

Federal Court



Cour fédérale

**Date: 20190522**

**Dockets: T-920-17  
T-1230-17**

**Citation: 2019 FC 724**

**Ottawa, Ontario, May 22, 2019**

**PRESENT: The Associate Chief Justice Gagné**

**Docket: T-920-17**

**BETWEEN:**

**WHIRLPOOL CANADA LP**

**Applicant**

**and**

**ALLIANCE LAUNDRY SYSTEMS LLC**

**Respondent**

**Docket: T-1230-17**

**AND BETWEEN:**

**ALLIANCE LAUNDRY SYSTEMS LLC**

**Applicant**

**and**

**WHIRLPOOL CANADA LP AND  
WHIRLPOOL CORPORATION**

**Respondents**

## **JUDGMENT AND REASONS**

### **I. OVERVIEW**

[1] In a first application brought by Whirlpool Canada LP [Whirlpool], this Court is asked to assess whether Alliance Laundry Systems LLC [Alliance] improperly used the “SPEED QUEEN” word trademark [SPEED QUEEN mark] pursuant to section 7 of the *Trade-marks Act*, RSC 1985, c T-13 [Act].

[2] In a second application brought by Alliance against Whirlpool and Whirlpool Corporation [Whirlpool Corp], the Court is asked whether Whirlpool and Whirlpool Corp misled the public regarding Alliance’s SPEED QUEEN mark pursuant to section 7 of the Act and subsection 52(1) of the *Competition Act*, RSC 1985, c C-34.

[3] Whirlpool and Alliance’s applications (T-920-17 and T-1230-17, respectively) were consolidated into one (T-920-17) by an Order of Justice Locke, dated October 16, 2017.

### **II. BACKGROUND**

[4] Whirlpool is a wholly owned subsidiary of Whirlpool Corp and is incorporated under the *Limited Partnerships Act*, RSO 1990, c L 16. Whirlpool Corp is a global manufacturer of laundry and kitchen appliances.

[5] Alliance is also a manufacturer of appliances, such as washers and dryers.

[6] The SPEED QUEEN mark (used to market laundry washers and dryers) was originally registered in Canada in 1941 by Barlow & Seelig, and assigned to McGraw-Edison Company in 1957.

[7] As a result of several transactions that occurred in 1979, the ownership of the SPEED QUEEN mark was split between unrelated entities in Canada and the United States. The Canadian SPEED QUEEN mark eventually found its way into Whirlpool's portfolio in 2004, whereas the trademark for the United States and the rest of the world is now the property of Alliance.

[8] Between 2004 and 2012, Whirlpool has sold its SPEED QUEEN products to two distributors in Canada, Harco Co Ltd [Harco] and Debsel Inc. Since 2013, Whirlpool's sole distributor is Harco.

[9] In 2011, Alliance initiated a proceeding under section 45 of the Act, forcing Whirlpool to show use of the trade-mark in Canada at any time during the three year period immediately preceding the date of the notice (October 2008 to October 2011). Initially, the Registrar of Trademarks found in favour of allowing Whirlpool to maintain its trade-mark. This decision was upheld by the Federal Court in 2014, but overturned by a majority decision of the Federal Court of Appeal in 2015 (*Alliance Laundry Systems LLC v Whirlpool Canada LP*, 2014 FC 1224, rev'd 2015 FCA 232). In May 2016, the Supreme Court of Canada denied leave to appeal. As a result, the Canadian registration for Whirlpool's SPEED QUEEN mark was expunged in 2016.

[10] Alliance immediately introduced its SPEED QUEEN products in the Canadian market, by renaming and rebranding its HUEBSCH washers and dryers.

[11] The parties have each submitted registration applications in Canada for the SPEED QUEEN mark: Whirlpool submitted an application for the word mark and an application for the logo (both filed on September 13, 2016) and Alliance submitted two applications for the word mark (one filed in 2011 and one in 2014). In November 2016, Whirlpool filed a Statement of Opposition for Alliance's 2011 application.

### III. ISSUES

[12] Whirlpool's application raises the following issues:

- A. *Is Whirlpool the owner of the unregistered SPEED QUEEN mark?*
- B. *Has Alliance made false and misleading statements contrary to subsection 7(a) of the Act?*
- C. *Has Alliance passed off its SPEED QUEEN brand of products as Whirlpool's goods contrary to subsection 7(b) of the Act?*

[13] Alliance's application raises the following issues:

- D. *Does Alliance have goodwill in the SPEED QUEEN mark in Canada and, if so, how should it be protected?*
- E. *Does Whirlpool's letter to Harco constitute misleading conduct contrary to the Trade-marks Act and the Competition Act?*

#### IV. ANALYSIS

##### A. *Is Whirlpool the owner of the unregistered SPEED QUEEN mark?*

[14] From the consumer's perspective, the purpose of trade-marks is to ensure that they are buying from the source from whom they think they are buying, and that they are receiving the quality which they associate with that particular trade-mark. From the merchant's perspective, a trade-mark is used to function as a symbol of the source and quality of wares and services and to distinguish those of the merchant from those of others (*Kirkbi AG v Ritvik Holdings Inc*, 2005 SCC 65; *Mattel, Inc v 3894207 Canada Inc*, 2006 SCC 22; *Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée*, 2006 SCC 23).

[15] It is not the registration of a trade-mark that makes the party proprietor of that trade-mark; he or she must be a proprietor before he or she can register (*Partlo v Todd* (1888), 17 SCR 196, at 200). Unlike other forms of intellectual property, the basis of trade-mark entitlement is actual use (*Mattel*, above at para 5). In *Masterpiece Inc v Alavida Lifestyles Inc*, 2011 SCC 27, Justice Rothstein discusses the rights arising from the use of a trademark:

[36] That principle established under Canada's early trade-mark legislation continues under the present Act. Rights arising from use have been incorporated into the Act by granting rights to the first user of a trade-mark in two ways. First, under s. 16, a party normally gains a priority right to register a trade-mark when it first uses that trade-mark. Second, a user is also able to oppose applications or apply to expunge registrations based on its earlier use of a confusing trade-mark. This explains why an unregistered trade-mark of Masterpiece Inc. can be the basis of a challenge to Alavida's subsequent registration application. Section 16(3) of the Act recognizes the right of a prior user against any application for registration based upon subsequent use. Section 17(1) preserves

that right, subject to certain limitations that are of no relevance here, where the trade-mark has been registered.

[16] Whirlpool argues that it has retained protection of the SPEED QUEEN mark under the common law regime via use. It further argues that it has never abandoned the mark. Although there was found to be non-use between 2008 and 2011 as a result of the expungement proceedings, Whirlpool never intended to abandon the mark. Whirlpool states itself and its predecessors in title have been using the mark in Canada in relation to their washers and dryers since 1930 and that the drop in sales during the mid to late-2000s can be attributed to: (1) the acquisition of Maytag which required a reallocation of resources; (2) the introduction of the *Energy Star* program which required platform and design changes; and (3) the 2008 recession which resulted in a decrease in consumer demand.

[17] Alliance counters this argument by stating that Whirlpool has used the SPEED QUEEN mark in association with washers and dryers solely to create evidence. Alliance further argues that Whirlpool has shown an intention of abandoning its mark and that Whirlpool's SPEED QUEEN mark is simply riding on the coattails of the Alliance brand.

[18] To support its allegations, Alliance points to the difference between the volume of sales by Alliance in the United States and the volume of sales by Whirlpool in Canada, in the commercial sector, prior to 2016. In the United States, Alliance states it has 80% market penetration in the multi-housing sector and in excess of 50% in the distribution sector, which is predominantly coin laundries. In Canada, Whirlpool has sold 10 607 units bearing the SPEED QUEEN mark for the entire period of 1996 to 2017 (one has to bear in mind that out of the

500,000 laundry units of all brands Whirlpool sells in Canada yearly, only 3,000 to 5,000 are commercial laundry units). Those sales, according to Alliance, constantly decreased and were only periodically stimulated by Alliance's interest in the SPEED QUEEN mark for the Canadian market. In contrast, Alliance has sold over 13 000 units in Canada during the short period between October 2016 and August 2017.

[19] Based on these statistics, Alliance is asking the Court to protect the goodwill and distinctiveness of its SPEED QUEEN-branded appliances in Canada and to recognize the difference between Alliance's goodwill and Whirlpool's alleged abuse of trade-mark rights.

[20] In looking at those statistics, we have to bear in mind that prior to 2016, the Canadian SPEED QUEEN mark was clearly the property of Whirlpool, as the result of a business decision made in 1979 by the parties' common predecessors in title. Although Alliance vaguely states that it had "stopped selling SPEED QUEEN appliances into Canada sometime prior to 1992" (para 11 of its memorandum of facts and law), the reality is that it had never sold SPEED QUEEN appliances in Canada prior to 2016, which is when the Supreme Court refused to grant leave to appeal the Federal Court of Appeal's expungement decision. The fact that Alliance sold SPEED QUEEN-branded appliances in the United States and elsewhere in the world prior to its first sales in Canada has very little to do with ownership of the trademark in Canada. Ownership of the SPEED QUEEN mark in Canada is rather a consequence of the 1979 business decision.

[21] In addition, the fact that Alliance owns the domain name [www.speedqueen.com](http://www.speedqueen.com) could partially explain the spillover of Alliance's reputation in Canada, especially considering the

change in marketing methods that occurred between 1979 and 2016: the Internet became the “go to” place to inquire about a product.

[22] The important difference in sale volume also has little to do with ownership of the trade-mark. What is important is that Whirlpool’s sales be *bona fide* and made in the normal course of trade. Further, in *Cosmetic Warriors Limited v Riches, McKenzie & Herbert LLP*, 2019 FCA 48 at paragraph 22, Justice John Laskin held that the transfer of trade-marked goods did not need to be made at a profit to constitute a transfer “in the normal course of trade”. Such a requirement would be inconsistent with the principle that “[u]se of a trade-mark is not [...] synonymous with commercial success of the [goods] associated with the trade-mark”: *JC Penney Co. Inc. v. Gaberdine Clothing Co. Inc.*, 2001 FCT 1333 at para. 91, 213 F.T.R. 189”.

[23] What is important at this stage is whether or not Whirlpool has abandoned or intends to abandon the SPEED QUEEN mark in Canada.

[24] In *Diageo Canada Inc v Heaven Hill Distilleries, Inc*, 2017 FC 571, at paragraph 43, citing the decision of the Federal Court of Appeal in *Promafil Canada Ltée c Munsingwear Inc*, [1992] FCJ no 611 (FCA) at paragraph 15, Justice Keith Boswell outlines the two requirements to establish abandonment of a trademark: (1) the trademark is no longer in use in Canada; and (2) the owner intended to abandon the trademark. Although Alliance puts forward arguments relating to the first requirement of this test, it is silent as to whether Whirlpool has ever intended to abandon its mark. Alliance simply states that Whirlpool is attempting to ride its coattails regarding the goodwill of Alliance’s SPEED QUEEN mark in the United States and in the rest of



the world. For reasons discussed later, Alliance has not established that its mark had any goodwill in the Canadian market and, even if it did, this point does not address Whirlpool's intention, or lack thereof, to abandon the Canadian SPEED QUEEN mark.

[25] To establish the common law protection of a mark, the claimant must show use of that mark in the Canadian market. Subsection 4(1) of the Act describes what constitutes use:

**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.

[26] It is sufficient for the claimant to show sales to a distributor (as opposed to an end user).

The common law establishes that use confers a priority right to the mark.

[27] Alliance does not directly object to Whirlpool's claim to a common law right to the SPEED QUEEN mark. It simply highlights deficiencies in Whirlpool's evidence; yet, these

issues appear more relevant for the discussion of goodwill rather than use under the common law. Notably, Alliance does concede that Whirlpool has made sales since 2011 to Harco, an Ontario distributor.

[28] Under the common law, the first to use the mark would be granted priority rights over it. Whirlpool's sales began in Canada in 2004 while Alliance's SPEED QUEEN products did not enter the Canadian market until 2016.

[29] However, the sales from 2011 to 2016 are attributed to Whirlpool Corp. In order for Whirlpool to take advantage of these sales, it must meet the criteria under subsection 50(1) of the Act regarding licensing agreements. In *Kabushiki Kaisha Mitsukan Group Honsha v Sakuta-Nakaya Alimentos Ltd*, 2016 FC 20, this Court stated the requirements for a licensee's use to enure to the benefit of the owner:

[24] It is well-established that for an applicant to meet the requirements of section 50(1) of the Act, it must demonstrate that a licensing agreement existed between itself and the licensee prior to the relevant date and that the licensor has "direct or indirect control of the character of quality of the goods" (*Fairweather Ltd v Registrar of Trade-marks*, 2006 FC 1248, at paras 51 and 52, 301 FTR 263 aff'd 2007 FCA 376; *Wells' Dairy, Inc v U L Canada Inc*, [2000] 7 CPR (4th) 77, at para 42, 98 ACWS (3d) 189 [*Wells' Dairy*]). Moreover, evidence of a formal licensing agreement is not necessary to establish the existence of a licensing agreement under section 50 of the Act (3082833 *Nova Scotia Co v Lang Michener LLP*, 2009 FC 928 [*Nova Scotia*]; *Wells' Dairy*, above at para 38; *TGI Friday's of Minnesota Inc v Canada (Registrar of Trade Marks)*, [1999] 241 NR 362, *sub nom Lindy v Canada (Registrar of Trade Marks)*, at para 9, 88 ACWS (3d) 201) As stated by Justice Kelen in *Nova Scotia* at paragraph 32:

[32] [...] A licensing agreement may be inferred from the facts [and] [...] need not be in writing [*Wakefield Realty Corp. v. Cushman & Wakefield Inc.* 2004 FC 210, 247 F.T.R. 180 (F.C.), at para.

56]. However, the mere fact that there is some common control between the applicant's companies is not sufficient to establish that the use of the trade-mark was controlled and therefore infer a licensing agreement [Cheung Kong (Holdings) Ltd. v. Living Realty Inc. (1999), [2000] 2 F.C. 501, 179 F.T.R. 161 (Fed. T.D.), at paras. 44-45]. Evidence of control has to be adduced.

[25] In *Empresa Cubana del Tabaco v Shapiro Cohen*, 2011 FC 102, 383 FTR 164, Justice Kelen explained at paragraph 84, the three manners in which control can be demonstrated:

[84] There are three main methods by which registered owners of trade-marks can demonstrate the control required to benefit from the deeming provision in section 50(1) of the Act:

1. they can clearly swear to the fact that they exert the requisite control: see, for example, *Mantha & Associés/Associates v. Central Transport Inc.* (1995), 64 C.P.R. (3d) 354 (Fed. C.A.), at paragraph 3;
2. they can provide evidence that demonstrates that they exert the requisite control: see, for example, *Eclipse International Fashions Canada Inc. c. Shapiro Cohen*, 2005 FCA 64 (F.C.A.), at paragraphs 3-6; or
3. they can provide a copy of a licence agreement that explicitly provides for the requisite control.

[30] In his affidavit, Mr. Dibkey asserts that there was an oral agreement between Whirlpool and Whirlpool Corp, prior to the licensing agreement entered into between them in 2017.

[31] During cross-examination, Mr. Dibkey explained that the general manager for the Canadian market (Gary Power) reviews the Quality Reporting to ensure the quality of the products. As well, in the 2017 agreement, Whirlpool retained control to perform quality

inspections of the Whirlpool Corp facilities. Together, these two items would show that Whirlpool has maintained control over the products. In my view, Whirlpool has met the requirements under section 50(1) of the Act and would be permitted to rely on its licensee's use of the mark as its own.

[32] In conclusion, even though the sales of Whirlpool's SPEED QUEEN products are moderate, there is no set quota under subsection 4(1) which Whirlpool is required to meet. Alliance concedes that Whirlpool engaged in sales prior to its own entrance into the Canadian market. Finally, Whirlpool can take advantage of Whirlpool Corp's sales and its common law rights to the SPEED QUEEN mark have been established.

B. *Has Alliance made false and misleading statements contrary to subsection 7(a) of the Act?*

[33] Whirlpool submits that Alliance has been using the SPEED QUEEN mark contrary to subsection 7(a) of the Act. Whirlpool argues that Alliance has been including the "®" symbol in its representations to the public relating to its SPEED QUEEN products in Alliance Press Releases, on its Canadian SPEED QUEEN website, and on the Alliance SPEED QUEEN washers and dryers sold in Canada. This is misleading as Alliance has never owned the trademark for SPEED QUEEN in Canada. As well, Whirlpool argues that in an Alliance Press Release, the line "[a]s a company, we couldn't be more excited to re-introduce SPEED QUEEN-branded products to Canada" is misleading as it implies SPEED QUEEN products were not previously available in Canada and that Alliance had ownership of the SPEED QUEEN mark at some time in the past. Whirlpool submits that these statements and the use of the "®" symbol

undermine Whirlpool's SPEED QUEEN products by suggesting that Whirlpool does not own or have any right to the mark and that damages to Whirlpool can be presumed from this conduct.

[34] Alliance submits that the Press Release only addresses Alliance's SPEED QUEEN products and does not comment on the availability of Whirlpool's SPEED QUEEN products. As well, the use of the "®" symbol indicates that Alliance has a registered trade-mark for the SPEED QUEEN mark, which is even acknowledged by Whirlpool's own brochures. Finally, Alliance notes no evidence of damages was provided by Whirlpool.

[35] The Supreme Court of Canada in *S & S Industries Inc v Rowell*, [1966] SCR 419, outlined the three elements that must be present for the test under 7(a) of the Act to be met:

1. A false and misleading statement;
2. Tending to discredit the business, wares or services of a competitor; and
3. Resulting damage.

[36] As stated in *EAB Tool Company Inc v Norske Tools Ltd*, 2017 FC 898, at paragraph 56: "Notably, it is not necessary to establish that the false or misleading statement was made with malice or knowledge of its falsity, but it is necessary to show the tendency of that statement to discredit and damage caused thereby."

[37] Whirlpool first relies on a statement included in Alliance's Press Release announcing its expansion into the Canadian market. Whirlpool takes issue with Alliance's statement that "[a]s a company, we couldn't be more excited to re-introduce SPEED QUEEN-branded products to

Canada.” However, when the Press Release is read all together, it is clear that this statement is not commenting on Whirlpool’s previous sales, only Alliance’s. As stated in the paragraph before the statement at issue:

... Alliance Laundry Systems (ALS), a world-leading manufacturer of commercial laundry equipment, announced today that its Speed Queen-branded products for home and community laundry rooms will be available in Canada. This marks the first time in more than 20 years that Speed Queen-branded products manufactured by ALS will be sold in Canada.

[Emphasis added.]

[38] This paragraph makes it clear that the discussion is limited to SPEED QUEEN products manufactured by Alliance.

[39] Whirlpool also argues that this Press Release gives the consumer the impression that Alliance once held the trade-mark for SPEED QUEEN products in Canada, which undermines Whirlpool’s mark (triggered by the use of the “®” symbol). Alliance notes that Whirlpool acknowledges that Alliance is the owner of a registered trade-mark of SPEED QUEEN in its brochure. However, the brochures appear to be a product of Whirlpool Corp. The brochure does not assist Alliance because it references the opposite situation. In the brochure, Whirlpool Corp is acknowledging that it does not own the right to the SPEED QUEEN mark in the United States, Alliance does. However, in the Canadian Press Release, the use of the “®” symbol implies that Alliance owns a Canadian trade-mark for SPEED QUEEN, which it does not and never did. This is a false and misleading statement. This statement tends to discredit Whirlpool’s wares as it suggests that Alliance is the rightful owner of the mark.

[40] Lastly, there remains the issue of damages. The case law relied on by Whirlpool to argue that damages can be presumed are all reviewed in the context of subsection 7(b) of the Act where the third prong of the test is “actual or potential damages” or discussing the tort of passing off more generally. The one case cited that does discuss subsection 7(a) does not discuss this principle of “presumed damages.”

[41] Under subsection 7(a), the third prong is “resulting damages” which requires some proof of damages as discussed in *Enterprise Rent-A-Car* and *Diageo*:

... Enterprise Canada led no evidence to show it was damaged by Enterprise U.S.'s use of the ® symbol. In my view, Enterprise U.S.'s use of the ® designation cannot be said to be a misleading statement which has the effect of discrediting the business, wares or services of Enterprise Canada. Under paragraph 7(a) a plaintiff must prove damages (see *M & I Door Systems Ltd. v. Indoco Industrial Door Co.* (1989), 25 C.P.R. (3d) 477 (Fed. T.D.) Enterprise Canada has proved no damages under paragraph 7(a).

[Emphasis added.]

(*Enterprise Rent-A-Car Co v Singer*, [1996] 2 FC 694 at para 93)

[146] Heaven Hill's claim for damages and injunctive relief as a result of Diageo's alleged contravention of subsection 7(a) of the Act is unfounded in view of the evidence adduced at trial with respect to this issue. ...

[147] Damages are an essential element in a claim under subsection 7(a) of the Act. However, Heaven Hill's evidence at trial as to any such damage caused by the press release was not convincing and was limited to Mr. Shapira's testimony. Heaven Hill failed to establish whether anyone in Canada has even seen the impugned press release, and there was no evidence that it has caused any damage to Heaven Hill in Canada. ...

[Emphasis added.]

(*Diageo Canada Inc v Heaven Hill Distilleries, Inc*, 2017 FC 571 at paras 146-147)

[42] Based on the case law, Whirlpool cannot rely on the presumption of damages under subsection 7(a) and must show some actual damage (even as little as the loss of one customer).

Whirlpool has not met this threshold and, therefore, has not met all three required elements under this subsection. Whirlpool's claim under subsection 7(a) fails.

C. *Has Alliance passed off its SPEED QUEEN brand of products as Whirlpool's goods contrary to subsection 7(b) of the Act?*

[43] The Supreme Court of Canada outlined the test under subsection 7(b) of the Act in *Kirkbi AG v Ritvik Holdings Inc*, 2005 SCC 65: (1) the existence of goodwill; (2) deception of the public due to a misrepresentation; and (3) actual or potential damage to the plaintiff. In order to obtain relief, Whirlpool must establish all three elements.

(1) Whirlpool retains goodwill in the SPEED QUEEN mark

[44] The Supreme Court of Canada described the first requirement for the tort of passing off as establishing goodwill or "reputation attached to the goods or services which he supplies."

Whirlpool focuses on three points to ground its position that its SPEED QUEEN mark retains goodwill in Canada: (i) the SPEED QUEEN mark has been used to sell goods in Canada for 85 years; (ii) Whirlpool had significant sales of SPEED QUEEN products since 1996; and (iii) Whirlpool continues to promote its SPEED QUEEN products. Each of these points will be examined in turn.

[45] On the first point regarding the extended presence of the SPEED QUEEN mark in Canada, Alliance draws uncertainty to the rightful ownership of the Whirlpool's SPEED



QUEEN mark by pointing to the 1979 assignment agreement between McGraw-Edison Company (the predecessor in title) and Raytheon Company (the subsequent owner of the US SPEED QUEEN mark). Alliance alleges that this agreement included the transfer of the Canadian mark as well. However, upon review of the agreement, there does not appear to be any transfer of the Canadian SPEED QUEEN mark (although, there does appear to be two pages missing from the exhibit to the agreement listing all of the transferred marks). The Canadian Trademark Office records show that McGraw-Edison Company was the owner of the mark starting on June 28, 1957. Yet, the next change in title is to Canadian Admiral Corporation Ltd. There is no mention in the record that Raytheon Company ever owned the Canadian SPEED QUEEN mark. The circumstances of this case are similar to those in *Consorzio Del Prosciutto di Parma v Maple Leaf Meats Inc*, [2001] 2 FC 536 (FCTD), where the Federal Court concluded:

[31] The trade-mark was acquired by the Respondent and various predecessors-in-title through a valid process of succession which traces the ownership of the trade-mark back to its original owner, Parma Food Products Ltd. The Applicant has failed to demonstrate that the trade-mark was ever separated from its goodwill as a result of any of these acquisitions and has thereby failed to show that the trade-mark lost its distinctiveness through this succession of ownership.

[46] On the second point that Whirlpool has shown significant sales since 1996, Alliance raises several issues including: (a) no investment in the brand (as shown by the omission of SPEED QUEEN in Annual Reports); (b) Whirlpool's SPEED QUEEN market is small with only one distributor in Ontario; (c) the sales are based on demand (and as sales are low this shows an attempt to create evidence); and (d) the licensing agreement is not valid and is prospective.

[47] Regarding the investment in the brand, in my view, Whirlpool's consistent challenges to Alliance's attempt to expunge Whirlpool's SPEED QUEEN mark is evidence of its investment in the mark. Even if the SPEED QUEEN brand is not so essential as to warrant an entry in all Annual Reports, Whirlpool has enough of an interest in the SPEED QUEEN mark to pursue legal action up to the Supreme Court of Canada. As well, the issue of having only one distributor was addressed above under the issue of a common law interest in the mark. Sales to a distributor are sufficient to show business in the normal course of trade.

[48] Regarding the sales based on demand, there is no prescribed quota under the Act or case law that a business must reach in order to show that the mark has attained recognition. While the case law does acknowledge that a single sale does not always meet the definition of "sale in the course of normal trade," the sales noted by Whirlpool since 2011 are greater than one per year. In my view, the consistent sales of roughly 140-250 units per year from 2011 to 2016 (with the exception of 2015, which was 59 units) show Whirlpool's engagement in the normal course of trade which supports a finding of goodwill.

[49] Again, based on the facts, I find the licensing agreement between Whirlpool Corp and Whirlpool to be valid.

[50] On the third point, regarding promotional material, Whirlpool argues that it promotes its SPEED QUEEN products as evidenced by the 2012 trade show pictures, its ongoing relationship with Harco, its distribution of brochures, and Harco's website advertising itself as the distributor of SPEED QUEEN products. Alliance argues that Whirlpool's witnesses were unaware of any

funds being provided for promotional purposes and noted that the SPEED QUEEN mark does not appear on the Commercial Laundry website.

[51] The brochures should be given little weight on this point as they appear to be brochures made for the United States market. Advertising in the United States does not assist Whirlpool in establishing goodwill in Canada without other evidence.

[52] Alliance does not refute the 2012 trade show evidence. As well, even though the brand does not appear on the Commercial Laundry website, it does appear on Harco's website. As the distributor, this advertisement would reach end users and promote sales. Therefore, while the witnesses may not be aware of any promotional funding, there does appear to be promotion of the SPEED QUEEN brand at a trade show in 2012 and on Harco's website in 2014.

[53] Based on the extended presence of the mark in Canada, the moderate sales and promotion, Whirlpool has established that its SPEED QUEEN mark has garnered some goodwill in the Canadian market at least in Ontario.

[54] Regarding the expungement due to non-use between 2008 and 2011, Whirlpool provides several reasons to explain this discrepancy, which are more or less serious. However, when a trade-mark's reputation is strong, it can withstand periods of non-use.

[55] Although this is discussed above in the context of abandonment, the principle still holds that as long as a mark has a strong reputation, gaps in use will not necessarily result in a loss of

protection. As Whirlpool was able to establish that the SPEED QUEEN mark has a reputation within the Canadian market, Whirlpool can continue to benefit from protection despite the expungement of the registration in 2016.

(2) Alliance has deceived the public by misrepresentation

[56] Whirlpool submits that Alliance's SPEED QUEEN mark results in confusion pursuant to subsection 6(5) of the Act. Specifically, Whirlpool alleges: (i) that the two marks have a high degree of resemblance as they are in fact the same word mark; (ii) that Whirlpool's SPEED QUEEN mark is distinctive due to its 85 years of use in Canada; (iii) that the Whirlpool SPEED QUEEN mark has been in use for a longer period of time than Alliance's mark (1930 versus 2016); and (iv) that the nature of the goods and the channel of the trade are the same and therefore, favour Whirlpool. Whirlpool further submits that as the marks are clearly confusing, Alliance has made misrepresentations to the public and knew that it would be selling SPEED QUEEN products concurrently with Whirlpool.

[57] The Federal Court of Appeal in *Sadhu Singh Hamdard Trust v Navsun Holdings Ltd*, 2016 FCA 69 established that under the second prong of the test for subsection 7(b), it is sufficient for the claimant to show that the marks are confusing based on the factors listed in subsection 6(5) of the Act. Based on Alliance's evidence of sales of SPEED QUEEN products in Canada and Whirlpool's reasoning above, it is clear that Alliance's SPEED QUEEN mark is confusing with Whirlpool's SPEED QUEEN mark. Therefore, Whirlpool has established the second part of the subsection 7(b) test.

(3) Whirlpool has suffered damage or a likelihood of damage

[58] Whirlpool submits that Alliance's misrepresentation has led to a loss in Whirlpool's control over its goodwill which establishes inferred damages. Whirlpool relies on a Federal Court of Appeal case to state that when two companies engage in the same trade with very similar goods, loss of sales and business can be inferred due to a misrepresentation.

[59] The Federal Court of Appeal in *Group III International Ltd v Travelway Group International Ltd*, 2017 FCA 215 stated:

[84] The appellants and the respondent are direct competitors in the market for luggage and bags in Canada. Their wares are very similar and are sold largely through the same retail outlets. In these circumstances, it only makes sense to infer a likelihood of loss of sales and business by the respondent's misrepresentation (*Orkin Exterminating Co. v. Pestco Co. of Canada* (1985), 50 O.R. (2d) 726, 19 D.L.R. (4th) 90 (Ont. C.A.)).

[60] The same conclusion can be drawn in this case as Alliance and Whirlpool are both engaged in the same business of selling washers and dryers, and they are both selling their wares in the same Canadian market. Therefore, Whirlpool's likelihood of losses can be inferred.

[61] In conclusion, Whirlpool has established all three requirements under subsection 7(b) and has established that Alliance was passing off its SPEED QUEEN mark in contravention of the Act.

[62] However, considering the evidence before me and Whirlpool's low volume of sales of its SPEED QUEEN products in Canada, I will be granting nominal damages in the amount of \$20,000.

D. *Does Alliance have goodwill in the SPEED QUEEN mark in Canada and, if so, how should it be protected?*

[63] Alliance submits that a company does not need to have actual sales in Canada for its trade-mark to have goodwill in Canada. Canadian consumers travelling to the United States could be exposed to Alliance's SPEED QUEEN mark or could read about Alliance's products in magazines. Alliance argues that its website, social media, and other publications attract Canadian visitors.

[64] Whirlpool argues that Alliance's goodwill evidence is anecdotal and hearsay. Whirlpool argues that the idea that Canadians would hear of Alliance's SPEED QUEEN products while vacationing in the United States is speculative. As well, if any goodwill was garnered from Canadians travelling to the United States it would be goodwill for the Whirlpool SPEED QUEEN mark because at the time Whirlpool was the registered owner of the Canadian mark. As well, Alliance's own witness notes that no real inferences can be drawn from the website traffic data (that showed an increase in visitors originating in Canada) as there are too many unknown variables, including whether the visitors were human or automated hits. It is also unknown whether any Canadians (or how many) had access to and actually read Alliance's SPEED QUEEN review in the American publication, "Consumer Reports." Finally, Whirlpool raises questions about Alliance's sales, claiming that Alliance had a network of consumers based on its

HUEBSCH brand of appliances (which was replaced by the SPEED QUEEN brand in 2016).

Whirlpool notes that Alliance failed to provide any figures of its HUEBSCH sales (suggesting that rebranding its washers and dryers with the SPEED QUEEN mark had no effect on its sales).

[65] As stated in *Enterprise Rent-A-Car Co v Singer*, [1996] 2 FC 694 at paragraphs 52 and 53 (which was cited by the Federal Court of Appeal in *Sadhu*), it is possible for a trademark to gain goodwill in Canada without actually being in the Canadian market:

[52] Goodwill can be created as a result of the use of a trade mark in Canada and the use of a trade mark in another country where that trade mark comes to the attention of Canadians, either through use or through advertising which reaches Canadians. The facts in the present case are very similar to *Orkin*, supra. In that case, *Orkin Exterminating Co. Inc.* was a U.S. company which had been in the pest control business for many years. The name, which had been used since the 1930s, came from the surname of the founder. Morden J.A. (as he then was) stated at page 436:

As far as Orkin's reputation in Canada is concerned the following matters may be noted. Canadians travelling in the United States are exposed to Orkin's extensive advertising and use of its trade marks in that country. There was evidence adduced that millions of Canadians travel in the United States every year, particularly in the southern vacation states, where Orkin's operations are extensive. Canadians in Canada are exposed to Orkin's advertising and articles appearing in American publications which circulate here.

[53] ...

I have already mentioned Orkin's Canadian customers. Eight of them from the Toronto area gave evidence with respect to their familiarity with Orkin, its business and the Orkin name and trade marks. They all said that if they were to see the Orkin name or logo in use in Canada they would assume that they represented the Orkin company with which they were familiar or some business that was affiliated with it.

[66] However, as in *Orkin Exterminating Co v Pestco Co of Canada* (1985), 19 DLR 4<sup>th</sup> 90 (ONCA), *Enterprise Rent-A-Car Co v Singer*, [1996] 2 FC 694, and *Sadhu Singh Hamdard Trust v Navsun Holdings Ltd*, 2016 FCA 69, the claimant must give evidence to this effect. In the present case, Alliance states that Canadians visit the United States and as such, they would become aware of Alliance's SPEED QUEEN mark and brand. Yet, Alliance has not provided any actual evidence. Alliance relies on Jay McDonald's affidavit where he states that "we believe that many Canadians consumers are exposed to Alliance's SPEED QUEEN appliances ... " [emphasis added.] Mr. McDonald even admitted during cross-examination that his statement that visitors to the United States would be familiar with Alliance's SPEED QUEEN brand is speculative.

[67] Similarly, Mr. McDonald admitted on cross-examination that it would be speculative to draw any conclusion about the significance of the increased number of hits for the website speedqueen.com. Mr. McDonald agrees that he did not know where the hits were actually originating from, if the hits were consumers making inquiries, if it accounts for multiple hits from the same visitor, or even if the hits were human visitors or bots.

[68] Finally, regarding the Consumer Reports publication, while it is accepted that this publication is available in Canada, Alliance has provided no evidence as to the number of Canadians accessing this publication, either in print or online form. Once again, it is purely speculative that consumers were aware of Alliance's SPEED QUEEN mark through the Consumer Reports publication.



[69] As Alliance acknowledges in its memorandum, sales alone are not sufficient to demonstrate goodwill. Based on the lack of supporting evidence that Canadian Consumers are aware of Alliance's SPEED QUEEN mark, Alliance has not established that it has garnered goodwill in the Canadian market.

- (1) Does subsection 7(b) of the Act apply to prevent Whirlpool from passing off its goods as those of Alliance?

[70] Alliance submits that Whirlpool has breached subsection 7(b) of the Act. Alliance argues that its SPEED QUEEN products are well reviewed and in demand, and that Whirlpool is deceiving the public by representing its "rarely sold, low-priority" SPEED QUEEN products as being associated with Alliance's SPEED QUEEN products. The two marks are identical and thus confusing following subsection 6(5) of the Act. Alliance's SPEED QUEEN mark is distinctive, and both marks are used in the same channel of trade and with the same goods, which favours Alliance. Alliance also argues that its damages are inferred due to Whirlpool's misrepresentation. Specifically, however, Alliance points to the business lost from Harco (who bought 131 units of Whirlpool's SPEED QUEEN products).

[71] However and as noted above, Alliance has not shown that it has garnered goodwill in the Canadian market and its claim under subsection 7(b) must fail.

- (2) Does paragraph 7(d)(i) of the Act prevent Whirlpool from misleading the public as to the quality of Alliance's products

[72] Alliance submits that Whirlpool misrepresented to the public that its products were of higher quality than they are by associating itself with Alliance's products through the use of the SPEED QUEEN mark. Alliance submits that there are Consumer Reports which highlight the quality of its SPEED QUEEN products while Whirlpool's SPEED QUEEN mark is frequently associated with discounted items. Alliance argues that the pricing difference between Alliance's SPEED QUEEN products and Whirlpool's SPEED QUEEN products is telling on this point.

[73] For Alliance to be successful on this point, it must show that Whirlpool used a false description which misled the public as to the character, quality, quantity, or condition of Whirlpool's SPEED QUEEN products. While Alliance has not established that its SPEED QUEEN mark has garnered goodwill in the Canadian market (which means that Alliance cannot take advantage of this protection under the Act), I will nevertheless address some of the key points raised by the parties.

[74] For this test, Alliance again relies on the Consumer Reports publication. This evidence is flawed for the reasons discussed above. As well, Alliance has not put forward any evidence that Whirlpool's SPEED QUEEN products are of a lesser quality, only of a lesser price. This is not sufficient to meet the test under subsection 7(d) of the Act. There are other ways that Whirlpool can provide a washer and dryer at a lower cost that does not compromise the product's character or quality. Without evidence to show that the lower cost is a result of a lower quality product, it is speculative to assume that lower cost equates to lower quality.

[75] Therefore, as Alliance has not demonstrated any goodwill for its SPEED QUEEN mark in Canada and has not shown that Whirlpool is making a false description regarding the character, quality, quantity, or condition of Whirlpool's SPEED QUEEN products, its claim under paragraph 7(d)(i) must fail.

E. *Does Whirlpool's letter to Harco constitute misleading conduct contrary to the Trade-marks Act and the Competition Act?*

[76] Alliance views the letter Whirlpool sent to its distributor Harco, as raising issues under the Act and the *Competition Act* as the following statements were made:

- i. "both sides [Whirlpool and Alliance] have received legal decisions in their favour at different points;"
- ii. "the process [over the SPEED QUEEN mark] is ongoing;"  
and
- iii. Whirlpool will continue to "market SPEED QUEEN commercial branded products in Canada."

[77] Alliance submits that subsection 52(1) of the *Competition Act* prevents knowingly or recklessly making a false or misleading representation to the public in order to promote its products or business. It is not necessary to prove that anyone was actually deceived by the representation or that the representation was accessible by the public. Alliance argues that alluding to decisions in Whirlpool's favour was misleading as all of those decisions were overturned by the Federal Court of Appeal. Alliance contends that the letter sent to Harco gives the impression that Whirlpool still owns the SPEED QUEEN mark. It further submits that it is not clear who actually received this letter and that Harco did not distribute its own products after receiving the letter. Therefore, Alliance states it is entitled to damages from the loss of this sale

pursuant to subsection 36(1) of the *Competition Act*. Alliance further submits that Whirlpool violated subsection 7(a) of the Act as it made a false or misleading statement which discredits Alliance's business, goods, or service, and resulted in damages to Alliance. The misleading statements are contained in the letter to Harco. Alliance argues that the letter misrepresents Alliance's trade in Canada and its rights and interests in the SPEED QUEEN mark.

[78] As stated earlier, the test under subsection 7(a) was outlined in *S&S Industries Inc v Rowell*, [1966] SCR 419:

1. A false and misleading statement;
2. Tending to discredit the business, wares or services of a competitor; and
3. Resulting damage.

[79] The Ontario Court of Appeal recognized that the test under subsection 52(1) of the *Competition Act* is the same as the test under subsection 7(a) of the Act with the exception that subsection 52(1) requires that the representation be made with the knowledge of or recklessness as to its falsity (*Direct Energy Marketing Limited v National Energy Corporation*, 2014 ONCA 105 at para 8).

[80] For convenience, the letter at issue states the following:

Whirlpool and Alliance are engaged in conflict over the SPEED QUEEN brand in Canada. Both sides have received legal decisions in their favour at different points. The process is ongoing but Whirlpool remains confident that its ownership of the SPEED QUEEN brand in Canada will continue. We will pursue a favourable outcome for Whirlpool and its trade partners, while continuing to market Speed Queen commercial branded products in Canada.

[81] It is not clear what is exactly misleading or false in this letter. It is true that both Whirlpool and Alliance have received favourable decisions at different stages in the proceeding. Notably, Alliance admits that this statement is “literally true” in its memorandum but asserts that the misleading portion of the letter comes from the fact that the majority of the Federal Court of Appeal overturned Whirlpool’s last favourable decision. While it is true that the final decision is in favour of Alliance’s position, this does not detract from the fact that the Trade-mark Opposition Board and the Federal Court both found in favour of Whirlpool.

[82] As well, it is true that in November 2016, the process was still ongoing. On September 13, 2016, Whirlpool filed two trademark applications, one for the SPEED QUEEN word mark and one for the logo. Additionally, on October 26, 2016, Alliance made its own application for the SPEED QUEEN mark, which Whirlpool intended to oppose (as is shown by the Statement of Opposition filed on November 23, 2016). Therefore, at the time of the letter to Harco, Whirlpool was engaged in different proceedings in an attempt to assert its claim over the SPEED QUEEN mark.

[83] Regarding the final statement about Whirlpool continuing to market its SPEED QUEEN-branded products, it could potentially convey a general impression that Whirlpool still maintains ownership of the SPEED QUEEN mark. The continued sale of SPEED QUEEN-branded products could suggest to the reader that Whirlpool at this stage of the proceedings maintains its ownership in the mark. However, even if it does convey such an impression, as indicated earlier, I am of the view that Whirlpool did maintain its common law interest in the mark. As such, that statement was neither false nor misleading.

[84] Furthermore, Alliance has not shown any resulting damages. Alliance alleges that it lost Harco's business not due to this letter but as a result of meetings with Harco in December. This fact was acknowledged by Alliance in its memorandum, under the "Facts" section:

At some point during the Michigan meetings, Harco advised Whirlpool that it would continue to purchase and distribute Whirlpool's SPEED QUEEN washers and dryers and that it would not distribute Alliance's SPEED QUEEN line in Canada.

Approximately two weeks after those discussions, Harco placed an order for 131 Whirlpool SPEED QUEEN units, more than double the number of units it had purchased in the entire previous calendar year.

[85] During the cross examination of Trey (Charles) Northrup, Alliance's counsel questioned Mr. Northrup on this point:

Q. So, you say, "...As a result of our discussions..." and those discussions being on December 12th and 13th, I take it; is that fair?

A. That is fair.

Q. "...Harco confirmed that it would continue to purchase and distribute Whirlpool Speed Queen washers and dryers, and that it would not distribute Alliance's Speed Queen line in Canada..." So, it was a result of the discussions that those things happened, correct?

A. Yes.

Q. And that is why I suggested to you earlier that it wasn't just on October 26th, or even the letter that we will talk about in a minute or two...

A. Sure.

Q. ...that convinced him to continue to distributing. It was, in part, the meeting you had with him...

A. I think I would have to ask him.

Q. Okay. That is a fair comment. But it wasn't until around that time, the middle of December, that he committed to you to continuing making those purchases?

A. That is correct.

[Emphasis added.]

[86] As stated in *E Mishan & Sons Inc v Supertek Canada Inc*, 2016 FC 986 at para 33, for subsection 7(a) to apply, there must be a causal link between the misleading statement and the alleged damage. It cannot be confirmed what impact the letter had on Harco's decision to no longer buy SPEED QUEEN products from Alliance as there were also other meetings during that time (which Alliance itself gives credit for deterring Harco from purchasing from Alliance).

[87] Finally, regarding subsection 52(1) of the *Competition Act*, Alliance has not put forward any evidence of knowledge or recklessness.

[88] Therefore, even if portions of the letter convey an improper impression that Whirlpool maintained ownership of the SPEED QUEEN mark, Alliance failed to meet the tests under subsection 52(1) of the *Competition Act* and subsection 7(a) of the Act.

## V. CONCLUSION

[89] Based on the analysis above, Whirlpool has established a common law interest in the SPEED QUEEN mark and has demonstrated that Alliance has passed off its SPEED QUEEN products in contravention of subsection 7(b) of the Act.

[90] All other claims by Whirlpool and Alliance fail.



**JUDGMENT in T-920-17 and T-1230-17**

**THIS COURT'S JUDGMENT is that:**

1. Whirlpool Canada LP's application is granted in part;
2. Whirlpool Canada LP is the owner of the unregistered SPEED QUEEN trademark in Canada;
3. The Respondent Alliance Laundry Systems LLC has directed public attention to its goods, services and business in such a way as to cause or be likely to cause confusion in Canada between its goods, services, and business and the goods, services, and business of Whirlpool Canada LP contrary to subsection 7(b) of the *Trade-marks Act*, RSC 1985, c T-13;
4. Alliance Laundry Systems LLC is ordered to pay Whirlpool Canada LP damages in the amount of \$20,000;
5. Alliance Laundry Systems LLC, its officers, servants, representatives, agents, or any person under its direct or indirect control, are restrained from using the SPEED QUEEN mark, or any trade name, trade style, or corporate name comprising the SPEED QUEEN mark or any confusingly similar trade-mark in Canada;
6. Alliance Laundry Systems LLC, its officers, servants, representatives, agents, or any person under its direct or indirect control, are prohibited from directing public attention to its goods, services and/or business in such a way as to cause or likely to cause confusion in Canada as between the goods, services and/or business of

Alliance Laundry Systems LLC and the goods, services and/or business of Whirlpool Canada LP;

7. Alliance Laundry Systems LLC is required to cease using in Canada any and all brochures, sales and promotional literature or other documents, statements and advertisements, in whatever form or medium whatsoever, which include or refer to the SPEED QUEEN mark or any name similar to the mark, including, but not limited to <https://ca.speedqueen.com>;
8. Alliance Laundry Systems LLC is prohibited from directing public attention to its goods, services, and/or business in such a way as to cause or be likely to cause confusion in Canada between its goods, services, and/or business and the goods, services, and/or business of Whirlpool Canada LP;
9. Alliance Laundry Systems LLC is ordered to deliver up to Whirlpool Canada LP, or to destroy under oath, all signage, advertising, and other material, whether in printed, electronic or any other form; including all business cards, advertising, promotional and labelling materials as the case may be, the use of which would violate the rights of Whirlpool Canada LP, which are in the possession, power or control of Alliance Laundry Systems LLC, or which may come into the possession, power or control of Alliance Laundry Systems LLC;
10. Alliance Laundry Systems LLC is ordered to issue a statement to its customers, including distributors and retailers, expressly stating that it is not the owner of the SPEED QUEEN mark in Canada;

11. Alliance Laundry Systems LLC's application is dismissed;
12. Costs are granted in favour of Whirlpool Canada LP in T-920-17 and in favour of Whirlpool Canada LP and Whirlpool Corporation in T-1230-17 (only for costs incurred before the order consolidating both applications).

"Jocelyne Gagné"  
\_\_\_\_\_  
Associate Chief Justice

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

**DOCKET:** T-920-17

**STYLE OF CAUSE:** WHIRLPOOL CANADA LP v ALLIANCE LAUNDRY SYSTEMS LLC

**DOCKET:** T-1230-17

**STYLE OF CAUSE:** ALLIANCE LAUNDRY SYSTEMS LLC v WHIRLPOOL CANADA LP ET AL

**PLACE OF HEARING:** TORONTO, ONTARIO

**DATE OF HEARING:** MARCH 4, 5, 2019

**JUDGMENT AND REASONS:** GAGNÉ A.C.J.

**DATED:** MAY 22, 2019

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