

Federal Court



Cour fédérale

**Date: 20140902**

**Docket: T-700-13**

**Citation: 2014 FC 833**

**Ottawa, Ontario, September 2, 2014**

**PRESENT: The Honourable Mr. Justice Martineau**

**BETWEEN:**

**CITY OF TERRACE  
AND  
KITASOO BAND COUNCIL**

**Plaintiffs (Defendants by Counterclaim)**

**and**

**URBAN DISTILLERIES INC.**

**Defendant (Plaintiff by Counterclaim)**

**JUDGMENT AND REASONS**

[1] This is a motion for summary judgment brought by the City of Terrace and Kitsoo Band Council [Moving Parties], under the *Federal Courts Rules*, SOR/98-106, sections 213-215, against Urban Distilleries Inc. The motion arises in relation to a counterclaim and defence asserted by Urban Distilleries Inc. against the claim of trade-mark infringement asserted by the City of Terrace and Kitsoo Band Council.

[2] The City of Terrace and Kitsoo Band Council assert ownership under paragraph 9(1)(n)(iii) of the *Trade-marks Act*, RSC 1985, c T-13 [Act], over the published official mark SPIRIT BEAR as a word-mark. The City of Terrace asserted its right to SPIRIT BEAR as its official mark prior to Kitsoo Band Council; it applied for it on or around November 26, 2003, while public notice was given January 21, 2004 (Official Mark No. 915,508). Kitsoo Band Council applied for its SPIRIT BEAR mark sometime in November 2006, with public notice being given on December 20, 2006 (Official Mark No. 918,006). The two organizations appear to have had some dispute over which one of them was entitled to assert ownership over the SPIRIT BEAR mark, but now share it through a licensing agreement. They also license SPIRIT BEAR to third parties where appropriate.

[3] Urban Distilleries Inc. sells its products through liquor stores in British Columbia, at its Okanagan distillery, and online. Mike Urban is the sole director of Urban Distilleries Inc. Urban Distilleries Inc. manufactures spirits under the unregistered trade-marks SPIRIT BEAR VODKA, SPIRIT BEAR GIN, and SPIRIT BEAR ESPRESSO INFUSED VODKA. It has done so since January 2011. The word-marks often appear next to a drawing of a spirit bear in its marketing materials and its packaging. On its packaging in large, bold letters, is the mark URBAN DISTILLERIES, clearly indicating the source of the product. The packaging essentially reads “SPIRIT BEAR GIN URBAN DISTILLERIES” and “SPIRIT BEAR VODKA URBAN DISTILLERIES” and “SPIRIT BEAR ESPRESSO INFUSED VODKA URBAN DISTILLERIES” in one form or another.

[4] In 2010, Urban Distilleries Inc. applied for the trade-mark SPIRIT BEAR VODKA. On January 26, 2011, the mark passed examination, and moved to the advertisement phase of trade-mark registration. The City of Terrace and Kitsoo Band Council opposed the registration of the mark. Urban Distilleries did not defend, and the mark was deemed abandoned in September 2011. Urban Distilleries states it did not defend for lack of funds. It should be noted that abandonment does not mean that the Registrar of Trade-marks found the mark SPIRIT BEAR VODKA to be unregistrable; instead, for a mark to pass examination, an examiner must determine that the mark is not confusing or in conflict with any registered or official marks. Urban Distilleries Inc. believes it could continue to use unregistered marks featuring a Spirit Bear or the words “SPIRIT BEAR” for its products, and the City of Terrace and Kitsoo Band Council had no enforceable rights.

[5] On August 22, 2013, the Moving Parties commenced this action for an injunction against Urban Distilleries Inc. As part of the remedy sought, the City of Terrace and Kitsoo Band Council also demanded Urban Distilleries Inc. destroy its products not already in the distribution chain and surrender profits made from selling products bearing any form of the SPIRIT BEAR mark. On October 9, 2013, Urban Distilleries Inc. filed a statement of defence and counterclaim, alleging, among other things, that the SPIRIT BEAR official marks are unenforceable as there was no adoption and use prior to public notice; that the City of Terrace and Kitsoo Band Council are not public authorities entitled to official marks; and that the use of SPIRIT BEAR GIN and SPIRIT BEAR VODKA are not likely to mislead the public, as per paragraph 9(1) of the Act, nor are they confusing in any way. Urban Distilleries also makes a limitations argument,

paired with estoppel and laches, for the City of Terrace and Kitasoo Band Council's failure to enforce their official mark against Urban Distilleries Inc. to this point.

[6] On April 29, 2014, the City of Terrace and Kitasoo Band Council filed this motion for summary judgment. The Moving Parties asks the Court to make a determination on a variety of issues, including: 1) are the plaintiffs public authorities entitled to registration of an official mark under paragraph 9(1)(n)(iii) of the Act; 2) have the Plaintiffs shown adoption and use as of the relevant date, the date of publication of the official mark; 3) do the Urban Distilleries unregistered marks consist of or so nearly resemble as to be likely to be mistaken for the Plaintiffs' official mark SPIRIT BEAR under section 9(1) of the Act; and 4) do any of the limitations period, estoppel or laches arguments apply?

[7] The Court recently summarized the test for summary judgment in *Collins v Her Majesty the Queen*, 2014 FC 307 at paras 28-31. The Court may grant a motion for summary judgment only if it is satisfied that there is no genuine issue for trial. The Court should ask whether the case is so doubtful, or so clearly without foundation, that it does not deserve consideration at trial. The Court may determine questions of fact and law if such determinations can be made from the material before it. The Court's function is not to resolve issues of fact over which there is genuine dispute. The moving party has the burden of establishing that there is no genuine issue for trial and that it is therefore entitled to judgment. On such a motion, the Court is entitled to assume the parties have put their best foot forward with regards to the evidence submitted (*The Rude Native Inc v Tyrone T Resto Lounge*, 2010 FC 1278). A party cannot avoid summary judgment by just asserting that better evidence would be available at trial.

[8] I have considered the evidence and arguments in light of the representations made in writing and orally at the hearing. I will not pronounce myself on the limitation and confusion issues, nor decide whether the Kitasoo Band Council can constitute a “public authority” for purposes of paragraph 9(1)(n)(iii) of the Act. Though a variety of interesting issues were raised, the determinative issue in this case is whether either the City of Terrace or Kitasoo Band Council have shown adoption and use as of the date of publication of their official mark by the Registrar of Trade-marks. If the City of Terrace and Kitasoo Band Council have not shown adoption and use, the Federal Court can declare the official mark they assert ownership of unenforceable and declare it gives rise to no rights or obligations (*FileNET Corp v Canada (Registrar of Trade-marks)* [2002] 1 FC 266 (TD) at paras 39-45; *Piscitelli v Liquor Control Board of Ontario*, [2002] 1 FC 247 (TD) at paras 17-22).

[9] An official mark is not registered: it is published to give public notice. This means that normal expungement proceedings are not applicable. Instead, official marks are attacked either through an action, by asserting that the public authority did not meet the requirements for publication at the time of the Registrar’s publication of the mark, or via either an application for judicial review or a *Trade-marks Act* appeal of the Registrar of Trade-marks’ decision to publish the official mark (*Sullivan Entertainment Inc v Anne of Green Gables Licensing Authority Inc* (2000), 195 FTR 199, [2000] FCJ No 1683; *Princess Group Inc v Canadian Standards Association*, 2009 FC 926 at paras 6, 18, 21). A party such as Urban Distilleries can also defend itself from an injunction application either by asking for a stay and filing an application for judicial review, or by defending itself by way of counterclaim, as it did here.

[10] The requirement for adoption and use flows from paragraph 9(1)(n)(iii) of the Act. The section reads:

<p>9.(1) No person shall adopt in connection with a business, as a trade-mark or otherwise, any mark consisting of, or so nearly resembling as to be likely to be mistaken for, [...]</p>	<p>9.(1) Nul ne peut adopter à l'égard d'une entreprise, comme marque de commerce ou autrement, une marque composée de ce qui suit, ou dont la ressemblance est telle qu'on pourrait vraisemblablement la confondre avec ce qui suit : [...]</p>
<p>(n) any badge, crest, emblem or mark [...]</p>	<p>n) tout insigne, écusson, marque ou emblème : [...]</p>
<p>iii) adopted and used by any public authority, in Canada as an official mark for wares or services, [...]</p>	<p>(iii) adopté et employé par une autorité publique au Canada comme marque officielle pour des marchandises ou services, [...]</p>
<p>in respect of which the Registrar has, at the request of Her Majesty or of the university or public authority, as the case may be, given public notice of its adoption and use.</p>	<p>à l'égard duquel le registraire, sur la demande de Sa Majesté ou de l'université ou autorité publique, selon le cas, a donné un avis public d'adoption et emploi;</p>

[11] Adoption is a low bar; all a party must do is state it has adopted the mark. The focus in this analysis is on use for wares or services. It is now established that all that is required for use is that the public authority demonstrate that the official mark was made available for public display prior to publication (*Cable Control Systems Inc v Electrical Safety Authority*, 2012 FC 1272 at para 14, citing *See You In – Canadian Athletes Fund Corp v Canadian Olympic Committee*, 2007 FC 406 at para 48, aff'd 2008 FCA 124). Such use cannot be abstract. It must

be associated with a particular ware or service, and a connection must be made with the ware or service and the mark. Public display can include the display of a mark on a website in association with a particular service, such as Canada Revenue Agency's NETFILE, an online tax filing service (*FileNET Corp v Canada (Registrar of Trade-Marks)*, 2002 FCA 418). Use has also been found when an announcement for the service and a logo, containing the mark and a graphical depiction of the mark, has been published in a public newsletter (*Cable Control Systems Inc*, above). However, a mark is not used where it is not distinguished from surrounding text (*Piscitelli*, above, at paras 40-41). A mark is also not used in association with a ware or service if it is used on internal communications only, for example, on pen and flashlight sets not yet distributed to the public (*See You In*, 2008 FCA 124, above, at para 5).

[12] In this case, the Moving Parties, the City of Terrace and Kitasoo Band Council, have provided their best evidence of adoption and prior use. We must assume that this is the only evidence which would be furnished at trial. The relevant date for use on wares and services by the City of Terrace is January 21, 2004, while for the Kitasoo Band Council, it is December 20, 2006.

[13] In particular, the City of Terrace has provided a City webpage discussing Kermodei bears, which has a very small white bear in relief on the left-hand banner portion of the website. The website does not mention SPIRIT BEAR as a mark in association with services. The City has also provided a variety of communications, all of which must be classed as internal. The City provided a memo dated October 20, 2003, directing the fire department to include the word "SPIRIT BEAR" on its correspondence. The internal memo has a white bear in relief above the

writing “The City of Terrace” on the upper right-hand corner. The City provided a template of a letter dated October 27, 2003, which included a variety of bear names at the bottom (four bear names in plain text), and the white-relief bear logo above “The City of Terrace”. Finally, the City included a letter to the City of Terrace’s trade-mark counsel, asking for registration of the marks KERMODEI BEAR, MERMODE BEAR, SPIRIT BEAR, and MOKSGM’OL. This letter has the same listing of bear names on the bottom in plain text as the October 27, 2003 letter and, on another portion of the page, the bear relief logo. The City has provided a supplemental affidavit of Alisa Thompson, an administrator at the City. She states that all correspondence since 2003 has contained the SPIRIT BEAR mark. To evidence this point, the affiant references the letter to the City’s trade-mark counsel.

[14] Having closely examined the evidence provided by the City, I cannot conclude that it meets the requirements of the Act for use in association with wares or services. The registration of the official mark owned by the City is for the words “SPIRIT BEAR”. Looking over the internal correspondence, it is unclear whether the SPIRIT BEAR used on the letter, in a collection of other bear names, is being used as an official mark for the city, or is just a decoration on the footer of a letter. It appears indistinguishable as a mark. The memo to the fire department is internal, and it is unclear if the sample letter of October 27, 2003 was ever sent to a member of the public. There is first, no public display, and second, no evidence that SPIRIT BEAR was used as a mark in the traditional sense. The web page on Kermodei bears does not mention SPIRIT BEAR as a mark. It is not evidence of use with wares or services. Though the affiant asserts public use of the marks, this is not supported by the evidence submitted.



[15] Kitsoo Band Council also asserts ownership in an official mark. The spirit bear is also known as a Kermodei bear. It is a sub-species of the black bear, a rare white variant. There is no doubt that the spirit bear plays an important role to many aboriginal groups. The affiant Douglas Neasloss, a member of the Kitsoo Band Council, states that the spirit bear has been part of his band's culture for generations. Included as evidence, is a diary entry of hereditary Chief Ernest Mason Jr., provided to the Court. This is hearsay evidence. The diary entry was photocopied October 21, 2013, according to Larry Greba, who hand-wrote this fact on the photocopy. Larry Greba is not an affiant in this proceeding. The entry is undated and non-contemporaneous; it is unclear when the events mentioned occurred. The affiant states they occurred in 2002. The diary entry discusses a spirit bear mask carving, a composition titled "song for the spirit bear", and a living, breathing spirit bear visiting the site of a newly erected replica big house. While the spirit bear is important in the Kitsoo culture, this is not enough to rise it to the level of use on wares or services contemplated for an official mark.

[16] Additional evidence provided by the Kitsoo Band Council is in the form of a newsletter from Klemtu Tourism Ltd. which is not, however, a party to these proceedings. The use of SPIRIT BEAR in this publication is not associated with a mark; instead, there is a headline "Spirit Bears of the Kitsoo/Xaixais Territory". The article does mention a "Spirit Bear Quest", a tour offered by Klemtu Tourism to view and learn about Kermode and Grizzly bears. This newsletter is undated. The newsletter has a further headline, "Spirit Bear Quest", along with a drawing of a spirit bear and a photo of a Kermode bear. It advertises a five day tour. Other headings include "Waters of the Kitsoo" and "Fjordlands Discovery Weekend". Several rack-cards are provided. The affiant states they are dated 2001, 2002 and 2003, evidenced by the 2001

and 2003 date on two of them. One mentions, in shorthand form, “Spirit Bear Tours”, while the other two mention “Spirit Bear Quest: Kermodé bear viewing”. All are five day tours. The brochures of Klemtu Tourism Ltd. provide very little probative value as to the use of SPIRIT BEAR by Kitasoo Band Council as an official mark. As no evidence has been provided as to how the Kitasoo Band Council is connected with Klemtu Tourism Ltd., I cannot conclude that Kitasoo Band Council has used the marks on these publications. Further, the use of “Spirit Bear” on the newsletter is not distinguished from the other text, and instead, takes the form of a headline. On the rack-cards, the use of Spirit Bear is always paired with “Quest” or “Tour”. This does not appear to be use as contemplated by an official mark; if it is, it is use of the mark SPIRIT BEAR QUEST or SPIRIT BEAR TOUR, and not of SPIRIT BEAR. This is not use of SPIRIT BEAR as required for an official mark registration.

[17] The Moving Parties have failed to convince the Court that a summary judgment can be rendered in their favour. Mere advertising of wares or services in association with the mark on a public website is acceptable. However, it must be apparent that the mark is in fact being used as an official mark—not just a section of a letter with a collection of bear names, as in the case of the City, or as part of a tour name, as in the case of the tour brochure of Klemtu Tourism Ltd. Having reviewed all the evidence and submissions on this summary judgment motion, I find that the City of Terrace and Kitasoo Band Council have not provided evidence of “use” of the mark in association with wares or services as of the relevant dates.

[18] No doubt, both the City of Terrace and Kitasoo Band Council have, since publication, used the mark SPIRIT BEAR in a variety of ways, including licensing it to third parties. There is

no bar to City of Terrace and Kitsoo Band Council reapplying for these official marks.

However, they would have to use the new date of publication by the Registrar for any future actions they may bring.

[19] In conclusion, the two official marks numbered 915,508 and 918,006 are unenforceable, and give rise to no rights or prohibitions under sections 9 and 11 of the Act. In view of the result, the respondent is entitled to its costs.

**JUDGMENT**

**THIS COURT'S JUDGMENT is that** the declarations and orders sought by the City of Terrace and Kitsoo Band Council in their motion for summary judgment are refused and that the counterclaim made by Urban Distilleries Inc. is allowed. The official marks No. 915,508 and No. 918,006 are unenforceable, and give rise to no rights or obligations under sections 9 or 11 of the *Trade-Marks Act*. The whole with costs in favour of Urban Distilleries Inc.

"Luc Martineau"

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Judge

**FEDERAL COURT**

**SOLICITORS OF RECORD**

**DOCKET:** T-700-13

**STYLE OF CAUSE:** CITY OF TERRACE AND KITASOO BAND COUNCIL  
v URBAN DISTILLERIES INC.

**PLACE OF HEARING:** VANCOUVER, BRITISH COLUMBIA

**DATE OF HEARING:** AUGUST 11, 2014

**REASONS FOR JUDGMENT  
AND JUDGMENT:** MARTINEAU J.

**DATED:** SEPTEMBER 2, 2014

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