

Federal Court



Cour fédérale

**Date: 20140709**

**Docket: T-1396-11**

**Citation: 2014 FC 672**

**Ottawa, Ontario, July 9, 2014**

**PRESENT: The Honourable Mr. Justice Russell**

**BETWEEN:**

**OTTAWA ATHLETIC CLUB INC  
D.B.A. THE OTTAWA ATHLETIC CLUB**

**Applicant**

**and**

**THE ATHLETIC CLUB GROUP INC. AND  
THE REGISTRAR OF TRADE-MARKS**

**Respondents**

**JUDGMENT AND REASONS**

**INTRODUCTION**

[1] This is an application under s. 57 of the *Trade-marks Act*, RSC, 1985, c T-13 [Act] to strike a trade-mark from the register kept under s. 26 of the Act [Register], or in the alternative to amend the Register to narrow the scope of the registration. The Applicant also requests a prohibition on any future use of the allegedly invalid trade-mark or its common law equivalent

on the grounds that it offends ss. 10 and 11 of the Act. The trade-mark in question bears the registration number TMA633,422 and was registered on February 22, 2005 [Registration]. The Respondent, the Athletic Club Group Inc. [Athletic Club, or Respondent] is the registered owner.

## **BACKGROUND**

[2] The Applicant, the Ottawa Athletic Club [OAC, or Applicant], has been operating a fitness facility in Ottawa since at least 1976 offering a range of athletic and fitness services. It claims to have used the trade name and trade-mark “Ottawa Athletic Club” continuously since that time.

[3] The Respondent, the Athletic Club (or its predecessors in title), established its first fitness facility in London, Ontario in 1997, and has since opened facilities in Amherstburg (1999), Brantford (2001), Guelph (2006), Kingsville (2001), Thunder Bay (2004), Waterloo (2011) and Ottawa, as well as a second facility in London (2000). The Respondent opened its “Ottawa-Orleans” facility in November 2010, and its “Ottawa-Trainyards” facility in February 2011.

[4] In July 2003, one of the Respondent’s current directors and shareholders, Alan Quesnel, applied to register the trade-mark in question, THE ATHLETIC CLUB & DESIGN [Athletic Club Trade-mark, or the Trade-mark], which appears as follows:



[5] The registration was completed on February 22, 2005, with Mr. Quesnel as the initial Registrant. Title to the Trade-mark was later transferred to a partnership between Mr. Quesnel and Mr. David Wu, another current director and shareholder of the Respondent, and was eventually transferred to the Respondent corporation, The Athletic Club Group Inc, on September 21, 2009, after being briefly held by related numbered companies.

[6] The Respondent claims that it (and its predecessors in title) has used the Trade-mark in association with its services continuously since 1997. The Trade-mark was registered in connection with the following services:

Restaurant services; snack bar services; operation of a facility for fitness training and/or weight training; operation of a facility for aerobics; personal training services; conducting dance classes; operation of a retail store selling sporting goods, men's and women's clothing, health foods and health supplements; fitness assessment services; conducting exercise, fitness and aerobics classes; operation of a tanning facility.

[7] The Registration includes the following disclaimer: "The right to the exclusive use of the words ATHLETIC CLUB is disclaimed apart from the trade-mark."

[8] The Applicant seeks to have the Trade-mark expunged on a number of grounds, including that it is confusing with the Applicant's own trade name and trade-mark, which had been in use for 21 years when the Respondent began using the Athletic Club Trade-mark.

[9] The Applicant has filed its own trade-mark application, for "OAC & design" [OAC Trade-mark], which the Respondent is opposing. It bears application number 1,421,086 and appears as follows:



[10] The Applicant claims that the OAC Trade-mark has been used in relation to:

- The operation of a fitness club; conducting fitness classes; operation of a racquet club, namely tennis, squash and racquetball; and operation of an aquatics facility since at least as early as 1983;
- Personal training services since at least as early as 1989;
- Operation of an indoor golf facility since at least as early as 1995;
- Operation of summer sports camps since at least as early as 1993.

[11] Under s. 57 of the Act, the Federal Court has exclusive original jurisdiction to consider applications to strike or amend entries in the Register. Only a “person interested” can bring such an application, but this is a broad category that includes anyone who is or reasonably apprehends that they may be affected by the registration, and a *de minimus* threshold applies (see *Omega Engineering, Inc v Omega SA*, 2006 FC 1472 at para 11 [*Omega Engineering*]). There is no dispute here that the Applicant is a “person interested” as defined in the Act.

[12] The Applicant seeks a declaration that the Athletic Club Trade-mark is invalid, an order under s. 57(1) of the Act striking (or in the alternative amending) the registration for the Athletic Club Trade-mark on the grounds that it does not accurately express or define the existing rights of the registered owner, and an order pursuant to ss. 53.2, 10 and 11 of the Act that the

Respondent be permanently prohibited from using, directly or via licence, the Athletic Club Trade-mark and its common law equivalent.

[13] While framed as an application, an expungement proceeding under s. 57 of the Act is neither a judicial review nor an appeal, but rather an exercise of the Court's original jurisdiction. There is therefore no standard of review to be applied. The Court is to approach the issues with a fresh mind: see Roger T. Hughes, Toni Polson Ashton & Neal Armstrong, *Hughes on Trade Marks*, 2nd ed (looseleaf, rel 35-8/2013) (Markham, LexisNexis Canada, 2005) at 817-18 [*Hughes on Trade Marks*]; *CIBC World Markets Inc v Stenner Financial Services Ltd*, 2010 FC 397 at para 18; *General Motors of Canada v Décarie Motors Inc*, [2001] 1 FC 665 (CA) at para 31; *Emall.ca Inc (cob Cheaptickets.ca) v Cheap Tickets and Travel Inc*, 2007 FC 243 at para 11, aff'd 2008 FCA 50 [*Cheaptickets*].

## ISSUES

[14] The Applicant raises the following issues in this application:

- (a) Is the Athletic Club Trade-mark invalid under s. 18(1)(a) of the Act on the basis that:
  - (i) On the date of registration (February 22, 2005) the Trade-mark was clearly descriptive or deceptively misdescriptive in the English language of the character or quality of the services in association with which the trade-mark was used, contrary to s. 12(1)(b) of the Act;
  - (ii) On the date of registration the Trade-mark was not distinctive as defined in s. 2 of the Act;
  - (iii) On the date of registration the Trade-mark was the name in any language of any of the services in connection with which it was used, contrary to s. 12(1)(c) of the Act; or

- (iv) On the alleged date of first use and adoption (December 31, 1997) the Trade-mark designated the kind of services associated with it, contrary to s. 12(1)(e) and ss. 10 and 11 of the Act?
- (b) Is the Athletic Club Trade-mark invalid under s. 18(1)(b) of the Act on the basis that:
- (i) On the date of the Notice of Application in this matter (August 29, 2011) the Trade-mark was not distinctive, contrary to s. 2 of the Act?
- (c) Is the Athletic Club Trade-mark invalid under s. 18(1) of the Act on the basis that:
- (i) On the alleged date of first use (December 31, 1997), the Trade-mark was confusing with a previously used trade name / trade-mark (namely, the Ottawa Athletic Club), contrary to s. 16(1)(a) and 16(1)(c) of the Act?
- (d) In the alternative, should the registration for the Athletic Club Trade-mark be amended by striking out some of the services listed; and
- (e) Should the Respondent be permanently prohibited from using, directly or via licence, the Athletic Club Trade-mark and its common law equivalent, pursuant to ss. 53.2, 10 and 11 of the Act?

## STATUTORY PROVISIONS

[15] The following provisions of the Act are applicable in these proceedings:

### Definitions

2. In this Act,

[...]

“confusing”

“confusing”, when applied as an adjective to a trade-mark or trade-name, means a trade-mark or trade-name the use of which would cause confusion in the manner and circumstances described in section 6;

[...]

### Définitions

2. Les définitions qui suivent s'appliquent à la présente loi.

[...]

« créant de la confusion »

« créant de la confusion »  
Relativement à une marque de commerce ou un nom commercial, s'entend au sens de l'article 6.

[...]

“distinctive”

“distinctive”, in relation to a trade-mark, means a trade-mark that actually distinguishes the wares or services in association with which it is used by its owner from the wares or services of others or is adapted so to distinguish them;

[...]

“person interested”

“person interested” includes any person who is affected or reasonably apprehends that he may be affected by any entry in the register, or by any act or omission or contemplated act or omission under or contrary to this Act, and includes the Attorney General of Canada;

[...]

“trade-mark”

“trade-mark” means

(a) a mark that is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others,

« distinctive »

« distinctive » Relativement à une marque de commerce, celle qui distingue véritablement les marchandises ou services en liaison avec lesquels elle est employée par son propriétaire, des marchandises ou services d'autres propriétaires, ou qui est adaptée à les distinguer ainsi.

[...]

« personne intéressée »

« personne intéressée » Sont assimilés à une personne intéressée le procureur général du Canada et quiconque est atteint ou a des motifs valables d'appréhender qu'il sera atteint par une inscription dans le registre, ou par tout acte ou omission, ou tout acte ou omission projeté, sous le régime ou à l'encontre de la présente loi.

[...]

« marque de commerce »

Selon le cas :

a) marque employée par une personne pour distinguer, ou de façon à distinguer, les marchandises fabriquées, vendues, données à bail ou louées ou les services loués ou exécutés, par elle, des marchandises fabriquées, vendues, données à bail ou louées ou des services loués ou

- |                                |                                    |
|--------------------------------|------------------------------------|
| (b) a certification mark,      | exécutés, par d'autres;            |
| (c) a distinguishing guise, or | b) marque de certification;        |
| (d) a proposed trade-mark;     | c) signe distinctif;               |
| [...]                          | d) marque de commerce<br>projetée. |

[...]

“trade-name”

« nom commercial »

“trade-name” means the name under which any business is carried on, whether or not it is the name of a corporation, a partnership or an individual;

« nom commercial » Nom sous lequel une entreprise est exercée, qu'il s'agisse ou non d'une personne morale, d'une société de personnes ou d'un particulier.

[...]

[...]

### **When deemed to be adopted**

### **Quand une marque de commerce est réputée adoptée**

3. A trade-mark is deemed to have been adopted by a person when that person or his predecessor in title commenced to use it in Canada or to make it known in Canada or, if that person or his predecessor had not previously so used it or made it known, when that person or his predecessor filed an application for its registration in Canada.

3. Une marque de commerce est réputée avoir été adoptée par une personne, lorsque cette personne ou son prédécesseur en titre a commencé à l'employer au Canada ou à l'y faire connaître, ou, si la personne ou le prédécesseur en question ne l'avait pas antérieurement ainsi employée ou fait connaître, lorsque l'un d'eux a produit une demande d'enregistrement de cette marque au Canada.

[...]

[...]



**When mark or name  
confusing**

6. (1) For the purposes of this Act, a trade-mark or trade-name is confusing with another trade-mark or trade-name if the use of the first mentioned trade-mark or trade-name would cause confusion with the last mentioned trade-mark or trade-name in the manner and circumstances described in this section.

**Idem**

(2) The use of a trade-mark causes confusion with another trade-mark if the use of both trade-marks in the same area would be likely to lead to the inference that the wares or services associated with those trade-marks are manufactured, sold, leased, hired or performed by the same person, whether or not the wares or services are of the same general class.

**Idem**

**Quand une marque ou un  
nom crée de la confusion**

6. (1) Pour l'application de la présente loi, une marque de commerce ou un nom commercial crée de la confusion avec une autre marque de commerce ou un autre nom commercial si l'emploi de la marque de commerce ou du nom commercial en premier lieu mentionnés cause de la confusion avec la marque de commerce ou le nom commercial en dernier lieu mentionnés, de la manière et dans les circonstances décrites au présent article.

**Idem**

(2) L'emploi d'une marque de commerce crée de la confusion avec une autre marque de commerce lorsque l'emploi des deux marques de commerce dans la même région serait susceptible de faire conclure que les marchandises liées à ces marques de commerce sont fabriquées, vendues, données à bail ou louées, ou que les services liés à ces marques sont loués ou exécutés, par la même personne, que ces marchandises ou ces services soient ou non de la même catégorie générale.

**Idem**

(3) The use of a trade-mark causes confusion with a trade-name if the use of both the trade-mark and trade-name in the same area would be likely to lead to the inference that the wares or services associated with the trade-mark and those associated with the business carried on under the trade-name are manufactured, sold, leased, hired or performed by the same person, whether or not the wares or services are of the same general class.

**Idem**

(4) The use of a trade-name causes confusion with a trade-mark if the use of both the trade-name and trade-mark in the same area would be likely to lead to the inference that the wares or services associated with the business carried on under the trade-name and those associated with the trade-mark are manufactured, sold, leased, hired or performed by the same person, whether or not the wares or services are of the same general class.

(3) L'emploi d'une marque de commerce crée de la confusion avec un nom commercial, lorsque l'emploi des deux dans la même région serait susceptible de faire conclure que les marchandises liées à cette marque et les marchandises liées à l'entreprise poursuivie sous ce nom sont fabriquées, vendues, données à bail ou louées, ou que les services liés à cette marque et les services liés à l'entreprise poursuivie sous ce nom sont loués ou exécutés, par la même personne, que ces marchandises ou services soient ou non de la même catégorie générale.

**Idem**

(4) L'emploi d'un nom commercial crée de la confusion avec une marque de commerce, lorsque l'emploi des deux dans la même région serait susceptible de faire conclure que les marchandises liées à l'entreprise poursuivie sous ce nom et les marchandises liées à cette marque sont fabriquées, vendues, données à bail ou louées, ou que les services liés à l'entreprise poursuivie sous ce nom et les services liés à cette marque sont loués ou exécutés, par la même personne, que ces marchandises ou services soient ou non de la même catégorie générale.

### **What to be considered**

(5) In determining whether trade-marks or trade-names are confusing, the court or the Registrar, as the case may be, shall have regard to all the surrounding circumstances including

(a) the inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known;

(b) the length of time the trade-marks or trade-names have been in use;

(c) the nature of the wares, services or business;

(d) the nature of the trade; and

(e) the degree of resemblance between the trade-marks or trade-names in appearance or sound or in the ideas suggested by them.

[...]

### **Further prohibitions**

10. Where any mark has by ordinary and *bona fide* commercial usage become recognized in Canada as designating the kind, quality, quantity, destination, value, place of origin or date of production of any wares or

### **Éléments d'appréciation**

(5) En décidant si des marques de commerce ou des noms commerciaux créent de la confusion, le tribunal ou le registraire, selon le cas, tient compte de toutes les circonstances de l'espèce, y compris :

a) le caractère distinctif inhérent des marques de commerce ou noms

commerciaux, et la mesure dans laquelle ils sont devenus connus;

b) la période pendant laquelle les marques de commerce ou noms commerciaux ont été en usage;

c) le genre de marchandises, services ou entreprises;

d) la nature du commerce;

e) le degré de ressemblance entre les marques de commerce ou les noms commerciaux dans la présentation ou le son, ou dans les idées qu'ils suggèrent.

[...]

### **Autres interdictions**

10. Si une marque, en raison d'une pratique commerciale ordinaire et authentique, devient reconnue au Canada comme désignant le genre, la qualité, la quantité, la destination, la valeur, le lieu d'origine ou la date de

services, no person shall adopt it as a trade-mark in association with such wares or services or others of the same general class or use it in a way likely to mislead, nor shall any person so adopt or so use any mark so nearly resembling that mark as to be likely to be mistaken therefor.

[...]

#### **Further prohibitions**

11. No person shall use in connection with a business, as a trade-mark or otherwise, any mark adopted contrary to section 9 or 10 of this Act or section 13 or 14 of the Unfair Competition Act, chapter 274 of the Revised Statutes of Canada, 1952.

[...]

#### **When trade-mark registrable**

12. (1) Subject to section 13, a trade-mark is registrable if it is not

[...]

(b) whether depicted, written or sounded, either clearly descriptive or deceptively misdescriptive in the English or French language of the

production de marchandises ou services, nul ne peut l'adopter comme marque de commerce en liaison avec ces marchandises ou services ou autres de la même catégorie générale, ou l'employer d'une manière susceptible d'induire en erreur, et nul ne peut ainsi adopter ou employer une marque dont la ressemblance avec la marque en question est telle qu'on pourrait vraisemblablement les confondre.

[...]

#### **Autres interdictions**

11. Nul ne peut employer relativement à une entreprise, comme marque de commerce ou autrement, une marque adoptée contrairement à l'article 9 ou 10 de la présente loi ou contrairement à l'article 13 ou 14 de la Loi sur la concurrence déloyale, chapitre 274 des Statuts révisés du Canada de 1952.

[...]

#### **Marque de commerce enregistrable**

12. (1) Sous réserve de l'article 13, une marque de commerce est enregistrable sauf dans l'un ou l'autre des cas suivants :

[...]

b) qu'elle soit sous forme graphique, écrite ou sonore, elle donne une description claire ou donne une description

character or quality of the wares or services in association with which it is used or proposed to be used or of the conditions of or the persons employed in their production or of their place of origin;

(c) the name in any language of any of the wares or services in connection with which it is used or proposed to be used;

[...]

(e) a mark of which the adoption is prohibited by section 9 or 10;

[...]

**Idem**

(2) A trade-mark that is not registrable by reason of paragraph (1)(a) or (b) is registrable if it has been so used in Canada by the applicant or his predecessor in title as to have become distinctive at the date of filing an application for its registration.

[...]

fausse et trompeuse, en langue française ou anglaise, de la nature ou de la qualité des marchandises ou services en liaison avec lesquels elle est employée, ou à l'égard desquels on projette de l'employer, ou des conditions de leur production, ou des personnes qui les produisent, ou du lieu d'origine de ces marchandises ou services;

c) elle est constituée du nom, dans une langue, de l'une des marchandises ou de l'un des services à l'égard desquels elle est employée, ou à l'égard desquels on projette de l'employer;

[...]

e) elle est une marque dont l'article 9 ou 10 interdit l'adoption;

[...]

**Idem**

(2) Une marque de commerce qui n'est pas enregistrable en raison de l'alinéa (1)a) ou b) peut être enregistrée si elle a été employée au Canada par le requérant ou son prédécesseur en titre de façon à être devenue distinctive à la date de la production d'une demande d'enregistrement la concernant.

[...]

**Registration of marks used  
or made known in Canada**

16. (1) Any applicant who has filed an application in accordance with section 30 for registration of a trade-mark that is registrable and that he or his predecessor in title has used in Canada or made known in Canada in association with wares or services is entitled, subject to section 38, to secure its registration in respect of those wares or services, unless at the date on which he or his predecessor in title first so used it or made it known it was confusing with

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

(b) a trade-mark in respect of which an application for registration had been previously filed in Canada by any other person; or

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

[...]

**Enregistrement des marques  
employées ou révélées au  
Canada**

16. (1) Tout requérant qui a produit une demande selon l'article 30 en vue de l'enregistrement d'une marque de commerce qui est enregistrable et que le requérant ou son prédécesseur en titre a employée ou fait connaître au Canada en liaison avec des marchandises ou services, a droit, sous réserve de l'article 38, d'en obtenir l'enregistrement à l'égard de ces marchandises ou services, à moins que, à la date où le requérant ou son prédécesseur en titre l'a en premier lieu ainsi employée ou révélée, elle n'ait créé de la confusion :

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

b) soit avec une marque de commerce à l'égard de laquelle une demande d'enregistrement avait été antérieurement produite au Canada par une autre personne;

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

[...]

**Effect of registration in relation to previous use, etc.**

17. (1) No application for registration of a trade-mark that has been advertised in accordance with section 37 shall be refused and no registration of a trade-mark shall be expunged or amended or held invalid on the ground of any previous use or making known of a confusing trade-mark or trade-name by a person other than the applicant for that registration or his predecessor in title, except at the instance of that other person or his successor in title, and the burden lies on that other person or his successor to establish that he had not abandoned the confusing trade-mark or trade-name at the date of advertisement of the applicant's application.

**When registration incontestable**

(2) In proceedings commenced after the expiration of five years from the date of registration of a trade-mark or from July 1, 1954, whichever is the later, no registration shall be expunged or amended or held invalid on the ground

**Effet de l'enregistrement relativement à l'emploi antérieur, etc.**

17. (1) Aucune demande d'enregistrement d'une marque de commerce qui a été annoncée selon l'article 37 ne peut être refusée, et aucun enregistrement d'une marque de commerce ne peut être radié, modifié ou tenu pour invalide, du fait qu'une personne autre que l'auteur de la demande d'enregistrement ou son prédécesseur en titre a antérieurement employé ou révélé une marque de commerce ou un nom commercial créant de la confusion, sauf à la demande de cette autre personne ou de son successeur en titre, et il incombe à cette autre personne ou à son successeur d'établir qu'il n'avait pas abandonné cette marque de commerce ou ce nom commercial créant de la confusion, à la date de l'annonce de la demande du requérant.

**Quand l'enregistrement est incontestable**

(2) Dans des procédures ouvertes après l'expiration de cinq ans à compter de la date d'enregistrement d'une marque de commerce ou à compter du 1er juillet 1954, en prenant la date qui est postérieure à l'autre, aucun enregistrement

of the previous use or making known referred to in subsection (1), unless it is established that the person who adopted the registered trade-mark in Canada did so with knowledge of that previous use or making known.

### **When registration invalid**

18. (1) The registration of a trade-mark is invalid if

- (a) the trade-mark was not registrable at the date of registration,
- (b) the trade-mark is not distinctive at the time proceedings bringing the validity of the registration into question are commenced, or
- (c) the trade-mark has been abandoned,

and subject to section 17, it is invalid if the applicant for registration was not the person entitled to secure the registration.

### **Exception**

(2) No registration of a trade-mark that had been so used in Canada by the registrant or his predecessor in title as to have become distinctive at the date of registration shall be held invalid merely on the ground that evidence of the

ne peut être radié, modifié ou jugé invalide du fait de l'utilisation ou révélation antérieure mentionnée au paragraphe (1), à moins qu'il ne soit établi que la personne qui a adopté au Canada la marque de commerce déposée l'a fait alors qu'elle était au courant de cette utilisation ou révélation antérieure.

### **Quand l'enregistrement est invalide**

18. (1) L'enregistrement d'une marque de commerce est invalide dans les cas suivants :

- a) la marque de commerce n'était pas enregistrable à la date de l'enregistrement;
- b) la marque de commerce n'est pas distinctive à l'époque où sont entamées les procédures contestant la validité de l'enregistrement;
- c) la marque de commerce a été abandonnée.

Sous réserve de l'article 17, l'enregistrement est invalide si l'auteur de la demande n'était pas la personne ayant droit de l'obtenir.

### **Exception**

(2) Nul enregistrement d'une marque de commerce qui était employée au Canada par l'inscrivant ou son prédécesseur en titre, au point d'être devenue distinctive à la date d'enregistrement, ne peut être considéré comme invalide



distinctiveness was not submitted to the competent authority or tribunal before the grant of the registration.

[...]

### **Disclaimer**

35. The Registrar may require an applicant for registration of a trade-mark to disclaim the right to the exclusive use apart from the trade-mark of such portion of the trade-mark as is not independently registrable, but the disclaimer does not prejudice or affect the applicant's rights then existing or thereafter arising in the disclaimed matter, nor does the disclaimer prejudice or affect the applicant's right to registration on a subsequent application if the disclaimed matter has then become distinctive of the applicant's wares or services.

[...]

### **Power of court to grant relief**

53.2 Where a court is satisfied, on application of any interested person, that any act has been done contrary to this Act, the court may make any order that it considers appropriate in the circumstances, including an

pour la seule raison que la preuve de ce caractère distinctif n'a pas été soumise à l'autorité ou au tribunal compétent avant l'octroi de cet enregistrement.

[...]

### **Désistement**

35. Le registraire peut requérir celui qui demande l'enregistrement d'une marque de commerce de se désister du droit à l'usage exclusif, en dehors de la marque de commerce, de telle partie de la marque qui n'est pas indépendamment enregistrable. Ce désistement ne porte pas préjudice ou atteinte aux droits du requérant, existant alors ou prenant naissance par la suite, dans la matière qui fait l'objet du désistement, ni ne porte préjudice ou atteinte au droit que possède le requérant à l'enregistrement lors d'une demande subséquente si la matière faisant l'objet du désistement est alors devenue distinctive des marchandises ou services du requérant.

[...]

### **Pouvoir du tribunal d'accorder une réparation**

53.2 Lorsqu'il est convaincu, sur demande de toute personne intéressée, qu'un acte a été accompli contrairement à la présente loi, le tribunal peut rendre les ordonnances qu'il juge indiquées, notamment

order providing for relief by way of injunction and the recovery of damages or profits and for the destruction, exportation or other disposition of any offending wares, packages, labels and advertising material and of any dies used in connection therewith.

[...]

### **Jurisdiction of Federal Court**

55. The Federal Court has jurisdiction to entertain any action or proceeding for the enforcement of any of the provisions of this Act or of any right or remedy conferred or defined thereby.

[...]

### **Exclusive jurisdiction of Federal Court**

57. (1) The Federal Court has exclusive original jurisdiction, on the application of the Registrar or of any person interested, to order that any entry in the register be struck out or amended on the ground that at the date of the application the entry as it appears on the register does not accurately express or define the existing rights of the person appearing to be the registered owner of the mark.

[...]

pour réparation par voie d'injonction ou par recouvrement de dommages-intérêts ou de profits, pour l'imposition de dommages punitifs, ou encore pour la disposition par destruction, exportation ou autrement des marchandises, colis, étiquettes et matériel publicitaire contrevenant à la présente loi et de toutes matrices employées à leur égard.

[...]

### **Jurisdiction de la Cour fédérale**

55. La Cour fédérale peut connaître de toute action ou procédure en vue de l'application de la présente loi ou d'un droit ou recours conféré ou défini par celle-ci.

[...]

### **Jurisdiction exclusive de la Cour fédérale**

57. (1) La Cour fédérale a une compétence initiale exclusive, sur demande du registraire ou de toute personne intéressée, pour ordonner qu'une inscription dans le registre soit biffée ou modifiée, parce que, à la date de cette demande, l'inscription figurant au registre n'exprime ou ne définit pas exactement les droits existants de la personne paraissant être le propriétaire inscrit de la marque.

[...]

## **ARGUMENT**

### **Applicant**

[16] The Applicant argues that the Athletic Club Trade-mark is invalid for essentially three reasons: it was not registrable on the date of registration, based on several alleged grounds (s.18(1)(a)); it was not distinctive at the time the present proceeding was commenced (s.18(1)(b)); and, at the time it was first used, it was confusing with a previously used trade-mark or trade name, such that the Respondent was not “the person entitled to secure the registration” (ss. 6, 16(1) and 18(1)).

#### ***Trade-mark confusing with a previously used trade-mark or trade name***

[17] The Applicant argues that the Athletic Club Trade-mark is, and was at the time of its first use, confusing with the OAC’s long-established trade name and Trade-mark, and is therefore invalid pursuant to s. 18(1) of the Act.

[18] Subsection 18(1) states that a trade-mark is invalid “if the applicant for registration was not the person entitled to secure the registration.” The Applicant says a trade-mark applicant is not entitled to register a trade-mark (or to retain their registration when subsequently challenged) if, on the date they first used it, the trade-mark was confusing with either a trade-mark (s.16(1)(a)) or a trade name (s. 16(1)(c)) previously used in Canada by any other person.

[19] The Applicant argues that the OAC has made continuous and widespread use of the trade name / trade-mark “Ottawa Athletic Club” to advertise its services since 1976, including through signage, community sponsorships, program guides, promotional items, radio advertisements, yellow pages, trades shows, websites and more. This precedes the Respondent’s use of the Athletic Club Trade-mark by 21 years. The OAC is a landmark in the sports and fitness industry and enjoys an excellent reputation.

[20] The Applicant says there is ample evidence that the Athletic Club Trade-mark is confusing with the OAC trade name and trade-mark, and argues the following with respect to the criteria for confusion set out in s. 6(5) of the Act:

- (a) inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known: the Athletic Club Trade-mark is clearly descriptive and therefore not distinctive, while the OAC operated and used its trade-mark / trade name for 21 years before the Respondent began using its Trade-mark;
- (b) the length of time the trade-marks or trade-names have been in use: see above;
- (c) the nature of the wares, services or business: the parties’ respective trade-marks are used in association with the same services;
- (d) the nature of the trade: the trade-marks are used in the same trade; and
- (e) the degree of resemblance between the trade-marks or trade-names in appearance or sound or in the ideas suggested by them: the words used in the parties’ trade-marks are almost identical – they sound alike and the ideas suggested by them are the same.

[21] The Applicant sites a number of examples of actual confusion, including:

- Members of the public calling the OAC believing that it and the Respondent are one and the same, or expressing surprise that they are two different companies;
- Members of the public calling the OAC or tweeting on their Twitter accounts with respect to promotions or activities of the Respondent;

- Members of the public mistakenly sending job applications to the OAC for positions advertised by the Respondent;
- Mistaken delivery of fitness equipment intended for the Respondent to the OAC;
- A call from a college professor to the OAC to complain of the treatment received by two of his students in interviews, when in fact these interviews were conducted by the Respondent;
- A technician arriving at OAC to perform work on athletic machinery that was in fact located at the Athletic Club;
- The United Way sending a marketing proposal to the OAC intended for the Respondent, with the latter's Trade-mark located on the cover page; and
- Google search results for "Ottawa Athletic Club" demonstrating that the second organic result is for The Athletic Club.

[22] In addition, the Applicant says the Respondent has promoted its services using a billboard with the same stock photograph used on the OAC's website for approximately two years, and launched a Facebook page titled "The Athletic Club in Ottawa" a year after the OAC launched its own page, titled "Ottawa Athletic Club." The Applicant says the OAC did not receive inquiries from persons trying to reach other athletic clubs, or applying for jobs at other athletic clubs, prior to the Respondent advertising in Ottawa.

[23] The Applicant acknowledges that, pursuant to s. 17(2) of the Act, it can only seek to invalidate the Respondent's Trade-mark based on confusion with its own trade-mark or trade name if the Respondent had actual knowledge of the Applicant's previous use of the allegedly confusing trade-mark or trade name prior to its own adoption of the Trade-mark. This is because the Applicant brought this proceeding to expunge the Respondent's Trade-mark more than five years after the latter was registered. However, the Applicant says that actual knowledge is established by: 1) the presence of a NUANS corporate name search in the incorporating

documents of the Respondent's predecessor company (and now subsidiary), signed by Alan Quesnel and David Wu and dated June 25, 1997, which lists the Ottawa Athletic Club; and 2) the failure of the Respondent's affiant, Mr. Chuck Kelly, to provide satisfactory responses regarding whether Mr. Quesnel and Mr. Wu knew of this search at the time they signed those incorporating documents.

[24] The Applicant says this Court made an interlocutory order confirming that solicitor-client privilege was waived with respect to the communication of the NUANS search to the Athletic Club, its principles or shareholders by the lawyer who handled the incorporation. Despite this, the Applicant alleges, and despite questions being put and undertakings made during further cross-examination, Mr. Kelly refused to provide files or solicitor reporting letters that would clarify the point, to make appropriate inquiries of Mr. Quesnel, Mr. Wu or the incorporating lawyer, or to conduct appropriate searches of corporate records. The Respondent also refused to make Mr. Quesnel or Mr. Wu available for cross-examination, despite the fact that these two founders of the Athletic Club have the most knowledge of the origins of the Athletic Club Trade-mark and trade name.

[25] As a result of these alleged failures of the Respondent to properly respond to relevant inquiries on cross-examination, the Applicant argues that the Court should draw an adverse inference and find that the Respondent had actual knowledge of the Applicant's use of its trade name and trade-mark at least as early as June 1997. It is well established, the Applicant argues, that an adverse inference can be drawn if, without reasonable explanation, a party fails to adduce evidence available to it that could have resolved the issue: *Milliken & Co v Interface Flooring*

*Systems (Canada) Inc.*, [1998] 3 FC 103 at para 26 [*Milliken*]. In the present case, the OAC has no ability to obtain the reporting letter or invoices relating to the incorporation of the London Athletic Club Inc. except from the Respondent. The documents or information are exclusively within the knowledge of the Respondent, and in such circumstances, where the Respondent refuses to produce such evidence, the Court will infer that the facts are adverse to the Respondent's interest: *Hoffman-La Roche Ltd v Apotex Inc* (1983), 145 DLR (3d) 270 (Ont SC) at para 25 [*Hoffman*].

***Trade-mark not registrable at the date of registration***

[26] The Applicant asserts on a number of grounds that the Athletic Club Trade-mark was not registrable at the date of its registration, which is February 22, 2005, and is therefore invalid pursuant to s. 18(1)(a) of the Act.

***Trade-mark clearly descriptive of services***

[27] First, the Applicant notes that under s. 12(1)(b) of the Act, a trade-mark is not registrable if it is “whether depicted, written or sounded, either clearly descriptive or deceptively misdescriptive in the English or French language of the character or quality of the wares or services in association with which it is used or proposed to be used....” The Applicant says this provision aims to prevent traders from obtaining a monopoly over words that belong “in the public stock of commonplace words that should remain available to all traders in describing their wares or services”: *Ontario Teachers Pension Plan Board v Canada (Attorney General)*, 2012 FCA 60 at para 37 [*Ontario Teachers*].

[28] The Applicant submits that whether a trade-mark is clearly descriptive is a question of first impression from the point of view of the average purchaser of those wares or services: *Wool Bureau of Canada Ltd v Canada (Registrar of Trade Marks)* (1978), 40 CPR (2d) 25, [1978] FCJ No 307 at paras 7, 11 (FCTD) [*Wool Bureau*]; *Mitel Corporation v Canada (Registrar of Trade Marks)* (1984), 79 CPR (2d) 202 at para 7 (FCTD) [*Mitel*]. It is not appropriate to carefully and critically analyze the words to determine if they have alternative implications; rather, the proper approach is “to ascertain what those words in the context in which they are used would represent to the public”: *Riverside Paper Corp v First Base Inc.*, [1999] FCJ No 1291 at para 10 (FCTD) [*Riverside Paper*], quoting *John Labatt Ltd v Carling Breweries Ltd* (1974), 18 CPR (2d) 15. The word “clearly” in the phrase “clearly descriptive” is to be interpreted as “easy to understand, sufficient or plain” rather than “accurately” (*Drackett Co of Canada Ltd v American Home Products Corp.*, [1968] 2 Ex CR 89 at para 21; *Evert-Fresh Corp v Green Bag Pty Ltd*, 2011 TMOB 236 at para 18 [*Green Bag*]) and descriptiveness is considered in the context of the wares and services with which the trade-mark is used or proposed to be used: *Mitel*, above, at para 18.

[29] Moreover, the Applicant argues that clearly descriptive words are to be interpreted as such notwithstanding any disclaimers or any special fonts used to display the words: *Atlantic Promotions Inc v Canada (Registrar of Trade Marks)* (1984), 2 CPR (3d) 183 (FCTD) at 194; *Agropur Cooperative v Parmalat SPA*, 2011 TMOB 30 at para 40 [*Parmalat*]. Where the trade-mark in question is a composite mark (one containing words and alleged design features), the mark will not be registrable pursuant to s. 12(1)(b) of the Act where the mark, when sounded, contains word elements that are clearly descriptive and are also the dominant feature of the mark: *Best Canadian Motor Inns Ltd v Best Western International, Inc.*, 2004 FC 135 [*Best Western*];



*Green Bag*, above, at paras 21-22; *674802 BC Ltd (cob Amanda Enterprises) v Encorp Pacific (Canada)*, 2011 TMOB 180 at paras 15-26 [*Encorp Pacific*]; *Ogopogo Media Inc v BC Jobs Online Inc*, 2011 TMOB 127 at paras 12-20 [*Ogopogo*]; *Parmalat*, above, at paras 35-43; *Fast Fence Inc v Yellow Fence Rentals Inc*, 2010 TMOB 96; *Central City U-Lock Ltd v JCM Professional Mini-Storage Management Ltd* (2009), 80 CPR (4th) 467 (TMOB) at paras 18-24; *Worldwide Diamond Trademarks Ltd v Canadian Jewellers Assn*, 2010 FC 309 at paras 17-21 [*Canadian Jewellers*]; *Canadian Tire Corp v Exxon Mobil Corp* (2009), 80 CPR (4th) 407 (TMOB) at paras 6-10; *Canadian Council of Professional Engineers v Canada Society for Professional Engineers* (1996), 66 CPR (3d) 563 (TMOB) at para 11 [*Professional Engineers*]; *Burns Foods (1985) Ltd v Superior Livestock of Canada, Inc* (1996), 67 CPR (3d) 413 (TMOB); *Arthur v Auto Mart Magazine Ltd* (1995), 66 CPR (3d) 117.

[30] In this case, the Respondent disclaimed the words “athletic club” in the Athletic Club Trade-mark, and in doing so, the Applicant argues, has acknowledged that these words are clearly descriptive of the character or quality of the Respondent’s services, are the name of the services themselves, or are otherwise common to the trade: *Insurance Co of Prince Edward Island v Prince Edward Island Mutual Insurance Co* (1999), 2 CPR (4th) 103 (TMOB) at paras 6, 10 [*PEI Mutual*]; *Ogopogo*, above, at para 13; *Professional Engineers*, above, at para 11.

[31] The Applicant argues that the clearly descriptive term “The Athletic Club” is the dominant feature of the mark. As evidence of this, the Applicant notes that both Athletic Club affiants quickly and without hesitation replied “The Athletic Club” when asked to sound the Trade-mark in cross-examination. There is nothing distinctive about the design element of the

mark – a black oval with a black lined oval surrounding the perimeter. There is also nothing memorable about the script in which the text is written, and consumers would not identify the mark by such script: *Parmalat*, above, at para 40. Oval shapes are frequently used to enclose words, the Applicant says, and the British Columbia Court of Appeal has affirmed that it would be untenable to suggest that merely enclosing words in a border conferred the right to prevent anyone else from doing so forever: see *Westfair Foods Ltd v Jim Pattison Industries Ltd*, 1989 CarswellBC 689 at para 20, 59 DLR (4th) 46 (BCSC) [*Westfair Foods*], aff'd (1990) 68 DLR (4th) 481 (BCCA).

[32] The Applicant says the current case is similar to the *Encorp Pacific* case, cited above, where the Trade-marks Opposition Board found that given the relative size and simplicity of the design element of the mark – shown below – it did not stimulate visual interest.



The dominant feature of the mark was therefore the words “Bottle Depot,” which were clearly descriptive of recycling services. Applying the clearly descriptive test set out in *Best Western*, above, the Board found that the trade-mark as a whole and as a matter of immediate impression was clearly descriptive, when sounded, of the associated services.

[33] Referring to *Riverside Paper*, above, the Applicant argues that the words “the athletic club,” considered in context, are clearly descriptive of the service in association with which the

Athletic Club Trade-mark is and has been used. An ordinary consumer, when viewing the Athletic Club Trade-mark as a whole, would readily attribute to it a common meaning that relates to the services listed in connection with the Trade-mark. The Applicant supports this view with reference to dictionary definitions of “athletic” and “club.” The Applicant also points to statements by the Respondent’s affiants during cross-examination which show, in the Applicant’s view, that the principle idea being conveyed by the Trade-mark is “a place of fitness,” and that the term “athletic club” is used generically to refer to “a place to exercise” or a facility offering the types of services offered by the Respondent and the Applicant. These include fitness training, weight training, aerobics, fitness assessments, personal training, conducting exercise, dance classes, etc. The Applicant says an affiant for the Respondent acknowledged that the use of these descriptive words helps to generate online traffic to the Respondent’s website.

***Trade-mark is the name of the services***

[34] In addition to being descriptive of the services offered by the Respondent, the Applicant argues that the Athletic Club Trade-mark is the name in English of the services (or some of the services) in connection with which it is used. Section 12(1)(c) of the Act states that such a mark is not registrable, and it is therefore invalid pursuant to s. 18(1)(a).

[35] The Applicant notes that the record before the Court contains examples of numerous parties using the words “athletic club” to describe the services offered by the Respondent. In the Applicant’s view, this shows that at least in respect of certain services offered by the Respondent (namely, operation of a facility for fitness training and/or weight training, operation of a facility

for aerobics, personal training services, fitness assessment services, and conducting exercise, fitness and aerobics classes), the term “athletic club” is the name of the services.

[36] Where the word portion of a composite mark is the dominant feature, the mark may be capable of contravening section 12(1)(c) of the Act: *Canadian Bankers Association v Northwest Bancorporation* (1979), 50 CPR (2d) 113 (TMOB) at paras 12, 15 [*Banco*]; *Brûlerie Des Monts Inc c 3002462 Canada Inc* (1997), 132 FTR 150, 75 CPR (3d) 445 (FCTD). Furthermore, to contravene s. 12(1)(c), a trade-mark is not required to be primarily the name in any language of any of the services, but simply the name in any language of any of the services: *Banco*, above; *Saputo Dairy Products Canada GP v Grande Cheese Co*, 2011 TMOB 177 at para 30. The evidentiary burden under this section can be met by adducing copies of referenced works in which the mark can be shown to have a definition: *David Oppenheimer Co, LLC v Imagine IP, LLC*, 2011 TMOB 84.

***Trade-mark is a prohibited mark under s. 10***

[37] The Applicant also argues that the Respondent adopted the Athletic Club Trade-mark in contravention of s. 10 of the Act. This means that it was unregistrable according to s. 12(1)(e) and the registration is invalid under s. 18(1)(a).

[38] The Applicant says that on December 31, 1997, when the Respondent adopted the Athletic Club Trade-mark, that mark had “by ordinary and bona fide commercial usage become recognized as designating” a kind of services. As such, s. 10 prohibits any person from adopting it (or a mark closely resembling it) as a trade mark in association with such services or others of

the same general class, or using it in a way likely to mislead. The Applicant argues that a word that is already in ordinary commercial use in association with services should be open for use by any party, and is not available for adoption as a trade-mark. If it can be established that a trade-mark is or resembles such a word, it follows that it not registrable, invalid and not distinctive:

*United Artists Records Inc v Soundtrack Limited* (1977), 36 CPR (2d) 278 (TMOB) [*United Artists*]; *Benson & Hedges (Canada) Ltd v Empresa Cubana Del Tabaco* (1975), 23 CPR (2d) 274 [*Empresa Cubana*]; *Bank of Montreal v Merrill Lynch & Co Inc* (1997), 84 CPR (3d) 262 (TMOB) [*Merrill Lynch*].

[39] The Applicant points to numerous newspaper articles, yellow page directories, judicial decisions in Canada, descriptions by fitness facilities of their activities, and the testimony of the Respondent's affiants on cross-examination as demonstrating that, by 1997, the use of the words "athletic club" had by ordinary and bona fide commercial usage come to designate the kind of services offered by the Respondent. As such, the adoption of these words as a trade-mark was prohibited by s. 10. This evidence, the Applicant says, also reinforces the arguments above that the trade-mark is clearly descriptive of the services contrary to s. 12(1)(b) and is the name of the services contrary to s. 12(1)(c).

### ***Trade-mark not distinctive***

[40] The Applicant further argues that the Athletic Club Trade-mark is not distinctive (and was not distinctive on the date it was registered), and is thus invalid under both s. 18(1)(b) and the combination of ss. 18(1)(a) and 18(2) of the Act.

[41] The Applicant notes that according to the definition of “distinctive” set out in s. 2 of the Act, a distinctive trade-mark is one that actually distinguishes the wares or services in association with which it is used by its owner from the wares or services of others, or is adapted so as to distinguish them. This requires that three conditions be met: 1) that a mark and a product or service be associated; 2) that the “owner” of the mark uses this association in selling his product or service; and 3) that this association enables the owner of the mark to distinguish his product or service from that of others: *Nature’s Path Foods Inc v Quaker Oats Co of Canada* (2001), 204 FTR 102, 2001 CarswellNat 784 at para 46 (FCTD); *Bodum USA, Inc v Meyer Housewares Canada Inc*, 2012 FC 1450 at para 117 [*Bodum USA*].

[42] Here, the Applicant says, there are two relevant dates to consider with respect to the distinctiveness of the Athletic Club Trade-mark. If the trade-mark was not distinctive on either date, it is invalid. First, through the combination of ss. 18(1)(a) and 18(2) of the Act, the trade-mark is invalid if it was not distinctive at the date of its registration. Second, under s. 18(1)(b), the trade-mark is invalid if it was not distinctive as of the filing date of the Notice of Application in the present proceeding (August 29, 2011). The Applicant submits that the trade-mark was not distinctive on either of these dates.

[43] The Applicant argues that where a trade-mark is clearly descriptive of the character or quality of the wares or services in association with which it is used, it is *prima facie* not distinctive. It is significantly more difficult to claim distinctiveness for descriptive words than coined words: *Riverside Paper*, above, at para 13; *Bodum USA*, above, at para 136. The distinctiveness of a composite mark can be tested by “sounding” the words if the design element

is not dominant: *Canadian Jewellers Assn v Worldwide Diamond Trademarks Ltd*, 2010 FCA 326 at para 2. As noted above, the Applicant argues that the dominant feature of the Athletic Club Trade-mark is the words “Athletic Club” and not the design elements.

[44] A trade-mark that is commonly used by other third parties cannot be distinctive of a single source, the Applicant says, and a trade-mark that is used as a common name of goods or services loses its distinctiveness. The burden of proving secondary meaning (or acquired distinctiveness) increases in direct ratio to the commonality of usage as a description of a service, and the onus of proving such secondary meaning is a heavy one. Where the words are purely descriptive and in common use it is difficult to conceive a case where they could acquire a secondary meaning: *Canada (Registrar of Trade Marks) v GA Hardie & Co*, [1949] SCR 483, 1949 CarswellNat 8 at para 42.

[45] The Applicant says the evidence reveals that well before 1997, and continuing today, the words “athletic club” were and are used extensively in Canada. They are in fact so commonly used that all potential arguments by the Respondent regarding secondary meaning must fail.

[46] The evidence with respect to the alleged use or advertising of the Athletic Club Trade-mark before the registration date is extremely scarce, and that evidence of use or advertising after that date is irrelevant to the application of ss. 18(1)(a) and 18(2) of the Act, the Applicant argues. In other words, if the Athletic Club Trade-mark was not distinctive as of the registration date, it is invalid regardless of any evidence about subsequently acquired secondary meaning. The Applicant also argues that any evidence regarding use or advertising of the Trade-mark after

February 22, 2005 is irrelevant with respect to whether the Trade-mark was clearly descriptive of the services (s. 12(1)(b)) or the name of the services (s. 12(1)(c)), and that therefore “the vast majority of the evidence filed by the Respondent is not relevant.”

[47] Furthermore, the Respondent did not file any survey evidence or consumer affidavits to support a finding that the Trade-mark had acquired any secondary meaning or distinctiveness as of the registration date, or as of the date of the commencement of the current application.

[48] The Applicant also argues that the Respondent does not consistently use the words “the athletic club” enclosed in a black oval on the interior and exterior signage at its facilities or on its website, which undermines the Respondent’s claim to acquired distinctiveness.

## **Respondent**

[49] The Respondent argues that the Applicant has not met its burden on any ground, and that the registration of the Athletic Club Trade-mark should be maintained.

[50] The Applicant bears the onus in expungement proceedings to prove that the Respondent’s Trade-mark is invalid, and if the Applicant does not meet this onus the registration should be maintained: *Boston Pizza International Inc v Boston Chicken Inc* (2001), 211 FTR 106, 15 CPR (4th) 345 (FCTD) at para 64 [*Boston Pizza TD*], var’d on other grounds by 2003 FCA 120 [*Boston Pizza FCA*].



***Distinctiveness of the Trade-mark***

[51] The Respondent argues that a lack of distinctiveness as of the date of registration is not a proper ground for invalidating the Trade-mark, contrary to the Applicant's argument based on ss.18(1)(a) and 18(2) of the Act. The Court has previously considered a similar argument and did not agree that lack of distinctiveness at the time of registration was a proper ground for invalidating a trade-mark under s. 18(1)(a). Rather, the Court is confined to considering, under s.18(1)(b), whether the mark was distinctive when the expungement proceedings were commenced: *Fibergrid Inc v Precisioneering Ltd* (1991), 35 CPR (3d) 221 at 229-230 (FCTD). Accordingly, the relevant date for assessing distinctiveness in this proceeding is August 29, 2011, and all evidence filed by the Respondent regarding the period before this date is relevant.

[52] The Respondent notes that under the definition of "distinctive" in s. 2, distinctiveness can be either acquired or inherent: *McCallum Industries Ltd v HJ Heinz Co Australia Ltd*, 2011 FC 1216 at para 34. If the Athletic Club Trade-mark actually distinguishes (acquired distinctiveness) or is adapted to distinguish (inherent distinctiveness), the Trade-mark is distinctive and must be maintained: *Boston Pizza FCA*, above, at paras 5-6. A registered trade-mark is presumed valid until the contrary is proven: *Boston Pizza FCA*, above, at para 16. Furthermore, the mark "must be considered in its entirety and as a matter of first impression" and should not be separated into component parts: *Molson Breweries v John Labatt Ltd*, [2000] 3 FC 145 at para 83 (FCA).

[53] The Respondent notes that a trade-mark is "adapted to distinguish" when it is inherently distinctive: *Boston Pizza FCA*, above, at para 6. The Athletic Club Trade-mark is a design mark

that includes original design elements, the Respondent says, and a trade-mark that incorporates an original design element is inherently distinctive: *Fairmont Resort Properties Ltd v Fairmont Hotel Management, LP*, 2008 FC 876 at para 85.

[54] The Athletic Club Trade-mark is made up of two ellipses, one inside the other, which give the effect of creating a light ellipse in between that further emphasizes the Trade-mark. Inside the smaller dark ellipse are the words “The Athletic Club” in a light colour, written in specific script and unique lettering that further distinguish the Trade-mark. It is the Applicant’s onus to demonstrate that the Respondent’s Trade-mark is not inherently distinctive, and the Applicant has not done so. The only example provided by the Applicant of another trade-mark using an oval shape in association with services similar to the Respondent’s is another mark owned by the Respondent (the Total Fitness mark). This supports the position that oval shapes in association with the Respondent’s services are distinctive of the Respondent.

[55] In addition to being inherently distinctive (which is sufficient to maintain the registration), the Respondent argues that the Trade-mark has also acquired distinctiveness through use in Canada: *Boston Pizza FCA*, above, at paras 3, 13. The distinctiveness of a trade-mark can be enhanced by promotion: *In-Touch Network Systems Inc v 01 Communique Laboratory Inc* (2007), 63 CPR (4th) 224 at 229, [2007] TMOB No 111 at para 26 (TMOB) [*In-Touch*]. The Respondent argues that it has conducted extensive promotion of the Athletic Club Trade-mark such that it has acquired distinctiveness, including prominent displays inside and outside its facilities and millions of dollars in advertising, direct mail to homes, door hangers,

and promotional materials. The Respondent attests that it spent over \$1.7 million advertising its services in association with the Trade-mark from August 1, 2010 to July 31, 2011 alone.

[56] The Respondent reiterates that it does not bear the onus in expungement proceedings, and argues that the Applicant has not provided any argument that the Athletic Club Trade-mark has not acquired distinctiveness as of the relevant date, which is the date of commencement of the present proceedings. Even if considered at the date of registration, the Respondent argues, the Applicant has not demonstrated that the Respondent's Trade-mark had not acquired distinctiveness.

### *Effect of disclaimer*

[57] The Respondent argues that the Applicant's position – that the disclaimer of the words “athletic club” should have no effect on the expungement proceedings because the mark is clearly descriptive – would render s. 35 of the Act inoperative, and this cannot be the intention of Parliament. Section 35 permits the owner to disclaim the right to the exclusive use of the portion of a trade-mark that may not be independently registrable. The Respondent's disclaimer of the words “athletic club” indicates that it was filing to register the distinctive shape of the ovals and the distinctive lettering, not necessarily the words inside. The registered mark would then prevent others from using similar ovals with the distinctive lettering inside, irrespective of the words. This, the Respondent says, is the purpose of its disclaimer.

[58] The *Best Western* case cited above relied upon by the Applicant involved a disclaimer of individual words, not the entire phrase, and can therefore be distinguished, the Respondent

argues. Here, it is the phrase “athletic club” that has been disclaimed, and the Applicant has not shown that the design elements of the Trade-mark are not distinctive. The disclaimer should therefore be considered when assessing the Trade-mark in terms of descriptiveness as well as other grounds of invalidity alleged by the Applicant under ss. 10, 11 and 12 of the Act.

### **Trade-mark registrable**

#### ***Trade-mark not clearly descriptive***

[59] The Respondent argues that the Trade-mark is not clearly descriptive of the character or quality of the wares or services associated with it and was therefore not unregistrable pursuant to s. 12(1)(b).

[60] The test for whether a trade-mark is clearly descriptive is one of first impression in the mind of a normal or reasonable person. The word “character” in the phrase “character or quality of the wares or services” has been defined by case law to mean a feature, trait or characteristic belonging to the wares or services. Thus, to be clearly descriptive, the mark must describe an intrinsic characteristic or quality of the wares or services: *Ontario Teachers*, above.

[61] First, the Respondent disclaimed the words “athletic club.” Such a disclaimer allows the registration of a trade-mark provided that, apart from the unregistrable words, there remains a distinctive feature that would make the mark as a whole distinctive: *Lake Ontario Cement Ltd v Canada (Registrar of Trade Marks)* (1976), 31 CPR (2d) 103 at 109-110, [1976] FCJ No 1104 at para 17 (FCTD). The design portions of the Respondent’s Athletic Club Trade-mark are

distinctive, and the Trade-mark should be assessed without considering the disclaimed portion. Taking this approach, the non-disclaimed portion of the Trade-mark is not clearly descriptive of the character or quality of the Respondent's services.

[62] However, even if the words of the Trade-mark are assessed themselves, the Trade-mark is still not descriptive of the character or quality of the services, the Respondent argues. Character and quality are not just another name for the services. They refer to words that are descriptive of wares or services (such as blue wares, tasty wares, fresh-made wares), not all words that may be associated with a service. If Parliament had intended a more expansive interpretation it would not have included the words "character or quality."

[63] If the Court takes a more liberal interpretation of s. 12(1)(b), then at the very least certain of the Respondent's services (such as restaurant and snack bar services and retail operations) are not clearly described by the words "the athletic club," and the Court is empowered under s. 57 to amend the registration: *Omega Engineering*, above, at paras 16 and 30-32. Furthermore, while the words "the athletic club" may suggest a relationship between other services offered by the Respondent, the types of services being offered are not clear or obvious from these words. Such words could connote any number of services such as tennis, squash or racquet ball, or groups such as a running or rowing club. If the Trade-mark is suggestive of a meaning other than one describing the services, then the words are not clearly descriptive.

[64] The Respondent says that the intention of s. 12(1)(b) cannot be to prevent parties from using the words "athletic club" in trade-marks. If the Court were to find that these words are

“clearly descriptive,” then the effect would be that other marks using such words, such as the Applicant’s, would be descriptive and unregistrable as well. This, they argue, cannot be the intended result of s. 12(1)(b).

***Trade-mark is distinctive***

[65] Should the Court take the position that the words “athletic club” are clearly descriptive of the character or quality of the Respondent’s services, then the Respondent argues that the Trade-mark had become distinctive through use by the Respondent by the time the application for the trade-mark registration was filed (July 29, 2003), and that this saves the registration by virtue of s. 12(2) of the Act. The Respondent says that the Athletic Club Trade-mark was prominently displayed inside and outside its facilities that operated prior to that date (Brantford, London-North and London-South), and that advertising was conducted in the areas of these facilities on a “full coverage” basis starting in 1997, in advance of the opening of each of the above-named facilities. This means that the Respondent attempted to reach every house in Brantford and London with advertising that used the Trade-mark in association with its services. The Respondent says the evidence it has presented on this point is the “tip of the iceberg” and more could have been presented if it had more time to prepare.

***Trade-mark is not the name of the wares or services***

[66] The Respondent argues that the Trade-mark is not the name in any language of the wares or services in connection with which it is used, and was therefore not unregistrable pursuant to s.12(1)(c). The test under s. 12(1)(c) is narrower than the test for descriptive terms under

s.12(1)(b). The mark as a whole must clearly be the name of the services, based on the immediate and first impression of the everyday user of those services: *ITV Technologies, Inc v WIC Television Ltd*, 2003 FC 1056 at paras 81-87 [*ITV Technologies*]. Unlike under s. 12(1)(b), there is no sound requirement under s. 12(1)(c), which means that the mark as a whole needs to be considered, including the design elements: *Jordan & Ste-Michelle Cellars Ltd v Alwar SpA*, [1980] TMOB No 81 at paras 14-17, 63 CPR (2d) 235 at 239 (TMOB) [*Alwar*].

[67] The Respondent argues that the mark is a design, and the design elements are clearly not the name in any language of any of the Respondent's services. Furthermore, the word portion of the Trade-mark on its own is not clearly the name of any of its services: the services being provided are not "the athletic club." They are restaurant services, snack bar services, the operation of a facility for fitness training and so on, as identified above: *ITV Technologies*, above, at para 86. The words "athletic club" are capable of representing various things, including groups of athletes such as a running or rowing club, and it follows that the mark cannot be the name of the services: *ITV Technologies*, above, at para 85.

[68] Furthermore, the words "athletic club" have been disclaimed by the Respondent, which renders inoperative the Applicant's objections based on s. 12(1)(c): *Calona Wines Ltd v Canada (Registrar of Trade Marks)*, [1978] 1 FC 591 (TD) at para 3. Otherwise, there would be no rationale for the disclaimer provision.

***Trade-mark is not a prohibited mark***

[69] The Respondent also rejects the Applicant's argument that the Trade-mark is a prohibited mark under s. 10 of the Act.

[70] To succeed with this argument, the Applicant must show that by 1997 the Athletic Club Trade-mark had, by ordinary and *bona fide* commercial usage, become recognized in Canada as designating the kind, quality, quantity, destination, value, place or origin or date or production of any wares or services. The Respondent argues that the Applicant must also show that it is the entire mark, including the design elements, that is so prohibited. A segment of a mark is not a "mark" under s. 10, as trade-marks are not to be dissected into their component parts: *Scotch Whisky Assn v Glenora Distillers International Ltd*, 2009 FCA 16 at paras 23-24 [*Glenora Distillers*].

[71] The Respondent says that the only argument really advanced by the Applicant under s. 10 is that the Trade-mark had become recognized as a "kind" of service, which is synonymous with "type" (*Cyprus (Commerce and Industry) v International Cheese Council of Canada*, 2011 FCA 201 at para 29 [*Cyprus*]). The Respondent argues that neither the words "The Athletic Club" on their own nor the mark as a whole designates a kind or type of service.

[72] Furthermore, the Respondent reiterates its argument that the words "athletic" and "club" have been disclaimed, and that the disclaimed portion of the mark should not be considered in the s. 10 context or else there would be no rationale for s. 35 of the Act: *Jordan & Ste-Michelle*



*Cellars Ltd/ Les Caves Jordan & Ste-Michelle Ltee v Andres Wines Ltd*, 1985 CarswellNat 562, 6 CIPR 49 at para 9 (FCTD) [*Jordan & Ste-Michelle (FC)*]. The Respondent argues that s. 35 provides some relief from the provisions of s. 10, and therefore permits “Athletic Club” to be part of the Respondent’s Trade-mark. As shown by the disclaimer, the Respondent has not sought to prevent other traders from using marks that include the words “athletic club”; rather, it is the Applicant who seeks to enforce a monopoly on the words “athletic club.”

[73] The Respondent says that it cannot be the intention of s. 10 to prohibit marks that contain the words “athletic club.” The provision states that “no person” shall adopt a prohibited mark as a trade-mark, which means that the Applicant’s success in the current application would jeopardize the trade-marks of many other traders using the words “athletic club,” including the Applicant itself. The Respondent argues that the *United Artists* decision by the Trade Mark Opposition Board, cited by the Applicant, has not been followed and imports wording such as “should be open for use by any party” that are not found in the Act itself. Furthermore, as noted above, the Respondent’s Trade-mark does not prevent others from using the words “athletic club” in relation to their services.

***The ground of confusion with a previously used trade-mark or trade name is not available***

[74] The Respondent says the allegation that the Athletic Club Trade-mark is confusing with the Applicant’s previously used trade-mark or trade name is not applicable here by virtue of s. 17 of the Act. The relevant portion of s. 18(1) expressly states that it is “subject to section 17.” Subsection 17(2) states that a trade-mark registration cannot be expunged or amended based on an application alleging previous use of a confusing trade-mark or trade name that is brought

more than five years after the registration, “unless it is established that the person who adopted the registered trade-mark in Canada did so with knowledge of that previous use or making known.” The Respondent says the Applicant has not established that the Respondent’s predecessors in title adopted the Trade-mark with knowledge of the Applicant’s previous use of its trade-mark or trade name, and the Applicant is therefore unable to rely on the ground of confusion as a basis for invalidating the Trade-mark under s. 18(1).

[75] The Respondent argues that none of the Applicant’s affidavits or documentary exhibits contains any evidence that Alan Quesnel adopted the Respondent’s Trade-mark with knowledge of the Applicant’s trade-mark or trade name. Moreover, the Applicant’s argument that the Court should draw a negative inference on this point should be rejected, since the Respondent has responded appropriately to all relevant questions posed by the Applicant in cross-examination.

[76] The Respondent says it has clearly stated, through a sworn affidavit of Chuck Kelly dated January 21, 2012, that Mr. Quesnel was not aware of the Applicant’s trade-marks or trade name before he adopted the Respondent’s Trade-mark. The NUANS search referred to by the Applicant was produced for the first time in the cross-examination of Chuck Kelly. It has not been properly filed as evidence and was entered for identification purposes only. After giving an “under advisement” to verify whether the NUANS search was the original, Chuck Kelly responded that “[n]one of Alan Quesnel, David Wu, Chuck Kelly or any officers or directors of the Respondent... received a copy of or reviewed the NUANS search at the time of incorporation or before they or their companies began using the trade-mark THE ATHLETIC CLUB AND DESIGN,” and that the Respondent was unable to verify if the NUANS search shown for

identification during the cross-examination was the original. Mr. Kelly further stated in this response that “Alan Quesnel and David Wu signed the Articles of Incorporation on the advice from their lawyer at the time when signing a variety of other documents. The NUANS Search was never brought to their attention.”

[77] The Respondent says this should have concluded the matter but the Applicant then brought a motion requesting, *inter alia*, a variety of declarations, leave to issue a subpoena (to the incorporating lawyer), an order authorizing cross-examination of a non-party (the incorporating lawyer), and further answers from Chuck Kelly. The Court denied the majority of these requests but confirmed there had been a limited waiver of privilege resulting from the Respondent’s previous answers. The waiver extended “only to the issue of whether or not the NUANS search was communicated to the corporation or its principles or shareholders,” and the Court permitted the cross-examination of Mr. Kelly to continue. The Respondent says that in the subsequent cross-examination of Mr. Kelly the Applicant engaged in a fishing expedition in an attempt to find evidence establishing that Mr. Quesnel adopted the Trade-mark with knowledge of the Applicant, its trade-marks or trade name, but no such evidence was located. In response to questions taken under advisement Mr. Kelly stated that “[t]he NUANS Search referred to in the Order of August 10, 2012, was not communicated to the corporation or its principles or shareholders.” On this basis, the Respondent argues that it has responded to all relevant questions posed by the Applicant, and therefore no negative inference can or should be drawn. There is sworn evidence that is directly contrary to the requested negative inference, and no evidence to support that inference. The Respondent argues that it is not required to conduct research for the

Applicant as requested in the remainder of the questions taken under advisement during the second cross-examination of Chuck Kelly.

[78] Should the Court conclude that the Applicant has established that Mr. Quesnel was aware of the Applicant's trade-mark or trade name before adopting the Athletic Club Trade-mark, the Respondent requests leave to file additional evidence on point.

***The Trade-mark is not in any case confusing with the Applicant's trade-mark or trade name***

[79] The Respondent argues that, even if prior knowledge of the Applicant's trade-mark or trade name were established, the Respondent's Athletic Club Trade-mark is not confusing based on the criteria set out in s. 6(5) of the Act.

[80] The Respondent says the Applicant must establish a likelihood of confusion rather than a mere possibility: *Remo Imports Ltd v Jaguar Cars Ltd*, 2007 FCA 258 at para 38. The most important factor among those listed in s. 6(5) is, the Respondent argues, the degree of resemblance between the marks: *Masterpiece Inc v Alavida Lifestyles Inc*, 2011 SCC 27 at para 49. The Respondent's Trade-mark is made up of distinctive design elements that are in no way similar to the Applicant's trade name or trade-mark.

[81] Moreover, even if the words in the Trade-mark are sounded, the Respondent argues, there is no likelihood of confusion. The first word or first syllable in the trade-mark is by far the most important for the purpose of distinction (*Park Avenue Furniture Corp v Wickes/Simmons Bedding Ltd* (1991), 37 CPR (3d) 413 [*Park Avenue*] (FCA), and the first word of the

Applicant's trade-mark / trade name is "Ottawa," which does not appear in the Respondent's Trade-mark.

[82] Furthermore, when a number of traders are using identical words such as "athletic club," minor differences can permit the parties to distinguish the trade-marks between each other: *Kellogg Salada Canada Inc v Canada (Registrar of Trade Marks)*, [1992] 3 FC 442 at para 14, 43 CPR (3d) 349 (FCA). Here, the evidence indicates that many traders are using marks that include the words "athletic club," so individuals have become accustomed to making fine distinctions between marks based on minor differences. The nature of the trade also lessens the likelihood of confusion, the Respondent says, because customers must attend at either facility to use the services.

[83] With respect to the examples of actual confusion cited by the Applicant, the Respondent says that none of the individuals allegedly confused were made available for cross-examination, and there are a variety of possible reasons for the confusion that may not relate to confusion of trade-marks. Furthermore, even if the examples submitted are accepted as evidence of confusion, they are so few in number compared to the size of the Ottawa population as to be insignificant.

[84] Finally, the Respondent argues that it is well established that marks that contain descriptive words are not inherently distinctive and are therefore afforded only a minimal degree of protection by the Court. Where a party adopts a descriptive name, it must accept that a certain amount of confusion may arise: *PEI Mutual*, above. While the Applicant appears to be seeking a monopoly over the words "athletic club," the Court must balance the rights of the Applicant and

the public with those of the Respondent to compete freely in the marketplace. Were it to find confusion in this case, the Court would in effect be granting the Applicant a trade-mark monopoly with respect to the words “athletic club” in association with its services, and the breadth of such a monopoly is unreasonable: *PEI Mutual*, above, at para 47; *San Miguel Brewing International Ltd v Molson Canada 2005*, 2013 FC 156 at para 40.

## **ANALYSIS**

### **Introduction**

[85] The Applicant seeks to have the Athletic Club Trade-mark struck from the Register and to prohibit the Respondent from ever using the Athletic Club Trade-mark or its common law equivalent. This application has been motivated by what the Applicant characterizes as the “tremendous confusion” that has occurred, to the detriment of the Applicant’s business, as a result of the Respondent entering the athletic and fitness services market in Ottawa using the Athletic Club Trade-mark.

[86] The Applicant says it has no problem with the Athletic Club using a trade-mark that contains the words “athletic club,” but contends that the Athletic Club must distinguish itself in some way that does not result in confusion with, and disruption to, the Applicant’s business. For example, there is apparently an entity doing business in Ottawa as the Ottawa Aboriginal Athletic Club, and this name, says the Applicant, is sufficiently distinctive not to cause problems for the OAC. The Applicant says the problem with the Athletic Club Trade-mark is that it is dominated by the common and generic words “The Athletic Club” and lacks sufficient

distinctiveness to avoid the confusion that has occurred, and that will continue to occur, if the Respondent is allowed to continue doing business in Ottawa using the Trade-mark.

[87] The Respondent says that it does not claim the words “The Athletic Club” as a trade-mark, and the Trade-mark design it uses is sufficiently distinctive to avoid confusion. It claims that any confusion that has occurred is not significant and is only to be expected in a market where businesses need to indicate to the public that they are offering athletic and fitness services.

[88] The Applicant’s objections to the Athletic Club Trade-mark are based upon a number of grounds and the parties agree that success on any single ground will suffice to justify striking the Trade-mark from the Register, or at least narrowing the registration by striking out some of the services listed for the Athletic Club Trade-mark. By contrast, the permanent injunction the Applicant seeks on the Respondent’s continued use of the Trade-mark will only be appropriate if the Applicant succeeds in demonstrating that that Trade-mark is a prohibited mark under ss. 10 and 11 of the Act. I will address each of the grounds in turn.

### **Confusion – Previous Use**

[89] It is not disputed that the Respondent only began using the Athletic Club Trade-mark 21 years after the continuous use by the Applicant of the Ottawa Athletic Club trade name and trade-mark began. Hence, the Applicant says that, in accordance with s. 16(1)(a) and s. 16(1)(c) of the Act, the Respondent was not entitled to register the Trade-mark on February 22, 2005 because it was confusing with the Applicant’s Ottawa Athletic Club trade name and trade-mark.

[90] One of the problems with relying on this ground of invalidity is the 5-year limitation period contained in s. 17 of the Act:

**Effect of registration in relation to previous use, etc.**

17. (1) No application for registration of a trade-mark that has been advertised in accordance with section 37 shall be refused and no registration of a trade-mark shall be expunged or amended or held invalid on the ground of any previous use or making known of a confusing trade-mark or trade-name by a person other than the applicant for that registration or his predecessor in title, except at the instance of that other person or his successor in title, and the burden lies on that other person or his successor to establish that he had not abandoned the confusing trade-mark or trade-name at the date of advertisement of the applicant's application.

**When registration incontestable**

(2) In proceedings commenced after the expiration of five years from the date of registration of a trade-mark or from July 1, 1954, whichever is the later, no registration shall be expunged or amended or held invalid on the ground of the previous use or making known referred to in subsection (1), unless it is established that the person who

**Effet de l'enregistrement relativement à l'emploi antérieur, etc.**

17. (1) Aucune demande d'enregistrement d'une marque de commerce qui a été annoncée selon l'article 37 ne peut être refusée, et aucun enregistrement d'une marque de commerce ne peut être radié, modifié ou tenu pour invalide, du fait qu'une personne autre que l'auteur de la demande d'enregistrement ou son prédécesseur en titre a antérieurement employé ou révélé une marque de commerce ou un nom commercial créant de la confusion, sauf à la demande de cette autre personne ou de son successeur en titre, et il incombe à cette autre personne ou à son successeur d'établir qu'il n'avait pas abandonné cette marque de commerce ou ce nom commercial créant de la confusion, à la date de l'annonce de la demande du requérant.

**Quand l'enregistrement est incontestable**

(2) Dans des procédures ouvertes après l'expiration de cinq ans à compter de la date d'enregistrement d'une marque de commerce ou à compter du 1er juillet 1954, en prenant la date qui est postérieure à



adopted the registered trade-mark in Canada did so with knowledge of that previous use or making known.

l'autre, aucun enregistrement ne peut être radié, modifié ou jugé invalide du fait de l'utilisation ou révélation antérieure mentionnée au paragraphe (1), à moins qu'il ne soit établi que la personne qui a adopté au Canada la marque de commerce déposée l'a fait alors qu'elle était au courant de cette utilisation ou révélation antérieure.

[91] The Applicant says that this limitation does not arise in the present case because, in accordance with s. 17(2), “the person who adopted the registered trade-mark in Canada did so with the knowledge of [the Applicant’s] previous use or making known... .”

[92] It is common ground that the persons who adopted the Athletic Club Trade-mark in this case were Mr. Alan Quesnel and Mr. David Wu, both of whom continue to be directors and shareholders of the Athletic Club. The Applicant says that Mr. Quesnel and/or Mr. Wu knew about the Applicant’s previous use because they were the founders of the London Athletic Club Inc. and signed the incorporating documents for that entity which were attached to the obligatory NUANS search, and the NUANS search lists the “Ottawa Athletic Club.”

[93] So the first issue for the Court is whether the Applicant has established that Mr. Quesnel and/or Mr. Wu had knowledge of the OAC’s trade name and trade-mark when they applied for the Athletic Club Trade-mark. The evidence on this issue and what it tells us is hotly disputed by the parties. Neither Mr. Quesnel nor Mr. Wu provided affidavits and Mr. Kelly, who did provide

affidavits for the Respondent and was cross-examined, has no direct knowledge of what was known at the material time.

[94] It is not disputed that the person who first adopted the Trade-mark was Mr. Quesnel, who is the Respondent's predecessor in title. The Applicant has not produced evidence (it filed 9 affidavits) to show that Mr. Quesnel adopted the Athletic Club Trade-mark with knowledge of the Applicant's trade-mark or trade name. However, it is not likely that the Applicant would have any direct knowledge of what Mr. Quesnel knew at the material time. Because Mr. Quesnel did not swear an affidavit, the Applicant could not ask him what he knew. The Respondent produced an affidavit sworn by Mr. Chuck Kelly, who is in charge of operations for the Respondent but who has no direct knowledge about the adoption of the Trade-mark by the Respondent and, in particular, what Mr. Quesnel might have known. The Applicant has attempted to find out what Mr. Quesnel knew about the Applicant's trade mark / trade name through cross-examination of Mr. Kelly.

[95] Mr. Kelly has been fairly consistent on this issue. In his affidavit of January 21, 2012 at paragraph 19, he explains as follows:

When Alan Quesnel began using and licensing the use of the trade-mark THE ATHLETIC CLUB & Design in 1997, he was not aware of the Applicant or any of the Applicant's trade-marks or trade-names. I am aware of this fact not only because Alan Quesnel has personally advised me but also because I was with Alain Quesnel the first time the Applicant and the Applicant's trade-marks and trade-names came to his attention.

[96] When cross-examining Mr. Kelly on his affidavit, the Applicant produced the NUANS search, which Mr. Kelly had never seen. It was entered for identification purposes only. In

response to an “under advisement” dealing with whether the NUANS search was the original,

Mr. Kelly said that:

None of Alan Quesnel, David Wu, Chuck Kelly or any officers or directors of the Respondent, its predecessors-in-title or subsidiaries received a copy of or reviewed the NUANS search at the time of incorporation or before they or their companies began using the trade-mark THE ATHLETIC CLUB & DESIGN. Accordingly, whether or not the NUANS search shown for identification is the original cannot be verified by the Respondent, Alan Quesnel, David Wu, Chuck Kelly or any of the predecessors-in-title or subsidiaries. Furthermore, the minute books of the Athletic Club Group do not have any copies or originals of the NUANS search, so it could not be verified if the NUANS search submitted for identification is the same as the original.

Alan Quesnel and David Wu signed the Articles of Incorporation on the advice from their lawyer at the time when signing a variety of other documents. The NUANS Search was never brought to their attention.

The Articles of Incorporation appear to be a copy of the originals and there is no reason to believe it is not a copy of the original.

[97] The Applicant continued to pursue this matter and obtained an order from Prothonotary Tabib allowing limited further cross-examination of Mr. Kelly based upon a limited waiver of solicitor-client privilege. Prothonotary Tabib provided clarification on the limited scope of her Order:

I hasten to add that this waiver only extends to the issue of whether or not the NUANS search was communicated to the corporation or its principals or shareholders. It does not extend to the legal advice that may have been sought or proffered by Mr. Corrent.

[98] As a consequence of this order, Mr. Kelly was cross examined a second time. Several questions were taken under advisement to which Mr. Kelly provided the following response:

No. Alan Quesnel and David Wu were not generally aware of the requirements of the NUANS search before incorporating. The NUANS search referred to in the Order of August 10, 2012 was not communicated to the corporation or its principals or shareholders.

[99] Against what appears to be fairly conclusive evidence from Mr. Kelly that Mr. Quesnel did not know of the Applicant's trade-mark or trade name at the material time, the Applicant asks the Court to consider the following:

- (a) OAC is a landmark institution and has been known in Ottawa since 1976. As people interested in providing the same service and competing in the same market, the principals of the Athletic Club had to know about the OAC;
- (b) Neither Mr. Quesnel nor Mr. Wu, who had direct knowledge on this point, provided affidavits. Rather, they left it to Mr. Kelly to provide indirect hearsay evidence on point;
- (c) The reasons given by Mr. Kelly as to why Mr. Quesnel and Mr. Wu had not provided affidavits are unconvincing;
- (d) Mr. Kelly's original affidavit was due to be filed with the Respondent's materials on October 28, 2011, but a two-month extension was granted until January 22, 2012. The Respondent filed on the last day of the extension. The Applicant suggests that this was a deliberate tactic aimed at ensuring the Applicant would have little time to deal with Mr. Kelly's evidence that he had nothing to do with choosing the Respondent's name and trade mark.
- (e) Mr. Quesnel and Mr. Wu both signed the articles of incorporation for the London Athletic Club to which the NUANS search was attached. It listed "Ottawa Athletic Club," so Mr. Quesnel must have known about the Applicant;
- (f) If neither Mr. Quesnel nor Mr. Wu saw the NUANS search, then Mr. Corrent, their agent for the incorporation of The London Athletic Club Inc., certainly did because he submitted the documents for incorporation;
- (g) In the continued cross-examination of Mr. Kelly, he admitted that the only place he looked for the NUANS search was the minute book of the company, while admitting that there might have been a file with corporate search records, which he had not looked for;
- (h) Mr. Kelly did not ask the incorporating lawyer for the NUANS search, invoices and/or reporting letters from the lawyer's file, and refused to do so;

- (i) Mr. Kelly did not ask the incorporating lawyer if Mr. Quesnel and Mr. Wu discussed the NUANS search when signing the articles of incorporation for The London Athletic Club Inc.;
- (j) Mr. Kelly refused to search for and produce documentation on the incorporation of the company on the grounds that he was not obliged to conduct research for the Applicant;
- (k) Mr. Kelly was asked whether, before the incorporation of London Athletic Club, a common law trade mark search was done. As expected, he had no knowledge of this and said he was unsure as to whether such a search was conducted. However, Mr. Kelly was also asked who had drafted the answers to undertakings he had given on April 27, 2012, and he said that the drafting was done by someone at the law firm after he provided information verbally and by email. The Applicant points out that the same law firm filed the Respondent's trade-mark application, so they must have known whether a common law search was done.

[100] As *Bodum USA*, above, teaches, knowledge under s. 17(2) of the Act may be imputed (at para 153):

Bodum contends that by reason of s 17(2) of the Act, its registration cannot be expunged or amended or held invalid on the ground of the previous use by a person other than Bodum, unless it's established that Bodum adopted the trade-mark in Canada with knowledge of that previous use. Bodum thus argues that the use, for example, of "French press" by Hario in 1985 and the use of the term by BonJour in the early 1990s, cannot go to invalidating the registration. I infer from the evidence that Bodum corporate management, specifically Jørgen Bodum and Carsten Jorgensen, knew of the previous use of the term when they adopted it as a trade-mark because of their knowledge of the marketplace and concerns expressed to Koen de Winter about the BonJour competition. For that reason, I impute the necessary knowledge to Bodum and will order that the trade-mark be expunged.

[101] The Applicant further asks the court to draw a negative inference on the basis that the Respondent, without reasonable explanation, has failed to adduce evidence available to the Respondent that could have resolved the issue. See *Milliken*, above, at para 26. The Applicant alleges that the Respondent could have introduced evidence that would have resolved the

question of whether the Respondent had knowledge of the Applicant's prior use of a trade-mark or trade name that would be confusing with the Athletic Club Trade-mark before adopting that mark. On this basis, the Applicant argues that the Court should draw an adverse inference, and find as a fact that the Respondent knew of the OAC since at least as early its incorporation (or more accurately, the incorporation of its predecessor company), and therefore had knowledge of the prior use of a trade-mark / trade name that would be confusing with the Athletic Club Trade-mark.

[102] The Applicant's allegation focuses on whether the Respondent's principals at the time – Alan Quesnel and David Wu – knew about a NUANS search performed for the Respondent by its solicitors in June 1997 in preparation for the incorporation of The London Athletic Club Inc., the Respondent's predecessor in title with respect to the Athletic Club Trade-mark. The name Ottawa Athletic Club was listed in that NUANS search, along with a number of other business names that include the words "athletic club" (see Exhibit 2 to Kelly Cross-Examination, Applicant's Record, Vol. 10 at p. 3411). The Respondent replied to questions taken under advisement during the cross-examination of Chuck Kelly by stating that neither Mr. Wu nor Mr. Quesnel had knowledge of this NUANS search. However, neither of these individuals provided an affidavit (which would have allowed them to be cross-examined), and the Respondent did not seek out information from the incorporating solicitor's file that might have clarified whether the NUANS search was brought to their attention. The Applicant sought leave of the Court to subpoena evidence from the solicitor, but this was refused. For their part, the Applicants failed to introduce the NUANS search into evidence through their affidavits, and only presented it "for identification purposes" at the cross-examination of Chuck Kelly.

[103] There seems little doubt that the Respondent chose not to introduce the best evidence on this question. There is no way of knowing what the solicitor's file or recollection would have revealed about the NUANS search and whether it was drawn to the Respondent's principals' attention, but at minimum, no convincing explanation has been provided for introducing hearsay evidence regarding Mr. Quesnel's and Mr. Wu's knowledge rather than providing first-hand affidavits from these individuals, who continue to be Directors of the Respondent and actively involved in its business (see discussion of Rule 81(2) below).

[104] The question before me is whether, at law, this failure of the Respondent to introduce the best evidence on this point justifies drawing the negative inference proposed by the Applicant. In my view, based on a review of the case law and the relevant facts, such an inference should not be drawn here.

#### **Proposed basis for the inference**

[105] The Applicant refers to *Milliken* and *Hoffman*, both above, in support of its position that an adverse inference should be drawn.

[106] *Milliken* was a decision in a copyright infringement trial, where one party (the Plaintiff) owned the rights to a particular design, and the other party (the Defendant) installed carpet in an airport based on that design. The decisive question was whether the design was entitled to copyright protection, and this turned on when the design was created. If it was created after legislative changes were made on June 8, 1988, copyright would apply. The Plaintiff argued that under s. 34(3)(a) of the Copyright Act, copyright is presumed to exist in an infringement action

and the Defendant (which had introduced no evidence on point) bore the onus of rebutting the presumption (para 17). By contrast, the Defendant argued that the date of the design's creation was a fact material to the Plaintiffs' case and the Plaintiff had an obligation to adduce evidence proving it, which had not been led (para 19). The Defendant asked the Court to draw an adverse inference based on the Plaintiff's failure to introduce such evidence. The Court provided the following analysis:

[25] Thus, the question remains: When was the Mangrove design created? The plaintiffs allege that it was created in September 1988. However, they lead no evidence to support their contention...The evidence at trial only indicates that the design was created before January 11, 1989, that is the day when Richard Stoyles acquired the design from Ms. Iles at a trade show in Frankfurt, Germany.

[26] In my opinion, the failure to adduce evidence on such a material fact leaves it open to me to draw an adverse inference and come to the conclusion that the design was created prior to June 1988. It is a well established rule that an adverse inference may be drawn if, without reasonable explanation, a party fails to adduce evidence available to him which could have resolved the issue. The principle is enunciated in the following passage from Wigmore on Evidence:

The failure to bring before the tribunal some circumstance, document or witness, when either the party himself or his opponent claims that the facts would thereby be elucidated, serves to indicate, as the most natural inference, that the party fears to do so, and this fear is some evidence that the circumstance or document or witness, if brought, would have exposed facts unfavourable to the party. These inferences, to be sure, cannot fairly be made except upon certain conditions; and they are also open always to explanation by circumstances which make some other hypothesis a more natural one than the party's fear of exposure. But the propriety of such an inference in general is not doubted.

[Citations omitted]



[107] The Court found that the Plaintiff could have called the designer as a witness, or introduced her evidence by way of commission or Letters Rogatory, and that it was also reasonable to expect the Plaintiff to have obtained information about the date of the design's creation when it obtained the rights. Therefore, the Court drew a negative inference as requested by the Defendant.

[108] In a footnote at paragraph 26 of *Milliken*, above, Justice Tremblay-Lamer cited the following authorities for the “well established rule that an adverse inference may be drawn if, without reasonable explanation, a party fails to adduce evidence available to him which could have resolved the issue”: *Murray v City of Saskatoon* (1951-52), 4 WWR 234 at 239-240 (Sask CA); *Lévesque v Comeau et al*, [1970] SCR 1010; Adrian Keane, *The Modern Law of Evidence*, 3d ed. (London: Butterworths, 1995) at 13; Colin Tapper, *Cross on Evidence*, 8th ed. (London: Butterworths, 1995) at 38-40 (cited to the 12<sup>th</sup> edition hereinafter); John Sopinka & Sidney N. Lederman, *The Law of Evidence in Civil Cases* (Toronto: Butterworths, 1974) at 535-537; Stanley Schiff, *Evidence in the Litigation Process*, vol. 1, 4th ed. (Toronto: Carswell, 1993) at 452.

[109] These authorities suggest to me that context is important in determining whether a negative inference can be drawn from the failure of a party to present evidence uniquely within its possession, or to put forward a witness whose testimony could be expected to help its cause. As Tapper explains the concept, its main import in civil cases is that the failure to answer evidence put forward by the other party without a good explanation, when the means of

answering that evidence seem to be within the party's control, can turn inconclusive evidence (or a *prima facie* case) into strong evidence:

Very soon after the parties were enabled to testify in most civil cases by the Evidence Act 1851, Alderson B recognized that the failure of one of them to deny a fact that it is in his power to deny 'gives colour to the evidence against him'... [I]n *Halford v Brookes* [[1991] 3 All ER 59, [1991] WLR 428, CA], it was argued that the effect was... to make it clear that a party to civil proceedings enjoyed no right of silence, and that inferences could be drawn even more readily in civil proceedings. The strength of such inference was examined by the House of Lords in *R v IRC*, ex p TC Coombs & Co [[1991] 2 AC 283, [1991] 3 All ER 623]:

In our legal system generally, the silence of one party in face of the other party's evidence may convert that evidence into proof in relation to matters which are, or are likely to be, within the knowledge of the client party and about which that party could be expected to give evidence. Thus, depending on the circumstances, a *prima facie* case may become a strong or even an overwhelming case. But, if the silent party's failure to give evidence (or to give the necessary evidence) can be credibly explained, even if not entirely justified, the effect of his silence in favour of the other party may be either reduced or nullified.

This makes it clear, first, that a *prima facie* case must be established; second, that it applies to partial as well as total failure to testify; and third, that the inference may be rebutted by a plausible explanation for silence. The effect can be to convert a *prima facie* case into proof of even the most serious matter, such as murder or equitable fraud, or one having very serious consequences, such as a child being taken into care...

[Colin Tapper, *Cross & Tapper on Evidence*, 12th ed (Oxford: Oxford University Press, 2010) at 40-41.]

[110] Keane also emphasizes that this type of inference can strengthen the evidence introduced by the other party (even weak evidence), but cannot make up for the absence of evidence on a point:

In civil cases, one party's failure to give evidence or call witnesses may justify the court in drawing all reasonable inferences from the evidence which has been given by his opponent as to what the facts are which the first party chose to withhold. Thus adverse inferences have been drawn from the unexplained absence of witnesses who were apparently available and whose evidence was crucial to the case. In *Wisniewski v Central Manchester Health Authority* [[1992] Lloyd's Rep Med 223] Brooke LJ derived the following principles from the authorities on the point.

1. In certain circumstances a court may be entitled to draw adverse inferences from the absence or silence of a witness who might be expected to have material evidence to give on an issue in the action.
2. If a court is willing to draw such inferences they may go to strengthen the evidence adduced on that issue by the other party or to weaken the evidence, if any, adduced by the party who might reasonably have been expected to call the witness.
3. There must, however, have been some evidence, however weak, adduced by the former on the matter in question before the court is entitled to draw the desired inference: in other words, there must be a case to answer on that issue.
4. If the reason for the witness's absence or silence satisfies the court then no such adverse inference may be drawn. If, on the other hand, there is some credible explanation given, even if it is not wholly satisfactory, the potentially detrimental effect of his/her absence or silence may be reduced or nullified.

[Adrian Keane, James Griffiths & Paul McKeown, *The Modern Law of Evidence*, 8th ed (Oxford: Oxford University Press, 2010) at 14-15, emphasis added]

[111] The other case cited by the Applicant, *Hoffman*, above, seems less helpful to their cause.

In that case, the defendant, a generic drug distributor, had an obligation to pay royalties to the plaintiff until the Plaintiff's four patents relating to the manufacture of the drug Diazepam expired, unless they were no longer in use. The Defendant paid royalties until the third patent

expired, but then stopped, claiming that the process protected by the fourth patent was not used by its manufacturer (a third company located in Italy).

[112] A string of letters between the parties followed. The Defendant claimed its manufacturer had assured it the process protected by the fourth patent was not in use. The Plaintiff demanded disclosure of the Defendant's manufacturer's process. The Defendant's manufacturer declined to disclose their process, but gave further assurances. The Plaintiff somehow got hold of what it claimed was the Defendant's manufacturer's process, and expressed the view that it infringed their patent. The Defendant asked the Plaintiff to disclose the purported information about its manufacturer's process, so that it could verify it and determine if the patent was indeed infringed. The Plaintiff responded that this would inappropriately shift the burden of proof: it was for the Defendant to demonstrate that it was not infringing the patent. The Defendant asked its distributor to disclose its process directly to (and only to) the Defendant's solicitor (and not to the Defendant or the Plaintiff or its solicitor). It appears that no further evidence was introduced on the question.

[113] The Court found that the issue was "clearly upon whom falls the burden of proof" (at para 15). In the circumstances, the Defendant had to rebut an evidentiary presumption set out in the *Patent Act* stating that any substance with the same chemical composition would, in the absence of proof to the contrary, be deemed to have been produced through the patented process. Since the Defendant provided proof to the contrary, the Court found "as a fact that the diazepam imported by the defendant... and sold by it... was produced by the plaintiff's patented process

and is therefore subject to the royalty payments...” (at para 22). The Court then provided the following additional analysis, which pointed to the same conclusion:

[23] Relying upon the authority of *Pleet v. Canadian Northern Quebec R. W. Co.* (1921), 50 O.L.R. 223, 64 D.L.R. 316, 26 C.R.C. 227 (Ont. C.A.); affirmed [1923] 4 D.L.R. 1112, 26 C.R.C. 238 (S.C.C.), and *Toronto Auer Light Co., Ltd. et al. v. Colling* (1898), 31 O.R. 18 (Div. Ct.), the plaintiff contends that quite apart from s. 41(2) of the Patent Act, at common law the rule has always been that when the subject-matter of an allegation lies particularly within the knowledge of one of the parties that party must prove it, whether it be of an affirmative or negative character.

[24] Therefore, in a case such as this where the plaintiff holds a process patent and the defendant is granted a compulsory licence, the onus shifts to the defendant to show that the supplier he selects abroad does not use the plaintiff's patented process. The defendant of the two parties involved is the only one having any real opportunity of determining the actual foreign process being employed. This is particularly so as the defendant and its solicitor instructed the foreign supplier not to divulge any information on its manufacturing process to the plaintiff's solicitor.

[emphasis added]

[114] Despite the somewhat confusing phrase “the onus shifts to the defendant” in para 24, the common law rule cited was not employed to alter the statutory presumption (or burden of proof) in *Hoffman*. On the contrary, that presumption was the decisive factor in the case.

[115] In view of the authorities described above, it is clear that the actual evidence introduced by the parties, as well as their respective burdens of proof in the matter at hand, are key considerations for the Court in determining whether the adverse inference proposed by the Applicant in the present case should be drawn. In addition, on the particular facts of this case, the Court must consider what information the Respondent was bound to provide by operation of the

rules governing cross-examination on an affidavit and disclosure in an application more generally.

### **Adverse inference provided for in Rule 81(2)**

[116] In addition to the common law rule cited by the Applicant, on the facts of this case, it is also appropriate to consider the effect of Rule 81(2) of the *Federal Court Rules*, SOR/98-106.

Rule 81 provides as follows:

#### Content of affidavits

81. (1) Affidavits shall be confined to facts within the deponent's personal knowledge except on motions, other than motions for summary judgment or summary trial, in which statements as to the deponent's belief, with the grounds for it, may be included.

#### Affidavits on belief

(2) Where an affidavit is made on belief, an adverse inference may be drawn from the failure of a party to provide evidence of persons having personal knowledge of material facts.

[emphasis added]

[117] Saunders, Rennie and Garton suggest that this Rule does not necessarily preclude the admission of hearsay evidence through an affidavit, which may be permissible according to the principled approach to the admission of hearsay evidence (see *Ethier v Canada (RCMP Cmmr)*, [1993] 2 FC 659, 151 NR 374 (CA)). However, an adverse inference can be drawn where hearsay evidence is introduced instead of first-hand evidence and no adequate explanation is provided for why the best evidence is not available: Brian J. Saunders, Donald J Rennie & Graham Garton, *Federal Courts Practice 2014* (Toronto: Thomson Reuters, 2013) at 417.

[118] The rationale for the Rule is “that the evidence contained in an affidavit must be able to be tested during a cross-examination of the affiant”: *Bressette v Keettle and Stony Point First Nations Band*, [1997] FCJ No 1130 at para 3, 137 FTR 189. The introduction of hearsay evidence through affidavits presents an obvious problem for the opposing party, because the value of any cross-examination on that evidence will be severely limited. The affiant knows only what they have been told, and as discussed below, a witness being cross-examined on an affidavit has no obligation to seek further information in response to questions (i.e. to “inform” him or herself).

[119] Where better evidence is available, it will be difficult to claim that the evidence meets the requirement of “necessity” for the admission of hearsay evidence based on the principled approach, which requires reliability and necessity: see *United States Polo Assn v Polo Ralph Lauren Corp*, [2000] FCJ No 1472 at para 10, 286 NR 282 [*United States Polo*]. Where such evidence is admissible, the “adverse inference” referred to in Rule 81(2) may affect the weight to be accorded to the affidavit: see *Lumonics Research Ltd v Gould*, [1983] 2 FC 360 (CA); *Tataskweyak Cree Nation v Sinclair*, 2007 FC 1107 at paras 26-28.

### **What was the Applicant’s onus?**

[120] Hughes states that in the context of expungement proceedings:

Throughout the proceedings, the onus lies on the party attacking the registration to show that it should be expunged; the mark is presumed to be valid; that presumption is not a strong one and simply means that some evidence must be lead which the Court must weigh.

[*Hughes on Trade Marks*, above, at p. 818, footnotes omitted]

See also Kelly Gill, *Fox on Canadian Law of Trade-Marks and Unfair Competition*, 4th ed (looseleaf) (Toronto: Carswell, 2002, updated January 2014) at 11-37-11-39 [*Fox on Trade-Marks*].

[121] In *Bodum USA*, above, Justice Mosley expressed this burden as follows:

[20] A presumption of validity applies to the registration with the burden of proving the contrary resting on the opposing party based on the right to exclusive use set out in s 19 of the Act: *General Motors of Canada v Décarie Motors Inc*, [2001] 1 FC 665, 9 C.P.R. (4th) 368 (CA) at para 31. But the presumption is “weakly worded”. It means simply that an application for expungement will succeed only if an examination of all of the evidence establishes that the trade-mark was not registrable at the relevant time: *Cheaptickets and Travel Inc v Emall.ca Inc et al*, 2008 FCA 50 at para. 12.

[122] The *Cheaptickets* case referred to by Justice Mosley makes it clear that the presumption is a weak one indeed, adding little to the usual requirement for the attacking party to substantiate their case (*Cheaptickets*, above, at paras 10-12. See also *Apotex Inc v Canada (Registrar of Trade-Marks)*, 2010 FCA 313 at para 5 [*Apotex (2010)*]).

[123] In the present matter, because of s. 17(2) of the Act, the Applicant’s onus to establish its case includes the requirement to show that the Respondent had knowledge of the Applicant’s use of a confusing mark when they adopted the Athletic Club Trade-mark: see *Bousquet v Barmish Inc*, [1991] FCJ No 813, 48 FTR 122, aff’d [1993] FCJ No 34; 150 NR 234 (FCA). Hughes expresses this as follows:

Where it is alleged that a person applied to register a trade-mark used by another, proceedings to expunge on this basis must be brought within five years of registration, failing which, the party



moving to expunge bears a burden of proving both use and knowledge of that use by the registrant at the time of application...

[*Hughes on Trade Marks*, above, at p. 606, footnotes omitted]

[124] In some cases, the Court may be willing to infer such knowledge based on the facts established on the record, such as the Respondent's knowledge of the market and/or the prominence of the Applicant's trademark or trade name in that market: see *Bodum USA*, above, at para 153.

**Respondent's obligations to disclose information or documents and respond to questions posed during cross-examination on affidavits**

[125] While the Applicant bears the onus to prove knowledge on the part of the Respondent of the prior use of a confusing mark, it is also necessary to consider what obligation, if any, the Respondent had to disclose information on this point during the course of the application.

[126] Expungement proceedings can be pursued as an application or, if further relief beyond striking or amending the registration is sought, as an application or an action: Act, s. 58. Since the Applicant in this case seeks a prohibition on all future use by the Respondent of the Athletic Club Trademark, it would appear that both options were available.

[127] The Applicant filed a notice of application rather than a statement of claim, which provides the benefit of a more expeditious proceeding, but it also means more limited opportunities to compel the opposing party to disclose evidence (*see Sierra Club of Canada v Canada (Minister of Finance)*, [1999] FCJ No 306 at para 14, 163 FTR 109 [*Sierra Club*]). Thus,

the Applicant “cannot expect to be able to make his case out of the mouth of the respondent”:

*Merck & Frost Canada Inc v Canada (Minister of National Health and Welfare)*, [1994] FCJ No 662 at para 26, 169 NR 342 [*Merck (1994)*] ; *Eli Lilly Canada Inc v Apotex Inc*, 2007 FC 455.

[128] Neither, however, is an applicant completely deprived of an opportunity to compel the opposing party to disclose documents or answer questions relevant to the issues and the evidence. It is true that a party cannot compel another party to file an affidavit: *Nourhaghghi v Canada (Minister of Citizenship and Immigration)*, 2003 FC 1350 at para 20. However, should the responding party choose to introduce evidence by way of affidavits (which it may need to do in order to effectively respond to the application), the Rules provide an opportunity to cross-examine on those affidavits (Rules 83 to 86), and to require affiants to produce certain relevant documents at those examinations (Rules 91 and 94).

[129] Thus the Court must look at what answers the Respondent was required to give, on what basis, and what documents if any it was required to disclose.

***Obligation to answer fair and legally relevant questions within the scope of the cross-examination***

[130] The scope of cross-examination on an affidavit has long been contentious, and the Court’s answer to the question has varied over time (see *Maheu v IMS Health Canada*, [2003] FCJ No 902 at para 5, 234 FTR 277 [*Maheu*]). Most often cited is Justice Hugessen’s analysis in *Merck Frosst Canada Inc v Canada (Minister of Health)*, [1997] FCJ No 1847 at paras 4-8, 146 FTR 249 [*Merck (1997)*]:

[4] It is well to start with some elementary principles. Cross-examination is not examination for discovery and differs from examination for discovery in several important respects. In particular:

- a) the person examined is a witness not a party;
- b) answers given are evidence not admissions;
- c) absence of knowledge is an acceptable answer; the witness cannot be required to inform him or herself;
- d) production of documents can only be required on the same basis as for any other witness i.e. if the witness has the custody or control of the document;
- e) the rules of relevance are more limited.

[5] Since the objections which have given rise to the motions before me are virtually all based upon relevance, I turn, at once, to that subject.

[6] For present purposes, I think it is useful to look at relevance as being of two sorts: formal relevance and legal relevance.

[7] Formal relevance is determined by reference to the issues of fact which separate the parties. In an action those issues are defined by the pleadings, but in an application for judicial review, where there are no pleadings (the notice of motion itself being required to set out only the legal as opposed to the factual grounds for seeking review), the issues are defined by the affidavits which are filed by the parties. Thus, cross-examination of the deponents of an affidavit is limited to those facts sworn to by the deponent and the deponent of any other affidavits filed in the proceeding.

[8] Over and above formal relevance, however, questions on cross-examination must also meet the requirement of legal relevance. Even when a fact has been sworn to in the proceeding, it does not have legal relevance unless its existence or non-existence can assist in determining whether or not the remedy sought can be granted. (I leave aside questions aimed at attacking the witness's personal credibility which are in a class by themselves). Thus, to take a simple example, where a deponent sets out his or her name and address, as many do, it would be a very rare case where questions on those matters would have legal relevance, that is to say, have any possible bearing on the outcome of the litigation.

[emphasis added]

[131] The Federal Court of Appeal has affirmed this decision without commenting on the proper scope of cross-examination on an affidavit (*Merck & Co v Canada (Minister of Health)*, [1999] FCJ No 1536, 249 NR 15), and has cited these principles with approval on other occasions (see *Assoc des crabiers acadiens inc v Canada (Attorney General)*, 2009 FCA 357 at para 38; *Simpson Strong-Tie Co v Peak Innovations Inc*, 2009 FCA 266 at para 8 [*Simpson Strong-Tie*]).

[132] Justice Hugessen's description of "factual" relevance as "facts sworn to by the deponent and the deponent of any other affidavits filed in the proceeding" is broader than some earlier articulations (see *Joel Wayne Goodwin v Canada (Attorney General)*, T-486-04 (October 6, 2004) [*Goodwin*] and *Merck (1994)*, above: matters arising from the affidavit itself as well as questions going to the credibility of the affiant), and narrower than others (see *Almrei (Re)*, 2009 FC 3 at para 71: "cross-examination is not restricted to the "four corners" of the affidavit so long as it is relevant, fair and directed to an issue in the proceeding or to the credibility of the applicant"). However, there seems to be a consensus that "[a]n affiant who swears to certain matters should not be protected from fair cross-examination on the very information he volunteers in his affidavit," and "should submit to cross-examination not only on matters set forth in his affidavit, but also to those collateral questions which arise from his answers": *Merck Frosst Canada Inc v Canada (Minister of National Health and Welfare)*, [1996] FCJ No 1038 at para 9, 69 CPR (3d) 49 [*Merck (1996)*], quoting *Wyeth Ayerst Canada Inc v Canada (Minister of National Health and Welfare)* (1995), 60 CPR (3d) 225 (FCTD).

[133] However the proper scope of cross-examination on an affidavit is defined, the affiant is required to answer fair and legally relevant questions that come within that scope (*Merck (1996)*, above).

***Obligation to fulfill undertakings, but no obligation to make them***

[134] There is also an obligation to answer questions a party undertakes to answer during the course of the cross-examination (*Maheu*, above, at para 11; *Bruno v Canada (Attorney General)*, 2003 FC 1281 at para 5 [*Bruno*]). However, the witness is under no obligation to make such undertakings, or to answer questions that were merely taken under advisement, as stated in *Bruno*, above, at para 5:

[5] As to the “undertakings” refused or taken under advisement at the cross-examination, it does not matter in my view whether a partial answer was later given or what reasons were given by the Respondents for refusing to provide answers. I subscribe fully to that part of the reasons for order given by Justice Hugessen in *Merck Frosst Canada Inc. v. Canada (Minister of Health)* [1997] F.C.J. No. 1847, where he states as one of the distinguishing features between cross-examinations and examinations for discovery that “absence of knowledge is an acceptable answer: the witness cannot be required to inform him or herself”. Undertakings are no more than an agreement by a party that it will inform itself in order to provide an answer to a question to which the witness does not know the answer. There is no obligation in the context of cross-examinations for a party to give any undertakings whatsoever. The person cross-examined on an affidavit is a witness, not a party. If, upon being cross-examined, his or her knowledge is found to be lacking, this may go to credibility, to the probative value of the evidence, etc., but it will not justify an obligation to give an undertaking. Of course, when a party, being under no obligation to give an undertaking, freely undertakes to provide further answers or documents, the undertaking must be honoured. But that is not the case for the specific “undertakings” under consideration.

[emphasis added]

[135] Undertakings to disclose documents must also be honoured, and a response to a question taken under advisement can constitute an implied undertaking: *Autodata Ltd v Autodata Solutions Co*, 2004 FC 1361 [*Autodata*].

### ***No obligation to seek out information***

[136] As the above passage from *Bruno* also notes, an affiant “cannot be required to inform him or herself,” in contrast to a deponent in an examination for discovery, who is obligated to seek out answers to relevant questions to which they do not know the answer. While there was some earlier jurisprudence to the opposite effect (see *Merck & Co v Apotex Inc*, [1996] FCJ No. 405, 110 FTR 155 (TD); *Bland v National Capital Commission*, [1989] FCJ No 542, 29 FTR 232 (TD); *Lessona Corp v Reliable Hosiery Mills Ltd* (1974), 14 CPR (2d) 168 (TD)), this now appears to be the established view: see *Bruno*, above, at para 5; *Maheu*, above, at para 8. The limitations of the affiant’s knowledge may affect the credibility of their evidence or the weight given to it, but the witness cannot be compelled to find answers that are not within their knowledge: *Ward v Samson Cree Nation*, [2001] FCJ No 1383, 2001 FCT 990 at para 3; *Trevor Nicholas Construction v Canada (Minister of Public Works)*, [2008] FCJ No 377, 2008 FC 306 at paras 33-34. “I don’t know” is an acceptable response.

[137] There has been some suggestion that an affiant who is an “agent” for a corporate party, rather than merely a “witness,” might be required to seek additional knowledge: see *Royal Bank of Scotland plc v The Golden Trinity*, [2000] 4 FC 211. However, this precedent has been described as specific to its context and has not been followed: see *Unitor ASA v The Seabreeze I*,

[2001] FCJ No 681; 2001 FCT 416; *Fabi v Canada (Minister of National Revenue)*, 2004 FC 439.

***Obligation to disclose documents in connection with a cross-examination***

[138] Rule 91(2)(a) permits a party who intends to conduct a cross-examination on an affidavit to require the affiant, as part of the “direction to attend,” to “produce for inspection at the examination... all documents and other material in that person’s possession, power or control that are relevant to the application or motion” (emphasis added). The “possession, power or control” requirement relates to the individual affiant, not the party, though in the case of an affiant with a broad scope of authority within an organization, the scope of such a requirement may still be quite broad.

[139] This disclosure obligation is subject to a motion for relief under Rule 94(2) “if the Court is of the opinion that the document or other material requested is irrelevant or, by reason of its nature or the number of documents or amount of material requested, it would be unduly onerous to require the person or party to produce it.” The disclosure requirement has been interpreted fairly restrictively, including through a narrower interpretation of relevance (see *Eli Lilly and Co v Apotex Inc*, 2005 FCA 134), such that parties “cannot expect, nor demand, that the summary process mandated for applications will permit them to test every detail of every statement made in affidavits or in cross-examinations against any and all documents that may be in the opposing party’s possession”: *Simpson Strong-Tie*, above, at para 24.

[140] While the Court has recognized that less formal communications between counsel in advance of the examination could have the same effect as a formal demand through the direction to attend, it has been consistent in insisting that the demand must be made in advance of the hearing. There is no mechanism for the Court to order disclosure of documents based on requests that are made at, or after, the cross-examination (see *Goodwin*, above; *Bruno*, above, at para 6), except perhaps where the questioning at the cross-examination lays a foundation for a claim that the documents should have been produced in response to the direction to attend (see *Simpson-Strong-Tie*, above, at para 9). As Prothonotary Tabib explained in *Bruno*, above, at para 6:

[6] ... A party who fails to request production of documents prior to conducting a cross-examination must take the witness as he or she is and may not send the witness back to secure or produce documents which were not requested in a direction to attend or which the witness does not happen to have in his or her possession at the time of the cross-examination.

[141] Nor is there any mechanism to require disclosure in advance of the cross-examination (rather than at the cross-examination), though cost considerations could arise where a party is “ambushed” with an excessive volume of documents at the cross-examination: *Sierra Club*, above, at paras 10, 14-16, 20.

### ***Summary of Respondent’s disclosure obligations***

[142] Based on the above analysis, it is my view that the Respondent’s disclosure obligations, including the obligations of Chuck Kelly to respond to questions posed during cross-examination on his affidavit, can be summarized as follows:



1. Mr. Kelly was required to answer, at minimum, legally relevant questions arising from his affidavit or bearing on his credibility, and possibly questions arising from other affidavits filed in the matter or relevant to one of the legal issues;
2. Mr. Kelly was required to answer only based on personal knowledge, and had no obligation to “inform himself” by making inquiries of others connected to the Respondent’s business;
3. The Respondent was required to disclose any relevant documents within Mr. Kelly’s “possession, power or control” that were requested in advance through the direction to attend or equivalent communications between counsel; and
4. Mr. Kelly was required to fulfill any undertakings made at the cross-examination to answer relevant questions or disclose relevant documents, but had no obligation to make such undertakings or to answer questions merely taken under advisement.

***Cross examinations regarding the NUANS search and Prothonotary’s order on Applicant’s motion seeking further answers and disclosure***

[143] At the first cross-examination of Mr. Kelly, on March 30, 2012, the Applicant’s counsel presented “for identification purposes” a copy of the Articles of Incorporation of the Respondent’s predecessor-in-title, The London Athletic Club Inc., along with an attached NUANS search listing similar business names. A NUANS search is a requirement prior to incorporation, to verify that the requested business name is available. After determining that Mr. Kelly had no recollection of having previously seen this document, the Applicant’s counsel asked Mr. Kelly to undertake to verify whether the NUANS search and the Articles of Incorporation were the originals (i.e. true copies) of those documents. The response of the Respondent’s counsel was somewhat ambiguous with respect to whether an undertaking was being made or the matter was being taken under advisement, but it is marked as advisement No. 7 in the transcript of the Cross-Examination and the Respondent’s responses to undertakings: see Applicant’s Record, Vol. 10, Tab 14, p. 3195 and Vol. 11, Tab 15, p. 3470. The relevant exchange was as follows:

**By Mr. Miller:**

**Q.** I am showing the Witness the original Articles of Incorporation and NUANS search for the London Athletic Club Inc. dated June 25th, 1997. I obtained it to try to expedite matters because otherwise I would have asked for an undertaking for its production, give the Witness the opportunity to review it. He has indicated to me that he has access to the records for the various clubs. "This" being the first. I would like to mark it as the second Exhibit.

**Mr. Adams:** Chuck, have you seen this before? Have you seen this Exhibit? Have you seen a document like this before go into the records?

**The Witness:** You know what, I am not saying I did not. It does not ring a bell looking at this.

**Mr. Miller:** That's fair. If you want to mark it for identification purposes today...

**Mr. Adams:** Yes.

**Mr. Miller:** ... that is fine. However, I am then going to ask for an undertaking that that in fact is the original NUANS search and Articles of Incorporation.

**Mr. Adams:** Yes. We will do that. We will take it under advisement and verify this.

[144] The Respondent replied in its responses to undertakings that "whether or not the NUANS search shown for identification is the original cannot be verified by the Respondent..." and provided further information explaining this response. The full response was as follows (see Applicant's Record, pp. 3470-71):

- None of Alan Quesnel, David Wu, Chuck Kelly or any officers or directors of the Respondent, its predecessors in title or subsidiaries received a copy of or reviewed the NUANS search at the time of incorporation or before they or their companies began using the trademark THE ATHLETIC CLUB & DESIGN. Accordingly, whether or not the NUANS search shown for identification is the original cannot be verified by the Respondent, Alan Quesnel, David Wu, Chuck Kelly or any of the predecessors-in-title or subsidiaries. Furthermore, the minute books of The Athletic Club do not have any copies

or originals of the NUANS search, so it could not be verified if the NUANS search submitted for identification is the original.

- Alan Quesnel and David Wu signed the Articles of Incorporation on the advice from their lawyer at the time when signing a variety of documents. The NUANS search was never brought to their attention.
- The Articles of Incorporation appear to be a copy of the originals and there is no reason to believe it is not a copy of the original.

[145] The Applicant was dissatisfied with this response, and brought a motion seeking further answers and disclosure from the Respondent. The Applicant also sought authorization for the solicitor who filed the Articles of Incorporation to file an affidavit and to testify in court, and an order granting leave to serve a subpoena on that solicitor. Prothonotary Tabib dealt with this motion in an order dated August 10, 2012.

[146] As to whether the Respondent had provided a proper response to the advisement/undertaking, and whether the Court should compel a further response from the Respondent or testimony or documents from the incorporating solicitor, Prothonotary Tabib provided the following analysis:

The Applicant does not like the inconclusive answer it got as to the conformity of the NUANS search. It likes the justification provided even less. It says the undertaking has not been fulfilled, and that Mr. Kelly should go back and seek other avenues of verification, namely, by asking Mr. Corrent or by obtaining his own copy from ONCORP or Service Ontario. It says that the justification should be struck, because it goes beyond what was asked and is self-serving.

I cannot agree. The request for an undertaking did not specify the means Mr. Kelly should use to effect his verification. To the extent the answer as provided is indicative of what Mr. Kelly has done, it would show that he has asked Mr. Quesnel, Mr. Wu and all other officers and directors of the relevant companies whether they recognized the NUANS search, and was advised that they had

not seen it at the relevant time, were not made aware of it and did not get a copy of it. It would also show that Mr. Kelly reviewed the minute books of The Athletic Club and did not find the NUANS search. These two obvious modes of verification cannot be faulted. Nor can the answer, providing the result of these modes of verification, be faulted.

The first issue to be determined here, therefore, is whether the answer provided is sufficient, or whether Mr. Kelly should be required to make the further enquiries suggested by the Applicant in an attempt to verify the authenticity of the NUANS search.

Although a witness being cross-examined on an affidavit has no obligation to undertake to make enquiries to provide answers to which he or she does not know the answer, undertakings freely given must be honoured (see *Merck Frosst Canada Inc. v Canada (Minister of Health)*, [1997] FCJ No 1847, and *Autodata Ltd. v Autodata Solutions Co.*, 2004 FC 1361). That said, an undertaking, when given, does not bind the witness to provide an answer at all costs, but to take reasonable means to provide an answer. Where, as here, the parties do not stipulate or agree as to the steps the witness is to take in his or her efforts to provide an answer, what is reasonable in the circumstances must be ascertained on a case by case basis.

In the circumstances, I do not consider it reasonable to require the witness to make enquiries of third parties in order to ascertain the authenticity of the NUANS search. The NUANS search is not a document authored by the Respondent, or introduced by it as a basis for its defense. It is not even a document regularly introduced by the Applicant, the authenticity of which is spuriously contested by the Respondent. It was presented by the Applicant's counsel to the witness in the course of cross-examinations without prior notice, in an attempt to repair a perceived gap in its evidence. Even pursuant to an undertaking freely given, there are limits to a party's obligation to make enquiries and obtain information from sources outside its own organization to allow its opponent to verify or introduce evidence which it could have done independently.

[emphasis added]

[147] Prothonotary Tabib appears to have been concerned not to impose obligations regarding responses to undertakings that were too disconnected from the principles that guide cross-

examination on an affidavit to begin with. This seems a legitimate concern to me: if a party cannot compel an affiant to inform herself or disclose documents in response to questions asked at the cross-examination itself, does an undertaking (or an implied undertaking through a response) suddenly transform the process into full-blown discovery? At the same time, the jurisprudence outlined above is clear that parties must honour their undertakings to respond to questions or disclose documents. The *Autodata* case referred to (also decided by Prothonotary Tabib) provides the following analysis regarding how these competing considerations are to be balanced:

[17] The Applicant goes on to argue that it is not required to accept the Respondent's "bald" assertions in response to the undertaking that there has been no transfer of goodwill or intellectual properties, that it is entitled to test those assertions and that in so doing, disclosure of the entire share purchase agreement would provide clarification or lead to further areas of inquiry.

[18] The language of the Applicant's argument is the language of discovery. Certainly, if this proceeding were an action and the question had been posed in discovery, I would agree that the entire share purchase agreement is relevant, as it may lead to a train of further inquiry on relevant issues, and that a request for its disclosure is a proper follow-up request.

[19] However, a cross-examination on affidavit is not a discovery, and an application is not an action. An application is meant to proceed expeditiously, in summary fashion. For that reason, discoveries are not contemplated in applications. Parties cannot expect, nor demand, that the summary process mandated for applications will permit them to test every detail of every statement made in affidavits or in cross-examinations against any and all documents that may be in the opposing party's possession. If a party is not required to "accept" a witness' bald assertion in cross-examination, it is however limited in its endeavours to test that assertion to the questions it may put to the witness and the witness' answers in the course of the cross-examination. To the extent documents exist that can buttress or contradict the witness' assertion, production may only be enforced if they have been listed, or sufficiently identified, in a direction to attend duly served pursuant to Rule 91(2)(c) (see *Bruno v. Canada (Attorney General)*, [2003] F.C.J. 1604). I reiterate: a cross-examination on

an affidavit is the direct testimonial evidence of the witness, not a discovery of the party. Accordingly, counsel would be well-advised to approach a cross-examination on affidavit with the same circumspection as they would approach any cross-examination, lest they invite the same kind of "bald assertion" as the Respondent now bemoans, and be left having to attack the witness' credibility or the weight to be given to the testimony as the sole means of countering the assertion.

[emphasis added]

[148] While rejecting the Applicant's assertion that the Respondent was obligated to make inquiries of its former solicitor to determine if the NUANS search presented for identification was a copy of the original, Prothonotary Tabib agreed with the Applicant that the Respondent's response put at issue whether the NUANS search was communicated to the Respondent's principals by that solicitor. She thus confirmed that privilege had been waived on this narrow point (though not with respect to any legal advice provided), and that further cross-examination could be conducted.

[149] Regarding whether the Applicant should be permitted to file further evidence or compel the solicitor who handled the Respondent's incorporation to testify, Prothonotary Tabib found as follows:

Finally, that part of the Applicant's motion seeking to serve or file an additional affidavit from Mr. Corrent or adducing his evidence orally at the hearing must fail. A party may not split its case by adducing, after the start of cross-examinations, evidence which it could and should have adduced earlier (see *Atlantic Engraving Ltd. v Lapointe Rosenstein*, 2001 FCT 1279, [2001] FCJ 1757).

[150] A further cross-examination of Mr. Kelly occurred on August 24, 2012. Mr. Kelly stated that he had asked Alan Quesnel and David Wu whether they had seen the NUANS search, and

both indicated that they had not (Applicant's Record, p. 3513, question 966). He stated that he had verified that the NUANS search was not in the Respondent's minute books, but did not otherwise attempt to obtain a copy of the original search (*ibid*, questions 980-983). He did not contact the former solicitor (*ibid*, question 999), and did not attempt to obtain a copy from the Ontario Government Archives (*ibid*, question 1004).

[151] The Applicant's counsel requested a number of undertakings, including whether Mr. Quesnel or Mr. Wu was generally aware at the time of the incorporation that a NUANS search was a requirement and whether they had previously incorporated any other companies. The Applicant also sought undertakings for the disclosure of a broad range of documents, including those signed at the time of the incorporation of The London Athletic Club and each of the Respondent's other subsidiaries and the file of the solicitors who conducted the registration of the Trade-mark (who are also counsel in this matter), redacted to remove any legal advice provided.

[152] The Respondent refused most of these undertakings, asserting that they were out of scope or not relevant, pertained in some cases to privileged information, and that there was no need for Mr. Kelly to conduct research for the Applicant. The Respondent did, however, provide a response to the question of whether Mr. Quesnel and Mr. Wu were generally aware of the requirement to conduct a NUANS search before incorporating:

No. Alan Quesnel and David Wu were not generally aware of the requirements of the NUANS Searches before incorporating. The NUANS Search referred to in the Order of August 10, 2012 was not communicated to the corporation or its principals or shareholders.

***Other evidence regarding the Respondent's prior knowledge of the Applicant or its trade-marks / trade name***

[153] The disputed fact in question is whether the Respondent had prior knowledge of the Applicant and its trade-marks or trade name before adopting The Athletic Club Trade-mark. In this regard, Mr. Kelly stated the following in his second affidavit, sworn January 21, 2012:

19. When Alan Quesnel began using and licensing the use of the trade-mark THE ATHLETIC CLUB & DESIGN in 1997, he was not aware of the Applicant or any of the Applicant's trade-marks or trade-names. I am aware of this fact not only because Alan Quesnel has personally advised me but also because I was with Alan Quesnel the first time the Applicant and the Applicant's trade-marks and trade-names came to his attention.

[154] Arguably, the only portion of this evidence that is admissible and could potentially be relied upon by the Court is Mr. Kelly's statement that he was "with" Mr. Quesnel when he learned about the OAC trade-marks and trade names. The admissibility of even this statement is questionable, and even if admissible its probative value is, in my view, almost zero.

[155] The Court of Appeal in *United States Polo*, above, at paras 10-11 found that that trial judge erred in referring to and relying upon affidavit evidence based on information and belief where the necessity of using hearsay evidence rather than first-hand evidence was not established. While Mr. Kelly asserted in cross-examination that Mr. Quesnel was often out of the country, this is not a persuasive reason for why he did not file an affidavit. Based on the record, it seems clear that both Mr. Quesnel and Mr. Wu could have provided affidavits. As such, there was no necessity for Mr. Kelly to provide hearsay evidence about their knowledge or lack of knowledge of the Applicant and its trade-mark / trade name when they incorporated The London



Athletic Club Inc. and began using the Athletic Club Trade-mark. The Respondent could have introduced first-hand evidence on this point had it chosen to do so.

[156] Mr. Kelly attests that he was with Mr. Quesnel when the latter first learned of the Applicant's existence, but he does not tell us what facts led him to the conclusion that Mr. Quesnel was not previously aware of the Applicant. If it was a statement by Mr. Quesnel to this effect, this too would be hearsay and inadmissible. The fact remains that it is Mr. Quesnel's state of mind (whether he was learning of the Applicant for the first time) that is of interest in this scenario, and nothing Mr. Kelly says in his affidavit sheds any real light on that.

**Should an adverse inference be drawn?**

[157] There is no question in my view that the Respondent declined to introduce the best available evidence regarding its principals' knowledge of the Applicant and its trade-mark / trade name at the relevant time (first-hand evidence from those principals themselves). It chose to rely instead on hearsay evidence from Mr. Kelly, who was not involved with the Respondent company at the time. This puts the Applicant at a disadvantage in terms of testing the Respondent's evidence. As became very clear during Mr. Kelly's cross-examinations, he had no personal knowledge on this point and could only relay the answers to the very narrow questions he had posed to Mr. Quesnel and Mr. Wu.

[158] On the issue of the NUANS search specifically, the Respondent properly notes that this was not raised by the Applicant until the cross-examination of Mr. Kelly, when all of the

evidence had already been submitted. As such, the Applicant cannot now complain that the Respondent did not enter first-hand evidence by Mr. Quesnel or Mr. Wu on that point.

[159] The bigger problem for the Applicant, however, is that the Applicant bore the burden of proving that the Respondent had knowledge of the prior use of a confusing trade-mark or trade name. The Applicant has not provided any evidence – even weak evidence – that the Respondent knew of the Applicant’s use of a confusing trade-mark or trade name when it adopted the Athletic Club Trade-mark in 1997. It did not introduce the NUANS search into evidence through its own affidavits, and did not request disclosure of the documents related to the 1997 incorporation through a Direction to Attend in advance of Mr. Kelly’s cross-examination. In addition, it failed to present evidence that would allow the Court to infer from the context that the Respondent – which at the relevant time was opening a single facility in London, Ontario – must have been aware of the Applicant and its trade-mark or trade name (see *Bodum USA*, above, at para 153).

[160] The authorities are clear in my view that while an adverse inference can strengthen weak evidence or turn a *prima facie* case into a conclusive one, it cannot enable the party bearing the burden of proof to overcome a complete lack of evidence on the point at issue. There must be a case to answer before the Respondent is required to introduce the best evidence or risk an inference that it does not favour their position: Tapper, above, at pp. 40-41; Keane, above, at pp. 14-15. The Applicant presented no case for the Respondent to answer on this point, and thus the Court is not entitled to draw an adverse inference. Having not presented any evidence of its own, the Applicant should not be surprised that the Respondent chose not to put forward evidence by

Mr. Quesnel and Mr. Wu on this question and subject them to the resulting cross-examination. It had nothing to gain by doing so.

[161] The conclusion might be different if the Respondent had failed to comply with some disclosure obligation. However, the Applicant has not demonstrated that the Respondent failed to answer any question it was obligated to answer, or failed to disclose any document it was required to disclose. As a witness and not a party, Mr. Kelly was not required to inform himself for the purposes of answering questions on cross-examination. While the Respondent was required to fulfill undertakings made, it was under no obligation to make such undertakings. Prothonotary Tabib has already concluded that the Respondent reasonably fulfilled its undertaking to verify whether the NUANS search presented for identification was a true copy of the original, and I see no error in that conclusion. Even if this had been verified (for example, through the solicitor or from government archives), this would not add anything of substance to the evidence. The request for verification was an entry-point for the Applicant to ask follow-up questions about the Respondent's knowledge of the NUANS search. It has now asked those questions and come up empty.

[162] Perhaps most crucially, the Applicant failed to follow the proper procedure to require the Respondent to disclose relevant documents in its possession in connection with Mr. Kelly's cross-examination. Mr. Kelly's affidavit put at issue the Respondent's prior knowledge of the Applicant and its trade name. Thus, it appears the Applicant would have been within its rights to demand, through the Direction to Attend, that the Respondent search its records for relevant documents, including any NUANS searches associated with its various incorporations. Having

failed to do so, there was no mechanism for the Court to require such disclosures based on requests made at or after the cross-examination: see *Goodwin*, above; *Bruno*, above, at para 6.

[163] I do not think, therefore, that the Court can draw a negative inference on the facts of this case. This leaves the Court to assess and balance the evidence available on point to decide whether knowledge should be imputed. This is no easy task. In *Bodum USA*, above, Justice Mosley could find imputed knowledge based upon an inference “from the evidence that Bodum corporate management, specifically Jørgen Bodum and Carsten Jorgensen knew of the previous use of the term when they adopted it as a trade-mark because of their knowledge of the marketplace and concerns expressed to Koen de Winter about the BonJour competition.” In the present case, we can only speculate about what Mr. Quesnel and Mr. Wu knew about the Applicant and the marketplace, and there is no evidence about what someone said regarding competition. We also have Mr. Kelly’s evidence that neither he, Mr. Quesnel, Mr. Wu, nor any officers or directors of the Respondent, its predecessors-in-title or subsidiaries “received a copy of or reviewed the NUANS search at the time of incorporation or before they or their companies began using the trade mark THE ATHLETIC CLUB & DESIGN,” and that when “Alan Quesnel began using and licensing the use of the trade mark The ATHLETIC CLUB & DESIGN in 1997, he was not aware of the Applicant or the Applicant’s trade marks or trade names.” I agree with the Applicant that this kind of hearsay response can carry little weight, but apart from the general assertion by the Applicant that someone in Mr. Quensel’s position must have known about the Applicant, there is really nothing to support an imputed knowledge finding.

## **Imputed Knowledge Through Lawyer/Agent**

### ***Can the solicitor's knowledge of the NUANS search be imputed to the Respondent's principals?***

[164] In *Mah v Wawanesa Mutual Insurance*, 2013 ABCA 363 [*Mah*], the Alberta Court of Appeal observed that an agent's knowledge "is imputed to a principal by courts in two situations: when notice is given to its agent, or when the agent gained the knowledge in the course of his duties." The rationale for this rule was discussed by the Ontario Court of Appeal in *Durbin v Monserat Investments Ltd* (1978), 20 OR (2d) 181 at 183, 87 DLR (3d) 593 at 595 (Ont CA). The Court observed that the knowledge of an agent is normally imputed to his principal "based on the presumption that an agent will communicate his knowledge to his principal, because it is his duty to do so."

[165] A second explanation for the rule is stated by Reynolds; namely, the identity of principal and agent, and the notion that "[a] principal should not be able by using an agent to put himself in a better position than that in which he would have been if he had dealt personally": F.M.B. Reynolds, *Bowstead and Reynolds on Agency*, 18th ed (London: Sweet & Maxwell, 2006) at 481-82.

[166] As Reynolds points out, which principle is seen as the justification for the rule will affect its scope and the exceptions to it, and the cases can be difficult to reconcile (Reynolds, above, at 480-82).

[167] Nevertheless, Fridman outlines the basic rule and its major exceptions as follows:

It may be crucial to the relations between a principal and a third party whether the principal was aware of particular information. In this respect it has been held that the knowledge of such information possessed by the principal's agent, whether as a result of notice to, or notification of the agent, or acquired by the agent by other means, may be attributed to the principal. In two situations, however, such knowledge will not be attributed to the principal. One is when the agent has been guilty of fraud or misfeasance *vis-à-vis* the principal. The other is when the third party with whom the agent dealt has notice that the agent will not in fact pass on such knowledge...

G.H.L. Fridman, *Canadian Agency Law*, 2d ed (Markham: LexisNexis Canada, 2012) at 216.

He later qualifies the scope of the rule somewhat as follows:

For the knowledge of an agent to be attributable to the principal, the knowledge must be relevant to the transaction in respect of which the agent is employed and there must be a duty on the agent to communicate the notice to his principal...

Fridman, above, at 218-19.

[168] In this regard, it would appear that it makes no difference whether the agent received formal notification from another party or otherwise acquired the relevant knowledge in the course of completing the transaction for which they were engaged: Fridman, above, at 218, citing *Wilson v Carica Life Insurance Co*, [2001] BCJ No. 2668, 36 CCLI (3d) 185 at 201 (BCSC), *aff'd* [2002] 11 WWR 17 (BCCA); see also *Mah*, above, at para 13.

[169] It is well established that this principle can apply to solicitor-client relationships: *Bank of Montreal v Dresler*, 2002 NBCA 69 at para 66; *John MM Troup Ltd et al v Royal Bank of Canada*, [1962] SCR 487; *Vescio et al v Peterman et al* (1999), 45 OR (3d) 613, [1999] OJ No

4039 (Ont CA); *Purdum v Northern Life Assurance Co of Canada*, [1928] OJ NO 91 at paras 53-55, 63 OLR 12 (Ont SC), aff'd [1930] SCR 119.

[170] Neither the “fraud or misfeasance” exception nor the exception arising where the third party has notice that the agent will not pass the information on to the principal has any application here. However, questions arise from the qualifications that “the knowledge must be relevant to the transaction in respect of which the agent is employed and there must be a duty on the agent to communicate the notice to his principal.”

[171] With respect to the first proposition, Fridman cites *Krumm v Shephard District No 220*, [1928] SCR 487 [*Krumm*]. In *Krumm*, the Court imputed knowledge to a father that was acquired by his son in the course of carrying out the father’s instructions to pay taxes on a parcel of land. The son paid the taxes on his father’s instructions, but the municipality inferred that the land had been transferred to the son, and issued the receipt and subsequent assessments in the son’s name. The son was aware of this, and the son’s knowledge was imputed to the father. As such, the father’s acquiescence to the assessment of the land in the son’s name (and the sending of future notices to the son only) was inferred. After the father died, the son neglected to pay the taxes, and the municipality sold the land for back taxes, the father’s estate sued the municipality, arguing that it had never received an assessment. The Court held that the son’s knowledge of the change was a sufficient defence to the claim. Duff and Smith JJ expressed the matter as follows:

... Either the father assured himself personally in the usual way, by inspection of the notices, of the accuracy of the assessor’s calculation... or... he left that business to the son. The son in either case would know, while, in the first case, both would have actual knowledge that the son was the person assessed. The son’s knowledge being knowledge acquired in the course of the

execution of his duty in this particular transaction, and being material to the transaction, it must, for the purpose of considering the legal effect of the transaction itself, be imputed to the father...

[emphasis added]

[172] By contrast, Reynolds cites the case of *Wyllie v Pollen* (1863) 32 LJ Ch 782, 3 De GJ & Sm 596, 11 WR 1081 [*Wyllie*] for the proposition that a principal will not be deemed to have constructive knowledge of a fact known by the agent unless it is material to the transaction for which the agent was engaged, such that the agent had a duty to communicate it. Thus, where a solicitor acted for a transferee of a mortgage, that solicitor's knowledge that there were charges on title subsequent to that mortgage was not imputed to the principal, because it was not relevant to the transfer (see Reynolds, above, at p. 491).

[173] The case of *Halifax Mortgage Services Ltd (Formerly BNP Mortgages) v Stepsky*, [1995] 4 All ER 656 [*Stepsky*] illustrates the second proposition – that there must be a duty on the agent to communicate the notice to his principal. In *Stepsky*, a law firm represented both the borrowers (a husband and wife) and the lender in a second mortgage transaction. Much of the loan was used to pay the husband's business debts rather than for the stated purpose (to buy family shares in a business). The wife argued that her repayment obligations should be set aside because the solicitors knew this was the intended use of the funds and this knowledge should be imputed to the bank. The Court found that the solicitors' duty to withdraw from representation because a conflict had arisen between the interests of their joint clients superseded and prevented any duty to convey that information to the lender. As such, the knowledge could not be imputed to the lender.



[174] *Magrath v Collins*, [1917] AJ No 74 at para 5, 37 DLR 611 states the positive form of this proposition: “that notice to an agent is notice to his principal whenever the agent is bound by his duty to his principal to communicate the notice to him.” See also *Whitney v Great Northern Insurance Co*, [1917] AJ No 76, 32 DLR 756 at 760; and *Wyllie*, above.

[175] It seems to me that, in the present case, the Court must ask and decide whether the listing of the Applicant company’s name in the NUANS search was material to the transaction for which the solicitor was engaged, and whether he had a duty to convey the information to the Respondent’s principals or directors.

[176] In my view, there is not sufficient evidence on the record to say that the information was material to the Respondent’s incorporation or that such a duty arose, and therefore the Applicant has not established constructive knowledge. The solicitor was engaged to incorporate a company – The London Athletic Club Inc. – which at that time was to operate a single facility in London, Ontario. There is no suggestion that the existence of a company called the “Ottawa Athletic Club” posed any barrier to the incorporation of the Respondent’s predecessor in title, The London Athletic Club Inc. The NUANS search the Applicants refer to listed a number of companies using a city name or other descriptor along with the words “athletic club” in their name (see Exhibit 2 to Kelly Cross-Examination, Applicant’s Record, Vol. 10 at pp. 3411-3415). Nor is there any information that the solicitor was asked to identify or anticipate any future problems that could arise with respect to trade-marks or trade names, either in London or with respect to any plans for future locations. In the absence of some evidence to the contrary, I conclude that the existence of a company with the name “Ottawa Athletic Club” was not material

to the incorporation for which the solicitor was retained. This being the case, it is hard to see how the solicitor had a duty to specifically draw the Respondent's principals' attention to this information.

[177] However, even if knowledge of the NUANS search can be imputed to the Respondent's principals or directors, concerns arise regarding whether this could be equated with knowledge of the previous use or making known of a confusing trade-mark or trade-name by another party, within the meaning of s. 17(2) of the Act. Simply put, even if knowledge of the NUANS search can be established or imputed, the search provides weak evidence regarding the Respondent's knowledge of the prior use of a confusing trademark or trade name. Companies exist that conduct no business. Businesses are carried out under names other than those on the corporate register. It may be that a NUANS search would reveal very little about the prior and current use of the names or trade-marks listed on it.

[178] Perhaps the NUANS search would have indicated that further inquiries were warranted before adopting the Athletic Club Trademark. The Court's willingness in some cases to infer knowledge from the surrounding circumstances (see *Bodum USA*, above, at para 153) suggests that constructive knowledge may be enough to meet the knowledge requirement in s. 17(2) – i.e. that knowledge will be established where a party knew or ought to have known of the prior use of a confusing trademark or trade name – though there appears to be an absence of clear jurisprudence on the point. Thus, it is possible that constructive knowledge of the NUANS search (knowledge of the agent imputed to the principal) could constitute constructive

knowledge of the prior use of a confusing trade-mark or trade name (in that the Respondent ought to have known or made inquiries).

[179] There is little evidence or argument before the Court regarding what inferences can be drawn about knowledge of prior use of a confusing trade name based on knowledge of the NUANS search. Had the NUANS search been properly placed into evidence, it may be that the Court would have further evidence before it regarding the significance of that search and what it indicated or should have indicated to the Respondent. However, given my conclusion above it is not necessary to decide this question.

[180] As the Applicant has not, in my view, established knowledge of previous use under s.17(2) of the Act, the five year limitation period in s. 17(1) prevails so that the Applicant cannot now allege invalidity under ss. 16(1)(a) and 16(1)(c).

**Clearly Descriptive or Deceptively Misdescriptive – s. 12(1)(b)**

[181] The Applicant says that, in accordance with s. 18(1)(a) of the Act, the Athletic Club Trade-mark was not registrable at the date of registration because, contrary to s. 12(1)(b) of the Act, the Trade-mark was either clearly descriptive or deceptively misdescriptive in the English language of the character or quality of the wares and services in association with which it was used or proposed to be used. The Applicant also says that this ground of invalidity is not cured by the Trade-mark having become distinctive in accordance with s. 12(2) of the Act.

[182] Section 12(1)(b) of the Act makes it clear that description or deceptive misdescription can occur as a result of the way a trade mark is “depicted, written or sounded.” In the present case, we are dealing with a composite mark consisting of an oval design containing the words “The Athletic Club” in stylized form for which the words have been disclaimed. The Respondent does not wish to assert rights in the written words but does wish to protect the overall design, which it feels is distinctive.

[183] As the Applicant points out, the *Best Western* case, above, established that where a composite mark, when sounded, contains word elements (even if disclaimed) that are clearly descriptive or deceptively misdescriptive, that mark will be unregistrable by virtue of s. 12(1)(b) if the words are the dominant feature of the mark. In fact, the Trade-Marks Office amended its Examination Manual to reflect this position as a result of the *Best Western* case. Justice Kelen affirmed and followed *Best Western* in *Canadian Jewellers*, both above.

[184] The Respondent takes the position that the Athletic Club Trade-mark cannot be invalidated under s. 12(1)(b) because the word portion of the Trade-mark was disclaimed, the words are not the dominant feature, and the words are not, in any event, clearly descriptive or deceptively misdescriptive of the character or quality of the wares or services in association with which the Trade-mark is used. I don't think that any of these arguments can be sustained to save the Trade-mark.

[185] Both of the Respondent's affiants confirmed in cross-examination that the sound of the Trade-mark was “the athletic club.”

[186] The Respondent argues that the word portion of the Trade-mark is not dominant and that it is the design as a whole that is distinctive. In my view, however, the Applicant is correct that the dominant and influential feature on first impression is the declaimed words “The Athletic Club.” There is nothing distinctive about the oval backer portion of the Trade-mark or the script to suggest that consumers would identify the Trade-mark by those design aspects rather than the words. The Respondent has declaimed the words, but the words remain the dominant and influential feature of the Trade-mark. The oval and script do not stimulate visual interest in a way that removes visual dominance from the words, and simply enclosing the words in a simple border cannot create a right to prevent others from doing so: see *Westfair Foods*, above, at para 20.

[187] It is also my view that the words “athletic” and “club,” based on dictionary definitions and the evidence of the Respondent’s own affiants given in cross-examination, as well as the evidence of third-party usage adduced by the Applicant, are clearly descriptive of most of the services in association with which the Athletic Club Trade-mark is and has been used. The Federal Court of Appeal has provided recent guidance on the governing principles to be applied to this issue in *Ontario Teachers*, above, at para. 29.

[29] It is trite law that the proper test for a determination of whether a trade-mark is clearly descriptive is one of first impression in the mind of a normal or reasonable person. If such a person is unclear or uncertain as to the significance of the trade-mark in relation to the wares or services or if the trade-mark is suggestive of a meaning other than one describing the wares or services, then the word is not clearly descriptive. One should not arrive at a determination of the issue by critically analyzing the words of the trade-mark, but rather by attempting to ascertain the immediate impression created by the trade-mark in association with the wares or services with which it is used or proposed to be used. In other words, the trade-mark must not be considered in

isolation, but rather in its full context in conjunction with the wares and services. In determining whether a trade-mark is clearly descriptive, one must also remember that the word “clearly” found in paragraph 12(1)(b) of the Act is there to convey the idea that it must be self-evident, plain or manifest, that the trade-mark is descriptive of the wares or services (see: *Hughes on Trade-marks*, 2d ed, loose-leaf (consulted on February 7, 2012), (Markham: LexisNexis, 2005), pp. 629-631 at para. 30; Milan Chromecek and Stuart C. McCormack, *World Intellectual Property Guidebook Canada*, (New York: Matthew Bender & Co. Inc.1991) at pp. 6-61 to 6-68; see also *Drackett Co. of Canada Ltd. v. American Home Products Corp.* (1968), 55 C.P.R. 29 at pp. 33-34 (Ex.Ct.) (“*Drackett*”); and *Molson* (FCA) at para. 30). Finally, the word “character” found at paragraph 12(1)(b) has been defined by the case law to mean a feature, trait or characteristic belonging to the wares or services (see *Drackett* at 34; *G.W.G. Ltd. v. Registrar of Trade-marks* (1981), 55 C.P.R. 2d 1 at 6; *Assoc’n of Professional Engineers of Ontario v. Registrar of Trade-marks* (1959), 31 C.P.R. 79 at 88).

In applying these principles to the present case, it is my view that the Athletic Club Trade-mark, when sounded, is clearly descriptive of the wares and services in association with which it is used.

[188] The fact that some of the listed wares and services (eg restaurant and tanning services) are not necessarily connected to the athletic and physical fitness meaning of the words does not prevent invalidation under s. 12(1)(b). As discussed below in relation to s. 10 of the Act, these services, offered in the context of a facility such as those operated by the Respondent and the Applicant, fall within the commonly understood meaning of the term “athletic club.” The case law is clear that the s. 12(1)(b) analysis is not an abstract exercise of determining whether the services offered in connection with a trade-mark match the dictionary definitions of the component terms encompassed within the mark, but a contextual inquiry based on the immediate impression of the potential users of the service: see *Wool Bureau*, above, at paras 7, 11; *Mitel*, above, at paras 7, 18; *Riverside Paper*, above, at para 10; *Ontario Teachers*, above, at para 29.

[189] In order to avoid the consequences of s. 12(1)(b), the Respondent alleges acquired distinctiveness as at the date of filing in accordance with s. 12(2) of the Act. The filing date is July 29, 2003.

**Relevant point in time for assessing acquired distinctiveness in relation to s. 12(1)(b) and 12(2)**

[190] *Fox on Trade-Marks*, above, provides the following helpful description of the relevant dates for determining whether a trade-mark should be expunged, including the various sections of the Act to which these dates are relevant in the expungement context (at p. 11-34):

There are thus four primary dates that are relevant for expungement under the Trade-Marks Act, namely (1) the date of first use or making known in Canada of the registered trade-mark (s. 16(1)); (2) the date of filing the underlying application for the registration (s. 16(2) and (3)); the date of registration of the trade-mark (s. 18(1)(a)); and (4) the date on which proceedings bringing the validity of the registration into question are commenced (s. 18(1)(b) and (c)). In essence, however, it is the fourth date that is controlling, for the first three dates really refer to matters showing that, at the fourth date mentioned above, that is, the date of the application for expungement, the mark is wrongly on the register. But when expungement is sought on the ground that the trade-mark was not registrable at the date of registration, that date is critical and evidence that the mark has subsequently acquired distinctiveness sufficient to make it registrable under s. 12(2) is irrelevant. Evidence of registrability is relevant only as of the date of registration and the saving provision of s. 18(2) has no reference to distinctiveness acquired after that date.

[emphasis added]

[191] The cases cited in support of the latter proposition – that the relevant date is the registration date – were decided under previous legislation: see *General Motors Corp v Bellows*, [1949] SCR 678 [*General Motors*]; *Somerlite Ltd v Brown* (1934), 51 RPC 205, and *Shredded*

*Wheat Co Ltd v Kellogg Co of Great Britain Ltd* (1940), 57 RPC 148. Thus, the language of the current statute and the cases interpreting it need to be taken into account.

[192] The Court is empowered to expunge an entry in the Registry under s. 57 of the Act where the entry “does not accurately express or define the existing rights of the person appearing to be the registered owner of the mark.”

[193] The Applicant alleges that the entry does not accurately express the rights of the Respondent because the registration is invalid under s. 18(1)(a):

18. (1) The registration of a trade-mark is invalid if

(a) the trade-mark was not registrable at the date of registration,

[...]

[emphasis added]

[194] The alleged reason the trade-mark was not registrable at the date of registration is set out in s. 12(1)(b):

12. (1) Subject to section 13, a trade-mark is registrable if it is not

[...]

(b) whether depicted, written or sounded, either clearly descriptive or deceptively misdescriptive in the English or French language of the character or quality of the wares or services in association with which it is used or proposed to be used or of the conditions of or the persons employed in their production or of their place of origin;

[...]

[emphasis added]



[195] The so-called “saving provision,” s. 12(2), reads as follows:

(2) A trade-mark that is not registrable by reason of paragraph (1)(a) or (b) is registrable if it has been so used in Canada by the applicant or his predecessor in title as to have become distinctive at the date of filing an application for its registration.

[emphasis added]

[196] It is immediately apparent that the “saving provision” refers to only one date: the date of the application for registration of the trade-mark, in this case July 29, 2003. At the same time, reading s. 12(1)(b) in conjunction with s. 18(1)(a), it is clear that the relevant point in time for applying s. 12(1)(b) is “the date of registration.”

[197] Thus, it would appear that in an expungement proceeding under the current Act, there are two potentially relevant dates when non-compliance with s. 12(1)(b) is alleged:

1. The relevant date for determining whether a trade-mark was invalidly registered because it was “clearly descriptive or deceptively misdescriptive” of the products or services in association with which it is used (i.e. the s. 12(1)(b) test) is the date of registration – here, February 22, 2005; or
2. To the extent that the “saving provision” is being invoked to argue that the trade-mark was registrable despite non-compliance with s. 12(1)(b) on the basis that it had been “so used in Canada by the applicant or his predecessor in title as to have become distinctive,” the relevant date is the date of the application for registration – here, July 29, 2003: see *Bodum USA*, above, at para 18; *Cheaptickets*, above, at paras 20-21; *Candrug Health Solutions Inc v Thorkelson*, 2007 FC 411 at paras 24-25, reversed on other grounds by 2008 FCA 100 [*Candrug*].

[198] It seems to me that the basic principle from *General Motors*, above, remains valid: use after the date of registration so as to make the mark distinctive is of no avail where the basis for the expungement is descriptiveness. However, under the current Act, “acquired distinctiveness”

through use is to be assessed as at the date of the application for registration, not the date of registration itself.

[199] This differs from the relevant point in time for assessing an alleged lack of distinctiveness under s. 18(1)(b), which is judged as of the date the expungement proceeding was initiated.

However, s. 18(1)(a) provides a separate and distinct ground for expungement: see *Bodum USA*, above, at paras 147-148 and 150-151; *Cheaptickets*, above, at para 22; *Candrug*, above.

### **Who has the onus in an expungement application?**

[200] As pointed out elsewhere in this judgment, the party seeking expungement of a trade-mark generally bears the onus of demonstrating that the entry should be expunged from the Register. In relation to expungement on the basis that the mark was not registrable on the date of registration (that is, based on s. 18(1)(a)), *Fox on Trade-Marks*, above, states the following regarding the Applicant's onus (at pp. 11-39 – 11-40):

On an application to expunge on this ground, s. 54(3) states that registration of a trade-mark affords *prima facie* proof of the facts set out in a certified copy of the record of its registration. Therefore, a party seeking expungement of a registered trade-mark must adduce evidence that the trade-mark ought not to have been registered because, for example, it is not a trade-mark or that it falls within the exceptions of s. 12(1)(a) or (b)....

[201] Does this mean that in addition to proving that the mark was “clearly descriptive or deceptively misdescriptive” within the meaning of s. 12(1)(b), the Applicant bears the onus of showing that there was no acquired distinctiveness through use in Canada as of the date of the application for registration, such that the saving provision in s. 12(2) does not apply? The

language used by the Court of Appeal in dealing with this subsection of the Act in *Cheaptickets*, above – an expungement case that dealt specifically with s. 12(1)(b) and 12(2) – suggests this may not be the case.

[202] The Court in *Cheaptickets* spoke of s. 18(2) as providing a “defence” available to the trade-mark holder in an expungement proceeding, and seemed to portray s. 12(2) in similar terms. *Cheaptickets* was the trade-mark holder in that case, and *Emall* was the party seeking expungement. The Court responded to their arguments regarding s. 12(2) as follows:

[18] *Emall* argues that subsection 12(2) may be invoked during the process of trade-mark registration, but not during expungement proceedings. *Emall* submits that in expungement proceedings the relevant provision is subsection 18(2), which reads as follows (my emphasis):

18. (2) No registration of a trade-mark that had been so used in Canada by the registrant or his predecessor in title as to have become distinctive at the date of registration shall be held invalid merely on the ground that evidence of the distinctiveness was not submitted to the competent authority or tribunal before the grant of the registration.

\*\*\*

18. (2) Nul enregistrement d'une marque de commerce qui était employée au Canada par l'inscrivant ou son prédécesseur en titre, au point d'être devenue distinctive à la date d'enregistrement, ne peut être considéré comme invalide pour la seule raison que la preuve de ce caractère distinctif n'a pas été soumise à l'autorité ou au tribunal compétent avant l'octroi de cet enregistrement.

19. Subsection 18(2) makes available to the holder of a registered trade-mark a specific defence in expungement proceedings which may come into play if the trade-mark has acquired distinctiveness by the time the registration process was complete, even if the Registrar of Trade-Marks was not given evidence of that fact.

20. The consequence of Emall's argument is that if Cheaptickets is unable to establish distinctiveness as of the completion of the registration process as contemplated by subsection 18(2), Cheaptickets would be barred from even attempting to establish distinctiveness as of the commencement of that process. Emall referred to no authority that would compel subsection 12(2) to be construed in such a limited fashion, and I see no reason to accept that interpretation. In my view, the existence of subsection 18(2) does not preclude Cheaptickets from invoking subsection 12(2) during expungement proceedings.

21. Cheaptickets is correct to say that Justice Strayer does not mention subsection 12(2). That may have been an error or oversight on his part, or it may indicate that he found subsection 12(2) not to be worthy of mention. In either case, the omission is inconsequential. The record discloses no evidence that is reasonably capable of supporting Cheaptickets' submission that the trade-marks had acquired distinctiveness as of the date on which the applications for registration were filed.

[emphasis added]

[203] It seems clear from this that the Court of Appeal did not find it appropriate to impose an onus on the party seeking expungement, Emall.ca, to prove the negative – i.e. that distinctiveness had not been acquired through use as of the date of the application for registration. Rather, it found that it was open to the party opposing expungement to “invoke” s. 12(2) and to “[attempt] to establish distinctiveness as of the commencement of [the registration] process.” It then found, in ruling against Cheaptickets, that there was no evidence on the record capable of establishing that such distinctiveness had been acquired. This seems more consistent with the view that should the Respondent want to “invoke” s. 12(2), it bears the onus of presenting evidence to show that distinctiveness within the meaning of that section had been acquired by the relevant date.

[204] It could be argued that, where there is evidence both for and against such distinctiveness, ambiguity should still be resolved based on the presumed validity of the trade-mark. That is, while the Respondent would bear an “evidential” burden to show that there is some evidence reasonably capable of supporting acquired distinctiveness as described in the s. 12(2) saving provision, the overall burden of proof remains on the party seeking expungement, and ambiguity is to be resolved against them: see, in the trade-marks opposition context, *John Labatt Ltd v Molson Co* (1990), [1990] FCJ No 533, 36 FTR 70, aff'd 42 CPR (3d) 495, 144 NR 318 (FCA), and *Cyprus*, above, at paras 26-28.

[205] Be that as it may, the Federal Court of Appeal made it clear in *Cheaptickets*, above, that the presumption of the validity of a trade-mark was a weak one, and that whether the mark was to be expunged was a matter to be determined based on all of the evidence before the Court:

[12] The presumption of validity established by section 19 of the Trade-Mark Act is analogous to the presumption of validity of a patent in section 45 of the Patent Act, R.S.C. 1985, c. P-4. In *Apotex Inc v Wellcome Foundation Ltd*, [2002] 4 S.C.R. 153, Justice Binnie characterized that presumption as weakly worded, and he explained (at paragraph 43) that the presumption adds little to the onus already resting, in the usual way, on the attacking party. What that means, in my view, is that an application for expungement will succeed only if an examination of all of the evidence presented to the Federal Court establishes that the trade-mark was not registrable at the relevant time. There is nothing more to be made of the presumption of validity.

[emphasis added]

[206] This was reiterated in *Apotex (2010)*, above, at para 5.

[5] Moreover, in *Emall.ca Inc. (c.o.b. Cheaptickets.ca) v. Cheap Tickets and Travel Inc.*, [2009] 2 F.C.R. 43, 68 C.P.R. (4th) 381 at para. 12 (C.A.), this Court held *that the presumption of validity simply means that an application for expungement will*

*succeed only if an examination of all of the evidence presented establishes that the trade-mark was not registrable at the relevant time.* Glaxo does not suggest that the judge did not examine all of the evidence before arriving at his determination. Consequently, its argument cannot succeed.

[emphasis added]

[207] In the present case, the Respondent offers the following evidence of distinctiveness as of the relevant date:

- (a) Displays of the Trade-mark both inside and outside of the Respondents' facilities at Brantford since November 2001, at London-North since 1997 and at London South since 2000;
- (b) Full coverage advertising since 1997 and before each facility above was opened; and
- (c) Newspaper advertisements in the *London Free Press* before July 24, 2003, and in *The Expositor* (Brantford) between July and December 2003.

[208] As Justice Kelen pointed out in *Canadian Jewellers*, above, at para 75:

There has to be very strong evidence to show that the proposed trade-marks were distinctive at the time of the application. Subsection 12(2) of the Act is an exceptional provision which places a "heavy onus" on the applicant to demonstrate the proposed trade-marks' acquired distinctiveness: *Molson Breweries*, *supra*, at paragraph 53.

[209] I have carefully reviewed the evidence for acquired distinctiveness under s. 12(2) offered by the Respondent and I do not think it meets the required standard. For example, the examples of advertising which appears at Exhibit 51 to Mr. Kelly's affidavit are highly problematic. The dates are handwritten and it is not clear whose handwriting this is or what the distribution was. Mr. Kelly could not provide clarification on these important matters. Further, the use of the Trade-mark on the advertisements for the London Community Health & Wellness Program is,

essentially, use of the Trade-mark in association with the University of Western Ontario and the London Health Science Centre for a lecture series as part of a Free Access Community Program; it is not use of the Trade-mark in association with the wares or services for which it is registered.

[210] In addition, the evidence of advertising expenditure during the relevant period appears to show approximately \$150,000, which is not significant in this context.

[211] As regards the use of the Trade-mark inside and outside the Respondent's facilities, there is evidence that the Respondent has not consistently used "The Athletic Club" inside a black oval, or even inside an oval.

[212] There are also significant omissions in the evidence that are normally used to demonstrate distinctiveness. For example, there is no survey evidence or consumer affidavits to support distinctiveness in the eyes of the consumer, and there is no evidence that the Respondent has ever attempted to police the rights to the Trade-mark.

[213] There is also significant evidence of the use of "the athletic club" by third parties which makes it a generic term in the fitness industry. This was confirmed by the Respondent's witnesses in cross-examination. For example, when Mr. Kelly was presented with an article from the Montreal Gazette from 1991 which contained the words "I joined an athletic club with two thoughts in mind. The first was to get back in shape. The second was to lose weight," Mr. Kelly confirmed that this was not a reference to the Athletic Club and that "athletic club" merely meant a place of exercise. This means that the dominant aspect of the Athletic Club Trade-mark

contains words from the common language, and this makes it even more important to provide strong evidence of distinctiveness for the relevant period.

[214] The Respondent notes that the distinctiveness of a mark can be enhanced by promotion (*In-Touch*, above, at para 26), and points to a number of forms of promotion it has undertaken since the Trade-mark was first used in December 1997. These include display at its facilities, advertising in newspapers, magazines and on TV, its website, Facebook pages associated with each of its facilities, promotions at hockey games, merchandise, distribution of promotional materials through newspaper inserts, door hangers and direct mail, and advertisements shown in movie theatres. However, most of the evidence relating to these promotional activities relates to the period after the application for registration on July 29, 2003, and indeed after the registration itself on February 22, 2005.

[215] For example, the Respondent lists advertising expenses associated with all facilities of approximately \$4.1 million over the period 2005 – 2010, and \$1.7 million over the one-year period from August 1, 2010 – July 31, 2011. This suggests the Respondent's level of advertising expenditure has grown as the number of facilities has grown, as one would expect. However, all of the above-noted expenditure occurred after the relevant period for the purposes of s. 12(2) of the Act. The Respondent says it spent \$9,600 advertising in the *Guelph Expositor* between July and December 2003, but this is a small figure and most of it would presumably have been spent after July 29, 2003.



[216] It is clear that the Respondent did carry out some advertising in the *London Free Press* during the relevant period, despite the problems with the evidence in relation to that advertising that have already been observed. For example, a number of the “tear sheets” from those advertisements include the full page upon which the ad appeared, including the date printed at the top of the page (see for example July 12, 19, and 26 and September 1, 13, 20, and 27 of 1999, February 12, 19 and 28, March 31, April 3, 17, and 27, May 1, 15, 23 and 29, June 1, 5, and 12, September 27 and November 6 of 2000, all in Respondent’s Record, Vol. 5 at Tab 52). Thus, it appears that the Respondent did advertise with some regularity in the *London Free Press* during the relevant period. However, this in itself seems insufficient to establish distinctiveness either in London or the broader Canadian market, at least in the absence of evidence as to the effect of that advertising on awareness of the Respondent and its trade-mark, which has not been provided.

[217] The examples provided of advertisements in *The Expositor* (Brantford) are relatively few in number and undated (see Respondent’s Record, Vol. 4 at Tab 43). It is not clear that any of them relates to the relevant period.

[218] The Respondent says it conducted “full coverage advertising” in each market prior to the opening of its facilities, both through newspaper advertisements and through means such as newspaper inserts, door hangers and direct mail. It says it has distributed “hundreds of thousands” of newspaper inserts, door hangers and direct mail advertisements. However, the examples provided of such materials are undated and the Respondent has not provided any evidence that they relate to the relevant period: Respondent’s Record, Vols. 1-3, Tabs 23-36. The

Applicant requested mailing lists, receipts, invoices etc. to verify whether any of these promotional efforts occurred in the relevant period, but the Respondent replied with only general statements in its responses to undertakings stating that it has “always” used such methods extensively and continues to do so (see Applicant’s Record, Vol. 11, Tab 15, advisement #18 at p. 3477).

[219] Mr. Kelly’s affidavit says that the domain name for the Respondent’s website was first registered on May 11, 2005, and Facebook did not exist prior to July 29, 2003, so it is clear that these promotional tools are not relevant to the s. 12 (2) analysis.

[220] On the whole, then, it is my view that the Respondent has not established that the trade-mark had acquired distinctiveness for the purposes of s. 12 (2) by July 29, 2003.

[221] As Justice Mosley pointed out in *Bodum USA*, above, at para 147, ultimately, “in assessing distinctiveness, the court must apply its own common sense to the evidence: *Thorkelson v PharmaWest Pharmacy Limited*, 2008 FCA 100 at paragraph 15.” In my view, there is insufficient evidence in the present case to support the Respondent’s claims for acquired distinctiveness under s. 12(2) of the Act.

[222] The Respondent says that s. 12(1)(b) cannot be used to prevent parties from using the words “athletic club” in their trade marks because this would make all such marks unregistrable. I don’t follow the logic of this argument. No one is prevented from using such words in their trade-mark provided they are disclaimed and the trade-mark is otherwise distinctive and is not

prohibited by any other section of the Act. The problem occurs, as here, when the words, although disclaimed, remain the dominant feature of a trade-mark that has no distinctiveness.

[223] This means that I find the Applicant has established invalidity under s. 12(1)(b) and that the Athletic Club Trade-mark should be expunged.

### **The Name of Services – s. 12(1)(c)**

[224] The Respondent points out that, unlike s. 12(1)(b), s. 12(1)(c) does not include a sound requirement, which means that it is the trade-mark as a whole that must be considered, including all of the design elements. See *Alwar*, above, at paras 14-17. The Respondent says that the Athletic Club Trade-mark as a whole is not “clearly” the name of any of the Respondent’s services because the Trade-mark is a design and the design elements are clearly not the name in any language of those services.

[225] In the present case, there is a significant body of evidence to show that, for many years, including at the time of registration, numerous third parties have been using the words “athletic club” to describe the very services offered by the Respondent.

[226] I have already found that the words “athletic club” are the dominant aspect of the Trade-mark and that the design elements do not have any distinctiveness. This means that the Respondent is, essentially, trading off the words “athletic club,” even though those words were disclaimed in its trade-mark application.

[227] As the Applicant points out, the Trade Marks Opposition Board decision in *Banco*, above, teaches that where the word portion of a composite trade-mark is the dominant feature, the composite trade-mark may be capable of contravening s. 12(1)(c), and did in that case:

[12] The word "bank" in the verbal sense is defined as follows:

3bank " vb-ED/-ING/-S vi 1 a: to keep a bank b : to carry out the business of banking 2 a : to deposit money in a bank <a trip into town to shop and > b : to have an account with a bank or banker <the company s at the First National > vt 1; to deposit in a bank < your salary>

[ . . ]

[14] It might be argued that it would be stretching a point to hold that the word "bank" and the expression "banking services" are synonymous but in consideration of the definitions in Webster's Dictionary, it would be an affront to credibility to conclude otherwise. Just as words such as "bakery" and "laundry" are wholly inseparable from the services performed in such establishments, so it is with "bank" and "banking", and while I realize that the English meanings given for the Spanish word "banco" in Cassell's Dictionary do not approach in elaborateness the definitions appearing in Webster's Dictionary, nevertheless the word "banco" in for example the Spanish language is the equivalent of the word "bank" in the English language, and, as far as I am concerned, it is also the equivalent of the expression "banking services" in the English language.

[15] The applicant has argued that the allegation under the provisions of s. 12(1)(c) cannot succeed because the opponent has not presented the Registrar with evidence establishing that the word "banco" is primarily the name in the Spanish language for the English word "bank", and that nothing in the opponent's evidence qualifies affiant Hunt as an expert on the Spanish language or as a person knowledgeable in that language, but it does not seem to me that either of those arguments carries any weight whatever. In the first place, the applicant is not entitled to read into s. 12(1)(c) words that are not there and is certainly not entitled to transpose the provisions of s. 12(1)(b) into the provisions of s. 12(1)(c). Section 12(1)(c) does not require that the trade mark be primarily the name in any language of any of the services in association with which the mark is used or proposed to be used. The provisions of s. 12(1)(c) apply if the mark to be registered is simply the name in any language of the services in connection with which it is used or

proposed to be used. As it happens, the word "banco" in Spanish like the word "bank" in English has several meanings, many of them entirely unrelated, but nevertheless the word "banco" in Spanish and the word "bank" in English are used to identify the sort of establishment known as a commercial bank or a savings bank as well as the services offered in such establishments, so that the allegation based on the provisions of s. 12(1) (c) is a very formidable one and the applicant has not succeeded in overcoming or disposing of it with respect to either of the trade marks that he has applied to register.

[228] In the present case, it is my view that the words "athletic club" are entirely inseparable from the services being offered at the Respondent's establishments and at other athletic clubs, and that the design features are not sufficient to render the Trade-mark distinctive in a way that takes it outside the prohibition contained in s. 12(1)(c). While not all of the services offered by the Respondent would be called "athletic" if considered in isolation, they are the services of an "athletic club." Furthermore, s. 12(1)(c) prohibits the registration of a trade-mark where it is "the name in any language of any of the wares or services in connection with which it is used or proposed to be used" (emphasis added). "Athletic club" is the name of the Respondent's services considered in their context.

[229] The effect of accepting the Respondent's arguments would be that a trader could obtain a monopoly in a generic description of services merely by disclaiming the words in question and then using them as the dominant feature in a design mark where the design is not distinctive. In my view, that would defeat the whole purpose of disclaimers.

[230] In my view, then, the Applicant has shown that the Athletic Club Trade-mark, as of February 22, 2005, contravened s. 12(1)(c) and was, therefore, not registrable.

**Prohibited by s. 10**

[231] The Applicant says that the Athletic Club Trade-mark is also invalid because, pursuant to ss. 18(1)(a) and 12(1)(e) of the Act, it contravenes s. 10 of the Act.

[232] For ease of reference, s. 10 reads as follows:

10. Where any mark has by ordinary and *bona fide* commercial usage become recognized in Canada as designating the kind, quality, quantity, destination, value, place of origin or date of production of any wares or services, no person shall adopt it as a trade-mark in association with such wares or services or others of the same general class or use it in a way likely to mislead, nor shall any person so adopt or so use any mark so nearly resembling that mark as to be likely to be mistaken therefor.

10. Si une marque, en raison d'une pratique commerciale ordinaire et authentique, devient reconnue au Canada comme désignant le genre, la qualité, la quantité, la destination, la valeur, le lieu d'origine ou la date de production de marchandises ou services, nul ne peut l'adopter comme marque de commerce en liaison avec ces marchandises ou services ou autres de la même catégorie générale, ou l'employer d'une manière susceptible d'induire en erreur, et nul ne peut ainsi adopter ou employer une marque dont la ressemblance avec la marque en question est telle qu'on pourrait vraisemblablement les confondre.

[233] The parties agree that the relevant date here is the date of adoption by the Athletic Club which is December 31, 1997.

[234] The Respondent says that the Athletic Club Trade-mark cannot be invalidated under s. 10 because:

1. The Applicant has to show that it is the entire mark, including the design element, that is prohibited. A segment of a trade-mark is not a mark under s. 10 as trade marks are not to be dissected into their component parts. *Glenora Distillers*, above, at paras 23 and 24;
2. The Applicant has not provided any evidence to show that the “entire mark,” including the design elements, would be prohibited by s. 10;
3. No evidence has been filed to show that even the word portion would designate the quality, quantity, destination, value, place of origin or date of production of any of the wares or services;
4. The words “athletic” and “club” have been disclaimed;
5. Section 35 of the Act provides some relief and permits “Athletic Club” to be part of the Respondents’ Trade-mark; and
6. It cannot be the intention of section 10 to prohibit marks that contain the words “athletic club.” This is contrary to the plain wording of the provision which states that “no person” shall adopt a prohibited mark as a trade-mark.

[235] The Court must decide whether “athletic club” had at the relevant time become a mark that would trigger the s. 10 prohibition, and whether, in fact, the Respondent’s adoption of its trade-mark was in violation of that prohibition. This is a crucial issue in the case since, in my view, the permanent injunction the Applicant is seeking would only be appropriate if the Trade-mark offends the s. 10 prohibition.

[236] As discussed below, there are some problems with the Applicant’s evidence of *bona fide* commercial usage establishing a prohibited mark under s. 10. However, based on the evidence as a whole, I find that this is established.

#### **Effect on disclaimer in relation to s. 10 of the Act**

[237] Section 10 of the Act reads:

10. Where any mark has by ordinary and bona fide commercial usage become recognized in Canada as designating the kind, quality, quantity, destination, value, place of origin or date of production of any wares or services, no person shall adopt it as a trade-mark in association with such wares or services or others of the same general class or use it in a way likely to mislead, nor shall any person so adopt or so use any mark so nearly resembling that mark as to be likely to be mistaken therefor.

[238] The Respondent says that s. 35 provides some relief against this provision, permitting the adoption of a mark that would otherwise offend it if the offending portion (here, the words) is disclaimed. Section 35 reads as follows:

35. The Registrar may require an applicant for registration of a trade-mark to disclaim the right to the exclusive use apart from the trade-mark of such portion of the trade-mark as is not independently registrable, but the disclaimer does not prejudice or affect the applicant's rights then existing or thereafter arising in the disclaimed matter, nor does the disclaimer prejudice or affect the applicant's right to registration on a subsequent application if the disclaimed matter has then become distinctive of the applicant's wares or services.

[239] The Respondent says that the disclaimed portion is not to be considered when assessing the prohibition under s. 10, because otherwise s. 35 would serve no useful purpose. The Respondent cites *Jordan & Ste-Michelle (FC)*, above.

[240] I have examined this case (discussed below), and while it does suggest that s. 35 (then s.34) disclaimers do have some relevance to the s. 10 analysis (a position with which I do not agree for the reasons I have stated), I do not read the case as saying that the disclaimed portion of the mark must be disregarded for the purposes of the s. 10 analysis.



[241] Section 10 itself says nothing about registration. It prohibits the adoption or use of certain trade-marks in the circumstances it describes. Disclaimers upon registration have no relevance to this. As Hughes points out, registration does not create rights to adopt or use a trade-mark so much as it serves as presumptive evidence that such rights exist:

It is not registration that makes a party proprietor of a trade-mark; he or she must be a proprietor *before* he or she can register... Registration creates a rebuttable presumption as to rights which can be displaced by other evidence, such as that of contractual obligation.

*Hughes on Trade Marks*, above, at p. 601.

[242] Thus, it seems to me that whether one disclaims certain words when registering a trade-mark has no bearing on whether one had a legal right to adopt it in the first place.

[243] The relevance of s. 10 in an expungement proceeding is that s. 12(1)(e) precludes the registration of a trade-mark the adoption of which is prohibited by s. 10. So, s. 10 in combination with s. 18(1)(a) and s. 12(1)(e) can serve as a basis for expungement.

[244] At first glance, this may appear to make disclaimers relevant to the analysis, because they are relevant to the registration process. However, s. 12(1)(e) precludes the registration of a mark the *adoption* of which is prohibited by s. 10, and disclaimers on registration can have no bearing on whether adoption of the mark in the first place was prohibited by s. 10. To repeat, “[i]t is not registration that makes a party proprietor of a trade-mark; he or she must be a proprietor before he or she can register”: *Hughes on Trade Marks*, above, at 601.

[245] While it follows a different line of analysis than outlined above, I do not think *Jordan & Ste-Michelle (FC)*, above, supports the Respondent's position. The proposed mark in question in that case was BABY DUCK CANADIAN CHAMPAGNE, and the applicant for registration had disclaimed the words "Canadian champagne." The decision under review, which was upheld, was from the Trade Marks Opposition Board (see *Jordan & Ste-Michelle Cellars Ltd/Les Caves Jordan & Ste-Michelle Ltee v Andres Wines Ltd*, [1983] TMOB No 97, 81 CPR (2d) 230 [*Jordan & Ste-Michelle (TMOB)*]) and states at paras 9-10:

[9] ... [A]s s. 10 of the Act refers to the status of the mark prior to its adoption by the applicant and not to its status subsequent to its adoption, the evidence must establish that the mark CANADIAN CHAMPAGNE had become recognized in Canada as designating the kind, quality or place of origin of Canadian champagne as of the applicant's date of adoption, that is, the filing date of the applicant's proposed use application. In this regard, I am satisfied that the opponent has met this burden in the Browning affidavit and, in particular, para. 3 thereof, establishes that various companies have for many years utilized the words "Canadian champagne" to identify a particular type of wine which they have sold in Canada. Further, the Browning affidavit, which was not challenged or contradicted by the applicant, establishes that the words "Canadian champagne" have been generally accepted as identifying a sparkling wine of over 10% alcohol by volume and made primarily from Canadian-grown grapes and having an effervescence derived solely from the secondary fermentation of the wine in closed vessels. Thus, this description constitutes "in ordinary commercial terms" the type of wine which the applicant must be taken as intending to sell in Canada in association with its trade mark BABY DUCK CANADIAN CHAMPAGNE. In any event, the applicant has effectively conceded that Canadian champagne designates the kind of wares in association with which it intends to use its trade mark, having disclaimed the words "Canadian champagne" apart from the trade mark and having amended the statement of wares in its application to cover "Canadian champagne" which, having regard to s. 29(a) of the Trade Marks Act, constitutes a statement in ordinary commercial terms adopted by the applicant (effective as of the filing date of its application) of the specific wares in association with which it proposes to use its trade mark BABY DUCK CANADIAN CHAMPAGNE.

[10] With respect to the prohibition to the adoption of a trade mark under s. 10 of the Trade Marks Act, the trade mark sought to be registered must be either identical to the mark which designates the kind or quality of wares or must resemble that mark to such an extent as to be likely to be mistaken therefor. So far as the question of adoption of the trade mark is concerned, therefore, I do not consider that s. 10 could be relied upon to refuse a trade mark which, while confusing with a mark which designates the kind or quality of the wares, is neither identical to nor likely to be mistaken for such mark. Accordingly, s. 10 would not prohibit the adoption of a trade mark where the trade mark includes a word which either designates (or is likely to be mistaken for a mark which designates) the kind of wares, but where the trade mark as a whole would not be mistaken for such mark. In the present instance, I certainly do not consider that the applicant's trade mark BABY DUCK CANADIAN CHAMPAGNE would be likely to be mistaken for the mark CANADIAN CHAMPAGNE. Rather, the adoption by various Canadian wine producers of the words "Canadian champagne" in association with Canadian champagne would certainly alert the average consumer of the fact that there are various vintners who are producing Canadian champagne for distribution in Canada, such that the addition of the words "baby duck" to the words "Canadian champagne" by the applicant would, if anything, serve to distinguish the applicant's Canadian champagne from those of others, thereby avoiding any likelihood of the average consumer mistaking the applicant's Baby Duck Canadian Champagne in applied to Canadian champagne with the mark CANADIAN CHAMPAGNE in association with Canadian champagne.

[246] It is clear that the TMOB did not disregard the disclaimed portion of the mark in assessing it for compliance with s. 10. Rather, the Board considered whether there was a "mark" that had "by ordinary and bona fide commercial usage become recognized in Canada as designating the kind, quality... place of origin... [etc] of any wares or services," and found that the words "Canadian champagne" met these criteria. It then assessed whether the trade-mark proposed for registration was identical to that mark, or "so nearly [resembled] that mark as to be likely to be mistaken therefor." In making this assessment, the Board looked at the proposed trade-mark "*as a whole*," including the disclaimed portion. It compared "BABY DUCK

CANADIAN CHAMPAGNE” to “Canadian champagne,” and found that when considered as a whole, the former would not be mistaken for the latter.

[247] Furthermore, the Board did not say that the disclaimer must be taken into account in the s. 10 analysis. Rather, it merely cited the disclaimer as evidence that the applicant for registration in that case had itself acknowledged that the words in question had come to designate, through ordinary commercial usage, the kind of wares in association with which it intended to use the proposed mark.

[248] Upon review in this Court, Justice Cullen contrasted the prohibition set in s. 10 with that outlined in s. 9 of the Act, and took the view that disclaimers were relevant to the former but not the latter (*Jordan & Ste-Michelle (FC)*, above, at paras 7-13):

[7] ... Section 9 prohibits the adoption “... in connection with a business, as a trade mark or otherwise, any mark consisting of, or so nearly resembling as to be likely to be mistaken for ...” and then follow in subss. (a) to (o) the prohibited items. A mere sampling here will suffice to show the particular emphasis of s. 9, namely, The Royal Arms, Crest, or Standard; the arms or crest of any member of the Royal Family; the arms, crest, or flag adopted and used at any time in Canada or by any province; the heraldic emblem of the Red Cross, the Red Crescent or the Red Lion; any scandalous, obscene or immoral word or device; "United Nations"; R.C.M.P.

[8] This is a strong prohibitive section and in my view anyone endeavouring to use such a mark as part of an overall trade mark would not be successful nor permitted to use the disclaiming s. 34. I cannot imagine any examiner/Registrar telling an applicant, "The trade mark is acceptable but you must disclaim the right to the exclusive use of the words "United Nations", or "R.C.M.P."

[9] That is not the case, however, with s. 10 and if it were there would be no rationale for s. 34. Clearly, there are words that can be disclaimed and CANADIAN CHAMPAGNE is almost a text book case. Prior to the passage of s. 34 I am satisfied the respondent

(applicant) could not have secured the trade mark BABY DUCK CANADIAN CHAMPAGNE. With s. 34 it is conceded by counsel for the respondent in the course of his argument that there is a whole series of trade marks possible using the words Canadian champagne. As examples, I believe he mentioned the following possibilities: Calonna Premium Vintage Canadian Champagne, Andres Richelieu Canadian Champagne, Chateau-Gai Canadian Champagne, Jordan Gold Seal Canadian Champagne, and others.

[10] The arguments that s. 10 prohibits the adoption of the mark BABY DUCK CANADIAN CHAMPAGNE would certainly be applicable to CANADIAN CHAMPAGNE but not to the whole mark. The disclaimer section makes it possible to use a word or words that might otherwise be prohibited by s. 12(1)(b). This mark, BABY DUCK CANADIAN CHAMPAGNE, was adopted by the respondent (applicant) pursuant to s. 3 of the Trade Marks Act when it "filed an application for its registration in Canada".

[...]

[12] Certainly I can agree with the appellant that when considering the Trade Mark Register, there is a public interest in maintaining the purity of the Register. What is detrimental to the public interest here? If anything, the public is better informed because it knows which Canadian champagne it purchased.

[13] Also, certain marks should not enter the Register and I am referring for example to the prohibitions under s. 9. But s. 34 provides some relief from the provisions of s. 10 and therefore permits "Canadian Champagne" to be part of the mark.

[emphasis added]

[249] As with the TMOB, the Court did not disregard the disclaimed portion of the mark in assessing it for compliance with s. 10. This is clear from the language or para 10:

The arguments that s. 10 prohibits the adoption of the mark BABY DUCK CANADIAN CHAMPAGNE would certainly be applicable to CANADIAN CHAMPAGNE but not to the whole mark.

[250] Like the TMOB, then, the Court found that “Canadian Champagne” was a prohibited mark (and that the applicant for registration had conceded this through its disclaimer), but that the trade-mark applied for – BABY DUCK CANADIAN CHAMPAGNE – was not sufficiently similar to that mark to be mistaken for it. This was the basis of the Court’s decision.

[251] The Court also observed that without the disclaimer provision, a trade-mark would not be able to include the term “Canadian Champagne” even if the mark as a whole would not be mistaken that mark. The Court suggested that this would be a consequence both of s. 12(1)(b) (see para 10) and s. 10 (see para 13). In my view then, for the reasons outlined above, disclaimers are not relevant to the s. 10 analysis. The question is simply whether there is a prohibited mark that is so similar to the proposed mark that the latter would be mistaken for the former.

[252] The discussion of disclaimers and their effect in *Fox on Trade-Marks* also seems at odds with the Respondent’s position. It reads in relevant part (at pp. 6-11 – 6-12):

... [I]f an applicant disclaims all of the individual elements of a trade-mark, the trademark as a whole may still be registrable if the combination of elements is itself distinctive. In contrast, an applicant cannot avoid a determination that the subject trade-mark is deceptively misdescriptive by disclaiming that portion of the mark if it is the dominant feature.

[...]

...When determining if two marks are confusing, disclaimed matter must be taken into account, because the marks in question must be considered in their totalities. However, if the only similarity between the two marks is the disclaimed matter, the opposition will not succeed, since the purpose of the disclaimer is to otherwise permit other persons to use such independently non-registrable matter.

[emphasis added, footnotes omitted]

[253] While these observations relate to distinctiveness and confusion, and not to s. 10 specifically, they underscore the point that the purpose of disclaimers is not to allow parties to adopt, use or register trade-marks that have no distinctiveness other than the disclaimed matter. Rather, the purpose is to permit the registration of distinctive trademarks (considered as a whole) that include some content over which the applicant cannot claim a monopoly of use: see *Café Suprême F et P Ltée v Canada (Registrar of Trade Marks)*, [1984] FCJ No 42, 3 CIPR 201; *A Lassonde Inc v Canada (Registrar of Trade Marks)*, [2000] FCJ No 128 at paras 43-44, 180 FTR 177; *Canadian Parking Equipment Ltd v Canada (Registrar of Trade Marks)*(1990), 34 CPR (3d) 154 at 161 (FCA); *RJ Reynolds Tobacco Co v Rothmans, Benson & Hedges Inc* (1993), 47 CPR (3d) 439 (FCTD).

[254] Thus, in my view, the disclaimer of the words “athletic club” cannot help the Respondent to avoid the s. 10 prohibition if those words have “by ordinary and bona fide commercial usage” become a mark that designates a kind of wares or services in Canada within the meaning of s. 10, and if the Athletic Club trade-mark considered as a whole (including the disclaimed words) so closely resembles that mark as to be mistaken for it.

### **Is the Athletic Club Trademark prohibited by s. 10**

[255] In the present case, the “mark” that is alleged to have, by ordinary and *bona fide* commercial usage, become recognized in Canada as designating a kind of services is “athletic

club.” The trade-mark that must be compared to that “mark” is the words “The Athletic Club,” along with the associated design features.

[256] Thus, the Court must first determine whether the words “athletic club” meet the criteria to trigger the s. 10 prohibition. The parties seem to agree that of the list set out in s. 10 (kind, quality, quantity, destination, value, place of origin or date of production), only “kind” is relevant here. The Court must therefore determine whether the words “athletic club” have become a “mark” that designates a kind of wares or services within the meaning of s. 10 (a “designator mark”). If so, the Court must determine whether



so closely resembles the mark “athletic club” that it is likely to be mistaken for it.

***Is “athletic club” a “mark” within the meaning of s. 10?***

[257] Section 10 speaks of a “mark” that has come to designate a kind, quality etc. of wares or services, and prohibits the use of a trade-mark that so closely resembles that “mark” that it is likely to be mistaken for it. Assessing whether the words “athletic club” have become such a “mark” is complicated by the fact that the Act does not define the term “mark.” In seeking to understand what is meant by the term “mark” in s. 10, it makes sense to look to the purpose of the provision and its place in the statutory scheme. However, there is some ambiguity in this regard as well.



[258] *Fox on Trade-Marks* provides the following analysis regarding the purpose and scope of s. 10 (at p. 5-66.6):

This section replaces s. 13 of the *Unfair Competition Act* which was in similar terms but did not go quite so far. The prohibition against adoption in the *Unfair Competition Act* related to the symbols themselves. In the *Trade-marks Act*, the prohibition is extended to embrace any mark so nearly resembling such a prohibited mark as to be likely to be mistaken therefor. This section is obviously designed, as was its predecessor, to prohibit the adoption of such marks as the hall mark for silver and such other well-known marks indicative of quality or origin...

[259] However, it is clear that the provision goes beyond marks “indicative of quality or origin,” as the section by its terms also contemplates marks indicating the “kind,... quantity, destination, [or] value” of wares or services. Thus, the word “HALLOUMI,” being indicative of a “kind” of cheese as a result of its common commercial usage in Canada, could not be the property (as a certification mark) of The Ministry of Commerce and Industry of the Republic of Cyprus: *Cyprus*, above. Section 10 functioned not to protect a hallmark or mark of quality or origin from commercial exploitation as a trade-mark, as suggested in *Fox on Trade-Marks*, but rather to protect existing commercial uses of the term “halloumi” from an attempted assertion of a monopoly on the rights to use the term through the registration of a certification mark (see also *Unitel Communications Inc v Bell Canada*, [1995] FCJ No 613 at paras 139, 178, 92 FTR 161 [Unitel]: s.10 prohibits the adoption of a mark which has become generic “in the collective minds of the appropriate relevant universe”).

[260] The Court of Appeal in *Glenora Distillers*, above considered but did not conclusively decide what constitutes a “mark” protected under s. 10. The question there was whether the word “glen” was such a mark, such that the appellant’s trade-mark “GLEN BRETON” would be

prohibited (if likely to be mistaken for “glen”) by s. 10. The Scotch Whiskey Association argued that the common use of the prefix “glen” in the names of scotch whiskeys, such as Glenfiddich, Glenmorangie and Glenlivet, meant that this word had come to designate a kind of whiskey (scotch), and the appellant’s proposed trade-mark thus violated s. 10 of the Act. Incongruously, the Association had argued that their members were entitled to use the word “glen” in their trade-marks because they were distillers of genuine scotch whiskey. Sexton JA provided the following analysis for the Court:

[21] “Mark,” as it appears in section 10, is not defined by the Act. A “trade-mark” is defined in section 2, in part, as “a mark that is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, lease, hired or performed by him from those manufactured, sold, leased, hired or performed by others.” The respondent argues that the term “mark” is clearly broader the term “trade-mark,” and suggests that the word “glen,” which forms part of many registered trademarks, can be considered on its own as a “mark” for the purposes of section 10.

[22] I agree with the first part of this argument, that a mark is not necessarily a trademark. *Fox on Trademarks* makes clear that a mark that is used for purely decorative or warehouse purposes will not be considered a trademark unless it has actually come to distinguish the trader of the goods (4th ed., looseleaf (Toronto: Thomson Carswell, 2002) at 3-14 to 3-16). For instance, a sticker affixed to a ware to indicate to warehouse employees the date of manufacture would most likely not fall within the definition of a “trade-mark.” Likewise, a certification mark (a mark used to indicate that goods meet a defined standard, such as being “organic”), which may be used by many different traders, is a “mark” but not a “trade-mark,” as it is not unique to any particular trader.

[23] However, this court has not been referred to any authority for the proposition that a segment of a trademark can stand alone as a mark. In my view, this would run counter to numerous authorities, albeit outside the context of section 10, stating that trademarks should generally not be dissected and analyzed syllable by syllable.

[emphasis added]

[261] The term that is alleged to be a prohibited mark in the present case is “athletic club.” The Applicant alleges that this term has been used as part of a number of trade-marks or trade names in Canada, but it does not allege that “athletic club” was the entire trade-mark of these entities. It was a segment of their trade-marks or trade names. The Applicant also alleges that generic (or descriptive) uses of the term “athletic club” have helped to establish it as a “designator mark” (and thus prohibited mark) under s. 10. The above analysis seems to call into question whether either of these forms of commercial usage could establish a prohibited mark under s. 10.

[262] The Court of Appeal’s suggestion in *Glenora Distillers*, above, that segments of existing trade-marks cannot be stand-alone marks for the purposes of s. 10 is more than a passing reference, and could have important implications here. Thus, it requires careful consideration. In *Glenora Distillers*, the appellant, Glenora Distillers International Ltd [*Glenora*], was using the prefix “glen” in its trade-mark to evoke a similarity to scotch whiskeys, even though it was not permitted by the *Food and Drug Regulations* to label its product as “Scotch” because it was distilled in Canada. The Court of Appeal found that “it is fair to say that Glenora has marketed its product as being like a single-malt Scotch in everything but name” (para 6). The respondent Scotch Whiskey Association objected, claiming that “the use of ‘glen’-prefixed marks in association with several well-known single malt Scotches... has resulted in an association between the word ‘glen’ and whiskies distilled in Scotland” (para 7).

[263] The TMOB found that the word “glen” had not become a prohibited mark under s. 10 through ordinary and bona fide commercial usage, but Justice Harrington of this Court came to the opposite conclusion. He noted that glen-prefixed scotches made up 59% of the Canadian

market for single-malt scotches, that there was confusion in the market whereby Glen Breton was perceived to be a Scotch whiskey, and that this confusion was due to the use of the word “glen” in Glenora’s trade-mark.

[264] The Court of Appeal overturned this decision, finding at paras17-19:

[17] I am of the view that Justice Harrington made an error of law by failing to consider whether the word “glen,” having only previously been used as part of various registered trademarks, is in fact a “mark” within the meaning of section 10 of the Trade-marks Act...

[18] In its memorandum of fact and law, the Association suggests that Justice Harrington held, at paragraph 16 of his reasons, that “Glen, as a mark, has become recognized as designating Scotch whisky in Canada.” However, he did not address specifically the argument that “glen,” being only a segment of the mark GLEN BRETON, and only a segment of any registered trademark (e.g. GLENFIDDICH) was not in itself a mark. He stated only that:

I am, therefore, satisfied that Glen Breton is not registrable under section 12(1)(e) of the Act because its adoption is prohibited by section 10 as no person shall adopt a mark as a trade-mark if it has by “ordinary and bona fide commercial usage become recognized in Canada as designating the...place of origin...of any wares...of the same general class.”

[19] There was no express finding that “glen” was a mark, and no evidence has been shown to us that would justify such a finding.

[emphasis added]

[265] The Court of Appeal later concluded that “the word ‘glen’ has not been shown to constitute a mark within the meaning of section 10 of the Trade-marks Act, and therefore cannot be prohibited” (para 28).

[266] In reaching this result, the Court of Appeal considered the meaning of the term “mark” as quoted above, concluding that the proposition that a segment of a trade-mark can stand alone as a “mark” was “counter to numerous authorities, albeit outside the context of section 10, stating that trademarks should generally not be dissected and analyzed syllable by syllable” (para 23). After discussing two such authorities (*Thomas J Lipton Ltd v Salada Foods Ltd (No 3)* (1979), 45 CPR (2d) 157 (FCTD) and *Park Avenue*, above), the Court concluded that:

[26] While neither of these cases deal directly with section 10 of the Act, in my view, the same essential logic applies, and it would be improper for this court to segment the previously registered marks, or the appellant's mark GLEN BRETON, as the respondent suggests. First, these authorities disclose a broader pattern of the courts refusing to dissect trademarks as part of a registrability analysis, which is itself persuasive. Further, the reasoning of *Park Avenue* is compelling. The word “glen,” being a common word and forming part of numerous registered trademarks, is at best a weakly distinctive component of those trademarks. However, by segmenting those trademarks to consider “glen” as a mark on its own, this court would be affording stronger trade protection to that word than is due.

[emphasis added]

[267] The Court then provides an alternate basis – albeit still connected to the principles that trade-marks should be considered in their totality and not dissected – for its conclusion that the Glen Breton trade-mark was not prohibited. Namely, it agreed with the TMOB that even if “glen” was a prohibited mark, it did not so dominate the trade-mark Glen Breton that the latter would be unregistrable (see paras 27-28). This issue will be dealt with below. Presently, I am concerned with a different question: is “athletic club” a “mark” such that it can be prohibited by s. 10 to begin with.

[268] Read broadly, *Glenora Distillers* could be taken as authority for the proposition that the ordinary and bona fide commercial usage that leads to a mark being a prohibited mark under s.10 must be use as a trade-mark (not generic or descriptive use) and in fact must be use as the entire trade-mark. Commercial use of a term as a portion or segment of a trade-mark could not invest that term with the necessary “designating” force to become a prohibited mark under s. 10. If accepted, such a proposition would have important implications here, since the term “athletic club” has been used commercially both in a generic (or descriptive) sense and as part of the trade-marks of other fitness facilities, but has not (at least until its adoption by the Respondent) been used as the entire trade-mark of any of those facilities.

[269] Upon closer analysis, however, it is my view that this cannot be the intended result of *Glenora Distillers*, as it would lead to a logical inconsistency in the Court of Appeal’s reasoning.

[270] As the Court of Appeal observed, the case before it was somewhat unusual. All of the cases to which it had been referred for authority concerned the prohibition of particular words or phrases that were “inherently descriptive of the character or quality of the products being sold” (para 30). The Court discussed a couple of examples:

[30] ... For instance, in *Bank of Montreal v. Merrill Lynch & Co.* (1997), 84 C.P.R. (3d) 262, the Trade-marks Opposition Board held that CASH MANAGEMENT ACCOUNT was prohibited in association with financial services, as it was commonly understood as “designating a type of financial service through which one can consolidate and manage cash investments and credit through one account.” (at page 275)

[31] Similarly, the Board held that HABANOS was a prohibited mark for tobacco products, as it resembled the marks HABANA and HAVANA commonly used by traders and understood, among other uses, as designating Cuban tobacco by reference to Cuba's

capital (*Benson & Hedges (Canada) Ltd. v. Empresa Cubana Del Tabaco* (1975), 23 C.P.R. (2d) 274)...

[271] The Court also observed that:

[32] Naturally, it would be possible for a mark that is not inherently descriptive of any quality of a product, through ordinary and bona fide commercial usage, to become a designator mark...

[272] The Court observed a difference between these cases and the one before it. In cases such as *Merrill Lynch* and *Empresa Cubana*, both above, it found that “section 10 prevents a single trader from having a monopoly over a mark that is common to the trade and well-understood as designating a particular quality of wares or services” (para 31). By contrast, in the case before it, the Scotch Whiskey Association was (at para 32):

... essentially seeking to establish a monopoly over a word, which is not inherently descriptive, for a group of traders (namely, its members), when it is not clear that any of the Association's members incorporated the word into their trademarks for the purpose of designating their whiskies as being from Scotland.

[273] The Court of Appeal rejected the Association's argument that if glen-prefixed marks were prohibited by s. 10, the Association's members could continue to use their own glen-prefixed trade-marks because they were genuine Scotch whiskey distillers. The Court found that this was “completely contrary to the plain wording of the provision, which states that ‘no person’ shall adopt a prohibited mark as a trademark” (para 33). It was in this context that the Court observed:

[34] In short, [the Respondent's] success in this appeal would jeopardize the trademarks of many of the Association's members. In my view, this cannot be the correct result, and is not true to the spirit and purpose of section 10 of the Act. Accordingly, I would

allow the appeal, and direct the Registrar to allow Glenora's application for the registration of GLEN BRETON.

[274] In other words, as the Court of Appeal recognized, accepting that "glen" was a prohibited mark, did not necessarily mean that "glen-prefixed" marks would be prohibited (see paras 27-28) – the result which the Court of Appeal found could not be correct because it was contrary to "the spirit and purpose of section 10 of the Act." The same can be said in the present case. Even if "athletic club" is a prohibited mark, it may not dominate any of the trade-marks of the Respondent's competitors such that further use of those marks would be prohibited.

[275] By contrast, the broad reading of *Glenora Distillers* identified above – that only use as a trade-mark and in fact only use as the entire trade-mark can lead to a mark becoming a prohibited mark under s. 10 – would lead inexorably to this result wherever a prohibited mark is found to exist. Designator marks could only be established through the commercial use of trade-marks whose further use would be prohibited as soon as such a designator mark is found to exist, because they would be identical to the prohibited mark. This would be an absurd result in my view, and cannot be right, as the Court of Appeal recognized.

[276] As the Court of Appeal observed, *Glenora Distillers* was an unusual case, and the principle that the trade-mark segment "glen" could not be a stand-alone "mark" for the purposes of s. 10 must be read in that context. It had no inherent descriptive meaning, and while strongly associated with scotch whiskeys, had not been adopted by the Association's members for the purpose of designating that origin. It simply did not have a sufficiently strong or distinctive meaning standing on its own to be a designator mark for the purposes of s. 10. Segmenting the



trade-marks that had led to its association with scotch in order to consider “glen” to be a mark on its own “would be affording stronger trade protection to that word than is due” (para 26).

[277] By contrast, as the Court of Appeal noted, most of the s. 10 cases have dealt with terms that were inherently descriptive of the character or quality of the products or services being sold (para 30), and courts have been more willing to recognize such terms as designator marks. In my view, if “Canadian champagne” can designate a kind of wine for s. 10 purposes (*Jordan & Ste-Michelle (FC)*, above, at para 10), “HALLOUMI” can designate a kind of cheese (*Cyprus*, above), and “CASH MANAGEMENT ACCOUNT” can designate a kind of financial service (*Merrill Lynch*, above) within the meaning of s. 10, there seems no *prima facie* reason why “athletic club” could not come to designate a kind of fitness services if, on the facts, it has through *bona fide* commercial usage come to designate those services.

[278] Furthermore, in my view these cases show that generic (or descriptive) uses of a term or its use as *part of* a trade-mark can contribute to its establishment as a designator mark through ordinary and *bona fide* commercial usage. I have no doubt that “cheddar” and “Scotch” would be prohibited marks for the purposes of s. 10, despite the fact that no one uses those terms in and of themselves as a trade-mark in relation to the products commonly understood to be described by those words. Indeed, the very meaning and import of s. 10 is that no one can. It “prevents a single trader from having a monopoly over a mark that is common to the trade and well-understood as designating a particular quality [or I would add kind] of wares or services” (para 31).

***Does the evidence establish that “athletic club” is a “mark” that designates a kind of services under s. 10?***

[279] The evidence required to show that a term has become a designator mark under s. 10 has been described in various ways. In *ITV Technologies*, above, Justice Tremblay-Lamer found at para 88 that:

*ITV Technologies'* third ground with respect to registrability is based on paragraph 12(1)(e) and section 10 of the Act. Pursuant to section 10, a mark may become a prohibited mark if as a result of ordinary and bona fide commercial usage, it has become recognized in Canada as designating the kind, quality, quantity, destination, value, place or origin or date of production of any wares or services. The statutory prohibition requires that the use of the mark in question be in Canada and that the mark must have been commonly used in Canada at the relevant time as designating an aspect of the wares or services which are the subject of the mark (*Unitel Communications Inc.*, supra).

[280] The statutory prohibition requires that the use of the mark in question be in Canada and that the mark must have been commonly used in Canada at the relevant time as designating an aspect of the wares or services which are the subject of the mark (*Unitel*, above).

[281] In *Unitel*, above, Justice Gibson saw the question as whether “the trade marks at issue had become generic at the date of its registration in the collective minds of the appropriate relevant universe” (para 178), meaning “a generic term in respect of the goods or services to which the use has related.” Justice Gibson relied upon *Ciba-Geigy Canada Ltd v Apotex Inc.*, [1992] 3 SCR 120 in finding that the relevant “universe” of persons for determining this question was made up of the end users of the product or service in question (see para 105).

[282] In *Cyprus*, above, both this Court and the Federal Court of Appeal found no error in the TMOB's formulation that the evidence showed that "there has been bona fide commercial usage of the Mark or similar terms such that it is recognized in Canada as designating a kind of cheese": see *International Cheese Council of Canada v Republic of Cyprus (Ministry of Commerce, Industry and Tourism)*, [2008] TMOB No 99 at para 30, 70 CPR (4th) 430, app'd 2010 FC 719 at paras 51-58, 2011 FCA 201 at para 24 (emphasis added). In this Court [*Cyprus (FC)*] Justice de Montigny stated at paragraph 54 that the opponents to registration had to:

... demonstrate that the Mark (or any other mark "so nearly resembling that mark as to be likely to be mistaken therefor", to use the language of section 10) was used extensively in Canada by others prior to the relevant date to designate a type of cheese, and that the Mark had an accepted definition or meaning in the industry: see *Sealy Canada Ltd. v. Simmons I.P. Inc.* (2005), 47 C.P.R. (4th) 296, at paragraphs 35 to 37 (T.M.O.B.).

At paragraph 57 he framed the burden as:

... establishing that the term "halloumi" or terms so nearly resembling it as to be likely to be mistaken therefor, was used extensively in Canada by others to designate a type of cheese.

Justice de Montigny elaborated at paragraph 58:

... [T]he applicable criterion is not quantitative but qualitative. What the opponents had to establish was that the term "halloumi" had by ordinary and bona fide commercial usage become extensively recognized in the industry.

[283] I adopt Justice de Montigny's framing of what must be established. The term "athletic club" will be a prohibited mark under s. 10 of the Act if, at the relevant time that term, or terms so nearly resembling it as to be likely to be mistaken therefor, had been used extensively in

Canada by others to designate a type of physical fitness services or facilities, and if the term has an accepted definition or meaning in the industry.

[284] In the trade-mark opposition context that arose in *Cyprus*, the opponent had only an initial burden to establish a *prima facie* case on this point, whereupon the burden shifted to the applicant for registration to show that the proposed trade-mark was not a prohibited mark under s. 10: *Cyprus (FC)*, above, at para 53. That is not the case here, where the party seeking expungement bears the burden of proof throughout. However, Justice de Montigny's framing of what is ultimately to be determined (irrespective of who bears the onus) applies equally in this context.

[285] The Applicant has put forward several forms of evidence in an effort to establish that, by December 1997 when the Respondent first adopted the Athletic Club Trade-mark, the words "athletic club" had by ordinary and bona fide commercial usage, become recognized in Canada as designating a kind of services.

### ***Evidence from Cross-Examinations***

[286] First, the Applicant points to responses to questions by the Respondent's witnesses – Chuck Kelly and Alex Hunt – during cross-examination on their affidavits, which appear to acknowledge that the term "athletic club," in addition to forming a part of the Respondent's corporate name and Trade-mark, is also a descriptive term used to refer to facilities similar to those operated by the Respondent.

[287] Alex Hunt, a private investigator who filed an affidavit on the Respondent's behalf, acknowledged that: "an athletic club" or "athletic clubs" would typically offer fitness training, weight training, aerobics, personal training and would typically conduct exercise, fitness, aerobic and dance classes; the sale of power bars, power drinks and other health foods to supplement workouts is "something you see" in such facilities; the "bigger ones" often sell sporting goods and clothing and have snacks for sale; and fitness assessments are offered for a fee at such facilities: see Cross-Examination of Alex Hunt, Applicant's Record, Vol. 10, Tab 12, questions 32, 37-40, 93.

[288] Chuck Kelly acknowledged that: "some of" the services offered by the Respondent in its facilities fit with the dictionary definitions of "athletic" and "club"; one of the dictionary definitions of "club" referred to by the Applicant specifically mentions "athletic clubs"; a reference to an "athletic club" in a 1991 *Montreal Gazette* article presented by the Applicant was referring to "a place to exercise"; there are other "athletic clubs" in Canada that offer services such as fitness assessments, restaurant services, a snack bar, dance classes, and selling of sporting goods, health foods and supplements; in 1996, there were athletic clubs that offered dance classes; members of The Athletic Club use those facilities primarily for exercise and socializing; one of the things the Respondent is trying to project with its Trade-mark is fitness; and there are a lot of companies in Canada other than the Respondent that use the words "athletic club" in their name: see Cross-Examination of Chuck Kelly, Applicant's Record, Vol. 10, Tab 14, questions 313-319, 343-345, 378, 384-385, 410, 509. Elsewhere in the same cross-examination, Mr. Kelly claimed that the terms "fitness club" or "health club" would be more commonly used as descriptive terms by third parties to refer to facilities offering the types of

services offered by the Respondent, and he identified massage and retail services (beyond “minor” retail) as two services offered by the Respondent that would not fit with the dictionary definitions of “athletic” and club”: see *ibid*, questions 316-319, 499.

[289] While not irrelevant to the question of whether the words “athletic club” had by December 1997 become a mark that designated a kind of services, these responses are not strong evidence for that proposition either. They do seem to constitute an acknowledgement by these two witnesses that the term “athletic club” has at least to some degree become generic, and would be understood to encompass many of the services offered by the Respondent. However, the relevant “universe” whose opinion matters for present purposes are the end users (or potential users) of the services in question (*Unitel*, above, at para 105), and acknowledgements by these two witnesses of generic uses of the term do not provide strong evidence of how this broader public understands it.

[290] In Mr. Hunt’s case, counsel specifically stipulated, following a series of objections to questions posed, that he was speaking only based on personal knowledge or experience and was “not being put forward as an expert in any way of how an athletic club works or the services provided by athletic clubs generally” (see Cross-Examination of Alex Hunt, Applicant’s Record at pp. 3132-3133).

[291] In the case of Mr. Kelly, the case law is clear that his status on cross-examination is that of a witness and not a party, and thus his answers cannot be treated as admissions. Like Mr. Hunt, his testimony amounts to a survey of one. Counsel for the Applicant repeatedly asked him

to place himself in 1996-97, before the Respondent's adoption of the Trade-mark, in responding to questions. However, he consistently testified that at the time he had little knowledge of "athletic clubs." He said he would have associated the term with "a gymnasium," that he was a member of a "gym" that offered weights, cardio and a vending machine, and the only "athletic club" he would have been aware of was the Detroit Athletic Club which on his understanding bore little resemblance to the Respondent's facilities: see Cross-Examination of Chuck Kelly, questions 350-378, 499-506. While some elements of the Respondent's services would be encompassed within this understanding (for example, weights, cardio equipment, vending machines, and in some cases dance classes), others (for example personal training, fitness assessments and retail operations) would not.

#### *Evidence from newspaper archives*

[292] The Applicant has also presented numerous examples of newspaper articles that contain the term "athletic club." Most relevant for present purposes are the examples of articles published between the late 1980s and 1997, obtained by the Applicant from the Canadian Newsstand database available through the Ottawa Public Library. A number of these articles use the term "athletic club" in a descriptive sense in apparent reference to facilities devoted to sports and/or fitness, while others refer to the names of organizations or facilities that contained the words "athletic club." While one can infer from the context that some of these references are to facilities that bear some resemblance to those of the Respondent, it is in most cases not possible to tell precisely what range of activities and services are offered by the facilities in question. Some refer to the sites of squash, tennis, or running events or the home facilities of the participants, without a clear indication of whether these are activity-specific or more general

athletic and fitness facilities, while others more clearly refer to multi-purpose fitness facilities (see Applicant's Record at pp. 2549, 2585, 2593, 2630, 2643, 2645, 2646). At least one article refers to a fitness facility that has a retail operation selling sports apparel (see Applicant's Record at p. 2567). Other facilities or organizations mentioned in the articles are (again judging from context) apparently dissimilar from the parties' facilities, such as rugby or hockey teams, a boxing club and sports or singles bars (see Applicant's Record at pages 2472, 2475, 2540).

[293] What can be said on the basis of this evidence is that the term "athletic club" was, at least on some occasions prior to 1997, used in newspaper articles as a descriptive term to refer to athletic and fitness facilities that would offer at least some of the services currently offered by the Respondent. The precise degree of overlap or resemblance cannot be determined from the articles themselves. This evidence offers some support to the Applicant's position, but is far from conclusive on its own. It suggests that the term did have some descriptive meaning with the relevant audience at the relevant time, but it does not establish that there was truly an accepted definition or meaning of the term in the industry and what that meaning was. The fact that dissimilar organizations or facilities may have used the term "athletic club" in their names is not fatal to the Applicant's argument under s. 10 if the term still had a readily understood meaning in the relevant context.

### ***Evidence from Yellow Pages directories***

[294] The Applicant has also submitted evidence based on Yellow Pages listings from various cities across Canada for various years between 1985 and 2011. These show that facilities using the term "athletic club" in their names were listed under headings such as "Fitness Centres &



Programs,” “Health Clubs,” “Gymnasiums,” “Gyms,” “Fitness & Health Clubs,” “Athletic Organizations,” “Health Studios,” “Fitness Centres,” “Health, Fitness & Exercise Services,” “Physical Fitness.” Some directories also included a heading entitled “Sports/Athletic Clubs and Organizations,” though the facilities employing term “athletic club” in their names did not appear to be listed under this heading.

[295] This evidence shows that in several cities across Canada, facilities listed under headings that would imply some overlap with the Respondent’s services were using the term “athletic club” in their names before 1997. These include Vancouver / Burnaby and the Lower Mainland of B.C., Victoria, Calgary, Edmonton, Winnipeg, Toronto East, Hamilton-Wentworth / Burlington, Ottawa-Hull, and Halifax-Dartmouth. In some of these markets (for example Vancouver/Burnaby and the Lower Mainland), a marked increase in the use of the term by such facilities is apparent in more recent years, though there were several relevant listings before 1997.

[296] As with the newspaper evidence above, it is not possible to determine from this evidence the range of services offered by each listed facility or organization, but several of the categories (for example “Fitness Centres & Programs,” “Health Clubs,” and “Fitness Centres”) do suggest a degree of similarity with the Respondent’s services.

***Evidence from corporate and trade name / trade-mark searches and follow-up inquiries***

[297] The Applicant conducted a number of searches for corporate names, business (or trade) names, and trade-marks using the term “athletic club.” They used CDNameSearch (which

searches the Canadian Intellectual Property Office (CIPO) database), OnCorp (which searches Ontario corporate and business names), NUANS, the Quebec Registraire des entreprises. These searches revealed numerous examples of businesses and organizations using the term “athletic club” in their corporate names, trade names and trade-marks. NUANS alone contains more than 100 active listings of names that include this term. On their own, these listings tell us little about the services offered or activities carried out by these organizations. However, other forms of further evidence submitted by the Applicant give these listings greater relevance.

[298] The first is a series of registrations under the Ontario *Business Names Act*, RSO 1990, c B.17. On December 17, 2007, the Respondent filed registrations under that Act to enable three of its subsidiaries – The Guelph Athletic Club Inc., The Thunder Bay Athletic Club Inc., Total Fitness Athletic Club (Brantford) Ltd. – to carry on business under the name The Athletic Club. On each of those registrations, the “Activity being carried out” is listed as “ATHLETIC CLUB.” Similarly, the Respondent presented a renewal of a registration under the *Business Names Act* by the Cambridge Group Inc. to operate under the name Toronto Athletic Club, also listing ATHLETIC CLUB as the activity being carried out.

[299] The Applicant says that the Toronto Athletic Club has been defining its activities in this manner since 1987. While there is no verification of this in the registration renewal provided, the Applicant’s evidence, uncontested by the Respondent, was that the Toronto Athletic Club has been in operation for over 25 years (see Antonniou Affidavit of August 26, 2011, Exhibit H, Applicant’s Record, Vol. 6 at p. 2069). The Applicant provided little evidence of that club’s activities. The exhibit just mentioned indicates only that it is a “private club,” and a print-out of a

Google search indicates that it is “Where Toronto’s business elite mixes health and networking with Stratus executive dining, and a spectacular view of Toronto Islands while you exercise!” (Applicant’s Record at p. 2874).

[300] The Applicant also called a number of the businesses listed in the above-noted corporate and business name searches to verify their activities. A summary of their responses compiled by the Applicant (and not contested by the Respondent) indicates under the header “what they do” that of the 19 facilities reached, most have “fitness facilities,” eight have a swimming pool or “aquatics,” and two offer squash facilities. Two facilities (including the Toronto Athletic Club mentioned above) are simply listed as “private club,” while one is listed as having “hockey facilities.” Most of these facilities have operated for 10 years or more, and 10 of the 19 began operating before the Respondent’s adoption of the Trade-mark in 1997 (7 of which were listed as operating “fitness facilities,” two of which were listed as “private clubs,” and one of which operated “hockey facilities”): see Antonniou Affidavit of August 26, 2011, exhibit H, Applicant’s Record at p. 2069. Another series of calls made by the Applicant’s counsel confirmed that another 5 facilities using “athletic club” in their name had been operating for 120, 35, 35, 1 and 30 years respectively, but the Applicant has not indicated the services offered by these organizations: Oliver Affidavit of September 14, 2011, Applicant’s Record, Vol. 7, Tab 11 at paras 137-141.

[301] Finally, an Extended Preview Report from the CDNameSearch results, which are derived from CIPO’s trade-marks database, provides information on the wares and services in connection with which trade-marks matching the search criteria “ATHLETIC & CLUB” have been

registered: see Oliver Affidavit of September 14, 2011, Exhibit K, Applicant's Record at pp. 2200-2205.

[302] A trade-mark entitled FIT CITY ATHLETIC CLUB & DESIGN, registered in March 1999 and owned by FITCITY for Women Inc. Richmond, B.C., is registered in connection with the following wares and services:

**WARES:**

(1) Clothing, namely, sweat pants, sweat shirts, t-shirts, hats, shorts; weight lifting gloves and mugs.

**SERVICES:**

(1) Operation of a retail business providing athletic club services, namely, a fitness and exercise club, hair salon services, massage services, tanning salon services, esthetician services.

[303] The trade-mark MANSFIELD CLUB ATHLÉTIQUE, registered in February 2008 and owned by The Atwater Badminton & Squash Club of Montreal Quebec, is registered in connection with the following wares and services:

**WARES:**

(1) Apparel namely men's, women's and children's jogging and gym shorts, pull-on pants, sweat and warm-up suits, tank tops, T-shirts, long-sleeved T-shirts, jackets, socks; women's leotards and tights; headwear namely, hats and caps; gym bags, coffee mugs and key chains.

**SERVICES:**

(1) Operation of a fitness, athletic and health centre offering a complete program for physical conditioning and tests to evaluate the physical condition of individuals.

[304] Other listed trade-marks relate to wares and services that are not similar to those offered by the Respondent. The trade-mark “Maple Leaf Athletic Club in a circle with maple leaf & design,” owned by The Maple Leaf Athletic Club of Edmonton, is registered in connection with the services “(1) Sports club that promotes the participation in athletic games namely soccer, hockey and lacrosse.” The trade-mark MARLBORO ATHLETIC CLUB, owned by Maple Leaf Sports & Entertainment Ltd. of Toronto, is registered in connection with the services “(1) Providing amusement and entertainment through the medium of hockey games and promotion of an interest in hockey.” The trade-mark SHANKS ATHLETIC CLUB, owned by Schanks International Inc. of Calgary, is registered in connection with the services “(1) Operation of a sports bar, including the sale and service of prepared foods and beverages, and the sale of sporting memorabilia and related sporting paraphernalia,” as well as various wares.

### ***Other evidence***

[305] In my view, the Applicant accurately points out that the term “athletic club” has been used in a generic sense in various court judgments (see *National Council of Jewish Women of Canada, Toronto Section v North York (Township)*, 1961 CarswellOnt 157 at para 7, 30 DLR (2d) 402 (CA); *Kehoe v Thorold (Town)*, 1973 CarswellOnt 465 at para 7, 35 DLR (3d) 512 (Ont H CJ); *Mayfair Tennis Courts Ltd v Nautilus Fitness and Racquet Centre Inc.*, 1999 CarswellOnt 601 at paras 32-33, 23 RPR (3d) 271 (Gen Div); *Rodgers v Calvert*, 2004 CarswellOnt 3602 at para 42, 244 DLR (4th) 479; *Rachfalowski v R*, 2008 TCC 258 at para 21; *Ninpo Martial Arts Inc v Lepa*, 2009 CarswellAlta 1375, 2009 ABPC 251 at para 6; *R v Tejada-Rosario*, 2009 CarswellOnt 9057 at para 5 (Ont SCJ); *Eltom v Canada (Minister of Citizenship and Immigration)*, 2005 FC 1555 at para 25), and in certain pieces of legislation (see *Health*

*Insurance Act*, RRO 1990, Reg 552 (General), s. 24(1) 8.2; *Independent Health Facilities Act*, RRO 1990, Reg 650 (Facility Fees), s. 1(1) 8.2).

[306] The Applicant also points to dictionary definitions of “athletic” and “club,” but none of these defines “athletic club” and they are therefore of limited relevance to the present discussion. One of the dictionaries referenced lists “athletic club” as an example of “club,” which shows a generic or descriptive (though not specifically defined) use of the term (see Shorter Oxford English Dictionary, Applicant’s Record at p. 2872), but this does not tell us how the term was understood in 1997 by the consumers (or potential consumers) of the Respondent’s services.

### ***Conclusion***

[307] Each piece of evidence outlined above presents, in itself, an incomplete picture. However, taken together, this evidence is sufficient to persuade me that by December 1997, on a balance of probabilities, the term “athletic club” had been used extensively in Canada by others within the industry of which the parties form a part and had a well-understood meaning in that industry and among the users and potential users of the parties’ services. In particular, the evidence shows that prior to 1997, several facilities surveyed by the Applicant were operating fitness facilities under business names that included the term “athletic club,” a number of such facilities were listed under relevant headings in the Yellow Pages, and the term was used descriptively (or generically) in newspapers to refer to such facilities.

[308] It may be that there were individual differences among these facilities. Some may have had swimming pools and squash courts, and some not. Some may have had associated retail or

food and beverage operations, and some not. We do not know how many offered personal training, massage services, or various other amenities. Some may have been more posh or more exclusive than others.

[309] However, it seems clear that the relevant public would have understood that these were places for exercise, and no doubt for congregating and socializing with others also interested in fitness or particular athletic activities. In other words, the term “athletic club” had by 1997 become a generic term designating facilities similar to those operated by the parties in this matter, though the specific services and amenities offered at each may have varied. The term “athletic club” had therefore become, in my view, through ordinary and bona fide commercial usage, a mark designating a kind of services. As a consequence, no person was entitled to adopt that mark (or one likely to be mistaken for it) “as a trade-mark in association with such... services or others of the same general class or use it in a way likely to mislead.”

[310] The underlined portion of the preceding quotation is significant. It means that s. 10 does not require an exact correlation with the services the mark has come to designate in order for the prohibition to apply. Where the services sought to be offered are “of the same general class,” the use of the designator mark in connection with them will be prohibited. While the services currently offered by the Respondent may differ in some respects from those that had come to be designated by the mark “athletic club” by 1997, the evidence shows that they are of the same general class. Thus, if the Respondent’s Trade-mark is so similar that it is likely to be mistaken for the mark “athletic club” (which remains to be considered below), its use in connection with those services will be prohibited.

**Is the Athletic Club Trademark so similar that it is likely to be mistaken for the mark “athletic club” in contravention of s. 10?**

[311] As noted above, the question for the Court in this regard is whether



so closely resembles the alleged “designator” mark “athletic club” that it is likely to be mistaken for that mark.

[312] One factor the Court must consider is whether the design elements, even if not “distinctive” so as to avoid a finding (for example) of descriptiveness under s. 12(1)(b) (through the s. 12(2) saving provision) or confusion under s. 16, could nevertheless be sufficient to avoid a finding that the mark is prohibited under s. 10. That is, by prohibiting only marks that are identical to or likely to be mistaken for a designator mark, s. 10 seems to apply a higher threshold than mere confusion or lack of distinctiveness: see *Jordan & Ste-Michelle (TMOB)*, above, at para 10.

[313] *Fox on Trade-Marks* says the following with respect to when the prohibition will or will not apply (at pp. 5-66.6 – 5-66.8):

Section 10 was held not to prohibit the adoption of a mark comprising a prohibited term proceeded [sic] by an adjective descriptive of the applied for wares [citing *McCain Foods Ltd. v 1009222 Ontario Inc.* (2001), 15 CPR (4th) 110 at 124 (TMOB)]....

It is to be noted that s. 10 of the Act does not use the word “confusion”, but instead uses the words “so nearly resembling... as



to be likely to be mistaken therefore”. This is one of the circumstances referred to in s. 6(5) of the Act and is one of the more important factors used to determine whether there is a risk of confusion between trade-marks or trade-names. The Trade-marks Opposition Board has observed that the language of s. 10 is similar to that of s. 9 of the Act and has therefore used the test devised in *Canada v Kruger* [(1978), 44 CPR (2d) 135 at 139 (TMOB)] and asked the following question by way of analogy: “Could a person familiar with any or all of the opponent’s allegations of origin and having an imperfect recollection thereof confuse the mark with those appellations of origin?”

The totality of a trade-mark must be considered in the s. 10 analysis. Even where a particular word is prohibited, if the word is used in combination with a distinctive element such that the prohibited word does not dominate, the trade-mark will still be registrable [citing *Glenora Distillers*, above, at para 27]....

[314] I adopt this analysis, and I think it implies that “likely to be mistaken for” under s. 10 is a narrower category (and thus sets a higher threshold) than “confusion” under s. 16, which casts a broader net.

[315] However, the jurisprudence under s. 10 still employs the concept of “dominance” to determine whether any “distinguishing features” of a trade-mark are sufficient that it will not be mistaken for a “designator” mark. To repeat a portion of the analysis in *Glenora Distillers*, above:

[28] ... even if "glen" could be considered a mark and is prohibited, I find that it does not dominate GLEN BRETON as contemplated in *Molson*, when that trademark is considered as a whole.

“Export” did not dominate “Molson Export” so as to bring it within the s. 10 prohibition, and “Glen” did not dominate “Glen Breton” so as to trigger this prohibition. Does “athletic club” so dominate



that the prohibition should apply?

[316] I have been unable to locate any closely analogous cases under s. 10, where the combination of design and text was at issue. Thus, there has been little or no judicial treatment of the question of whether design elements that do not meet the “distinctiveness” threshold for s.12(1)(b) or s. 16 purposes might nevertheless prevent the s. 10 prohibition from applying due to the higher threshold implied by the words “likely to be mistaken therefor.”

[317] The Trade-mark Opposition Board considered a composite mark under s. 10 in *Principauté de Monaco v Monte Carlo Holdings Corp*, [2013] TMOB No 5058, 2013 TMOB 58 [Monte Carlo]. It found that the proposed “DIAMOND REWARDS CLUB MONTE CARLO INN & Design” had a number of distinguishing features such that even if “Monte Carlo” was a mark designating the origin of services (which the Board did not decide), it did not dominate the proposed mark such that the latter was likely to be mistaken for the former. The trade-mark in question appears as follows:



[318] In my view, the distinguishing features of the mark in question in *Monte Carlo* were much greater than those at issue here, and the designator mark was much less prominent in the trade-mark as a whole.

[319] Despite my view that s. 10 sets a higher threshold than “confusion” or lack of “distinctiveness” under other portions of the Act, I find that the mark “athletic club” so dominates the Athletic Club Trademark that the latter is likely to be mistaken for the former. As such, it is my view that the s. 10 prohibition applies.

[320] In my view, then, the Applicant has established that the Trade-mark is prohibited under s.10.

### **Sections 11 and 12(1)(e)**

[321] For the reasons given above, it seems to me that the Trade-mark is also prohibited under ss. 11 and 12(1)(e).

## Remedies

[322] The Applicant claims a permanent prohibition on use on the basis of ss. 53.2, 10 and 11 of the Act, which read as follows:

### **Further prohibitions**

10. Where any mark has by ordinary and bona fide commercial usage become recognized in Canada as designating the kind, quality, quantity, destination, value, place of origin or date of production of any wares or services, no person shall adopt it as a trade-mark in association with such wares or services or others of the same general class or use it in a way likely to mislead, nor shall any person so adopt or so use any mark so nearly resembling that mark as to be likely to be mistaken therefor.

[...]

### **Further prohibitions**

11. No person shall use in connection with a business, as a trade-mark or otherwise, any mark adopted contrary to section 9 or 10 of this Act or section 13 or 14 of the Unfair Competition Act, chapter 274 of the Revised Statutes of Canada, 1952.

[...]

### **Power of court to grant relief**

53.2 Where a court is satisfied, on application of any interested person, that any act has been done contrary to this Act, the court may make any order that it considers appropriate in the circumstances, including an order providing for relief by way of injunction and the recovery of damages or profits and for the destruction, exportation or other disposition of any offending wares, packages, labels and advertising material and of any dies used in connection therewith.

[323] As the language of s. 53.2 makes clear, the power to grant an injunction is a discretionary power. However, by definition, a mark that offends s. 10 is one that “no person shall adopt” (s. 10) and “[n]o person shall use in connection with a business” (s. 11).

[324] In *College of Traditional Chinese Medicine Practitioners and Acupuncturists of British Columbia v Council of Natural Medicine College of Canada*, 2009 FC 1110 where Justice O’Keefe found that several of the marks in question violated s. 10 (and all were used in a manner that violated s. 7(d)), the Court found it appropriate in granting summary judgment to the plaintiffs in an expungement action to grant a permanent injunction preventing the defendant’s further use of the marks.

**JUDGMENT**

1. **THIS COURT DECLARES that** Canadian Trade-mark Registration No. TMA633422 for the trade-mark the Athletic Club & Design (the Athletic Club Trade-mark) is invalid;
  
2. **THIS COURT ORDERS that:**
  - (a) Pursuant to s. 57(1) of the Trade-Marks Act (Act), the entry in the Canadian Trade-mark Register for the Athletic Club Trade-mark shall be struck out on the ground that it does not accurately express or define the existing rights of the person appearing to be the registered owner of the Mark;
  
  - (b) Pursuant to ss. 53.2, 10 and 11 of the Act, the Respondent is hereby permanently prohibited from using, directly or via licence, the Athletic Club Trade-mark and its common law equivalent; and
  
  - (c) The Applicant shall have its costs of these proceedings.

"James Russell"

---

Judge

**FEDERAL COURT**  
**SOLICITORS OF RECORD**

**DOCKET:** T-1396-11

**STYLE OF CAUSE:** OTTAWA ATHLETIC CLUB INC, D.B.A. THE  
OTTAWA ATHLETIC CLUB v THE ATHLETIC CLUB  
GROUP INC. AND, THE REGISTRAR OF TRADE-  
MARKS

**PLACE OF HEARING:** OTTAWA, ONTARIO

**DATE OF HEARING:** JANUARY 13, 2014

**JUDGMENT AND REASONS:** RUSSELL J.

**DATED:** JULY 9, 2014

**APPEARANCES:**

Scott Miller and Jahangir Valiani

FOR THE APPLICANT

Michael Adams and Thomas  
McConnell

FOR THE RESPONDENTS

**SOLICITORS OF RECORD:**

MBM Intellectual Property Law  
LLP  
Barristers and Solicitors  
Ottawa, Ontario

FOR THE APPLICANT

Riches, McKenzie & Herbert LLP  
Barristers and Solicitors  
Toronto, Ontario

FOR THE RESPONDENTS