

Federal Court



Cour fédérale

Date: 20190829

Docket: T-1380-13

Citation: 2019 FC 1104

Montréal, Québec, August 29, 2019

PRESENT: The Honourable Madam Justice St-Louis

BETWEEN:

**WENGER SA, GROUP III INTERNATIONAL
LTD. AND HOLIDAY GROUP INC.**

Applicants

and

**TRAVELWAY GROUP INTERNATIONAL
INC.**

Respondent

JUDGMENT AND REASONS

I. INTRODUCTION

[1] The Applicants were successful in their appeal of this Court's 2016 decision dismissing their application (*Group III International Ltd v Travelway Group International Ltd*, 2017 FCA 215 [*FCA decision*]). The Federal Court of Appeal found that the Respondent, Travelway Group International Ltd. (Travelway), had infringed the Applicants' trademarks and had passed off its

own goods as theirs. It granted the Applicants a declaration of trademark infringement, ordered a permanent injunction prohibiting Travelway from using its infringing marks, and ordered Travelway to destroy or deliver up all wares, packages, labels and advertising material marked. Travelway confirmed, at paragraph 107 of its written argument, that it immediately ceased all sales as of the date of the *FCA decision*.

[2] The Federal Court of Appeal remitted back to this Court the questions of: (1) whether Travelway's infringing trademarks should be struck from the trademark register; (2) whether damages or an accounting of profits are recoverable by the Applicants; and (3) if so, the amount and the appropriate procedure for determining them.

II. BACKGROUND

[3] On March 3, 2008, Travelway applied to register the trademark “S in Cross & Design” (Travelway cross mark) and, on April 23, 2008, the trademark “S in Cross On Triangle & Design” (Travelway triangle mark). Both applications were made for proposed use and in association with luggage, bags, and other travel wares, and both featured the letter “S” in the centre of a cross, the latter mark including a triangle of contrasting colour behind the cross.

[4] At the time, Wenger S.A., one of the Applicants, already owned a registered trademark, the SWISS GEAR & Design “SWISS GEAR & Design” trademark (SWISS GEAR mark), and had applied for registration of another, the “WENGER & Design” trademark (WENGER mark). Both trademarks are in association with luggage, bags, and other travel wares and consist essentially of a cross design with the words “SWISS GEAR” or “WENGER” written underneath.

On June 15, 2009, Wenger applied to register another trademark, the “Cross Design” (Wenger cross mark).

[5] On May 14, 2009, Travelway's two trademarks were registered, and on January 26, 2010 and January 10, 2012, the WENGER mark and the Wenger cross mark were respectively registered as well.

[6] Travelway's applications for registration were unopposed. The record shows that the word “cross” was present in the application, and the classification of the figurative elements of the two file histories demonstrate that the Trade-marks Office entered its first two classifications as “Crosses containing an inscription” and “Other crosses” or “Greek cross, St. Andrew's cross” (Compendium of the Respondent at 141, Tab 4; at 171, Tab 5).

[7] In 2012, Travelway began using modified versions of its trademarks, the first of which renders the letter “S” difficult to see (Disappearing S mark), the second of which omits the “S” altogether (Missing S mark).

[8] On August 14, 2013, the Applicants commenced this application. They alleged that Travelway had engaged in trademark infringement and passing off as a result of its registration and use on luggage and related products of the two trademarks (the Travelway Marks) and the two variants, the Disappearing S mark and the Missing S mark. At paragraph 55 of their Notice of Application, the Applicants claimed that the Travelway marks are invalid and ought to be expunged, because:

- a) [The Travelway marks] were not registrable at the date of registration. At all material times, [the Travelway marks] were and are confusing, or likely to be confusing, with the Wenger Marks, which were previously used and made known in Canada;
- b) [The Travelway marks] are not distinctive of Travelway's wares or business. [The Travelway marks] do not actually distinguish, nor are they adapted to distinguish, the wares of Travelway from the wares of others, and in particular from the Applicants' wares; and
- c) Travelway was not the person entitled to secure registration of [the Travelway marks] because, at the claimed filing date, each mark was confusing or likely to be confusing with the Wenger Marks as previously used and made known in Canada in association with similar wares.

[9] At paragraph 56 of their Application, the Applicants added that “[the Travelway marks] are invalid and were void ab initio because the underlying applications were calculated to deceive or mislead the public”.

[10] Finally, at paragraph 69 of their Application, the Applicants submitted that the issues of liability for infringement and of the Applicants' entitlement to declaratory and injunctive relief should be determined first and, subject to the determination of liability, a reference relating to the issues of the quantum of damages or profits should then be conducted.

III. THE FEDERAL COURT OF APPEAL DECISION

[11] On November 6, 2017, the Federal Court of Appeal allowed the Applicants' appeal. The Federal Court of Appeal raised three issues as part of the appeal, and it (1) found that the Federal Court erred in concluding that there was no likelihood of confusion; (2) found that the Federal Court erred in concluding that there was no passing off; and (3) confirmed certain reliefs, and left the issues of expungement and damages to the Federal Court.

[12] On the first point, the Federal Court of Appeal concluded, ultimately, that “each of the Travelway marks is confusing with each of the Wenger marks” (*FCA decision* at para 68).

[13] The Federal Court of Appeal first examined if the Travelway triangle mark was confusing with the Wenger cross mark. As part of that analysis, it determined that the Disappearing S and the Missing S marks were not separate trademarks, but merely variants of the Travelway triangle mark, that they are likely to cause confusion with the Wenger marks and that the registered marks would thus also cause confusion. Ultimately, it determined that there was a very strong resemblance and a strong likelihood of confusion between the Travelway triangle mark and the Wenger cross mark.

[14] The Federal Court of Appeal then turned to the confusion analysis between the Travelway cross mark and the Wenger cross mark, and concluded that they resembled one another, and that there was a likelihood of confusion between the two marks.

[15] Finally, after having exhausted its focus on the Wenger cross mark, the Federal Court of Appeal turned its mind to the two other Wenger trademarks, hence the SWISS GEAR mark and the WENGER mark and performed a similar confusion analysis. It concluded that the Travelway marks were confusing with each of those Wenger trademarks as well. The Federal Court of appeal did not declare the Travelway marks invalid.

[16] On the second point, the Federal Court of Appeal found that passing off had been established, because (1) there is goodwill attached to the wares associated with the Wenger

trademarks because of the Applicants' established business with significant sales and active promotion; (2) misrepresentation has been established, as confusion is likely and Travelway made false claims with regards to its wares' Swissness; and (3) damage as loss of sales and business can be inferred from the fact that the parties are direct competitors.

[17] The Federal Court of Appeal (1) declared, pursuant to paragraph 20(1)(a) of the *Trade-Marks Act*, RSC, 1985, c T-13 [the Act], that Travelway infringed the Wenger marks; (2) ordered a permanent injunction restraining Travelway from using the Travelway marks in association with any wares listed in the Wenger marks' registrations; and (3) ordered Travelway to deliver up all wares displaying the Travelway marks and listed in the Wenger marks' registrations.

[18] Finally, the Federal Court of Appeal referred the issues of expungement and damages to this Court.

[19] On the issue of expungement, the Federal Court of Appeal, although it made findings of facts in reaching its conclusions on confusion and passing off, referred to this Court the questions of determining both whether or not an order under section 57 of the Act is appropriate, and the reasons for which such order is appropriate. This is made clear by paragraphs 95 and 96 of its decision.

[20] The Federal Court of Appeal also confirmed that the fact of this matter having been instituted as an application rather than an action should not be a bar to proceeding by way of reference, and that the Federal Court should determine the procedure that is most appropriate.

IV. EXPUNGEMENT

A. *Applicants' position*

[21] The Applicants argue that the Travelway marks should be expunged under subsection 57(1) of the Act, because their registration is invalid: they submit that, because a valid registration has been held to be a complete defence to passing off, it can be implied from the Federal Court of Appeal's finding of passing off that the Travelway marks' registrations are invalid. The Applicants add that the Travelway marks are invalid on three grounds under subsection 18(1) of the Act: (1) non-registrability, as the Federal Court of Appeal found that the Travelway marks are and have always been confusing with the SWISS GEAR mark; (2) non-distinctiveness, as the Federal Court of Appeal found that the Travelway marks are not inherently distinctive; and (3) non-entitlement, as, at the time of application for registration of the Travelway marks, the SWISS GEAR mark was registered, an application for the WENGER mark had been filed, and the Wenger cross mark had been previously used.

B. *Travelway's position*

[22] Travelway concedes that its trademarks must be expunged as a result of the Federal Court of Appeal's decision, but disputes some of the grounds of expungement. First, Travelway submits the ground of expungement based on non-registrability, as drafted in paragraph 55(a) of

the Application reproduced above, is not correct in law, as it alleges that the Travelway marks are confusing with the Wenger marks, while only one of the Wenger marks was registered at the relevant time. Second, Travelway submits that the allegation the applications for registration were calculated to deceive or mislead the public does not apply to registered trademarks and should be dismissed. Travelway does not challenge the grounds of expungement based on lack of distinctiveness and non-entitlement, as they arise directly from the Federal Court of Appeal's conclusion that the Travelway marks are confusingly similar to the Wenger marks.

C. *Decision*

[23] On a preliminary note, I agree with the Applicants that it must be implied that the Federal Court of Appeal considered the Travelway marks to be invalid despite not explicitly writing such a conclusion, as it found passing off had been established. This conclusion stems from the case law establishing that “the use of a registered trade-mark is an absolute defence to an action in passing off” (*Remo Imports Ltd v Jaguar Cars Limited*, 2007 FCA 258 [*Remo FCA*] au para 111). I have no indication that the Federal Court of Appeal intended to depart from said case law.

[24] I agree with the parties that the marks must be expunged, given the Federal Court of Appeal's decision.

[25] As the parties agree on two grounds, namely, non-distinctiveness and non-entitlement (subsections 18(b) and 18(d) of the Act), and as these suffice, I need not resolve their disagreement on the other grounds.

[26] The Federal Court has the exclusive jurisdiction to order that an entry in the register be struck out if it appears that the register does not accurately express or define the existing rights of the person appearing to be the registered owner of the trademark (section 57 of the Act), I will order their expungement.

V. MONETARY RELIEF

A. *Applicants' position*

[27] The Applicants submit that, having proven infringement and passing off, they are entitled to financial compensation under section 53.2 of the Act (*Electric Chain Co of Canada Ltd v Art Metal Works Inc* [1933] SCR 581 at 590; *Dubiner v Cheerio Toys & Games Ltd* (1966), 55 DLR (2d) 420 at 431-433 (Exch); *Hughes v Sheriff*, [1950] OR 206 (HC)). They argue that, contrary to Travelway's suggestion, there is no basis to deny compensation altogether and nominal damages have been awarded even in cases where the plaintiff could not prove a loss or involving innocent passing off.

[28] The Applicants plead that an accounting of profits is a discretionary, non-arbitrary and equitable remedy, and that, also, it is the proper remedy based on four factors: (1) Travelway infringed the Wenger marks blatantly and knowingly; (2) the Applicants acted diligently, reasonably, and with clean hands at all times; (3) actual confusion can be inferred from the Federal Court of Appeal's finding of passing off and there is evidence of confusion; and (4) the complexity of the accounting exercise is not plainly disproportionate to the amounts at stake.

[29] The Applicants submit that the accounting period should begin from the date of first use of the Travelway marks, given the Federal Court of Appeal's finding that the Travelway marks are similar to the Wenger marks from the time Travelway's wares first entered the marketplace in 2009. They distinguish the two cases relied upon by Travelway to oppose their position because: (1) Justice Binnie's comments at paragraph 16 of *Veuve Clicquot Ponsardin v Boutique Clicquot Ltée*, 2006 SCC 23 are mere speculation; and (2) the facts of *Remo Imports Ltd v Jaguar Canada Ltd*, 2006 FC 21 [*Remo FC*] are far removed from the present case, as Travelway applied for registrations with full awareness of the Wenger marks. Alternatively, the Applicants reserve their right to argue that financial compensation should run from the date of first use of the variants, the date on which Wenger first asserted infringement by way of demand letter, or the date on which the Application was commenced.

B. *Travelway's position*

[30] Travelway submits that the claim for compensation should be dismissed, because the two grounds of expungement they conceded do not provide for invalidity *ab initio* and because it immediately ceased all sales as of the date of the judgment of the Federal Court of Appeal.

[31] Further, Travelway submits that the first ground of expungement, non-registrability, does not provide for compensation during the period for which the trademarks were in effect, in light of Justice Binnie's comment at paragraph 16 of the Supreme Court's decision *Veuve Clicquot*.

[32] Finally, Travelway refers to the Federal Court of Appeal's *Remo FCA* decision to argue that depreciation and deception of the public are not grounds of expungement. As was the case in

Remo FCA, a registration which is not void *ab initio* can benefit from the protection granted by section 19 of the Act. Travelway maintains that trademarks are rarely declared void *ab initio* and the specific circumstances which case law has identified to justify such a declaration are not present.

[33] Travelway adds that the protection of section 19 should extend to the variants of the Travelway marks, given that the Federal Court of Appeal found them to be permissible variants.

[34] If compensation were permitted, Travelway opposes the Applicants' choice of an accounting of profits over a payment of damages. It argues that an accounting of profits is an equitable recourse subject to the Court's discretion; that the Applicants delayed five years in taking measures to protect the Wenger marks; that Travelway acted properly; and that it would be exceedingly complex to distinguish the portion of profits which should be accounted for, from the profits fairly gained by Travelway.

C. *Decision*

[35] Travelway affirmed, at paragraph 107 of its written argument, that it “immediately ceased all sales on the date of the Judgment of the Federal Court of Appeal”. The Applicants confirmed this indirectly, at paragraph 65 of their written arguments, by stating, “Travelway's trade-mark infringement and passing off were ongoing for several years from 2009 until after the Court of Appeal ordered an injunction in late 2017”.

[36] As no damages/ profits occurred after the Federal Court of Appeal's decision, and as there will be none either following this decision ordering the expungement of the trademarks, the real issue is thus to determine if relief can be granted for the past.

[37] As was submitted by Travelway at the hearing, no decision following a trademark expungement has ever awarded damages for the past, and the decisions in *Remo FCA* and *Veuve Clicquot* tend to support this position.

[38] In *Remo FC*, the Federal Court expunged Remo's trademarks, but refused to award damages for the past. It held that “neither party should be financially accountable to the other for the past, nor should either party suffer financial consequences based on that past” (*Remo FC* at para 7) and arrived at that conclusion based on the fact that “both parties, respectively, claim that each, at the executive levels, did not know of the existence of the other at the outset of the legal proceedings” (*Remo FC* at para 5).

[39] On appeal, the Federal Court of Appeal agreed that there should be no damages in the past, but came “to the same conclusion for different reasons” (*Remo FCA* at para 127). Rather, it noted that Remo “had a valid registration until found invalid and expunged by the judge in 2006” and held that Remo was entitled to the benefit of section 19 of the Act (*Remo FCA* at para 110). In addition, the Federal Court of Appeal rejected the submission that Remo's registration was void *ab initio*, as Remo made no misrepresentations and did not act in bad faith at the time of registration.

[40] Similarly, following *Remo FCA*, Travelway in this case is entitled to the benefit of section 19 of the Act, which states that “the registration of a trade-mark in respect of any wares 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 wares or services”. There has been no finding of bad faith to justify a departure from *Remo*.

[41] At paragraph 16 of the *Veuve Clicquot* decision, Justice Binnie stated that “[were] the appellant to succeed in obtaining expungement, 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”. As the appellant did not succeed in that case, this statement was only *obiter*. However, even though *obiter* is not usually binding, it should be followed by a lower court when it emanates from the Supreme Court of Canada (*Sellars v R*, [1980] 1 SCR 527).

[42] The cases submitted by the Applicants, to support their argument that financial compensation should flow from trademark infringement, are distinguishable from the present case, as none involved registered trademarks. The Applicants confirmed as much, but maintained that the principle remains the same even with registered trademarks.

[43] The Court does not agree with the Applicants' position, considering the protection granted by section 19 of the Act, the Federal Court of Appeal's reasons in *Remo FCA*, the Supreme Court's *obiter* in *Veuve Clicquot*, and considering as well that the circumstances that would allow for expungement *ab initio* are not in play.

[44] Finally, even if I had considered the other grounds for expungement in dispute, my decision on entitlement to monetary relief would be no different.

[45] If I am wrong and the Applicants are entitled to monetary compensation for the past, I am of the view that it should take the form of an accounting of Travelway's profits, as sought by the Applicants, rather than an award of damages. Travelway has received, through its wrongful conduct, profits that should accrue to the Applicants.

[46] The test for the determination as to whether there should be an accounting of profits to sanction the wrongdoer's conduct is multifactorial, as laid out in *Philip Morris Products S.A. v Marlboro Canada Limited*, 2015 FC 364 [*Philip Morris FC*], which was maintained on appeal in *Philip Morris Products S.A. v Marlboro Canada Limited*, 2016 FCA 55 [*Philip Morris FCA*]. There is no exhaustive list of factors, and no single factor is truly determinative. However, the persons claiming an accounting of profits “have no right to an accounting of profits but that they should not be denied that option in the absence of any compelling reasons”, and a judge's “discretion in granting equitable remedies is not untrammelled” (*Philip Morris FCA* at para 8).

[47] Some relevant factors in this case include the Applicants conduct, Travelway's conduct, the complexity of the accounting exercise, and whether there was any actual confusion. None of the above listed factors prevents the Applicants from electing an accounting of profits. There is, therefore, no compelling reason to deny the Applicants' election.

VI. REFERENCE

A. *Applicants' position*

[48] The Applicants submit that a reference on damages pursuant to rule 153 of the *Federal Courts Rules*, SOR/98-106 [the Rules] is appropriate to assess Travelway's profits, as was done in *MacKay v Scott Packing & Warehousing Co (Can)*, (1998), 226 NR 130 (Fed AD). They maintain that a reference respects the principle of judicial economy and that the Case Management Judge should preside. A reference would allow parties to adduce evidence regarding Travelway's profits, evidence that was neither in the initial application nor in the affidavits that were filed.

B. *Travelway's position*

[49] On the issue of reference, Travelway submits that the Applicants failed to follow rules 107 and 153 of the Rules, which require a motion to seek a bifurcation or a reference. Travelway submits that such a motion should be made as early as possible in a proceeding and the moving party has the burden of proving that it is appropriate. Furthermore, Travelway submits that the most just, expeditious, and least expensive manner of proceeding would be for the trial judge to award compensation based on the record as it stands.

C. *Decision*

[50] As previously stated, I am of the view that, considering the protection granted by section 19 of the Act and the case law, the Applicants are not entitled to monetary compensation for the

past. However, if I am wrong and a monetary compensation is granted to the Applicants, I must also determine whether a reference is appropriate.

[51] The Applicants requested, in paragraph 69 of their Notice of Application, a reference to be made regarding the quantum of damages or profits, if it needs to be determined. Further, the Federal Court of Appeal confirmed, in its decision, that a reference is available to parties in an application (*FCA decision* at para 98).

[52] If the Applicants should be entitled to recover Travelway's profits, I am of the view that the quantum should be determined by way of reference, as further evidence would be needed on the issue of quantification. A reference would be, as the Applicants have argued, an efficient way for the parties to tender new evidence that is not on file.

VII. COSTS

[53] The Applicants seek costs of this hearing and of the reference in an amount to be determined, together with the costs of the application, at the conclusion of the reference. Travelway agrees with the Applicants that costs should be determined only once the Court has rendered its decision pursuant to this hearing or pursuant to the decision rendered on any reference that may be order by this Court.

[54] Given my previous finding that no monetary compensation flows from the present circumstances and that no reference is hence necessary, I shall immediately grant the costs of this hearing.

JUDGMENT

THIS COURT'S JUDGMENT is that :

1. The entries no. TMA740,206 and TMA740,200 shall be struck from the Trademarks Register.
2. No damages or accounting of profits are awarded to the Applicants.
3. Costs are awarded in favor of the Applicants.

"Martine St-Louis"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1380-13

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