

Federal Court



Cour fédérale

Date: 20170822

Docket: T-1447-11

Citation: 2017 FC 779

Toronto, Ontario, August 22, 2017

PRESENT: The Honourable Mr. Justice Southcott

BETWEEN:

**THE STORK MARKET INC
AND RICCARDO FRONTE**

**Plaintiffs/
Defendants by Counterclaim**

and

**1736735 ONTARIO INC
O/A HELLO PINK LAWN CARDS INC AND
CIPRIANO PRIMICIAS III**

**Defendants/
Plaintiffs by Counterclaim**

JUDGMENT AND REASONS

I. Overview

[1] This decision results from a trial of claims and counterclaims related to intellectual property rights between two companies, and their principals, active in the lawn sign business in the Greater Toronto Area [GTA] and other parts of southern Ontario. Specifically, the Plaintiffs claim infringement of registered trade-marks of two images of a stork holding a baby above its head under a banner announcing, respectively, “It’s a Girl” and “It’s a Boy”. The Plaintiffs also assert a claim for passing off under s. 7(b) of the *Trade-marks Act*, RSC 1985, c T-13 and a claim for copyright infringement. These claims all arise from the Defendants’ use and advertisement of lawn signs displaying images of a stork in a similar posture. The Defendants deny that their stork images infringe the Plaintiffs’ rights and seek a declaration that the Plaintiffs’ trade-mark registrations are invalid and an Order expunging those registrations.

[2] For the reasons explained below, I have found that the Plaintiffs’ trade-mark registrations are valid and have been infringed by the corporate Defendant, contrary to the *Trade-marks Act*. The claim by the corporate Plaintiff for passing off under s. 7(b) of the *Trade-marks Act* also succeeds, again against the corporate Defendant. The Plaintiffs have not convinced me that the individual Defendant has any personal liability for the claims under the *Trade-marks Act*. Nor have they convinced me that the Defendants have infringed the copyright of the individual Plaintiff in his stork images.

[3] The Plaintiffs’ success in their trade-mark infringement and passing off claims results in an award of \$30,000 damages to the corporate Plaintiff, injunctive relief and an Order for

destruction or delivery up under s. 53.2 of the *Trade-marks Act*. The claims and counterclaims are otherwise dismissed.

II. Background

[4] The Plaintiffs are an Ontario incorporated company called The Stork Market Inc. [Stork Market] and its owner-operator, Mr. Riccardo Fronte. In November 2009, Stork Market commenced its business, which consists solely of renting what the parties refer to as “lawn storks”, i.e. large signs depicting a stork and a newborn baby, intended to be placed on a customer’s front lawn to announce the birth of a child or a related event. Stork Market’s lawn storks all display one of two images. Both images include a location at which information such as a baby’s name, birth date and weight can be displayed. Other than this customization, Stork Market’s two images are identical, with the exception that the top of one image displays a pink banner with the words “It’s a Girl” and the top of the other displays a blue banner with the words “It’s a Boy”.

[5] The two images employed by Stork Market on its signs [the Stork Market Images] were designed in the fall of 2007 by Mr. Russell Challenger, who is a commercial artist and a long-time friend of Mr. Fronte. In November 2012, after the commencement of this lawsuit, Mr. Challenger and Mr. Fronte entered into an agreement entitled Copyright Assignment and Moral Rights Waiver [the Copyright Assignment] under which Mr. Challenger assigned to Mr. Fronte his copyright in the stork images he designed, effective as of the time of their creation.

[6] On November 30, 2009, Mr. Fronte also applied for registration of these two images as trade-marks under the *Trade-marks Act*. As a result, these images were registered as trade-marks in Mr. Fronte's name [the Fronte Marks] under No. TMA 794,667 and No. TMA 794,672, with a registration date of April 4, 2011 [the Registrations]. The Registrations refer to goods and services in connection with which the marks are used as, respectively, "lawn ornaments, namely lawn storks" and "7 day rental service of the Stork image on a wooden plank, planted on the front lawn of the customer's home, for the purpose of announcing the birth of their child or children." The Fronte Marks appear as follows in the Registrations, along with descriptions of the colours employed in the marks:



[7] Shown in colour, the Stork Market Images appear as follows:



[8] The Defendants are an Ontario corporation named 1736735 Ontario Inc., which operates under the name Hello Pink Lawn Cards Inc. [Hello Pink], and its sole director, officer and shareholder, Mr. Cipriano Primicias III. Mr. Primicias was self-represented at the trial and served as Hello Pink's representative pursuant to leave granted by Prothonotary Milczynski in an Order dated June 25, 2014. Hello Pink commenced business in July 2007. Like Stork Market, Hello Pink is in the business of rental and installation of lawn signs for special occasions. However, while it rents lawn storks intended to celebrate births, it also rents signs related to a variety of other occasions, such as birthdays, anniversaries and graduations.

[9] At the commencement of Hello Pink's business operations, its sign inventory included two stork images, one announcing the birth of a boy and the other announcing the birth of a girl. These signs were purchased on eBay from suppliers in the Pennsylvania area, and as part of the purchase Mr. Primicias also acquired an exclusive Canadian licence to use the images on the signs. Mr. Primicias described them as "traditional" stork images, depicting a stork carrying a

baby in its beak. The traditional images employed by Hello Pink on its lawn storks from the beginning of its business, currently referenced in Hello Pink's inventory as "GS2-Bird 2" and "BS2-Bird 2" [the Original Hello Pink Images], appear as follows:



GS2-Bird 2



BS2-Bird 2

[10] In or about June 2010, Hello Pink began renting lawn signs with new stork images, again employing both "girl" and "boy" versions, along with signs with the Original Hello Pink Images and the rest of its inventory related to other special occasions. Details surrounding the decision to develop the new stork images are addressed later in these Reasons. It is the use of these new stork images, referenced in Hello Pink's inventory as "GS2-Bird 1" and "BS2-Bird 1" [the New Hello Pink Images], which gives rise to the Plaintiffs' claims. The New Hello Pink Images appear as follows:



GS2-Bird 1



BS2-Bird 1

[11] After becoming aware of Hello Pink's lawn signs using the New Hello Pink Images, which Mr. Fronte considered to be copies of the Stork Market Images, he telephoned Mr. Primicias. Mr. Fronte asked him to stop using the New Hello Pink Images, and Mr. Primicias refused. The Plaintiffs' counsel subsequently sent a "cease-and-desist" letter to Hello Pink on August 15, 2011, along with a follow-up email to Mr. Primicias on August 29, 2011. The Defendants did not respond to this correspondence, and the present litigation ensued.

III. Witnesses

[12] Three witnesses testified in support of the Plaintiffs' claims. Mr. Fronte testified as to the development of the Stork Market Images by Mr. Challenger, the registration of the Fronte Marks, the commencement and development of Stork Market's business, how Mr. Fronte became aware of Hello Pink's use of the New Hello Pink Images, and the subsequent assertion of the claims that are the subject of this action. Mr. Challenger testified as to his role in the

development of the Stork Market Images, including the creative process by which the images were developed. The Plaintiffs' third witness was a former customer, Ms. Wendy Pitblado, who gave evidence which the Plaintiffs argue demonstrates actual confusion between the New Hello Pink Images and the Fronte Marks. These witnesses were all cross-examined by Mr. Primicias.

[13] Mr. Primicias was the sole witness for the Defendants. He testified as to the commencement and development of Hello Pink's business, the procurement of the Original Hello Pink Images, how he became aware of Stork Market's lawn signs employing the Stork Market Images, the development of the New Hello Pink Images, and the subsequent communications between the parties prior to commencement of this action. Mr. Primicias was cross-examined by the Plaintiffs' counsel.

[14] The Plaintiffs also tendered into evidence certain excerpts from Mr. Primicias' discovery examination, and the parties tendered a Joint Book of Documents. The parties agreed to the authenticity of the documents and that all documents in the Joint Book would form part of the evidentiary record. Although there was no agreement between the parties that the documents were necessarily admitted for the truth of their contents, the nature of the documents and their use at trial is such that this is not significant.

[15] Beyond this general overview of the evidence, details of specific pieces of evidence are discussed below where relevant to the Court's analysis of the issues in dispute.

IV. Issues

[16] In broad strokes, the issues in this action are the validity of the Registrations of the Fronte Marks and whether the Defendants, or either of them, are liable to the Plaintiffs, or either of them, for infringement of the Fronte Marks, passing off, or infringement of Mr. Fronte's copyright in the images designed by Mr. Challenger. However, based on the parties' pleadings and arguments, I would subdivide the issues as follows:

- A. Are the Registrations of the Fronte Marks valid?
- B. If so, have the New Hello Pink Images been used as trade-marks?
- C. If so, have the Defendants infringed the Plaintiffs' rights under ss. 19 and 20 of the *Trade-marks Act*?
- D. Did the Defendants violate s. 7(b) of the *Trade-marks Act*?
- E. Are the Stork Market Images subject to copyright owned by Mr. Fronte?
- F. If so, did the Defendants infringe this copyright?
- G. If the Plaintiffs succeed in establishing any of the causes of action asserted, to which remedies are the Plaintiffs entitled?

V. Analysis

- A. *Are the Registrations of the Fronte Marks valid?*

[17] The Defendants raise two arguments in support of their position that the Registrations are invalid and should be expunged. They take the position that the Registrations are not distinctive

of a single source and that the subject matter of each Registration is primarily functional and/or merely ornamental.

(1) Not Distinctive of a Single Source

[18] The Defendants note that the Registrations are in the name of Mr. Fronte but that the Fronte Marks were used only by Stork Market. They argue there is no indication that Mr. Fronte licensed Stork Market to use the Fronte Marks or that Mr. Fronte exercised any control over the quality of the wares or services of Stork Market in connection with which the Fronte Marks were used.

[19] The Defendants are correct that there was no evidence adduced at trial as to a written or express license agreement between the Plaintiffs related to the use of the Fronte Marks. However, the Plaintiffs argue that the applicable jurisprudence supports a conclusion that the Fronte Marks were used by Stork Market under an implied oral license from Mr. Fronte. This argument relates to the application of s. 50(1) of the *Trade-marks Act*, which deems use of a mark by a licensee to be use by the registered owner, provided that the owner has direct or indirect control over the character or quality of the wares or services in question.

[20] I accept the Plaintiffs' proposition that the required license need not be in writing and that, where the owner of a trade-mark also controls a closely held corporation that uses the mark, an inference may be drawn that the corporation uses the mark under oral license from the owner, with the owner asserting the requisite control over the character or quality of the wares or

services (see *TGI Friday's of Minnesota Inc v Canada (Registrar of Trade Marks)* (1999), 241 NR 362 (FCA); *Fairweather Ltd v Registrar of Trade-marks*, 2006 FC 1248; *Smart & Biggar v Powers* (2001), 16 CPR (4th) 276 (TM Bd)).

[21] The Statement of Claim alleges that Mr. Fronte is the sole director, officer and shareholder of Stork Market. The Plaintiffs did not adduce evidence explicitly addressing Stork Market's corporate structure. However, Mr. Fronte testified that he is the owner-operator of Stork Market and, other than one week during which his brother performed the delivery of lawn signs, its sole employee. It is clear from Mr. Fronte's testimony that he started and runs the company. In accordance with the applicable jurisprudence, I find that this is an appropriate case in which to infer an oral license from Mr. Fronte to Stork Market and that Mr. Fronte exercises the requisite control over the wares and services. Therefore, the Plaintiffs have the benefit of s. 50(1) of the *Trade-marks Act*, and the Defendants' argument that the Fronte Marks are not distinctive of a single source does not represent a basis to find that the marks are invalid.

(2) Primarily Functional/Merely Ornamental

[22] Referencing the descriptions of the relevant wares and services in the Registrations, the Defendants' position is that, if the stork image was removed, the wares would no longer function as "lawn storks" and the services would no longer function as "rental services of the Stork image on a wooden plank". They argue that the subject matter of the Registrations is primarily functional and/or merely ornamental and that registration as a trade-mark is therefore precluded by the doctrine of functionality.

[23] This doctrine was explained by the Supreme Court of Canada in *Kirkbi AG v Ritvik Holdings Inc*, 2005 SCC 65 [*Kirkbi*], as follows at paragraphs 42-44:

42 The doctrine of functionality appears to be a logical principle of trade-marks law. It reflects the purpose of a trade-mark, which is the protection of the distinctiveness of the product, not of a monopoly on the product. The *Trade-marks Act* explicitly adopts that doctrine, when it provides, at s. 13(2), that the registration of a mark will not interfere with the use of the utilitarian features it may incorporate:

13. ...

(2) No registration of a distinguishing guise interferes with the use of any utilitarian feature embodied in the distinguishing guise.

43 In these few words, the Act clearly recognizes that it does not protect the utilitarian features of a distinguishing guise. In this manner, it acknowledges the existence and relevance of a doctrine of long standing in the law of trade-marks. This doctrine recognizes that trade-marks law is not intended to prevent the competitive use of utilitarian features of products, but that it fulfills a source-distinguishing function. This doctrine of functionality goes to the essence of what is a trade-mark.

44 In Canada, as in several other countries or regions of the world, this doctrine is a well-settled part of the law of trade-marks. In the law of intellectual property, it prevents abuses of monopoly positions in respect of products and processes. Once, for example, patents have expired, it discourages attempts to bring them back in another guise.

[24] As noted in the above quotation, the functionality doctrine is adopted in s. 13(2) of the *Trade-marks Act*, by reference to a “distinguishing guise”, which is defined in s. 2 as follows:

distinguishing guise means *signe distinctif* Selon le cas :

(a) a shaping of goods or their containers, or

a) façonnement de produits ou de leurs contenants;

(b) a mode of wrapping or packaging goods

b) mode d’envelopper ou emballer des produits,

<p>the appearance of which is used by a person for the purpose of distinguishing or so as to distinguish goods or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others;</p>	<p>dont la présentation est employée par une personne afin de distinguer, ou de façon à distinguer, les produits fabriqués, vendus, donnés à bail ou loués ou les services loués ou exécutés, par elle, des produits fabriqués, vendus, donnés à bail ou loués ou des services loués ou exécutés, par d'autres.</p>
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[25] *Kirkbi* involved an action for passing off brought by the manufacturer of LEGO toys after its patents expired. *Kirkbi* argued that the geometric pattern of raised studs at the top of LEGO bricks represented an unregistered trade-mark and sought to prevent its competitor, *Ritvik*, from manufacturing and selling bricks interchangeable with LEGO. *Kirkbi* was unsuccessful before the Federal Court, the Federal Court of Appeal, and the Supreme Court of Canada. In rejecting *Kirkbi*'s argument that the configuration of its bricks was subject to trade-mark protection, the Supreme Court quoted with approval, at paragraph 60, the following portion of the decision of the Federal Court of Appeal:

Indeed, in my view, subsection 13(2) reinforces the concept that the doctrine of functionality invalidates a mark which is primarily functional. It makes clear that the public is not constrained from using any utilitarian features of a distinguishing guise. It follows that if a distinguishing guise is wholly or primarily functional, then the public is not constrained from using the distinguishing guise in its entirety. Thus a distinguishing guise which is primarily functional provides no rights to exclusive use and hence no trade-mark protection. In other words the fact that the distinguishing guise is primarily functional means that it cannot be a trade-mark. The appellants have simply misconstrued subsection 13(2). [para. 59]

[26] I also note the analysis by this Court in the subsequent decision in *Crocs Canada Inc v Holey Soles Holdings Ltd*, 2008 FC 188 [*Crocs*], at paragraphs 18 to 19, to the effect that the text

of s. 13(2) of the *Trade-marks Act* suggests a policy choice by the legislature to permit some functional or utilitarian features in a mark so long as they do not create a monopoly in relation to the function. *Crocs* involved a passing off claim by Crocs Canada Inc. against a competitor which manufactured foam shoes that, like the plaintiff's product, had holes in the upper surface and vents on the side. The defendant moved for summary judgment, seeking dismissal of the claim on the basis that it was barred by the doctrine of functionality. Justice Hugessen noted that whether the design and pattern of the holes and vents is primarily functional is one of fact, not to be decided on a summary judgment motion. In dismissing the motion, Justice Hugessen also noted that there was evidence that the holes and vents performed a function, but that there was no evidence linking that function to the pattern and arrangement of those holes and vents, and that it would be open to the Court at trial to find that the pattern and arrangement constituted a distinguishing guise. Justice Hugessen further observed that, while this would require further examination at trial, it was noteworthy that other manufacturers had been able to use some of the purely functional features of the plaintiff's shoes without mimicking their get up.

[27] I have difficulty concluding that the Fronte Marks offend the doctrine of functionality as described in *Kirkbi* or *Crocs*. One cannot characterize the marks as a distinguishing guise, as they represent neither a shaping of goods or their containers nor a mode of wrapping or packaging goods, and the Plaintiffs' claims certainly cannot be characterized as an effort to assert a protection that would more properly be the subject of a patent. I cannot conclude that the marks are primarily functional within the meaning of the case law.

[28] Moreover, even if one were to consider the doctrine of functionality more broadly, as a principle applicable even where the law of patents has no application, intended to ensure that trade-marks law is not employed to prevent the competitive use of utilitarian features of products, I cannot conclude the protections afforded by the Registrations to the Fronte Marks create the sort of anti-competitive effect about which the doctrine is concerned. I note that, in support of their argument, the Defendants referred the Court to articles analysing decisions of courts in the United States, applying what is described as the doctrine of “aesthetic functionality”. This appears to represent an application of the doctrine of functionality, not in relation to the technical function of a product’s features, but rather in relation to the product’s aesthetic qualities. For instance, one of the articles submitted by the Defendants (see Rachel Rudensky, “Aesthetic Functionality After Louboutin”, (2013) 68:7 INTABulletin) referred to the decision in *Christian Louboutin S.A. v Yves Saint Laurent America, Inc*, 7 F Supp (2d) 445 (SDNY 2011), in which the trial court held that Louboutin’s marketing of women’s shoes with red lacquered soles, despite being instantly recognizable as Louboutin’s product, did not attract trade-mark protection. The Court concluded that the colour was aesthetically functional, serving the non-trade-mark functions of decoration and beauty.

[29] This decision was reversed by the Second Circuit (*Christian Louboutin S.A. v Yves Saint Laurent America, Inc*, 696 F (3d) 206 (2d Cir 2012)) [*Louboutin*], holding that there is no legal prohibition against colour serving as trade-mark and that a determination of aesthetic functionality involves consideration whether protecting the aesthetic element in question would significantly undermine a competitor’s ability to compete.

[30] Another article submitted by the Defendants analysed decisions of the Ninth Circuit Court of Appeals in the United States, applying the doctrine of aesthetic functionality, although the article criticized much of that jurisprudence and described the Ninth Circuit's application of this doctrine as out of step with other US courts (see Nancy Clare Morgan, "Aesthetic Appeal", *Los Angeles Lawyer* (February 2012) 34).

[31] It is therefore difficult to assess from the authorities identified by the Defendants the extent to which the doctrine of aesthetic functionality forms part of US law or exactly how that doctrine is formulated and applied. Nor have the parties identified any instances of this application of the doctrine of functionality in Canadian law. Furthermore, even applying this doctrine as apparently formulated by the Second Circuit Court of Appeals in *Louboutin* would not particularly assist the Defendants in the case at hand. As will be canvassed in more detail below in my analysis of the likelihood of confusion between the parties' respective stork images, Mr. Fronte testified as to the commercial success of the signs employing the Stork Market Images. His designer, Mr. Challenger, also testified as to the emotional reaction his design was intended to achieve. While this evidence speaks to the commercial merits of the Plaintiffs' product employing the Stork Market Images, I do not consider that evidence, or any other evidence adduced at trial, to support a conclusion that the particular design elements of the Stork Market Images are essential or sufficiently important to success in the lawn stork business, such that affording trade-mark protection to those images would significantly undermine a competitor's ability to compete.

[32] I note Mr. Primicias' testimony that his objective in designing the New Hello Pink Images was to accommodate the inclusion of a customizable baby, i.e. a baby with a range of different attire customized to be meaningful to the parents. He explained that this commercial objective prompted the development of the New Hello Pink Images, with a clothed baby positioned on the stork's shoulder rather than in the traditional position wrapped in a bag or blanket held in the stork's beak. When asked in cross-examination about elements of the New Hello Pink Images which are similar to the Stork Market Images, Mr. Primicias testified that the stork's splayed stance was a function of the fact the stork is supporting the baby and that positioning the stork on a patch of grass was necessary to hide the sign's hardware. Mr. Primicias also considered it critical that the new design include a banner or plaque large enough to hold the announcement "It's a Girl" or "It's a Boy" and another area for information about the baby. He testified that the use of customizable clothing for the baby meant that the baby's information could not be positioned on the baby itself and therefore had to be placed on a sign hung around the stork's neck. This left the location above the stork's head as the only available position for the "It's a Girl/Boy" announcement. Therefore, the wings were raised above the stork's head to hold the announcement.

[33] In essence, the Defendants argue that the design elements of the New Hello Pink Images which the Plaintiffs argue to be confusingly similar to the Stork Market Images are a function of the commercial objective of incorporating a customizable baby. They also submit that the raising of the hands or wings is a common celebratory gesture which is aesthetically functional and that competitors of the Stork Market must be free to use. With respect, I cannot accept these arguments as a basis to conclude that affording trade-mark protection to the Stork Market Images

would significantly undermine competitors' ability to compete. My analysis of the degree of resemblance between the parties' images, and the other aspects of the confusion analysis, follow later in these Reasons. However, for purposes of addressing the present issue, I note that the documentary evidence introduced by the parties includes a large number of quite varied "traditional" stork images, and the Defendants have not convinced me that the commercial objective of a customizable baby, or any other ingredient of a commercially successful lawn stork, requires the use of the Plaintiffs' design elements in a manner that is confusingly similar to the Stork Market Images.

[34] Finally, I am conscious that the images for which the Plaintiffs claim trade-mark protection are themselves an integral part of Stork Market's products and services. However, the Defendants have not cited any authority to support a conclusion that this disentitles the Plaintiffs to such protection. I take from the *Crocs* decision that a product can have features which serve a utilitarian function and also serve the trade-mark function of identifying the source of the product, without necessarily invalidating the mark. In the present case, while the Stork Market Images form part of Stork Market's products and services, they also serve a source-distinguishing function. Section 4(2) of the *Trade-marks Act* (reproduced in the next portion of these Reasons) provides that a trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services. Mr. Fronte's evidence establishes that Stork Market has used the Stork Market Images as branding on its website and a variety of other promotional materials, including business cards, pamphlets distributed at trade shows, flyers distributed throughout the GTA, posters employed in connection with hand

sanitizers in hospitals and, at one stage in the company's operations, a vehicle with the Stork Market Images applied as decals to the sides.

[35] In conclusion on the first issue, I find no basis to declare the Registrations of the Fronte Marks invalid. As between the parties to this proceeding, the Registrations are valid.

B. *Have the New Hello Pink Images been used as trade-marks?*

[36] The Defendants take the position that the New Hello Pink Images have not been used as trade-marks and that there can therefore be no violation of ss. 19, 20 or 22 of the *Trade-marks Act*.

[37] Sections 4(1) and (2) of the *Trade-marks Act* deem a trade-mark to be used in connection with goods or services in the following circumstances:

When deemed to be used

4 (1) A trade-mark is deemed to be used in association with goods if, at the time of the transfer of the property in or possession of the goods, in the normal course of trade, it is marked on the goods themselves or on the packages in which they are distributed or it is in any other manner so associated with the goods that notice of the association is then given to the person to whom the property or possession is transferred.

Quand une marque de commerce est réputée employée

4 (1) Une marque de commerce est réputée employée en liaison avec des produits si, lors du transfert de la propriété ou de la possession de ces produits, dans la pratique normale du commerce, elle est apposée sur les produits mêmes ou sur les emballages dans lesquels ces produits sont distribués, ou si elle est, de toute autre manière, liée aux produits à tel point qu'avis de liaison est alors donné à la personne à qui la

	propriété ou possession est transférée.
Idem	Idem
(2) A trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.	(2) Une marque de commerce est réputée employée en liaison avec des services si elle est employée ou montrée dans l'exécution ou l'annonce de ces services.

[38] The Defendants are correct that a trade-mark must be used as a trade-mark in order to give rise to remedies under the *Trade-marks Act*. They cite *Compagnie Générale des Etablissements Michelin – Michelin & Cie v National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW – Canada)* (1996), [1997] 2 FCR 306 (FCTD) [*Michelin*], in which Michelin argued that CAW violated its trade-mark in Bibendum (Michelin's marshmallow-like mascot) by including a drawing of him in their organizing literature. Justice Teitelbaum found that this use did not infringe Michelin's trade-mark because CAW was not using Bibendum as a trade-mark to distinguish goods or services from those of others.

[39] I also appreciate that, as is the case with Stork Market, the stork images used by Hello Pink are an integral part of its products and services. However, the evidence establishes that, as is the case with Stork Market, Hello Pink's images also serve a trade-mark function of distinguishing its goods and services from those of others. In connection with Hello Pink's services, Mr. Primicias' evidence is that its website is its main advertising vehicle, on which the New Hello Pink Images appear. It has also advertised on Kijiji and at a local hospital, employing images of its storks with information as to how to contact Hello Pink. Indeed, the products

themselves, displaying the New Hello Pink Images, include contact information for the company. Mr. Primicias confirmed that the lawn signs themselves act as a form of advertisement.

[40] Whether Hello Pink regarded its use of the New Hello Pink Images as fulfilling a trade-mark function is not determinative of the question whether the images were used as trade-marks. As held by the Federal Court of Appeal in *Tommy Hilfiger Licensing, Inc v International Clothiers Inc*, 2004 FCA 252, at paragraph 40, irrespective of a party's intentions, the question is whether a mark was used to denote the origin of a party's wares or used in such a way as to serve the purpose of indicating origin. Based on the evidence referenced above, my conclusion is that the New Hello Pink Images, while part of the products and services themselves, do also serve the purpose of indicating the origin of those products and services and have therefore been used as trade-marks.

C. *Have the Defendants infringed the Plaintiffs' rights under ss. 19 and 20 of the Trade-marks Act?*

[41] Section 19 of the *Trade-marks Act* grants the owner of a registered trade-mark the exclusive right to use the mark throughout Canada in respect of the goods and services for which the mark is registered. Section 20 provides that the right of the owner of a registered trade-mark to its exclusive use is deemed to be infringed by a person who is not entitled to the use of the trade-mark who sells, distributes or advertises any goods or services in association with a confusing trade-mark.

[42] As a preliminary matter, I note that, while Mr. Fronte is the registered owner of the Fronte Marks, I have found that the marks were used by Stork Market under an implied oral license from Mr. Fronte. As a result, both of the Plaintiffs (Mr. Fronte as owner and Stork Market as licensee) have rights under the *Trade-marks Act* to claim for infringement of the Fronte Marks (see *Tonka Corp v Toronto Sun Publishing Corp* (1990), 41 FTR 56) although, as noted later in these Reasons, there is a distinction between the positions of the two Plaintiffs when it comes to consideration of damages.

[43] The factors to be considered, when determining whether trade-marks are confusing, are prescribed as follows by s. 6(5) of the *Trade-marks Act*:

What to be considered	Éléments d'appréciation
<p>(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</p> <p>(a) the inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known;</p> <p>(b) the length of time the trade-marks or trade-names have been in use;</p> <p>(c) the nature of the goods, services or business;</p> <p>(d) the nature of the trade;</p>	<p>(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 :</p> <p>a) le caractère distinctif inhérent des marques de commerce ou noms commerciaux, et la mesure dans laquelle ils sont devenus connus;</p> <p>b) la période pendant laquelle les marques de commerce ou noms commerciaux ont été en usage;</p> <p>c) le genre de produits, services ou entreprises;</p> <p>d) la nature du commerce;</p>

and

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

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.

(1) Degree of Resemblance

[44] As explained by the Supreme Court of Canada in *Masterpiece Inc v Alavida Lifestyles Inc*, 2011 SCC 27 [*Masterpiece*], at paragraph 49, the degree of resemblance is the statutory factor that is often likely to have the greatest effect on the confusion analysis and has been suggested to be the factor with which most confusion analyses should start. Consistent with this approach, Mr. Primicias' testimony and much of the Defendants' cross-examination of the Plaintiffs' witnesses and the Defendants' argument focused upon differences between the Stork Market Images and the New Hello Pink Images. However, as correctly argued by the Plaintiffs, it is important to bear in mind that the test for confusion has been articulated as a matter of first impression, not the result of a careful examination of competing marks or a side-by-side comparison. As expressed by Justice Rothstein at paragraph 40 of *Masterpiece*:

[40] At the outset of this confusion analysis, it is useful to bear in mind the test for confusion under the *Trade-marks Act*. In *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, [2006] 1 S.C.R. 824, Binnie J. restated the traditional approach, at para. 20, in the following words:

The test to be applied is a matter of first impression in the mind of a casual consumer somewhat in a hurry who sees the [mark], at a time when he or she has no more than an imperfect recollection of the [prior] trade-marks, and does not pause to give the

matter any detailed consideration or scrutiny, nor to examine closely the similarities and differences between the marks.

Binnie J. referred with approval to the words of Pigeon J. in *Benson & Hedges (Canada) Ltd. v. St. Regis Tobacco Corp.*, [1969] S.C.R. 192, at p. 202, to contrast with what is not to be done — a careful examination of competing marks or a side by side comparison.

[45] Under cross-examination, Mr. Fronte and Mr. Challenger acknowledged various differences between the Stork Market Images and the New Hello Pink Images. The stork in the Stork Market Images is not clothed, other than wearing a delivery hat and a bow tie. The stork in the New Hello Pink Images is wearing a tuxedo jacket, vest, top hat and bow tie. The stork in the Stork Market Images has feather-like fingers, while the Hello Pink Stork has fingers with human traits. The announcement above the stork's head in the Stork Market Images is on a banner, surrounded by stars, while the announcement above the stork in the New Hello Pink Images is on a flag, without any stars. There are also differences in the babies shown in the images, in that the baby in the Stork Market Images is covered in a blanket and is held up by the stork's wings, while the baby in the New Hello Pink Images is shown from its head to its feet, cradled in one of the stork's wings. Also, unlike the Stork Market Images, the New Hello Pink Images include different possible babies, distinguishable by their clothing or accessories. The Defendants argue these differences to demonstrate a low degree of resemblance between the parties' respective images.

[46] In contrast, the evidence adduced by the Plaintiffs focused upon the similarities between the Stork Market Images and the New Hello Pink Images. The graphic designer hired by Mr. Fronte, Russell Challenger, testified that Mr. Fronte had directed him to design an image that

would have a particular emotional impact, invoking a sense of celebration. Mr. Challenger explained the design choices that he made in an effort to achieve that emotional impact, being the upstretched arms, raising the baby in the air, the large banner surrounded by stars, and the skinny legs, overall creating a top-heavy shape akin to a trophy. When asked about his reaction when he was first shown the New Hello Pink Images, he testified he regarded them as directly inspired by his work. He referred to the arms reaching up with feathers coming out, the elevated banner with the announcement, the cartoonish nature of the character, the baby being displayed in a different manner than the traditional stork images, the legs in the center of the image, and the grass at the bottom. The Plaintiffs argue these similarities to demonstrate a high degree of resemblance between the parties' respective images.

[47] In analyzing the degree of resemblance between the relevant images, I do not consider any of the above evidence, adduced by either the Plaintiffs or the Defendants, to be particularly probative. As explained in *Masterpiece*, the test to be applied is a matter of first impression in the mind of a casual consumer somewhat in a hurry. I do not regard the application of this test to be particularly assisted by the evidence of the parties' witnesses as to what they regarded the similarities and differences to be. This observation applies to the evidence of the parties themselves, as well as to that of Mr. Challenger, notwithstanding his expertise as a designer. While I recognize that there was no effort to formally qualify Mr. Challenger as an expert, I am conscious of the explanation at paragraphs 75 to 77 of *Masterpiece* that expert opinion evidence is admissible to assist with the confusion analysis only if it provides information which is likely to be outside the experience and knowledge of the Court. I raise this because it underlines the point that it is the Court which must assess the degree of resemblance between the relevant

marks, employing the principles derived from the applicable jurisprudence. However, in doing so, I have considered the parties' arguments in support of their respective positions on degree of resemblance.

[48] Applying the jurisprudence, the degree of resemblance must be assessed through the eyes of the casual observer who sees the mark at a time when he or she has no more than an imperfect recollection of the prior mark and does not pause to give the matter any detailed consideration or scrutiny or to examine closely the similarities and differences between the marks. The test does not involve performing a careful examination of competing marks or a side by side comparison. While I do not fault the Defendants for pointing out the differences between the Stork Market Images and the New Hello Pink Images, I find that those differences only become apparent through the sort of careful examination that the case law discourages.

[49] Rather, as noted at paragraph 64 of *Masterpiece*, albeit in the context of analysing a word mark, it is appropriate to consider whether there is an aspect of the mark that is particularly striking or unique. Particularly when the Fronte Marks are considered in the context of the numerous traditional stork images that were introduced as evidence (which will be further referenced below in the analysis of distinctiveness), I find compelling the Plaintiffs' argument that the striking and unique aspects of the Fronte Marks are found in the overall configuration and pose of the stork, facing forward with thin splayed legs and raised feathered wings and banner above its head. The New Hello Pink Images contain those same striking and unique aspects. I find a strong degree of resemblance between the Fronte Marks and the New Hello Pink Images.

(2) Inherent and Acquired Distinctiveness

[50] In analysing the inherent distinctiveness of the Fronte Marks, I am conscious that they are not unique in their association of an image of a stork with a celebration of the birth of a child or similar event. The agreed documents introduced into evidence by the parties include over 100 different examples of lawn storks. Mr. Fronte described these images as representing the typical sort of lawn stork that is rented not just in Canada but throughout North America. As explained by Mr. Fronte, the typical image depicts a stork standing on one leg, with a bag in its mouth and the baby's information written on the bag, sometimes accompanied by the message "It's a boy" or "It's a girl". Mr. Primicias similarly referred to these images as "traditional" storks, where the baby is being carried in the stork's beak. In reviewing these images in the agreed documents, I note that there is considerable variation in how the character of the stork itself is depicted. However, they almost all depict a stork facing sideways, often on one leg, holding a bag or a baby in a bag in its beak. They contrast significantly with the Stork Market Images which, as canvassed above, are composed of a stork facing forward, standing on 2 feet, with raised feathered arms and an announcement banner and baby. I agree with the Plaintiffs' position that the Fronte Marks have inherent distinctiveness.

[51] I also agree with the Plaintiffs that the extent to which Fronte Marks have become known, i.e. their acquired distinctiveness, favours a finding of confusion. As previously explained, Mr. Fronte testified that Stork Market has used the Stork Market Images as branding on its website and a variety of other promotional materials. These included business cards, miniature frames with business cards which were distributed to between 500 and 1000 people at

a number of Welcome Wagon shows, 20,000 pamphlets distributed at trade shows, flyers distributed to thousands of businesses throughout the GTA, posters employed in connection with hand sanitizers in 6 or 7 hospitals and, at one stage in the company's operations, a vehicle with the Stork Market Images applied as decals to the sides.

[52] Mr. Fronte also gave evidence as to the rapid success of Stork Market's business. Mr. Fronte's expectation was that Stork Market would represent a part-time job to generate a couple of hundred dollars a week. However, after its marketing began in November 2009, customer response was very positive, and by May 2010 Mr. Fronte was in a position to quit his previous employment, as Stork Market was generating income equal or greater to that of his previous job. In the first year of its operations, Stork Market rented approximately 400 lawn signs, in the second year 700, and in the third year over 900. In the following years, business declined somewhat, which Mr. Fronte suggests may have been due to competition from the New Hello Pink Images. However, it is clear from the rapid growth of Stork Market's business, and its annual business volumes, that the Stork Market Images and therefore the Fronte Marks have become well-known in the parties' market.

[53] This can be contrasted with Hello Pink's lower volumes from the rental of lawn storks, which the Defendants' compilation of Hello Pink's sales invoices demonstrates to have been 63 rentals in 2010 (36 of which were the New Hello Pink Images), 74 rentals in 2011 (40 of which were the New Hello Pink Images), and 96 rentals in 2012 (56 of which were the New Hello Pink Images). It should also be noted that lawn storks are only one of many rental products offered by Hello Pink. Mr. Primicias testified that, within five years of his commencement of the business

in July 2006, he had amassed over 100 signs, related not just to births but to anniversaries, graduations, promotions and other events.

[54] It is therefore my conclusion that both the inherent distinctiveness of the Fronte Marks and their acquired distinctiveness in the market favour a finding of confusion.

(3) Length of Time the Trade-marks have been in Use

[55] The Fronte Marks were first used by the Plaintiffs in November 2009. Mr. Primicas testified that the signs with the New Hello Pink Images were first used in June 2010. As such, the length of time the marks have been in use does not significantly favour either party but does marginally favour the Plaintiffs.

(4) Nature of the Goods, Services or Business / Nature of the Trade

[56] These factors favour a finding of confusion. While Hello Pink's lawn signs extend to special occasions beyond births, the parties are selling directly competing products to an identical customer base. The potential for confusion is therefore much higher than if the New Hello Pink Images were used to sell unrelated products to a different customer base.

(5) Surrounding Circumstances

[57] In performing the confusion analysis, the Court is required to consider all surrounding circumstances, not just those expressly prescribed by s. 6(5). As further surrounding circumstances, the Plaintiffs rely on the evidence of one of Stork Market's customers, Wendy Pitblado. Ms. Pitblado testified that she saw one of Stork Market's signs while driving and regarded it as a spectacular design. As her brother and his wife were expecting a baby, she recorded the phone number on the sign and called Stork Market to inquire whether they delivered to the relevant area. She did not order the sign at that time, because the baby had not yet been born. After the birth, Ms. Pitblado did not remember Stork Market's name. So she went online and searched for "stork sign". The first image she saw was one of the New Hello Pink Images. She almost ordered that sign, thinking it was the sign she had previously seen and inquired about. However, realizing that it didn't invoke quite the same feeling as the one she had seen while driving, she did further research and identified Stork Market as the source from which she wished to order.

[58] After Stork Market had completed Ms. Pitblado's order, she wrote to Mr. Fronte to thank him and advised that she had trouble finding him on the internet and had gotten confused, because his design appeared on Hello Pink's website. She stated that she had almost ordered from Hello Pink in error but figured it out before it was too late.

[59] While testifying in direct examination, Ms. Pitblado was referred to one of the New Hello Pink Images and asked what elements in that image had at first reminded her of the sign she had

seen while driving. She stated that it was the stork's wings and the banner across the top of the image. The Defendants respond to this evidence by pointing out that ultimately Ms. Pitblado was able to distinguish between the Stork Market Images and the New Hello Pink Images to correct her initial error and determine which product she wished to order. However, as argued by the Plaintiffs, *Masterpiece* explained at paragraphs 70 to 74 that the likelihood of confusion must be analyzed based on the first impression of consumers when they encounter the marks in question, not based on the position the consumer may be in after conducting subsequent research. While this point was made in *Masterpiece* in the context of a considering a proposed distinction between the purchase of expensive and inexpensive wares and services, the point reinforces the fact that the test to be applied in the confusion analysis is a matter of first impression in the mind of a casual consumer somewhat in a hurry.

[60] Ms. Pitblado has no relationship with the Plaintiffs other than ordering from Stork Market on this one occasion. She explained that she would not recognize Mr. Fronte even if he was in the courtroom while she was testifying. I consider her evidence to be probative of the question the Court is required to answer, as she represents the sort of consumer the Court is required to contemplate when applying the prescribed test. Ms. Pitblado's evidence supports a finding of confusion.

(6) Liability for Infringement under the *Trade-marks Act*

[61] Based on the above analysis, I find that Hello Pink's use of the New Hello Pink Images does infringe the Plaintiffs' rights under s. 20 of the *Trade-marks Act*. However, the Plaintiffs

ask that I also extend the infringement finding to Mr. Primicias. They refer to his evidence, introduced through transcripts of his discovery examination, which confirms that he is currently the sole officer, director and shareholder of Hello Pink. He is the sole person who runs the company and makes all the decisions with respect to Hello Pink. When the company was started, his sister, who lives in Chicago, was the President, but her involvement in the company ceased by around 2011. There is no evidence of his sister's involvement in the activities that give rise to the infringement. Mr. Primicias testified that he had the idea to develop a new stork design to incorporate a customizable baby. He identified a designer through a website and, following communications back and forth between him and the designer, the New Hello Pink Images were produced.

[62] It was also Mr. Primicias who was the recipient of Mr. Fronte's call, requesting that Hello Pink cease using the New Hello Pink Images, and the "cease-and-desist" correspondence from the Plaintiffs' legal counsel on August 15, 2011 and August 29, 2011, to which Mr. Primicias did not respond.

[63] The question is whether this level of involvement by Mr. Primicias, in the company and the activities that give rise to the infringement, support a finding that he is personally liable for the infringement by Hello Pink. I find that it does not. The Plaintiffs rely on the decision of the Federal Court of Appeal in *Mentmore Manufacturing Co v National Merchandise Manufacturing Co* (1978), 89 DLR (3d) 195 (FCA) [*Mentmore*], submitting that this case stands for the principle that, for an officer or director to be personally liable for the actions of a corporation, it is sufficient to demonstrate deliberate, wilful and knowing pursuit of conduct that was likely to

constitute infringement or reflected an indifference to the risk of it. It is useful to consider the context surrounding the Federal Court of Appeal's expression of this principle at pages 204-205 of *Mentmore*:

I do not think we should go so far as to hold that the director or officer must know or have reason to know that the acts which he directs or procures constitute infringement. That would be to impose a condition of liability that does not exist for patent infringement generally. I note such knowledge has been held in the United States not to be material where the question is the personal liability of directors or officers: see *Deller's Walker on Patents*, 2nd ed. (1972). vol. 7, pp. 117-8. But in my opinion there must be circumstances from which it is reasonable to conclude that the purpose of the director or officer was not the direction of the manufacturing and selling activity of the company in the ordinary course of his relationship to it but the deliberate, wilful and knowing pursuit of a course of conduct that was likely to constitute infringement or reflected an indifference to the risk of it.

[64] *Mentmore* involved a claim for infringement of a patent relating to a retracting mechanism for ballpoint pens. In upholding the decision of the trial judge that the individual defendant was not personally liable for the infringement by the closely held company of which he was the president, the Federal Court of Appeal noted that the company was legitimately engaged in the business of assembling and selling retractable pens before the question of possible patent infringement arose and that there was considerable uncertainty as to the scope and application of the relevant patent claims. Moreover, the trial judge refused to find that the company had copied the plaintiff's parts. The Court distinguished that case from precedent in which the managing director of the defendant company had acquired his familiarity with the patented process in his former capacity as technical director of the plaintiff company, and in which there was a finding that the defendant company had in effect copied the process of the plaintiff company.

[65] While I agree with the Plaintiffs that Mr. Primicias was personally involved in the activities that give rise to Hello Pink's infringement, I find the circumstances of his involvement similar to those in *Mentmore*. Hello Pink was legitimately engaged in the lawn sign business and, since the issue was first raised with him by Mr. Fronte, Mr. Primicias has consistently maintained that the New Hello Pink Images do not infringe the Plaintiffs' rights. While I have made a finding of infringement, I do not consider the conclusion that the parties' respective marks were confusing to have been so inescapable as to take Mr. Primicias' involvement outside the role of directing the company's activities in the ordinary course of his relationship to it.

[66] In cross-examination of Mr. Primicias, the Plaintiffs sought to procure from him an admission that, after seeing a lawn sign with one of the Stork Market Images and then researching Stork Market on the Internet, he designed the New Hello Pink Images to compete with Stork Market. Mr. Primicias denied this suggestion. His evidence was that he developed a new stork design to accommodate his idea of a customizable baby and that the similarities with the Plaintiffs' stork design were a function of this idea.

[67] If I were to find that Mr. Primicias had deliberately copied the Stork Market Images, this would support a conclusion that he engaged in deliberate, wilful and knowing pursuit of a course of conduct that was likely to constitute infringement or reflected an indifference to the risk of it, so as to support a finding of personal liability on his part. However, I decline to reach such a conclusion. While the evidence establishes that he was aware of Stork Market as a competitor, that he had seen the Stork Market Images, and that he regarded them as impressive, my view is that the Plaintiffs have provided the Court with no basis to challenge the credibility of Mr.

Primicias' testimony as to how the idea of including a customizable baby resulted in the design choices underlying the development of the New Hello Pink Images.

[68] It is therefore my conclusion that Hello Pink has infringed the Plaintiffs' marks but that Mr. Primicias is not personally liable for that infringement.

D. *Did the Defendants Violate s. 7(b) of the Trade-marks Act?*

[69] I make similar findings in relation to this issue.

[70] As submitted by the Plaintiffs, s. 7(b) of the *Trade-marks Act* is essentially a codification of the common law tort of passing off, arising where a defendant is misrepresenting its goods, services or business as the plaintiff's goods, services or business, typically through the use of trading indicia in a manner likely to be confusing with that of the plaintiff. The three elements necessary to a passing off action are: (a) the existence of goodwill; (b) deception of the public due to a misrepresentation; and (c) actual or potential damage to the plaintiff (see *Ciba-Geigy Canada Ltd v Apotex Inc*, [1992] 3 SCR 120 at 132).

[71] I find that Stork Market has established the elements of this tort. The evidence I have previously canvassed, surrounding Stork Market's advertising initiatives and the rapid success and growth of its business, establishes the reputation and goodwill required to support a claim for passing off. I also refer to my previous analysis supporting the finding that the New Hello Pink Images are confusing in relation to the Stork Market Images, and I would add that Hello Pink uses its confusing mark in the same geographic area where Stork Market has built up goodwill

around the Stork Market Images. I accept Stork Market's argument that this creation of confusion in the marketplace constitutes a misrepresentation to the public and meets the second element of the tort.

[72] In relation to actual or potential damage to Stork Market, I note Mr. Fronte's evidence that its business declined somewhat after its first three years of operations, which Mr. Fronte suggests may have been due to competition from the New Hello Pink Images. The Plaintiffs acknowledged in argument that they cannot be certain of the cause of this decline. However, given that Stork Market and Hello Pink are in direct competition for the same customers, both offering birth announcement lawn signs in the same geographic area, I am prepared to make a finding of actual or at least potential damage to Stork Market resulting from the confusion in the marketplace.

[73] I note that the above findings relate only to the corporate Plaintiff, Stork Market, not to Mr. Fronte, as it is the company which has established the reputation and goodwill and the requisite damage to sustain the claim under s. 7(b) of the *Trade-marks Act*. My conclusion is that this claim by Stork Market is well-founded as against Hello Pink. I decline to find in favour of Mr. Fronte under the passing off claim and, based on the same analysis as applied to the claim for trade-mark infringement, I decline to find Mr. Prinicias personally liable for this claim.

E. *Are the Stork Market Images Subject to Copyright Owned by Mr. Fronte?*

[74] The Plaintiffs confirmed in argument at the trial that it is Mr. Fronte who asserts ownership of the copyright in the Stork Market Images and therefore the copyright claim.

[75] Section 5 of the *Copyright Act*, RSC 1985, c C-42 provides that copyright subsists in Canada in every original literary, dramatic, musical and artistic work if certain conditions are met, including if the author of the work was at the date of making the work a citizen of, subject of, or person ordinarily resident in a treaty country such as Canada. An “original” work, for purposes of the *Copyright Act*, is one that originates from an author and is not copied from another work but rather is the product of the author’s exercise of skill and judgment (see *CCH Canadian Ltd v Law Society of Upper Canada*, 2004 SCC 13 at paras 16 and 25). Mr. Fronte and Mr. Challenger testified as to the former’s engagement of the latter’s talents as a designer to develop these images. In the Copyright Assignment, which is addressed further below, Mr. Challenger is identified as having an address in Toronto. Moreover, there was no particular argument from the Defendants at trial to the effect that the Stork Market Images do not constitute original works or otherwise meet the requirements for protection under the *Copyright Act*. Mr. Challenger appears to be a resident of Canada and, given the evidence as to how the Stork Market Images were developed by him, I have no difficulty concluding that they constitute original works attracting copyright protection.

[76] In his testimony, Mr. Challenger identified the Copyright Assignment as the document by which he assigned ownership of the copyright in the Stork Market Images to Mr. Fronte, effective as of the time of the works’ creation. I note that, in *Marcus v The Quaker Oats Company of Canada Ltd* (1988), 20 CPR (3d) 46, the Federal Court of Appeal raised concerns as to the effectiveness of an assignment *nunc pro tunc*, i.e. an assignment that purports to be effective as of a time before it was executed, in the absence of evidence of such intent at that time. However, as neither of the parties raised this issue before the Court and given that, as

explained below, my decision is to dismiss the Plaintiffs' copyright claim for reasons unrelated to the effectiveness of the Copyright Assignment, my analysis is premised on the Copyright Assignment serving to convey to Mr. Fronte copyright in the Stork Market Images as of the time of their creation.

F. *Did the Defendants Infringe this Copyright?*

[77] Section 3 of the *Copyright Act* provides in part that copyright, in relation to a work, means the sole right to produce or reproduce the work or any substantial part thereof in any material form whatever. Under s. 27(1) of the *Copyright Act*, it is an infringement of copyright for any person to do, without the consent of the owner of the copyright, anything that by that statute only the owner of the copyright has the right to do.

[78] The question for the Court is whether the Defendants or either of them has infringed Mr. Fronte's copyright by reproducing the Stork Market Images or any substantial part thereof through their production of the New Hello Pink Images. The Plaintiffs rely on the decision in *U&R Tax Services Ltd v H&R Block Canada Inc* (1995), 62 CPR (3d) 257 (FCTD) [*U&R Tax Services*], in which this Court stated at page 268 that, in order to find copyright infringement, a plaintiff must prove copying of the work or a substantial part thereof and access to the copyright protected work. The Court explained the nature of the inquiry by reference to the following excerpt from Hughes G Richard, "Concept of Infringement in the Copyright Act" in Gordon F Henderson, ed, *Copyright in Confidential Information Law of Canada* (Toronto: Carswell, 1994) 201 at 209-210:

A striking similarity between two works, alone, is insufficient to prove plagiarism. While it is recognized that copyright infringement may result from unconscious copying, there must be evidence of access to the copied work or a connection between the two works for a court to find that infringement has occurred. Evidence of access alone will not suffice; evidence of copying of a substantial part of a protected work also has to be proved.

When the common source can be shown and the allegedly infringing work is a result of independent creation, there is no infringement. Plagiarism is a question of fact and can be proven by any means: direct evidence or presumptions. The Court should closely scrutinize and compare the works submitted to its appreciation. Since “resemblance” between two works can result from the limited range of expressions particular to a field of endeavor, or from use of a common source, a court must be convinced on a balance of probabilities that a defendant has actually taken the plaintiff’s work to produce his own, before finding the defendant liable for infringement.

Thus, evidence of independent creation or use of a common source will serve to establish non-infringement. On the other hand, reproduction of mistakes found in the original work may constitute proof of copying.

[79] My conclusion, that the Defendants have not infringed Mr. Fronte’s copyright, turns on the same evidence that resulted in my finding that Mr. Primicias is not personally liable for infringement of the Plaintiffs’ trade-marks. Mr. Primicias testified that he designed the New Hello Pink Images to accommodate the inclusion of a customizable baby, and that this objective prompted the design choices in those images. These included a clothed baby positioned on the stork’s shoulder rather than in the traditional position wrapped in a bag or blanket held in the stork’s beak. The use of customizable clothing for the baby meant that the baby’s information could not be positioned on the baby itself and was therefore placed on a sign hung around the stork’s neck. This in turn resulted in placement of the “It’s a Girl/Boy” announcement above the stork’s head, with the wings raised above the stork’s head to hold the announcement.

[80] The evidence establishes that the Defendants had access to the Stork Market Images before designing the New Hello Pink Images. Applying the presumption explained in *U&R Tax Services* could therefore result in a finding of infringement. However, as explained in that case, the question the Court is required to determine is one of fact. The Court must be convinced on a balance of probabilities that the Defendants have actually taken Mr. Fronte's work to produce their own before finding them liable for infringement. As explained earlier in these Reasons, the Plaintiffs have provided the Court with no basis to challenge the credibility of Mr. Primicias' testimony as to how the idea of including a customizable baby resulted in the design choices underlying the development of the New Hello Pink Images. While the degree of resemblance between the parties' stork images is sufficient to support my earlier finding of trade-mark infringement, I do not regard the similarities between the images to be so substantial as to cause me to reject Mr. Primicias' evidence or otherwise to support a finding of copyright infringement.

G. *To Which Remedies are the Plaintiffs Entitled?*

(1) *Damages Under the Trade-marks Act*

[81] The Plaintiffs have established their cause of action for trade-mark infringement, and Stork Market has established its passing off claim. The Plaintiffs advised in argument at trial that the damages they claim for these causes of action under the *Trade-marks Act* are concurrent, in the amount of \$30,000.

[82] The Plaintiffs argue that the sales records produced by the Defendants in this litigation are incomplete and nearly impossible to decipher. They rely on this Court's decision in *Ragdoll*

Productions (UK) Ltd v Jane Doe, 2002 FCT 91 at paragraphs 37, 42 and 45. In that case, Justice Pelletier explained that it is always open to a defendant to prove the extent of its infringing trade and to seek to have damages assessed on the basis of its actual sales. But where it keeps no records, the defendant is not in a position to say that the plaintiff has no evidence with which to prove its damages. In cases where damages are understood to have occurred but proof of the amount of the damages is lacking, nominal damages are sometimes awarded. However, where a plaintiff has proven infringement and that damages have occurred, it is entitled to the Court's best estimate of those damages without necessarily being limited to nominal damages.

[83] In the present case, the Defendants have produced, and the parties have introduced into evidence through their agreed Joint Book of Documents, certain sales records for 2010, 2011 and 2012, as well as calculations based on those records as to the total revenues from rental of the New Hello Pink Images in each of those years. Mr. Primicias also spoke to these records in his testimony. The Plaintiffs rely on these records and calculations for purposes of their proposed damages calculations. My only hesitation in accepting these calculations is derived from Mr. Primicias' evidence that the figures are HST-inclusive amounts and, while the parties did not speak to this issue, I would expect that damages based on Hello Pink's revenues from the infringing images would be calculated employing HST-exclusive figures. However, I will address this concern later in my analysis.

[84] The evidence before the Court does not include revenue figures for the years following 2012. I have no particular evidence as to the extent to which production of this information was

pursued during pretrial processes and therefore do not base my damages analysis on any conclusion that the Defendants have been delinquent in meeting their production obligations. Rather, I note Mr. Primicias' testimony that Hello Pink's rental figures increased following 2012 until 2015 and then went back down again. This represents far from perfect information but is sufficient to allow the Court to consider the Plaintiffs' proposed damages calculation.

[85] The Plaintiffs offer two extrapolated calculations of rental revenues from the New Hello Pink Images from 2013 to the time of trial in mid-2017, based on the figures of \$3442.40 in 2010, \$4243.10 in 2011, and \$5579.00 in 2012. The first extrapolation calculates an average of the figures from 2010, 2011 and 2012, after first extrapolating the figure of \$3442.40 (which relates to sales from June 2010, when the New Hello Pink Images were first used, to December 2010) to \$5901.26 for 2010. The resulting annual average is \$5241.12. Employing this figure for each of 2013 to 2016, prorating it over the first six months of 2017, and adding the known figures for 2010 to 2012 results in a total from June 2010 to June 2017 of \$36,849.54.

[86] The Plaintiffs' second extrapolation conservatively identifies the figure of \$4243.10 for 2011 rentals, as the lowest annual figure among the three years for which rental revenues are available, and employs that figure for each of 2013 to 2017 (again prorating it over the first six months of 2017). Adding the known figures for 2010 to 2012 then results in a total from June 2010 to June 2017 of \$32,358.45.

[87] As each of the Plaintiffs' extrapolated amounts exceeds their proposed compensatory damages figure of \$30,000, the Plaintiffs argue that their proposed quantification is conservative,

particularly as it does not take into account Mr. Primicias' evidence that rentals from the New Hello Pink Images increased between 2012 and 2015. I agree with the Plaintiffs' position and am prepared to adopt the figure of \$30,000 as an appropriate quantification of compensatory damages. In so doing, I return to the above point that the figures provided by the Defendants, and therefore the Plaintiffs' calculations based thereon, are all HST-inclusive. However, backing 13% HST out of the two extrapolated calculations would result in figures of \$32,610.21 and \$28,635.80 respectively. These figures still hover around the \$30,000 range, again without taking into account any escalation in the annual revenues in 2013, 2014 and 2015 which the evidence would appear to support.

[88] I therefore award damages, for trade-mark infringement and passing off, in the amount of \$30,000. However, while I have found that each of the Plaintiffs has established a cause of action for trade-mark infringement, my conclusion is that the resulting damages were suffered solely by Stork Market, as it is the company, and not Mr. Fronte personally, which has suffered the lost rental revenues as a result of Hello Pink's rental of the infringing lawn signs. As such, my Judgment will award damages of \$30,000 payable by Hello Pink to Stork Market.

(2) Damages under the *Copyright Act*

[89] The Plaintiffs seek statutory damages for copyright infringement under s. 38.1(1)(a) of the *Copyright Act*. They note that this statutory provision allows for an award between \$500 and \$20,000 and argue that such damages should be quantified in the maximum amount of \$20,000.

As I have found no infringement of Mr. Fronte's copyright, no damages will be awarded under the *Copyright Act*.

(3) Injunctive and Other Relief

[90] The Plaintiffs seek a permanent injunction restraining the Defendants from infringing the Plaintiffs' rights in the Fronte Marks and directing public attention to the Defendants' wares, services or business in such a way as to cause or be likely to cause confusion between the Defendants' wares, services or business and those of the Plaintiffs. The Plaintiffs also seek an Order directing the Defendants to deliver up, or destroy on oath, offending materials such as lawn signs, signage, goods, labels, packaging, advertising materials, printed matter, and material for producing or printing such items.

[91] These forms of relief are authorized by s. 53.2 of the *Trade-marks Act* as remedies for contravention of that statute. Having found such contraventions, my conclusion is that the Plaintiffs are entitled to injunctive relief and an appropriate form of Order for destruction or delivery up. However, in oral Argument, the Plaintiffs' counsel noted that the Plaintiffs are not seeking an injunction extending to the baby that forms part of the New Hello Pink Images, which I take to be recognition of the fact that the idea of the customizable baby is that of the Defendants and is not alleged to infringe the Plaintiffs' rights. Before issuing an Order for injunctive relief and destruction and/or delivery up, the Court would benefit from submissions from the parties as to the form of this Order, such that it is responsive to the contraventions

identified in these Reasons but is not broader than necessary. My Judgment at the conclusion of these Reasons will prescribe a process and timing for the receipt of such submissions.

(4) Interest and Cost

[92] The Plaintiffs have claimed pre-judgment and post-judgment interest and costs, and the Defendants have claimed costs. Neither party provided any submissions in support of either interest or costs at trial. The parties agreed that submissions on costs should be provided to the Court following receipt of the Court's decision on the merits of the claims and counterclaims. The parties have met with divided success in the assertion of their respective positions. With the benefit of this outcome now known, my Judgment will direct that the parties consult in an effort to reach agreement on the disposition of costs in this proceeding, as well as the calculation or treatment of interest, failing which the Court will receive submissions on same in accordance with the process and timing prescribed in the Judgement.

JUDGMENT in T-1447-11

THIS COURT'S JUDGMENT is that:

1. Trade-mark registration nos. TMA794667 and TMA794672 [the Registered Trade-marks] are valid, as between the parties to this action;
2. The Defendant, 1736735 Ontario Inc. o/a Hello Pink Lawn Cards Inc. [Hello Pink]:
 - a) has infringed the right of the Plaintiffs to the exclusive use of the Registered Trade-marks, contrary to s. 20 of the *Trade-marks Act*;
 - b) has directed public attention to its wares, services and business in such a way as to cause or be likely to cause confusion in Canada between its wares, services and business and the wares, services and business of the Plaintiff, The Stork Market Inc. [Stork Market], contrary to s. 7(b) of the *Trade-marks Act*;
3. The Defendant, Hello Pink, shall pay the Plaintiff, Stork Market, damages of \$30,000 for the contraventions of the *Trade-marks Act* identified in paragraph 2 of this Judgment;
4. The Court is prepared to grant an appropriate form of Order under s. 53.2 of the *Trade-marks Act*, providing for relief by way of injunction and for the destruction or delivery up of appropriate categories of items identified in s. 53.2, to address the contraventions of the *Trade-marks Act* identified in paragraph 2 of this Judgment. The parties shall consult with each other in an effort to reach

agreement on a form of such Order consistent with the Court's Reasons for Judgment, and:

- a) within 30 days of the date of this Judgment, the Plaintiffs shall serve and file either a form of Order agreed by the parties or, if such agreement has not been achieved, a form of Order proposed by the Plaintiffs along with their written submissions in support of such form of Order;
- b) if agreement on the form of Order has not been achieved, the Defendants shall, within 14 days of the date of the Plaintiffs' service and filing under paragraph 4(a) of this Judgment, serve and file a form of Order proposed by the Defendants, along with their written submissions in support of such form of Order;
- c) if agreement on the form of Order has not been achieved, the Plaintiffs shall, within 7 days of the date of the Defendants' service and filing under paragraph 4(b) of this Judgment, serve and file any reply submissions;

5. The parties shall consult with each other in an effort to reach agreement on the disposition of costs in this proceeding, as well as the calculation or treatment of interest, and:

- a) within 30 days of the date of this Judgment, the Plaintiffs shall serve and file either joint submissions in support of the disposition of costs in this proceeding, as well as the calculation or treatment of interest, all as agreed by the parties or, if such agreement has not been achieved, the Plaintiffs' written submissions in support of their proposed disposition of interest and costs;

- b) if agreement on the disposition of costs in this proceeding, as well as the calculation or treatment of interest, has not been achieved, the Defendants shall, within 14 days of the date of the Plaintiffs' service and filing under paragraph 5(a) of this Judgment, serve and file the Plaintiffs' written submissions in support of such their proposed disposition of interest and costs;
 - c) if agreement on the disposition of costs in this proceeding, as well as the calculation or treatment of interest, has not been achieved, the Plaintiffs shall, within 7 days of the date of the Defendants' service and filing under paragraph 5(b) of this Judgment, serve and file any reply submissions;
6. Other than as set out or contemplated in this Judgment, the claims of the Plaintiff, Riccardo Fronte, are dismissed;
7. The Defendants' counterclaims are dismissed.

"Richard F. Southcott"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1447-11

STYLE OF CAUSE: THE STORK MARKET INC, ET AL V 1736735
ONTARIO INC, ET AL

PLACE OF HEARING: TORONTO, ONTARIO

DATE OF HEARING: JUNE 12, 2017

JUDGMENT AND REASONS: SOUTHCOTT, J.

DATED: AUGUST 22, 2017

APPEARANCES:

A. Kelly Gill
Patricia Brooks

FOR THE PLAINTIFFS

Cipriano Primicias III

FOR THE DEFENDANTS

SOLICITORS OF RECORD:

Gowling WLG (Canada) LLP
Barristers and Solicitors
Toronto, Ontario

FOR THE PLAINTIFFS

FOR THE DEFENDANTS