

Federal Court



Cour fédérale

Date: 20180725

Docket: T-975-17

Citation: 2018 FC 778

Ottawa, Ontario, July 25, 2018

PRESENT: The Honourable Mr. Justice Manson

BETWEEN:

DOLLAR GENERAL CORPORATION

Applicant

and

2900319 CANADA INC.

Respondent

JUDGMENT AND REASONS

I. Introduction

[1] This is an appeal under section 56 of the *Trade-Marks Act*, RSC 1985, c T-13 [the “*Act*”] and Rule 300(d) of the *Federal Courts Rules*, SOR/98-106, from a decision of the Registrar of Trademarks (the “Registrar”), expunging the Applicant’s DOLLAR GENERAL and registration TMA 785,040 therefor pursuant to section 45 of the *Act*.

II. Background

[2] The Applicant is the owner of trademark registration No. TMA785040, for the trademark DOLLAR GENERAL (the “Mark”), registered on December 15, 2010, for use in association with “retail variety store services” (the “Services”).

[3] The Applicant operates retail stores in the United States of America (“US”), as well as an e-commerce website, and uses the Mark in association with those services. The website allows customers in Canada to review product details, pricing and availability, and then make online purchases of products by using a credit card. However, the Applicant does not ship products to Canada. Customers in Canada must have the products delivered either to an address in the US or to a third-party shipping agent (“trans-shipper”) that the customer must then pay in order to have their purchase brought into Canada.

[4] On October 21, 2014, at the request of the Respondent, the Registrar issued a notice pursuant to section 45 of the *Act*, requesting that the Applicant provide evidence of use of the Mark in Canada in association with the Services during the preceding three years, namely, between October 21, 2011 and October 21, 2014 (the “Relevant Period”).

[5] In response to that notice, the Applicant submitted evidence and written submissions and then attended an oral hearing before the Registrar. The Respondent filed written submissions but did not attend the hearing.

[6] On May 2, 2017, the Registrar issued his decision to expunge the Applicant's trademark on the basis that the Applicant had not demonstrated use of the Mark in Canada in association with the Services during the Relevant Period. He found that the Applicant was not offering "retail variety store services" because a customer in Canada could only obtain his or her purchase by traveling to the US or through the additional services of a trans-shipper.

[7] Although the Applicant was not operating bricks and mortar DOLLAR GENERAL stores in Canada during the Relevant Period, it was operating a DOLLAR GENERAL website, which was accessed, directed at and used by Canadians to purchase products. The Applicant also provided secondary and ancillary retail store services through its website and DOLLAR GENERAL internet app, which had been downloaded by Canadians, to indicate nearby store locations, product information, recipes and coupons. Despite such use of the Mark, the Registrar held that the Mark was not in use in Canada.

[8] The Applicant appeals from that decision on the basis that the evidence clearly showed use of the Mark in Canada during the Relevant Period, and that the Registrar erred in fact and in law by defining the Services too restrictively and by failing to follow the jurisprudence on this point.

[9] For the reasons set out below, I agree with the Applicant.

III. Issue

[10] The issues are:

- A. Was the Registrar's decision clearly wrong as a result of various errors in fact and law?
- B. Did the Applicant demonstrate use of the Mark in association with the Services during the Relevant Period?

IV. Standard of Review

[11] The applicable standard of review is reasonableness, unless new evidence on appeal would materially affect the Registrar's findings (*Molson Breweries v John Labatt Ltd*, [2000] 3 FRC 145 at para 51).

[12] No new evidence was filed on appeal and therefore the applicable standard of review is reasonableness.

V. Analysis

[13] Subsection 4(2) of the *Act* provides that "a trademark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services." This Court has added that those services must be effectively offered to Canadians or performed in Canada (*UNICAST SA v South Asian Broadcasting Corporation Inc*, 2014 FC 295 [*Unicast*] at para 46).

[14] In *Saks & Co v Canada (Registrar of Trade Marks)*, [1989] FCJ No 2824 (TD) (WL) [*Saks & Co*], this Court held that retail store services could be performed without the presence of brick-and-mortar stores in Canada. It considered the following factors to be relevant in making that finding (para 55):

- the retailer responded to mail and telephone orders from Canada;
- the retailer advertised wares in Canada by sending catalogues to Canadian customers;
- there was a toll-free number for Canadians to purchase wares by telephone;
- the retailer's wares and services were advertised regularly in Canada through magazines which had a large Canadian circulation; and
- the retailer arranged for delivery to Canada of the items ordered.

[15] In *Boutique Limité Inc v Canada (Registrar of Trade-Marks)*, [1998] FCJ No 1419 (CA) (WL) [*Boutique Limité*] at paragraph 15, the Federal Court of Appeal commented on *Saks & Co*:

What *Saks* establishes is that when an owner, who does not operate a store in Canada, wishes to prove the use of his mark with regard to "retail department store services" he must bring before the Registrar or the judge evidence of a sufficient character so as to allow the decider to determine whether "retail department store services" are offered. We need not rule on whether *Saks* was correctly decided. As will be explained below, there is simply not enough evidence in this case to attract any comparison with the factual situation in *Saks*.

[16] It then reviewed the evidence and concluded that retail store services had not been performed in Canada. There was insufficient evidence to show that deliveries were made in Canada, and neither offering a refund in relation to a sale that occurred in the US nor advertising

in publications that circulate in Canada were sufficient to establish that retail store services were performed in Canada (*Boutique Limité* at paras 16-18).

[17] In *TSA Stores, Inc v Registrar of Trade-Marks*, 2011 FC 273 [*TSA Stores*], this Court once again addressed the issue of a company's use of a trademark in association with retail store services without having brick-and-mortar stores located in Canada. The company operated a website but there was no evidence that it sold its products to customers in Canada. The Court found that (paras 19-21):

The "Help Me Choose Gear" service on the Website provides a significant volume of information and guidance about a vast array of products. Visitors to the Website are given detailed descriptions of each product and are told how to identify suitable equipment depending on the age and expertise of the user, how to select correct sizes and how to care for the products. There is also an extensive glossary of specialized sportswear terminology. In my view, visiting this service on the Website is akin to visiting a bricks and mortar store and benefiting from a discussion with a knowledgeable salesperson.

The Shoe Finder service is similar. It allows a visitor to the Website to identify the running shoe which best suits his or her needs. Lastly, the Store Locator service allows a web user to enter a postal code to call up the location of the nearest store. This allows Canadians to find a nearby store in the United States.

In my view, these services are of benefit to Canadians. Accordingly, since the Marks appear in connection with these ancillary retail store services on the Website, I have concluded that there is evidence of use in Canada in the Relevant Period.

[18] In reaching that conclusion, the Court relied on two general propositions (*TSA Stores* at paras 16 and 17). First, the word "services" should be liberally construed (citing *Kraft Ltd v Registrar of Trade-marks*, [1984] 2 FC 874 (TD) (WL) [*Kraft*] at para 8). Second, the *Act* makes no distinction between primary, incidental or ancillary services – as long as some members of the

public, consumers or purchasers, receive a benefit from the activity, it is a service (citing *Société Nationale des Chemins de fer Français SNGC v Venice Simplon-Orient-Express Inc*, [2000] FCJ No 1897 (TD) (WL) [*Venice Simplon-Orient-Express*] at paras 8-9).

[19] As such, in their written submissions to the Registrar, both parties proposed, and I agree, that an accurate statement of law on this issue was articulated by the Registrar in *Lapointe Rosenstein LLP v West Seal Inc*, 2012 TMOB 14 at paragraphs 27 and 28:

In [*TSA Stores*], as with [*Saks & Co*], it was contemplated that the combination of certain factors could be sufficient to support a registration for retail store services, even in the absence of brick-and-mortar stores in Canada. Such factors must demonstrate a certain level of interactivity with potential Canadian customers in order for there to be a benefit to Canadians sufficient to support such a registration. Certainly, it would appear that this level of interactivity is satisfied where a registrant operates a retail website and ships goods purchased via the website to Canada. Listing prices in Canadian dollars or showing other indicators that the website is directed to Canadian customers may also satisfy the requirements of sections 4 and 45 in the absence of evidence of shipping to Canada. On the other hand, as noted above, merely offering refunds appears to be insufficient [*Boutique Limité*]. Finally, on the particular facts in [*TSA Stores*], offering several ancillary services on a website equivalent to what one might find in a brick-and-mortar store was found to be sufficient.

In other words, there appears to be a threshold of ancillary or incidental services that, when combined, can support a registration for retail store services. What appears to be necessary is some degree of interactivity with the customer, and to the hypothetical Canadian customer in particular. Although the Requesting Party encouraged the Registrar to outright ignore the reasoning in [*TSA Stores*], it can be considered consistent with the other jurisprudence in that the Court found, through the provision of ancillary services, a sufficient degree of interactivity with the Canadians who accessed the website to support the registrations for “retail store services”.

[Citations to TMOB decisions removed]

[20] The Registrar here found that:

[...] requiring that customers be able to take delivery or possession of their purchases is consistent with the plain meaning of “retail variety store services”. In my view, if a company claims to provide retail variety store services in Canada, the average consumer will expect to be able to pay for and receive goods in Canada. If goods can only be obtained by traveling to the United States, or through the additional services of a shipping agent, then the retail store services are not performed in Canada.

[21] In other words, in the absence of brick-and-mortar stores in Canada, whether “retail store services” are performed in Canada depends on whether a company makes deliveries in Canada.

[22] The Registrar relied on this Court’s decision in *Unicast*. However, the paragraphs relied on by the Registrar dealt with an issue much broader than the one here – the Court was rejecting the argument that any trademark which appeared on a website that is accessed in Canada, regardless of where the information on the website originated, constituted use of the trademark in Canada (*Unicast* at paras 46-49). As the Court pointed out in *Unicast* at paragraph 48, “the notion of performing services is essential.”

[23] Moreover, the *Unicast* case is distinguishable: *Unicast* involved live-streaming of a radio program over a website that was accessible in Canada and the issue was whether that constituted performance of a “broadcasting” service in Canada. In finding that it did not, this Court reviewed the terms “broadcasting undertaking” and “carried on in whole or in part within Canada” as they are used in the *Broadcasting Act*, SC 1991, c 11 and related jurisprudence (*Unicast* at paras 57-68).

[24] If the Registrar had more appropriately applied this Court's decision in *TSA Stores*, as well as the principles from *Kraft* and *Venice Simplon-Orient-Express*, the Registrar should have found that the Applicant offered a sufficient benefit in the nature of retail store services in Canada to justify maintaining the registration at issue.

[25] The Applicant submitted screenshots of its website to show that visiting the website is akin to visiting a bricks-and-mortar store. A customer can browse various categories of products including cleaning, health, beauty and food. When the customer clicks on a product, detailed information of that product is shown including availability, shipping information and similar products. As well, the customer can access flyers, coupons and tips for saving money. Moreover, the customer can add or remove items from either their "shopping list" or their "cart" and then proceed to purchase the items in their cart by providing billing information and a shipping address. Finally, the website features a "store locator" service that allows Canadians to find the nearest store in the US.

[26] The Applicant also submitted evidence to show that at least one Canadian customer had her products delivered to a trans-shipper. That trans-shipper offers a choice of US addresses to use when purchasing from a US retailer, delivery of that purchase to anywhere in the world in approximately three days, shipping insurance and estimated duties and taxes in the local currency. This shows that it is easy for Canadians to purchase products from the Applicant's website and have that product delivered to their door in a matter of days, thus undermining the Registrar's assertion that delivery by the US retailer is a fundamental feature to support retail store services being available in Canada.

[27] Furthermore, although the website does not display prices in Canadian dollars or provide shipping information for Canadians, this has not prevented Canadians from using the Applicant's services. The Applicant submitted evidence to show that:

- during the Relevant Period, it corresponded with customers in Canada that inquired about retail purchases from the website;
- from February 1, 2013 to October 20, 2014, it made sales of \$2685.27 to customers with a billing address in Canada;
- from October 21, 2011 to October 20, 2014, it made sales of \$3641.83 to customers with a “.ca” extension;
- considering the nature of the products offered on the website, sales of this dollar value were significant;
- the Mark was displayed in association with all of those services;
- When paying for purchases and inputting billing information, the Applicant's website provides:
 - i. “Canada” as a drop down menu for country
 - ii. Lists “State/Province” with a drop down menu that includes all the Canadian provinces and territories;
 - iii. List “Zip/Postal Code” and accepts input of Canadian postal codes, all of which indicate that the website is directed to Canadian customers.

[28] There is no question that during the Relevant Period, Canadians have access to the DOLLAR GENERAL website, purchased goods in association with the DOLLAR GENERAL trademark, and accordingly used the retail services of the Applicant in association with the

DOLLAR GENERAL trademark. To find that by use of a third party mode of delivery from the US would, in-of-itself, result in non-use of retail services in Canada ignores the commercial reality of the normal course of e-commerce trade and would frustrate trademark owners' legitimate rights in Canada.

[29] While the evidence may not be perfect: the billing addresses and “.ca” extensions do not guarantee those customers were in Canada when the purchase was made; the trans-shipper is not affiliated with the Applicant; and some of the Applicant’s assertions were not supported by documentary evidence, nevertheless all the relevant indicia of use of retail services in Canada are present – the interactivity and benefit to Canadians using the DOLLAR GENERAL website are without doubt.

[30] Moreover, in expungement proceedings under section 45 of the *Act*, the burden on the registrant is not a heavy one. The evidence need not be perfect; it must only establish a *prima facie* case of “use” within the meaning of section 4 of the *Act* because the proceedings are meant to remove “deadwood” from the register and there is a need to maintain a sense of proportion and avoid evidentiary overkill. The evidence must be such that a conclusion of “use” would follow as a logical inference from the facts established, rather than from speculation, and such an inference can properly be drawn from the evidence as a whole.

[31] Viewing the evidence as a whole, I find it is sufficient to show that the Applicant used the Mark in Canada in association with the Services during the Relevant Period. The logical inference from the facts is that Canadians benefitted from use of the Applicant’s website by

using it as a substitute for visiting a brick-and-mortar store, as well as either purchasing products for delivery to a US address for pick-up or to a trans-shipper for delivery in Canada.

[32] The Registrar's decision was clearly wrong and unreasonable. The Applicant has demonstrated use of the Mark during the Relevant Period. The appeal is allowed and the Registrar's decision is set aside.

JUDGMENT in T-975-17

THIS COURT'S JUDGMENT is that:

1. The appeal is allowed, the Registrar's decision is set aside and trademark registration TMA 785,040 for the trademark DOLLAR GENERAL is maintained on the register.

"Michael D. Manson"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-975-17

STYLE OF CAUSE: DOLLAR GENERAL CORPORATION V 2900319
CANADA INC

PLACE OF HEARING: TORONTO, ONTARIO

DATE OF HEARING: JULY 19, 2018

JUDGMENT AND REASONS: MANSON J.

DATED: JULY 25, 2018

APPEARANCES:

Mr. Kelly Gill

FOR THE APPLICANT

SOLICITORS OF RECORD:

GOWLING WLG (CANADA) LLP
Toronto, Ontario

FOR THE APPLICANT