

Federal Court



Cour fédérale

Date: 20170322

Docket: T-1904-15

Citation: 2017 FC 299

Ottawa, Ontario, March 22, 2017

PRESENT: The Honourable Mr. Justice Phelan

BETWEEN:

KARRY CHI-WAI AU-YEUNG

Applicant

and

TASTE OF BC FINE FOODS LTD

Respondent

JUDGMENT AND REASONS

I. Introduction

[1] This is an appeal of a refusal by a Member of the Trademarks Opposition Board [Board] to register the mark “TASTE OF B.C.”. The Applicant seeks to adduce new evidence before this Court.

[2] The Applicant attacks the refusal decision [Decision] on the grounds that there is new evidence which would materially impact the outcome, rendering the Decision incorrect. Further, even if there is no such new evidence, the Applicant argues that the Decision is unreasonable.

II. Background

[3] The Applicant, Karry Chi-Wai Au-Yeung, owns and operates Delane Industry Co [Delane], which manufactures and sells products through an online store and consumer retail stores in British Columbia. Delane has had a commercial storefront in Vancouver for over 35 years.

[4] The Respondent, Taste of BC Fine Foods Ltd, was incorporated in 2004 by Steven Atkinson and his wife. In June 2005, it opened a retail store and fast food outlet at the Tsawwassen Quay Market at the Tsawwassen BC Ferries ferry terminal under the name TASTE OF BC.

[5] In 2008, the Applicant expressed an interest in purchasing the Respondent's Tsawwassen store. On August 4, 2008, Delane and the Respondent signed a Contract of Purchase and Sale [1st Agreement]. This 1st Agreement was a sale of assets only, as well as a licence to use the mark TASTE OF BC and the store name for a period of six months (there was no registered trademark). Atkinson explained that this licence was to allow for time for BC Ferries to consent to a name change for the store, since the BC Ferries licence (basically a lease) requires such consent to a name change.

[6] Under the 1st Agreement there was no allocation of the purchase price of \$72,500 between assets. The closing date was set for August 16, 2008.

[7] Au-Yeung's understanding of the 1st Agreement is reflected in a document drawn up by his lawyer. The rationale for the two agreements was never fully explained.

[8] In evidence, he sought to explain the existence of this document as flowing from a mice infestation at his office which resulted in the "mice eating his copy" of the agreement. It is difficult to resist the analogy to the student's excuse that the "dog ate my homework" and to ascribe Au-Yeung's excuse the same weight that a teacher might give to the student's excuse.

[9] The issue of weight to be given Au-Yeung's evidence overall only becomes relevant if the Court must assess "new evidence". Applicant's counsel, in attacking Atkinson's evidence on credibility grounds, conceded that it was likewise open to the Court to assess Au-Yeung's credibility, including taking into account the plausibility of the excuse advanced.

[10] By virtue of another agreement [2nd Agreement] dated the day of closing of the 1st Agreement, the purchase price of \$72,500 was allocated as \$60,000 for goodwill and \$12,500 for physical assets and leasehold improvements. There was no definition of goodwill and no reference to a trademark licence.

[11] What followed the closing was a series of disputes between the parties, primarily in the British Columbia courts:

- a) The Respondent sued Delane in the BC Provincial Court (Small Claims) in April 2009 for unpaid license fees for the continued use of the “TASTE OF BC” name. The Respondent was successful and was awarded damages for Delane’s use of the trade name beyond the limited time period provided for in the 1st Agreement [Chen Decision]. The court indicated that the cause of action ought to have been for passing off.
- b) Au-Yeung applied to register the TASTE OF B.C. trademark in April 2009 based on use. The application was refused by the Trademarks Opposition Board in November 2013.
- c) The Respondent launched an action against the Applicant and Delane in the BC Provincial Court on July 6, 2011, claiming damages for the Applicant having made a trademark application to register the TASTE OF B.C. mark. On September 18, 2014, the court held in favour of the Applicant [Yee Decision], and the Applicant argued before this Court that the Respondent was therefore estopped from claiming an ownership interest in the trademark TASTE OF BC. The relevance of this decision was raised before the Board.
- d) In January 2012, the Applicant filed an application for trademark registration based on proposed use, which is at issue in this case. The proposed use was:

GOODS:

Fruit-based confectionery, snack foods, namely, corn chips, potato chips and fruit-based snack mixes, soups, dried beef, smoked fish, preserves and condiments, namely mustard, chutney, jams, jellies, marmalade and syrup; souvenirs, namely magnets, spoons, bookmarks, ornamental novelty pins, coins, patches, crests, key tags, key chains, decals, bumper stickers, stickers, cloth and paper pennants, cloth and paper flags, lighters, engravings, pewter and jade figurines, coffee mugs, shot glasses, beer steins, salt and

pepper shakers, plates, coasters, ashtrays, spoon rests, Christmas ornaments, picture frames, candles, candle holders and travel mugs; stationery, namely pencil cases, erasers, pencils, writing pads, pens, rubber stamps, paperweights and address books; paper goods, namely postcards, souvenir books, playing cards, posters, calendars, notebooks, art prints, photographic prints, lithographic prints, colour prints, pictorial prints, gift bags and greeting cards; textile goods, namely, oven mitts, tea towels, ties, aprons, linen bags, scarves, placemats, iron-on patches and tote bags; jewellery; crystal giftware, namely decorative crystal bearing west coast native art themes or images, namely glasses, paperweights, prisms, sculptures, statues, and vases; works of art, namely, dream-catchers, sun-catchers, First Nations ornaments, masks, plaques and drums; sculptures, wood and stone carvings and paintings.

SERVICES:

Retail stores services featuring food products, souvenirs, stationery, paper goods, textile goods, jewellery, giftware and works of art.

- e) Finally, in March 2016, a BC Supreme Court judge dismissed an action by Delane against Atkinson, Taste of BC Fine Foods Ltd, and Tsawwassen Quay Market Corporation, holding that Delane was estopped from bringing an action for breach of contract and interference with economic relations by reason of the Chen Decision. This decision was upheld by the BC Court of Appeal in February 2017.

[12] This litigation history was largely before the Board in this matter.

[13] The Respondent raised five grounds of opposition before the Board under s 38(2) of the *Trade-marks Act*, RSC 1985, c T-13. The Board considered firstly the issue of whether it was reasonable for the Applicant to be satisfied that he was entitled to use the mark in Canada in

association with the goods and services described in the application (s 30(i)) and secondly the issue of non-entitlement (ss 16(3)(a) and (c)). The relevant sections state:

16 (3) Any applicant who has filed an application in accordance with section 30 for registration of a proposed trade-mark that is registrable is entitled, subject to sections 38 and 40, to secure its registration in respect of the goods or services specified in the application, unless at the date of filing of the application it was confusing with

(a) a trade-mark that had been previously used in Canada or made known in Canada by any other person;

...

(c) a trade-name that had been previously used in Canada by any other person.

...

30 (i) a statement that the applicant is satisfied that he is entitled to use the trade-mark in Canada in association with the goods or services described in the application.

16 (3) Tout requérant qui a produit une demande selon l'article 30 en vue de l'enregistrement d'une marque de commerce projetée et enregistrable, a droit, sous réserve des articles 38 et 40, d'en obtenir l'enregistrement à l'égard des produits ou services spécifiés dans la demande, à moins que, à la date de production de la demande, elle n'ait créé de la confusion :

a) soit avec une marque de commerce antérieurement employée ou révélée au Canada par une autre personne;

...

c) soit avec un nom commercial antérieurement employé au Canada par une autre personne.

...

30 i) une déclaration portant que le requérant est convaincu qu'il a droit d'employer la marque de commerce au Canada en liaison avec les produits ou services décrits dans la demande.

[14] The critical aspects of the Board's Decision were:

- the history of the Respondent's use of the TASTE OF BC mark from 2001 in conjunction with the sale of products such as smoked salmon at the Swartz Bay ferry terminal, through to the expansion to the Departure Bay and Tsawwassen terminals (in 2004);
- the conclusion of the 1st Agreement in 2008;
- the history of retail sales by the Respondent through to 2012;
- the history of disputes between the parties, including the Applicant's excuse for the destruction of his copy of the 1st Agreement;
- the finding that the Yee Decision was not admissible because it had not been proven in accordance with s 23(1) of the *Canada Evidence Act*, RSC 1985, c C-5, and that, if admissible, it was not relevant because that decision spoke only to the facts proven in that case, which concerned different processes and facts than those of a trademark opposition case;
- the finding that as of the filing date the parties were disputing the August 2008 sale of assets; and,
- the finding that the present case was analogous to *Lifestyles Improvement Centers, LLP v Chorney*, 63 CPR (4th) 261, 2007 CarswellNat 2412 (TMOB), and *Biker Rights Organization (Ontario) Inc v Sarnia-Lambton Bikers Rights Organization Inc*, 2012 TMOB 189, 107 CPR (4th) 142.

[15] With respect to the Applicant's declaration of his entitlement to use the mark pursuant to s 30(i), the Board found that it was unreasonable in all of the circumstances for the Applicant to

be satisfied of his entitlement to use the mark throughout Canada. The Board's interpretation of the 1st Agreement (including the licence for use of the mark and the Respondent's subsequent offer to renew this licence) and its finding that there were ongoing disputes between the parties concerning the use of the mark established that, as of the filing date of the application, the Applicant had not discharged his burden of showing that it was reasonable for him to declare to be satisfied of his entitlement to use the mark.

[16] With respect to non-entitlement pursuant to ss 16(3)(a) and (c), the Board found that the Respondent had established the use of the TASTE OF BC trademark prior to the Applicant's filing date of January 10, 2012. There was no abandonment as of the advertisement date of September 19, 2012.

[17] On the matter of abandonment, the Board held that the Applicant had to establish both absence of use by the Respondent and an intention to abandon. The Respondent explained that the decreased sales as of the date of advertisement were the result of low salmon stocks, which he was addressing by developing a land based aquafarm. From this the Board concluded that the Respondent had not abandoned the mark.

[18] With respect to the likelihood of confusion, the Board noted the near identical marks (the Respondent's unregistered mark TASTE OF BC and the Applicant's proposed mark TASTE OF B.C.), the association of the goods with the Respondent's mark, and the identical channels of trade (being the tourist trade at BC Ferries terminals). Therefore, the Board concluded that the Applicant had failed to show that there was no likelihood of confusion.

III. Standard of Review

[19] If there is new evidence adduced before this Court that would materially impact the Board's findings of fact or exercise of discretion, then the Court is to decide the matter on its merits based on the materials before the Board and on the new evidence (see *Maison Cousin (1980) Inc v Cousins Submarines Inc*, 2006 FCA 409, 60 CPR (4th) 369, and *Richtree Market Restaurants Inc v Mövenpick Holding AG*, 2016 FC 1046, 270 ACWS (3d) 838).

If there is material new evidence presented, the Court must engage in a full review of the evidence and make its own determinations (*Gemological Institute of America v Gemology Headquarters International*, 2014 FC 1153, 127 CPR (4th) 163 [*Gemological Institute*]).

[20] Where there is no such material new evidence presented, the standard of review for issues of fact, law, or discretion is reasonableness (*Molson Breweries, A Partnership v John Labatt Ltd*, [2000] 3 FC 145, 5 CPR (4th) 180, leave to appeal to SCC refused, [2000] 2 SCR xi). A reasonable decision is one which is justified, transparent, and intelligible, and "falls within a range of possible, acceptable outcomes which are defensible in respect of the facts and law" (*Dunsmuir v New Brunswick*, 2008 SCC 9 at para 47, [2008] 1 SCR 190).

[21] The relationship between the two standards of review was succinctly summarized by Boivin JA in *Saint Honore Cake Shop Limited v Cheung's Bakery Products Ltd*, 2015 FCA 12, 132 CPR (4th) 258:

[18] In principle, the standard of review to be applied in an appeal of a decision of the Board is reasonableness. However, when new evidence is adduced on appeal before the judge under section 56 of the Act and the judge comes to the conclusion that

the new evidence would have affected the Board's finding of fact or exercise of discretion, the judge must come to his own conclusion on the issue to which the additional evidence relates (*Molson Breweries v. John Labatt Ltd. (CA)*, [2000] 3 F.C. 145 at para. 51).

[22] What constitutes material new evidence is that evidence which would have materially impacted the decision – this is a test of quality, not quantity (*Canadian Council of Professional Engineers v APA – The Engineered Wood Assn* (2000), 184 FTR 55, 7 CPR (4th) 239 (TD)).

[23] It has often been repeated, and recently in *Gemological Institute* and in *Producteurs Laitiers du Canada v Republic of Cyprus (Ministry of Commerce, Industry & Tourism)*, 2010 FC 719, 393 FTR 1, aff'd 2011 FCA 201 [*Producteurs Laitiers*], that the new evidence cannot be merely repetitive or supplementary to the material that was before the Board but must add something of significance and enhance the cogency of previous evidence. The new evidence must fill a gap or remedy a deficiency in the original decision. As stated in *Producteurs Laitiers*:

[28] ... this will only occur where the fresh evidence is substantial and adds to what has already been submitted; if the fresh evidence is repetitive and does not enhance the probative value of the evidence already adduced, the standard of reasonableness will continue to apply. ...

[24] Consistent with the main theme of the standard of review, Gascon J in *Eclectic Edge Inc v Gildan Apparel (Canada) LP*, 2015 FC 1332 at para 45, 138 CPR (4th) 289, described new evidence as being material “when it is putting a different light on the record or is significantly extending the evidence that was in front of the Registrar”.

IV. Analysis

A. *New Evidence*

[25] The “new evidence” relied on by the Applicant is described in the affidavit of Au-Yeung signed December 23, 2015 [Au-Yeung Affidavit]. A summary of that evidence is:

- New testimony (at paras 4-7, 37, 38, 39, and 42) concerning the nature of the Applicant's business activities. The Applicant submits that this is relevant to the issues in ss 16(a), (c), and 30(i).
- New testimony (at paras 16, 28(d)-(g), 40(b)(iii)-(iv), and 42, as well as Exhibits A and G) on the nature of the Respondent's business activities relevant to ss 16(a) and (c).
- New testimony (at paras 8-24) on the sale of the business and goodwill, relevant to s. 30(i). Although much of this evidence was previously adduced, new context and evidence is provided including e-mails between the Applicant, Respondent, and the representative of the landlord (Exhibit A), an explanation of why the Applicant did not appeal the Chen Decision (para 17), new testimony on the Applicant's state of mind and knowledge (paras 32-34 and 36-40), and the Yee Decision (Exhibit J).
- New evidence on the availability of salmon stocks (para 28(g) and Exhibit H).

[26] The Respondent succinctly debunks the new evidence, as shown in the Respondent’s following chart:

Exhibit	New?	Status
A	Yes	Email threads
B	No	Ex. 17 Atkinson
C	No	Ex. 22, Atkinson
D	Yes	<u>Not relevant</u> as it is after the material date (date of filing of the application) January 10, 2012. (Supreme Court of BC document, 2014)
E	Yes	<u>Not relevant</u> to s. 30 or s. 16 (Garnishing order in BC Small Claims Court, 2009)
F	No	Atkinson cross-exam exhibit
G	No	Atkinson cross-exam exhibit
H	Yes	Relates only to credibility of Atkinson, but was not put to Atkinson on cross-exam
I	No	Ex. 16 Atkinson
J	Yes	<u>Not relevant</u> as it is after the material date (date of filing of the application) January 10, 2012. (BC Small Claims decision, 2014)

[27] The Respondent also seeks to have the Court strike portions of the Au-Yeung Affidavit which contain gratuitous and vexatious allegations and hearsay. The vexatious allegations include describing Atkinson as a “very bad person”, claiming that the Applicant’s previous solicitor had not conducted the trial as the Applicant wished, describing Atkinson as a liar and a cheater, and claiming that Atkinson had misled judges with “untrue evidence”.

[28] It is open to the Court to strike these allegations but it is equally open to the Court to give them no weight. Counsel for the Applicant accepted that these allegations could also be considered in the context of a witness who would advance the excuse of “the mice ate my agreement”.

[29] In my view, it is clearer not to strike the allegations, consider them in the context of “new evidence”, and give them the absence of weight that they deserve. To the extent that the so-called new evidence is based on Au-Yeung’s evidence, I give it no credit unless it is an objective, relevant piece of evidence. I likewise reject any hearsay advanced by the Applicant such as paragraphs 28(a), (b), (g), and 32 of the Au-Yeung Affidavit.

[30] The Respondent also objects to the receipt, under Exhibit J of the Au-Yeung Affidavit, of the Yee Decision because its admission did not comply with s 23 of the *Canada Evidence Act*.

A judgment tendered in evidence without a witness must comply with s 23; however, this is an attachment to an affidavit. In my view, the admissibility of the judgment is better dealt with as a matter of relevancy, as was also found by the Board.

[31] With respect to the evidence concerning the “nature of the Applicant’s business activities”, while this evidence is more detailed than what was before the Board, it is merely supplemental to the evidence before the Board. It does not fill any gaps and it is not substantial; therefore, it is not material.

[32] Regarding evidence of the channels of trade, the Board had considered evidence that both parties were engaged in serving the tourist trade. The new evidence adds nothing material to the dispute.

[33] With respect to the “nature of the Respondent’s business activities”, that evidence was already before the Board. There is nothing material in this “new” evidence.

[34] On the matter of the purchase of the “business and goodwill”, Au-Yeung had given evidence to the Board that in his view he had bought the goodwill and the business, and that the trademark was part of the goodwill. The new evidence is merely repetitive of the Applicant’s position which had been rejected by the Board.

[35] The 2nd Agreement was, along with the other agreements, before the Board.

[36] The only evidence that can really be considered “new” is a report on salmon stocks (Exhibit H). Its importance is unknown because Atkinson was never confronted with it as part of an attack on his credibility. Au-Yeung did not, and apparently could not, speak to the contents of the report. Absent a showing of materiality, it adds nothing to the Board’s decision. There is no correlation between Atkinson’s reliance on farmed salmon and the stocks of farmed and wild salmon in the province generally.

[37] As to the Yee Decision, it is not new evidence – it was specifically ruled inadmissible both for failure to comply with s 23 of the *Canada Evidence Act* and for lack of relevancy.

[38] In my view, a party cannot plead as “new evidence” evidence which was ruled inadmissible. The ruling on the Yee Decision may be relevant to the reasonableness of the Board’s decision but cannot constitute new material evidence.

[39] As to the value of the Yee Decision as evidence, it is evidence only that a court made certain findings of fact based on the specific evidence before that court. It is not proof of the truth of those findings nor is it authoritative. Given the difference in focus between the provincial proceeding and the Board’s process, the decision is not necessarily even persuasive.

[40] For all these reasons, I conclude that there is no new material evidence which justifies this Court in reviewing this matter of trademark registration *de novo*.

B. *Reasonableness of the Decision*

[41] The Applicant essentially asks this Court to reweigh the evidence before the Board. This is not part of a reasonableness analysis (*Canada (Citizenship and Immigration) v Khosa*, 2009 SCC 12 at para 61, [2009] 1 SCR 339).

[42] The Applicant challenges the Board’s conclusion that the sale of “goodwill” did not include the trademark. There is no law or convention stipulating that “goodwill” necessarily includes trademarks. That consideration depends on the facts. It was reasonable in this case for the Board to come to the conclusion it did.

[43] The Board's reference to cases involving licensees attempting to register the trademarks of their licensors was stated to be for the purposes of analogy only. The Board did not erroneously conclude that this was an identical situation. The Board cited several reasons for holding that the Applicant had not discharged its burden of showing that the Applicant had a *bona fide* belief in its entitlement to use of the mark. The case law simply buttressed the Board's conclusion by way of analogy.

[44] The Board had sufficient evidence to support its finding that the Applicant knew or should have known of the Respondent's continuing use of the mark. It was reasonable for the Board to conclude that the Respondent had not abandoned the mark despite a decrease in sales. Evidence of intent to abandon was countered by the Respondent's efforts to re-source salmon supplies and to continue the business.

[45] Much has been made of the Yee Decision, far beyond what the learned judge could reasonably have contemplated. Any comments about the lack of injunctive relief are irrelevant to the Provincial Court since it cannot issue such relief. To the extent that the decision is relevant, the court indicated that Delane had previously been found (in the Chen Decision) to have wrongfully used the trade name TASTE OF BC beyond the six month period provided in the 1st Agreement.

[46] The ongoing provincial litigation is of marginal relevance. If it established anything, it was that the Respondent had not abandoned the mark.

[47] More importantly, the Board's decision to not accept the Yee Decision into evidence was reasonable, whether it was based on the technical requirements of the *Canada Evidence Act* or on the more solid grounds of relevance.

[48] The Board's findings with respect to non-abandonment and channels of trade were reasonable. The channels of trade need not be identical so long as they overlap. The Applicant's description of the Respondent's business activities was subject to credibility concerns, and this is an area where the Court should accord the Board considerable deference. In addition, there was more than sufficient objective evidence to support the Board's conclusion.

[49] The Decision, considered both as a whole and in relation to its important constituent parts, is reasonable. The Applicant has not shown that there are important and unreasonable conclusions or findings which require this Court's intervention.

V. Conclusion

[50] For these reasons, the Decision will be upheld and the appeal dismissed with costs.

[51] On the matter of costs, the expense of this proceeding and all of the related proceedings has long ago overshoot the purchase price of the assets. The Applicant has been dogged in his pursuit of this trade name, capitalizing on the gap created by the Respondent's failure to seek registered trademark protection. The Respondent appears to have been unaware that there is value in registered trademark protection.

[52] Although the Respondent requested costs on a solicitor and his client basis, he bears some responsibility for not protecting his trademark asset. Therefore, the Respondent will be entitled to costs at Level V of the Court's Tariff.

JUDGMENT

THIS COURT'S JUDGMENT is that the Trademarks Opposition Board's decision is upheld and the appeal is dismissed with costs. The Respondent is entitled to its costs at Level V of Tariff B of the *Federal Courts Rules*, SOR/98-106.

"Michael L. Phelan"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1904-15

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DATED: MARCH 22, 2017

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