

2017-2018 HAROLD G. FOX MOOT

MOOT PROBLEM

1. The following are the reasons and judgment of the Trial Court of Canada, Intellectual Property Division. The decision of the Trial Court was subsequently overturned by the Court of Appeal; the reasons and judgment for which are also set out below.
2. Both Courts have jurisdiction over all issues raised in their respective decisions. The standard of review adopted by the Court of Appeal is also correct and not the subject of appeal. Please do not make arguments regarding the standard of review.
3. The decision of the Court of Appeal is now appealed to the Supreme Moot Court for Intellectual Property Appeals.
4. All the issues raised in the reasons given by the lower courts should be addressed by counsel for Lower Canada Cheese or Peace of Cheese in their submissions. Arguments not referenced in the reasons of the lower courts may be advanced by counsel in their submissions, but only if they relate to the specific issues identified in the lower courts' decisions.
5. Without limiting the above, please note that issues concerning any food labelling and packaging laws, remedies, costs, and interest are not to be addressed.

**TRIAL COURT OF CANADA
INTELLECTUAL PROPERTY DIVISION**

Date: 20170925

Docket: T-234-17

Citation: 2017 FCIP 122

Ottawa, Ontario, this 25th day of September, 2017

PRESENT: The Honourable Justice Brie

BETWEEN:

Lower Canada Cheese Company Ltd.

Plaintiff

- and -

Peace of Cheese Inc.

Defendant

Heard at Ottawa, Ontario, on September 21-22, 2017.

Judgment delivered at Ottawa, Ontario, on September 25, 2017.

REASONS FOR JUDGMENT

BRIE, J.

[1] The Plaintiff, Lower Canada Cheese Company Ltd. ("Lower Canada Cheese") brought this action for passing off against its competitor, the defendant, Peace of Cheese, Inc. ("Peace of Cheese"). Unfortunately for Lower Canada Cheese, its case is full of holes.

Facts

- [2] Lower Canada Cheese is a cheese company from Stirling, Ontario, a small town in southern Ontario. Lower Canada Cheese sells a variety of cheeses to customers across southern Ontario. It takes pride in the fact that all its cheeses are made in its facilities in Stirling, Ontario using only locally sourced ingredients.
- [3] Lower Canada Cheese sells its cheese exclusively at its facility in Stirling, Ontario and at grocery and specialty stores across southern Ontario. Lower Canada Cheese does not sell its products online.
- [4] Lower Canada Cheese's best-selling product is a cheese called DAISY ISLE, a sweet cheddar-like cheese with a distinctive taste. Since introducing the product in Canada in 1985, DAISY ISLE has been a great commercial success in southern Ontario and has won many local awards. There is no doubt that Lower Canada Cheese has developed a great reputation in the DAISY ISLE brand among consumers of cheese and fine foods in at least southern Ontario.
- [5] Baby-Belle Borgonzola, the founder and principal of Lower Canada Cheese, discovered the recipe for DAISY ISLE while travelling in the Faroe Islands, a small island nation in the Nordic region, in 1980. In a little-known verse of the Icelandic Sagas, the Faroe Islands were referred to as the Daisy Islands. This was in part due to the Faroe Island Daisies, a flower indigenous to the Faroe Islands and which is extremely difficult to grow elsewhere. Generations ago, Faroe Islanders began making cheese from milk that came from cows that grazed on the Faroe Island Daisies. There are only four producers of the cheese on the Faroe Islands.
- [6] Over time, the Daisy Isle name (in English) has become known in parts of the Nordic countries as denoting cheese made on the Faroe Islands. However, there was no evidence before the Court that, prior to 1985 any Canadian had ever heard of Daisy Isle cheese.
- [7] After her trip to the Faroe Islands in 1980, Ms. Borgonzola set about replicating the process for making Daisy Isle cheese at home in Canada. The process includes two key steps

that sets it apart from other similar cheeses. First, the cows' diet must include greater than 10% by weight of Faroe Island Daisies. The Faroe Island Daisies gives the cows' milk, and consequently the Daisy Isle cheese, a unique cheddar-like taste. Second, the cheese is aged and stored for at least three years in underground caves along the shores of the Faroe Islands. The specific temperature and humidity of the air for the aging process give the cheese unique qualities and a distinct taste.

[8] To replicate the process in Stirling, Ontario, Lower Canada Cheese has successfully grown, after much trial and error, a garden of Faroe Island Daisies at its facilities, and mixes the flower into the feed for its cows in amounts greater than 10% by weight. To give the cheese a more Canadian flavour, Ms. Borgonzola adds small amounts of maple syrup to the recipe. In addition, Ms. Borgonzola built a climate-controlled cellar to mimic the conditions of the caves on the Faroe Islands to age and store the cheese.

[9] As stated above, Lower Canada Cheese has been very successful with its DAISY ISLE brand. It packages the cheese in rectangular plastic wrap with "DAISY ISLE" in large block letters across the top of the wrapping followed by the word "cheese". At the bottom, in clear letters are the words: "Lower Canada Cheese - your artisanal choice for local cheese".

[10] The Defendant, Peace of Cheese, has been in the cheese business in Canada since 2012. The company sells various cheese products in the Canadian market. Where possible, the company uses the well-known "peace sign" on its packaging. Both the trademark PEACE OF CHEESE and the Peace Sign design trademark are the subject of Canadian trademark registrations, in association with its cheese and retail cheese business.

[11] Although Peace of Cheese was a relatively new player in the Canadian cheese market, until last year the competition between that company and the Lower Canada Cheese company was not of an unusual kind. However that changed in January 2016 when Peace of Cheese recruited Mr. Krafty Trier, formerly the chief cheese salesperson at Lower Canada Cheese, whose portfolio included the "DAISY ISLE" cheese.

[12] Shortly thereafter, in April 2016, Peace of Cheese started sourcing a new "Daisy Isle" cheese directly from a producer in the Faroe Islands.

[13] Peace of Cheese's new product is produced in the Faroe Islands using the traditional process for making Daisy Isle cheese (i.e. it does not include Maple Syrup). Peace of Cheese sells this cheese in a small circular package. The front of the package is a large, bright "peace sign" with block capital words that say "Daisy Isle".

[14] Peace of Cheese sells 90% of its "Daisy Isle" product into southern Ontario, 5% into upstate New York, and the remaining 5% to other parts of North America and other countries around the world. Prior to April 2016, Peace of Cheese did not sell any products produced in the Faroe Islands or use the term "Daisy Isle".

[15] There is no doubt by its action, including hiring Mr. Trier, that Peace of Cheese intended to bite into the market that Lower Canada Cheese created for "Daisy Isle" cheese in southern Ontario.

[16] In July 2016, Lower Canada Cheese brought this action against Peace of Cheese for passing off, seeking a permanent injunction prohibiting Peace of Cheese from selling cheese in Canada bearing with the words "Daisy Isle". Lower Canada Cheese relies on its common law rights and on s. 7 of the *Trade-marks Act*.

[17] Complicating matters somewhat, on the eve of trial on September 20, 2017 "Daisy Isle" was added to Part A of Annex 20-A of Chapter Twenty of the Comprehensive Economic and Trade Agreement and thus has been entered as a protected geographical indication ("GI") pursuant to section 11.12 (1) of the *Trade-marks Act*.

Issues

[18] There are two issues before the Court:

- a. Is Peace of Cheese's introduction and use of Daisy Isle as a GI an absolute defence to an action for passing off?
- b. If it is not an absolute defence, is Peace of Cheese using the "Daisy Isle" phrase "as a trademark" or is it merely used as a descriptor?

Analysis

[19] The evidence clearly establishes that DAISY ISLE has become distinctive of Lower Canada Cheese, at least in the region of southern Ontario. Indeed, there is no evidence before me that anyone other than Lower Canada Cheese was selling, in Canada, a "Daisy Isle" cheese prior to April 2016. Lower Canada Cheese filed an abundance of evidence before me showing that the Peace of Cheese Daisy Isle cheese is causing confusion in the southern Ontario marketplace.

[20] Ms. Borgonzola's talent and hard work in developing the unique taste and flavour of DAISY ISLE cheese in southern Ontario should be recognized and rewarded. Unfortunately, trademark law is not about recognizing talent and hard work. Trademark law is designed to regulate commerce in a manner that provides for an orderly market by preventing confusion. Modern trademark law takes into account the global market and the value of geographic indicators of source. Canada has amended her trademark statute to reflect these global values and responsibilities. The necessary effect of this statutory enactment by Parliament is that when a GI is recognized under the statutory scheme, there is an automatic absolute defence against a passing off claim. This is simple logic, which flows from the *Trade-marks Act* itself.

[21] In southern Ontario, the evidence before me is clear that, before the Peace of Cheese product was introduced, DAISY ISLE was only associated with the widely popular, sweet cheddar-like cheese from Lower Canada Cheese. Lower Canada Cheese argues that Peace of

Cheese's reference to "Daisy Isle" must therefore cause confusion and that Southern Ontarians are wrongly led to believe that this cheese comes from Lower Canada Cheese. However, as set out above, these factors are not sufficient where there is a GI designation in play. A GI confers a right upon an authorized party to use the indication and to prevent its use by third parties whose products do not conform to the applicable standards. Of course, due to the grandfathering provisions, Lower Canada Cheese can continue to use DAISY ISLE and the GI designation itself cannot be relied upon to stop such use (Peace of Cheese does not dispute this).

[22] As a result of the recent law, Peace of Cheese has a right to use "Daisy Isle" as a GI and since this product meets the requirements of the GI provisions of the statute (it was made in the Faroe Islands according to the established conditions), there is a complete defence to the action of passing off.

[23] As I have found for Peace of Cheese on the first issue, there is no need to consider the second issue. However, in the event this ruling is overturned on appeal, I will also deal with the second issue.

[24] Peace of Cheese argues that it makes no use of "Daisy Isle" as a source indicator because all packaging that includes "Daisy Isle" also includes, as a dominant mark, the well-known "Peace Sign" trademark. Peace of Cheese argues that, as a factual matter, consumers would uniformly take notice that its other registered trademarks identify the source of the cheese. Peace of Cheese argues that its branding ought to be considered in the context of reasonable consumer behaviour and that there will be no confusion due to the dominance of the Peace of Cheese branding on the products.

[25] Lower Canada Cheese, on the other hand, argues that due to its previous sole use of "Daisy Isle" in Canada, consumers will naturally see a "link" between the Peace of Cheese product and Lower Canada Cheese when the consumer sees "Daisy Isle", whether it is used as a sub-brand or otherwise. This link will cause confusion, despite the Peace Sign trademark being found on Peace of Cheese's packaging.

[26] I agree with Peace of Cheese that, as a practical matter, it is not using, and consumers would not think that it is using, "Daisy Isle" as an indicator of source; customers would take the primary components on the defendant's packaging - PEACE OF CHEESE and the Peace Sign - as the indicators of source, and the indicia "Daisy Isle" would not be relied upon by consumers as suggesting the source of the cheese. For this reason, I would find that there will be no confusion as to source in the market based on the use of "Daisy Isle" made by Peace of Cheese.

[27] Given my conclusions on the first issue, I dismiss this action. The parties can address the issue of costs in further submissions to be arranged with the Registrar.

COURT OF APPEAL

Date: 20170929

Docket: A-234-17

Citation: 2017 FCA 336

Ottawa, Ontario, this 29th day of September, 2017

CORAM: Roquefort, J.A., Fontina, J.A., Manchego, J.A.

BETWEEN:

LOWER CANADA CHEESE COMPANY LTD.

Appellant

- and -

PEACE OF CHEESE INC.

Respondent

Heard at Ottawa, Ontario, on September 27th, 2017.

Judgment delivered at Ottawa, Ontario, on September 29th, 2017.

REASONS FOR JUDGMENT BY:

Roquefort, J.A.

CONCURRED BY:

Fontina, J.A.,
Manchego, J.A.

REASONS FOR JUDGMENT

ROQUEFORT, J.A.

[1] Regretfully, this Court must overturn the decision of the trial judge in 2017 FCIP 122.

Although Brie, J. is a sharp trial judge, he erred in holding that the recognition of a GI under international agreements trumps all Canadian law and provides an absolute defence to passing

off. For the reasons outlined below, this Court considers it necessary to correct errors found in the decision below and to find in favour of the appellant Lower Canada Cheese.

- [2] Trademark law is about ensuring consumers are not confused. As stated by the Supreme Court in *Mattel, Inc. v. 3894207 Canada Inc.*, [2006] 1 S.C.R. 772, 2006 SCC 22 at para 2:

whatever their commercial evolution, the legal purpose of trade-marks continues ... to be their use by the owner "to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others". It is a guarantee of origin and inferentially, an assurance to the consumer that the quality will be what he or she has come to associate with a particular trade-mark (as in the case of the mythical "Maytag" repairman). It is, in that sense, consumer protection legislation.

- [3] In considering the *Trade-marks Act*, the question is whether, as a consumer protection statute, the law requires that GI rights be given the breadth that the Court below accorded them. My view is that there is nothing in the *Trade-marks Act* that requires a finding that Peace of Cheese's bad faith actions are permitted under Canadian law merely because "Daisy Isle" has become a GI. Such a permission would allow Peace of Cheese to deliberately trade off Lower Canada Cheese's goodwill and leave Canadian consumers confused. Indeed, each of the enumerated factors in section 6(5) of the *Trade-marks Act* supports a finding of confusion.

- [4] Moreover, unlike an official mark protected under section 9 of the *Trade-marks Act*, which Peace of Cheese erroneously argues is analogous to the GI protections in the *Trade-marks Act*, Peace of Cheese is not a public authority and is merely re-selling the goods of others.

- [5] The GI provisions of the *Trade-marks Act* are specific and ought not to be read to grant rights of *use* to commercial enterprises due merely to a GI designation being recognized in Canada. The valuable economic rights of Canadian businesses should not be extinguished merely because foreign designations are recognized and confusion should not be permitted to exist in the market, as will certainly be the case, if Peace of Cheese is permitted to sell its cheese marked "Daisy Isle".

[6] Since I have determined that Peace of Cheese's use of the GI "Daisy Isle" is not a defence to the passing off allegation, it is necessary to consider whether use of "Daisy Isle" by Peace of Cheese is a use that will cause confusion in the market.

[7] On this point I must also disagree with the conclusion of the learned trial judge. Peace of Cheese's use of "Daisy Isle" is use as a trademark. A trademark does not need to be the primary or even secondary mark on packaging to be used as a trademark. All that matters is what happens within the minds of the actual and potential consumers: if they could believe that "Daisy Isle" is potentially anything other than a purely descriptive term, that is key.

[8] Moreover, given the reputation that Lower Canada Cheese has developed in the DAISY ISLE trademark and the lack of evidence that Canadians were otherwise familiar with the term, consumers in Canada would not likely consider Peace of Cheese's use of the term "Daisy Isle" as descriptive. Rather, a mental "link" to the only company with a "Daisy Isle" brand will be created and consumers may therefore immediately think of Lower Canada Cheese as the source.

[9] When this happens, there is the impermissible connection between Peace of Cheese's product and Lower Canada Cheese's business. This is precisely what the *Trade-marks Act* is designed to prevent. This potential confusion as to source must be prevented. Consumers must have clarity when they see "Daisy Isle" on their cheese: the appellant Lower Canada Cheese must prevail.

[10] For the above reasons, I would allow the appeal and grant the action for passing off against Peace of Cheese.

"I agree."

Fontina, J.A.

"I too agree."

Manchego, J.A.