

Date: 20080313

Docket: A-251-07

Citation: 2008 FCA 100

**CORAM: LÉTOURNEAU J.A.
NADON J.A.
SHARLOW J.A.**

BETWEEN:

KRIS THORKELSON

Appellant

and

PHARMAWEST PHARMACY LTD.

Respondent

Heard at Toronto, Ontario, on March 10, 2008.

Judgment delivered at Toronto, Ontario, on March 13, 2008.

REASONS FOR JUDGMENT BY:

SHARLOW J.A.

CONCURRED IN BY:

**LÉTOURNEAU J.A.
NADON J.A.**

Date: 20080313

Docket: A-251-07

Citation: 2008 FCA 100

**CORAM: LÉTOURNEAU J.A.
NADON J.A.
SHARLOW J.A.**

BETWEEN:

KRIS THORKELSON

Appellant

and

PHARMAWEST PHARMACY LTD.

Respondent

REASONS FOR JUDGMENT

SHARLOW J.A.

[1] This is an appeal of a judgment of the Federal Court (2007 FC 411) granting the application of Pharmawest Pharmacy Ltd. (“Pharmawest”) for an order under subsection 57(1) of the *Trade-Marks Act*, R.S.C. 1985, c. T-13, expunging from the Register the trade-marks “CANADADRUGS.COM” (Registration No. TMA581899) and “CANADA DRUGS” (Registration No. TMA581915). The appeal is unopposed. For the following reasons, I have concluded that this appeal should be allowed, without costs as none were sought.

Facts

[2] The basic facts are undisputed. Starting in February or March of 2001, the appellant Kris Thorkelson used the trade-marks CANADADRUGS.COM and CANADA DRUGS in an on-line pharmacy business. Those trade-marks were still being used in that business as of the date of the application. In June of 2001, the on-line pharmacy business was transferred to Mr. Thorkelson's corporation, Canada Drugs Ltd. In 2003, the business was transferred to a partnership named CanadaDrugs.com Partnership of which Canada Drugs Ltd. was a partner. In 2006, Mr. Thorkelson transferred ownership of the registered trade-marks to another corporation he controls, 5127173 Manitoba Ltd. (also known as Canada Drugs IT).

[3] The corporations controlled by Mr. Thorkelson, as well as CanadaDrugs.com Partnership, have at all relevant times been licensed users of the trade-marks. Mr. Thorkelson continues to exercise effective control of the on-line pharmacy business. Mr. Thorkelson claims that his customers refer to that business interchangeably as "Canada Drugs" or "CanadaDrugs.com".

[4] On March 23, 2001, Mr. Thorkelson applied to register the trade-mark CANADADRUGS.COM in respect of the "operation of a drugstore, dispensary and pharmacy, online operation of a drugstore, dispensary and pharmacy." On May 15, 2001, he applied to register the trade-mark CANADA DRUGS in respect of the same uses. The trade-marks were registered on May 20, 2003 in respect of those uses. Mr. Thorkelson disclaimed the exclusive right to use words "CANADA", "DRUGS" and ".COM" apart from the marks as a whole.

[5] Mr. Thorkelson presented evidence that a number of competitors of Mr. Thorkelson's corporation have used the disclaimed words "CANADA" and "DRUGS" in their businesses, and that a number of retail pharmacies in Canada operate through internet domain names, trade-marks and trade names which incorporate one or both of those words. He also presented evidence that there are a number of internet web sites with internet addresses that use either or both of those words that provide information on Canadian drugs and Canadian pharmacies.

[6] The respondent Pharmawest (the applicant in the Federal Court) also operates an online pharmacy in Canada, and has done so since 2002. It uses the trade names "GetCanadianDrugs.com" and "GetCanadianDrugs", as well as a design trade-mark incorporating the words "GetCanadianDrugs.com".

[7] In 2006, 5127173 Manitoba Ltd. (one of Mr. Thorkelson's corporations and the current registered owner of the trade-marks in issue in this appeal) commenced an action in the Federal Court against Pharmawest for trade-mark infringement. That apparently prompted Pharmawest to commence an application for expungement of the registered trade-marks.

[8] Pharmawest's expungement application refers to both paragraph 18(1)(a) and (b) of the *Trade-Marks Act*. However, it appears from the Judge's reasons that it was argued on the basis of paragraph 18(1)(a) only. That provision reads in relevant part as follows:

18. (1) The registration of a trade-mark is invalid if

(a) the trade-mark was not

18. (1) L'enregistrement d'une marque de commerce est invalide dans les cas suivants:

a) la marque de commerce n'était pas

registrable at the date of registration
[...].

enregistrable à la date de
l'enregistrement [...].

[9] The test for the registrability of a trade-mark is set out in section 12 of the *Trade-Marks Act*, which reads in relevant part as follows:

12. (1) Subject to section 13, a trade-mark is registrable if it is not

[...]

(b) whether depicted, written or sounded, either clearly descriptive or deceptively misdescriptive in the English or French language of the character or quality of the wares or services in association with which it is used or proposed to be used or of the conditions of or the persons employed in their production or of their place of origin [...].

12. (1) Sous réserve de l'article 13, une marque de commerce est enregistrable sauf dans l'un ou l'autre des cas suivants :

[...]

b) qu'elle soit sous forme graphique, écrite ou sonore, elle donne une description claire ou donne une description fautive et trompeuse, en langue française ou anglaise, de la nature ou de la qualité des marchandises ou services en liaison avec lesquels elle est employée, ou à l'égard desquels on projette de l'employer, ou des conditions de leur production, ou des personnes qui les produisent, ou du lieu d'origine de ces marchandises ou services [...].

[10] The expungement application was heard in March of 2007. It resulted in a judgment dated April 19, 2007, granting the application. After this appeal was commenced, the parties reached a settlement agreement by which the infringement action was discontinued and Pharmawest ceased its participation in this appeal.

Issues on appeal

[11] Mr. Thorkelson argues that the Judge's decision was based on one or more palpable and overriding errors of fact, or one or more findings of fact that have no evidentiary foundation.

[12] These grounds of appeal require an examination of the record to determine whether there is evidence that is capable of establishing that as of the date of the registration of the trade-marks CANADADRUGS.COM and CANADA DRUGS (May 20, 2003), those trade-marks were clearly descriptive or deceptively misdescriptive of the character or quality of the operation of an on-line pharmacy business. If there is no such evidence, the judgment under appeal cannot stand.

Discussion

[13] I summarize as follows the evidence in the record before this Court that is most relevant to the issues raised in this appeal.

- (a) Affidavit of Herbert McPhail sworn November 30, 2005 (submitted by Pharmawest). The purpose of this affidavit was to present the results of two database searches. One was a search of the official trade-mark records maintained by the Canadian Trade-Marks Office for the words “Canada”, “Canadian” and “Drug(s)” in association with pharmaceuticals and online sale of pharmaceuticals. The other was a search of Industry Canada’s NUANS (Newly Upgraded Automated Name Search) database for the words “Canada Drug” and “Canadian Drug”, using the NUANS Trade Name Report. The search results are lengthy but the affidavit does not interpret the results or explain what factual inferences might be drawn from the results. In the absence of a useful explanation, I see nothing in this affidavit that is capable of advancing Pharmawest’s application for expungement. The record contains no transcript of a cross-examination on this affidavit.

- (b) Affidavit of Amarjit Mann sworn December 2, 2005 (submitted by Pharmawest). Amarjit Mann is an officer of Candrug Health Solutions Inc. which, like Pharmawest, had commenced an application (T-2001-05) for expungement of the trademarks after being sued for infringement (T-2001-05). Both of those proceedings were discontinued. According to Mr. Mann, Candrug operates an on-line pharmacy business in Surrey, British Columbia that uses “CanDrug” as a trade name. In connection with that business, it registered a number of domain names, including “candrug.com” (registered May 16, 2002) and “canadadrugsonline.com” (registered May 16, 2002). The latter was initially used as an information resource for prospective clients rather than for online advertising, but by 2004 it was used for the on-line pharmacy business. Some of the statements in this affidavit might be read as supporting the applicant’s position that the trade-marks are “clearly descriptive” or “deceptively misdescriptive”, but none of those statements have a time reference. Therefore, they are not capable of supporting the expungement application based on paragraph 18(1)(a), which requires evidence on this point as of May 20, 2003. The transcript of the cross-examination of Mr. Mann contains nothing helpful on the issues in dispute in this appeal.
- (c) Affidavit of Penelope J. Brady sworn December 5, 2005 (submitted by Pharmawest). The purpose of this affidavit is to present the result of an investigation of domain names, trade-names and trade-marks incorporating the words “Canada” and “Drugs”, including derivatives of those words as well as the phrase “Canada Drugs”. The investigation used a device referred to as the “WayBack Machine” to access historical websites. Again, the affidavit does not interpret the results of the search or explain what factual inferences might

be drawn from those results. This evidence is intended to show substantial use of the trademarks in issue in this case by third parties in Canada. The difficulty with this evidence, as the judge noted, is that it fails to establish that Canadian consumers had visited any of the websites. For that reason, he ascribed no weight to this evidence. I have no basis for questioning his conclusion on that point. It follows that this affidavit is not capable of advancing Pharmawest's application for expungement. The transcript of the cross-examination of Ms. Brady and the responses to undertakings provide nothing helpful on the issues in dispute in this appeal.

- (d) Affidavit of Tarnjeet Uppal sworn March 21, 2006 (submitted by Pharmawest). Mr. Uppal is the operations manager of Canada Health Solutions Inc., which operates an international mail order pharmacy service that began offering its services online in or around April of 2003. His affidavit presents evidence, based on his own experience, as to the use of the words "Canada" and "drug" in the Canadian marketplace to refer to pharmacy services originating in Canada. However, that evidence contains no time references. In order to attribute his factual allegations to the relevant date (May 20, 2003), it would be necessary to infer that his experience covers that date because of his familiarity with the online pharmacy business in April of 2003. Nothing in the record that provides a basis for that inference. The record contains no transcript of a cross-examination on this affidavit.
- (e) Affidavit of David Feinsod sworn March 21, 2006 (submitted by Pharmawest). Mr. Feinsod is an officer of an American corporation that, since 2002, has carried on an online pharmacy business based in New York using the trade name "Discount Drugs from Canada". He

provides evidence that he has used that name in placing orders through Canadian based pharmacies, and that he promotes his business by emphasizing Canadian pharmacies as a reliable source of prescription drugs. The evidence that is most clearly related to this case is his claim that a large number of other retail pharmacies in Canada use domain names, trade names and trade-marks using the words “Canada” and “drugs”. However, that evidence has no time reference and therefore it cannot support the expungement application of Pharmawest. The record contains no transcript of a cross-examination on this affidavit.

- (f) Affidavit of Barney Britton sworn March 23, 2006 (submitted by Pharmawest). Mr. Britton is an officer of Minit Drugs, another online pharmacy based in Canada. He gives evidence of the use of the words “Canada” and “drugs” by others in the online pharmacy business in Canada, but there is no time reference for that evidence. The record contains no transcript of a cross-examination on this affidavit.
- (g) Affidavit of Simon Barclay sworn March 27, 2006 (submitted by Pharmawest). Mr. Barclay is an officer of a corporation operating an online pharmacy in Auckland, New Zealand. He gives evidence of the use of the words “Canada” and “drugs” by others in the online pharmacy business in Canada, but there is no time reference for that evidence. The record contains no transcript of a cross-examination on this affidavit.
- (h) Affidavit of Wayne Wallace Marsonette sworn March 27, 2006. Mr. Marsonette is an officer of an American corporation that operates an online pharmacy based in Washington State. It fills its orders for its customers, mainly Americans, by obtaining drugs from Canadian pharmacies. Since April of 2003, it has carried on that business using the trade

name “Canada Drug Supply”. His evidence falls short of establishing that on May 20, 2003, Canadian consumers would have knowledge the use of those words in connection with the operation of an online pharmacy. The record contains no transcript of a cross-examination on this affidavit.

- (i) Affidavit of Dr. Paul Zickler sworn March 27, 2006 (submitted by Pharmawest). Dr. Zickler is a physician who, since 1999, has operated a business that supplies U.S. citizens with Canadian drugs. He started operating that business online in 2002. He gives evidence of the use of the words “Canada” and “drugs” by others in the online pharmacy business in Canada, but there is no time reference for that evidence. The record contains no transcript of a cross-examination on this affidavit.
- (j) Affidavit of Zahid Merali sworn March 30, 2006 (submitted by Pharmawest). Mr. Merali is a pharmacist who has operated an online pharmacy in Canada since 2003. He gives evidence of the use of the words “Canada” and “drugs” by others in the online pharmacy business in Canada, but there is no time reference for that evidence. The record contains no transcript of a cross-examination on this affidavit.
- (k) Affidavit of Ankur Arora sworn March 30, 2006 (submitted by Pharmawest). Mr. Arora is an officer of Pharmawest, which has operated an online pharmacy in British Columbia since 2002. Since 2002 it has used the domain names “getcanadiandrugs.com” and “getcanadadrugs.com.” He gives evidence of the use of the words “Canada” and “drugs” by others in the online pharmacy business in Canada, but there is no time reference for that

evidence. The one possible exception is paragraph 17 of his affidavit, which reads as follows:

17. Further, at the time of the launch of the GetCanadianDrugs.com Business [December of 2002], I have been advised by Bhapinder Mann [an original director and officer of Pharmawest] and I verily believe the same to be true, that Pharmawest was also aware of hundreds of other competitor web sites in the marketplace using all sorts of variations of the generic and descriptive terms “Canada”, “Canadian”, “drugs”, “pharmacy”, etc. in trade-names, trade-marks and domain names.

This statement is not referred to in the reasons for the judgment under appeal and, because Pharmawest does not oppose the appeal, it is not possible to determine whether the judge relied on this statement. However, Pharmawest might have argued that this statement supports its expungement application because one could infer from this statement that in December of 2002, competitors of Pharmawest, presumably companies that operate online pharmacy businesses in Canada (hundreds of them), used the words “Canada” and “drugs” in connection with those businesses. In the transcript of the cross-examination of Ankur Arora, he admitted that he does not know how many Canadian online pharmacy businesses there are. He was asked if there was any reason why Mr. Mann, the source of his information, could not have sworn an affidavit, and he could not suggest any reason. He said that some of the information in that paragraph actually came from a different person working for Pharmawest. He was asked to clarify the general statements or provide specific

examples, and he was unable to do so. In my view, the statement of paragraph 17 of Mr. Arora's affidavit is not sufficiently reliable to support the suggested inference because it is vague and exaggerated.

- (l) Affidavit of Jody Rogers sworn March 30, 2006 (submitted by Pharmawest). The purpose of this affidavit is to present the result of a further investigation of domain names, trade-names and trade-marks incorporating the words "Canada" and "Drugs", including derivatives of those words as well as the phrase "Canada Drugs". It appears to have been intended to supplement the affidavit of Ms. Brady, referred to above. This second investigation, like the first, used the "WayBack Machine" to access historical websites. Again, the affidavit does not interpret the results of the search or explain what factual inferences might be drawn from those results and again, the judge noted that it fails to establish that Canadian consumers had visited any of the websites. For that reason, he ascribed no weight to this evidence. I have no basis for questioning his conclusion on that point. It follows that this affidavit is not capable of advancing Pharmawest's application for expungement. The transcript of the cross-examination of Ms. Rogers and the responses to undertakings provide nothing helpful on the issues in dispute in this appeal.
- (m) Affidavit of Kris Thorkelson sworn February 1, 2006. This is the only evidence in the record that was submitted by Mr. Thorkelson. Nothing in his evidence could be interpreted as an admission that could have assisted the expungement application of Pharmawest.

[14] I conclude that the record on this appeal contains no evidence that is capable of establishing that, as of May 20, 2003, the trade-marks in issue in this case were clearly descriptive or deceptively misdescriptive of the character or quality of the services provided by the online pharmacy business controlled by Mr. Thorkelson. It is not clear from the judge's reasons whether and to what extent he relied on any of this evidence, but I must conclude with respect that any such reliance would have been misplaced.

[15] What remains to support the judge's decision is his own impression of the meaning of the words "Canada" and "drugs" when used in association with an online pharmacy business, and the inferences he drew, without any evidence, about what consumers would or would not understand. There is a place in cases of this kind for a judge to apply his own common sense, with the assistance of dictionaries, as to the meaning of ordinary words and phrases. However, it cannot fairly be said that on May 20, 2003, the phrase "Canada Drugs", which is the phrase at the core of both of the trade-marks in issue in this case, had a known meaning.

[16] For these reasons, I would allow this appeal without costs, set aside the judgment of the Federal Court, and dismiss without costs the application of Pharmawest for an order expunging from the Register the trade-marks "CANADADRUGS.COM" (Registration No. TMA581899) and "CANADA DRUGS" (Registration No. TMA581915).

"K. Sharlow"

J.A.

"I agree
Gilles Létourneau J.A."

"I agree
M. Nadon J.A."

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-251-07

**(APPEAL FROM A JUDGMENT OF THE HONOURABLE MR. JUSTICE
TEITELBAUM OF THE FEDERAL COURT, DATED APRIL 19, 2007, IN FEDERAL
COURT FILE NO. T-318-06.)**

STYLE OF CAUSE: KRIS THORKELSON v. PHARMAWEST PHARMACY
LTD.

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: March 10, 2008

REASONS FOR JUDGMENT BY: SHARLOW J.A.

CONCURRED IN BY: LÉTOURNEAU J.A.
NADON J.A.

DATED: March 13, 2008

APPEARANCES:

Richard Naiberg
John H. Simpson

FOR THE APPELLANT

No Appearance

FOR THE RESPONDENT

SOLICITORS OF RECORD:

GOODMANS LLP
Barristers & Solicitors
Toronto, Ontario

FOR THE APPELLANT

SMART & BIGGAR
Barristers & Solicitors
Vancouver, British Columbia

FOR THE RESPONDENT