2023-2024 HAROLD G. FOX MOOT

MOOT PROBLEM

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.

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.

The decision of the Court of Appeal is now appealed to the Supreme Moot Court for Intellectual Property Appeals.

All the issues raised in the reasons given by the lower courts should be addressed by counsel for [**Appellant**] or [**Respondent**] 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 issues identified in the lower courts' decisions.

Without limiting the above, please note that issues concerning remedies, costs, and interest are not to be addressed.

TRIAL COURT OF CANADA

INTELLECTUAL PROPERTY DIVISION

Date: 20230606

Citation: 23 TCCIP 1222

Ottawa, Ontario, this 2nd day of June, 2023

PRESENT: Madam Justice Birkin

Docket: T-612-21

FURARRI FASHIONS, INC.

Plaintiff

– and –

GUY PARADIS

Defendant

Heard at Ottawa, Ontario, on May 2-6, 2023

REASONS FOR JUDGMENT

Birkin J.

Introduction

[1] This is an action related to the alleged infringement by the defendant, Mr. Guy Paradis, of trademark rights owned by the plaintiff, Furarri Fashions, Inc. (**Furarri**).

[2] Furarri has claimed that, through the online distribution of non-fungible tokens, Mr. Paradis has infringed its registered trademark rights in the "Otter Design" and depreciated the goodwill attaching thereto, contrary to sections 20 and 22 of the *Trademarks Act*. In response, Mr. Paradis claims that he is openly operating a parody brand and that confusion is practically impossible. In any event, he relies on a trademark registration for the "Dead Otter Design", which he argues shields his actions from any infringement. Mr. Paradis denies that he has depreciated any goodwill of Furarri and further argues that he is performing an important public service by bringing awareness to animal conservation issues.

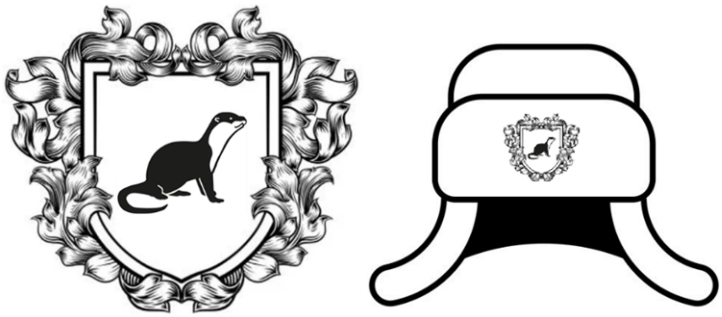
[3] For the reasons that follow, I would dismiss this action.

The Parties

[4] The plaintiff, Furarri, is a luxury goods retailer that was established during the early Canadian fur trade and specializes in "high-end" fur products. Its stand-out product has always been a trapper hat, originally lined with the cerulean-fur of the rare pacific sea otter; an animal found solely on the coasts of British

Columbia and driven near to extinction by the fur trade. In certain elite circles, Furarri's blue-tinged trapper hats have become a necessary fashion item, fitting alongside such iconic pieces as the Burberry trench, Louboutin's red sole, and the Chanel "2.55" purse.

[5] All of Furarri's trapper hats prominently feature the company's "coat-of-arms", comprising sea otter iconography as its distinctive element. The "coat-of-arms" has been conspicuously stamped on the front flap of trapper hats since their earliest sales by fur traders. Furarri's coat of arms, which I will refer to as the "Otter Design", and its location on a trapper hat, can be seen in the reproductions below:



[6] The Otter Design, has been a registered trademark in Canada for many decades as ATM162. The trademark was registered under the old *Act Pertaining to Trademarks*, and is one of only a few registered trademarks in Canada that have maintained the ATM prefix. It claims both a registration date and a date of first use in Canada in association with "fur hats" back to the mid-19th century. The validity of the Otter Design was not contested.

[7] Furarri maintains very stringent quality standards and restricts product quantities to promote the exclusivity of its trapper hats. Trapper hats can only be purchased by prior appointment at Furarri brick and mortar shops, conspicuously located in the high-end shopping districts of the world's most fashionable cities: Paris, Milan, Los Angeles, Shanghai, and Vancouver. The Furarri brand and its products are well-known to its customers, but are priced well beyond the means of most of society and are generally accessible only to the rich and famous. The evidence at trial was that Furarri prides itself on its exclusivity and in-store customer experience, with its outlets outfitted in historically-authentic styles of early trapper cabins. Furarri does maintain a website where trapper hats can be viewed by the public; however, products cannot be purchased online and the only active area of the website is a form through which visitors can request an in-store appointment or product information. The website is branded with the Otter Design which, along with a cerulean colour scheme, form its dominant design features. Furarri does not have trademark registrations for its colour scheme or website design and has not asserted copyright or common law trademark rights in this proceeding.

[8] Despite Furarri's longstanding success, it has not been without its detractors. As consumers came to realize the implications of using real animal products in consumer goods, the early 1990's saw a swell of advocacy groups targeting historic fur trading companies. Included was a highly-vocal non-profit organization – Antifur – attacking Furarri's practice of hunting wild pacific sea otter. Antifur adopted the imagery of a dead cartoon otter in its campaigns and

demonstrations to help drive cultural support for its cause. Evidence at trial showed that this cartoon imagery – the "Dead Otter Design" – had become well-known in its own right as a symbol of animal conservation. The Dead Otter Design, which has generally adorned the posters, pamphlets, and apparel of Antifur, can be seen in the reproduction below:

[9] During the early days of Antifur's conservation campaigns, it filed a trademark application for its Dead Otter Design. As can be seen from the original application, a certified copy of which was provided at trial, Antifur employed broad language in its initial application and included an exorbitant number of products and services. This filing strategy gave rise to objections from the Trademark Office on the basis of failure to use specific and ordinary commercial terms and lack of entitlement to the scope of protection sought. The Dead Otter Design application was narrowed during prosecution by removing all product references. Ultimately, all that remained was "services associated with animal conservation, advocacy and education". This narrowing evidently persuaded the Examiner, as the Dead Otter Design was registered as TMA 112,367. No opposition was raised.

[10] The defendant, Mr. Paradis is a technology lawyer and long-time active member of Antifur. In the early 2000's Mr. Paradis was an employee of Antifur and was

tasked with selling memberships and organizing fundraising initiatives. Mr. Paradis employment with Antifur ended in 2012, but he continued to support Antifur's organized fundraising efforts on an *ad hoc* basis. I will describe Mr. Paradis's activities in the next section on infringement.

Alleged Infringement

[11] By late 2020, the "crypto-craze" was burgeoning, and the world was introduced for the first time on a wide scale to non-fungible tokens (**NFT**s). Technical evidence introduced on agreement of the parties, which I reproduce here, defined an NFT as "a unique digital product, like a piece of virtual art or apparel, the ownership of which is registered on a common ledger or 'block chain'. The common ledger is available publicly so that anyone and everyone can track the ownership of a particular NFT, thereby creating a digital chain of title."

[12] Seeing an opportunity, Mr. Paradis created a "parody" website that effectively mimicked the "look and feel" of the Furarri website. However, for his website Mr. Paradis replaced all instances of the Otter Design with the Dead Otter Design positioned inside a crest as reproduced below. The cerulean colour scheme, as well as the placement of user interface elements and menu items, were all essentially the same as between the parody website and the authentic Furarri website. The parody website however also replaced trapper hat product

information with educational materials on the harms cause by the use of fur in fashion.

[13] With his website established, Mr. Paradis wrote to his friends on the Antifur executive, giving them notice of the website and his plan to use it to fundraise on behalf of Antifur. Mr. Paradis received a written response indicating that it "was a good idea" and thanking him for his support.

[14] Using his parody website, Mr. Paradis created and sold collections of NFTs, which comprised various anthropomorphised animals on the verge of extinction, each wearing a parody trapper hat prominently featuring the Dead Otter Design inside a crest located on the front flap. In order to purchase an NFT, customers were required to create an account on Mr. Paradis's website. Purchasers of the NFTs were informed that profits from NFT sales would support animal rights advocacy. In fact, Mr. Paradis used the proceeds to enroll each purchaser with an Antifur membership and donated the remainder of the profits. Mr. Paradis retained no personal benefit and reaped no financial gain. Antifur gladly

accepted these donations, though the evidence was unclear on whether Antifur was aware of the exact manner in which the funds were obtained.

[15] Fast forward to 2022, and the world became caught up in "crypto mania". Investing gurus and Hollywood personalities were "hyping" NFTs with valuations "going to the moon", especially NFTs that promoted or remarked on environmental and social issues. Many collections of NFTs, including those produced by Mr. Paradis, were "dropped" and then "minted"; that is, digitally created and then sold online, raking in millions for certain creators. Mr. Paradis' NFTs soon approached viral status and prices escalated from the tens to thousands of dollars.

[16] Coincident with the rise in popularity of NFTs, Furarri's website received numerous inquiries asking, for example, how NFTs could be purchased, when the next NFT collection would drop, and what blockchain technology underpinned the NFT. Furarri, seeing the rising popularity of the NFTs that were parodying its products with "offensive imagery", took notice and sued Mr. Paradis for trademark infringement and depreciation of goodwill.

Issues

[17] Remedies have been bifurcated from liability. The issues before this Court are:

> 1) Does Mr. Paradis's sale of NFTs featuring the Dead Otter Design infringe Furarri's registered trademark rights in the Otter Design contrary to Section 20 of the *Trademarks Act*? If so, can Mr. Paradis rely

on Antifur's trademark registration TMA 112,367 as a defence to his infringement?

2) Does Mr. Paradis's use of the Dead Otter Design depreciate Furarri's goodwill contrary to section 22 of the *Trademarks Act*? If so, are there valid defences or policy reasons as to why Mr. Paradis's conduct should be excused?

Analysis

Infringement contrary to section 20

[18] On the issue of infringement, I have been directed by the parties to section 6(5) of the *Trademarks Act* and the factors governing the likelihood of confusion set out there.

[19] Mr. Paradis submits that, as an overarching practical matter, confusion between his parody NFTs and Furarri is impossible; anyone inspecting the Dead Otter Design will instantly appreciate that a dead cartoon otter cannot be associated with Furarri's fur hats. He further argues that a number of the factors in the section 6(5) analysis fall in his favour. Although he admits to parodying Furarri's otter motif, the Dead Otter Design has become quite distinctive in its own right and has been used for decades in Canada by Antifur. Mr. Paradis submitted expert survey evidence showing that people, especially those under 25 years old, identified the Dead Otter Design as a mark associated with animal rights. Further, Mr. Paradis claims that the target consumer is completely different: individuals drawn to the Dead Otter Design and its opposition to

animal fur would never be purchasers of high-end fur products; in contrast, Furarri's trapper hats are only purchased by high-net worth individuals who have taken the time to book an appointment and are not likely to be tricked into thinking an animal rights NFT could originate from Furarri.

[20] For its part, Furarri argues that confusion is not only likely, but there is real world evidence of it occurring. Given the number of inquiries received, Furarri asks the Court to infer that at least some of the requests show genuine confusion. While Furarri acknowledges that certain factors may fall in favour of Mr. Paradis, it argues that the surrounding circumstances carry the day. Simply, a casual consumer browsing hurriedly online who happens upon Mr. Paradis's website would be confused into thinking they arrived at the authentic Furarri website. Once on the website, any NFTs that could be purchased would initially be believed to be linked with Furarri, especially so given that the focal point of each NFT avatar's image is the iconic trapper hat. Furarri argues that it is immaterial that at some point the consumer may become aware of the "joke".

[21] On the issue of confusion, I find in favour of Mr. Paradis. The survey evidence showed that the Dead Otter Design, when shown to the public, was known to be linked with animal advocacy. This is enough to dispose of the issue as trademark law is concerned predominately with source confusion, which does not exist here. I decline to draw any inference from the online inquiries to Furarri's website absent further evidence as to motive, particularly since some of the inquiries on their face appear antagonistic towards Furarri rather than legitimate requests for information. I also note that resemblance has been held as the key

factor in the section 6(5) analysis. As noted by the Supreme Court in *Masterpiece Inc. v. Alavida Lifestyles Inc.*, 2011 SCC 27, "[t]he other factors become significant only once the marks are found to be identical or very similar." I agree. Furarri did not argue that there was a high degree of resemblance as between the Dead Otter Design registration and its Otter Design registration when the marks were viewed alongside each other; in my opinion, it would have been unreasonable for Furrari to do so. This too was fatal to its claim.

Registration as a Shield

[22] Had I found confusion to have occurred, Mr. Paradis argued that he was shielded from infringement because he was using the registered Dead Otter Design pursuant to an informal or implied license obtained from Antifur. Mr. Paradis claims that it is trite law that Antifur's trademark registration provided it with the exclusive right to use the Dead Otter Design throughout Canada and registration is a full defence to infringement. However, the question before me is whether that defence also inures to Mr. Paradis's benefit and whether Mr. Paradis sales of NFTs fall within the bounds of a registration covering services.

[23] Mr. Paradis concedes that no license was documented but claims that he received an implied or informal license. Although no specific license terms were discussed or agreed to, the evidence shows that Antifur had notice that Mr. Paradis was using its Dead Otter Design on his parody website to fundraise on Antifur's behalf. I find that this notice and Antifur's acceptance of the donations

constitutes an offer and acceptance for valid consideration and that Mr. Paradis was using the Dead Otter Design as a licensee. I further find that a licensee can rely on a registration as a defence to infringement. The exclusive rights provided to a registrant include the ability to license. It would be illogical and contrary to the purpose of the *Trademarks Act* if a licensee could be found to infringe based on its use of a properly registered trademark. I also find that the sale of NFTs was intended to be part of a larger scheme of fundraising and generating awareness for the provision of animal conservation services. I reject Furarri's argument that the sale of an NFTs is not a service associated with animal conservation, advocacy and education.

Depreciation of Goodwill

[24] As noted above, I have found no likelihood of confusion between the Dead Otter Design and Furarri's registration for the Otter design. Absent a finding of confusion, Furarri cannot succeed in establishing it has suffered a depreciation of goodwill. I accept that Furarri has established significant goodwill with its high-net worth customers, but those customers represent only a small percentage of society. I find that the majority of Canadians were not aware of Furarri's trapper hats or, if they were aware, did not have a favourable opinion of them in any event due to the use of endangered otter fur. While it is a very long-standing registration, I do not consider the Otter Design to be a famous mark justifying broad protection under section 22 of the *Trademarks Act*. Furarri is a polarizing brand and I am left to conclude that those who are likely to purchase a trapper hat do not care about animal conservation, while those who care about animal

conservation are highly unlikely to ever purchase a trapper hat. Indeed, Furarri has not provided any concrete evidence that anyone who views its brand favourably was negatively influenced by Mr. Paradis's conduct.

[25] While unnecessary to reach my conclusion, I also question whether the facts of this case are well suited for an argument of depreciation of goodwill. Section 22 of the *Trademarks Act* is usually applied in cases of comparative advertising, where the plaintiff and defendant are in competition with each other and the defendant has reproduced the plaintiff's exact trademark. Mr. Paradis is not trying to compete with Furarri and instead is trying to advance the important social issue of animal conservation and the marks are different. It is certainly arguable that Mr. Paradis is not engaged in "commercial-use" of a trademark as required by Section 22 (see for example *Michelin & Cie v. CAW-Canada* (T.D.), 1996 CanLII 11755 (FC)).[1]

[26] Even if all the requirements of subsection 22(1) were met, I would still be hesitant to grant any relief to Furarri. As noted above, Mr. Paradis is advancing a social issue. Based on his testimony, I find that he did so with *bona fides* and was not motivated by any commercial interest. Whether or not one agrees with the specific message being advanced, it seems uncontroversial that public discourse on the environmental and social governance of Canadian corporations should be encouraged.

[1] While the Defendant could have also argued lack of use for section 20 above, its submissions on "use" were only raised in the context of section 22.

[27] Subsection 22(2) of the *Trademarks Act* contemplates that a court may decline to order the recovery of damages or profits in an action for depreciation of goodwill under subsection 22(1). Even if I had found any depreciation of goodwill, I would have exercised my discretion and declined to order any remedies.

Conclusion

[28] I am not prepared to find confusion or depreciation of goodwill. In any event I would have held that Mr. Paradis's NFT sales are protected by his implied license to the Dead Otter Design registration and that no remedies would have been available for public policy reasons.

COURT OF APPEAL

INTELLECTUAL PROPERTY DIVISION

Date: 20231021
Docket: A-232-19
Citation: 2023 CAIP 333

Ottawa, Ontario, this 21st day of October, 2023

CORAM: Nakamoto, J.A., Buterin, J.A., Armstrong, J.A.

BETWEEN:

FURARRI FASHIONS INC

Appellant

– and –

GUY PARADIS

Respondent

Heard at Ottawa, Ontario, on September 19, 2023.

REASONS FOR JUDGMENT BY:

Nakamoto, J.A.

CONCURRED BY:

Buterin, J.A.,
Armstrong, J.A.

REASONS FOR JUDGMENT

Nakamoto, J.A.

[1] This is an appeal of the decision in *Furarri Fashions Inc. v. Paradis*, 22 TCCIP 1222.

[2] The appellant, Furarri, argues that the Trial Judge erred in concluding as she did on the issues before her and seeks to overturn that decision. For the reasons that follow, this Court agrees with Furarri. The Trial Judge's findings on infringement and depreciation of goodwill are set aside.

Infringement

[3] With due respect to its analysis, the Court below erred in law by seemingly focusing on the marks side by side in its confusion analysis and placing too much of an emphasis on the stated lack of resemblance. The confusion analysis is part of a legislated scheme that requires consideration of all surrounding circumstances, including the manner in which the marks were actually deployed in the marketplace. Once the limited analysis of the Court below is broadened, one finds confusion to be likely. I would endorse Furarri's argument that Mr. Paradis's parody website would generate at least initial interest confusion and any product or service found there would be linked immediately to Furarri. I would reject the survey evidence showing a link to animal conservation as the survey failed to replicate the manner in which the mark was actually used on the website, namely the modification of the Dead Otter Design by the addition of the crest.

[4] I also reject the Trial Judge's finding regarding lack of resemblance. The proper comparison is not between Furarri's Otter Design and the Dead Otter Design as registered. Rather, the Court ought to have focused on the mark as actually used by Mr. Paradis, including the addition of the crest. In my view, this yields a

materially different result and there is a higher degree of resemblance both in terms of appearance and the ideas suggested.

[5] Failing to accept the inquires received by Furarri as evidence of actual confusion was also misguided. Given the volume and nature of the inquiries, it is reasonable to conclude that some were genuine.

[6] Even if Mr. Paradis possessed a license to TMA 112,367, he failed to use the mark as registered when he added the additional design element of the crest. This is why valid license agreements are required to include provisions allowing the licensor to control the way in which the licensee uses a trademark. Similarly, the sale of NFTs, which are admittedly digital *products*, is beyond the scope of the *services* for which TMA 112,367 is registered. I note here that Antifur specifically removed products from its scope of registration and it does not now befit Mr. Paradis to attempt to shoehorn them back in.

Depreciation of Goodwill

[7] I also find that the Trial Judge erred in her analysis with respect to depreciation of goodwill. The Trial Judge improperly conflated her infringement and depreciation analyses despite these being two distinct allegations. Depreciation of goodwill does not necessarily require confusion and ought to have been fully considered.

[8] As stated in *Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée*, 2006 SCC 23:

> Section 22 has four elements. Firstly, that a claimant's registered trade-mark was used by the defendant in connection with wares or services - whether or not such wares and services are competitive with those of the claimant. Secondly, that the claimant's registered trade-mark is sufficiently well known to have significant goodwill attached to it. Section 22 does not require the mark to be well known or famous (in contrast to the analogous European and U.S. laws), but a defendant cannot depreciate the value of the goodwill that does not exist. Thirdly, the claimant's mark was used in a manner likely to have an effect on that goodwill (i.e. linkage) and fourthly that the likely effect would be to depreciate the value of its goodwill (i.e. damage).

[9] The Supreme Court went on to accept that depreciation of goodwill can occur when only a distinguishing feature of the registered trademark has been used; in this case, an otter in a crest. To succeed on depreciation of goodwill, Furarri only needed to demonstrate that the likely effect of Mr. Paradis's use of the Dead Otter Design was to depreciate Furarri's goodwill that was admitted to exist. While Mr. Paradis's use of the mark was partially to advocate for animal conservation, he did so by directly targeting Furarri's business, products and registered trademark with an intention to publicize Furarri's poor treatment of animals. Polarizing or not, no proof of actual harm is required and there can be no conclusion other than a linkage that depreciated Furarri's goodwill. Given Mr. Paradis admitted intentions, it is appropriate to infer that his actions in fact damaged Furarri's brand.

[10] I also reject the Trial Judge's commentary that section 22 is somehow limited to comparative advertising between competitive products. The law set out in *Veuve Clicquot* is clear: Mr. Paradis's NFTs do not need to be competitive with Furarri's trapper hats for depreciation of goodwill to have occurred. Whether or not Mr. Paradis's goal of advancing animal rights was in the public interest, it

does not justify intentionally depreciating the goodwill of Furarri contrary to the statutory provisions of the *Trademarks Act*. I see no compelling policy reason to apply discretion under Subsection 22(2).

[11] For the above reasons, I would allow the appeal and grant the action for infringement and depreciation of goodwill against Mr. Paradis and further order the Federal Court to conduct a reference in the bifurcated proceeding to determine the appropriate remedies.

Buterin, J.A.

[12] I concur.

Armstrong, J.A.

[13] I too concur.