

**THE SUPREME MOOT COURT FOR INTELLECTUAL PROPERTY APPEALS**

BETWEEN:

**HEALTHWARD CANADA**

Appellant

-and-

**VAXCO Ltd.**

Respondent

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**RESPONDENT'S FACTUM**

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## **PART I: OVERVIEW**

[1] The Respondent, Vaxco Ltd. ("**Vaxco**"), is a United States (US) corporation that develops, manufactures, distributes, and administers vaccines and medical supplies to consumers in the US and Europe. In addition to dealing in goods, Vaxco provides a suite of services by offering education, medical advice, and the operation of US vaccine clinics. Vaxco has developed significant operations over the past twenty years and is well-known internationally for its FLUSTOPPA & Design trademark.

[2] The Appellant, Healthward Canada ("**Healthward**"), is seeking an order from this Honourable Court to reverse the decision of the Court of Appeal (Intellectual Property Division). The Court of Appeal found Healthward's FLUSTOPPER official mark invalid, as they are not a "public authority" within the meaning of the *Trademarks Act*.<sup>1</sup> On this basis, the Court decided that Vaxco was entitled to the continued use and registration of their FLUSTOPPA & Design trademark.

[3] The Court of Appeal was correct in overturning the decision of the Trial Court. As Healthward is not bound by law to ongoing government control, it is not a "public authority" and is not entitled to an official mark. As such, the mark FLUSTOPPER is invalid and void *ab initio*.

[4] Notwithstanding the validity of the official mark, the evidence establishes prior use of Vaxco's trademark. Vaxco's trademark has earned goodwill in Canada by virtue of their targeted website, advertising, and Canadian exposure abroad. As this goodwill was earned prior to the adoption of Healthward's official mark, Vaxco is entitled to the continued use of their trademark.

[5] The Court of Appeal's decision to allow Vaxco's appeal and deny Healthward's requested injunction is in the public interest. The official mark regime was designed to protect Canadians by

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<sup>1</sup> *Trademarks Act*, RSC 1985, c T-13.

protecting marks used by public authorities from the commercial sphere. Healthward's licensing of their official mark to an affiliated for-profit corporation is an abuse of Canada's official mark regime that creates unfair competition in the marketplace.

[6] This Honourable Court should uphold the decision of the Court of Appeal and deny the requested injunction. Vaxco asks this Court to declare that Healthward is not a public authority and to direct the Registrar to proceed with the registration of the FLUSTOPPA & Design trademark.

## **PART II: STATEMENT OF FACTS**

### **Healthward**

[7] Healthward is a non-profit registered Canadian charity and is headquartered in Toronto.<sup>2</sup> The charity has been operating in Canada since 2014.<sup>3</sup> Since January 2019, Healthward has claimed ownership of the official mark FLUSTOPPER.<sup>4</sup> Healthward offers educational programming and runs mobile vaccination clinics.<sup>5</sup> Healthward obtains 75% of its funding through an agreement with Health Canada and 25% from private funding.<sup>6</sup> In consideration for its funding, Health Canada is consulted regarding Healthward's curriculum, can appoint two seats on Healthward's board, and can direct Healthward to provide services to underserved communities.<sup>7</sup>

[8] Healthward's closest affiliate is Healthward Industries Corp. ("Industries") – a for-profit organization that has operated in Canada since the mid-1990s.<sup>8</sup> Industries supplies and

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<sup>2</sup> *Vaxco Ltd v Healthward Canada*, 20 TCCIP 1222 at para 2 [*Trial Decision*].

<sup>3</sup> *Ibid* at para 2.

<sup>4</sup> *Ibid* at paras 3, 8.

<sup>5</sup> *Ibid* at para 11.

<sup>6</sup> *Ibid* at para 10.

<sup>7</sup> *Ibid* at para 11.

<sup>8</sup> *Ibid* at para 12.

manufactures vaccines and medical equipment to hospitals and vaccine providers.<sup>9</sup> Healthward's mobile clinics are also supplied by Industries for which Healthward is charged fair-market price.<sup>10</sup> Healthward licenses the use of its official mark FLUSTOPPER to Industries.<sup>11</sup> In consideration for the license, Industries pays Healthward royalties for product sales to third-parties.

[9] The Trial Court has determined that Industries is a direct competitor with Vaxco.<sup>12</sup> It found that, prior to the adoption of Healthward's official mark, Industries was "well aware" of Vaxco's impending approval and expansion into Canada.<sup>13</sup> These findings have not been refuted.

### **Vaxco**

[10] Vaxco is a US corporation headquartered in Detroit that manufactures, distributes, and sells vaccines and medical supplies.<sup>14</sup> Vaxco also provides educational materials, medical advice, and operates vaccine clinics.<sup>15</sup> Vaxco is the owner of the well-known trademark FLUSTOPPA & Design.<sup>16</sup> Whereas a significant portion of Vaxco's operations are in the US and Europe, Vaxco also targets Canadian consumers through its online platform and billboards in Canadian border cities.<sup>17</sup> Canadians have paid for appointment bookings in Canada and travelled to the US to receive FLUSTOPPA-marked vaccines.<sup>18</sup>

[11] Following a long regulatory process, Vaxco received Health Canada approval in February 2019 and began selling vaccines bearing its FLUSTOPPA trademark in Canada.<sup>19</sup> In March 2019,

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<sup>9</sup> *Ibid* at paras 12-13.

<sup>10</sup> *Ibid* at para 12.

<sup>11</sup> *Ibid* at para 13.

<sup>12</sup> *Ibid*.

<sup>13</sup> *Ibid*.

<sup>14</sup> *Ibid* at para 1.

<sup>15</sup> *Ibid*.

<sup>16</sup> *Ibid* at para 6 (See Appendix A for trademark).

<sup>17</sup> *Ibid* at paras 4-5.

<sup>18</sup> *Ibid* at para 5.

<sup>19</sup> *Ibid* at para 6.

Vaxco applied for a registered trademark for their existing FLUSTOPPA & Design trademark; however, the Registrar of Trademarks, citing Healthward's official mark, refused Vaxco's application.<sup>20</sup> Upon refusal of their application, Vaxco sought judicial review. The Court of Appeal Intellectual Property Division found against Healthward and allowed Vaxco to register its mark.

### **The Trial Court Decision**

[12] The Trial Court erroneously found that Healthward was a public authority and a valid holder of an official mark.<sup>21</sup> This was concluded based on an oversimplified analysis of Healthward's government funding agreement and charity status.<sup>22</sup> The marks FLUSTOPPER and FLUSTOPPA & Design were initially found to be confusingly similar.<sup>23</sup> Based on this confusion, which was later refuted, Vaxco was enjoined from using its trademark in Canada.<sup>24</sup> This injunction was granted despite the Court finding that Vaxco had never used its trademark in Canada.<sup>25</sup> As prior use was not found at trial, it was concluded that Vaxco had no right to continue using its mark.<sup>26</sup>

### **The Court of Appeal Decision**

[13] The Court of Appeal found that the Application Judge erred in misapplying section 6(5) of the *Trademarks Act*. The Application Judge neglected to consider the well-established principle that the scope of official marks is much narrower than for registered trademarks.<sup>27</sup> The Court of Appeal found that the Trial Court had failed to consider the distinguishing effect of the design

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<sup>20</sup> *Ibid.*

<sup>21</sup> *Ibid* at para 18.

<sup>22</sup> *Ibid* at para 19.

<sup>23</sup> *Ibid* at para 17.

<sup>24</sup> *Ibid* at para 23.

<sup>25</sup> *Ibid* at paras 24-25.

<sup>26</sup> *Ibid* at paras 24-26.

<sup>27</sup> *Vaxco Ltd v Healthward Canada*, 2020 CAIP 333 at para 4 [CoA].

component of the FLUSTOPPA & Design trademark.<sup>28</sup> Once Healthward's FLUSTOPPER mark received the appropriate scope of protection accorded to official marks, it was concluded that Vaxco's FLUSTOPPA & Design trademark did not so closely resemble FLUSTOPPER as to cause confusion amongst Canadian consumers.

[14] The Court of Appeal noted that charitable status alone is insufficient to meet the "substantial government control" requirement for a public authority.<sup>29</sup> Furthermore, Healthward's direct ties and the licensing of its official mark to Industries – a direct competitor with Vaxco – was pointed out as a major concern.<sup>30</sup> The Court of Appeal indicated the potential dangers associated with allowing the licencing of official marks to for-profit entities attempting to gain competitive advantages in the marketplace.<sup>31</sup>

[15] Finally, the Court of Appeal considered the issue of granting Healthward's requested injunction. As determined by the Court of Appeal, if Vaxco's prior use of the FLUSTOPPA & Design trademark was not used in the ordinary course of business, as Healthward alleges, then its use cannot now be found to infringe and enjoined by the courts.<sup>32</sup> As such, an injunction is not an appropriate remedy in this circumstance. Vaxco had been using their trademark extensively prior to Healthward's adoption of the FLUSTOPPER official mark. Consequently, Vaxco is entitled to continue using its trademark in association with the same classes of goods and services.

### **PART III: POINTS IN ISSUE**

[16] The issues in the present appeal are as follows:

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<sup>28</sup> *Ibid* at para 6.

<sup>29</sup> *Ibid* at para 8.

<sup>30</sup> *Ibid* at paras 9, 14.

<sup>31</sup> *Ibid* at para 9.

<sup>32</sup> *Ibid* at para 12.

1. Whether Healthward is entitled to hold an official mark within the meaning of section 9(1)(n)(iii) of the *Trademarks Act*;
2. Whether Vaxco's use of the FLUSTOPPA & Design trademark infringes Healthward's official mark FLUSTOPPER; and
3. Whether Healthward is entitled to a permanent injunction enjoining Vaxco's use of its FLUSTOPPA & Design trademark in Canada.

#### **PART IV: ARGUMENTS IN BRIEF**

##### **1. Healthward is not entitled to hold an official mark as it is not a public authority**

[17] The holder of an official mark receives significant advantages over the holders of registered trademarks.<sup>33</sup> The same considerations of descriptiveness and confusion are not applied to official marks.<sup>34</sup> Once the Registrar has advertised an official mark, no other mark that is likely to be confused with an official mark may be used.<sup>35</sup> For these reasons, official marks have been referred to as "virtually inexpugnable" and can only be challenged through costly proceedings in the Federal Court.<sup>36</sup> As official marks are such powerful legal devices, it is important to closely scrutinize parties to determine whether they are in law entitled to adopt an official mark.

[18] The principal consideration when allowing a party to adopt an official mark is whether the party is a public authority.<sup>37</sup> While "public authority" is not defined in the *Trademarks Act*, the Federal Court's decision in *Canadian Olympic Assn v Canada (Registrar of Trade Marks)*

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<sup>33</sup> *Assn of Architects (Ontario) v Assn of Architectural Technologists Ontario*, 2002 FCA 218 at para 4 [*Assn of Architects (Ontario)*].

<sup>34</sup> *Ibid* at para 63.

<sup>35</sup> *Ibid*.

<sup>36</sup> *Mihaljevic v British Columbia*, 1988 CarswellNat 211 at 89, [1988] FCJ No 738 (FC); Janice M Bereskin & Christina Capone Settini, "Canada's Official Marks Regime: Officially Time for a Change" (2016) 106:5 Trademark Rep 992 at 995 [Bereskin & Settini]; *Federal Courts Act*, RSC 1985, c F-7, s 18.1.

<sup>37</sup> *Canadian Jewish Congress v Chosen People Ministries Inc*, 2002 FCT 613 at para 24 [*Canadian Jewish Congress*].



establishes the test a public authority needs to meet.<sup>38</sup> The current interpretation of the test is provided in *Assn of Architects (Ontario) v Assn of Architectural Technologists (Ontario) (Assn of Architects)*.<sup>39</sup> In *Assn of Architects*, the FCA states that a public authority must be subject to a significant degree of government control and benefit the public.<sup>40</sup>

[19] It was accepted at trial that Healthward benefits the public.<sup>41</sup> Vaxco does not dispute this finding, but maintains that Healthward is not subjected to significant government control.

### ***1.1 Healthward is not subject to a significant degree of government control***

[20] The Federal Courts have ruled that, for an entity to be deemed to be under a significant degree of government control, a contextual analysis should be performed considering:

- (1) The power to review the activities of the body;
- (2) The power to request that the body undertake necessary and desirable activities to implement the intent of its enabling legislation;
- (3) The power to advise the body on the implementation of the statutory scheme;
- (4) The power to approve the exercise of the body's regulation-making; and
- (5) The power to appoint members to the board and various committees.<sup>42</sup>

[21] Pursuant to its funding agreement with Health Canada, Health Canada does not have the power to advise Healthward on the implementation of its statutory scheme, and does not have approval power concerning Healthward's regulations. As provided in the agreement, Healthward consults Health Canada regarding the curriculum and marketing of its educational services. Health Canada can also direct Healthward to provide services to underserved communities. Additionally, Health Canada appoints two seats on Healthward's board of directors and provides 75% of their funding. This funding can be taken back if Healthward fails to provide services to underserved

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<sup>38</sup> *Canadian Olympic Assn v Canada (Registrar of Trademarks)*, [1983] 1 FC 692, 67 CPR (2d) 59 (FCA).

<sup>39</sup> *Assn of Architects (Ontario)*, *supra* note 33 at para 52.

<sup>40</sup> *Ibid.*

<sup>41</sup> *Trial Decision*, *supra* note 2 at para 20.

<sup>42</sup> *Council of Natural Medicine College of Canada v College of Traditional Chinese Medicine Practitioners and Acupuncturists of British Columbia*, 2013 FC 287 at para 36-38.

communities. Healthward relies on these elements to argue that they are the subject of significant governmental control, but this is an oversimplification.

[22] The funding agreement establishes government oversight and a degree of government control. However, fatal to Healthward's claim to being a public authority is that they can unilaterally terminate this agreement.<sup>43</sup> Without the funding agreement, Healthward would receive no special oversight from Health Canada. While Healthward is a charitable organization, courts have found that the mere fact of being a charity does not establish significant government control.<sup>44</sup> As such, if Healthward no longer required Health Canada's funding, it could unilaterally terminate the funding agreement and cease being the subject of government control.

## ***1.2 Policy reasons Healthward should not be deemed a public authority***

### 1.2.1 Preventing abuse of the official mark regime

[23] If Healthward is deemed to be a public authority, its ability to sever the agreement with Health Canada will threaten the public interest. Under its agreement, Healthward may terminate its relationship with Health Canada and continue to hold its official mark. Despite no longer being a public authority, Healthward could continue using their official mark, opposing the registration of other marks, and licensing their official mark. The practice of charging "unreasonably high monetary payments" or subjecting licensees to overreaching agreements to attain consent is increasing amongst official mark holders.<sup>45</sup> Such abuse of official marks in Canada has the effect of giving official mark holders trademark monopolies.<sup>46</sup>

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<sup>43</sup> CoA, *supra* note 27 at para 8.

<sup>44</sup> *Canadian Jewish Congress*, *supra* 37 at paras 53, 55; *TCC Holdings Inc v Families as Support Teams Society*, 2014 FC 830 at para 23.

<sup>45</sup> *Assn of Architects (Ontario)*, *supra* note 33 at paras 42-46; *Federal Courts Act*, *supra* note 36, s 18.1; Bereskin & Settimi, *supra* note 36 at 995.

<sup>46</sup> Bereskin & Settimi, *supra* note 36 at 995.

### 1.2.2 The narrowing scope of official marks

[24] Recently, there has been a trend recognizing a limited scope of protection afforded to public authorities and official marks. Public authorities must now be Canadian, can be challenged in court, and when challenged, must prove adoption and use of their official mark to benefit from them.<sup>47</sup> Contrary to the Trial Court's finding, charity status alone is insufficient to be deemed a public authority.<sup>48</sup> The Court of Appeal found that a contractual obligation that enables an organization to terminate the contract unilaterally cannot give rise to a public authority.<sup>49</sup> The Court of Appeal's unanimous findings are consistent with the current trend of limiting the protection afforded to official marks. As such, the reasons from the Court of Appeal should be upheld and set an important precedent going forward. Where legislators have failed to act, it is crucial that the courts intervene to protect the Canadian public from commercial entities masquerading as public authorities in contravention of the *Trademarks Act*.

## **2. Vaxco's use of the FLUSTOPPA & Design trademark does not infringe Healthward's official mark FLUSTOPPER**

### ***2.1 Vaxco's FLUSTOPPA & Design Trademark has acquired goodwill in Canada***

[25] Goodwill, as described by the Supreme Court of Canada (SCC), is "the positive association that attracts customers towards its owner's wares or services rather than those of its competitors."<sup>50</sup> In *Orkin Exterminating Co. v Pestco Co. of Canada*, it was determined that the use of a trademark

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<sup>47</sup> For example, see *Canada Post Corp v United States Postal Service*, 2005 FC 1630; *You In-Canadian Athletes Fund Corp v Canadian Olympic Committee*, 2007 FC 406; *Starbucks (HK) Ltd v Trinity Television Inc*, 2016 FC 790; *Ontario (Energy) v Quality Program Services Inc*, 2020 FCA 53.

<sup>48</sup> *Canadian Jewish Congress*, *supra* note 37 at para 55.

<sup>49</sup> CoA, *supra* note 27 at para 8.

<sup>50</sup> *Veuve Clicquot Ponsardin c Boutiques Cliquot Ltée*, 2006 SCC 23 at para 50.

in Canada is not necessary for the creation of goodwill in Canada.<sup>51</sup> Goodwill in a trademark exists when there is a positive reputation associated with a trademark's use that reaches Canadians.<sup>52</sup>

[26] In *Alliance Laundry Systems LLC v Whirlpool Canada LP (Alliance)*, the Federal Court considered claims of common law rights to the trademark SPEED QUEEN.<sup>53</sup> The Applicant claimed the use of its trademark in the United States was such that Canadians would have encountered its trademark while visiting the US.<sup>54</sup> The Applicant stated that consumers in Canada interacted with the trademark online through its website and through a publication that circulated in Canada.<sup>55</sup> The Applicant asserted that Canadian consumers had been exposed to and interacted with their trademark by various means.<sup>56</sup> However, the judge found no objective evidence beyond speculation to support these assertions and accordingly found against the Applicant.<sup>57</sup>

[27] In contrast with the Applicant in *Alliance*, Vaxco provided compelling evidence that Canadians have been exposed to its mark for over twenty years. Such evidence was considered by the Trial Court. It was accepted that Canadian users had accessed Vaxco's products and services.<sup>58</sup> Access to these products and services was conducted through Vaxco's website, which was targeted at Canadians, as well as billboards advertising Vaxco's trademarked vaccine.<sup>59</sup> Absent new evidence or a palpable and overriding error, the Trial Court's factual findings are entitled to deference.<sup>60</sup> Canadian users accessed the relevant vaccine services by booking appointments

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<sup>51</sup> *Orkin Exterminating Co v Pestco Co of Canada* (1985), 50 OR (2d) 726 at 34-36, 19 DLR (4th) 90 (ONCA) [*Orkin*]; *Enterprise Rent-A-Car Co v Singer*, 1996 CarswellNat 2506 at paras 52-53, [1996] 2 FC 694 (FC) [*Enterprise*]; *Sadhu Singh Hamdard Trust v Navsun Holdings Ltd*, 2016 FCA 69 at para 25.

<sup>52</sup> *Orkin*, *supra* note 51 at 34-36; *Enterprise*, *supra* note 51 at paras 52-53.

<sup>53</sup> *Alliance Laundry Systems LLC v Whirlpool Canada LP*, 2019 FC 724.

<sup>54</sup> *Ibid* at para 66.

<sup>55</sup> *Ibid* at paras 66-68.

<sup>56</sup> *Ibid*.

<sup>57</sup> *Ibid* at paras 66-69.

<sup>58</sup> *Trial Decision*, *supra* note 2 at para 5.

<sup>59</sup> *Ibid*.

<sup>60</sup> *Pentastar Transport Ltd v FCA US LLC*, 2020 FC 367 at para 45.

through the website and then travelling to the US to receive the vaccine.<sup>61</sup> The actions taken by Canadian consumers not only indicate that Vaxco's trademark is well-known in Canada, but that Canadians possess a high level of trust and goodwill in Vaxco's FLUSTOPPA branding.

[28] Vaxco's FLUSTOPPA & Design trademark has generated significant goodwill in Canada. The creation of this goodwill preceded the adoption of Healthward's official mark in January 2019. As determined by the Federal Court, the adoption of an official mark does not displace the prior use of similar marks.<sup>62</sup> Therefore, if this Honourable Court finds Healthward's official mark to be valid, Vaxco's rights to the continued use of its trademark should not be disturbed.

## ***2.2 Vaxco's FLUSTOPPA & Design trademark enjoyed prior use in Canada***

[29] The Federal Court of Appeal considered the use of trademarks for services in *Miller Thomson LLP v Hilton Worldwide Holding LLP (Hilton Worldwide)*.<sup>63</sup> This decision provided guidance on evidence which may support the use of trademarks in association with a service. Two examples are: (1) evidence that a trademarked service is directed at consumers in Canada; and (2) evidence that people in Canada have both accessed and used the service.<sup>64</sup> In its decision, the Court further emphasized the importance of website interactivity.<sup>65</sup>

[30] Vaxco's website provides educational materials regarding vaccines, advertises its products, and offers booking services.<sup>66</sup> The website has existed for at least twenty years.<sup>67</sup> Evidence was accepted at trial that Vaxco targeted Canadians with its trademarked website.<sup>68</sup> It was also accepted that Canadians had accessed the website to research Vaxco's products and book appointments

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<sup>61</sup> *Trial Decision*, *supra* note 2 at para 5.

<sup>62</sup> *Cdn Olympic Assn v Allied Corp*, [1990] 1 FC 769 at 7, 1989 CarswellNat 553 (FC).

<sup>63</sup> *Miller Thomson LLP v Hilton Worldwide Holding LLP*, 2020 FCA 134 at paras 148, 150.

<sup>64</sup> *Ibid*.

<sup>65</sup> *Ibid* at para 147.

<sup>66</sup> *Trial Decision*, *supra* note 2 at para 5.

<sup>67</sup> *Ibid* at paras 4-5.

<sup>68</sup> *Ibid* at para 5.

online.<sup>69</sup> By booking appointments through the website, consumers are able to interact with the trademarked services and product offerings.

[31] Together, these established facts are consistent with the guidance from *Hilton Worldwide*. The evidence establishes that Canadian consumers have both accessed Vaxco's website and engaged with Vaxco's trademarked materials. Vaxco has adduced sufficient evidence to support the use of its trademark in Canada. As this use occurred before Healthward's adoption of its official mark in January 2019, this evidence establishes Vaxco's prior use.

[32] Healthward asserts that Vaxco's use is limited to educational resources and a website for booking appointments.<sup>70</sup> However, the goods and services contained in Vaxco's trademark application were correctly described by Ailes JA as "healthcare products and related services."<sup>71</sup> It is well-established that services are to be interpreted broadly and include primary, incidental, and ancillary services.<sup>72</sup> In connection with its trademark, Vaxco offers educational materials, appointment bookings, vaccines, and vaccine clinic services.<sup>73</sup> The Court of Appeal's conclusion that Vaxco had not expanded into new categories is both reasonable and correct.

### ***2.3 Vaxco's trademark is not confusing with Healthward's official mark***

[33] The Federal Court case *Techniquip Ltd v Canadian Olympic Assn (Techniquip)* states the test for confusion in the context of official marks.<sup>74</sup> The threshold for a mark to be found confusing with an official mark is very high and requires that the trademark be "almost the same" as the

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<sup>69</sup> *Ibid.*

<sup>70</sup> Appellant 5A Factum, para 53.

<sup>71</sup> CoA, *supra* note 27 at para 13.

<sup>72</sup> *Aird & Berlis LLP v Virgin Enterprises Ltd* (2009), 78 CPR (4th) 306 at paras 31-34, 2009 CarswellNat 2839 (TMOB); *Kraft Ltd v Canada (Registrar of Trade Marks)*, [1984] 2 FC 874 at para 8, 1984 CarswellNat 79 (FC) [*Kraft*].

<sup>73</sup> *Trial Decision*, *supra* note 2 at para 5.

<sup>74</sup> *Techniquip Ltd v Canadian Olympic Assn*, 1998 CarswellNat 323 at para 16, [1998] FCJ No 280 (FC) [*Techniquip*].

official mark in question.<sup>75</sup> When making determinations of confusion, the SCC stated in *Mattel USA Inc. v 3894207 Canada Inc (Mattel)* that consumers are to be credited with intelligence, normal powers of recollection, and are generally informed as to what is going on around them.<sup>76</sup>

[34] Contrary to the Trial Court's findings, the confusion analysis for official marks does not weigh 'real world' considerations such as the nature of services or channels of trade.<sup>77</sup> As correctly pointed out by the Court of Appeal in *R v Kruger*, the confusion analysis for official marks is restricted to resemblance.<sup>78</sup> Resemblance includes appearance, the sound of the marks, and the meanings suggested by them.<sup>79</sup> The confusion analysis applied to official marks was recently stated in *Parkinson Society Canada v Parkinson Society Alberta*:

The test under section 9(1)(n)(iii) is whether a person, on a first impression, knowing any of the Opponent's official marks and only having an imperfect recollection of any of them, would likely be deceived or confused by the Mark. This is not a test of straight comparison, and if, as is the case in the present opposition, the marks are not identical, then there must be consideration of whether the Mark so nearly resembles as to be likely to be mistaken for any of the Opponent's official marks.<sup>80</sup>

[35] Applying the confusion analysis to the present facts, FLUSTOPPER is compared to FLUSTOPPA & Design. As these two marks are not identical, it must be asked whether, as a matter of first impression and imperfect memory, the FLUSTOPPA & Design trademark could be mistaken for the FLUSTOPPER mark.

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<sup>75</sup> *Parkinson Society Canada v Parkinson Society Alberta*, 2016 TMOB 154 at paras 31-32 [*Parkinson*].

<sup>76</sup> *Mattel USA Inc v 3894207 Canada Inc*, 2006 SCC 22 at para 57.

<sup>77</sup> *R v. Kruger* ([1978], 44 C.P.R. (2d) 135 (Reg. T.M.), at page 139; *Techniquip*, *supra* note 74 at para 12; CoA, *supra* note 27 at paras 4-5; *Trial Decision supra* note 2 at para 17 .

<sup>78</sup> *The Queen v Kruger*, 1978 CarswellNat 804 at para 12, 44 CPR (2d) 135 (Registrar of Trademarks).

<sup>79</sup> *Trademarks Act*, *supra* note 1, s 6(5)(e); See generally *Techniquip*, *supra* note 74 at 19; *Parkinson*, *supra* note 75 at paras 31-32.

<sup>80</sup> *Parkinson*, *supra* note 75 at para 31.

[36] When making assessments of resemblance between marks, the marks are to be examined as a whole and not dissected into their parts.<sup>81</sup> As such, a dissected comparison between the words FLUSTOPPA and FLUSTOPPER would not yield a correct result.

[37] A visual comparison reveals that Vaxco's FLUSTOPPA & Design trademark includes a distinctive design of a graduated syringe sitting horizontally with the needle pointing to the right. The text "FLUSTOPPA" appears in bold capital letters on a slight curvature. In contrast, Healthward's FLUSTOPPER mark has no design associated with it. The distinction between FLUSTOPPA & Design and FLUSTOPPER can be seen in Appendix A.

[38] At the textual level, FLUSTOPPA and FLUSTOPPER are both derivatives of "flu" and "stopper." As both words are common between marks, the focus is placed on the distinctive elements of each mark.<sup>82</sup> Design elements of marks have an important distinguishing role.<sup>83</sup>

[39] It is necessary to analyze the marks' visual impact to distinguish between them.<sup>84</sup> Designs have been found to contribute greatly to the visual impact of marks.<sup>85</sup> The remaining distinguishing element is the design found in Vaxco's trademark. Healthward has no design associated with its mark. Despite the usage of common words, it is the combination of the words and design elements that can cause marks to be "sufficiently distinctive" in the marketplace.<sup>86</sup> The design elements in Vaxco's trademark distinguish it from Healthward's mark.

[40] Considering the visual impact of its design and the Court's guidance in *Mattell, supra*, Vaxco submits that its trademark FLUSTOPPA & Design is sufficiently distinctive from Healthward's official mark. Vaxco's trademark is therefore unlikely to be mistaken for

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<sup>81</sup> *Battle Pharmaceuticals v British Drug Houses Ltd*, 1946 SCR 50 at 53; 1 DLR 289; *Bon Appetit Danish, Inc v 2168587 Ontario Ltd*, 2019 FC 396 at para 50.

<sup>82</sup> *Parkinson, supra* note 75 at para 25.

<sup>83</sup> *Domaines Pinnacle Inc v Constellation Brands Inc*, 2016 FCA 302 at paras 11-12 [*Domaines Pinnacle*].

<sup>84</sup> *Parkinson, supra* note 75 at para 24.

<sup>85</sup> *Ibid.*

<sup>86</sup> *Domaines Pinnacle, supra* note 83 at para 11.



Healthward's mark. Vaxco asks this Honourable Court to uphold the analysis performed by the Court of Appeal and find Vaxco's trademark not to be confusing.

### **3. Healthward is not entitled to a permanent injunction**

#### ***3.1 Permanent injunction***

[41] As described in the Ontario Court of Appeal in *1711811 Ontario Ltd v Buckley Insurance Brokers Ltd* and the SCC decision in *Google Inc v Equustek Solutions Inc*, for a court to issue a permanent injunction, a party must satisfy the court that it is entitled to an equitable remedy. To be granted a permanent injunction, a party needs to satisfy: 1) its legal rights; 2) that an award of damages is not an appropriate remedy; and 3) that there is no impediment to the court's discretion to grant an injunction.<sup>87</sup> To determine whether granting an injunction is an appropriate remedy, a court may consider irreparable harm, the balance of convenience, and policy considerations.<sup>88</sup>

#### **3.1.1 Healthward has not suffered irreparable harm**

[42] Although trademarks are a unique proprietary right, the mere infringement of a trademark is insufficient to establish irreparable harm.<sup>89</sup> Clear and non-speculative evidence of irreparable damage must be tendered by the Applicant to obtain an injunction.<sup>90</sup> When determining whether irreparable harm has been occasioned to a party, several factors are considered:

- (a) a diminution of the owner's statutory proprietary interest in exclusive use;
- (b) a loss of the distinctiveness of the trademark;
- (c) the destruction of goodwill;
- (c) the implicit recognition of a compulsory licence if the owner's right not be protected; or

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<sup>87</sup> *Google Inc v Equustek Solutions Inc*, 2017 SCC 34 at para 66 [*Google*]; *1711811 Ontario Ltd v Buckley Insurance Brokers Ltd*, 2014 ONCA 125 at para 77-80 [*Buckley Insurance*].

<sup>88</sup> *Buckley Insurance*, *supra* note 87 at para 79-80.

<sup>89</sup> *Syntex Inc v Novopharm Ltd*, 1991 CarswellNat 1113 at para 20, [1991] FCJ No 424 (FCA) [*Syntex*].

<sup>90</sup> *Imperial Chemical Industries PLC v Apotex Inc*, [1990] 1 FC 221 at para 12, [1989] FCJ No 950 (FCA).

(d) the inevitable loss of market share where a well-established market developed with wares that are the subject of a registered trademark is entered by one who uses the trademark without authorization.<sup>91</sup>

[43] Each of the above factors must be supported by clear evidence, and a loss of goodwill and distinctiveness cannot, without evidence, lead to a finding of irreparable harm.<sup>92</sup>

[44] On the facts of the present case, Healthward has tendered little evidence to support its claim of irreparable harm. The Court of Appeal established that the official mark FLUSTOPPER and Vaxco's trademark FLUSTOPPA & Design were not confusing. Even if the Court of Appeal had found there to be confusion between the marks, Healthward has offered no evidence to support that such confusion has led to a loss of distinctiveness and goodwill not compensable by damages. Given the lack of evidence submitted, Healthward has not proven themselves to be irreparably harmed by Vaxco's actions.

### 3.1.2 Healthward has not come to court with clean hands

[45] To be entitled to an injunction, the court must be satisfied that granting the injunction is equitable in the circumstances.<sup>93</sup> A fundamental consideration in the court's analysis is whether the Applicant has come to court with clean hands.<sup>94</sup>

[46] Healthward has a close affiliation with Industries – a for-profit company that manufactures vaccines and medical supplies.<sup>95</sup> Industries supplies Healthward with vaccines and medical supplies at market price for use in Healthward's clinics. Industries also provides hospitals and vaccination providers with vaccines and medical supplies. Healthward licences its official mark FLUSTOPPER to Industries in exchange for royalties on products it sells to third parties.

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<sup>91</sup> *Syntex*, *supra* note 89 at para 14; *Boutique au coton Inc BAC v Pant-O-Rama Inc*, 1987 Carswell Nat 704 at para 27, [1987] FCJ No 858 (FC).

<sup>92</sup> *Centre Ice Ltd v National Hockey League*, 1994 CarswellNat 1332 at para 9, [1994] FCJ No 68 (FC).

<sup>93</sup> *Google*, *supra* note 87 at para 25.

<sup>94</sup> *Pro Swing Inc v ELTA Golf Inc*, 2006 SCC 52 at para 22.

<sup>95</sup> *Trial Decision*, *supra* note 2 at para 12.

[47] Following a lengthy process, Vaxco's approval was issued in February 2019.<sup>96</sup> It has been established that Industries was "well aware" of Vaxco's impending vaccine approval and expansion into Canada.<sup>97</sup> After five years of being in Canada, Healthward chose to adopt its official mark in January 2019 – just one month before Vaxco's vaccine was approved.

[48] Due to the for-profit nature of Industries, its close affiliation with Healthward, and the timing of Healthward's adoption of its official mark, the circumstances give rise to "significant concerns."<sup>98</sup> Both Healthward and Industries stand to gain financially if the injunction is granted.

[49] As Vaxco is a direct competitor with Industries, it is foreseeable that Industries' sales would be adversely affected by Vaxco entering the market. Given that Healthward is paid royalties by Industries, both of these organizations have a clear pecuniary interest in excluding Vaxco's FLUSTOPPA trademark from the Canadian marketplace.

[50] The evidence suggests that Healthward and Industries are colluding to exclude Vaxco's trademark from the Canadian marketplace. Public authorities should not be permitted to work with for-profit affiliates to exclude competitors. Such behaviour is not consistent with the spirit of section 9 of the *Trademarks Act*.<sup>99</sup> Official marks are not to be associated with businesses or used as trademarks.<sup>100</sup> Granting an injunction against Vaxco would not serve the interests of justice. Doing so would set a dangerous precedent and allow commercial entities to abuse the system by preventing both Canadian and foreign businesses from effectively marketing their products in Canada. The Canadian marketplace should be free and fair. If granted, the requested injunction

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<sup>96</sup> *Ibid* at para 6.

<sup>97</sup> *Ibid* at para 13.

<sup>98</sup> CoA, *supra* note 27 at para 9.

<sup>99</sup> *Société des loteries du Québec c Club Lotto International CLI Inc*, [2001] FCJ No 94 at paras 83-84, 13 CPR (4th) 315 (FC).

<sup>100</sup> *Techniquip*, *supra* note 74 at para 28; *Trademarks Act*, *supra* note 1, s 9(1)(n)(iii).

would run counter to that goal. It is in the public interest to deny the injunction. Healthward has not come to court with clean hands, and is therefore not entitled to an injunction.

### 3.1.3 Granting the requested injunction is not in the public interest

[51] The intent of the official mark system was well-described by Joyal J in *Techniquip*:

In my view, **the intent of section 9 is to remove all the kinds of marks as listed above from the field of trade or business.** It is to preclude any person from capitalizing on any well known, respected public symbol and adopting it for his or her own wares or services. [...] Section 9, in a sense, ensures that these symbols do not become pawns of trade or proprietorship. **[emphasis added]**<sup>101</sup>

[52] This description, which has been consistently applied, provides that official marks are not to be commercialized.<sup>102</sup> Based on this interpretation of section 9, the licensing of official marks runs contrary to the intentions of the *Trademarks Act*.

[53] By granting Healthward's injunction, it would set a dangerous precedent for both Canadian businesses and foreign businesses hoping to enter the Canadian marketplace. If public authorities license their official marks to for-profit affiliates, public authorities can use their official marks to gain unfair business advantages for their affiliates. By relying on public authorities to enforce rights over official marks against competing businesses, for-profit affiliates can enjoy *de facto* trademark monopolies and exploit the official mark regime. Vaxco asserts that when there is reason to believe a public authority is acting at the behest of a for-profit affiliate, and absent evidence to the contrary, courts should use their discretion to deny granting an injunction.

[54] In recent years, official marks have shown a trend of being abused by public authorities seeking trademark monopolies and unfair market advantages.<sup>103</sup> Healthward's close affiliation

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<sup>101</sup> *Techniquip*, *supra* note 74 at para 28.

<sup>102</sup> *Techniquip*, *supra* note 74 at para 28; *Sullivan Entertainment Inc v Anne of Green Gables Licensing Authority Inc*, 2002 FCT 1321 at para 70; *College of Chiropractors (Ontario) v Canadian Podiatric Medical Assn*, 2004 FC 1774 at para 58.

<sup>103</sup> *Bereskin & Settimi*, *supra* note 36 at 995.

with Industries brings heightened concerns respecting the abuse of the official mark regime. Decision-makers must be alive to the affiliations of public authorities and exercise their discretion accordingly. In this respect, Vaxco asks this Honourable Court to set the appropriate precedent by denying Healthward's requested injunction and thus preventing the perpetuation of such abuse.

#### 3.1.4 The Gillette Defence

[55] Healthward requests that the court enjoin the use of Vaxco's trademark that began in March 2019. As argued above, however, such use is within the same category as Vaxco's prior use.<sup>104</sup> Consequently, the requested injunction would enjoin all uses of Vaxco's trademark. The injunction was described by the Court of Appeal as a "catch 22" and was analogized with the *Gillette* Defence.<sup>105</sup> Although the *Gillette* Defence comes from patent law, it can be adapted to the field of trademarks. The *Gillette* Defence is raised when a defendant claims an allegedly-infringing patent is designed after technology that pre-existed a plaintiff's patent.<sup>106</sup> This forces the plaintiff to prove non-obviousness over the previous patent, thereby distancing the defendant's alleged infringement of the plaintiff's patent.

[56] Healthward alleges that Vaxco's website, advertising, and goodwill do not constitute "use" within the meaning of the *Trademarks Act*. As such, they maintain that Vaxco cannot claim rights to the continued use of their trademark. Healthward also alleges that Vaxco is infringing their mark.

[57] Healthward has asked this court to make two contradictory findings. First, they ask the court to find that Vaxco's activities do not amount to use. Second, they ask the court to find that

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<sup>104</sup> See above at para 32.

<sup>105</sup> CoA, *supra* note 27 at para 12.

<sup>106</sup> *Arctic Cat Inc v Bombardier Recreational Products Inc*, 2016 FC 1047 at para 302.

Vaxco's activities infringed their mark. On these bases, Healthward requests this court to enjoin Vaxco's infringing activities.

[58] Healthward's submissions are logically inconsistent. Should this Honourable Court find that Vaxco's activities do not amount to "use" of their trademark, then said activities could not infringe. If Vaxco's activities do not infringe, then there is no infringement to be enjoined. Alternatively, if Vaxco's activities do amount to "use," this use pre-dated the adoption of Healthward's official mark. Such prior use entitles Vaxco to the continued use of their mark and cannot be enjoined.

[59] Based on the foregoing analysis, Healthward's argument for an injunction cannot logically be maintained. Vaxco submits that the Court of Appeal's decision was correct and that this Honourable Court should refuse to grant Healthward's injunction.

**PART V: ORDER REQUESTED**

[60] Vaxco respectfully submits that the Appeal should be dismissed and the Applicant's request for an injunction be denied.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Signed this 26<sup>th</sup> day of January 2021.

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Team No. 5R

Counsel for the Respondent

## **PART VI: TABLE OF AUTHORITIES**

### LEGISLATION

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*Trademarks Act*, RSRSC1985, c T13.

### JURISPRUDENCE

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*Alliance Laundry Systems LLLC Whirlpool Canada LP*, 2019 FC 724.

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*Mihaljevic v British Columbia*, 1988 CarswellNat 211, [1988] FCJ No 738 (FC).

*Miller Thomson LLLLP Hilton Worldwide Holding LLLLP* 2020 FCA 134.

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*Orkin Exterminating Co v Pestco Co of Canada* (1985), 50 OR (2d) 726, 19 DLDLR4th) 90 (ONCA).

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*Pro Swing Inc v ELTA Golf Inc*, 2006 SCSCC2.

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*Société des loteries du Québec c Club Lotto International CLI Inc*, [2001] FCJ No 94, 13 CPR (4th) 315 (FC).

*Starbucks (HK) Ltd v Trinity Television Inc*, 2016 FC 790.

*Sullivan Entertainment Inc v Anne of Green Gables Licensing Authority Inc*, 2002 FCT 1321.



*Syntex Inc v Novopharm Ltd*, 1991 CarswellNat 1113, [1991] FCJ No 424 (FCA).

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*Techniquip Ltd v Canadian Olympic Assn*, 1998 CarswellNat 323, [1998] FCJ No 280 (FC).

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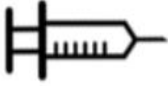
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#### SECONDARY MATERIAL: ARTICLES

Janice M Bereskin & Christina Capone Settimi, "Canada's Official Marks Regime: Officially Time for a Change" (2016) 106:5 Trademark Rep 992.

**PART VII: APPENDIX A**

Marks at Issue	
Vaxco (trademark)	Healthward (official mark)
<p><b>FLUSTOPPA</b></p> 	<p>FLUSTOPPER</p>