely recognized. The marks and trade dress used to market and package the Infringing Product are almost identical to the Plaintiff's Marks. The evidence also details one example of actual consumer confusion that resulted in harm within a particularly vulnerable segment of the population, children.

[32] The Plaintiff has established that the activities of the Defendants West Coast Supply, Shrooms Online and Flash Buds has, on a balance of probabilities, resulted in confusion in the marketplace.

(3) Passing off established

[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, in this case between

cannabis infused SKITTLES and genuine SKITTLES. To establish passing off, the Plaintiff must prove (1) the existence of goodwill, (2) deception of the public resulting from a misrepresentation, and (3) actual or potential damage to the plaintiff (*Sandhu Singh Hamdard Trust v Navsun Holdings Ltd*, 2019 FCA 295 at para 38 [*Navsun Holdings*]).

[34] The evidence establishes that the SKITTLES Marks are registered, have been long used and have generated substantial sales. The Marks are distinctive and recognized. The existence of goodwill has been proven, as has confusion (paragraphs 31 and 32 above).

[35] The Burgett affidavit attests to widespread media coverage referencing the Plaintiff's product while depicting the Infringing Product. This evidence is sufficient to establish potential damage to the Plaintiff's reputation and goodwill.

[36] The evidence establishes on a balance of probabilities that the actions of the Defendants West Coast Supply, Shrooms Online and Flash Buds are contrary to paragraphs 7(b) and 7(c) of the *Trademarks Act*.

(4) Depreciation of goodwill

[37] In *Veuve Clicquot*, the Supreme Court of Canada set out what a plaintiff must establish to succeed on a claim of depreciation of goodwill pursuant to section 22 of the *Trademarks Act*:

46. ... 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]

[38] I am satisfied that the evidence establishes each of these elements. The trademark has been used by the Defendants West Coast Supply, Shrooms Online and Flash Buds to advertise and offer for sale the Infringing Product. The SKITTLES Marks and Trade Dress are well known and the evidence demonstrates goodwill attached to the mark. The unlawful nature of the Infringing Product and the adverse publicity it has attracted has likely had a negative effect on the goodwill, likely depreciating its value.

D. *Remedy*

(1) Declaratory relief, injunctive relief and delivery up

[39] The Defendants West Coast Supply, Shrooms Online and Flash Buds have not responded to the action or this motion. The evidence indicates the Infringing Product has been marketed and offered for sale by each of the Defendants. In addition, the Defendant Flash Buds received an order for, processed that order and delivered the Infringing Product.

[40] The Plaintiff is entitled to the requested declaratory and injunctive relief it seeks in respect of the Defendants West Coast Supply, Shrooms Online and Flash Buds. I am also satisfied that the requested order for delivery up and destruction of Infringing Product and

packaging should issue. (A. Kelly Gill, *Fox on Canadian Law of Trade-marks and Unfair Competition*, 4<sup>th</sup> ed., looseleaf, (Toronto: Thomson Reuters Canada, 2002) at ch 13.22; *Trademarks Act*, s 53.2(1)).

(2) Damages

[41] Damages must be proven by the Plaintiff (*Biofert Manufacturing Inc v Agrisol Manufacturing Inc*, 2020 FC 379 at para 208 [*Biofert*]). Speculative or unproven damages will not be awarded. However, the Court may draw inferences from a defendant's actions and the results of those actions to reasonably estimate damages, sometimes referred to as nominal damages (*Ragdoll Productions (UK) Ltd v Doe*, 2002 FCT 918 at para 42). This is particularly so where the failure of the defendants to participate in the proceeding frustrates a plaintiff's efforts to establish damages (*H-D U.S.A., LLC v Varzari*, 2021 FC 620 at para 54 [*H-D U.S.A.*], *UBS Group AG v Yones*, 2022 FC 132 at paras 52 and 53).

[42] The Plaintiff seeks \$20,000 in nominal damages from each Defendant (a total of \$60,000) arguing this is well within the range for nominal damage awards based upon the jurisprudence. For example, the Plaintiff cites *Nintendo of America Inc v King of Windows Home Improvements Inc*, 2021 FC 291, where \$32,000 was awarded for trademark infringement (also see *Navsun Holdings, Subway IP LLC v Budway, Cannabis & Wellness Store*, 2021 FC 583; *H-D U.S.A.*).

[43] In *Biofert*, Justice Glennys McVeigh attached, at Annex B, a very helpful summary of cases where damages were awarded in cases of "insufficient proof". That chart reflects a global award for damages in such instances that ranges from a low of \$1,000 to a high of \$25,000.

[44] I have considered the jurisprudence relied on by the Plaintiff, the chart annexed to the *Biofert* decision, and taken into account the evidence demonstrating that the Plaintiff's trademarks have been negatively impacted by the adverse publicity surrounding the Infringing Product. Having done so, I conclude that an award of \$15,000 per Defendant is a reasonable estimate of the damages incurred.

(3) Punitive damages

[45] The Plaintiff seeks punitive damages in the amount of \$100,000 per Defendant (a total of \$300,000).

[46] Punitive damages are awarded in exceptional cases where “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 [*Whiten*]). Retribution, denunciation and deterrence are the recognized justifications for punitive damages (*Whiten* at para 111). Whether or not a defendant’s conduct warrants a punitive award as well as the quantum of any such award should be informed by various factors (*Whiten* at paras 112–113).

[47] In this instance, the Plaintiff argues that the Defendants are marketing and offering a product for sale that not only violates their rights but also runs afoul of the *Cannabis Act*, SC 2018, c 16, and may result in harm. The Plaintiff argues that the Defendants must have been aware of the unlawful nature of their activities and points to the Defendants’ efforts to conceal their identities as underscoring this fact. The Plaintiff submits a punitive award is necessary to

signal that the appropriation of intellectual property in association with the sale of non-compliant and potentially dangerous food products will have consequences.

[48] Inferences based on actions that might have other explanations need to be drawn cautiously. Having considered the evidence and circumstances, including that of communications with the Defendants before and after service of the Statement of Claim, I agree with the Plaintiff and find the Defendants' efforts to remain anonymous support the conclusion that they had knowledge of the unlawful nature of their activity. I also find that advertising and offering for sale of a potentially dangerous product using appropriated trademarks that are evidently and obviously attractive to children represents a marked departure from ordinary standards of decent behaviour that deserves to be denounced and deterred.

[49] Punitive damages are warranted. The quantum of such damages is to be proportional to the objectives sought to be achieved by a punitive award, in this case denunciation and deterrence. Several factors inform this assessment, including a defendant's degree of blameworthiness, the harm caused to the plaintiff and the profit made by the defendant. Blameworthiness engages a consideration of a defendant's conduct including whether the conduct was planned, whether the defendant knew it was unlawful, or whether there was an attempt to conceal the activity (*Whiten* at para 113).

[50] The Plaintiff relies on *Lam v Chanel S. de R.L.*, 2017 FCA 38 [*Lam*], in support of its view that an award of \$100,000 per Defendant is appropriate in this case. In *Lam*, the Court of Appeal upheld a punitive damages award of \$250,000. The award in *Lam* was based on a number

of considerations beyond a profit motivation and the erosion of the plaintiff's trademark rights. These included efforts to mislead the court, fraudulent activity after the filing of the statement of claim and recidivist conduct. *Lam* involved a defendant who had demonstrated flagrant and ongoing disregard for the law, and as such I find it to be of minimal assistance in this case.

[51] I have placed significant weight on the issue of harm not only to the Plaintiff but also to members of the public who might accidentally consume the Defendants' Infringing Product believing it to be a genuine SKITTLES product. The fact that SKITTLES are a confectionary product that are attractive to children reinforces the need to denounce the Defendants' conduct. I have also considered the Defendants' failure to respond to the Statement of Claim and appear in these proceeding and have concluded the Defendants' conduct was known to be infringing. I also note that the Defendants West Coast Supply, Shrooms Online and Flash Buds each appear to have ceased to market and offer the Infringing Product for sale, which is a mitigating factor but one that also reinforces the value of a punitive award as a means of deterring future unlawful conduct.

[52] Having considered all of these factors, I am of the opinion that a punitive damages award in the amount of \$30,000 per Defendant (West Coast Supply, Shrooms Online and Flash Buds) is sufficient to promote deterrence and denounce the Defendants' unacceptable conduct.

(4) Costs

[53] The Plaintiff seeks costs on a lump sum basis for \$10,000 per Defendant, which it submits is a reasonable amount. However, the Plaintiff has not provided a bill of costs or even a

simplified breakdown of costs. In the absence of some evidence, I am not prepared to award lump sum costs in the amount requested.

[54] I have reviewed the recorded entries in this matter and been guided by Column III of Tariff B of the *Rules*. The Plaintiff shall have their costs in the fixed amount of \$3,200 per Defendant (West Coast Supply, Shrooms Online and Flash Buds) inclusive of all disbursements.

**JUDGMENT IN T-722-21**

**THIS COURT'S JUDGMENT is that:**

1. The Plaintiff is granted leave to bring this motion in writing.
2. The Plaintiff's motion is dismissed in respect of JOHN DOE #1 operating and carrying on business as KING TUTS CANNABIS, and JOHN DOE #5, operating and carrying on business as SURE BUDS.
3. The Motion is granted in respect of JOHN DOE #2, operating and carrying on business as WEST COAST SUPPLY [West Coast Supply], JOHN DOE #3, operating and carrying on business as SHROOMS ONLINE [Shrooms Online] and JOHN DOE #4, operating and carrying on business as FLASH BUDS [Flash Buds], who have:
  - (a) infringed the registered SKITTLES trademarks listed in Appendix A [the SKITTLES Marks] contrary to sections 19 and 20 of the *Trademarks Act*, RSC 1985, c T-13, as amended [Act];
  - (b) used the SKITTLES Marks in a manner likely to depreciate the value of the goodwill attached to them, contrary to section 22 of the Act;
  - (c) directed public attention to their goods in such a way as to cause or to be likely to cause confusion in Canada between their goods and the Plaintiff's SKITTLES goods, contrary to section 7(b) of the Act; and
  - (d) passed off their goods as and for the Plaintiff's SKITTLES goods, contrary to section 7(c) of the Act.
4. The Defendants West Coast Supply, Shrooms Online and Flash Buds, including their shareholders, officers, directors, employees, agents, servants and assigns,

and any other person or entity acting on their behalf, including websites or social media sites the Defendants West Coast Supply, Shrooms Online and Flash Buds own, operate, and/or control, are hereby enjoined from directly or indirectly importing, exporting, packaging, labeling, advertising, marketing, distributing, offering for sale or selling in or from Canada:

- (a) products containing tetrahydrocannabinol [THC] or other cannabinoids in association with the SKITTLES Marks or confusingly similar trademarks, including any such product in packaging that depicts the SKITTLES Marks [Infringing Product];
- (b) products containing THC or other cannabinoids in packaging that is confusingly similar with the SKITTLES packaging depicted in Appendix B [SKITTLES Trade Dress];
- (c) packaging and/or labelling used or intended to be used for Infringing Product which depicts the SKITTLES Marks or confusingly similar trademarks or that is confusingly similar with the SKITTLES Trade Dress, including that packaging depicted in Appendix C [Infringing Packaging];  
or
- (d) Mars Canada's SKITTLES products to which THC or other cannabinoids have been added or introduced.

5. The Defendants West Coast Supply, Shrooms Online and Flash Buds shall at their own cost within ten (10) days of receiving a copy of this Judgment deliver to the Plaintiff or its designee for destruction all Infringing Product and Infringing Packaging in their direct or indirect possession, power and/or control, including

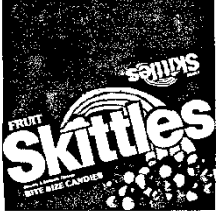





the products and packaging depicted in Appendix C, and any bulk or unpackaged SKITTLES product to which THC or other cannabinoids have been added or introduced.

6. The Defendants West Coast Supply, Shrooms Online and Flash Buds shall at their own cost within ten (10) days of the date of this Judgment:
  - (a) disclose to the Plaintiff in writing their source of all Infringing Product and Infringing Packaging; and
  - (b) send to the Plaintiff all documents and communications in their possession, power or control regarding or relating to the Defendants' acquisition or sale of Infringing Product or Infringing Packaging.
7. The Defendants West Coast Supply, Shrooms Online and Flash Buds shall each pay to the Plaintiff \$15,000 in damages.
8. The Defendants West Coast Supply, Shrooms Online and Flash Buds shall each pay to the Plaintiff \$30,000 in punitive damages.
9. The Defendants West Coast Supply, Shrooms Online and Flash Buds shall each pay to the Plaintiff \$3,200 in costs on this motion and in the action inclusive of all disbursements.
10. This Judgment shall bear interest at the rate of 2%.

"Patrick Gleeson"  
\_\_\_\_\_  
Judge

## APPENDIX A - SKITTLES MARKS

Trademark	Reg. No.	Goods/Services
SKITTLES	Reg TMA214430	(1) Candy
SKITTLES & COLOUR DESIGN 	Reg TMA313971	(1) Confectionery foods, namely candy
Skittles & Design 	Reg TMA887985	(1) Confectionery, namely, candy
SKITTLES & Upside Down Rainbow Design 	Reg TMA894368	(1) Confectionery, namely, candy
SKITTLES UPSIDE DOWN RAINBOW Design 	Reg TMA894366	(1) Confectionery, namely, candy

APPENDIX B - SKITTLES PACKAGING & TRADE DRESS



APPENDIX C - INFRINGING PRODUCT & PACKAGING



**FEDERAL COURT**  
**SOLICITORS OF RECORD**

**DOCKET:** T-722-21

**STYLE OF CAUSE:** MARS CANADA INC. v JOHN DOE #1, operating and carrying on business as KING TUTS CANNABIS, JOHN DOE #2, operating and carrying on business as WEST COAST SUPPLY, JOHN DOE #3, operating and carrying on business as SHROOMS ONLINE, JOHN DOE #4, operating and carrying on business as FLASH BUDS, and JOHN DOE #5, operating and carrying on business as SURE BUDS

**MOTION IN WRITING CONSIDERED AT OTTAWA, ONTARIO, PURSUANT TO RULE 369 OF THE *FEDERAL COURTS RULES* AND VIDEOCONFERENCE HEARING HELD ON JULY 29, 2022**

**JUDGMENT AND REASONS:** GLEESON J.

**DATED:** AUGUST 12, 2022

**WRITTEN REPRESENTATIONS BY AND APPEARANCE:**

James J. Holloway

FOR THE PLAINTIFF

**SOLICITORS OF RECORD:**

Baker & McKenzie LLP  
Barristers and Solicitors  
Toronto, Ontario

FOR THE PLAINTIFF