

Federal Court



Cour fédérale

Date: 20230906

Docket: T-141-22

Citation: 2023 FC 1185

Vancouver, British Columbia, September 6, 2023

PRESENT: The Honourable Mr. Justice Lafrenière

BETWEEN:

**THE SPIRIT BEAR COFFEE COMPANY
INC.**

Applicant

and

KITASOO BAND COUNCIL

Respondent

JUDGMENT AND REASONS

I. Overview

[1] This is an appeal by The Spirit Bear Coffee Company Inc. [SBCC], pursuant to section 56 of the *Trademarks Act*, RSC, 1985, c T-13, as amended [the *Act*] from the decision of the Registrar of Trademarks [Registrar], sitting as the Trademarks Opposition Board [TMOB], dated November 26, 2021 [Decision] refusing SBCC’s Canadian Trademark Application No. 1,692,707 for the trademark “SPIRIT BEAR COFFEE COMPANY” [the Mark] in association

with various goods, including ground and whole bean organic and conventional coffee, and related retail services. The Decision is reported at 2021 TMOB 257.

[2] Put briefly, SBBC applied to register the Mark on September 5, 2014. The application included a statement that SBBC “is satisfied that it is entitled to use the [Mark] in Canada” in association with the listed goods and services. This particular statement was required under subsection 30(i) of the version of the *Act* in effect as of that date.

[3] Given its prominence in the discussion which follows, it is useful to set out the text of s 30(i) contained in the version of the *Act* that was in force pre-June 17, 2019 [*Trade-marks Act*] and at the times relevant to SBCC’s application:

30. An applicant for the registration of a trade-mark shall file with the Registrar an application containing:

[...]

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

30. Quiconque sollicite l’enregistrement d’une marque de commerce produit au bureau du registraire une demande renfermant :

[...]

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

[4] On September 9, 2016, the Kitasoo Band Council [Kitasoo] filed a statement of opposition with the Registrar based on various grounds, including that SBCC’s application did not comply with s 30(i). Kitasoo argued that a license agreement signed by SBCC precluded the use of the term SPIRIT BEAR by SBCC, and instead permitted use only by a different corporate

entity. SBCC countered that the entire agreement was void from the start for various reasons and that it never considered itself bound by any of the contractual terms.

[5] The TMOB determined that the ground under s 30(i) was sufficient to dispose of the opposition and refuse the application. It found that on the filing date of the application, SBCC could not have been reasonably satisfied as to its entitlement to use the Mark in view of the contract.

[6] For the reasons set out below, I am satisfied that the TMOB's finding that SBCC's application should be refused was open to it to make on the evidence before it, and that no reviewable error, either in fact or in law, was made in reaching that finding. The appeal is accordingly dismissed, with costs.

II. Facts and Procedural History before the TMOB

[7] The parties were both represented at an oral hearing before the TMOB. Kitasoo relied on affidavits in chief and in reply of Douglas Neasloss, as well as the affidavits of Joseline Kwok and Larry Greba. SBCC responded with the affidavit of Paul Biglin. All the affiants, other than Ms. Kwok, were cross-examined.

[8] The deponents' evidence is fairly summarized at paragraphs 12 to 37 of the Decision. I have set out below the necessary facts taken from the record before the TMOB to give context to my decision.

[9] SBCC was incorporated on April 28, 2006. It began promoting sales of coffee under the Spirit Bear Coffee Company name and with the Spirit Bear Coffee Company Logo (reproduced below) in or about 2006 while based in Alberta. SBCC began sales in British Columbia in or about January 2008.



[10] In December 2006, the Registrar gave public notice under s. 9 of the *Trade-marks Act* in respect of the KBC's adoption and use of the official mark SPIRIT BEAR, under Application No. 918,006 (Official Mark 918,006).

[11] An earlier public notice of adoption of SPIRIT BEAR (Official Mark No. 915,508) was made on January 21, 2004, by the City of Terrace [Terrace]. Terrace challenged the validity of the adoption by KBC of Official Mark 918,006; however, the parties ultimately settled their dispute through a joint license agreement.

[12] On March 30, 2010, Mr. Michael Cooper, counsel for Terrace and KBC, sent a letter to SBCC demanding it discontinue the use of the term SPIRIT BEAR on its coffee products. The letter references previous discussions between KBC and SBCC regarding the possibility of a license agreement in respect of SBCC's use of SPIRIT BEAR.

[13] On October 13, 2011, Mr. Brent Loewen, counsel for SBCC, wrote back requesting that Mr. Cooper provide a copy of the draft agreement for his review. He also requested that 0921683 B.C. Ltd. [Numbered Co.] be made a party to the agreement as it “intends to use the SPIRIT BEAR trademark.”

[14] On April 13, 2012, SBCC, Numbered Co. and two other related corporate entities, as well as Mr. Biglin and two other individuals, entered into a license agreement with KBC and Terrace [Licence Agreement], in which SBCC is referred to as “Coffee Co.”

[15] The License Agreement governed, among other terms, the use of SPIRIT BEAR by Numbered Co. in association with coffee products, and included the following key provisions:

AND WHEREAS previous dissension between the Individuals with respect to control of Coffee Co. and the related coffee business have been resolved, and the Individuals now wish to move forward in the development of the coffee business via Numbered Co. (including that Coffee Co. shall transfer or has transferred to Numbered Co. all the rights and business opportunities of Coffee Co.), and in particular to take enter into agreements with Canterbury Food Services, including an agreement to provide Spirit Bear coffee to Whistler-Blackcomb;

[...]

1. The Individuals and Companies hereby irrevocably acknowledge and agree that:

a) the Kitasoo and Terrace each have a valid official mark and rights in relation to SPIRIT BEAR, including the right to prevent others from using SPIRIT BEAR in Canada in connection with a business; and

b) they, either separately or jointly, will not bring or pursue, or cause any other person to bring or pursue, any proceeding or action challenging the official marks, their validity, or the Kitasoo’s and Terrace’s rights thereof.

2. The Kitasoo and Terrace hereby irrevocably agree that they, either separately or jointly, will not bring or pursue, or cause any other person to bring or pursue, any proceeding or action challenging US Trademark Registration No. 3,957,698.

3. The Individuals and Companies hereby irrevocably agree not object to or in any way oppose advertising authorized by the Kitasoo or Terrace containing SPIRIT BEAR, in whatever form, that is directed to the US or accessible in the US.

[...]

5. Numbered Co. may use:

a) SPIRIT BEAR in association with the wares of coffee, tea and hot chocolate; and

b) SPIRIT BEAR in association with other coffee related products, so long as all such instances of SPIRIT BEAR are part of the term SPIRIT BEAR COFFEE, with each word of the term given equal emphasis (i.e., at the least, all the words in the same font size);

all such wares referred to herein as “Spirit Bear Products”.

[...]

7. Numbered Co. shall pay to the Kitasoo and Terrace a royalty as follows:

a) the royalty is 5% of the gross amount, less any taxes, included in such gross amount, received by Numbered Co. or its agents for the sale of Spirit Bear Products;

b) the royalty applies to all such sales made after the date on which this agreement is made;

[...]

15. The Individuals, St. City, Coffee Co. and US Co. agree that they, either separately or jointly, will not use SPIRIT BEAR in Canada, or be associated with entities using SPIRIT BEAR in Canada (other than Numbered Co.). This Agreement is not intended to impose financial liability on the Individuals, St. City, Coffee Co. and US Co. with respect to payments due under this Agreement from Numbered Co. to the Kitasoo and Terrace. However, to be clear, this does not excuse the Individuals, St. City, Coffee Co. or US Co. from liability for breaches of their

obligations under this Agreement or for infringement of trademark rights of the Kitasoo and Terrace.

[16] In 2013, Numbered Co. provided Kitasoo with various financial documents that included annotations and calculations reflecting the royalty payable under the License Agreement. Kitasoo was advised at the same time that Numbered Co. was still building, but losing money, and that the company could not afford to pay the royalties contemplated in the License Agreement.

[17] On September 2, 2014, Justice Luc Martineau rendered a decision in *Terrace (City) v Urban Distilleries Inc*, 2014 FC 833 [*Urban Distilleries FC*]. In that case, Terrace and Kitasoo moved for summary judgment against Urban Distilleries Inc. [Urban Distilleries] for infringement of their published official mark SPIRIT BEAR. Urban Distilleries filed a statement of defence and counterclaim, alleging, among other things, that the SPIRIT BEAR official marks were unenforceable as there was no adoption and use prior to public notice. The judge refused to grant the declarations and orders sought by Terrace and Kitasoo and allowed Urban Distilleries' counterclaim. He declared the official marks No. 915,508 and No. 918,006 "are unenforceable, and give rise to no rights or obligations under sections 9 or 11 of the *Trade-Marks Act*."

[18] Three days later, on September 5, 2014, SBCC filed its application to register the Mark. This was prior to the expiry of the appeal period of the *Urban Distilleries FC* decision. Shortly thereafter, Kitasoo appealed the decision to the Federal Court of Appeal.

[19] On March 27, 2015, Kitasoo filed a new application for an official mark for SPIRIT BEAR. It was published under No. 923,396 on August 5, 2015.

[20] On October 28, 2015, the Federal Court of Appeal issued its decision in *Kitasoo First Nation v Urban Distilleries Inc*, 2015 FCA 233 [*Urban Distillers FCA*] granting, in part, Kitasoo's appeal. The Court held that the hearing judge did not make any palpable and overriding error in finding that Kitasoo and Terrace had failed to establish use of the official marks as of the relevant dates and that the official marks could not be enforced against Urban Distilleries. However, the Court held that in the absence of a summary judgment motion in respect of the counterclaim, the judge erred in granting the counterclaim.

[21] SBCC's application to register the Mark was approved on May 12, 2016.

[22] On September 9, 2016, Kitasoo filed a statement of opposition pursuant to section 38 of the *Trade-marks Act* listing various grounds, including that SBCC could not have been satisfied of its entitlement to use the Mark due to its pre-existing contractual relationship with Kitasoo.

III. The TMOB's Decision

[23] As stated earlier, the TMOB only assessed the s 30(i) ground of opposition.

[24] The TMOB noted that there was an initial evidentiary burden on the opponent in trademark opposition proceedings to adduce sufficient admissible evidence from which it can reasonably be concluded that the facts alleged to support each ground of opposition exists. It found that Kitasoo satisfied its evidentiary burden for the s 30(i) ground of opposition by way of the License Agreement, reasoning as follows:

In particular, provision 5 of the License Agreement provides that it is 0921683 B.C. Ltd. that may use SPIRIT BEAR in association with coffee and coffee products under license from the Opponent

and Terrace, and provision 15 provides that the Applicant may not use SPIRIT BEAR. Other aspects of the evidence are consistent with this understanding of the provisions. For example, the letter dated October 13, 2011, from the Applicant's then counsel to the Opponent indicates that it is 0921683 B.C. Ltd. that intends to use the trademark SPIRIT BEAR. Further, the tenth whereas clause of the License Agreement states that "the Individuals now wish to move forward in the development of the coffee business via [0921683 B.C. Ltd.]..."

[25] The TMOB then proceeded to examine whether SBCC demonstrated on a balance of probabilities that, despite the License Agreement, it could nevertheless have been satisfied of its entitlement to use the Mark.

[26] SBCC argued that at the time of filing the application, it had "significant and legitimate reasons" to doubt the validity of the License Agreement. Its arguments are summarized below:

- 1) the Federal Court of Appeal did not hold nor find that Kitasoo's official mark was valid;
- 2) the License Agreement was *void ab initio* and never restrained SBCC from using the Mark, in part due to lack of consideration because Kitasoo never had any valid rights in the official mark SPIRIT BEAR to assert and in part, due to this Court's decision in *Urban Distilleries FC*;
- 3) it only signed the License Agreement under duress and on a non-negotiated basis;
- 4) it never considered itself bound by the Licence Agreement and that no enforcement efforts had taken place pursuant to the agreement; and

- 5) whether it was legally correct in its belief with respect to the validity and enforceability of the Licence Agreement was ultimately a question for the Supreme Court of British Columbia [BC Supreme Court], where litigation was ongoing, and had no bearing on the s 30(i) ground of opposition.

[27] The TMOB disagreed with SBCC's position for four reasons, succinctly stated as follows at paragraphs 56 to 59 of the Decision:

[56] [...] First, the Federal Court's Judgement that the Opponent's official mark No. 918,006 is unenforceable and gives rise to no rights or obligations was amended on appeal. While that appeal was based on a procedural point (namely, the defendant had not sought summary judgement of its counterclaim for invalidity), nevertheless, the effect of the Federal Court of Appeal decision is that official mark No. 918,006 remains extant.

[57] Second, even if official mark No. 918,006 were to be found invalid, I am not persuaded that renders the entire License Agreement void for lack of consideration, as asserted by the Applicant. Regardless of whether the Opponent has demonstrated use of the official mark SPIRIT BEAR prior to the December 20, 2006, publication date of Official Mark No. 918,006, it is apparent that the Opponent had been using the mark SPIRIT BEAR for many years prior to the April 13, 2012, date of the License Agreement, and would have acquired at least some degree of goodwill and protection in that mark at common law. Moreover, in my view, the parties' reciprocal undertakings in provisions 2 and 3 of the Agreement relating to the parties' activities in the United States, include additional consideration from the Opponent by way of the Opponent's undertaking not to challenge the United States trademark registration owned by the Applicant's related company US Co.

[58] Third, while the Applicant argues that it only signed the License Agreement under duress and on a non-negotiated basis, the Opponent contests that assertion and in my view the evidence of record supports the Opponent's position. The evidence suggests that the Applicant was receiving legal advice in the lead-up to signing the License Agreement, by virtue of the letter from the Applicant's then counsel to the Opponent dated October 13, 2011. Further, there are provisions in the License Agreement which

clearly exist to protect the interests of the Applicant and its related entities, such as the above-referenced provision 2 which provides that the Opponent and Terrace will not challenge the U.S. registration for the trademark SPIRIT BEAR owned by the Applicant's related company US Co.

[59] Fourth, I am not persuaded by the Applicant's argument that it never considered itself bound by the License Agreement. While royalties may not have been paid under the License Agreement, it is apparent that in 2013, subsequent to signing the License Agreement, the Applicant provided financial documents to the Opponent for the purpose of demonstrating an inability to pay the royalties contemplated by the License Agreement. This activity appears consistent with parties that were contemplating future royalty payments under the License Agreement once the licensee's financial position permitted. Further, there is no evidence of record that prior to filing the Application the Applicant notified the Opponent that it no longer considered itself bound by the License Agreement, or conversely that the Opponent notified the Applicant that it considered the parties no longer bound by the Agreement. The Applicant did not commence its action in the Supreme Court of British Columbia challenging the License Agreement until 2018. The Applicant at the hearing argued that filing the Application itself constituted constructive notice to the Opponent that the Applicant no longer considered itself bound by the License Agreement, but I was not provided any case law that would support such an assertion.

[28] The TMOB concluded that SBCC could not have been satisfied of its entitlement to use the Mark at the date of filing on September 5, 2014, and refused the application pursuant to s 38(12) of the *Trade-marks Act*.

IV. Issues to be Determined

[29] SBCC appealed the Decision on January 25, 2022. In its Notice of Application, SBCC alleged that the TMOB erred in concluding that Kitsoo had satisfied its burden to establish the applicability of s 30(i) and in holding that the existence of post-contractual common law rights

could constitute consideration as of the time of contract formation. These two grounds of appeal were later abandoned.

[30] SBCC now submits that the overarching error of the TMOB was an error of law, by erroneously assessing the validity of the License Agreement, rather than whether SBCC was acting in good faith when it filed the application. SBCC also claims that the TMOB erred in fact and law by finding that it was not under duress at the time of entering the contract, and rejecting SBCC's evidence that it never considered itself bound by the Licence Agreement.

[31] Since neither party filed new evidence in this appeal, the appellate standards of review apply: *Clorox Company of Canada, Ltd v Chloretec SEC*, 2020 FCA 76 at paras 22–23; *Canada (Minister of Citizenship and Immigration) v Vavilov*, 2019 SCC 65 at paras 17, 36–37. For questions of fact and for questions of mixed fact and law, the standard is palpable and overriding error, and for pure questions of law the standard is correctness.

[32] The issues raised by SBCC on this appeal may be stated as follows:

- 1) Did the TMOB err by applying the wrong legal test in assessing the s 30(i) ground of opposition?
- 2) Did the TMOB make any reversible error in refusing SBCC's application based on the s 30(i) ground of opposition?

[33] The parties disagree on whether the issues defined by SBCC are issues of law or issues of mixed fact and law. Since the applicable standard of review depends on the nature of the arguments, I will address the standard to be applied in the discussion of the issues below.

V. Analysis

A. *Did the TMOB err by applying the wrong legal test in assessing the s 30(i) ground of opposition?*

[34] SBCC submits that the TMOB made an error in law in outlining the legal test for the s 30(i) ground of opposition. There is no dispute that the standard of correctness applies to this issue.

[35] SBCC claims that the TMOB's approach indicates a general misdirection towards reaching an ultimate conclusion as to the validity of the License Agreement, which is within the purview of the BC Supreme, rather than the more limited assessment of whether SBCC was acting in bad faith.

[36] SBCC contends that s 30(i) is primarily a procedural requirement and simply provides that the statement be present. It argues that s 30(i) serves a screening function and only provides a substantive ground to oppose the granting of a mark under "exceptional circumstances," such as inherent unlawfulness by breach of statute or clear evidence of bad faith. It relies on the following cases as authority for this proposition: *SOS Tutorat Inc / SOS Tutoring Inc v SOSPROF Inc*, 2022 TMOB 52 at para 14; *Norsteel Building Systems Ltd v Toti Holdings Inc*, 2021 FC 927 and *Procter & Gamble Inc v Colgate-Palmolive Canada Inc*, 2010 FC 231 at para 333.

[37] SBCC maintains that the sole question, therefore, before the TMOB when conducting the s 30(i) analysis should have been whether SBCC was acting in bad faith in making the

declaration on September 4, 2012. According to SBCC, it is sufficient if an applicant has grounds to believe they may be entitled to the mark and that it could be registered, and that there is no requirement that the applicant know they are entitled to the mark and that it would be registered. In my view, SBCC has not stated the test under s 30(i) correctly.

[38] While the jurisprudence establishes that a registration obtained in bad faith is subject to expungement, bad faith is but one example of exceptional circumstances where a s 30(i) ground may succeed. There is a long line of decisions where the TMOB expressly declined to use the term “bad faith” with respect to the applicant’s declaration of entitlement in the application, but where the s 30(i) ground nonetheless succeeded, more specifically where contractual obligations related to a trademark would render the applicant’s statement untrue: *Lifestyles Improvement Centers, LLP v Chorney*, [2007] TMOB No 107 at paras 9-11 ; *Au-Yeung v Taste of BC Fine Foods Ltd*, 2015 TMOB 161 at paras 11-42; aff’d 2017 FC 299 [*Au-Yeung*]; *Flame Guard Water Heaters, Inc v Usines Giant Inc*, [2008] TMOB No 36 at paras 12-15; *Suzhou Parsun Power Machine Co Limited v Western Import Manufacturing Distribution Group Limited*, 2016 TMOB 26 at paras 24-31; *World Tableware International, Inc v Heritage Silversmiths Inc*, 1992 CanLII 6996 at 4 (TMOB); *AFD China Intellectual Property Law Office v AFD China Intellectual Property Law (USA) Office, Inc*, 2017 TMOB 30 at paras 31-39; *Biker Rights Organization (Ontario) Inc v Sarnia-Lambton Biker Rights Organization*, 2012 TMOB 189 at paras 11-12.

[39] The above decisions rely on the overarching principle that licensees, distributors and the like should not be allowed to usurp their principal’s trademarks.

[40] In *Beijing Judian Restaurant Co Ltd v Meng*, 2022 FC 743 [*Beijing Judian*] at paragraphs 30-39, Justice Angela Furlanetto undertook a detailed analysis of the meaning of bad faith, albeit as used in paragraph 18(1)(e) of the *Act*. She noted that, under UK and EU trademark law, bad faith when filing an application to register a trademark is not limited to dishonest conduct. She stated at para 35 that bad faith “may also include dealings which fall short of the standards of acceptable commercial behaviour as observed by reasonable experienced people in the area being examined.” She also cited with approval at para 35 the decisions in *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH*, [2009] EUECJ C-529/07 at paras 41-45 and *Walton International Ltd and another v Verweij Fashion BV*, [2018] EWHC 1608 (Ch) at para 186(vi) as authority for the proposition that: “[a]ssessing the conduct of the applicant involves considering the applicant’s subjective intention at the time of filing as determined by reference to the objective circumstances of the particular case.”

[41] Subsection 30(i) requires the applicant to include a statement in the application that it is “satisfied” that they are entitled to use the trademark in Canada. I find that the term “satisfied” commands a higher threshold than the marginal one suggested by SBCC. The *Merriam-Webster* online dictionary (August 30, 2023), (<https://www.merriam-webster.com/dictionary/satisfied>) defines “satisfied” as follows: (a) “pleased or content with what has been experienced or received”, (b) “paid in full”, and (c) “persuaded by argument or evidence”. The latter definition is consonant with the French version of s 30(i), in which the term “convaincu” is used. The adjective “convaincu” is defined in *LeRobert dico* (online) (August 30, 2023) (<https://dictionnaire.lerobert.com/definition/convaincu>), as “qui possède, qui exprime la certitude (de)”. The term is also translated in *Linguee* online (August 30, 2023) (<https://www.linguee.fr/francais-anglais/search?source=auto&query=convaincu>) as “convinced”

or “confident”: As pointed out by the Supreme Court of Canada in *Merck Frosst Canada Ltd v Canada (Health)*, 2012 SCC 3 at para 203, [2012] 1 SCR 23, “[t]he shared meaning rule for the interpretation of bilingual legislation dictates that the common meaning between the English and French legislative texts should be accepted”. When both versions of s 30(i) are compared, the English version can reasonably be read to share the meaning of the clearer and narrower French version that speaks of being convinced or persuaded by evidence.

[42] The TMOB held that once Kitsoo met its evidential burden, SBCC bore the legal onus of establishing, on a balance of probabilities, that its application complied with the requirements of the *Trade-marks Act*. This onus meant that if a determinate conclusion could not be reached in favour of SBCC after a consideration of all of the evidence, then the issue would have to be decided against it: *John Labatt Ltd v Molson Companies Ltd* (1990), 30 CPR (3d) 293 at 298 (FCTD).

[43] I see no error in the approach followed by the TMOB. It identified and applied the correct legal principles in assessing the s 30(i) ground of opposition. By taking into account circumstances where contractual obligations related to a trademark would render SBCC’s statement untrue, the TMOB properly relied on decisions which are in line with the broader purposes of s 30(i).

B. *Did the TMOB make any reversible error in refusing SBCC’s application based on the s 30(i) ground of opposition?*

[44] SBCC submits that the Licence Agreement and the *Urban Distilleries FC* decision declaring the licensed marks invalid and of no effect are factual evidence which were properly

before the TMOB to assess the SBCC's good faith. It maintains, however, that the TMOB misdirected itself to a detailed assessment of both the validity of the License Agreement, which is a contractual question before the BC Supreme Court, and of the Official Marks, when considering the s 30(i) analysis. This argument has already been addressed and dismissed above.

[45] I would add that SBCC's argument is incongruous and somewhat illogical. As noted earlier, there is no dispute between the parties that the TMOB correctly identified Kitasoo's initial evidential burden, which was to adduce sufficient admissible evidence from which it could reasonably be concluded that the facts alleged to support each ground of opposition exist. The TMOB concluded that the Kitasoo had demonstrated that SBCC could not have been satisfied of its entitlement to use the Mark in Canada on the filing date of the application because the License Agreement prohibited it from doing so. In coming to this conclusion, the TMOB necessarily had to consider the terms of the Licence Agreement and reach a preliminary view as to its validity. SBCC did not challenge this finding at the hearing of the appeal. Paradoxically, in responding to the opposition, SBCC itself made the validity of the Licence Agreement the prime issue before the TMOB.

[46] Despite SBCC's arguments to the contrary, the TMOB's conclusion that SBCC had not met its evidential burden is ultimately a question of mixed fact and law that does not present an extricable legal issue. In the absence of new evidence on appeal, the TMOB's findings are reviewable on the "palpable and overriding error" standard, which is a difficult test to satisfy: *Benhaim v St-Germain*, 2016 SCC 48 at para 38, citing *Canada v South Yukon Forest Corporation*, 2012 FCA 165.

[47] SBCC submits that the TMOB committed numerous errors in reaching the Decision.

Although some of the arguments overlap, for consistency, my analysis will follow the structure of its submissions.

(1) Did the TMOB err by considering post-filing events

[48] SBCC claims that the TMOB failed to consider its reasonable beliefs at the time of filing by misdirecting itself to consideration of post filing events in its analysis. For the reasons set out below, I see no palpable and overriding error in the TMOB's assessment of the post-filing evidence.

[49] To begin with, in order to buttress its arguments before the TMOB, SBCC introduced and relied on the findings of the Federal Court of Appeal in *Urban Distillers FCA*. It also relied on Terrace's later withdrawal of its official mark in 2018 and introduced into evidence and arguments facts relating to the BC Supreme Court action, which was commenced in 2018. The TMOB cannot be criticized for taking into account the very evidence and arguments advanced by SBCC.

[50] Moreover, while the material date for assessing a s 30(i) ground is the filing date of the application, later evidence may be relevant where it helps to clarify the reason for filing the application: *Beijing Judian* at para 38; *Pentastar Transport Ltd v FCA US LLC*, 2020 FC 367 at para 98. I see no error in the TMOB taking into account that SBCC submitted its application three days after the *Urban Distillers FC* was issued and before the appeal period had expired. The alacrity with which SBCC proceeded is certainly a relevant consideration. The *Urban*

Distillers FCA decision was also relevant to assess the arguments that the Applicant made before the TMOB.

[51] I should add that even if the TMOB had ignored *Urban Distillers FCA* and accepted SBCC's contention that the trial decision rendered Kitasoo's Official Mark invalid, this finding would not have rendered the License Agreement void. Obligations under an agreement licensing intellectual property rights continue even if the licensed intellectual property rights are later found to be invalid: *Trubenizing Process Corp v John Forsyth Ltd* (1943), 3 CPR 1 at para 9 (SCC); *Anne of Green Gables Licensing Authority Inc v Avonlea Traditions Inc* (2000), 4 CPR (4th) 289 at para 69 (ON SC). By bringing an action before the BC Supreme Court to invalidate the agreement, SBCC has acknowledged that this is settled law.

- (2) Did the TMOB err in rejecting SBCC's argument that the License Agreement was void for lack of consideration

[52] SBCC submits that the TMOB erred in considering the "common law" rights of Kitasoo when those rights were not asserted by Kitasoo or, in the alternative, without also considering the scope and bounds of said rights vis-à-vis the parties' goods, services, and channels of trade.

[53] The first argument can be dismissed summarily as the TMOB clearly states at paragraph 2 of the Decision that Kitasoo took the position at the hearing that it had common law trademark rights in the term SPIRIT BEAR.

[54] As for the second argument, SBCC has failed to establish any error by the TMOB in assessing the evidence before it. Kitasoo filed detailed evidence describing the activities carried

out with SPIRIT BEAR by Kitasoo and businesses who have been licensed by it. SBCC's written arguments before the TMOB also discussed acquired distinctiveness of Kitasoo's SPIRIT BEAR mark arising from activities dating well before the date of the License Agreement. Moreover, contrary to SBCC's assertions, the TMOB did in fact carefully review and consider the evidence of the parties' respective goods, services and businesses.

[55] Moreover, the terms in the License Agreement make it clear that Kitasoo's Official Mark was not the sole source of its rights. For example, in paragraph 1(a) of the License Agreement, SBCC acknowledged and agreed that Kitasoo has "a valid official mark and rights in relation to SPIRIT BEAR" (my underlining). There are other provisions in the License Agreement that could be viewed as consideration, including Kitasoo's undertaking at paragraph 2 not to challenge US Trademark Registration No. 3,957,698 for SPIRIT BEAR.

[56] Further, SBCC's arguments that there was as lack of consideration are seriously undermined by the preamble at page 3 of the License Agreement that reads as follows:

NOW THEREFORE, in consideration of the promises, rights and obligations set out and defined in this agreement, the receipt and sufficiency of which is hereby acknowledged by each party, the parties agree as follows:

[57] It is not for the Court on this appeal to draw its own conclusion or substitute its own assessment of the evidence for that of the TMOB. I am satisfied that the TMOB's findings regarding consideration was open to it on the evidence and that it did not commit a palpable and overriding error in reaching its findings.

- (3) Did the TMOB err in rejecting SBCC's argument that it was acting under duress when it executed the Licence Agreement

[58] SBCC argues the TMOB made a legal error in determining that there was likely no duress in the signing of the License Agreement as it relied on limited evidence that SBCC was receiving legal advice leading up to the signing of the License Agreement and did not consider other factors to succeed on the ground of economic duress, such as whether the person claiming duress protested, whether there was an alternative course open to that person and, whether after entering the contract, that person took steps to avoid it. However, the onus was on SBCC to establish duress and, as is apparent from the Decision, it failed to adduce sufficient evidence.

[59] Before the TMOB, SBCC argued that it only signed the License Agreement under duress and on a non-negotiated basis. However, it is apparent from the evidence before the TMOB that the License Agreement was not entered into as a result of duress imposed by Kitasoo or Terrace, but rather represents an agreement negotiated over a period of time, with the advice and involvement of the Applicant's legal counsel, based on the commercial needs of SBCC and its affiliated companies and principals. It was entirely proper for the TMOB to consider the fact that SBCC had legal counsel in the lead-up to the License Agreement as that is a relevant factor in assessing an allegation of duress: *Schneider v Mid Mountain Ventures Ltd*, 2010 BCSC 400 at paras 21-22.

[60] Moreover, the evidence before the TMOB establishes that SBCC did not take any steps to protest or avoid the License Agreement after it was signed. The TMOB properly noted that

financial documents were provided to Kitasoo for the purpose of demonstrating an inability to pay, which would indicate that SBCC acknowledged that it had obligations under the agreement.

[61] SBCC's arguments on duress essentially go to the weight that the TMOB gave to the evidence. The TMOB did consider SBCC's evidence but found Kitasoo's evidence and arguments more persuasive. I find that the TMOB did not make any error in rejecting Kitasoo's argument, let alone any palpable and overriding error.

- (4) Did the TMOB err in rejecting SBCC's argument that it did not consider itself bound by the License Agreement at the time of filing the application

[62] SBCC submits that the TMOB erred by allegedly failing to apply the "uncontradicted evidence" that they did not hold themselves bound by the License Agreement at the time of filing. This is a complete mischaracterization of the evidence before the TMOB.

[63] At paragraph 22 of his affidavit, Mr. Biglin stated that SBCC never considered itself bound by the License Agreement, never paid any royalties pursuant to the License Agreement and has never labeled its products as would have been required by the License Agreement. That is the extent of SBCC's evidence.

[64] Kitasoo adduced evidence that plainly contradicted SBCC's evidence. During his cross-examination, Mr. Biglin acknowledged that Kitasoo did attempt to collect royalties after the License Agreement was executed. Mr. Biglin also admitted that financial documents were provided to establish an inability to pay "at the time." Several of those documents included annotations and calculations reflecting the royalty payable under the License Agreement. The

TMOB properly rejected SBCC's arguments that Kitasoo did not attempt to collect royalties, as the evidence showed the opposite and is consistent with the parties contemplating future royalty payments under the License Agreement once Numbered Co.'s financial position improved.

[65] Moreover, there was no evidence before the TMOB that before filing the application, SBCC notified Kitasoo that it did not consider itself bound by the License Agreement. In the circumstances, it was open to TMOB to reject SBCC's argument.

VI. Conclusion

[66] For the above reasons, I am not persuaded that the TMOB committed any reversible error in finding that SBCC had failed to adduce sufficient evidence to discharge the evidentiary onus resting on it. In my opinion, the TMOB acted correctly in rejecting the application, and the Decision must be upheld. The appeal is therefore dismissed.

[67] I should add that if the TMOB had been found to have made a reversible error and SBCC should prevail on the s 30(i) ground of opposition, the appropriate course of action would not have been to overturn the TMOB's decision and allow the trademark application, as requested by SBCC. The matter would instead have been referred back to the Registrar for determination of the undecided grounds of opposition, namely, the grounds of opposition under sections 2 (non-distinctiveness), 30(b), 30(e) and 12(1)(e) of the *Trade-Marks Act*.

[68] The issue of costs is reserved. In the event the parties cannot agree on costs, they are invited to submit written submissions not exceeding 5 pages within 30 days of this judgment.

JUDGMENT IN T-141-22

THIS COURT'S JUDGMENT is that:

1. The application is dismissed.
2. The issue of costs is reserved pending receipt of written representations of the parties.

“Roger R. Lafrenière”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-141-22

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KITASOO BAND COUNCIL

PLACE OF HEARING: VANCOUVER, BRITISH COLUMBIA

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