

Federal Court



Cour fédérale

Date: 20240815

Docket: T-1444-23

Citation: 2024 FC 1274

Ottawa, Ontario, August 15, 2024

PRESENT: Madam Justice Pallotta

BETWEEN:

SMOOTH PAYMENT INC.

Applicant

and

KLARNA BANK AB

Respondent

**JUDGMENT AND REASONS**

I. **Introduction**

[1] Smooth Payment Inc (SPI) brings this application pursuant to section 56 of the *Trademarks Act*, RSC 1985, c T-13 [*TMA*]. SPI appeals four summary cancellation decisions of the Registrar of Trademarks (Registrar) made pursuant to section 45 of the *TMA*.

[2] SPI offers web- and mobile-based ordering and loyalty platforms, primarily geared to the restaurant industry, to facilitate orders, payment, loyalty rewards, offers, and promotions. SPI

offers its goods and services in Canada through its wholly owned Canadian subsidiary, Smooth Pay Inc (Subsidiary), operating as Smooth Commerce.

[3] Section 45 of the *TMA* provides for a summary procedure that allows the Registrar to expunge a registration for a trademark that has fallen into disuse: *Miller Thomson LLP v Hilton Worldwide Holding LLP*, 2020 FCA 134 at para 9 [*Hilton Worldwide*]. On December 6, 2022, at the respondent's request, the Registrar issued section 45 notices for trademark registration nos. TMA924135, TMA924154, TMA1003778, and TMA1065265 (collectively, the Registrations):

<b>Registration Number</b>	<b>Trademark</b>
TMA924135	SMOOTH
TMA924154	SMOOTH PAYMENT
TMA1003778	SMOOTH
TMA1065265	SMOOTH PAY

[4] As the registered owner, SPI was required to show it had used each trademark in Canada with the goods and services specified in the corresponding registration during the three-year period preceding the notices. The Registrations cover use of the above trademarks in association with goods and services that generally relate to computer software for point of sale and monetary transactions, point of sale terminals and payment kiosks, electronic prepaid or gift cards, and/or credit and debit card processing.

[5] SPI states it did not respond to the section 45 notices because it did not receive them—the Registrar sent the notices to the wrong address for SPI’s trademark agent. SPI states it first learned of the section 45 proceedings when it received the Registrar’s decisions advising that the Registrations would be expunged for failure to file evidence. The Registrar denied SPI’s request for a retroactive extension of time to file evidence because the decisions had already issued and the Registrar no longer had a role.

[6] In this proceeding, SPI filed evidence pursuant to subsection 56(5) of the *TMA*. SPI submits the evidence is material and demonstrates that it used the trademarks during the relevant period with almost all registered goods and services. SPI asks the Court to maintain the Registrations.

[7] The respondent submits the Registrar’s decisions to expunge the Registrations should stand. It asks the Court to dismiss this application with costs.

[8] The respondent did not wish to make representations at the hearing, except on costs, and asked for leave to file written submissions on costs instead. SPI did not oppose the request. I directed that the respondent was not required to attend the hearing and I accepted the respondent’s written costs submissions.

## II. Issues

[9] The main issues for determination are whether the Registrar’s decisions to expunge the Registrations should be set aside and whether the Registrations should be maintained with any of

the registered goods and services. While SPI also asked this Court to grant a retroactive extension of time to file evidence in the section 45 proceedings, it withdrew this request at the hearing. Whether the Registrar erred in refusing SPI's extension request is not at issue.

[10] The applicable standard of review depends on whether there is new evidence on appeal that would have affected the Registrar's decision materially. If there is, the Court undertakes a *de novo* review of issues that would have been affected by such evidence and is entitled to substitute its opinion for that of the Registrar: *Hilton Worldwide* at para 47; *Clorox Company of Canada, Ltd v Chloretec SEC*, 2020 FCA 76 at para 21 [*Clorox*]; *Seara Alimentos Ltda v Amira Enterprises Inc*, 2019 FCA 63 at para 22; *Vass v Leef Inc*, 2022 FC 1192 at paras 24-25 [*Vass*]; see also *Sea Tow Services International, Inc v Trademark Factory International Inc*, 2021 FC 550 at paras 15-17 [*Sea Tow Services*]. Otherwise, the Court reviews the Registrar's decision according to the appellate standards of review set out in *Housen v Nikolaisen*, 2002 SCC 33: *Hilton Worldwide* at para 48; *Clorox* at paras 22-23; *Vass* at paras 22-24; *Sea Tow Services* at para 18.

[11] In assessing whether new evidence would have materially affected the Registrar's decision, the Court considers whether the evidence is "sufficiently substantial and significant" and of probative value: *Clorox* at para 21, citing *Vivat Holdings Ltd v Levi Strauss & Co*, 2005 FC 707 at para 27 and *Tradition Fine Foods Ltd v Group Tradition'l Inc*, 2006 FC 858 at para 58. New evidence may be material if it fills gaps or remedies a deficiency in the evidence before the Registrar: *IPack BV v McInnes Cooper*, 2023 FC 243 at para 9.

[12] In addition to the main issues, the respondent raises preliminary issues with standing and SPI's amended notice of application.

### III. **Preliminary Issues**

#### A. *Standing*

[13] The respondent submits that, while SPI is the named applicant, the application was actually commenced by the insurer for SPI's trademark agent. The respondent states the agent's insurer hired Aird & Berlis LLP, the law firm that commenced this application, and the insurer does not have standing to appeal the Registrar's decisions since it was not a party to the proceedings before the Registrar: *Gagatek v Gowlings WLG (Canada) LLP*, 2019 FC 634 at para 34. The respondent states SPI retained a different firm, Fasken Martineau DuMoulin LLP (Fasken), and later served a notice of appointment of solicitor to add Fasken as a solicitor of record, but the notice did not have the effect of joining SPI as a party to the proceeding.

[14] SPI contends the respondent's argument on standing is based on a mischaracterization of information provided during cross-examinations. Furthermore, SPI states that it clarified the retainer with Aird & Berlis by way of answers to undertakings and correspondence sent to the respondent after the cross-examinations, which explained that Aird & Berlis was initially retained by the agent's insurer, SPI was informed of the retainer, and SPI agreed to have Aird & Berlis represent it in the appeals. SPI states it is represented by Aird & Berlis and Fasken as co-counsel.

[15] I am not persuaded that the application should be dismissed for lack of standing. There is no dispute that SPI has standing to bring this application. SPI is the named applicant and I find the respondent has not established that SPI is not the actual applicant or that it did not authorize these appeals.

[16] While SPI states it is represented by Aird & Berlis and Fasken as co-counsel, I pointed out at the hearing that the Registry had cancelled Fasken's notice of appointment of solicitor. Counsel were unaware that the Registry had rejected the notice and did not know why it was rejected. I suggested the reason might have been that Aird & Berlis was SPI's counsel of record when Fasken's notice was submitted for filing, and SPI required leave to add second counsel. SPI requested leave of the Court to be represented by co-counsel and filed post-hearing submissions arguing that leave should be granted in the special circumstances of this case: *Farmobile, LLC v Farmers Edge Inc*, 2021 FC 1200.

[17] Based on the special circumstances of this case, I am satisfied that the Court should vary or dispense with compliance with the *Federal Courts Rules*, SOR/98-106 [*FCR*] relating to representation by a solicitor, so as to recognize Aird & Berlis and Fasken as SPI's co-solicitors of record in this matter.

B. *Amended notice of application*

[18] The respondent appears to raise two issues with SPI's amended notice of application.

[19] First, the respondent notes that SPI challenges four decisions of the Registrar in a single application. However, the respondent did not provide any submissions about this irregularity in its memorandum of argument, nor did it request or bring a motion requesting any specific relief for SPI's non-compliance with Rule 302 of the *FCR*.

[20] At the hearing, SPI asked for leave to appeal all four decisions of the Registrar by way of a single application. SPI contends that proceeding by way of a single application is merely a technical irregularity as four separate applications would have been consolidated, and the respondent is not prejudiced.

[21] I find that SPI should be granted leave. The four decisions SPI challenges in its amended notice of application were issued on the same day by the same decision maker. Furthermore, the Registrar expunged the Registrations for the same reason and SPI challenges the decisions on the same basis, namely, that SPI's agent did not receive the section 45 notices because the Registrar sent them to the wrong address. I agree with SPI that four separate applications likely would have been consolidated or heard together. The respondent was able to address the grounds of appeal and it is not prejudiced.

[22] Second, the respondent submits SPI's pleading does not include a complete and concise statement of the grounds intended to be argued regarding use of the trademarks at issue. The respondent submits SPI's pleading is deficient because it does not set out facts or even assert that SPI has used the trademarks, and it does not ask the Court to hear fresh evidence and substitute

the Court's decision for that of the Registrar. The respondent states it did not have notice of the relief requested in SPI's memorandum of argument, which is procedurally unfair.

[23] In my view, the respondent mischaracterizes the pleaded relief and grounds of appeal. Concerning the relief sought, SPI's amended notice of application asks the Court to set aside the Registrar's decisions and maintain the Registrations. SPI requests the same relief in its memorandum of argument. Concerning the grounds of appeal, the amended notice of application states that the decisions to expunge the Registrations were based on SPI's failure to file evidence and explains why SPI did not file evidence in response to the section 45 notices. The amended notice of application pleads sections 4, 45, and 56 of the *TMA* as well as Rules 300(d) and 306 of the *FCR* and specifically states that SPI would be relying on evidence filed pursuant to Rule 306 of the *FCR* and subsection 56(5) of the *TMA*. SPI filed two affidavits in support of the appeals, including an affidavit to support use of the trademarks during the relevant period, and the respondent had a right of cross-examination. The respondent was also able to address SPI's submissions regarding use of the trademarks in its memorandum of argument. SPI's pleading is not deficient and the respondent has not established any procedural unfairness due to SPI's pleading.

#### IV. **Main Issues**

A. *Is there material new evidence that warrants de novo review?*

[24] SPI's record in this application includes certified copies of the file histories for each of the Registrations. SPI also filed affidavits of its trademark agent (Fleck Affidavit) and its Chief Executive Officer (Deck Affidavit) as new evidence on appeal. The Fleck Affidavit explains the



steps the agent took to ensure she would receive communications from the Canadian Intellectual Property Office (CIPO) and attests to the fact that she did not receive the section 45 notices that the Registrar issued for TMA924135, TMA924154, TMA1003778 and TMA1065265. The Deck Affidavit provides evidence about SPI's trademark use and attaches exhibits such as social medial posts, marketing campaigns, product and services guides, articles and press releases, presentations, marketing materials, photographs of exhibit booth displays, and invoices issued to Canadian customers. The Deck Affidavit also states that SPI did not receive the section 45 notices.

[25] The evidence that explains SPI's failure to respond to the section 45 notices mainly relates to the request for a retroactive extension of time, which was withdrawn. Nonetheless, I am satisfied that SPI's trademark agent was unaware of the section 45 proceedings and did not inform SPI about them. SPI's trademark agent, who was practicing at WeirFoulds LLP prior to December 1, 2022, left the firm and continued as SPI's agent of record for the Registrations. Even though the agent updated her contact information with CIPO on December 1, 2022, the mailing labels for the section 45 notices that were issued on December 6, 2022 were addressed to WeirFoulds LLP. Furthermore, the agent had arranged for the collection and delivery of professional correspondence sent to WeirFoulds LLP, which she received in February 2023. It did not include any of the section 45 notices. I also accept SPI's evidence that it did not receive the section 45 notices directly. SPI relies on a CIPO practice notice stating that the Registrar will send a section 45 notice to the registered owner's recorded trademark agent in Canada, or to the address of record for the registered owner if no trademark agent is recorded on file. SPI's

evidence is that it first became aware of the section 45 proceedings after its trademark agent received the Registrar's decisions.

[26] As there was no evidence of use before the Registrar, SPI submits the Deck Affidavit provides evidence of significance that would have made a difference to the result.

[27] The respondent contends the new evidence should be disregarded because SPI's amended notice of application does not ask the Court to consider any new evidence. I disagree. As noted above, SPI's amended notice of application asks the Court to maintain the Registrations and states that SPI would be relying on affidavit evidence submitted pursuant to subsection 56(5) of the *TMA*.

[28] A trademark registrant may adduce new evidence on appeal even when it did not file evidence in response to a section 45 notice: *Arbour Recycled Products v Canada (Attorney General)*, 2010 FC 925 at para 7 [*Arbour Recycled Products*]. Like the registrant in *Arbour Recycled Products*, SPI did not provide evidence of use to the Registrar because it never received the section 45 notices: *Ibid* at para 8.

[29] The new evidence SPI filed is material. There was no evidence of use before the Registrar, the decisions to expunge the Registrations were "by reason of the failure to file the evidence required", and the new evidence fills a gap and would have materially affected the decisions, if it had been before the Registrar. As a result, I find this Court may "exercise any discretion vested in the Registrar" according to section 56(5) of the *TMA*, as *de novo* appeals.

B. *Should the Registrations be maintained, with or without amendment?*

(1) The parties' arguments

[30] SPI submits all four Registrations should be maintained. It contends that TMA924135 and TMA924154 should be maintained with all registered goods and services, and that TMA1003778 and TMA1065265 should be maintained with all registered goods and services except for vending machines and vending machine services.

[31] SPI submits the Deck Affidavit and the exhibits attached thereto establish use of each of the four trademarks covered by the Registrations, and SPI displayed and promoted its goods and services in association with each trademark during the relevant period, as follows:

- SMOOTH (TMA924135): in press releases and presentation materials, on social media, on invoices for sale of the platform license, and in case studies distributed in Canada during the relevant period;
- SMOOTH (TMA1003778): in press releases, on social media, in a newsletter, and on blog posts;
- SMOOTH PAY (TMA1065265): on point of sale terminals, promotional materials promoting an app in the Apple App Store and Google Play, and promotional stickers;
- SMOOTH PAYMENT (TMA924154): “Smooth Payment Inc.” appears in an app store preview for an app available for download, and the trademark SMOOTH PAYMENT is the distinctive element of the corporate name.

[32] SPI states that it offers its goods and services in Canada in association with the trademarks, via its wholly owned Canadian operating subsidiary. SPI states that Smooth Commerce is a registered business name of the Subsidiary and that SMOOTH is the distinctive element of Smooth Commerce. It notes that the presumption that a company name is a trade name, rather than a trademark, is a rebuttable presumption: *Road Runner Trailer Manufacturing Ltd v Road Runner Trailer Co (1984)*, 1 CPR (3d) 443, 1984 CarswellNat 865 at paragraph 16 [*Road Runner*].

[33] The respondent submits SPI's evidence does not establish use of the trademarks during the relevant period. Subsection 45(1) of the *TMA* requires an affidavit or statutory declaration not merely stating but "showing" the use being made of the trademark, for each of the goods and services specified in the registration: *Aerosol Fillers Inc v Plough (Can) Ltd (1979)*, 45 C.P.R. (2d) 194; aff'd [1981] 1 FC 679 at para 10. The Deck Affidavit does not assert, let alone show, that SPI used the trademarks in the normal course of trade, and it does not show that SPI was willing and able to perform advertised services in Canada during the relevant period. SPI bears the onus to demonstrate use of the trademarks at issue and the respondent states the evidence it provided falls short.

[34] The respondent argues that the Deck Affidavit is vague and ambiguous as to which trademarks, goods, or services the evidence is intended to support and the ambiguity should be interpreted against SPI: *Diamant Elinor Inc v 88766 Canada Inc*, 2010 FC 1184 at para 16 [*Diamant*]. SPI should not expect the Court to sift through a thousand pages of materials to find occurrences of each trademark and determine if there is anything to link them to specific goods

or services listed in the Registrations. The respondent states the deficiencies in SPI's evidence include:

- SPI cannot rely on the Canadian sales figures it provided because they are not broken down by trademark, good, or service (*Montréal Production Inc and H-D USA, LLC*, 2022 TMOB 231 at para 27; *Miller Thomson Pouliot v Yogen Frus Canada Inc*, 2013 TMOB 155 at para 27); the sales figures could relate to only some or even only one registered good or service;
- SPI cannot rely on the invoices it provided because SPI's evidence does not establish a connection between what was sold to the invoiced consumers and the goods or services in the Registrations; evidence of trademark use with goods or services that are not listed in the Registrations should be disregarded;
- the Deck Affidavit provides evidence that does not relate to SPI's goods or services listed in the Registrations, but rather relates to third party companies' advertisements;
- while the Deck Affidavit states that point of sale terminals were "distributed" during the relevant period, distribution for free does not constitute use in association with goods within the meaning of the *TMA (Cordon Bleu International Ltd v Renaud Cointreau & Cie* (2000), 188 FTR 29, [2000] FCJ No 1414 at para 14);
- the evidence for SMOOTH PAYMENT (TMA924154) and SMOOTH PAY (TMA1065265) consists of third party advertisements that refer to the trade names Smooth Payment Inc and/or Smooth Pay Inc in a manner that the public would

not perceive to be display of the registered trademarks (*Anita Mar dba Trademark Angel and Forever Natural Inc*, 2022 TMOB 208 at paras 26-27); furthermore, the evidence does not establish use of SMOOTH PAYMENT with the registered services “credit card processing services via a global computer network”;

- much of the evidence in the Deck Affidavit relates to a fifth trademark, SMOOTH COMMERCE, and is irrelevant because:
  - SPI does not own or control SMOOTH COMMERCE, which is a registered business name owned by the Subsidiary, a distinct entity from SPI (*Mayborn Products Ltd v Canada (Registrar of Trade Marks)*, [1984] 1 FC 107, 1983 CarswellNat 49 at paras 67-70);
  - consumers are likely to perceive SMOOTH COMMERCE as a single trademark—including because the words SMOOTH and COMMERCE are similar in size and appear in the same font and often in the same colour; SPI has not used SMOOTH in a way that preserves its identity and remains recognizable in spite of the differences between how it is used and registered (*Canada (Registrar of Trade Marks) v Cie internationale pour l’informatique CII Honeywell Bull SA*, [1985] 1 FC 406, 1985 CarswellNat 617 at 409 [*CII Honeywell Bull*]).

(2) Analysis

[35] A trademark 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: *TMA*, s 4(1).

[36] A trademark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services: *TMA*, s 4(2). That said, mere advertising of services in Canada will not constitute use; some aspect of the services must be performed or delivered in Canada: *Hilton Worldwide* at para 7, citing *Porter v Don the Beachcomber*, 1966 CanLII 972 (CA EXC), [1966] Ex CR 982, (1966), 48 CPR 280 at para 17 and *Marineland Inc v Marine Wonderland & Animal Park Ltd*, 1974 CanLII 2559 (FC), [1974] 2 FC 558, (1974), 16 CPR (2d) 97 (TD).

[37] Section 45 proceedings have been described as a process for removing “deadwood” from the Register: *Hilton Worldwide* at para 9. This summary procedure is not intended to resolve contentious issues between competing commercial interests that are more appropriately resolved through expungement proceedings under section 57 of the *TMA*: *Ibid*.

[38] The burden of proof in section 45 proceedings is light and evidence of use need not be perfect: *Honeybee Enterprises Ltd (Honeybee Centre) v Marks & Clerk*, 2023 FC 1262 at para 12. While a registered owner cannot rely on bald assertions of use, assertions of fact showing use are sufficient: *Alliance Laundry Systems LLC v Whirlpool Canada LP*, 2014 FC 1224 at para 27. An affidavit or statutory declaration will suffice if it provides a factual description of the use of the impugned trademark demonstrating that the requirements for use under section 4 of the *TMA*

are met: *Spirits International BV v BCF SENCRL*, 2012 FCA 131 at para 8 [*Spirits International*]. To establish use of a trademark in the normal course of trade, evidence of a single sale may be sufficient, depending on the circumstances: *Sim & McBurney v en Vogue Sculptured Nail Systems Inc*, 2021 FC 172 at para 14.

[39] The respondent argues that the Deck Affidavit is deficient, vague, and ambiguous. However, the burden of proof is light and SPI's evidence need only supply facts from which a conclusion of use may follow as a logical inference: *Diamant* at para 9. SPI's evidence could have been clearer, but in my view, as a whole it does support a conclusion that SMOOTH was used, within the meaning of the *TMA*, with some of the registered goods and services during the relevant period.

[40] I note that in deciding whether SPI has shown use of the registered trademarks with specific goods or services, the Court is not to be astutely meticulous with the language used in the statement of goods or services: *Michaels v Unitop Spolka Z Organizzona Odpowiedzialnoscia*, 2020 FC 937 at para 14. That said, SPI bears the burden of showing use, and I agree with the respondent that SPI should not expect the Court to sift through a thousand pages of materials to find occurrences of each trademark and determine if there is anything to link them to specific goods or services listed in the Registrations.

[41] At the hearing, SPI provided a compendium of the evidence in its record, which includes an index in table format that identifies the pages SPI relies on as evidence trademark use with particular goods or services. I have reviewed the compendium carefully. I do not agree with SPI



that its evidence demonstrates use with all of the goods and/or services in the Registrations, apart from vending machines and vending machine services in TMA1003778 and TMA1065265. In my opinion, SPI has established that it used SMOOTH during the relevant period in association with some but not all of the other goods and services listed in TMA1003778 and TMA924135. SPI has not established that it used SMOOTH PAYMENT or SMOOTH PAY in association with the goods or services listed in TMA924154 or TMA1065265.

[42] SPI states that its goods and services are offered in Canada through its Subsidiary. SPI must show that any use of the trademarks by the Subsidiary enured to its benefit: *Spirits International* at para 7. The Federal Court of Appeal has set out three ways a registered trademark owner can demonstrate the requisite control to establish that a licensee's use of a trademark during the relevant period enures to the owner's benefit under subsection 50(1) of the *TMA*. The owner can: (i) clearly swear to the fact that they exert the requisite control; (ii) provide evidence that demonstrates they exert the requisite control; or (iii) provide a copy of a license agreement that explicitly provides for the requisite control: *Live! Holdings, LLC v Oyen Wiggs Green & Mutala LLP*, 2020 FCA 120 at para 24 [*Live!*], citing *Empresa Cubana Del Tabaco Trading v Shapiro Cohen*, 2011 FC 102 at para 84 [*Empresa*].

[43] The Deck Affidavit includes statements that the Subsidiary uses the registered trademarks in association with the goods and services covered by the Registrations under a license from SPI, and that SPI controls the quality and character of the goods and services offered in Canada in association with the trademarks. The statements are written in the present tense (the Deck Affidavit was affirmed August 11, 2023) and could have been clearer by specifically referencing

the relevant period. However, I find that the fair reading of the statements about licensed use in the context of the affidavit as a whole is that they refer to the evidence of trademark use during the relevant period. I find that the sworn statements in the Deck Affidavit satisfy the first option in *Live!* and *Empresa*, referred to above. Consequently, to the extent that SPI's evidence demonstrates use of the registered trademarks by the Subsidiary during the relevant period, such use enured to SPI's benefit.

[44] Next, I will turn to the question of whether the evidence shows use of SMOOTH as a trademark during the relevant period. SMOOTH sometimes appears on its own, but it also appears in conjunction with another word. Most often SMOOTH is followed by COMMERCE, and sometimes by PAY. The respondent argues that much of the evidence relates to SMOOTH COMMERCE displayed in a way that would be perceived as a single trademark. Furthermore, if SMOOTH COMMERCE was used as a trade name or trademark, the respondent argues that SPI does not own it and does not benefit from such use.

[45] Contrary to the respondent's argument, there are many examples in the evidence where SMOOTH is distinguished from and/or given prominence over the word that follows it. It often appears in a different font, size, or colour. For example, on invoices and in advertising materials SMOOTH is distinguished and given prominence by appearing in a different colour, a larger font, and/or being positioned above the word COMMERCE. Also, the word SMOOTH is often marked with trademark symbol. This is an indication to the consumer that SMOOTH, alone, is also considered a trademark and I find that the relevant public as a matter of first impression would perceive it as such. Consequently, even though SMOOTH appears with other words, it

remains recognizable as a trademark *per se*. The identity of the SMOOTH trademark was preserved and the deviation would not mislead an unaware purchaser: *CII Honeywell Bull* at 409.

[46] I find that the SMOOTH trademark appears on invoices issued by the Subsidiary and paid by Canadian customers during the relevant period. In my view, this is sufficient to demonstrate use of the SMOOTH trademark with invoiced goods and services. The respondent states that the evidence of invoices and sales figures is not broken down by trademark, or by the registered goods and services. However, the invoices do show what was sold. In most instances, this was a platform license. Inferences can be made from the evidence as a whole: *Diamant* at paras 8-9. SPI offers a “white-label” digital ordering solution for merchants such as restaurants. The “white-label” software is customized for SPI’s merchant customers, including through the creation of a unique mobile app that the merchant’s customers download in order to transact business with the merchant. I am satisfied, based on the evidence, that the platform license relates to SPI’s computer software and the invoices represent sales made in the normal course of trade. In my view, SPI’s customers do not merely access software as a service. SPI’s software can be considered a good, particularly those aspects of it that would allow users to perform electronic monetary transactions via a global computer network and allow for the operation of the merchant’s point of sale terminals, as described in the statement of goods.

[47] I am not satisfied that SMOOTH was used with the remaining registered goods during the relevant period.

[48] SPI concedes it did not use the SMOOTH trademark with vending machines during the relevant period. I can find no evidence that SPI used the SMOOTH trademark in association with payment kiosks.

[49] Exhibit H of the Deck Affidavit includes what are described as photographs of point of sale terminals and stickers for point of sale terminals. “SmoothPay” appears on these items in stylized font, with a TM symbol above the “h” in the word “Smooth”. While I accept that the public would recognize SMOOTH PAY and SMOOTH *per se* as trademarks, in my view this evidence does not establish that either trademark was used in association with goods within the meaning of section 4(1) of the *TMA*. The Deck Affidavit does not state that any branded terminals were sold in Canada during the relevant period. It states that point of sale terminals were “distributed” in Canada during the relevant period but does not explain how or to whom such terminals were “distributed”. SPI argues that point of sale terminals are distributed with software as a paid product but I am not satisfied this can be inferred from the evidence. With respect to the stickers, the Deck Affidavit states they “could be applied” to payment terminals but does not otherwise explain how the stickers were used or distributed. The evidence does not establish that the stickers were provided to customers at the time of transfer of the property in or possession of any registered goods during the relevant period.

[50] With respect to electronic gift cards, electronic stored value cards, and electronic prepaid cards, namely payment electronic gift cards and electronic stored value cards that allow the cardholder to electronically access funds stored in an account, SPI submits that the SMOOTH trademark appears on the merchant login page and the act of logging in provides notice of the

association between the SMOOTH trademark and all of the functionality of the platform. SPI argues that the act of logging in is analogous to viewing a trademark at or just after download of an app, which was considered to constitute use with goods in *Robinson Sheppard Shapiro SENCRL/LLP v Ineat Canada Inc*, 2019 TMOB 64, at paragraph 31 [*Robinson Sheppard Shapiro*]. In my view, *Robinson Sheppard Shapiro* does not assist SPI. In that case, the registered goods in question were in the nature of smartphone software, the trademark at issue was associated with an app at the time a user would download the app to their smartphone, and the evidence showed that the app was an object of trade in itself for which the registered owner received payment or exchange under a contract. In this case, the evidence does not establish that, during the relevant period, electronic cards were sold or distributed in association with the SMOOTH trademark in the normal course of trade, as objects of trade in themselves.

[51] With respect to the registered services listed in TMA924135 and TMA1003778, I am satisfied that SPI used the SMOOTH trademark, within the meaning of the *TMA*, in association with most of the registered services during the relevant period. Marketing materials provided to prospective customers show that SPI's customers could login to SPI's platform to access "digital wallet" payment processing, including by way of preloaded funds, debit card, or credit card processing. The Deck Affidavit does not address each registered service and the evidence could have been clearer. However, I am satisfied that the evidence supports a logical inference that, during the relevant period, SPI used or displayed the SMOOTH trademark in the advertising of most of the registered services, and those services were offered and available to be performed in Canada.

[52] The following table summarizes my findings on whether SPI has met its burden to establish use of SMOOTH during the relevant period with each of the goods and services listed in TMA924135 and TMA1003778. TMA924135 will be maintained. TMA103778 will be amended to delete the goods and services that are struck out in the table.

Trademark & Registration	Goods & Services
SMOOTH TMA924135	<u>Services</u> Credit card processing services via a global computer network
SMOOTH TMA1003778	<u>Goods</u> (1) Computer software to allow users to perform electronic monetary transactions via a global computer network. <del>(2) Electronic gift cards.</del> <del>(3) Electronic stored value cards.</del> <del>(4) Electronic prepaid cards, namely payment electronic gift cards and electronic stored value cards that allow the cardholder to electronically access funds stored in an account.</del> <del>(5) Point of sale terminals.</del> (6) Computer software for the operation of point of sale terminals. <del>(7) Payment kiosks, namely computer kiosks used at a retail site to facilitate the secure purchase of products and services.</del> <del>(8) Vending machines.</del>  <u>Services</u> (1) Debit card processing services via a global computer network. (2) Electronic commerce payment processing services via a global computer network. (3) Providing electronic gift cards via a global computer network, namely an Internet website where consumers can purchase electronic gift cards. (4) Providing electronic stored value cards via a global computer network, namely an Internet website where consumers purchase electronic stored value cards. (5) Providing electronic prepaid cards, namely payment cards that allow the cardholder to electronically access funds stored in an account, via a global computer network, namely an Internet website where consumers purchase electronic prepaid cards. (6) Offering digital wallet services via a global computer network, namely an Internet website and mobile computing devices, namely the transmission and storage of information relating to credit cards, debit cards, pre-paid cards, gift cards and electronic payment processing services to facilitate electronic

	<p>commerce transactions and the exchange of information between customers and vendors.</p> <p>(7) Payment gateway services.</p> <p>(8) Point of sale terminal services.</p> <p>(9) Mobile payment services, namely facilitating electronic funds transfer via mobile computing devices.</p> <p><del>(10) Payment kiosk services.</del></p> <p><del>(11) Vending machine services.</del></p>
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[53] Turning to TMA924154 and TMA1065265, the Deck Affidavit does not support a finding that SMOOTH PAYMENT and SMOOTH PAY were used during the relevant period in association with the registered goods and services.

[54] I am not satisfied that SPI used SMOOTH PAYMENT in association with the registered services in TMA924154, namely, credit card processing services via a global computer network.

[55] The only relevant evidence in the Deck Affidavit is found in certain pages of Exhibit J that appear to be printouts of an “App Store Preview” relating to an app for the restaurant Mary Brown’s Chicken, where “Smooth Payment Inc.” is listed as the seller. SPI is correct that the presumption that a company name is a trade name, rather than a trademark, is a rebuttable presumption: *Road Runner* at paragraph 16. However, SPI has not demonstrated that the public would perceive “Smooth Payment Inc.”, which appears as text in an information field of the preview for a third party’s app, to be a display of the trademark SMOOTH PAYMENT rather than an identification of a legal entity.

[56] Furthermore, SPI’s evidence does not explain how the preview for the Mary Brown’s Chicken app amounts to use of the SMOOTH PAYMENT trademark by SPI, or by another entity

under license, in the performance or advertising of SPI's "credit card processing services via a global computer network". The Deck Affidavit describes Exhibit J in general terms, stating it consists of Internet marketing materials "promoting the Goods and Services in association with the Marks in Canada during the Relevant Period." I note that the defined term "Marks" refers to all four trademarks that are at issue in this proceeding, and the defined term "Goods and Services" collectively refers to the goods and services in all four Registrations. The evidence does not address the app preview within Exhibit J specifically, or explain how it constitutes advertising or "promotion" that amounts to use of the SMOOTH PAYMENT trademark in association with the registered services within the meaning of sections 4 and 45 of the *TMA*.

[57] TMA1065265 for SMOOTH PAY covers the same goods and services listed in TMA924135 and TMA1003778. It appears that the only evidence showing "SmoothPay" or "Smooth Pay" displayed in some form is found in Exhibits H and J to the Deck Affidavit.

[58] As noted above, Exhibit H of the Deck Affidavit includes what are stated to be photographs of point of sale terminals and stickers, and states that point of sale terminals were "distributed" in Canada during the relevant period. However, the evidence does not demonstrate that SMOOTH PAY was used in association with goods within the meaning of section 4(1) of the *TMA*.

[59] Exhibit H also includes what appears to be a poster displaying SMOOTH PAY. Assuming the image is some type of marketing material, such as a poster, the Deck Affidavit does not explain how it amounts to use or display of the SMOOTH PAY trademark in the



performance or advertising of any of the registered services, within the meaning of section 4(2) of the *TMA*.

[60] SPI also points to certain pages of Exhibit J to the Deck Affidavit. As noted above, the Deck Affidavit describes Exhibit J in general terms, without explaining how any part of it demonstrates use of a particular trademark with particular goods or services during the relevant period. From my review, the pages of Exhibit J that show SMOOTH PAY appear to be materials of unrelated companies. Some pages describe what appears to be TOUCHBISTRO™ branded computer software for restaurants and other pages are the app store preview for the Mary Brown's Chicken app, discussed above. For the app store preview in particular, SPI relies on *Robinson Sheppard Shapiro* (at paragraphs 31 to 33) to argue that downloading an app can constitute use of a trademark with goods within the meaning of section 4(1) of the *TMA*, two trademarks can be used at the same time, and embarking on an inquiry as to whether a trademark actually served to distinguish the goods in association with which it was displayed from the goods of others is beyond the scope of section 45 proceedings. However, as noted above, in *Robinson Sheppard Shapiro* the evidence showed that the app was an object of trade in itself for which the registered owner received payment or exchange under a contract. Here, there is no evidence that SPI received any payment or exchange when a merchant's customer downloaded the app. Furthermore, SPI's evidence does not explain how Exhibit J shows use of the SMOOTH PAY trademark by SPI or licensed use by another entity that enures to SPI's benefit.

[61] TMA1065265 should be expunged, as SPI has not established that it used SMOOTH PAY with the registered goods or services within the meaning of sections 4 and 45 of the *TMA*.

V. **Conclusion**

[62] This application is allowed in part. For the reasons given, I have reached the conclusions summarized below.

- TMA924135 should be maintained.
- TMA1003778 should be amended to delete the following:

*Goods*

(2) Electronic gift cards.

(3) Electronic stored value cards.

(4) Electronic prepaid cards, namely payment electronic gift cards and electronic stored value cards that allow the cardholder to electronically access funds stored in an account.

(5) Point of sale terminals.

(7) Payment kiosks, namely computer kiosks used at a retail site to facilitate the secure purchase of products and services.

(8) Vending machines.

*Services*

(10) Payment kiosk services.

(11) Vending machine services.

- TMA924154 should be expunged.
- TMA1065265 should be expunged.

[63] SPI seeks its costs of the application in accordance with Tariff B of the *FCR*, as follows (amounts are inclusive of HST): (i) for preparing witnesses and attending cross-examinations,

column III costs of \$3,164.00; and (ii) for preparing and attending the hearing, column V costs of \$4,034.10, or alternatively, column III costs of \$1,728.90.

[64] The respondent's position is that costs, if any, should only be awarded in its favour and not against it. The respondent submits that regardless of whether it participated or not, SPI was required to bring these appeals and would have incurred costs. Furthermore, the appeals would not have been necessary if SPI filed evidence in response to the section 45 notices. The respondent relies on *Randy River Inc v Osler, Hoskin & Harcourt LLP*, 2022 FC 1015 at paragraph 16, where the Court refused to award costs to a successful applicant in similar circumstances.

[65] I do not agree with the respondent that I should decline to award costs against it by reason of SPI's failure to file evidence in response to the section 45 notices, or the fact that SPI would have incurred costs regardless of whether the respondent participated or not. The respondent did participate in the proceeding and SPI incurred legal fees as a result. The respondent cross-examined SPI's affiants and filed written argument, which SPI addressed at the hearing. SPI does not ask for costs related to all steps of the hearing but rather only costs related to the cross-examinations, which it states were unnecessary, and the hearing itself.

[66] That said, I am not satisfied that I should exercise discretion to award SPI any costs of this proceeding. Success was divided, and in my view each party should bear its own costs.

**JUDGMENT in T-1444-23**

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

1. The applicant is granted leave, *nunc pro tunc*, to be represented by two solicitors of record in this proceeding, namely Aird & Berlis LLP and Fasken Martineau DuMoulin LLP.
2. The applicant is granted leave, *nunc pro tunc*, to appeal four decisions of the Registrar by way of its amended notice of application.
3. The applicant's appeal of the Registrar's decision to expunge TMA924135 for SMOOTH is granted. TMA924135 is maintained.
4. The applicant's appeal of the Registrar's decision to expunge TMA1003778 for SMOOTH is granted in part. TMA1003778 shall be amended to delete the goods (2) electronic gift cards, (3) electronic stored value cards, (4) electronic prepaid cards, namely payment electronic gift cards and electronic stored value cards that allow the cardholder to electronically access funds stored in an account, (5) point of sale terminals, (7) payment kiosks, namely computer kiosks used at a retail site to facilitate the secure purchase of products and services, and (8) vending machines from the statement of goods, and to delete the services (10) payment kiosk services and (11) vending machine services from the statement of services. TMA1003778 is otherwise maintained.

5. The applicant's appeal of the Registrar's decision to expunge TMA924154 for SMOOTH PAYMENT is dismissed. TMA924154 shall be expunged
6. The applicant's appeal of the Registrar's decision to expunge TMA1065265 for SMOOTH PAY is dismissed. TMA1065265 shall be expunged.
7. Each party shall bear its own costs.

"Christine M. Pallotta"

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Judge

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

**DOCKET:** T-1444-23

**STYLE OF CAUSE:** SMOOTH PAYMENT INC. v KLARNA BANK AB

**PLACE OF HEARING:** TORONTO, ONTARIO

**DATE OF HEARING:** FEBRUARY 27, 2024

**JUDGMENT AND REASONS:** PALLOTTA J.

**DATED:** AUGUST 15, 2024

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