

**Federal Court of Appeal**



**Cour d'appel fédérale**

**Date: 20170508**

**Dockets: A-5-16  
A-33-16**

**Citation: 2017 FCA 96**

**CORAM: STRATAS J.A.  
GLEASON J.A.  
WOODS J.A.**

**BETWEEN:**

**VENNGO INC.**

**Appellant**

**and**

**CONCIERGE CONNECTION INC. c.o.b. as  
PERKOPOLIS, MORGAN C. MARLOWE and  
RICHARD THOMAS JOYNT**

**Respondents**

Heard at Toronto, Ontario, on January 9, 2017.

Judgment delivered at Ottawa, Ontario, on May 8, 2017.

**REASONS FOR JUDGMENT BY:**

**GLEASON J.A.**

**CONCURRED IN BY:**

**STRATAS J.A.  
WOODS J.A.**

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**REASONS FOR JUDGMENT**

**GLEASON J.A.**

[1] Venngo Inc. appeals from the December 3, 2015 judgment of the Federal Court (*per* Manson J.) in *Venngo Inc. v. Concierge Connection Inc. c.o.b. as Perkopolis, Morgan C. Marlowe and Richard Thomas Joynt*, 2015 FC 1338, 262 A.C.W.S. (3d) 465 [*Venngo*] in which the Federal Court dismissed Venngo's claims for trade-mark infringement and related actions.

Venngo also appeals from the January 7, 2016 costs order of the Federal Court granting costs in the respondents' favour in the lump sum amount of \$231,000 (*Venngo Inc. v. Concierge Connection Inc. c.o.b. as Perkopolis, Morgan C. Marlowe and Richard Thomas Joynt*, unreported Federal Court order, docket T-467-11 [*Costs Order*]).

[2] For the reasons that follow, I would dismiss the appeal from the judgment on the merits, but would allow the costs appeal on the basis outlined below and would remit the matter of costs to the trial judge for re-determination in accordance with these reasons.

I. Background and the Decisions of the Federal Court

[3] Both Venngo and the respondent, Concierge Connection Inc. (CCI), provide discount benefit and incentive programs to Canadian organizations to facilitate the organizations' extension of perks to their own employees or members. The organizations sign contracts with either Venngo or CCI, which, in turn, offer discounts on various products and services, such as entertainment tickets, spa visits, hotel stays, car rentals or fitness club memberships to the participating organizations' members or employees. Human resources representatives from client organizations are generally the points of contact for Venngo and CCI. At the time of trial, Venngo and CCI were the only two such providers in Canada.

[4] Venngo was founded in 2000 and from 2007 onward has offered access to a wide range of perks to its clients' members or employees across various sectors, using several trade-marks in connection with its business. It filed and registered the following trade-marks that are relevant to this appeal:

Trade-mark	Filed on:	Declared Use:	Registered:
WORKPERKS	May 4, 2007	Aug. 17, 2009	Sept. 15, 2009
MEMBERPERKS	May 4, 2007	Jan. 18, 2011	Feb. 28, 2011
ADPERKS	May 4, 2007	April 9, 2009	April 30, 2009
PARTNERPERKS	May 7, 2008	Aug. 13, 2009	Sept. 10, 2009
CLIENTPERKS	May 29, 2009	May 7, 2010	June 8, 2010
CUSTOMERPERKS	May 29, 2009	May 7, 2010	June 9, 2010

[5] Venngo's trade-marks were registered in reference to a broad category of wares and services. For example, as noted by the Federal Court, the description of the wares and services for the WORKPERKS mark provides:

WARES/MERCHANDISE

Computer software, namely internet software for portal applications, networking, business to business (B2B) communications, business to consumer (B2C) communications, marketing, product and service distribution.

SERVICES

Providing packaged employee saving and value added programs delivered online and through printed publications; Providing online facilities and printed publications to allow companies to advertise and market products and services; Providing services designing, creating, hosting, maintaining, operating, managing, advertising and marketing savings and value-added programs; Providing software interfaces available over the internet with multiple users access to a wide range of information.

[6] CCI was incorporated in 2001. It initially operated in Toronto and offered an employee discount ticket and attraction program. By 2011, it expanded its offerings to sixteen categories, providing access to a wide variety of discounts beyond entertainment and attractions.

[7] CCI filed an application to register the trade-mark PERKOPOLIS on November 28, 2008 in reference to “Entertainment ticket sales and Hotel bookings services”. CCI began using the PERKOPOLIS trade-mark in 2009, and it was registered on March 1, 2011. By that time, CCI was using the PERKOPOLIS mark in respect of a variety of goods and services beyond hotel bookings and entertainment ticket sales. When CCI’s application for the PERKOPOLIS mark was filed, Venngo’s applications for WORKPERKS, MEMBERPERKS, ADPERKS and PARTNERPERKS had already been filed. The Canadian Trade-marks Office did not cite any of Venngo’s trade-marks in opposition to CCI’s application for PERKOPOLIS or the PERKOPOLIS mark in opposition to any of Venngo’s trade-mark applications.

[8] Venngo alleges that CCI’s use of the trade-mark PERKOPOLIS is an infringement of Venngo’s intellectual property rights in its own suite of perks-related trade-marks. In its action, it made several claims against CCI and the individual respondents, but abandoned some of the claims prior to or at trial. At trial, Venngo advanced claims under subsections 7(a) and 7(b), section 19, paragraph 20(1)(a) and section 22 of the *Trade-marks Act*, R.S.C. 1985, c. T-13 (*Trade-marks Act*) against CCI and the individual respondent, Morgan C. Marlowe, having abandoned all other claims in the Statement of Claim, including those against the other personal respondent, Richard Thomas Joynt.

[9] Subsection 7(a) of the *Trade-marks Act* requires that:

7. No person shall

(a) make a false or misleading statement tending to discredit the business, goods or services of a competitor.

7. Nul ne peut :

a) faire une déclaration fautive ou trompeuse tendant à discréditer l’entreprise, les produits ou les services d’un concurrent.

This provision in effect codifies the common law tort of injurious falsehood, which makes liable those who cause damage to competitors by making false or misleading statements that undermine the competitors' reputations, goods or services.

[10] Subsection 7(b) of the *Trade-marks Act* provides that:

**7.** No person shall

[...]

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

**7.** Nul ne peut :

[...]

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

The common law tort of passing off is essentially codified in subsection 7(b). This tort protects one party from damages that are triggered when another party attempts to "pass off" its own goods or services as those of the other through the use of a confusing mark, which may be registered or unregistered.

[11] Section 19 of the *Trade-marks Act* states:

**19.** Subject to sections 21, 32 and 67, the registration of a trade-mark in respect of any goods or services, unless shown to be invalid, gives to the owner of the trade-mark the exclusive right to the use throughout Canada of the trade-mark in respect of those goods or services.

**19.** Sous réserve des articles 21, 32 et 67, l'enregistrement d'une marque de commerce à l'égard de produits ou services, sauf si son invalidité est démontrée, donne au propriétaire le droit exclusif à l'emploi de celle-ci, dans tout le Canada, en ce qui concerne ces produits ou services.

Section 19 embodies the right of the registered trade-mark owner to the exclusive use of its registered trade-mark and operates to prevent the appropriation of a registered trade-mark by another party.

[12] Paragraph 20(1)(a) of the *Trade-marks Act* states:

**20.** (1) The right of the owner of a registered trade-mark to its exclusive use is deemed to be infringed by any person who is not entitled to its use under this Act and who

(a) sells, distributes or advertises any goods or services in association with a confusing trade-mark or trade-name.

**20.** (1) Le droit du propriétaire d'une marque de commerce déposée à l'emploi exclusif de cette dernière est réputé être violé par une personne qui est non admise à l'employer selon la présente loi et qui :

a) soit vend, distribue ou annonce des produits ou services en liaison avec une marque de commerce ou un nom commercial créant de la confusion.

Distinct from section 19, paragraph 20(1)(a) identifies an infringement where an unauthorized party uses a trade-mark that is confusing in light of (but not necessarily identical to) the claimant's registered trade-mark.

[13] Finally, section 22 of the *Trade-marks Act* provides in relevant part that:

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

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

In general terms, section 22 protects against the goodwill in one party's trade-mark being undermined by another party's use of the trade-mark or something so closely akin to it so as to be understood as the other party's mark.

[14] In the decision under appeal, the Federal Court dismissed Venngo's claims under the foregoing provisions of the *Trade-marks Act* against CCI and Ms. Marlowe. In terms of Ms. Marlowe, the Federal Court held that there was no evidence that she acted in any way outside the normal course of her duties as an officer and director of CCI and, accordingly, concluded that there was no basis for finding her personally liable for the activities of CCI. Venngo does not challenge this finding in the present appeal. It likewise does not challenge the Federal Court's dismissal of the claims against CCI under subsection 7(a) and section 19 of the *Trade-marks Act*.

[15] However, Venngo does challenge the Federal Court's dismissal of the claims against CCI under subsection 7(b), paragraph 20(1)(a) and section 22 of the *Trade-marks Act*. It is therefore necessary to review the Federal Court's treatment of these issues in more detail.

A. *The Federal Court's treatment of the claim under section 22 of the Trade-marks Act*

[16] The Federal Court began its discussion of the claim under section 22 for depreciation of goodwill by outlining the requirements for a successful cause of action under the section, quoting from the seminal decision of the Supreme Court of Canada in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, [2006] 1 S.C.R. 824 [*Veuve Clicquot*]. In *Veuve Clicquot* at paragraph 46, the Supreme Court outlined the following four elements of a successful claim



under section 22: first, that a claimant's registered trade-mark was used by the defendant in connection with wares and services whether or not they are competitive with those of the claimant; second, that the claimant's registered trade-mark is sufficiently well-known to have significant goodwill attached to it, although it need not be famous; third, that the claimant's mark was used by the defendant in a manner likely to affect that goodwill; and, finally, that the defendant's actions would likely depreciate the value of the goodwill.

[17] After outlining these four elements, the Federal Court noted that "use" under section 22 of the *Trade-marks Act* "requires use [by a defendant] of a plaintiff's trademark, as registered" (*Venngo*, para. 86). The Court noted that the only potential example of such use alleged by Venngo was CCI's use of the phrase "MEMBER PERKS INCLUDE" on its websites. The Federal Court determined that this was not "use as a trade-mark for the purpose of distinguishing CCI's wares or services from others, and cannot constitute the basis for a valid section 22 claim" (*Venngo*, para. 86). Consequently, the Federal Court dismissed the section 22 claim.

B. *The Federal Court's treatment of the claim under subsection 7(b) of the Trade-marks Act*

[18] In terms of the claim for passing off under subsection 7(b) of the *Trade-marks Act*, the Federal Court noted that, in accordance with the decisions of the Supreme Court of Canada in *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120 at p. 132, 95 D.L.R. (4th) 385 [*Ciba-Geigy*] and *Kirkbi AG v. Ritvik Holdings Inc.*, 2005 SCC 65 at para. 66, [2005] 3 S.C.R. 302, there are three elements to a claim for passing off: the existence of goodwill, deception of the public due to a misrepresentation and actual or potential damage to the plaintiff. The Federal Court held that Venngo had established it possessed the requisite goodwill in its trade-marks to

found a claim for passing off, but that it failed to establish the other two requisite elements of the claim. More specifically, the Court held that Venngo had not shown that it had suffered any damage as a result of CCI's use of the PERKOPOLIS trade-mark. The Federal Court also held that there was no likelihood of deception through misrepresentation for the same reasons it subsequently found there to be no likelihood of confusion between Venngo's and CCI's trade-marks. It thus dismissed the passing off claim under subsection 7(b).

C. *The Federal Court's treatment of the claim under paragraph 20(1)(a) of the Trade-marks Act*

[19] In addressing Venngo's claim under paragraph 20(1)(a) of the *Trade-marks Act*, the Federal Court assessed whether there was likely to be confusion between the PERKOPOLIS trade-mark and any of Venngo's marks. The Court noted that section 6 of the *Trade-marks Act*, when read with section 2, sets out the framework for assessing confusion and outlines in subsection 6(5) factors to be considered as part of the exercise. Subsection 6(5) of the *Trade-marks Act* states:

6. (5) In determining whether trade-marks or trade-names are confusing, the court or the Registrar, as the case may be, shall have regard to all the surrounding circumstances including

(a) the inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known;

(b) the length of time the trade-marks or trade-names have been in use;

(c) the nature of the goods, services or

6. (5) En décidant si des marques de commerce ou des noms commerciaux créent de la confusion, le tribunal ou le registraire, selon le cas, tient compte de toutes les circonstances de l'espèce, y compris :

a) le caractère distinctif inhérent des marques de commerce ou noms commerciaux, et la mesure dans laquelle ils sont devenus connus;

b) la période pendant laquelle les marques de commerce ou noms commerciaux ont été en usage;

c) le genre de produits, services ou

business;

entreprises;

(d) the nature of the trade; and

d) la nature du commerce;

(e) the degree of resemblance between the trade-marks or trade-names in appearance or sound or in the ideas suggested by them.

e) le degré de ressemblance entre les marques de commerce ou les noms commerciaux dans la présentation ou le son, ou dans les idées qu'ils suggèrent.

[20] After citing at length from the decisions of the Supreme Court of Canada in *Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, [2006] 1 S.C.R. 772 [*Mattel*], *Masterpiece Inc. v. Alavida Lifestyles Inc.*, 2011 SCC 27, [2011] 2 S.C.R. 387 [*Masterpiece*] and *Veuve Clicquot*, the Federal Court articulated its understanding of the applicable law (*Venngo*, para. 105):

A distillation of these three Supreme Court decisions and consideration of the subsection 6(5) factors of the Act results in the Court having to decide:

- i. As a matter of first impression, would the relevant public – primarily the [human resources] decision makers of the parties' customers, but also end-users of the services offered by the parties, be confused or likely to be confused into thinking that the source of PERKOPOLIS services (CCI) is the same as or associated with the source of WORKPERKS, ADPERKS, CUSTOMERPERKS or MEMBERPERKS services (*Venngo*);
- ii. In determining the likelihood of confusion, as a first step the Court will consider the degree of resemblance between the marks in appearance or sound or in the ideas suggested by the marks – the [paragraph] 6(5)(e) factor most likely to have the greatest effect on the confusion analysis (*Masterpiece*, above, at para 49);
- iii. The other section 6 factors and surrounding circumstances must then also be considered, including the evidence of actual confusion.

[21] The Federal Court further noted that the likelihood of confusion is to be considered from the perspective of the “casual consumer somewhat in a hurry” as described in *Mattel* at paragraph 56.

[22] After setting out the foregoing legal framework, the Federal Court commenced its analysis of the marks in question by considering the degree of resemblance between PERKOPOLIS and each of Venngo’s trade-marks under paragraph 6(5)(e) of the *Trade-marks Act*. The Federal Court held that the only similarity between Venngo’s marks and the PERKOPOLIS mark was the use of the word “perk”. Because “perk” is a generic term for the types of services at issue, the Federal Court concluded that it cannot in and of itself be the basis for resemblance between the parties’ marks. It also noted that Venngo’s use of the word “perk” is associated in its marks with the intended audience for Venngo’s offerings while PERKOPOLIS is a non-specific reference that suggests the idea of “perks” but does not tie these perks to particular audiences. The Federal Court therefore concluded that it is “readily apparent that [...] there is little resemblance in either appearance or sound [...] or] in the ideas suggested by the marks” (*Venngo*, para. 110).

[23] The Federal Court observed that this conclusion tended to be confirmed by the evidence offered by some of Venngo’s own witnesses, a review of the trade-marks register revealing the common use of the term “perk” in association with benefit programs and the dictionary definitions of “perk” and “perquisite”. The Federal Court concluded that this factor favoured CCI.

[24] With respect to inherent distinctiveness and acquired distinctiveness, the Federal Court came to a similar conclusion. Noting that Venngo's marks are "at best highly suggestive, if not descriptive" because they simply refer to "perks" (i.e. the wares and services offered) and the audiences for those perks, the Federal Court held that Venngo's marks lack any remarkable or unique elements to render them distinct (*Venngo*, para. 117). The Federal Court also concluded that Venngo's use of the generic term "perk" in its own advertising materials and on its website eroded any possible distinctiveness of its marks. Consequently, the Federal Court determined that Venngo's trade-marks have "little inherent distinctiveness and are afforded a narrow ambit of protection" (*Venngo*, para. 119). The Federal Court concluded that this factor likewise favoured CCI.

[25] On the question of how long the relevant trade-marks had been in use under paragraph 6(5)(b), the Federal Court concluded that this factor favoured Venngo because use of some of its marks had pre-dated CCI's use of PERKOPOLIS.

[26] Pursuant to paragraph 6(5)(c), the Federal Court also considered the nature of the wares, services or business at issue. Noting that the services and business of Venngo and CCI largely overlap, the Federal Court concluded that this factor also favoured Venngo.

[27] The Federal Court then addressed other surrounding circumstances. The Federal Court began by observing that CCI's registration of its PERKOPOLIS mark occurred without any citation of Venngo's registered trade-marks or any other marks involving the word "perk" in opposition by the Canadian Trade-marks Office and that, similarly, the Venngo marks had been

registered without PERKOPOLIS being cited in opposition by the Trade-marks Office. The Federal Court found that this consideration favoured CCI.

[28] Under this heading, the Federal Court also addressed Venngo's evidence and arguments concerning actual confusion. Venngo adduced potential evidence of actual confusion from three client representatives (Sharon Mitchell, Elizabeth Kieffer and Kevin Hayashi), one employee (Bradley Moyer) and a representative from a similar perk program for salespeople (Douglas Garcia). The Federal Court rejected Mr. Moyer's evidence as unreliable and unnecessary hearsay. It found that the remaining evidence was insufficiently compelling to outweigh the other factors and surrounding circumstances. The Federal Court also noted that the President of Venngo agreed during his cross-examination that the nature of the trade is such that senior human resources professionals represent the customer base and that, in practice, they choose a program only after conducting some research, thereby lessening the likelihood of actual confusion.

[29] Relying on *Masterpiece*, the Federal Court noted that the confusion analysis is a weighing exercise that falls to the trial judge. In weighing all of the relevant factors and circumstances together, the Federal Court concluded at paragraph 129 that:

Although there was some limited evidence of confusion, it was insufficient to convince [the Court] that the casual consumer somewhat in a hurry would confuse the Venngo and CCI marks, other than simply on the basis that the parties engage in a relatively closed or "niche" market, and have chosen a generic term within their marks highly suggestive of their services, which is afforded a very narrow ambit of protection.

Given this conclusion, there was no basis to find infringement under paragraph 20(1)(a) of the *Trade-marks Act*.

#### D. *The Costs Order*

[30] In its *Costs Order*, the Federal Court awarded CCI costs, inclusive of all fees, disbursements and taxes, in a lump sum amount of \$231,000 in light of its disposition of the action on its merits and the submissions of the parties. In reaching its decision on costs, the Federal Court found amounts paid to its predecessor counsel and fees paid to its current counsel outlined by CCI in a solicitor's affidavit to be reasonable, determined that there was inadequate documentary evidence to support all of CCI's claimed disbursements, noted the implication of Venngo's rejection of an offer to settle under Rule 420(2)(b) of the *Federal Courts Rules*, SOR/98-106 (the *Rules*) and observed that Venngo had brought and maintained multiple unmeritorious claims in the action. As a general consideration, the Federal Court concluded that a lump sum award in excess of the standard costs that would typically be assessed under Rule 400 of the *Rules* was appropriate given that Venngo and CCI are both sophisticated commercial parties and in light of the factors listed above. It settled on a final lump sum award that represents approximately 50% of the total fees and disbursements incurred by CCI in defence of the action.

#### II. Venngo's Arguments on Appeal

[31] Turning now to the arguments on appeal, Venngo first argues that the Federal Court erred in finding no confusion and thus no infringement under paragraph 20(1)(a) and no passing off

under subsection 7(b) of the *Trade-marks Act*. Venngo asserts five errors in the Federal Court's confusion analysis and argues that, but for these errors, the weighing exercise under subsection 6(5) of the *Trade-marks Act* would have resulted in a finding of confusion, or, in the alternative, would at least merit reconsideration.

[32] In terms of the errors alleged in the confusion analysis, Venngo first challenges the Federal Court's assessment of the degree of resemblance between Venngo's and CCI's trade-marks. It submits that the Federal Court erred by inferring that PERKOPOLIS and Venngo's trade-marks do not evoke in the mind of consumers the same idea. Venngo argues that PERKOPOLIS, on the contrary, suggests an umbrella program that could include Venngo's programs. Venngo also says that the Federal Court did not give enough weight to the constituent term "perk" in assessing the degree of resemblance between the relevant marks.

[33] Second, Venngo submits that the Federal Court committed a legal error by not addressing acquired distinctiveness under paragraph 6(5)(a) of the *Trade-marks Act*. It points to the House of Lords' decision in *Reddaway v. Banham*, [1896] A.C. 199, 13 R.P.C. 218, the Supreme Court of Canada's decision in *Pepsi-Cola Company of Canada, Ltd v. The Coca-Cola Company of Canada, Ltd.*, [1940] S.C.R. 17 (available on CanLII) and this Court's decision in *Miss Universe, Inc. v. Bohna*, [1995] 1 F.C.R. 614, 58 C.P.R. (3d) 381 (F.C.A.) for the proposition that descriptive trade-marks can acquire distinctiveness over time, mainly by virtue of public awareness. Venngo argues that the Federal Court erred in law by not considering whether Venngo's trade-marks had become distinct on this basis. Venngo also says that the Federal Court's conclusions that there is goodwill attached to Venngo's trade-marks, but that the trade-



marks are not distinct, are inconsistent, primarily on the basis that the same evidence underlies both inquiries.

[34] Third, Venngo submits that the Federal Court erred in its analysis of the nature of the trade under paragraph 6(5)(d) of the *Trade-marks Act*. Venngo asserts that the Federal Court erred in law by improperly focusing on the due diligence of the senior human resources professionals who choose between perks programs as opposed to the first-impression lens of a consumer somewhat in a hurry as taught in *Mattel*. Subsequent to the appeal in this matter being heard, Venngo directed this Court to the British Columbia Court of Appeal's recent decision in *Vancouver Community College v. Vancouver Career College (Burnaby) Inc.*, 2017 BCCA 41 (available on CanLII) [VCC] to support its proposition that the confusion analysis turns on impressions drawn upon first encountering a mark. Venngo also argues, citing the Supreme Court of Canada's decision in *Ciba-Geigy*, that the Federal Court was bound to consider the experiences of end-user consumers (*e.g.*, employees who get access to the perks) and that, in failing to do so, the Federal Court erred in law.

[35] Fourth, Venngo argues that it was not open to the Federal Court to consider trade-mark registration proceedings in its confusion analysis.

[36] Finally, Venngo submits that the Federal Court gave too little weight to Venngo's evidence of actual confusion and improperly determined the evidence of Mr. Moyer to be inadmissible hearsay.

[37] Venngo also submits that the Federal Court erred in its assessment of damages under subsection 7(b) of the *Trade-marks Act* by failing to consider Venngo's evidence of sales diversion and trade-mark tarnishing. Again, following the hearing of its appeal, Venngo pointed this Court to the *VCC* decision to establish that evidence of interference with goodwill is sufficient to establish damages.

[38] On the question of depreciation of goodwill under section 22 of the *Trade-marks Act*, Venngo submits that the Federal Court committed a legal error under the first step of the *Veuve Clicquot* test by narrowing the requirement for "use" to only uses of a plaintiff's trade-mark as it is registered. In this regard, it submits that *Veuve Clicquot* recognizes that a defendant need not use a mark identical to the plaintiff's trade-mark to be liable under section 22. Rather, Venngo says that the Supreme Court held in *Veuve Clicquot* that section 22 could be infringed where the marks are so similar that "the casual observer would recognize the mark used by the respondents as the mark of the appellant (as would be the case if *Kleenex* were spelled *Klenex*)" (*Veuve Clicquot*, para. 48). Given that the Federal Court applied the wrong test under section 22 of the *Trade-marks Act*, Venngo says that the Court's decision under section 22 must be set aside.

[39] In terms of the *Costs Order*, although Venngo raised additional points in its memorandum of fact and law, it limited its oral submissions to two arguments. First, it argues that the Federal Court improperly relied on untested hearsay evidence to establish amounts for CCI's claimed payments to its predecessor counsel. More specifically, it says that the only evidence as to the fees, disbursements and taxes paid to CCI's former solicitors was a hearsay statement in the affidavit one of its current counsel filed in support of these amounts. As this

statement was hearsay, Venngo says that the Federal Court erred in considering it. Second, Venngo argues that the Federal Court treated CCI's offer to settle as operative under Rule 420 of the *Rules* when it did not meet the requirements of that Rule. For both these reasons it requests that, even if it is unsuccessful in its appeal on the merits, the *Costs Order* be set aside.

### III. Analysis

#### A. *Did the Federal Court err in assessing likely confusion between the PERKOPOLIS trademark and Venngo's trade-marks?*

[40] As Venngo's claims in large part turn on whether CCI's PERKOPOLIS mark is likely to be confusing with Venngo's own marks – and indeed the bulk of Venngo's arguments on appeal target the Federal Court's confusion analysis – it is useful to begin with this issue.

[41] In order for this Court to disturb the Federal Court's assessment of the lack of likely confusion between Venngo's and CCI's marks, Venngo must demonstrate either that the Federal Court relied on an incorrect legal principle or committed a palpable and overriding error in addressing questions of fact or questions of mixed fact and law where there are no extricable questions of law: *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235 [*Housen*].

[42] Prior to discussing the five errors that Venngo says the Federal Court made in its confusion analysis, it bears repeating that we should be careful not to be overly intrusive and extricate questions of law where the dispositive question is actually driven by the facts because so doing undercuts the deference that is owed to the trier-of-fact: *Housen* at para. 36; *Sattva Capital Corp. v. Creston Moly Corp.*, 2014 SCC 53 at para. 54, [2014] 2 S.C.R. 633; *Teva*

*Canada Limited v. Leo Pharma Inc.*, 2017 FCA 50 at para. 17 (available on CanLII). It also bears repeating that the appellate standard of review applied to questions of fact and questions of mixed fact and law from which a legal issue cannot be extricated is a deferential one. As noted by this Court in *Canada v. South Yukon Forest Corporation*, 2012 FCA 165 at para. 46, 431 N.R. 286:

[...] “Palpable” means an error that is obvious. “Overriding” means an error that goes to the very core of the outcome of the case. When arguing palpable and overriding error, it is not enough to pull at leaves and branches and leave the tree standing. The entire tree must fall.

[43] In many respects, as is apparent from the discussion that follows, Venngo is asking this Court to intervene and conduct a *de novo* confusion assessment and to substitute our assessment of the evidence for that of the Federal Court. However, that is something that we cannot do on appeal. We can only intervene in factual issues or issues of mixed fact and law from which a legal issue cannot be extricated if the Federal Court made a palpable and overriding error and in legal issues if the Federal Court applied an incorrect legal principle.

(1) Resemblance

[44] As concerns the first error that Venngo says the Federal Court made, Venngo urges us to find that the Federal Court erred in concluding that the term “perk” creates little commonality between the relevant marks and, relatedly, erred in its articulation of the ideas evoked by PERKOPOLIS and Venngo’s trade-marks. In both cases, Venngo is asking this Court to disturb inferences drawn from the evidence by the Federal Court. Accordingly, Venngo must establish a palpable and overriding error before we can intervene. I do not see that the Federal Court committed any such error in its treatment of either point.

[45] Even a cursory reading of the Federal Court's decision reveals that the centrality of the term "perk" was a focus of the Court's confusion analysis and its assessment of the degree of resemblance between the parties' marks. Contrary to what Venngo argues must be the impact of the dominance of the term "perk", the Federal Court explicitly noted that (*Venngo*, para. 108):

[...] the Court can and should have regard to a dominant component in a mark if that component is particularly striking, such that it affects the overall impression of the average consumer. While Venngo argues the word "PERK" or "PERKS" is the dominant component of the marks in issue, even if arguably "perk" or "perks" has an effect on the overall impression of the average consumer, for the reasons below I find that "perk" or "perks" as used in the Venngo trademarks is highly suggestive and hardly distinctive.

[46] The Federal Court thus determined that any dominance of the term "perk" is of little consequence because the term is descriptive. In my view, this inference was open to the Federal Court on the record and also as a matter of interpretation as trade-marks that are plainly descriptive are presumptively weak and are thus generally afforded only a narrow ambit of protection: *Molson Cos. v. John Labatt Ltd.* (1994), 178 N.R. 20 at paras. 5-8, 58 C.P.R. (3d) 527 (F.C.A.) [*Molson*]. Therefore, it was open to the Federal Court to note the descriptive nature of the term "perk" and to consider the implications of such descriptiveness in its assessment of the resemblance between the parties' trade-marks.

[47] Similarly, Venngo has failed to demonstrate a palpable and overriding error underlying the Federal Court's inference that there is little resemblance between the relevant trade-marks on the basis of the ideas they evoke. The core of Venngo's argument is that the use of the term "perk" in PERKOPOLIS and Venngo's trade-marks necessarily evokes the same kind of idea in consumers' minds. This contention relies, once again, on "perk" being a dominant common factor. However, the Federal Court properly considered the trade-marks as they appear, without

breaking them into their constituent parts, in conformity with the applicable law: *Masterpiece* at para. 83; *Molson* at para. 4.

[48] On the basis that each of Venngo's marks is a straightforward descriptor of Venngo's offerings and intended audience, while PERKOPOLIS is an invented suggestive term, it was not a palpable and overriding error for the Federal Court to infer that the marks evoke different ideas and as a result share little resemblance beyond the use of the descriptive term "perk". There is a difference between the ideas the marks of the parties evoke. Consequently, Venngo has failed to demonstrate a palpable and overriding error in the Federal Court's assessment of the "degree of resemblance" between the pertinent trade-marks under paragraph 6(5)(e) of the *Trade-marks Act*.

[49] In *Masterpiece*, the Supreme Court of Canada confirmed that the degree of resemblance is the most relevant consideration in assessing confusion. If there is no resemblance, then the other factors under subsection 6(5) become less relevant. In *Masterpiece* at paragraph 49, the Court stated:

[...] the degree of resemblance, although the last factor listed in s. 6(5), is the statutory factor that is often likely to have the greatest effect on the confusion analysis [...]. As Professor Vaver points out, if the marks or names do not resemble one another, it is unlikely that even a strong finding on the remaining factors would lead to a likelihood of confusion. The other factors become significant only once the marks are found to be identical or very similar [...].

[50] Therefore, it was open to the Federal Court to put significant weight on its determination that there was little resemblance between the parties' trade-marks and to rely on this factor as the principal underpinning in favour of its conclusion that CCI's mark was not likely to cause confusion with Venngo's trade-marks.

## (2) Acquired Distinctiveness

[51] Moving on to consider acquired distinctiveness, Venngo is correct to note that the jurisprudence recognizes that even trade-marks with little inherent distinctiveness can nonetheless acquire distinctiveness. I do not believe that the Federal Court, though sparse in its reasons on this point, erred in determining that Venngo had failed to establish acquired distinctiveness in its marks.

[52] At the outset, Venngo frames its challenge on this point as a legal error by arguing that the Federal Court failed to consider a necessary factor under the applicable statutory test. I reject this contention. Although it might well have been preferable for the Federal Court to have offered a more explicit discussion of acquired distinctiveness, I believe that the Court's reasoning on this point is decipherable from its decision: *Canada v. Long Plain First Nation*, 2015 FCA 177 at para. 143, 388 D.L.R. (4th) 209. More specifically, the Federal Court was alive to the question of the distinctiveness of Venngo's marks as they exist and operate in the market. The Federal Court noted that Venngo had continued to use the term "perk" in a generic manner in its own advertising and website materials and, thus, had eroded any possible distinctiveness the marks might have possessed.

[53] In my view, a fair reading of the Federal Court's reasons reveals its conclusion that the lack of inherent distinctiveness in Venngo's marks had not been shown to have given way to any acquired distinctiveness. In other words, the Federal Court considered this issue and concluded that Venngo's trade-marks remain indistinct. Accordingly, for this Court to intervene, Venngo

needs to demonstrate that it was a palpable and overriding error for the Federal Court to give this factor little or no weight. I do not believe that Venngo has demonstrated any such error, especially in light of the lack of evidence to establish any degree of acquired distinctiveness in the Venngo marks.

[54] Lacking any such evidence, Venngo instead asserts that it was inconsistent for the Federal Court to have found goodwill in Venngo's marks as part of its passing off analysis but to find that the marks were not distinct. This argument is misplaced. Goodwill is not synonymous with distinctiveness. As confirmed by the Supreme Court of Canada in *Veuve Clicquot* at paragraph 54, acquired distinctiveness is but one of many possible indicators of goodwill. However, the two are not necessarily equivalent and it was therefore open to the Federal Court to make the findings it did.

[55] I thus see no reversible error in the Federal Court's treatment of the issues of inherent and acquired distinctiveness.

### (3) Nature of the Trade

[56] With respect to its arguments concerning the Federal Court's assessment of the nature of the trade, Venngo focuses on the following statements made by the Federal Court (*Venngo*, para. 128):

[...] Mr. Stucke in his evidence agreed that the nature of the trade is such that most customers are relatively sophisticated senior HR professionals, who take significant time and due diligence before deciding on a service provider such as Venngo or CCI. This further reduces any likelihood of confusion.



[57] Venngo rightly notes that this excerpt represents the only occasion where the Federal Court explicitly used the words “nature of the trade” in its confusion analysis. The impugned comments form part of the Court’s discussion of “other surrounding circumstances”.

[58] If these statements formed the entirety of the Federal Court’s assessment of this factor, I might agree that the Court committed a legal error by drawing a conclusion concerning the nature of the trade and lack of likely confusion out of the researched buying decisions of consumers (rather than their first impressions), contrary to the teachings of the Supreme Court of Canada in *Masterpiece* at paragraphs 67-74 and *Mattel* at paragraph 56. However, I believe that Venngo’s reading of the Federal Court’s reasons on this point is flawed for two reasons.

[59] First, the impugned statements were made in the context of the Federal Court’s assessment of Venngo’s evidence of actual confusion. Read fairly, paragraph 128 appears to me to be a reproduction of the testimony of Venngo’s chairman for the purpose of contextualizing Venngo’s evidence of actual confusion as opposed to being the Court’s treatment of the likelihood of confusion. It deals with the latter issue elsewhere in its reasons and applies the correct test – that of a casual consumer somewhat in a hurry (*Venngo*, para. 129).

[60] Second, I believe a fair reading of the Federal Court’s reasons reveals that it turned its mind to the nature of trade factor, considered it in its assessment of confusion and thus did not commit a legal error. This factor is concerned with the channels of trade, or the relevant consumer markets, that are exploited by the parties: *Mattel* at para. 86. This Court’s decision in *Pink Panther Beauty Corp. v. United Artists Corp.*, [1998] 3 F.C.R. 534, 80 C.P.R. (3d) 247

[*Pink Panther*] offers a comprehensive description of elements that may animate the factor. This Court held that this factor queries what is being sold, how and where it is sold, to whom it is sold and the nature of the trading environment generally: *Pink Panther* at paras. 30-33.

[61] The Federal Court's consideration of the relevant indicia is evident in its reasons. For example, the Federal Court identified the parties' consumers and end-users, outlined various commercial interactions between the parties, including CCI's success in securing some of Venngo's clients, described the parties' recruitment and advertising activities and noted the difference between the commercial activities of these parties and those organizations that provide perks directly to members (*Venngo*, paras. 2, 30, 32, 36, 38, 56, 58-59, 66, 120). Crucially, the Federal Court concluded for the purpose of its confusion analysis that (*Venngo*, para. 120):

There is no question that the services and business of CCI and Venngo substantially overlap, as do their customers and clients. Both Venngo and the corporate Defendant are engaged in a similar business in the same geographic area.

[62] The Federal Court held that the overlap between the parties' commercial activities, which includes overlap between customers and clients and therefore channels of trade, favoured Venngo's position in the confusion analysis.

[63] Although the Federal Court would have been clearer in its reasons had it specifically addressed the nature of the trade as an independent consideration, the Court's repeated references to relevant indicia confirm that it was alive to the issue and thus committed no error of omission. I accordingly see no reviewable error in the Federal Court's treatment of this factor.

(4) Prosecution History

[64] Venngo's fourth argument that the Federal Court erred in law by considering the prosecution history of the PERKOPOLIS mark is without merit. The Supreme Court of Canada in *Masterpiece* at paragraph 112 and this Court in *Reynolds Presto Products Inc. v. P.R.S. Mediterranean Ltd.*, 2013 FCA 119 at paras. 39-40, 444 N.R. 223 have at least implicitly confirmed that it is not erroneous for the Court to consider prosecution history in its assessment of confusion. The decision of this Court cited by Venngo to support its position – *Alticor Inc. v. Nutravite Pharmaceuticals Inc.*, 2005 FCA 269, 257 D.L.R. (4th) 60 – simply confirms at paragraphs 15 and 16 that for an injunction to issue, confusion must be established as of the time of the hearing or other material date and that confusion at the time of registration may not be relevant. There is nothing in the Federal Court's decision to suggest that the Court conflated a lack of confusion at the time of CCI's registration of the PERKOPOLIS trade-mark with a lack of confusion at the times relevant to Venngo's infringement claims. I also note that the marks' prosecution histories played a relatively minor role in the Federal Court's assessment of confusion. Therefore, I do not believe that the Federal Court erred in mentioning prosecution history as part of the other surrounding circumstances it considered.

(5) Actual Confusion

[65] Finally, I turn to Venngo's concerns about the Federal Court's treatment of Venngo's evidence of actual confusion, a question that occupied a significant portion of the parties' oral arguments. This issue involves two distinct questions: did the Federal Court err in not admitting Mr. Moyer's evidence of statements made by tradeshow attendees as unreliable and unnecessary

hearsay and did the Federal Court err in according little weight to Venngo's remaining evidence going to actual confusion?

[66] On the question of hearsay, the Federal Court declared inadmissible for the truth of their contents various excerpts from the testimony of Mr. Moyer, a Venngo representative who managed Venngo's booths at tradeshow. These statements, if accepted for the truth of their contents, arguably suggested some level of actual confusion between PERKOPOLIS and Venngo's trade-mark WORKPERKS on the part of tradeshow attendees or members of their organizations. Mr. Moyer testified that attendees would approach him at the WORKPERKS program booth, state that they used WORKPERKS, and then ask "well, you are PERKOPOLIS, aren't you?" As his conversations with attendees progressed, Mr. Moyer testified, he would come to realize (Appeal Book, Vol. 9, p. 2793):

[...] that [the attendees] did not in fact have the WORKPERKS program, they had a PERKOPOLIS program.

So it was clear to me that these individuals were confused as to the WORKPERKS and the PERKOPOLIS program. They thought it was coming from the same company.

[67] When testifying about his interactions with a tradeshow participant whose company had switched from WORKPERKS to PERKOPOLIS, Mr. Moyer noted that "she said, internally, the employees still refer to the program as WORKPERKS" (Appeal Book, Vol. 9, p. 2794). At trial, Venngo's counsel acknowledged that these statements were hearsay if they were adduced for the truth of their contents and, when faced with objections and the Court's intervention, offered no arguments as to the reliability or necessity of the evidence.

[68] However, on appeal, Venngo argued that the Federal Court erred by rejecting these statements as they are admissible for a non-hearsay purpose as evidence of Mr. Moyer's interactions with potential clients, suggesting that the statements went to the declarants' states of mind. I disagree. The impugned statements are hearsay and were properly excluded.

[69] It is the purpose for which an out-of-court statement is tendered that determines whether or not it is hearsay. Such a statement is hearsay if it is offered for proof of the truth of its contents. Or, to put it another way, hearsay is an oral or written statement made by someone other than the witness that the witness testifies about and offers in an effort to establish that what was said is true: *R. v. Starr*, 2000 SCC 40 at para. 162, [2000] 2 S.C.R. 144; *Pfizer Canada Inc. v. Teva Canada Limited*, 2016 FCA 161 at para. 89, 400 D.L.R. (4th) 723.

[70] Here, Mr. Moyer offered as truthful the facts that the out-of-court declarants' companies used either WORKPERKS or PERKOPOLIS and that such companies' employees were mistaken about which company was the service provider. These statements do not go to the state of mind of the out-of-court declarants but rather were offered to show what service-provider their organizations used and that others in their organizations said or otherwise indicated that they were confused as to which service provider was engaged. There was no evidence or argument that this evidence was reliable or necessary. Thus, the Federal Court did not err in rejecting it. In any event, even if this evidence had been admitted, it is entirely similar to the other evidence that was before the Federal Court on actual confusion that the Court found to be insufficiently compelling to lead to a conclusion in Venngo's favour. Thus, the rejection of Mr. Moyer's evidence had no impact on the result reached.

[71] With respect to the Federal Court's treatment of Venngo's non-hearsay evidence of actual confusion from the other witnesses, Venngo argues that the Federal Court afforded such evidence too little weight. However, weighing evidence is the province of the trial judge. Thus, this Court can only intervene if Venngo demonstrates a palpable and overriding error in the Federal Court's assessment of the evidence. Venngo asserts two such possible errors, neither of which has merit.

[72] Venngo's first asserted error – that the Federal Court's interpretation of the actual confusion evidence was improperly coloured by the Court's incorrect conclusions on resemblance and distinctiveness – is baseless given my determination that the Federal Court's assessment of these factors was not erroneous.

[73] Venngo secondly submits that the Federal Court's weighing exercise should have been calibrated to favour Venngo given the existence of actual evidence of confusion, citing this Court's decision in *Asbjorn Horgard A/S v. Gibbs/Nortac Industries Ltd.* (1987), 38 D.L.R. (4th) 544 at p. 560, [1987] 3 F.C.R. 544 (F.C.A.) [*Asbjorn*] for the proposition that evidence of actual confusion is a trump card of sorts. However, I do not believe that *Asbjorn* assists Venngo for two reasons. First, Venngo states the proposition too strongly. The jurisprudence directs that although evidence of actual confusion may be an important factor in the analysis, it is not dispositive: *Mattel* at paras. 55, 89; *Marlboro Canada Limited v. Philip Morris Products S.A.*, 2012 FCA 201 at para. 59, 434 N.R. 207. Second, in *Asbjorn*, the Court relied on the evidence of actual confusion only to reinforce its conclusion as to the likelihood of confusion based on the other

factors listed in subsection 6(5) of the *Trade-marks Act* (*Asbjorn*, pp. 560, 564). Therefore, the evidence of actual confusion was not used by the Court as a trump card.

[74] In the present case, the Federal Court determined that any inference of the likelihood of confusion was driven almost entirely by the parties' use of the generic term "perk", which it found did not give rise to a likelihood of confusion. As this determination is error-free for the reasons already noted, I believe that Venngo has failed to establish any palpable and overriding error in the Federal Court's assessment and weighing of the evidence of actual confusion.

[75] Thus, there is no basis for interfering with the Federal Court's confusion analysis.

B. *Did the Federal Court err in dismissing Venngo's claim for infringement under paragraph 20(1)(a) of the Trade-marks Act?*

[76] Given my conclusion that the Federal Court's confusion analysis should stand, it necessarily follows that the Federal Court did not err in dismissing Venngo's claim for infringement under paragraph 20(1)(a) as the likelihood of confusion was the basis for the paragraph 20(1)(a) claim in this case.

C. *Did the Federal Court err in dismissing Venngo's claim for passing off under subsection 7(b) of the Trade-marks Act?*

[77] For the same reason, I believe that the Federal Court did not err in dismissing Venngo's claim for passing off under subsection 7(b) of the *Trade-marks Act*.

[78] The second element of the test for passing off is misrepresentation causing deception or confusion. In cases not involving intentional deception, this element is made out where the plaintiff can establish a likelihood of confusion between the marks at issue under subsection 6(5) of the *Trade-marks Act*: *Ciba Geigy* at pp. 136-137, 140; *Sadhu Singh Hamdard Trust v. Navsun Holdings Ltd.*, 2016 FCA 69 at para. 21, 483 N.R. 33. Given that Venngo has not demonstrated an error in the Federal Court's confusion analysis warranting this Court's intervention, its challenges to the Federal Court's assessment of the passing off claim must also be dismissed, and it is unnecessary to consider the other arguments Venngo advances regarding the Federal Court's subsection 7(b) determination.

D. *Did the Federal Court err in dismissing Venngo's claim for depreciation of goodwill under section 22 of the Trade-marks Act?*

[79] Turning to Venngo's argument in respect of the Federal Court's treatment of its claim under section 22 of the *Trade-marks Act*, I agree with Venngo that a defendant need not use a mark that is completely identical to the plaintiff's trade-mark to be liable under section 22. Rather, the Supreme Court of Canada has held that this section addresses circumstances where "the casual observer would recognize the mark used by the respondents as the mark of the appellant (as would be the case if *Kleenex* were spelled *Klenex*)", or, stated another way, where a defendant has used a mark "sufficiently similar [...] to evoke in a relevant universe of consumers a mental association of the two marks that is likely to depreciate the value of the goodwill attaching to the appellant's mark": *Veuve Clicquot* at paras. 38, 48.



[80] Thus, the Federal Court may well have described the nature of trade-mark use that comes within the ambit of section 22 of the *Trade-marks Act* too narrowly when it stated that “[u]se’ under section 22 requires use of a plaintiff’s trademark, as registered” (*Venngo*, para. 86). The section also encompasses use of a mark that, while not identical to the plaintiff’s registered trade-mark, is so closely akin to the registered mark that it would be understood in a relevant universe of consumers to be the registered mark.

[81] However, any error made by the Federal Court in describing the test under section 22 of the *Trade-marks Act* too narrowly is irrelevant to this appeal as the Federal Court’s decision is unrelated to this point. As I read the Federal Court’s reasons, it did not reject *Venngo*’s section 22 claim because the impugned use of the words “MEMBER PERKS” by CCI was not entirely identical to *Venngo*’s registered MEMBERPERKS trade-mark. Rather, the Federal Court rejected the section 22 claim because CCI’s impugned use on two websites of the words “MEMBER PERKS INCLUDE” (followed by web-links to examples of the sorts of perks available to PERKOPOLIS members) does not constitute “use” within the meaning of section 22 of the *Trade-marks Act*. In so holding, the Federal Court did not err.

[82] As was held in *Veuve Clicquot* at paragraph 47 and *Clairol International Corp. v. Thomas Supply and Equipment Co.*, [1968] 2 Ex. C. R. 552 at paras. 37-38, 55 C.P.R. 176 (F.C.A.), section 4 of the *Trade-marks Act* defines what is meant by “use” within the meaning of section 22 of the *Act*. Section 4 makes it clear that what must be used by the defendant is a trade-mark. Section 4 provides:

**4.** (1) A trade-mark is deemed to be used in association with goods if, at

**4.** (1) Une marque de commerce est réputée employée en liaison avec des

the time of the transfer of the property in or possession of the goods, in the normal course of trade, it is marked on the goods themselves or on the packages in which they are distributed or it is in any other manner so associated with the goods that notice of the association is then given to the person to whom the property or possession is transferred.

4(2) A trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.

produits si, lors du transfert de la propriété ou de la possession de ces produits, dans la pratique normale du commerce, elle est apposée sur les produits mêmes ou sur les emballages dans lesquels ces produits sont distribués, ou si elle est, de toute autre manière, liée aux produits à tel point qu'avis de liaison est alors donné à la personne à qui la propriété ou possession est transférée.

4(2) Une marque de commerce est réputée employée en liaison avec des services si elle est employée ou montrée dans l'exécution ou l'annonce de ces services.

[emphasis added]

[83] Here, the Federal Court did not err in holding that CCI's use of the words "MEMBER PERKS INCLUDE" was not use of Venngo's trade-mark or something closely akin to it as it is clear that CCI was not using the words in question as a trade-mark. Rather, on the impugned web pages, CCI was merely writing an introductory phrase, using common English words, to describe its own offerings to its own membership by noting that its perks included the items that appeared in the web links. In so doing it did not offend section 22 of the *Trade-marks Act* because the words "MEMBER PERKS" were not being used as a trade-mark and therefore could not fall within the ambit of section 22. Thus, the Federal Court did not err in its section 22 analysis.

E. *Did the Federal Court err in its construction of the lump sum costs award against Venngo?*

[84] Finally, as concerns the *Costs Order*, Venngo argues that the Federal Court's lump sum costs award was erroneous as it was premised on hearsay evidence and the application of the

double costs rule (Rule 420 of the *Rules*) when the offer in question does not meet the criteria for that rule to be engaged.

[85] This Court has held that costs determinations fall squarely within the discretion of a trial judge under Rule 400 of the *Rules* and that significant lump sum cost awards well in excess of the Tariff can be appropriate in intellectual property litigation for various reasons. These include the need to address the disjunction between what is covered by the default tariffs and the complexity of proceedings and the need to streamline litigation in an effort to avoid the final phase devolving into a costly accounting exercise: *Nova Chemicals Corporation v. Dow Chemical Company*, 2017 FCA 25 at paras. 10-13 (available on CanLII) [*Nova Chemicals*]; *Philip Morris Products S.A. v. Marlboro Canada Limited*, 2015 FCA 9 at paras. 3-4, 131 C.P.R. (4th) 1; *Canada (Attorney General) v. Chrétien*, 2011 FCA 53 at para. 3, 198 A.C.W.S. (3d) 296; *Consorzio del Prosciutto di Parma v. Maple Leaf Meats Inc.*, 2002 FCA 417 at para. 12, 297 N.R. 135. Thus, neither the fact of assessing costs on a lump sum basis nor the quantum of the award, of themselves, would provide any grounds to interfere with the *Costs Order*.

[86] Turning to the law applicable to the two grounds advanced more specifically by Venngo during the hearing, this Court noted in *Nova Chemicals* that “as a matter of good practice, requests for lump sum awards should generally be accompanied by a Bill of Costs and an affidavit in respect of disbursements that are outside the knowledge of the solicitor” (*Nova Chemicals*, para. 14). However, this Court went on to note in *Nova Chemicals* that the evidentiary record before a trial judge to justify a lump sum award need not contain the level of

detail that might be required if costs were subject to assessment as this would largely defeat the purposes of a lump sum award (*Nova Chemicals*, para. 15).

[87] The case law regarding the types of offers that fall within the ambit of Rule 420 of the *Rules* establishes that, for the Rule to be engaged and a defendant to be presumptively entitled to double costs from the date of service of the offer, the offer in question must be clear and unequivocal, must contain an element of compromise, must comply with the time limits in the *Rules* and must bring the litigation to an end: *H-D U.S.A., LLC v. Berrada*, 2015 FC 189 at para. 32, 475 F.T.R. 311; *Syntex Pharmaceuticals International Ltd. v. Apotex Inc.*, 2001 FCA 137 at para. 10, 273 N.R. 217. In terms of timeliness, Rule 420(3) provides that costs consequences of rejecting an offer do not apply unless the offer is made at least 14 days before trial *and* is open for acceptance until the commencement of trial.

[88] I agree with Venngo that the Federal Court committed a legal error in its assessment of CCI's written offer to settle dated October 23, 2015. Although the Federal Court was correct to note that an offer that meets the requirements of Rule 420 of the *Rules* presumptively entitles a successful defendant to double costs from the date of its offer where that offer is refused by the plaintiff and the plaintiff does less well after trial than it would have done under the offer, the Federal Court was incorrect to conclude that the rule applied in the circumstances of this case as CCI's offer did not meet the criteria set out in the jurisprudence and the *Rules*.

[89] The operative portion of CCI's offer provided for the dismissal of Venngo's action, the dismissal of CCI's defensive counterclaim (that the Federal Court found no need to adjudicate)

and payment of only 75% of the respondent's costs pursuant to column III of Tariff B if the offer were accepted by October 30, 2015, which was more than a week before the commencement of the trial. Thereafter, presumably, the normal rules regarding costs would have become effective.

[90] Even if it is possible to assume the latter point, CCI's offer still fails to meet the requirements of Rule 420(3). As its counterclaim was purely defensive, the only element of compromise contained in the offer was the provision on costs. However, the compromise on costs was not open until the commencement of trial. Thus, the offer did not comply with Rule 420(3) and the trial judge was incorrect in holding otherwise.

[91] It is impossible from the *Costs Order* to discern what role the offer played in the lump sum amount awarded by the trial judge. Therefore, I would set aside his costs award and remit the issue of costs to the trial judge for re-determination in accordance with these reasons. In conducting the re-determination, the trial judge should also examine whether the amounts paid to CCI's prior counsel are relevant to the amount to be awarded and, if so, whether they have been adequately established in accordance with the principles from *Nova Chemicals* discussed above, as that case was decided after the *Costs Order* was made.

IV. Proposed Disposition

[92] In light of the foregoing, I would dismiss Venngo's appeal from the judgment on the merits of its trade-mark action, with costs, but would grant its appeal of the *Costs Order*, again with costs, and would remit the issue of costs to the trial judge for re-determination in accordance with these reasons.

“Mary J.L. Gleason”

---

J.A.

“I agree.

David Stratas J.A.”

“I agree.

J. Woods J.A.”

**FEDERAL COURT OF APPEAL**

**NAMES OF COUNSEL AND SOLICITORS OF RECORD**

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**STYLE OF CAUSE:** VENNGO INC. v. CONCIERGE  
CONNECTION INC. c.o.b. as  
PERKOPOLIS, MORGAN C.  
MARLOWE and RICHARD  
THOMAS JOYNT

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**REASONS FOR JUDGMENT BY:** GLEASON J.A.

**CONCURRED IN BY:** STRATAS J.A.  
WOODS J.A.

**DATED:** MAY 8, 2017

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