

Federal Court of Appeal



Cour d'appel fédérale

Date: 20201209

Docket: A-356-19

Citation: 2020 FCA 210

**CORAM: PELLETIER J.A.
DE MONTIGNY J.A.
RIVOALEN J.A.**

BETWEEN:

**GROUP III INTERNATIONAL LTD., HOLIDAY GROUP
INC.
and WENGER S.A.**

Appellants

and

**TRAVELWAY GROUP INTERNATIONAL
LTD.**

Respondent

Heard by online video conference hosted by the registry

on November 2, 2020

Judgment delivered at Ottawa, Ontario, on December 9, 2020

REASONS FOR JUDGMENT BY:

RIVOALEN J.A.

CONCURRED IN BY:

**PELLETIER J.A.
DE MONTIGNY J.A.**

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REASONS FOR JUDGMENT

RIVOALEN J.A.

I. Introduction

[1] The appellants appeal the judgment of the Federal Court (per St. Louis, J.) rendered on August 29, 2019 (2019 FC 1104) ordering the expungement of the respondent's registered trademarks and dismissing the appellant's claim for damages.

[2] This is the second appeal involving the appellants' application for relief under the *Trademarks Act*, R.S.C. 1985, c. T-13 (the Act).

[3] In 2013, the appellants brought an application before the Federal Court against the respondent for infringement of the appellants' registered trademarks and passing off. In 2016, the Federal Court dismissed the application (2016 FC 347). The appellants appealed that decision.

[4] In 2017, this Court allowed the appeal and granted the following relief: i) a declaration that the respondent infringed the appellants' registered trademarks; ii) a permanent injunction against the respondent; and, iii) an order that the respondent destroy or deliver up to the appellants all wares, packages, labels and advertising materials marked with the trademarks in its possession, power or control (2017 FCA 215). In addition to this relief, this Court referred two remedial issues to the Federal Court for further adjudication. The issues were whether it is appropriate for the Federal Court to order the striking out of the respondent's trademarks from the Register pursuant to subsection 57(1) of the Act and whether damages are recoverable under subsection 53.2(1) of the Act. If recoverable, the Federal Court was to consider the amount of damages and the appropriate procedure for determining them.

[5] In 2019, the Federal Court heard the two remedial issues and granted a judgment for the expungement of the respondent's registered trademarks but dismissed the appellants' claim for damages. The respondent has not appealed the judgment striking out its registered trademarks. The appeal before this Court focuses solely on the Federal Court's judgment and reasons dismissing the appellants' claim for monetary compensation (the Federal Court Reasons).

[6] Relying on section 19 of the Act, the Federal Court determined that the appellants were precluded from obtaining damages for pre-expungement use of the infringing trademarks. The Federal Court found that because the respondent had registered trademarks, it was entitled to the benefit and rights conferred under section 19 of the Act until this Court found the registered trademarks to be invalid in 2017.

[7] The Federal Court confirmed, at paragraph 37 of its Reasons, that “no decision following a trademark expungement has ever awarded damages for the past”. It relied on Justice Binnie’s *obiter dicta* expressed in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, [2006] 1 S.C.R. 824 at para. 16 [*Veuve Clicquot*], to support this position, as well as this Court’s decision in *Remo Imports Ltd. v. Jaguar Cars Ltd.*, 2007 FCA 258, [2008] 2 F.C.R. 132 [*Remo*]. In *Remo*, this Court rejected the submission that the appellant’s registration was void *ab initio*, as the registration was not obtained by misrepresentation or in bad faith (*Remo* at para. 110).

[8] The Federal Court also held, at paragraph 43 of its Reasons, that there was no basis to find the respondent’s registered trademarks invalid *ab initio*, that is, as if they had never been properly registered or existed at all. In *obiter*, the Federal Court indicated that in the event it was wrong, it would award the appellants an accounting of profits to be quantified by way of reference under Rule 153 of the *Federal Courts Rules*, S.O.R./98-106 (the Rules).

[9] In this appeal, the appellants submit that the Federal Court erred and should have found that the infringing marks have always been invalid and never registrable, therefore disentitling

the respondent from relying on section 19 and entitling the appellants to financial compensation from the moment the respondent started using the infringing trademarks.

II. Standard of Review

[10] This appeal raises a question of law. The standard of review is correctness (see *Masterpiece Inc. v. Alavida Lifestyles Inc.*, 2011 SCC 27, [2011] 2 S.C.R. 387 at para. 102 and *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235).

III. The Legislative Framework

[11] Although in Canada trademarks do not need to be registered to be protected under the Act, one of the central features of the Act is its scheme of registration. Parliament chose to protect trademarks through a robust registration process. The Registrar of Trademark's core duties include the receipt of applications to register trademarks and the processing of those applications. Applications for trademarks are advertised in the manner prescribed in the regulations to allow potentially interested parties notice of the pending application. Indeed, the bulk of the Act deals with the administrative structure for registration, requirements for registration, and remedies for the infringement of registered trademarks. In the case before this Court, the respondent's trademarks were registered in accordance with the scheme of registration specified in the Act.

[12] Once registered, a trademark is presumed to be valid pursuant to section 19 of the Act.

The section confers on the owner of the registered trademark the exclusive right to use the mark.

It reads as follows:

Rights conferred by registration

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

Droits conférés par l'enregistrement

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.

[13] In the case before us, after the trademarks were registered, this Court found the respondent's trademarks were confusing with each of the appellants' trademarks. The Federal Court thereafter considered subsection 18(1) of the Act to determine the grounds upon which the registration of the trademarks could be invalidated. The subsection reads as follows:

When registration invalid

18(1) The registration of a trademark is invalid if

(a) the trademark was not registrable at the date of registration;

(b) the trademark is not distinctive at the time proceedings bringing the

Quand l'enregistrement est invalide

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

a) la marque de commerce n'était pas enregistrable à la date de l'enregistrement;

b) la marque de commerce n'est pas distinctive à l'époque où sont

validity of the registration into question are commenced;	entamées les procédures contestant la validité de l'enregistrement;
(c) the trademark has been abandoned;	c) la marque de commerce a été abandonnée;
(d) subject to section 17, the applicant for registration was not the person entitled to secure the registration; or	d) sous réserve de l'article 17, l'auteur de la demande n'était pas la personne ayant droit d'obtenir l'enregistrement;
(e) the application for registration was filed in bad faith.	e) la demande d'enregistrement a été produite de mauvaise foi.

[14] Subsection 53.2(1) of the Act sets out the powers of the Court seized of an application for trademark infringement to grant relief. It confers upon the Court a wide discretion with respect to making orders that it considers appropriate in the circumstances, including remedies to an interested person who has successfully proven a contravention of the Act. Subsection 53.2(1) reads as follows:

Power of court to grant relief

53.2(1) If a court is satisfied, on application of any interested person, that any act has been done contrary to this Act, the court may make any order that it considers appropriate in the circumstances, including an order providing for relief by way of injunction and the recovery of damages or profits, for punitive damages and for the destruction or other disposition of any offending goods, packaging, labels and advertising material and of any equipment used to produce the goods, packaging, labels or advertising material.

Pouvoir du tribunal d'accorder une réparation

53.2(1) Lorsqu'il est convaincu, sur demande de toute personne intéressée, qu'un acte a été accompli contrairement à la présente loi, le tribunal peut rendre les ordonnances qu'il juge indiquées, notamment pour réparation par voie d'injonction ou par recouvrement de dommages-intérêts ou de profits, pour l'imposition de dommages punitifs, ou encore pour la disposition par destruction ou autrement des produits, emballages, étiquettes et matériel publicitaire contrevenant à la présente loi et de tout équipement employé pour produire ceux-ci.

IV. The Appellants' Submissions

A. *Subsection 53.2(1) of the Act*

[15] The appellants emphasize that this Court made findings of trademark infringement and passing off. Consequently, they rely on the principles set out in *Apotex Inc. v. Bristol-Myers Squibb Co.*, 2003 FCA 263, 308 N.R. 152 at paragraph 14, and argue that there must be a compelling, just and principled reason for the Federal Court to depart from an applicant's ordinary expectation of compensation for infringement and passing off.

[16] The appellants submit that the law of trademarks and passing off serves dual purposes. It protects public confidence in channels of trade and the source of goods: when consumers purchase a product bearing a particular mark, they ought to have confidence they are getting the product they want. Trademark law also protects the private commercial interests of trademark owners: an owner who invests in resources in developing a mark and building goodwill can be confident its investment is protected from misappropriation. The appellants reason that because of the blended public and private interest purposes described above, the remedies available under subsection 53.2(1) of the Act are discretionary. This allows the Court to ensure that it does not grant a remedy that, while serving an applicant's private interests, may be contrary to the public interest.

[17] The appellants recognize that subsection 53.2(1) of the Act provides discretion to the Court to craft a remedy that is appropriate in the circumstances of the case before it, and that accordingly, monetary compensation does not *automatically* flow from any contravention of the

Act. However, they submit that an owner of a trademark whose commercial interests have been harmed, or at whose expense a wrongful benefit has been obtained, ordinarily should be entitled to a monetary remedy.

B. *Section 19 of the Act*

[18] Turning to section 19 of the Act, the Federal Court, at paragraph 43 of its Reasons, found that circumstances that would allow for an expungement *ab initio* are not in play in this case and therefore section 19 of the Act protects the respondent from paying monetary compensation for damages arising prior to the expungement of the registered trademark.

[19] The appellants argue that in 2017, this Court found the respondent liable for infringement and passing off. The finding of passing off, contrary to section 7(b) of the Act, necessarily implies that the respondent's trademarks were invalid. The appellants also point to paragraph 23 of the Federal Court Reasons confirming this conclusion.

[20] The appellants submit therefore that the respondent's trademarks being invalid, it was not entitled to the benefits conferred under section 19 of the Act. They submit that a review of the text and explicit wording of section 19 of the Act make clear that it cannot confer rights where a registration is invalid. They emphasize that the words "unless shown to be invalid" give the trademark owner the exclusive right to use the mark in Canada *unless* a Court finds that mark to be invalid. The provision does not use the words "until shown to be invalid" or "despite its invalidity" or "until expunged from the register", and accordingly, the appellants submit that it

cannot be properly interpreted as granting rights where a registration was not proper in the first place.

[21] Finally, the appellants argue that section 19 confers the rights of registration on a trademark only if the registration is valid. They admit that avoiding unfairness to a respondent in some factual circumstances may well permit reliance on an invalid registration and on section 19 to inform the court's exercise of its discretion to fashion an appropriate remedy. However, they submit that a rational construction of section 19's words cannot support an absolute bar on damages for pre-expungement use of an infringing trademark.

C. *Invalidity and Subsection 18(1) of the Act*

[22] The appellants rely on subsection 18(1) of the Act to declare that the respondent's trademarks are invalid. They do not rely on any common law grounds of invalidity.

[23] Before the Federal Court, the respondent conceded that its trademarks were invalid under paragraphs 18(1)(b) and (d). The Federal Court declined to consider whether or not the registrations of the respondent's trademarks were invalid under paragraph 18(1)(a).

[24] The appellants urge this Court to do a purposive analysis of subsection 18(1) of the Act. The appellants say that this Court's findings of infringement and passing off in 2017 clearly establish that the registrations of the respondent's trademarks are invalid under each of paragraphs 18(1)(a), (b) and (d).

[25] The appellants argue that a finding of invalidity under paragraphs 18(1)(a) or (d) is invalidity *ab initio*. In other words, they say that the registration was invalid from the very moment it was registered. Because the law “is always speaking”, they say that a finding of invalidity under paragraphs 18(1)(a) or (d) means that the registrations of the respondent’s trademarks have *never* been valid.

[26] They submit that not all grounds under subsection 18(1) lead to invalidity *ab initio*. The different grounds relate to different dates of invalidity and each must be applied on its own terms. A registration that is invalid under paragraphs 18(1)(a) (unregistrability) or (d) (non-entitlement) is invalid from the moment it is granted. In contrast, they say that the relevant date for invalidity under paragraph 18(1)(b) (distinctiveness) is the time proceedings are commenced. Similarly, a validly registered trademark may become invalid at a later date under paragraph 18(1)(c) if it has been abandoned. In those circumstances, the appellants argue that a respondent that has used its trademark will have done nothing unlawful up until a certain point in time.

[27] The appellants submit that the foregoing analysis is supported by the accepted principles of statutory interpretation, and reflects the Act’s text, context and purpose.

D. *Remo and Veuve Clicquot*

[28] Finally, the appellants argue that *Remo* is a complicated case involving a highly unusual factual and legal situation. The decision is properly understood as an exercise of the Court’s remedial discretion to achieve a just result in the odd circumstances of that case, which are distinguishable from the facts in the present case. In the *Remo* case, this Court raised serious

doubts about the trial judge’s finding that the plaintiff was liable for passing off, however, that order had not been appealed. Furthermore, in *Remo*, this Court was satisfied that Remo had been unaware of the defendant’s existence, and questioned how it could be said that Remo had “engaged in a willful or negligent misrepresentation creating confusion in the public” (*Remo* at para. 92).

[29] The appellants argue that the *obiter dicta* from Justice Binnie in *Veuve Clicquot* simply points to a possible argument that a defendant could advance when a plaintiff puts the validity of the defendant’s registrations in issue and seeks expungement. Were the plaintiff to be successful in obtaining expungement, Justice Binnie noted that “no doubt the respondents could argue that they ought not to be liable to pay compensation attributable to the period during which their own registrations were in effect.” (*Veuve Clicquot*, para. 16).

V. Analysis

A. *Infringement*

[30] In 2017, the appellants were successful in their appeal with respect to their application for infringement under paragraph 20(1)(a) of the Act. Accordingly, this Court granted a declaration of infringement, exercised its discretion under subsection 53.2(1) of the Act, granted a permanent injunction and ordered the destruction of the respondent’s offending goods.

[31] Subsequently, the Federal Court found the respondent's registered trademarks invalid under paragraphs 18(1)(b) and (d) of the Act and ordered that the registrations be expunged. It did not order damages.

B. *Section 19*

[32] Under section 19 of the Act, and subject to sections 21, 32 and 67, the registration of a trademark, unless shown to be invalid, gives the owner the exclusive right to the use throughout Canada of the trademark in respect of the wares or services mentioned in the registration.

[33] The administrative scheme established under the Act highlights the specialized and comprehensive nature of the trademark registration process. I am of the view that the integrity of the administrative scheme is critical and underscores the importance of section 19 of the Act. Once the owner obtains the certificate of registration, the protection afforded to the registered trademark under section 19 of the Act is essential for the proper functioning of the trademark system and trademark law overall. There are policy reasons for this protection. It serves to protect the public as well as the owners of trademarks by affording transparency, stability and certainty of the trademark system in Canada.

[34] The equivalent protection of section 19 is not available in other statutes governing intellectual property law in Canada. In that regard, trademark law is distinct from patent law and copyright law. Therefore, I conclude that there are sound reasons why the use of a registered trademark does not give rise to liability in damages or profits for the period arising prior to it

being struck from the Register because of the protection afforded to it under section 19 of the Act.

C. *Subsection 18(1)*

[35] I cannot accept the arguments advanced by the appellants regarding their interpretation of subsection 18(1) of the Act and invalidity *ab initio*.

[36] When considering the grounds of invalidity under subsection 18(1) of the Act, each paragraph points to a time at which the determination of invalidity of the registered trademark is to be assessed. This determination of the point in time at which the invalidity of a registered trademark ought to be assessed is distinct from the determination of when a party may become liable for damages. In expungement proceedings under subsection 57(1) of the Act, liability for damages is engaged only after the Federal Court has struck out the trademark from the Register. Absent a finding of fraud, wilful misrepresentation or bad faith in the application for registration, the owner of the registered trademark is not liable for any damages accruing prior to the expungement of its trademark.

[37] If there is a finding of fraud, wilful misrepresentation or bad faith in the application for registration, the Court may very well find that the impugned trademark was never validly registered. This Court has found that in order to obtain an *ab initio* invalidation of a registered trademark, it is necessary to show that the owner of the impugned trademark obtained the registration of the mark either by making a misrepresentation to the trademark office or

misleading it in a material way (see *Concierge Connection Inc. v. Venngo Inc.*, 2015 FCA 215, 140 C.P.R. (4th) 325 (F.C.A.)).

[38] In the present case, neither this Court nor the Federal Court made any such findings. The respondent could rely on its registrations as protection until such time as the Federal Court expunged its trademarks from the Register.

[39] In summary, as this Court found in *Remo* and as was implied in *Veuve Clicquot*, I am of the view that absent fraud, wilful misrepresentation or bad faith, the declaration of infringement does not render the respondent liable to pay damages or a loss of profits to compensate the appellants for the period during which the registrations were in effect.

D. *Passing off*

[40] In 2017, this Court made a separate finding that the respondent was liable for passing off, contrary to section 7(b) of the Act. This Court did not distinguish between damages arising for infringement from damages arising for passing off.

[41] Infringement (section 20 of the Act) and passing off (section 7(b) of the Act) are separate, distinct causes of action. Each may give rise to an order of damages. The remedies available for each depends on whether the impugned mark which gives rise to the proceeding is registered or not. In the case of infringement, damages are generally not available if the impugned mark is registered because of the effect of section 19, unless there is proof of fraud, wilful misrepresentation or bad faith in obtaining registration of the mark.

[42] The cause of action for infringement exists to allow a party who owns a registered trademark to sue the owner of another trademark, whether registered or not, because the impugned trademark is confusing. The cause of action of passing off arising under section 7(b) of the Act is a codification of the common law tort of passing off. It allows a party who owns an unregistered trademark to bring an action for relief under the Act.

[43] In *Kirkbi AG v. Ritvik Holdings Inc.*, 2005 SCC 65, [2005] 3 S.C.R. 302 at paras. 25-26 [*Kirkbi*], the Supreme Court held that the action for passing off in section 7(b) of the Act protects interests in unregistered trademarks:

25. ... First, s. 7(b) is remedial; its purpose is to enforce the substantive aspects of the *Trade-marks Act* relating to unregistered trade-marks:

The tort of passing off is in many respects the equivalent cause of action for unregistered trade-marks as infringement [s. 20 of the Act] is to registered trade-marks. The overall legislative scheme of the *Trade-marks Act* is the protection, identification, and registration of trade-marks, whether registered or unregistered.

26. Second, the passing-off action protects unregistered trade-marks and goodwill enjoyed by the trade-marks. ...

[My emphasis].

[44] Thus, *Kirkbi* suggests, but does not decide, that the owner of a registered trademark cannot have recourse to section 7(b) of the Act to protect its trademark. Its recourse is proceedings for infringement or expungement.

[45] This point was made even more clearly in *Molson Canada v. Oland Breweries Ltd./Les Brasseries Oland Ltée*, [2002] 59 O.R. (3d) 607, 214 D.L.R. (4th) 473 (ONCA) [*Oland*] which

was cited in support of the conclusion on this issue in *Remo* and where both parties had registered trademarks, the Ontario Court of Appeal wrote:

2. ... The appellant puts forward a series of arguments as to errors made by the trial judge in his analysis of the facts and law, some of which may have merit. However, it is unnecessary to analyze them because, in my view, the respondent holds the trump card. The respondent argues that, whatever the merits of the appellant's grounds of appeal, the trial judge made an initial and fundamental error by failing to conclude that the respondent's trade-mark registration was a complete answer to the plaintiff's claim [for passing off]. I agree.

[46] The Ontario Court of Appeal held that the respondent's trademark registration protected it from an action in passing off under section 7(b) because of the effect of section 19 of the Act. As such, *Oland* is authority for the principle that registration by the respondent is a complete defence to an action in passing off.

[47] Therefore, in the present case, I am left to conclude that to the extent the passing off complained of by the appellants took place while the respondent's registrations were in force, the jurisprudence indicates that the registrations of the trademarks are a complete defence to the action of passing off. For this reason, I am of the view that the portions of this Court's 2017 decision finding passing off should not be followed as authority in future cases. However, as between the present parties, the respondent did not appeal the finding of passing off. Consequently, those findings have been fully determined and cannot be relitigated. Monetary compensation should be awarded based on this Court's 2017 decision on passing off.

[48] The Federal Court, at paragraph 52 of its Reasons, found that if the appellants are entitled to recover profits, the quantum should be determined by way of reference, as further evidence

would be needed on the issue of quantification. I agree. Having concluded that the finding of passing off was not appealed and that the doctrine of *res judicata* applies as between these parties on this point, I would allow the appeal and award the appellants an accounting of profits to be quantified by way of reference under Rule 153 of the Rules.

VI. Conclusion

[49] For these reasons, I would allow the appeal with costs and award the appellants an accounting of profits to be quantified by way of reference under Rule 153 of the Rules.

"Marianne Rivoalen"

J.A.

"I agree.
J.D. Denis Pelletier J.A."

"I agree.
Yves de Montigny J.A."

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

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DE MONTIGNY J.A.

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