

Federal Court



Cour fédérale

Date: 20221021

Docket: T-1662-17

Citation: 2022 FC 1443

Ottawa, Ontario, October 21, 2022

PRESENT: The Honourable Justice Fuhrer

BETWEEN:

CROCS CANADA, INC. AND CROCS INC.

**Plaintiffs
(Defendants by Counterclaim)**

and

DOUBLE DIAMOND DISTRIBUTION LTD

**Defendant
(Plaintiff by Counterclaim)**

JUDGMENT AND REASONS

I. Overview

[1] The crux of this dispute involves the validity of the Plaintiffs' Canadian Industrial Design Number 120939 dated December 30, 2008 entitled SHOE [939 Design]. If the 939 Design was valid and enforceable before it expired, then did the Defendant infringe the Plaintiffs' exclusive

rights in the 939 Design during its 10-year term? If the answer to the latter question is yes, then to what extent is the Defendant liable to the Plaintiffs?

[2] As explained below, I find that the 939 Design, now expired, was valid and subsisting during the relevant three-year period before the Plaintiffs commenced their action, and that the Defendant infringed it. As a consequence, the Plaintiffs are entitled to an accounting of the Defendant's profits from November 1, 2014 (three years before the Plaintiffs brought their action) to December 30, 2018 (when the 939 Design expired).

II. The Parties

[3] Crocs Canada, Inc. is a Canada corporation [Crocs Canada], while Crocs Inc. is a corporation of the State of Delaware, United States of America [Crocs US] [collectively, Crocs or Plaintiffs]. Crocs US is primarily in the business of designing, creating, developing and manufacturing, selling and marketing footwear.

[4] Crocs Canada is owned indirectly by Crocs US. In addition, Crocs Canada is a licensee and distributor of Crocs branded merchandise to a variety of third party retailers in Canada, while Crocs US designs and oversees the design, and arranges for the manufacture and worldwide distribution, of Crocs branded footwear, including footwear bearing the 939 Design.

[5] Double Diamond Distribution Ltd. is a Saskatchewan corporation [Double Diamond or Defendant], operating as Dawgs and Canada Dawgs. Double Diamond has a line of footwear in Canada called Fleece Dawgs that is manufactured in China, imported for sale into Canada, and

sold online through the website www.canadadawgs.com and through third party online retail websites, such as www.amazon.ca, www.ebay.ca, www.walmart.ca, and www.homehardware.ca. Fleece Dawgs products have been available for sale in Canada since 2008. Double Diamond's website sells and offers or exposes for sale Fleece Dawgs in all Canadian provinces. Its combined total gross sales of Fleece Dawgs footwear for the years 2013-2018 were \$1,163,369.

[6] Crocs and Double Diamond are competitors in the market for clog-style footwear in Canada.

III. 939 Design

[7] Crocs US is the proprietor of the 939 Design which it registered in Canada on December 30, 2008. The applicable maintenance fee was paid mid-term, and the 939 Design expired on December 30, 2018, 10 years after registration.

[8] The 939 Design comprises the following features, as shown in the described drawings:

The design is the visual features of a shoe shown in the drawings, whether those features are features of shape, pattern, configuration or ornament or are a **combination of any of these features**, with non-design portions of the article shown with stippled lines. **The tread pattern of the sole forms no part of the design.** In the drawings:

Fig.1 is a front perspective view of a shoe embodying the design;

Fig.2 is a front view;

Fig.3 is a back view;

Fig.4 is an inner side view;

Fig.5 is an outer side view;

Fig.6 is a top view; and

Fig.7 is a bottom view.

[Emphasis added.]

[9] The drawings are reproduced below:

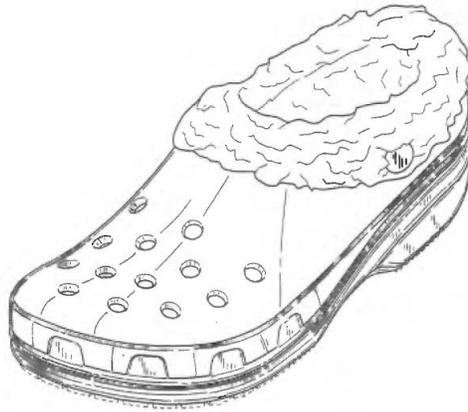


FIG.1

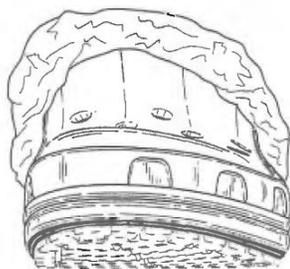


FIG.2

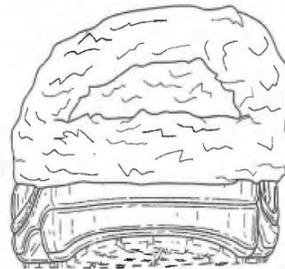


FIG.3

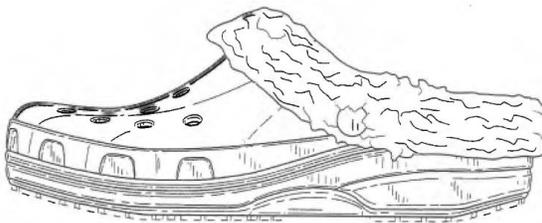


FIG.4

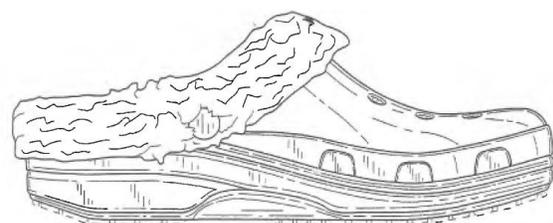


FIG.5

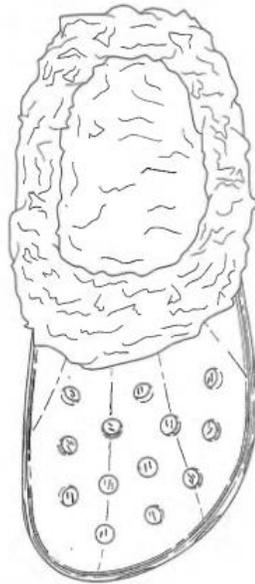


FIG. 6

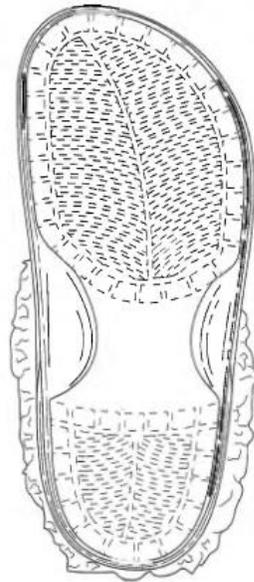


FIG. 7

[10] Double Diamond has never held a licence from Crocs US in relation to the 939 Design nor has Crocs US ever authorized Double Diamond to apply the 939 Design to any article.

IV. Dispute and Issues

[11] The Plaintiffs allege that the Defendant's Fleece Dawgs footwear are unlawful imitations and infringing copies of Crocs' registered 939 Design which has been applied to the Defendant's products. Further, they assert that the Defendant's Fleece Dawgs products do not differ substantially from the 939 Design. In light of the similarities between the Defendant's products, and Crocs' products and the 939 Design, the Plaintiffs say that there is a likelihood that consumers would associate the Defendant's products with the 939 Design.

[12] The Plaintiffs allege that Double Diamond has not met its burden to prove the 939 Design was invalid, and therefore, the Plaintiffs are entitled to declaratory relief, an accounting of profits (at their election, instead of damages), pre- and post-judgment interest, and their costs. In light of the expiry of the 939 Design after the Plaintiffs commenced their action, they have confirmed that they no longer seek an injunction, nor destruction or delivery up of infringing articles. Further, as memorialized in Case Management Judge [CMJ] Tabib's Order of March 12, 2021 [March 12, 2021 Order], the Plaintiffs confirm that they are not seeking compensation for or asserting infringement with respect to any shoe model that has a strap on it.

[13] The Defendant, Double Diamond denies that its Fleece Dawgs products are unlawful imitations and infringing copies of the 939 Design, and alleges about 25 points of differentiation between the 939 Design and Fleece Dawgs footwear reproduced in Annex "A" to these reasons. Double Diamond counterclaims for invalidity or non-infringement declarations and seeks costs on a solicitor-client basis, further alleging the Plaintiffs' action is vexatious, abusive and frivolous.

[14] The basis for the invalidity counterclaim resides in the discrepancies and inconsistencies which Double Diamond says subsist in the figures that comprise the 939 Design, thus resulting in more than one design, contrary to section 10 of the applicable *Industrial Design Regulations*, SOR/99-460 [*ID Regulations*]. The following is an example provided in the Amended Statement of Defence and Counterclaim:

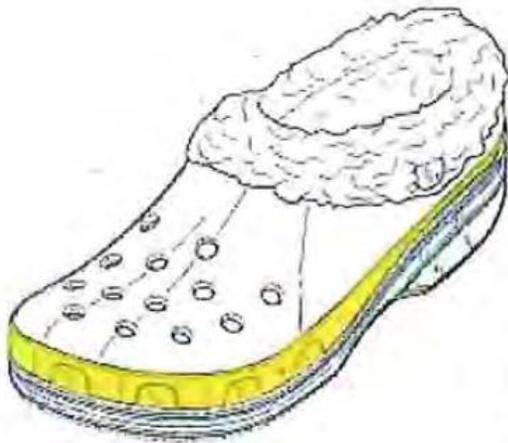


Figure 1

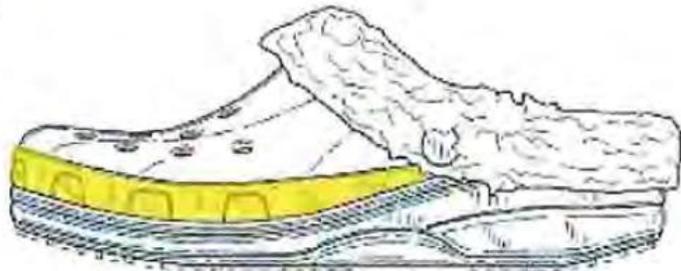


Figure 4

[15] In the alternative, Double Diamond asserts that the 939 Design is not unique or original.

[16] I thus find that the issues for the Court to determine in this action are:

- A. Whether the 939 Design was invalid because (a) it comprises more than one design contrary to section 10 of the *ID Regulations*, or (b) it is not original having regard to the prior art;
- B. Whether any design features of the 939 Design were dictated solely by utilitarian function;
- C. Whether the Defendant infringed the 939 Design based on its making, importing for the purposes of trade or business, selling and offering and exposing for sale, its Fleece Dawgs footwear;

- D. (a) If the 939 Design was valid and infringed, whether the Plaintiffs are entitled to an accounting of the Defendant's profits and the quantum of said profits; (b) whether Double Diamond's profit analysis for Fleece Dawgs products and supporting financial statements are admissible;
- E. Whether the action is vexatious, abusive or frivolous and whether the Defendant is entitled to costs of the action on a solicitor-client basis; and
- F. Whether the Plaintiffs' delay in commencing the action entitles the Defendant to an inference of no infringement and disentitles Plaintiffs to relief.

[17] I note that Double Diamond raised an additional issue at trial regarding the Plaintiffs' delay in bringing their action, namely, whether a tacit inference could be drawn about a lack of infringement before the proceeding was commenced, and whether the delay would disentitle the Plaintiffs to relief in the event of success. I address this late-raised issue of delay below, under F.

V. Parties' Evidence

[18] There are four witnesses who testified at trial. The Plaintiffs' witnesses comprised fact witness Erik Olson, and expert witness Ian Whatley. The Defendant's witnesses comprised two fact witnesses, Steven Mann and Jian Chen. I summarize the evidence of each of these witnesses below.

- (1) Crocs' Fact Witness: Erik Olson

[19] Erik Olson is the Senior Vice-President, Sourcing and Product Development of Crocs US. Since he joined the company in 2005, Mr. Olson's fundamental role with Crocs US has been in the area of product development, from creation through to taking products to market. As the company grew, his roles became more management focussed and more strategic, and eventually included commercialization. In 2018, he took on additional roles of global sourcing, including selecting manufacturers, working with manufacturing groups (i.e. third party contract manufacturers or factory groups), and launching products.

[20] Mr. Olson testified that Crocs Canada originally was incorporated on August 11, 1993 under the name Evasol Plastics Inc. and later changed its name to Crocs Canada Inc. on May 29, 2007. He also explained that Crocs acquired Foam Creations Canada in 2004.

[21] Mr. Olson described that there were no other shoes like those of Crocs in 2002. It is a unique product with a unique brand. Today, Crocs shoes are sold in multiple countries around the world and in 2021, they sold more than 700 million pairs of shoes. When asked what steps Crocs takes to protect its intellectual property, Mr. Olson answered that they monitor the market for infringing products, among other steps, including all the way up to litigation. He provided an example of Crocs having terminated 70,000 online auctions. Mr. Olson also testified in cross-examination that when a new product is created, a presentation is made to the legal department to take a look at it and advise whether to file design patents, patents, or what the general place of the product is.

[22] According to Mr. Olson, the 939 Design was developed in 2006 by Stefano del Biondi and Lucio Stefanello of Walk Pro, an Italian consulting partner. Mr. Olson explained that Crocs then provided the two-dimensional design to their design partners in China to create actual product reflecting the design intent. He testified that Crocs Mammoth shoe or clog was the resulting primary product, and that they had different variations including the Mammoth Luxe. Crocs started selling its Mammoth line in the second half of 2007. Canadian sales of Mammoth clogs between 2011 and 2017 were nearly \$2 million in Canadian dollars. Below is a side view image of the Crocs Mammoth clog (lined):



[23] Mr. Olson characterizes Double Diamond's Fleece Dawgs and Beach models as direct copies of products launched earlier at Crocs. To the best of Mr. Olson's knowledge, Crocs started to sell their Beach model, depicted below, in 2002.



[24] Mr. Olson further testified that the Fleece Dawgs continue to be sold on the Defendant's Canadian website. Below is a side view image of the Fleece Dawgs clog and the Beach Dawgs clog:



[25] In cross-examination, Mr. Olson admitted that he did not know whether Crocs took any steps regarding Fleece Dawgs between 2008, when Fleece Dawgs first were marketed, and 2017, when the action was commenced, and he could not say why Crocs did not take any steps during this period.

[26] According to Mr. Olson, the Crocs Mammoth clog was designed to have a prominent liner which you could see through the holes in the shoe, different than a prior Crocs clog. The shape of the Mammoth clog was adjusted to be taller and wider. Its volumes were changed in the overall shape and design proportions to get a more comfortable fit. Despite these differences, Mr. Olson testified that the Mammoth clog was still identifiable as a Crocs shoe. Mr. Olson testified that the placement of the holes in the Mammoth clog were random, but later admitted that the holes depict a fan shape.

[27] Mr. Olson explained that the fleece which folds down over the edge of the shoe, the rivet, the perforations on the top of the shoe, and the overall design of the shoe, namely its shape and volumes, are unique design characteristics that all work in unison when applied to the Mammoth clog. Mr. Olson testified that the Mammoth clog design was the first of its kind, with respect to the overall shape, the fleece lining, and the holes through to the lining.

[28] Mr. Olson further testified that the Mammoth clog design has trapezoid-shaped indentations at the very front of the shoe which is part of the total sidewall design aesthetic. That said, Mr. Olson admitted in examination for discovery that the indentations are not distinctive of

the Crocs design in general. Mr. Olson confirmed that these trapezoid-shaped indentations are not present on the Fleece Dawgs shoes, though there is the same stippling or dots pattern.

(2) Crocs' Expert Witness: Ian Whatley

[29] As explained below, I substantially accept Mr. Whatley's evidence in this proceeding.

[30] Mr. Whatley is an independent consultant with more than 40 years of experience in the footwear industry. He is a bioengineer and footwear expert. His expertise includes footwear design, research and development, structure, function, production, and knowledge of intellectual property design protection. He produced two reports dated January 10, 2020 [First Report] and July 21, 2020 [Second Report], on which he was examined and cross-examined, that were taken as read.

[31] The Defendant's counsel raised an initial objection at the trial regarding Mr. Whatley's reference to "market confusion to an informed consumer" in his First Report, given that Mr. Whatley was not qualified as a survey expert and no survey was conducted. The Plaintiffs' counsel replied that Mr. Whatley was not being put forward as a market or survey expert.

[32] Because of the late stage at which the objection was raised (i.e. at trial, which is a strategy the Court strongly discourages), I was not prepared to consider disqualifying Mr. Whatley, or to not hear from him, as the Defendant's counsel urged. I indicated that instead I would consider the objection in the context of the weight I would give to Mr. Whatley's evidence after hearing from him.

[33] I note that Double Diamond had more than one year to object to the Plaintiffs' expert reports pursuant to Rule 52.5 of the *Federal Courts Rules*, SOR/98-106. (This Rule has been constant throughout the action.) In particular, subsection 52.5(2) stipulates the manner for raising an objection. The Defendant did not bring any pre-trial motion under this Rule to disqualify Mr. Whatley from testifying during the many months in advance of the trial it could have done so. I further note the March 12, 2021 Order confirms, as of that date, that "the parties have not raised any objections as to the qualification of each other's expert **or their ability to testify as experts.**" [Emphasis added.]

[34] Having heard Mr. Whatley, and having considered the parties' closing submissions regarding the admissibility of his evidence, I am not convinced anything turns on his use of the term "market confusion" in the First Report. That said, I agree with the Defendant that Mr. Whatley somewhat exceeded his mandates by expressing an opinion regarding confusion. His overall opinions, however, regarding validity and infringement of the 939 Design are not affected by this misstep, in my view.

[35] As noted by the Supreme Court, "it would be overly technical to reject expert evidence simply because the witness ventures an opinion beyond the area of expertise for which he or she has been qualified": *R v Marquard*, [1993] SCR 223, 1993 CanLII 37 (SCC) at 244. In addition, the Supreme Court guides that, judges "are accustomed to disabusing their minds of inadmissible evidence" and where the expert's evidence strays beyond its scope, the judge must not assign any weight to the **inadmissible parts** [emphasis added]: *R v Sekhon*, 2014 SCC 15 (CanLII), [2014] 1 SCR 272 at para 48. I take from these decisions that expert evidence may be deemed

inadmissible in part, and that the whole of the expert's evidence is not necessarily tainted because the expert strayed outside the scope of their mandate, depending on the circumstances.

[36] For these reasons and in the circumstances here, including the late stage at which the issue was raised, I find only paragraph 78 and the second sentence of paragraph 84 of the First Report are inadmissible. I am not persuaded, however, as urged by the Defendant, that the whole of Mr. Whatley's evidence should be discounted or given no weight.

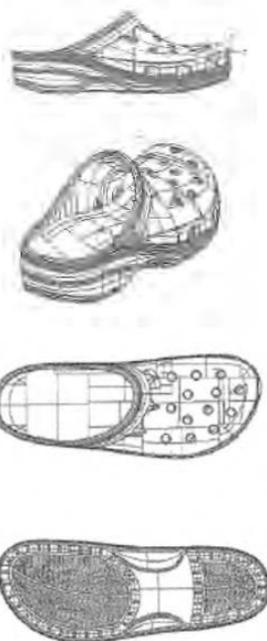
[37] I add that during cross-examination, the Defendant's counsel described Mr. Whatley as "Crocs' employee." Mr. Whatley strongly disagreed with this (mis)characterization. Although Crocs previously retained Mr. Whatley as an expert witness, I am not prepared to infer, without anything more, that this means Mr. Whatley somehow was biased.

[38] Turning, therefore, to the remainder of the expert evidence, Mr. Whatley was given two items, Exhibits F and G to his First Report reproduced below, that he was asked to assume were "prior art" and to examine against the 939 Design, from the perspective of the informed consumer.

Exhibit "F" to First Report
(Blue Horn Shoe)



Exhibit "G" to First Report



[39] Mr. Whatley concluded that the 939 Industrial Design is markedly different from the sparse prior art in a field that is not crowded. In his expert opinion, the 939 Design was pioneering a new field, a subfield of footwear aesthetics that was original with nothing like it previously in the market. Further, in Mr. Whatley's view, no feature of the 939 Design was dictated solely by function; there are different ways of doing any one part of the shoe. For example, Mr. Whatley explained that fleece provides warmth but it does not look only one possible way when placed inside a shoe; in addition, the fleece provides no warmth on the outside of the shoe when folded over to form the collar but instead provides ornamentation.

[40] Mr. Whatley testified that the scope of the 939 Design is "the visual features of the shoe shown in the drawings[;... i]t's everything, the overall effect and interaction with the exception of that tread pattern." He summarized the key visual effects as the: (i) overall shape of the shoe; (ii) fold over fleece collar; (iii) two decorative discs positioned at the golden mean (on each side of the shoe); and (iv) fingertip sized holes through which, uniquely, one can see the back of the lining (that is, the fleece).

[41] With these effects in mind, Mr. Whatley opined that the exemplar Dawgs shoe he examined is extremely close to the 939 Design. In his view, they share the above key features that are absent from the prior art, i.e. the overall shape, the fold over fleece collar, the decorative discs, and the lining visible through the fingertip sized holes in the band or vamp on the front top of the shoe. He testified further that he finds them "nigh identical" with slight ornamentation differences. These features are absent from the prior art, in Mr. Whatley's opinion.

[42] Regarding the Defendant's alleged points of differentiation between the 939 Design and Fleece Dawgs footwear, Mr. Whatley testifies that these are "little things" and further, they include the tread which is disclaimed in the 939 Design.

[43] On cross-examination, Mr. Whatley testified that he was not put forward as a survey expert, nor as an expert on market confusion, and that he did not conduct a survey as part of his research for his report, nor was he directed to look at market confusion. He further testified that an informed consumer is a hypothetical construct in which a purchaser or potential purchaser is informed of, or knows about, the prior art relative to the 939 Design.

[44] When questioned on cross-examination about the fleece component of the 939 Design in the context of Mr. Whatley's consideration of whether functionality forced the form of the design, Mr. Whatley replied that fleece can appear in shoes to give warmth in a very large number of ways and shapes. He also described several examples and concluded that fleece doesn't just provide warmth; it also can be used decoratively. Mr. Whatley concluded in his First Report that no elements of the 939 Design are dictated solely by function.

[45] When questioned on cross-examination about the different positions of the fleece collar on Figures 1 (above the lines) and Figures 4 (below the lines), as depicted in paragraph 14 above, Mr. Whatley responded that "parallax" (the concept that one's viewing position or angle can change the appearance of an object's shape) can factor into the different appearance between Figures 1 and 4.

[46] Mr. Whatley further explained that the 939 Design, which claims the visual features of a shoe, consists of 7 figures that provide a 2-dimensional representation of a 3-dimensional object. Even taking parallax into account, the fleece collar remains differently positioned at the back as between Figures 1 and 4. He concludes, however, that this is an insubstantial variation in which some of the collar has been displaced.

[47] In Mr. Whatley's opinion, the 939 Design comprises a counterintuitive new use for fleece, something that people put in shoes for warmth, but when placed in a shoe with holes for keeping feet cool, it's a bit off and something that people wouldn't have thought of doing. As a result, this has produced a completely new aesthetic for the shoe, in his opinion. He explained further that it's the whole of the finished shape, configuration, pattern, ornamentation combination that is being produced. In his view, it is completely original and there is nothing like it in the prior art.

[48] According to Mr. Whatley, the scope of the 939 Design is set by an informed consumer who has knowledge of the prior art and who takes care or pays attention. In his opinion, the 939 Design and the Fleece Dawgs shoes are very different from the prior art but very similar to each other and hence confusing, even for an informed consumer. He admitted again in cross-examination, however, that he has not been put forward as a survey expert.

(3) Double Diamond's Fact Witness: Steven Mann

[49] Mr. Mann's background is in farming and agriculture. Suffering from back problems, he discovered EVA shoes at a sporting goods store in Saskatoon that did wondrous things for his

back. He had an idea to start a footwear company and did a lot of research on injection molding. According to Mr. Mann, EVA stands for ethyl-vinyl acetate and is a petroleum by-product used in a number of industries, including footwear. EVA shoes can be made quickly with short manufacturing and shipping times. One can be creative with designs, colours and patterns.

[50] Mr. Mann is the founder of Double Diamond and the company's President and CEO. He also is the sole founder of the Dawgs footwear brand. Double Diamond has used the brand Dawgs since 2005, the year that the company was incorporated. Mr. Mann was aware of Crocs at that time.

[51] Mr. Mann testified that because of the litigation with Crocs, he started buying Rebound clogs off eBay over the years. His information and belief is that they were manufactured by Foam Creations in Canada since 2001. He had no knowledge of Foam Creations, however, until 2006.

[52] When asked by the Defendant's counsel to look at the Crocs Beach model (as depicted above in paragraph 23), Mr. Mann said that it looks like a Rebound shoe, with a strap on it but without a Crocs logo sticker. Below are a side view and bottom view of the Rebound shoe about which Mr. Mann was questioned:



[53] Mr. Mann testified that he presently works with a manufacturer in Fuzhou, China and previously one in Xiamen, China. The process involves submitting a design, and then, samples going back and forth until approved. The factory next will make a shoe mold; EVA is heated and pumped into the mold. The shoe is still hot when it comes out; it is put onto a cooling line and then it is essentially finished, packaged and labelled. It takes only minutes to produce an EVA shoe; they are considered value, comfort shoes at low prices.

[54] Regarding the design elements of the Fleece Dawgs shoe, Mr. Mann testified that he was trying to create a fan shape on the top of the shoe, with 11 rectangular holes and D-shaped pivot.

Everything else on the very top is smooth. Then there is a smooth transition with four or five rows of protruding dots. The bottom is entirely smooth with a couple of ridges in it.

[55] In addition, the dots transition back toward the connector or rivet on the side of the shoe to connect the fleece to the shoe. Mr. Mann testified that without the rivet, the fleece would come out when the foot was pulled from the shoe. The rivet also provides a branding opportunity; they have added their logo to it. In addition, wrapping the fleece around the shoe permits the fleece to be held more to the shoe itself, with the help of rubberized supports under the fleece. Double Diamond has the fleece manufactured in Fuzhou, China as well.

[56] Since 2017, the website www.canadadawgs.com has been Double Diamond's website through which the company sells its shoes directly to the consumer. From 2012 to 2019, Double Diamond has sold over 91,000 pairs of Fleece Dawgs shoes in Canada.

[57] Mr. Mann testified that his relationship with the manufacturer in Fuzhou was long standing and good. Mr. Mann confirmed in cross-examination that neither the manufacturer, Mr. Jian Chen (Double Diamond's second fact witness, discussed below), nor his brother, Mr. Yi Chen speaks English. He asked them both to sign declarations for this action.

[58] Mr. Mann admitted looking at footwear by Crocs and others in designing Fleece Dawgs, contrary to a statement he gave in other proceedings between the parties and in his examination for discovery in this action. He then explained that he designed around Crocs and other things that were in the market. Mr. Mann confirmed that he had not produced any documents relating to

the design process for the Fleece Dawgs shoes. Further, the bulk of the design work may have been done at the factory in Fuzhou.

[59] Mr. Mann admitted that he had never sought intellectual property protection for a Fleece Dawgs design. In addition, he confirmed that Double Diamond has no licence from Crocs.

[60] Mr. Mann was recalled solely to introduce into evidence Revised Document 76 from Double Diamond's productions comprising the profit analysis on Fleece Dawgs shoes for the years 2012 to 2019, with Crocs permitted full cross-examination on the document.

[61] In cross-examination, Mr. Mann testified that the document was prepared by their then in-house CPA (certified public accountant), Tim Ducie, who no longer is employed by Double Diamond. Mr. Mann offered no reason why Mr. Ducie could not have been called as a witness to testify.

[62] Mr. Mann further admitted he does not know what information Mr. Ducie provided to the company's accountants to prepare the financial statements from which Revised Document 76 was prepared. Mr. Mann confirmed that the financial statements provided by Double Diamond were unaudited and that they do not provide a breakdown of sales or costs/expenses on a product-by-product basis. In addition, Mr. Mann acknowledged some discrepancies between the data provided in the financial statements and information purportedly derived from them in Revised Document 76. Mr. Mann also confirmed that regarding some expenses, such as

management consulting fees, advertising, and travel, could not be broken down or attributed specifically to Fleece Dawgs shoes.

(4) Double Diamond's Fact Witness: Jian Chen

[63] Mr. Jian Chen is the general manager of the company he established around 2001 called Fuzhou Xiang Sheng Footwear Co. Limited [Fuzhou]. Mr. Chen, who does not speak English, testified in Mandarin with the assistance of an interpreter.

[64] Fuzhou is a China-based manufacturer that produces the Defendant's Fleece Dawgs footwear for importation to Canada and the United States. Mr. Chen described a brown fur EVA slipper or shoe [Brown Flower Shoe] that was produced by his company around 2005, which has the following (out)side view appearance:



[65] Mr. Chen testified that the shoe is made by infusing or injecting EVA into a mold to make the shell of the shoe and then the fur lining is glued inside the shell, while the collar was sewn to the shell on the outside. The shoes were marketed online and at trade shows. They were sold both directly to consumers and through third parties.

[66] Mr. Chen testified further that he has a long term relationship with the Defendant and Mr. Mann starting in about 2005. Mr. Chen has manufactured so many shoes for them that he has lost count.

[67] Mr. Chen explained that while they “push” styles to each other to consider, mostly Fuzhou proposes styles to the Defendant because the latter did not have as much or frequent research and development as Fuzhou did.

[68] One of the shoes that Mr. Chen manufactures for the Defendant is Fleece Dawgs brand slippers with the fleece lining. When asked in cross-examination how the design of Fleece Dawgs came about, Mr. Chen testified that their technicians came up with the design of what they called “umbrella-shaped” shoes. In re-examination, Mr. Chen described the process of the design team working with the mold factory to come up with the idea of a fleece lining for winter shoes; he explained that it was a first in Fuzhou because they were the first ones to come up with the idea, and that there was no such product in the market at the time.

[69] Regarding the image of Brown Flower Shoe, depicted in Mr. Chen’s declaration prepared for this matter that Mr. Mann asked him to sign, Mr. Chen testified that the image came from Global Resources, instead of their own files.

(5) Double Diamond’s Expert Witness

[70] While Double Diamond served and filed its own expert report, the report was withdrawn during the trial.

VI. Analysis

[71] As I explain below, I find that the 939 Design was valid, that its design features were not dictated solely by function, and that the Defendant infringed the 939 Design, thus entitling the Plaintiffs to an accounting of the Defendant's profits on the sales of its Fleece Dawgs footwear, which the Plaintiffs elected to receive instead of an award of damages. Further, in my view, the action was not vexatious, abusive or frivolous, and there was insufficient delay in the commencement of the action to disentitle Crocs to relief.

[72] The Defendant argues that there is a fundamental design deficiency, as well as prior art that render the 939 Design invalid. Additionally, the insertion of fleece in a shoe is wholly functional, according to the Defendant. Alternatively, if the 939 Design was valid, then the Defendant states that there are sufficient differences between Fleece Dawgs shoes and Crocs Mammoth shoes that there was no infringement during the relevant period. Further, the Defendant belatedly argues that the Plaintiffs' delay in commencing the action until 2017 must be factored into the infringement analysis. I disagree in all respects and address each of these arguments below under the applicable heading.

(1) *The 939 Design was not invalid*

(a) *Variant, not multiple designs*

[73] I disagree with the Defendant's assertion that discrepancies in the figures which comprise the 939 Design result in more than one design, contrary to section 10 of the *ID Regulations*.

[74] I note that since the Plaintiffs' action was commenced in 2017, the *ID Regulations* that apply to this proceeding have been replaced by the *Industrial Design Regulations*, SOR/2018-120. Similarly, there is no dispute that the previous version of the *Industrial Design Act*, RSC 1985, c I-9, in effect from December 18, 2001 until November 4, 2018 [*ID Act*], applies to this action.

[75] The *ID Act* protects original designs involving “features of shape, configuration, pattern or ornament and any combination of those features that, in a finished article, appeal to and are judged solely by the eye,” and that have been registered in accordance with the *ID Act* (sections 2, 6, 9). A certificate of registration is rebuttable evidence of the design and its originality, the name of the proprietor and the person's proprietorship, the commencement and term of registration and, significantly, compliance with the *ID Act* (subsection 7(3)).

[76] Double Diamond submits that the Figures 1 and 4 of the 939 Design represent separate designs, contrary to section 10 of the *ID Regulations* that stipulates an application to register a design must relate to one design applied to a single article or set, or to variants. The term “variants” is defined in the *ID Act* as “designs applied to the same article or set and not differing substantially from one another” (section 2).

[77] I find there is no merit to the argument that Figures 1 and 4 involve different designs, as opposed to variants. The Defendant has not convinced me otherwise. I agree with the Plaintiffs' expert witness, Mr. Whatley that Figure 4 is an insubstantial variation in which some of the collar has been displaced (i.e. lowered at the back of shoe), and in my view, it does not constitute

a substantially different, and hence, separate design. My finding in this regard also applies to Figure 5 because it is an outside view that also depicts a displaced or lowered collar at the back, while Figure 4 is an inside view of the shoe design comprising the 939 Design.

[78] Double Diamond's focus on asserted points of difference, whether within the 939 Design itself or as between the 939 Design and Fleece Dawgs footwear, have caused it, in my view, to lose sight of the fact or to fail to appreciate that the 939 Design protects the overall appearance the combination of its features, including variants (but excluding the stippled tread), as claimed by the Plaintiffs.

(b) *939 Design is original and not invalidated by prior art*

[79] I also disagree with Double Diamond's contention that the 939 Design is not unique or original in that the prior art invalidates it. I find rather that Double Diamond failed to satisfy the onus on it to prove through admissible evidence, on a balance of probabilities, prior art that invalidates the 939 Design, having regard to the rebuttable presumption of originality applicable in this matter: *ID Act*, s 7(3); *AFX Licensing Corporation v HJC America, Inc*, 2016 FC 435 [AFX] at para 101.

[80] According to the Supreme Court, "to constitute an original design there must be some substantial difference between the new design and what had theretofore existed[; a] slight change of outline or configuration, or an unsubstantial variation is not sufficient to enable the author to obtain registration": *Clatworthy & Son Ltd. v Dale Display Fixtures Ltd.*, 1929 CanLII 82 (SCC), [1929] SCR 429, [1929] 3 DLR 11 at 14.

[81] Further, a sufficient degree of originality is one involving at least a spark of originality: *Bodum USA, Inc. v Trudeau Corporation (1889) Inc.*, 2012 FC 1128 [*Bodum*] at para 97, citing *Bata Industries Ltd v Warrington Inc.*, [1985] FCJ No 239, 5 CPR (3rd) 339 at 347 (FCTD).

[82] Originality must be assessed from the perspective of the informed consumer who is familiar with the relevant market: *Rothbury International Inc. v Canada (Minister of Industry)*, 2004 FC 578 at paras 31-32.

[83] I am convinced, based on the evidence in this case, that there is no design in the prior art that has the combination of features described by the Figures that comprise the 939 Design and as summarized by the footwear expert, Mr. Whatley. Further, I find that there are substantial differences between the 939 Design and the asserted prior art. This finding will bear on the infringement analysis below.

[84] I agree with Mr. Whatley that the 939 Design pioneered a new, and hence uncrowded, subfield of footwear aesthetics that was original in overall appearance, with nothing like it previously in the market. The Defendant chose not to advance expert evidence to the contrary. Further, the cross-examination of the only expert to testify in this matter, along with my consideration of the Defendant's evidence, did not persuade me otherwise.

[85] Mr. Whatley summarized the 939 Design's key features as a fold-over fleece collar that affects the shape of the shoe, two decorative discs, a plurality of fingertip-sized holes in the area over the toes (also known as the "band" or "vamp") through which one can see the back of the

lining. In his opinion, these are unique features that occur nowhere else in the prior art. The Defendant has not provided any admissible evidence that contradicts this opinion.

[86] Although Mr. Mann testified that there was not much difference between a sock and fleece put inside a shoe, he admitted in cross-examination that a sock is not part of a shoe. Using common sense, I find that the presence of a sock or bare feet in an unlined shoe with holes on the vamp would create different and variable impressions, in contrast with a lined shoe with holes in the vamp, where the same lining would be visible through the holes, regardless of whether the wearer has socks on or goes barefoot. I am not prepared to accept that wearing a sock in an unlined shoe with holes in the vamp forms part of the prior art.

[87] Regarding the Blue Horn Shoe (Exhibit “F” to Mr. Whatley’s First Report) and the Brown Flower Shoe, these shoes differ substantially, in my view, from the 939 Design. I agree with Mr. Whatley that the Blue Horn Shoe has a less asymmetrical silhouette than the 939 Design. There are no holes in the band or vamp, through which lining could be seen, of the Blue Horn Shoe or the Brown Flower Shoe, and the blue shoe depicts a horn, while the brown shoe depicts a flower on the vamp. The collars of these shoes are more rounded than the fold-over collar of the 939 Design, and I infer from Mr. Chen’s testimony that the sewn-on collars of the Blue Horn Shoe and the Brown Flower Shoe cannot be displaced or lowered. Further, there are no discs, decorative or otherwise, on the sides of these shoes. Additionally, Mr. Mann admitted in cross-examination that there is significant difference between these shoes and the 939 Design.

[88] Regarding Exhibit “G” to the First Report, I agree with Crocs that the drawings are more similar to the 939 Design than either the Beach or Rebound shoe. None of the Exhibit “G” drawings involve a fold-over fleece collar that, according to Mr. Whatley, influences the overall shape of the 939 Design in terms of the gross appearance of the depicted shoe, particularly the silhouette. Mr. Whatley also testified that without the fold-over collar, there would be no place to put the decorative discs, and further, without a lining, there would be nothing to see through the holes in the vamp of Exhibit “G.”

[89] In re-examination, Mr. Whatley indicated that he did not examine the Beach and Rebound shoes specifically because they are farther out from the closest prior art. When prompted, he described in detail significant differences between the Beach and Rebound shoes and the 939 Design. These include: a different shape/silhouette; the presence of straps; the absence of a collar, and hence, no decorative discs on a collar (as opposed to on straps); and no backing that can be seen through the holes in the front.

[90] Although the Defendant’s counsel objected to this testimony because the Beach and Rebound shoes were not considered by Mr. Whatley when he wrote his report, Mr. Whatley testified that the Defendant did not assert these shoes as part of the prior art; they were not put in the Defendant’s pleadings. I agree. I note for example that the Blue Horn Shoe is mentioned specifically in the Amended Statement of Defence and Counterclaim as a reason why the 939 Design is not original.

[91] Further, I observe that the Defendant introduced the Rebound shoe at trial, without having further amended its Statement of Defence and Counterclaim. I infer that by doing so, it was the Defendant's intention to rely on the Rebound shoe as part of the prior art. In the circumstances, particularly regarding the lack of forewarning to the Plaintiffs about the Defendant's reliance on the Rebound shoe and the inability of Mr. Whatley to examine and opine on it in the context of his reports, I am not prepared, as urged by the Defendant, to discount or assign little weight to the only expert's testimony about the Beach and Rebound shoes vis-à-vis the 939 Design.

[92] I note in particular Mr. Mann testified that he only became aware of Foam Creations in 2006. I find that there is no corroborative evidence to substantiate Mr. Mann's belief that the Rebound shoe was manufactured by Foam Creations in Canada since 2001, nor his testimony that he became aware a little while back of a shoe that was for sale in Europe and China and that is a clog with holes and fleece around the collar and a rivet. Absent any additional facts regarding the latter alleged shoe, including the circumstances under which Mr. Mann became aware of it or even a picture of it, I assign no weight to his testimony about this shoe.

[93] Further, neither the Rebound shoe (as mentioned) nor this other alleged shoe was pleaded in the Defendant's Amended Statement of Defence and Counterclaim. This Court previously has noted, and I agree, "[i]t is trite law that only prior art which is specifically alleged in pleadings is relevant": *Eli Lilly Canada Inc. v Novopharm Limited*, 2007 FC 1195 at para 51.

[94] Having regard to the above discussion, I conclude that the 939 Design was original and was not invalidated by the properly asserted prior art, that is the prior art asserted in the Amended Statement of Defence and Counterclaim.

(2) *The design features of the 939 Design were not dictated solely by utilitarian function*

[95] As with Double Diamond's contention regarding lack of originality, I find that the Defendant has not satisfied its burden of establishing that features of the 939 Design were dictated **solely** by utilitarian function, contrary to the *ID Act*, s 5.1(a): *Zero Spill Systems (Int'l) Inc. v Heide*, 2015 FCA 115 [*Zero Spill*] at para 18. The Federal Court of Appeal recognizes that features of an industrial design that are functional but also appeal to the eye can be protected. Put another way, "only features of an industrial design whose form are dictated solely by function are excluded from protection by paragraph 5.1(a)": *Zero Spill*, at paras 22-23.

[96] Mr. Whatley observed, and I agree, that there are lots of ways to do different features of the shoe of the 939 Design that would function just as well.

[97] According to Mr. Whatley, and I also agree, the fleece lining contemplated by the 939 Design is not just functional. Although Mr. Whatley admitted that it can add warmth, putting fleece in a shoe does not mean that there is only one way it can look. As noted by Mr. Whatley, having fleece on the outside of the shoe in the form of the collar is not very functional.

[98] I agree with the Plaintiffs that certain Double Diamond products in evidence show that there are design choices in respect of the collar, such as the Side Tie Microfiber boots which

have a lining and fleece around the exterior with pompoms that adds some decorative element to the top. In other words, as Mr. Mann testified in cross-examination, these are ornamental features that involve a design choice he made concerning this product.

[99] Regarding the decorative discs found on each side of the shoe, Mr. Whatley testified that they don't have to be circular and that they could be placed anywhere on the collar. He also pointed to the Blue Horn Shoe as evidence that the collar is a different way of doing that but indicated, in cross-examination, that stitching the collar to the shoe could involve an aesthetic purpose. Mr. Chen testified as well that the collar of the Brown Flower Shoe is sewn on the shoe.

[100] Although the Defendant disputes the characterization of the decorative discs as such, and maintains that they are functional rivets, the Defendant has not persuaded me that they are solely functional, in the sense that the discs or rivets serve no other purpose than to secure the fold-over collar to the shoe or that the only shape they can be is flat and circular. Trial Exhibit 14 involves Canadian patent application number 2582628 naming the Defendant as the applicant and Mr. Mann as the inventor for a shoe design, that includes alternative "connectors" or rivets comprised of decorative objects such as a flower shape and a smiley face.

(3) *The Defendant infringed the 939 Design*

[101] I am satisfied that Double Diamond infringed the 939 Design.

[102] In assessing whether Fleece Dawgs shoes infringe, the question the Court must answer is, does their design differ substantially from the 939 Design: *ID Act* s 11(1)(a). It is not a question

of whether Fleece Dawgs shoes differ substantially from Crocs Mammoth clogs which are an embodiment of the 939 Design.

[103] The four-part infringement analysis involves the following steps, from the perspective of the “informed consumer” (as defined above): (a) examine the prior art and the extent to which the registered design differs from any previously published design (*ID Act* s 11(2)); (b) assess the design for any utilitarian function, or any method or principle of manufacture or construction (*ID Act* s 5.1, which precludes protection for these things); (c) examine the design itself to determine the scope of protection based on the figures and accompanying description in the registration; (d) conduct a comparative analysis of the registered design and alleged infringing article, taking the first three factors into account: *AFX*, above at paras 55-60.

[104] The Defendant argues that the Plaintiffs focussed at trial on the outwardly moulded projection as a key feature of the 939 Design. I disagree. To the contrary, I find that the Plaintiffs’ focus was the whole of the shoe design protected by the 939 Design, excluding the tread pattern, but including the outline of the shoe on the bottom. This is exemplified, in my view, by Mr. Whatley’s testimony that, “[i]t’s everything, the overall effect and interaction with the exception of that tread pattern.” In my view, this is consistent with the description of the 939 Design in the industrial design registration which includes the “combination of ... features.”

[105] Bearing in mind the overall shoe design protected by the 939 Design, I note that the closer the prior art is, the narrower the protection that will be given to a design, while conversely, the farther apart the prior art is, the broader the protection afforded to the design: *Fox on*

Canadian Law of Copyright and Industrial Designs, 4th Edition, § 31:65; *AFX*, above at para 87, citing *Sommer Allibert (UK) Limited v Flair Plastics Ltd*, [1987] RPC 599 at 623 (UKCA).

[106] As I found above, there are substantial differences between the 939 Design and the asserted, proven prior art which did not disclose any other shoes with the following combination of features: a fold-over fleece collar that affects the shape of the shoe, two decorative discs, a plurality of fingertip-sized holes in the area over the toes through which one can see the back of the lining.

[107] As also discussed above, the Defendant has not satisfied its burden of establishing that features of the 939 Design were dictated **solely** by utilitarian function, contrary to the *ID Act*, s 5.1(a).

[108] Regarding the scope of protection, the seven Figures which, along with the accompanying descriptions, comprise the 939 Design. According to Mr. Whatley, the 939 Design covers the visual features of a shoe shown in the drawings, whether they are features of shape, pattern, configuration or ornament or are a combination of any of these features. The tread pattern on the sole, however, and the parts of the shoe shown in stippled lines do not form part of the 939 Design.

[109] The comparative analysis is conducted from the perspective of the informed consumer, taking the above factors into account: *Bodum*, above at para 80; *AFX*, above at para 60. The Plaintiff asserts that the analysis, while comparative, does not involve a side-by-side comparison:

Re Paramount Pictures Corporation Industrial Design Application (1981), 73 CPR (2d) 273 [*Paramount Pictures*] at 278; *Dunlop Rubber Co v Golf Ball Developments Ltd* (1931), 48 RPC 268 at 281. This Court questioned the applicability of this asserted proposition in *Bodum* (para 76) because of a change in wording of section 11 of the *ID Act* in 1993 (i.e. “fraudulent imitation” versus “a design not differing substantially”), but declined to rule on it.

[110] *Paramount Pictures* is a 1981 decision of the Patent Appeal Board and Commissioner of Patents that in turn relies on a pre-1993 decision of the Exchequer Court for the guideline that “articles being compared should not be examined side by side, but separate”: *Paramount Pictures*, above at 278, citing *Jones et al. v Teichman et al.*, [1930] 3 DLR 437, [1930] ExCR 103 [*Jones*]. The *Jones* case involved a consent judgment in an action to restrain the defendants from using a certain shape and model of bottle. The Court nonetheless concluded that “the defendant’s design registration should have been refused” because “I never saw two designs more alike” (at 438). In reaching this conclusion, the Court stated that “the test is not when they are near one another but when they are far apart; it is impossible to tell one from the other” (at 438).

[111] That said, the *Jones* decision is short, less than two pages. There is no discussion, for example, from whose perspective the “aliqueness” of the articles in issue should be assessed, i.e. the consumer of “imperfect recollection” asserted by the plaintiffs in *Bodum* (at para 73) or the “informed consumer” adopted in more recent case law of this Court, including both *Bodum* and *AFX*. In my view, these are not necessarily mutually exclusive concepts. The issue of imperfect recollection will be relevant, I believe, in cases involving designs protected both as industrial

designs and trademarks, such as three dimensional marks. This is not the case before me, however.

[112] In the circumstances here, I conclude that a comparative analysis made from the perspective of the informed consumer must involve, at least, a consumer who is familiar with the market field, taking into account the scope of protection: *ID Act*, s 11(2).

[113] In addition, “industrial designs claim the design in its entirety as opposed to in part”: *Bodum*, above at para 50. In other words, it is the overall designs that must be compared (i.e. the 939 Design and the Fleece Dawgs shoe). Where, as in the circumstances before me, emphasis is on the entire design, the alleged infringing article needs to be quasi identical for infringement to be established: *AFX*, above at para 89, citing *Bodum*, above at para 50.

[114] Having considered the 939 Design and the Fleece Dawgs shoe in their entirety, including the points of differentiation asserted by the Defendant, I am not convinced that the latter is sufficiently different from the 939 Design to avoid a finding of infringement. In other words, I find that they are not substantially different. This is especially the case, in my view, when considered in the context of the broad protection to which I find the 939 Design is entitled, as discussed below. In my view, the circumstances here involve a situation where one “might find many differences, and yet come to the conclusions that the designs were the same...”: *Rollason’s Registered Designs*, 15 RPC 441 at 447, as cited in *Lewis Falk, Ld. v Jacobwitz* (1944), 61 RPC 116 at 124.

[115] I agree with the Plaintiffs' expert, Mr. Whatley, that the 939 Design and Fleece Dawgs shoe are "nigh identical," with slight ornamentation differences, in that they share key features that are absent from the applicable prior art, i.e. the overall shape, the fold over fleece collar, the decorative discs, and the lining visible through the fingertip sized holes in the band or vamp on the front top of the shoe. That there may be one or two fewer and differently-shaped holes in the vamp of the Fleece Dawgs clog are examples, in my view, of insubstantial differences.

[116] I also agree with Mr. Whatley that the differences asserted by the Defendant are the "little things" in the nature of minutiae. It is an apt example, in my view, of having "missed the forest for the trees." Concurring earlier in these reasons with Mr. Whatley that the 939 Design pioneered a new, and hence uncrowded, subfield of footwear aesthetics that was original in overall appearance, with nothing like it previously in the market, I find, as mentioned above, that the 939 Design is entitled to a broad scope of protection. Taking this scope of protection into account, the points of differentiation asserted by the Defendant are insufficient, in my view, to avoid the conclusion that the design of the Fleece Dawgs shoe infringed the 939 Design.

(4) *The Plaintiffs are entitled to an accounting of the Defendant's profits; the Defendant's profit analysis and supporting financial statements are inadmissible*

(a) *Accounting of Profits*

[117] Having concluded that Double Diamond infringed the 939 Design, I find that the Plaintiffs are entitled to the Defendant's profits from the sales of its Fleece Dawgs footwear from November 1, 2014, being three years before the Plaintiffs commenced their action, until December 30, 2018, when the 939 Design expired. Section 18 of the *ID Act* provides that no

remedy is available for acts of infringement that occurred more than three years before an action for infringement was started.

[118] The Defendant's total admitted gross sales of its Fleece Dawgs products for the relevant period are \$649,779.17, broken down as follows:

2014	2015	2016	2017	2018
\$51,963.17 (i.e. 1/6 of \$311,779)	\$162,647	\$167,301	\$189,654	\$78,214

These figures, as well as the amount of combined total gross sales provided in paragraph 5 above, are based on information contained in the Statement of Admitted Facts described in greater detail below.

[119] For the reasons below, I find that Double Diamond has not met its burden to prove deductible expenses. In the circumstances, I conclude that the Plaintiffs, having elected to recover an accounting of the Defendants' profits instead of damages, are entitled to the amount of \$649,779.17. Although equitable remedies are discretionary and the Plaintiffs are not entitled to elect an accounting of profits as of right, I find that the Defendant here has not proven any bar to the equitable relief elected by the Plaintiffs: *Bristol-Myers Squibb Co. v Apotex Inc.*, 2003 FCA 263 at para 14.

[120] Further, contrary to the Defendant's submission, I am not persuaded that the Plaintiffs needed to establish they were damaged by the Defendant's infringing activity. The Defendant has not provided any authority for this proposition. Rather, the Federal Court of Appeal guides that only a causal link between the infringement and resultant unjust enrichment is necessary,

and it is not an error for a trial judge to award an accounting of profits in the absence of compelling reasons: *Philip Morris Products S.A. v Marlboro Canada Limited*, 2016 FCA 55 at paras 17-18. Faced with an absence of compelling reasons in the matter before me, I am not prepared to reject the Plaintiffs' election of an accounting of profits.

(b) *Defendant's Profit Analysis and Supporting Financial Statements*

[121] I agree with the Plaintiffs that Revised Document 76 is inadmissible hearsay, and further, the Defendant has not established that it is reliable. I similarly find that the supporting financial statements from which the document was prepared are inadmissible.

[122] As discussed above, Mr. Mann was recalled during the trial for the sole purpose of introducing Revised Document 76 that formed part of the Defendant's productions but did not form part of his testimony in chief. The document was marked for identification and the parties argued its admissibility.

[123] I note that Revised Document 76 initially was contained in the Plaintiffs' proposed read-ins served on the Defendant. The Plaintiff submits it was omitted from their final read-ins at trial, however, in light of the Defendant's intervening admissions regarding its gross sales attributable to the Fleece Dawgs products for the relevant years. The supporting financial statements were not contained in either side's read-ins, proposed or otherwise.

[124] The Plaintiffs made it clear, when serving the Defendant with their proposed read-ins, that they did not constitute an undertaking to read them in as is, and that they were subject to

change in response to evidence led by the Defendant at trial. Further, in her Order dated July 21, 2021, CMJ Tabib identified the Defendant's burden to establish their costs of sales or permitted deductions, in addition to the Plaintiffs' burden to prove revenues or sales proceeds from the infringing products.

[125] The Defendant explained at trial, however, that it relied on the expectation the Plaintiffs' proposed read-ins would be read in as is. In my view, the Defendant essentially relied on the Plaintiffs to make its case concerning the Defendant's permitted deductible expenses which, with the benefit of hindsight, was not prudent.

[126] The Defendant argues that the Plaintiffs relied on Revised Document 76 regarding the Defendant's gross sales and, therefore, this document should apply to the Court's consideration of applicable expenses. Contrarily, however, I find that the Plaintiffs relied on the Defendant's admissions regarding gross sales in response to Crocs' Request to Admit, as described in the Statement of Admitted Facts which comprises trial exhibit 3. There is no dispute that the Defendant's gross sales have been admitted.

[127] Further, the Statement of Admitted Facts does not contain any admissions or discussion regarding the Defendant's alleged expenses attributable to Fleece Dawgs footwear. Having regard to the Defendant's burden of proof, I believe it would have been judicious in the circumstances for the Defendant to lead evidence regarding such expenses. I find that instead, the Defendant relied on an unfulfilled expectation about a proposed course of action that the Plaintiff was not obligated to undertake. This left the Defendant scrambling to determine how to address

the situation toward the end of the trial, after Mr. Mann had completed his testimony, with no other, relevant witnesses planned by the Defendant, apart from its manufacturer in China.

[128] Although what transpired at trial in relation to Revised Document 76 might have been avoided to some extent had the Plaintiffs informed the Defendant, prior to the commencement of trial, of this change to their read-ins, I am not persuaded that there was any obligation on the Plaintiffs to do so in the circumstances. Specifically, I do not agree with the Defendant's submission at trial that the Plaintiffs were under an implied notice requirement because they did not say anything about "without notice." The Defendant did not point to any authority for this proposition. I therefore declined the Defendant's invitation to reprimand the Plaintiff's counsel.

[129] In any event, the evidence at trial establishes that Revised Document 76 was prepared by Tim Ducie. Mr. Mann recalls that Mr. Ducie prepared Revised Document 76 for this action, with reference to internal accounting systems and financial statements. Mr. Mann did not prepare the latter documents.

[130] I am satisfied that Revised Document 76 is inadmissible hearsay. Double Diamond seeks to rely on this document for the truth of its contents, having called no other witnesses, including the person who prepared it. Mr. Mann offered no reason why they could not have called on Tim Ducie to testify, apart from Mr. Mann's knowledge that Mr. Ducie has a job.

[131] In addition, there is no evidence that Revised Document 76 was prepared in the "usual and ordinary course of business," as opposed to for the purpose of the litigation, to meet the

“business records” criteria for admittance in evidence, pursuant to section 30 of the *Canada Evidence Act*, RSC 1985, c C-5. (This section has been constant throughout the action.) Further, I am satisfied that the Plaintiffs established, through their cross-examination of Mr. Mann on Revised Document 76, a sufficient degree of unreliability of the information conveyed in the document, with reference to Double Diamond’s supporting financial statements, that the inadmissibility finding is warranted in the circumstances.

[132] Double Diamond argues that if Revised Document 76 is found inadmissible, then the admitted financial statements can be used to show expenses to be deducted from sales. I note that the Defendant makes this argument notwithstanding having objected at trial to the Plaintiffs’ reference to the financial statements during their cross-examination of Mr. Mann regarding Revised Document 76. When ruling on the parameters under which Mr. Mann would be recalled, I stated that the Plaintiffs would be entitled to a right of full cross-examination on the document, which I clarified could include reference to the supporting financial statements.

[133] In any event, Mr. Mann confirmed in cross-examination that the financial statements are unaudited and that they do not provide a breakdown of sales or costs/expense information on a product-by-product basis. In my view, this may account, at least in part, for the discrepancies between the data contained in the financial statements and the information purportedly derived from them in Revised Document 76. Further, the preparers of the financial statements were not called as witnesses so that the reliability of the financial statements could be tested at trial.

[134] I therefore am satisfied that the Plaintiffs' cross-examination of Mr. Mann highlights the unreliability of Double Diamond's supporting financial statements. That said, even were they admitted, I would find them to be of low probative value and assign them little weight in the circumstances.

(5) *The action is not vexatious, abusive or frivolous*

[135] In light of the Plaintiffs' success on their action, I am satisfied that the action is not vexatious, abusive or frivolous.

(6) *Defendant not entitled to an inference of no infringement, by reason of Plaintiffs' delay in commencing action, and Plaintiffs not disentitled to relief*

[136] The Defendant's own delay in raising this issue, to the prejudice of the Plaintiffs, in my view disentitles Double Diamond to the inference it belatedly seeks.

[137] The Defendant submitted for the first time in this proceeding at trial that the Plaintiffs' delay in commencing the action, approximately 9 years after the launch of the Fleece Dawgs shoe in Canada, entitles the Defendant to the inference that Crocs tacitly admitted Double Diamond did not infringe. The Defendant did not forewarn the Plaintiffs, however, that it would ask for this inference and, hence, the Plaintiffs did not have an opportunity to probe the issue through evidence and, in particular, during the discovery stage of the proceeding. As this Court previously has noted, "[t]he defendant in a patent suit does not usually contest the right of the plaintiff to elect, until argument": *Sandvik, A.B. v Windsor Machine Co. Ltd.* (1986), 8 CPR (3d) 433 (FCTD) [*Sandvik*] at 443.

[138] By reason of its own delay in raising the issue until the trial of this matter, the Defendant effectively has precluded the Plaintiffs from the opportunity to adduce evidence which might have assisted in explaining the delay: *Sandvik*, above at 443-444. In the circumstances, I am not prepared to make the inference the Defendant seeks, nor am I prepared to find that the Plaintiffs are not entitled to the remedies they seek.

VII. Conclusion

[139] For all the above reasons, I therefore find in favour of Crocs and dismiss Double Diamond's counterclaim.

[140] In the circumstances, Plaintiffs are entitled to a declaration that the Defendant has infringed the 939 Design.

[141] In addition, I award the Plaintiffs an accounting of the Defendant's profits in the amount of \$649,779.17, together with pre-judgment interest only up to March 20, 2022 in the amount of \$44,321.69.

[142] I further award the Plaintiffs post judgment interest at the rate of 5% per year on all amounts owed by the Defendant pursuant to this Judgment and Reasons, and any Supplemental Judgment and Reasons or Costs Order.

VIII. Costs

[143] I find that the Plaintiffs are entitled to their costs of this action, payable by the Defendant, excluding the costs of any motions or other pre-trial steps for which the Plaintiffs already have been awarded costs.

[144] If the parties cannot agree on an amount, they may serve and file submissions not exceeding five (5) pages, with their bill of costs attached, according to the following schedule: (i) the Plaintiffs will have until November 15, 2022; (ii) the Defendant will have until November 22, 2022; and (iii) Plaintiffs will have until November 25, 2022 for any reply submission.

JUDGMENT in T-1662-17

THIS COURT'S JUDGMENT is that:

1. The Plaintiffs' action for infringement of Canadian Industrial Design Number 120939 dated December 30, 2008 entitled SHOE [939 Design] is allowed.
2. The Defendant's counterclaim for invalidity of the 939 Design is dismissed.
3. The Plaintiffs are awarded an accounting of the Defendant's profits in the amount of \$649,779.17, together with pre-judgment interest only up to March 20, 2022 in the amount of \$44,321.69.
4. The Plaintiffs also are awarded post judgment interest at the rate of 5% per year on all amounts owed by the Defendant pursuant to this Judgment and Reasons, and any Supplemental Judgment and Reasons or Costs Order.
5. The Plaintiffs are entitled to their costs of this action, payable by the Defendant, excluding the costs of any motions or other pre-trial steps for which the Plaintiffs already have been awarded costs.
6. If the parties cannot agree on an amount, they may serve and file submissions not exceeding five (5) pages, with their bill of costs attached, according to the following schedule: (i) the Plaintiffs will have until November 15, 2022; (ii) the Defendant will have until November 22, 2022; and (iii) Plaintiffs will have until November 25, 2022 for any reply submission.

"Janet M. Fuhrer"

Judge

Annex “A” – Defendant’s Alleged Points of Differentiation

Between 939 Design and Fleece Dawgs Products

- i. The ventilation holes on the top of Fleece Dawgs differ in shape from those depicted in the Crocs Design;
- ii. the ventilation holes on the top of Fleece Dawgs differ in size from those depicted in the Crocs Design;
- iii. The ventilation holes on the top of Fleece Dawgs differ in number from those depicted in the Crocs Design;
- iv. The ventilation holes on the top of Fleece Dawgs differ in placement from those depicted in the Crocs Design;
- v. The ventilation holes on the top of Fleece Dawgs are positioned in a distinct design; they appear as a fan -shaped pattern with three rows, larger rectangular shaped holes on the outside row, smaller shaped holes in the middle row, and a singular “D” shaped hole on the inside row that serves as a visual focal point of the fan – viewed from above the ventilation holes form asymmetrically shaped fan where the holes in each row are evenly spaced; the ventilation holes depicted in the Crocs Design are not in three rows (or in the shape of a fan), and have the appearance of being randomly placed;
- vi. Fleece Dawgs have no side-wall ventilation holes, side-wall indentations, or other depiction on their side-wall that gives the appearance of ventilation holes, while the Crocs Design appears to show side-while ventilation holes or at least the indentations or filled-and holes around the front portion of the footwear upper that serves as a prominent feature;
- vii. The side-walls of Fleece Dawgs have a consistent pattern around the front portion of the footwear; the Crocs Design does not have a pattern around the front; and could not possibly have a consistent pattern as any pattern would be interrupted by at least seven trapezoid shaped sections (that are either holes in the side-walls or indented portions that give the appearance of filled-in holes) that would intrude on the side walls in a particular pattern;
- viii. It would also not be possible for the Crocs Designed to include the pattern as in Fleece Dawgs because Fleece Dawgs has a portion of its side walls with bumps that is much narrower than the portion of the side walls depicted in the Crocs Design;
- ix. The number, size, and positioning of the ridges and smooth sections differs [*sic*] between the Crocs and Fleece Dawgs – for example, the Crocs Design depicts at least six rows of narrow ridges around the side walls of front of the footwear while Fleece Dawgs Footwear includes four wider bridges;
- x. Some depictions of the Crocs Design show that multiple ridges and smooth sections extend all the way around the footwear (e.g., figure 1); in Fleece Dawgs the rows of raised bumps at the front of the footwear terminates at approximately halfway between the front and rear of the footwear;
- xi. Figure 1 of the Crocs Design depicts that below the fleece towards the rear of the footwear (the right side of the figure) several rows of ridges and smooth sections are visible; in Fleece Dawgs only rows of bumps are visible below the fleece on the same portion of footwear;

- xii. In the rear of the footwear depicted in the Crocs Design (e.g., Figure 3), below the fleece there two smooth sections; in Fleece Dawgs there are raised bumps directly below the fleece lining in the rear of the footwear and there are always more than three rows of raised circular bumps visible, and as many as eight rows of raised bumps are visible;
- xiii. The appearance of the first shown in the Crocs Design appears to be of a different texture than the fleece used in Fleece Dawgs – the further in the Crocs Design appears much less fine than the fleece used in Fleece Dawgs;
- xiv. The size and position of the fleece / fur differs between the Crocs Design and Fleece Dawgs Footwear; for example, when viewed from the same viewpoint as Figure 1 of the Crocs Design, the fleece in Fleece Dawgs extends downward to cover a much greater portion of the height of the footwear in the fur shown in figure 1 of the Crocs Design;
- xv. The footwear depicted in the Crocs Design has a raised toe (e.g., Figure 2) while Fleece Dawgs do not have a similarly raised toe – in particular Figure 2 of the Crocs Design depicts that the raised toe begins farther towards the middle of the shoe such that many rows of tread are visible from this viewpoint while in Fleece Dawgs the rows of tread are not similarly visible;
- xvi. The footwear depicted in the Crocs Design has an angularly raised heel; Fleece Dawgs do not have a similarly raised heel;
- xvii. Figures 4 and 5 of the Crocs Design show that near the rear of the footwear, a smooth section is present below the fur collar and the smooth section extends all the way to the rear of the shoe; Fleece Dawgs do not have this smooth section extending to the rear of the shoe;
- xviii. Figures 4 and 5 of the Crocs Design show that near the heel of the footwear, the bottom of the footwear has an angle that causes the heel of the footwear to be raised up; Fleece Dawgs have no such angle on the bottom near the heel – the heel on the Fleece Dawgs is rounded in this area having no angles – and the pattern of raised circular bumps on Fleece Dawgs is not cut off in similar views as Figures 4 and 5 of the Crocs Design;
- xix. Fleece Dawgs include none of these features, and instead have a continuous flow of raised circular bumps around the rear portion; the Crocs Design depicts several distinct sections on the bottom left and right of the rear of the footwear (shown in Figure 3);
- xx. The rear portion of fleece and Fleece Dawgs includes a prominent “Dawgs” logo; the Crocs Design does not show any logo on any portion of the fleece;
- xxi. The placement of the visible head portion of the mushroom connector pins and Fleece Dawgs is different than the placement shown in Figure 1 of the Crocs Design – in Figure 1 of the Crocs Design, the connector pin is placed much higher on the shoe such that a smooth section, and several ridges and smooth sections are all below the rivet placement;
- xxii. The visible head portion of the mushroom connector pins and Fleece Dawgs displays a “Dawgs” logo; the Crocs Design does not show any design;
- xxiii. The footwear shown in the Crocs Design has distinct ridges that divide the top portion of the front section of the upper into sections; for example, the patent shows for ridges that divide the front section of the upper into five distinct sections are shown in

- figures 1, 2, 4, 5, and 6; this is particularly evident when the footwear is viewed from the top; the same portion of Fleece Dawgs is smooth and does not have ridges or sections;
- xxiv. The outer sole differs between Fleece Dawgs and the footwear depicted in the Crocs Design; in Fleece Dawgs the tread [sic] pattern is divided into three columns of traction nubs where the nubs have Y -shaped extrusions for traction with the floor surface; the Crocs Design shows two columns of traction nubs in dotted lines;
- xxv. The Crocs Design depicts a mid-region of the outer sole without markings or tread; Fleece Dawgs include raised words (including the footwear size and the geographical location of manufacture) as well as a depressed oval section.

Annex “B” – Relevant Provisions

Industrial Design Act, RSC 1985, c I-9
Loi sur les dessins industriels, LRC 1985, ch I-9

Past version: in force between Dec 18, 2001 and Nov 4, 2018
 Version antérieure : en vigueur entre le 18 déc. 2001 et le 4 nov. 2018

<p>Interpretation Definitions</p> <p>design or industrial design means features of shape, configuration, pattern or ornament and any combination of those features that, in a finished article, appeal to and are judged solely by the eye; (dessin)</p> <p>variants means designs applied to the same article or set and not differing substantially from one another. (variantes)</p>	<p>Définitions Définitions</p> <p>dessin Caractéristiques ou combinaison de caractéristiques visuelles d’un objet fini, en ce qui touche la configuration, le motif ou les éléments décoratifs. (design or industrial design)</p> <p>variantes Dessins s’appliquant au même objet ou ensemble et ne différant pas de façon importante les uns des autres. (variants)</p>
<p>Industrial Designs</p> <p>Registration Restriction on protection</p> <p>5.1 No protection afforded by this Act shall extend to</p> <p style="padding-left: 40px;">(a) features applied to a useful article that are dictated solely by a utilitarian function of the article; or</p> <p>Registration of design</p> <p>6 (1) The Minister shall register the design if the Minister finds that it is not identical with or does not so closely resemble any other design already registered as to be confounded therewith, and shall return to the proprietor thereof the drawing or photograph and description with the certificate required by this Part.</p> <p>Certificate to be evidence of contents</p>	<p>Dessins industriels</p> <p>Enregistrement Limites et protection</p> <p>5.1 Les caractéristiques résultant uniquement de la fonction utilitaire d’un objet utilitaire ni les méthodes ou principes de réalisation d’un objet ne peuvent bénéficier de la protection prévue par la présente loi.</p> <p>Enregistrement du dessin</p> <p>6 (1) Si le ministre trouve que le dessin n’est pas identique à un autre dessin déjà enregistré ou qu’il n’y ressemble pas au point qu’il puisse y avoir confusion, il l’enregistre et remet au propriétaire une esquisse ou une photographie ainsi qu’une description en même temps que le certificat prescrit par la présente partie.</p> <p>Le certificat fait foi de son contenu</p>

<p>7 (3) The certificate, in the absence of proof to the contrary, is sufficient evidence of the design, of the originality of the design, of the name of the proprietor, of the person named as proprietor being proprietor, of the commencement and term of registration, and of compliance with this Act.</p>	<p>7 (3) En l'absence de preuve contraire, le certificat est une attestation suffisante du dessin, de son originalité, du nom du propriétaire, du fait que la personne dite propriétaire est propriétaire, de la date et de l'expiration de l'enregistrement, et de l'observation de la présente loi.</p>
<p>Exclusive Right Exclusive right</p> <p>9 An exclusive right for an industrial design may be acquired by registration of the design under this Part.</p> <p>Using design without licence</p> <p>11 (1) During the existence of an exclusive right, no person shall, without the licence of the proprietor of the design,</p> <p style="padding-left: 40px;">(a) make, import for the purpose of trade or business, or sell, rent, or offer or expose for sale or rent, any article in respect of which the design is registered and to which the design or a design not differing substantially therefrom has been applied; or</p> <p style="padding-left: 40px;">...</p> <p>Substantial differences</p> <p>(2) For the purposes of subsection (1), in considering whether differences are substantial, the extent to which the registered design differs from any previously published design may be taken into account.</p>	<p>Droit exclusif Droit exclusif</p> <p>9 Le droit exclusif à la propriété d'un dessin industriel peut être acquis par l'enregistrement de ce dessin conformément à la présente partie.</p> <p>Usage sans autorisation</p> <p>11 (1) Pendant l'existence du droit exclusif, il est interdit, sans l'autorisation du propriétaire du dessin :</p> <p style="padding-left: 40px;">a) de fabriquer, d'importer à des fins commerciales, ou de vendre, de louer ou d'offrir ou d'exposer en vue de la vente ou la location un objet pour lequel un dessin a été enregistré et auquel est appliqué le dessin ou un dessin ne différant pas de façon importante de celui-ci;</p> <p style="padding-left: 40px;">...</p> <p>Différences importantes</p> <p>(2) Pour l'application du paragraphe (1), il peut être tenu compte, pour déterminer si les différences sont importantes, de la mesure dans laquelle le dessin enregistré est différent de dessins publiés auparavant.</p>
<p>Action for Infringement Limitation</p> <p>18 No remedy may be awarded for an act of infringement committed more than three years before the commencement of the action for infringement.</p>	<p>Action pour violation d'un droit exclusif Prescription</p> <p>18 L'action en violation se prescrit par trois ans à compter de celle-ci.</p>

Industrial Design Regulations, SOR/99-460
Règlement sur les dessins industriels, DORS/99-460

Past version: in force between Sep 26, 2014 and Nov 5, 2018
 Version antérieure : en vigueur entre le 26 sept. 2014 et le 5 nov. 2018

Applications	Demandes
<p>10 (1) An application must relate to one design applied to a single article or set, or to variants.</p> <p>(2) If an application does not comply with subsection (1), the applicant or their agent must limit the application to one design applied to a single article or set, or to variants.</p> <p>(3) Any other design disclosed in the application referred to in subsection (2) may be made the subject of a separate application, if it is accompanied by the applicable fees set out in column 2 of item 1 of Schedule 2.</p>	<p>10 (1) La demande vise un seul dessin — s'appliquant à un seul objet ou ensemble — ou des variantes.</p> <p>(2) Lorsque la demande n'est pas conforme au paragraphe (1), le demandeur ou son mandataire la limite à un seul dessin — s'appliquant à un seul objet ou ensemble — ou à des variantes.</p> <p>(3) Tout autre dessin divulgué dans la demande visée au paragraphe (2) peut faire l'objet d'une demande distincte, si celle-ci est accompagnée des droits applicables prévus à la colonne 2 de l'article 1 de l'annexe 2.</p>

Canada Evidence Act (R.S.C., 1985, c. C-5)
Loi sur la preuve au Canada (L.R.C. (1985), ch. C-5)

Past version: in force between Jul 12, 2019 and Jun 19, 2022
 Version antérieure : en vigueur entre le 12 juil. 2019 et le 19 juin 2022

Documentary Evidence Business records to be admitted in evidence	Preuve documentaire Les pièces commerciales peuvent être admises en preuve
<p>30 (1) Where oral evidence in respect of a matter would be admissible in a legal proceeding, a record made in the usual and ordinary course of business that contains information in respect of that matter is admissible in evidence under this section in the legal proceeding on production of the record.</p>	<p>30 (1) Lorsqu'une preuve orale concernant une chose serait admissible dans une procédure judiciaire, une pièce établie dans le cours ordinaire des affaires et qui contient des renseignements sur cette chose est, en vertu du présent article, admissible en preuve dans la procédure judiciaire sur production de la pièce.</p>

Federal Courts Rules (SOR/98-106)
Règles des Cours fédérales (DORS/98-106)

<p>Expert Witnesses Objection to expert</p> <p>52.5 (1) A party to a proceeding shall, as early as possible in the proceeding, raise any objection to an opposing party's proposed expert witness that could disqualify the witness from testifying.</p> <p>Manner of raising objection</p> <p>(2) An objection may be raised</p> <p style="padding-left: 20px;">(a) by serving and filing a document containing the particulars of and basis for the objection; or</p> <p style="padding-left: 20px;">(b) in accordance with subsection 262(2) or subparagraph 263(c)(i) if, in the case of an action, the objection is known prior to the pre-trial conference.</p>	<p>Témoins experts Objection au témoin expert</p> <p>52.5 (1) La partie à une instance soulève, le plus tôt possible en cour d'instance, toute objection quant à l'habilité à témoigner du témoin expert de la partie adverse.</p> <p>Façon de soulever une objection</p> <p>(2) L'objection peut être soulevée, selon le cas :</p> <p style="padding-left: 20px;">a) par la signification et le dépôt d'un document contenant les détails et le fondement de l'objection ;</p> <p style="padding-left: 20px;">b) conformément au paragraphe 262(2) ou au sous-alinéa 263c)(i), si, à l'instruction d'une action, elle était connue avant la conférence préparatoire.</p>
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FEDERAL COURT
SOLICITORS OF RECORD

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