

Federal Court



Cour fédérale

Date: 20240506

Docket: T-609-20

Citation: 2024 FC 688

Toronto, Ontario, May 6, 2024

PRESENT: The Honourable Madam Justice Furlanetto

BETWEEN:

WANAKOME INC.

Plaintiff

and

ERIC MARTIN, KARA MARTIN AND
PARK ENTERPRISES WORLDWIDE INC.

Defendants

JUDGMENT AND REASONS

I. Overview

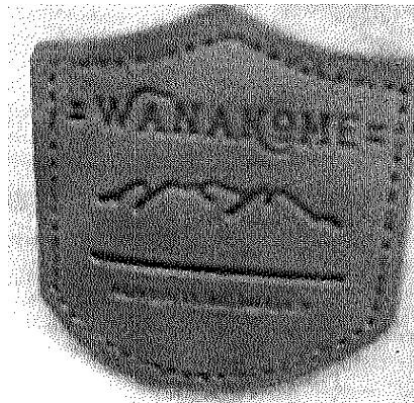
[1] This is an action under subsections 7(b), (c) and (d) of the *Trademarks Act*, RSC 1985, c T-13 [*Trademarks Act*] relating to an unregistered trademark, WANAKOME, and a related challenge to a copyright registration for an artistic work used as the wanakome logo.

[2] The Plaintiff, Wanakome Inc., is a corporation incorporated under the *Canada Business Corporations Act* RSC, 1985, c C-44 [CBCA], which lists Kemel Hadad [Hadad] as its sole Director. Wanakome Inc. is the named Applicant on Canadian trademark application no. 1,919,381[Application] filed in respect of the trademark WANAKOME for use in association with the following goods, based on a claim of proposed use: 18(1) bags, namely carry-all bags and backpacks; and 25(2) clothing, namely, hosiery, shirts, blouses, tank tops, T-shirts, pants, leggings, shorts, dresses, casual wear, sweaters, sweatpants, sweatshirts, hoodies, athletic wear, loungewear, lingerie, sleepwear, underwear, jackets, sport coats, coats, parkas, vests, capes, scarves, belts; headwear, namely, hats, caps, sport caps, bandanas, and head scarves; footwear, namely casual footwear, athletic footwear, beach footwear, evening footwear, boots.

[3] The WANAKOME mark is not registered in Canada and the Application is under opposition by the Defendants.

[4] The Defendants Eric Martin and Kara Martin are spouses [collectively, the Martins], both of whom are residents of the United States [US]. The Defendant Eric Martin is the owner of the Defendant company, Park Enterprises Worldwide Inc. [Park], a California-based company. His wife Kara Martin was, at all material times, involved in all aspects of Park's business operations. As relevant to this litigation, Park's commercial activities included *inter alia* the sale and distribution of various lines of clothing at a wholesale level, including clothing bearing the WANAKOME trademark. Park operated showrooms and operated a separate public relations company and promotion business called Media Playground PR [Media PR].

[5] Park is the registered owner of Canadian copyright registration number 1170106, registered on May 27, 2020, for the artistic work titled “wanakome mountain” [Wanakome Logo], which was identified at trial as being depicted by the following trial exhibit (Exhibit 91, page 2):



[6] For over two years, Hadad and his company Double J Fashion Group 2013 [Double J] were in a business relationship with Park, which involved the conception of the WANAKOME brand, the incorporation of Wanakome Inc. and the manufacture, production, distribution and sale of clothing bearing the WANAKOME trademark and in some cases, the Wanakome Logo.

[7] The relationship ultimately soured in May 2020.

[8] At the heart of this litigation is a dispute over who has rights to the WANAKOME trademark and the copyright in the Wanakome Logo.

[9] For the reasons set out below, the action will be dismissed as I am unable to conclude that Wanakome Inc. as registered under the CBCA is the owner of all rights, title and interest to the WANAKOME trademark or that all use of the WANAKOME trademark is attributable to

Wanakome Inc. Nor do I find that the section 7 allegations have otherwise been satisfied. In connection with these findings, it is my further view that there is insufficient evidence to expunge the copyright registration for the Wanakome Logo.

II. Background

[10] On June 15, 2017, Park became the exclusive sales representative for a successful clothing brand NAKETANO in respect of its sales in the US and Canada. The NAKETANO clothing line focussed on designer hoodies that included nautical pull ties, cowl necks, and extremely soft fabric.

[11] On December 31, 2017, the owner of the NAKETANO brand advised Eric Martin that it would be ceasing its operations and as a consequence, its sales relationship with Park, effective December 31, 2018. As sales of NAKETANO clothing were an important part of Park's business, Park was desirous of maintaining sales in this market space and sought to replace NAKETANO with a new brand for the same type of clothing. In connection with this objective, the Defendants began looking for a business partner who could handle production and distribution of the brand while they would be in charge of marketing, design, communication, customer relations, and sales.

[12] In early 2018, the Defendants approached Hadad who was the Chief Executive Officer [CEO] of Double J, a Canadian clothing distribution company based in Montreal, Quebec. Hadad had a long history in the clothing industry on the production and distribution side, both in Canada and internationally. He had met the Martins previously as Park had acted as sales

representative for two other brands distributed by Double J (SONG OF LOVE and BELLFIELD) and had entered into a sales representation agreement with Double J for a third brand (RES DENIM).

[13] From about March 2018 until late April 2020, Park and Hadad/Double J worked jointly and collaborated on the production and sale of the WANAKOME line of clothing. Hadad/Double J handled the finances, and were responsible for administration, arranging manufacture and production of the clothing line, while Park was responsible for sales, marketing, public relations and most aspects of design.

[14] The WANAKOME trademark was conceived in March 2018. While there was dispute as to whether Hadad was involved in its conception, the evidence was consistent that the name “wanakome” was largely inspired by a memorable trip the Martins took to Lake Wanaka in New Zealand; a place that made them feel like home. Promotion of the brand began in the summer of 2018, with its first orders taken in July 2018, manufacture starting in August 2018, and sales beginning in September 2018. Payments for sales were made to Double J, with commission paid to Park.

[15] On September 5, 2018, Hadad incorporated Wanakome Inc., naming himself as sole Director. The Application for the WANAKOME trademark was filed in Canada on September 11, 2018, followed by corresponding applications in the US, European Union, United Kingdom [UK], Switzerland, Turkey and China. On each application, the owner of the mark was

identified as Wanakome Inc. The applications filed in the US, Turkey, UK and European Union were subsequently issued to registration.

[16] On March 1, 2019, Media PR entered into a short-term public relations agreement with Wanakome Inc. [PR Agreement], which provided that Media PR would handle all of WANAKOME's public relations. This included a licence to intellectual property during the term of the agreement. Media PR was paid \$1,000 US a month from March 2019 to December 2019 under the terms of the agreement.

[17] On March 29, 2019, Hadad provided Eric Martin with a draft shareholder agreement for Wanakome Inc., which identified Hadad, Eric Martin and Robert Carsley, a business associate of Hadad, as proposed shareholders. Over the Fall of 2019, Eric Martin reached out to Hadad on several occasions to discuss the draft agreement and in January 2020, sent Hadad a mark-up of the draft; however, the draft agreement was never finalized or executed.

[18] On April 14, 2020, Hadad requested Park provide the passwords to all online accounts for WANAKOME so that his team could build a website and link the brand's Shopify account to its social media accounts. On April 18, 2020, Park refused the request on the basis of the existing Wanakome website. On April 28, 2020, a letter was sent to Eric Martin on behalf of Wanakome Inc., demanding that Eric Martin and Park cease and desist all use of the WANAKOME trademark, requesting transfer of all social media account passwords (Shopify, Instagram and Facebook), and a change of any online accounts that included the WANAKOME trademark. The

letter asserted that Wanakome Inc. was the owner of the WANAKOME trademark and that Eric Martin and Park were using the WANAKOME trademark in an unauthorized manner.

[19] The request was refused by letter dated May 5, 2020. In their response, the Defendants asserted that they were the creators of the WANAKOME brand, and were the sole owner of any intellectual property involving “the word and/or name ‘Wanakome’ as well as the Wanakome logo, design and other visual representations.” The letter asserted that the Defendants had “tolerated” the incorporation of Wanakome Inc. under the “clear agreement” that the Martins would be equal shareholders in the company and that the Application had similarly been filed on the condition that the Martins were 50% shareholders in Wanakome Inc.

[20] On May 8, 2020, Hadad on behalf of Wanakome Inc. wrote to the Defendants terminating what it asserted was a functioning sales agency agreement between Wanakome Inc. and Eric Martin and demanding the return of all WANAKOME goods.

[21] For the remainder of May 2020, Park continued to send correspondence to Hadad/Double J in respect of orders for WANAKOME goods and to communicate with customers.

[22] At the same time, between May 19, 2020 and June 1, 2020, the parties exchanged further correspondence in which the Defendants reiterated the position set out in their May 5, 2020 letter. In this correspondence, the Defendants complained of further actions taken by Hadad to assert Wanakome Inc.’s proposed rights. This included filing takedown notices for social media and/or websites operated by the Defendants; creating separate social media accounts displaying

the WANAKOME trademark and Wanakome Logo; communicating directly with Park’s customers; refusing orders for WANAKOME products; and making the dispute with the Defendants publicly known. The Defendants asserted that the Plaintiff had “preposterously misappropriated the Wanakome Brand” and was “abusively” claiming sole ownership. They contended that at the time the Application was filed they were reassured in writing that they “would be taken care of in the Wanakome Inc. shareholder agreement” and that shares were to be issued to their benefit.

[23] On May 27, 2020, Park obtained a copyright registration for the Wanakome Logo and on November 8, 2021, filed a statement of opposition, opposing the Application.

[24] This action was commenced on June 4, 2020.

[25] At some point thereafter, Eric Martin became associated with the sale of hooded sweatshirts under the brand, Local Interstellar Outfitters – LIO [LIO]. “Wanakome” was used in hashtags on social media posts and in the subject line of certain emails promoting the LIO brand. The Plaintiff amended its statement of claim on March 18, 2022 to include allegations relating to the activities involving the LIO brand.

III. Issues

[26] The following issues are raised by this action:

- 1) Can the Court determine whether the Plaintiff is the owner of all rights, title and interest in and to the unregistered WANAKOME trademark, and that the use of the trademark is use by Wanakome Inc. and not by the Defendants?

- 2) Are the Defendants' actions contrary to sections 7(b), 7(c) and/or 7(d) of the *Trademarks Act*?
- 3) Do Eric Martin and Kara Martin have any personal liability?
- 4) Is the "wanakome mountain" copyright registration invalid and should it be expunged pursuant to section 57(4) of the *Copyright Act*?
- 5) What remedies, if any, are available? and
- 6) Should costs be awarded and if so, to whom and in what form?

IV. Witnesses

[27] Nine witnesses appeared at the trial: three on behalf of the Plaintiff, and six on behalf of the Defendants. A brief summary of these witnesses is set out below.

A. *Plaintiff's witnesses*

[28] The Plaintiff's primary witness was Hadad. In his testimony, Hadad provided background on his experience in the clothing industry, the business of Double J, his relationship with the Defendants, the respective roles of Hadad/Double J and the Defendants with respect to the WANAKOME trademark, the development of the WANAKOME clothing line, the incorporation of Wanakome Inc., and the filing of the Application.

[29] It was Hadad's evidence that all use of the WANAKOME trademark was for the benefit of Wanakome Inc.; a company that he created, controlled and registered. Hadad testified that the Defendants acted as sales representatives under a verbal agreement that involved commission payments, and that they did not have any ownership rights to the WANAKOME trademark.

[30] The remaining two witnesses for the Plaintiff were Rachel Snyder [Snyder] and Carol Adams [Adams].

[31] Snyder is an independent designer who began working with Park and Hadad in October 2018. Snyder was retained to help with upcoming designs for the WANAKOME clothing line, which was already in existence. She testified that her contract was with Park and while her initial invoices were with them, they were later directed to, and paid by, Double J.

[32] Adams is an employee of Double J. Her evidence was brief and covered her role as customer service account manager for WANAKOME and her interactions with the Defendants, whom she described as the former sales representatives for WANAKOME in the US. Adams testified about the wanakomeclothing.com website and its availability in Canada and the US and as to the sales of the WANAKOME clothing line in Canada, the US and Europe.

B. *Defendants' witnesses*

[33] Both Eric Martin and Kara Martin gave evidence on the development of the brand and the WANAKOME trademark, the nature of their relationship with Hadad and Double J, and the circumstances around its ultimate breakdown.

[34] Eric Martin was the primary defence witness. He testified that as of March 2018 the Defendants were operating as a 50:50 partnership with Hadad/Double J, each having an equal interest in the WANAKOME brand. In his evidence, he referred to several pieces of

correspondence in which Hadad referred to their relationship as a “partnership” and spoke about their common interests.

[35] Both Eric Martin and Kara Martin gave evidence as to the conception of the WANAKOME trademark. Kara Martin also gave testimony and introduced a notebook page that included her sketches relating to the Wanakome Logo. She provided evidence relating to her work on the design of the WANAKOME clothing line, the preparation of the line sheets, and the promotion of the goods.

[36] There were also four other fact witnesses for the Defendants: Des Wilson [Wilson], Isaac Sabbah [Sabbah], Dave Durey [Durey] and Benjamin Talley Smith [Talley Smith].

[37] Wilson was a sales agent with Park from 2017 to March 2019. She was responsible for sales of the NAKETANO brand and was involved in securing initial sales accounts for WANAKOME for the west coast (west of Mississippi for the US and the west side of Canada). Wilson testified to her understanding that Park and Double J were 50:50 partners, and as to the breakdown of the roles within Park and at Double J. She testified that the Martins’ came up with the “wanakome” name, that Kara Martin was responsible for the development of the WANAKOME clothing line sheets, and as to Park’s work on the designs and with the designers. She spoke to her interactions with Hadad and Double J regarding production, sampling and invoicing.

[38] Sabbah was the credit manager of Double J between 2017 and January 2020. He testified to being advised by Hadad that Park and Double J were 50:50 partners. It was his understanding that Park took care of all sales and social media advertising and photography relating to the WANAKOME brand while Double J handled the back-end operations.

[39] Durey worked as an independent contractor and sales representative with Park, and became the head of sales for WANAKOME in June 2019. Between August 2020 and April 2021, he worked with Double J as an independent contractor for WANAKOME. At the time of trial, he was working with Eric Martin on the LIO brand. Durey testified to being advised that the Martins and Hadad co-owned the WANAKOME brand. He gave evidence about the design work conducted by the Martins for the brand and their handling of the social media accounts. He also testified about events in and around the time of the breakdown of the relationship between Hadad and Park and as to the design and the customer base for the LIO brand, including as compared to the WANAKOME brand.

[40] Talley Smith is a clothing designer. He was contacted by Hadad to work with Eric Martin to design a brand to replace NAKETANO. He spoke about the Martins' conception of the WANAKOME mark, arising from their trip to Lake Wanaka and that he had pitched certain logo designs that ultimately were not used. He testified to working on some of the early design work associated with the clothing line.

V. AnalysisA. *Ownership and use of the unregistered WANAKOME trademark*

[41] The Plaintiff seeks a declaration that it is the owner of the WANAKOME trademark. It asserts that all rights, title and interest to the WANAKOME trademark has, and has always been, for the benefit of Wanakome Inc.

[42] The Plaintiff asserts that ownership can be inferred from the surrounding circumstances. It highlights the corporate registration of Wanakome Inc. on September 5, 2018 and the subsequent Application for the WANAKOME trademark which was filed in the name of Wanakome Inc., along with the corresponding applications in the US, European Union, UK, Switzerland, Turkey and China. It contends that the evidence from the Martins was consistent that once Wanakome Inc. was registered, all use of the WANAKOME trademark was intended to be for its benefit. It refers to intellectual property clauses in the PR Agreement and the draft shareholders agreement that identifies Wanakome Inc. as the owner of intellectual property.

[43] The Defendants assert that they conceived of the WANAKOME trademark and were equal partners with Hadad and Double J in a joint venture relating to the brand. They assert that despite Wanakome Inc.'s incorporation, they continued to operate under a common understanding with Hadad/Double J that they were 50:50 partners involved in a joint venture relating to the WANAKOME brand and thus remain as a joint owner of the WANAKOME trademark.

[44] They argue this is clear from the ongoing correspondence between Hadad and the Martins, Park's continued role with the brand, and from the draft shareholder agreement, which was intended to outline the share structure in Wanakome Inc., of which Eric Martin was to be a shareholder.

[45] The issue of ownership raises two preliminary questions of jurisdiction. The first is with respect to the Court's jurisdiction to address the commercial and contractual relationship between Hadad/Double J and the Defendants, including as it relates to their respective interests in Wanakome Inc. and the WANAKOME trademark. The second is with respect to the Court's jurisdiction to issue a declaration of ownership when there is a pending opposition to the Application with an outstanding issue of Wanakome Inc.'s entitlement to registration of the WANAKOME trademark.

[46] As explained in *Salt Canada Inc v Baker*, 2020 FCA 127, the Federal Court can interpret contracts between private citizens as long as it is done under the sphere of valid federal jurisdiction that is vested in the Federal Court:

[24] The rule in *Kellogg* is simple: the Exchequer Court (and now the Federal Court) can interpret contracts between private citizens as long as it is done under a sphere of valid federal jurisdiction vested in the Federal Court. It is true that, absent a specific statutory grant of jurisdiction to the Federal Court, parties cannot assert a contractual claim in the Federal Court against another private party to obtain a damages remedy. But *Kellogg* tells us that where such a grant is present, parties can claim a remedy even if their entitlement turns on a matter of interpretation of an agreement or other instrument—for example, the remedy of correcting the records in the Patent Office to recognize one's title to a patent under section 52 of the *Patent Act*.

[...]

[31] ... The bounds of the Federal Court’s jurisdiction do not rest on the nebulous exercise of assessing whether something is “primarily a case in contract” or whether contractual interpretation will “dictate” the end result. To do this is to take a Goldilocks approach to jurisdiction, taste-testing each case for the appropriate amount of federal flavour and asserting jurisdiction only in cases where the federal content is, in the personal opinion of a judge, “just right”. Jurisdiction should not depend on the palate of individual judges. And for reasons of access to justice and minimization of litigation expense, Parliament does not set fuzzy tests for jurisdiction but rather adopts more certain, brighter lines. Courts should analyze jurisdictional issues with that front of mind. See *Hupacasath First Nation v. Canada (Foreign Affairs and International Trade Canada)*, 2015 FCA 4, 379 D.L.R. (4th) 737, at paragraph 47, citing *Steel v. Canada (Attorney General)*, 2011 FCA 153, [2011] 1 F.C.R. 143, at paragraphs 62–73; see also *Steel*, at paragraph 69.

[...]

[40] ... Where contractual disputes arise within its jurisdiction, the Federal Courts are empowered to resolve these disputes just as any other court does, and they do so all the time.

[47] Pursuant to paragraph 20(1)(b) of the *Federal Courts Act* RSC 1985, c F-7 [*Federal Courts Act*], the Federal Court has exclusive jurisdiction in all cases where it is sought that an entry in any register of copyright or trademark be expunged, varied or rectified. The Federal Court also has concurrent jurisdiction in respect of a remedy sought under the authority of an Act of Parliament or at law or in equity for copyright and trademarks (subsection 20(2) of the *Federal Courts Act*).

[48] The Federal Court may also make a binding declaration of right in a proceeding in respect of any matter over which it has jurisdiction: Rule 64 *Federal Courts Rules*. This may include a declaration as to ownership of an unregistered trademark: section 55 *Trademarks Act*.

As stated in *Royal Doulton Tableware Ltd v Cassidy's Ltd*, [1986] 1 FC 357; 1 CPR (3d) 214

[*Royal Doulton*] at pages 374-376:

The plaintiffs further request a declaration that Paragon "is the owner of the trade mark `Victoriana Rose' for use in association with china tableware". It is to be noted that as framed the relief requested does not involve entitlement to registration. In my view it would be open to this Court to make such a declaration if it had before it all the necessary evidence. I believe that this Court has jurisdiction to make such a declaration pursuant to section 20 of the *Federal Court Act* which gives it concurrent jurisdiction "in all other cases in which a remedy is sought under the authority of any Act of the Parliament of Canada or at law or in equity, respecting any ... trade mark ..." Here the *Trade Marks Act* in sections 1 to 11 defines and prescribes a number of rules concerning trade marks and the adoption thereof, without reference to registration. Thereafter, the Act only deals with registered trade marks. Within the context of section 20 of the *Federal Court Act*, the declaration is a remedy "in equity" and in this case is with respect to a trade mark. The requirements of section 101 of the *Constitution Act, 1867* [30 & 31 Vict., c. 3 (U.K.) [R.S.C. 1970, Appendix II, No. 5] (as am. by *Canada Act 1982, 1982, c. 11 (U.K.)*, Schedule to the *Constitution Act, 1982, Item 1*)] are also met since Parliament by sections 1 to 11 of the *Trade Marks Act* has prescribed a regime concerning what constitutes a trade mark and the adoption thereof, whether registered or not. The jurisdiction of Parliament with respect to trade marks has long since been recognized: *Attorney-General for Ontario v. Attorney-General for Canada*, [1937] A.C. 405 (P.C.). I believe a declaration with respect to ownership of an unregistered trade mark is distinguishable from the forms of relief sought, and refused, in *Cellcor Corp. of Canada Ltd. v. Kotacka*, [1977] 1 F.C. 227 (C.A.). The Court of Appeal held in that case that the declaration which was sought to the effect that the plaintiff was the person entitled to obtain letters patent to a certain invention was not obtainable under section 20 of the *Federal Court Act* because the *Patent Act* expressly confers on the Commissioner of Patents the authority to decide in the first instance on entitlement to patents. In the present case the *Trade Marks Act* provides, of course, no other procedure for determination of ownership of unregistered trade marks and, unlike the *Patent Act*, it does define entitlement to such industrial property even in the absence of recognition by an official such as the Registrar of Trade Marks or the Commissioner of Patents. Further, it may well be that the jurisdiction of Parliament over trade marks, depending as it does on federal authority over "the regulation of trade and com-

merce” (see *Attorney-General for Ontario v. Attorney-General for Canada, supra*) is intrinsically broader than is Parliament's jurisdiction over “patents of invention and discovery”. As to the latter, it was argued in the *Cellcor* case *supra* that the word “patent” only gives jurisdiction over the issuance of patents for the protection of inventions, but not over property rights in an unpatented invention. The Court of Appeal does not appear to have found it necessary to deal with this issue, however.

While then it would in my view be legally possible to issue a declaration as to ownership of an unregistered trade mark, I believe in this case I should confine myself to the evidence before me relating to the use of the trade mark “Victoriana Rose”. Counsel for the plaintiffs requested that, if I could not give the broader declaration as to ownership, I declare that Paragon has been using this trade mark and that Cassidy's has not. The evidence and the legal principles referred to above with respect to the meaning of “use” would justify me in making such a declaration and I shall therefore do so. While for all practical purposes it may be that this is tantamount to a declaration of ownership, it is at least theoretically possible that other barriers to Paragon's ownership—barriers which were not canvassed before me—could preclude ultimate recognition of that ownership. I believe it is unnecessary for me to go further than this with a declaration but this should not be interpreted as a finding in any way that there is a barrier to full recognition of ownership by the plaintiff Paragon of an unregistered trade mark. At the same time I believe it could be useful that the use issue be clarified in this way for whatever relevance it may have to the future conduct of the parties. It may also provide assistance to the Registrar should Paragon seek registration of this mark, but it does not usurp the functions of the Registrar who must consider many other matters before reaching a decision as to registration.

[49] The Court's jurisdiction does not extend, however, to the question of entitlement to registration of a trademark under the *Trademarks Act*, which question falls within the jurisdiction of the Registrar of Trademarks: *Dumont Vins & Spiritueux Inc v Canadian Wine Institute*, 2001 FCT 695 at paras 28-29. Nor is entitlement to registration a useful determination for an action under section 7 of the *Trademarks Act*: *Copperhead Brewing Co v John Labatt Ltd/John Labatt Ltée*, [1995] FCJ No 668; 61 CPR (3d) 317 at para 19.

[50] While the determination of ownership of a trademark should not have any influence on the determination of entitlement to registration of a trademark, any determination as to ownership may have the result of fettering the discretion of the Registrar of Trademarks to determine entitlement to registration: *Enterprise Rent-A-Car Co v Singer*, [1996] 2 FC 694; 66 CPR (3d) 453 at pp 47-48. As such, a request for a declaration as to ownership in the face of pending opposition proceedings before the Registrar of Trademarks must be approached with caution.

[51] In this case, the evidence from the Martins and Hadad establishes that until late April 2020, the Defendants and Hadad/Double J were working collaboratively with respect to the WANAKOME brand, with the Defendants handling the sales, promotion, marketing and most design aspects, and Hadad/Double J handling the financing, back office administration, arranging manufacture and production.

[52] It was not disputed by Hadad that early on both he and the Martins were making representations, including to clients, that they were in a partnership and that the WANAKOME brand was jointly owned. The Martins point to an exchange between Hadad and Eric Martin from March 21, 2018 where Eric Martin proposes a “50/50” arrangement to which Hadad acknowledges he did not take issue, “as long as [it was] fair”. They similarly refer to an early exchange on August 20, 2018 with the Boathouse, a Canadian retailer, involving the supply of product, where Hadad wrote: “... please note that Wanakome is a Canadian brand owned by us Double J and the park showroom” (Exhibit 3).

[53] The Martins understood that Hadad, as part of his back office duties, would set up the corporate structure, and complete the necessary filings to protect the WANAKOME brand. This included incorporating Wanakome Inc., filing the trademark applications, and preparing a draft of the shareholder agreement that was to set out the respective interests of Hadad and the Martins in Wanakome Inc. (Exhibits 5, 15, 61). However, the evidence from the Martins was consistent that they understood they would be equal partners with Hadad in Wanakome Inc. and on that basis, would be a joint owner of the WANAKOME trademark.

[54] Even after the incorporation of Wanakome Inc., Hadad's messaging to the Martins remained consistent. In December 2018, when asked by the Buckle, one of the brand's largest customers, what the relationship was "between Wanakome Inc., the owner of the WANAKOME trademark, and Double J. Fashion Group", Hadad advised that there was no Wanakome Inc., but that the company that owned the brand Wanakome was Double J. He then clarified that "a company Wanakome" was in the process of being established "because of a new partnership" but that in the meantime Double J was the shipper and that invoices should be paid through Double J (Exhibit 11). In testimony, Hadad stated that the exchange was intended to confirm the entity for payment.

[55] Copied on the email chain, Eric Martin followed up with Hadad with a link to the corporate registration for Wanakome Inc. and asked if the details on that registration were referring to Hadad's address. Hadad responded by indicating that it was "being set up as per our agreement" but because the shipper and bank contract was with Double J, the details could not be played with. While Eric Martin took no issue with this arrangement, stating in the

communication that “he was satisfied as long as [it] was with one of them”, he reiterated his concern was “to make sure we/us are the ones behind Wanakome, Inc. and trademarks VS someone else!” (Exhibit 10).

[56] In and around the same time, there was further correspondence from the Martins to Hadad relating to the status of the partnership agreement for “Wanakome” that was followed in response with an indication from Hadad that his lawyers were preparing it and that it would be coming (Exhibit 61).

[57] The testimony from Sabbah, Wilson, and Durey was also consistent, each referring to their understanding that the Martins and Hadad/Double J were partners in the WANAKOME brand, with Wilson referencing instances where such relationship was conveyed to potential customers.

[58] However, Hadad testified that by June 2019, the relationship changed from one of partnership with an expectation of a shareholder agreement, to a sales representation relationship, while conceding that no sales representation agreement was ever signed. In testimony, he asserted that this change was prompted by two events: first, a realization that the Martins would not be contributing capital to the venture; and second, that the Martins had instead requested an increase in the commissions that they were being paid for their sales and promotional activities. He asserted that Park was in default of this agreement by selling a competing brand to WANAKOME called MAZINE.

[59] In testimony, Hadad described meeting with different investors proposed by the Martins, none of whom he found acceptable and to proposing instead, in response to requests from Eric Martin for an increase in Park's commission rate, that the relationship turn into a sales agreement where Park would be responsible for the full US. The testimony, however, was vague and was not supported by documentation.

[60] The Martins did not corroborate this recollection either. Rather, Eric Martin testified that there was never a discussion of investment, that Park only had enough money to pay their commissioned employees, that providing an investment was never part of his commercial arrangement with Hadad, and that there was nothing in writing about the Martins needing to invest, with Hadad even bragging that he could handle the financing part himself. It was Eric Martin's evidence that Hadad knew that Park did not have financing at the time of entering their relationship and understood that instead they offered other services as their part of the arrangement, and that nonetheless they did contribute financially to the development of the brand.

[61] From the outset of the relationship, the Defendants were compensated for the profits made in association with their sale of WANAKOME goods through the payment of commission (Exhibits 26, 66). The payments were made by Double J, who was responsible for all invoicing for the WANAKOME goods and were made out to Park.

[62] However, there was significant dispute between the parties as to the rate of commission that was paid. While it was agreed that 8% commission was paid as of June 2019, Hadad

testified that this was an increase from the original commission rate, which was set at 2% and reflected the change in the parties' relationship.

[63] The Martins presented a different story. It was Eric Martin's evidence that the commission rate started at 10% and then stabilized at 8%. He testified that this was significantly less than the usual commission rate, which was in the 12 to 16% range, as with, for example, the NAKETANO and RES DENIM brands (Exhibits 48, 49), both of which were accompanied by a sales agreement and clear delineation of territory, which was not in place for the WANAKOME goods.

[64] In support of their positions, the parties each adduced commission reports dating from December 2018 to December 2019. In their written submissions, the Plaintiff also produced an Annex summarizing commissions paid to Park along with corresponding cheque details. In oral argument, the Defendants contested the Annex' admissibility, citing the inability to cross-examine Hadad on the document as well as it referring to documents that had been refused and were not in evidence. As it relates to the cheque information, I agree with the Defendants, that this information was not properly in evidence and therefore I did not consider this part of the evidence in my examination of the commissions.

[65] On review of the remainder of the commission evidence, it is my view that the documents support an average commission rate of less than 10% from December 2018 to May 2019. Hadad/Double J's reports indicate that an average commission rate of 10% was used to determine the commission amounts, but that this total was then reduced by 30% with a further

adjustment made such that 2% commission was actually paid on sales during these months.

While Park's reports suggest a 10% commission rate during this time period, it did not account for the further 30% reduction and adjustment as shown in the proof of payment documents. The reason for the further 30% reduction and adjustment was never explained.

[66] However, even with a commission rate increase to 8%, the commission rate was still far lower than the 12-16% that was customary. In my view, the commission rate alone is insufficient to establish that the Defendants were in a sales-only relationship relating to the WANAKOME brand. As noted, commissions were paid from the outset when both Hadad and the Martins agreed that they were collaborating towards a partnership.

[67] I am also not persuaded that the events around the sale of the MAZINE goods served as a tipping point as there was limited evidence relating to this brand and what if any impact it had on the sale of WANAKOME goods. Further, Eric Martin testified that MAZINE was being sold by Park even before the NAKETANO brand.

[68] The transition to a sales-only relationship was also inconsistent with other surrounding circumstances, including Kara Martin's continuing work on the line sheets and design elements of the brand. There was also later correspondence from September 2019 with Hadad in correspondence with Eric Martin continuing as he had before to refer to his relationship with the Martins as a "partnership" (Exhibit 27).

[69] Even if a sales relationship could be inferred, without a formal written sales agreement, there is little information as to the proposed terms of such relationship, including as it relates to a license for the Defendants' use of the WANAKOME trademark, and what events would lead to termination of any such agreement.

[70] It bears emphasizing that "use" is at the heart of trademark rights, particularly for unregistered marks, and it is only through "use" that rights are obtained: *Marlboro Canada Limited v Philip Morris Products SA*, 2012 FCA 201 at para 56; *Divine Hardwood Flooring Ltd. (Divine Flooring) v D Nine Flooring Ltd., (D Nine Flooring)*, 2008 FC 500 at para 20. As stated by the Supreme Court of Canada in *Mattel, Inc v 3894207 Canada Inc*, 2006 SCC 22 at para 5, "the gravamen of trade-mark entitlement is actual use."

[71] This raises the question of whether Wanakome Inc. was responsible for the use of the WANAKOME trademark, which is the issue that is relevant for the section 7 allegations.

[72] The Plaintiff asserts that it was conceded by the Martins that all use of the WANAKOME trademark by the Defendants was intended to inure to the benefit of Wanakome Inc. However, in my view, there is insufficient evidence to be able to conclude that the use by the Defendants of the WANAKOME trademark was under the control of Wanakome Inc. (section 50 of the *Trademarks Act*) or of Hadad operating as a Director or Officer of Wanakome Inc.

[73] There was no evidence of Wanakome Inc. being referred to in association with any of the sales information relating to the WANAKOME goods, or in connection with communications

with customers. Rather, as noted earlier, even after the incorporation of Wanakome Inc. when the Buckle asked whether Wanakome Inc. was the owner of the WANAKOME brand, Hadad stated that instead the relevant entity was Double J with a new corporation yet to be formed (Exhibits 10 and 11).

[74] The evidence indicates that although Hadad was responsible for arranging for manufacture and production, Park continued to have input into the character and quality of the WANAKOME goods (*i.e.*, choice of colours, fabric, placement of labels, logos and trademark). Further, the involvement of Hadad was provided through Double J. Indeed, all of the correspondence relating to production and correspondence with customers were from Hadad's Double J email account.

[75] As set out in *Dragona Carpet Supplies Mississauga Inc v Dragona Carpet Supplies Ltd*, 2023 FCA 228 at para 33:

[33] Subsection 50(1) requires not only a licence to use a mark (which could more fairly be equated with an acknowledgement of ownership), but also a demonstration of direct or indirect control over the character of the quality of goods or services associated with the mark. An acknowledgement of ownership is highly relevant to the issue of control. An acknowledgement may constitute evidence of an intention to abide by established standards associated with a mark; indeed, subsection 50(2) of the Act creates a rebuttable presumption of control upon giving public notice of ownership of a mark. That said, ownership is not dispositive of control. An acknowledgement of ownership is simply an acknowledgement of another's legal rights, not an acknowledgement that one will conform to those rights.

[76] In this case, there is no formal agreement between Hadad/Double J and the Defendants that relates expressly to Wanakome Inc. and the ownership of the WANAKOME trademark.

[77] The Plaintiff points to the earlier PR Agreement from March 1, 2019 that identified Wanakome Inc. as the owner of intellectual property and included a licence to Media PR for the use of intellectual property owned by the Designer (Wanakome Inc.) during the term of the agreement:

Intellectual Property License Grant. During the Term, Designer grants to MPPR and its affiliates the right to use Designer's Intellectual Property in connection with MPPR's responsibilities under this Agreement. MPPR and its affiliates acknowledge that no rights granted herein gives MPPR or any its affiliates any ownership rights in or to the Intellectual Property, and that Designer will remain, at all times, the sole owner of the Intellectual Property. "Intellectual Property" means any and all of Designer's patents, copyrights, trade secrets, and trademarks (including trade names, trade dress, service marks, URLs, or other source of business identifiers) used in connection with Designer's Products, which includes, but is not limited to, Designer's promotional materials, clothing, accessories, samples, drawings, web content, labels, and hand tags.

[78] Although the PR Agreement was only temporary in nature and the intellectual property not specified in the agreement, it can reasonably be understood to have covered the WANAKOME trademark. However, the details relating to the parties to the agreement were not completed in full and it was never signed by Hadad, but rather confirmed by email, with Hadad indicating in testimony that it should have been between Media PR and Double J instead of Wanakome Inc.

[79] Further, while Media PR came under the Park umbrella, the evidence suggested that it was a PR agency associated with a specific individual, Kim Goodnight, who dealt with the stylists, but was not otherwise connected to Park's activities and that payment was made to Park as a pass-through to Ms. Goodnight.

[80] The draft shareholder agreement, which followed the PR Agreement was also consistent with this interpretation of the ownership of the intellectual property rights; however, in line with the evidence of the Martins, it suggested that there would be some form of joint control over the intellectual property. Although never finalized or signed by the parties, the drafts exchanged, stated that all of Wanakome Inc.'s intellectual property would remain the sole property of Wanakome Inc. and not that of its shareholders, who were proposed to include Hadad and Martin, amongst others. When the Martins sent their proposed revisions to the draft, the clause was amended to clarify that the WANAKOME mark was to be included as intellectual property, but did not otherwise change the substance of the intellectual property clause.

[81] In my view, there remains a live dispute between Hadad and the Martins as to their respective interests in Wanakome Inc. that extends beyond the jurisdiction of this Court. In particular, whether Hadad alone had sole authority as the only Director listed on the corporate registration documents to act on behalf of Wanakome Inc. when considered together with the evidence relating to the alleged joint venture between Hadad/Double J and the Defendants. As relevant here, specifically, whether he had authority to terminate the relationship with the Defendants and as a result take sole control over the WANAKOME trademark.

[82] Thus, while I agree that the PR Agreement and draft shareholder agreement suggest that the parties intended that a corporation would own the WANAKOME trademark, I am unable to conclude that Wanakome Inc. as registered under the CBCA with Hadad as sole Director is that corporation so that it can be declared that it has all rights, title and interest to the WANAKOME

trademark. Nor am I able to conclude that all use of the trademark WANAKOME can be attributed to Wanakome Inc., as a corporation solely controlled by Hadad.

B. *Are the Defendants actions contrary to subsections 7(b), 7(c) and 7(d) of the Trademarks Act?*

[83] Irrespective of this finding and even if I were able to conclude on the issue of ownership in favour of the Plaintiff, it is my view that the Plaintiff's allegations under subsections 7(b), (c) and (d) of the *Trademarks Act* either cannot succeed, or would result in negligible damage, as set out further below.

[84] In its written materials, the Plaintiff limits its allegations to activities relating to the LIO brand. It asserts that LIO's products are a deliberate copy of the WANAKOME hoodies which possess the same look and feel, and that the use of "Wanakome" in social media posts and email relating to LIO is an attempt to draw an association between LIO's products and the WANAKOME hoodies and to take advantage of WANAKOME's reputation.

[85] In oral argument, the Plaintiff sought to broaden its allegations to two other activities.

[86] First, the Plaintiff takes issue with Park continuing to offer WANAKOME goods for sale after May 8, 2020 when it alleges they no longer had the right to do so. The Plaintiff refers to an email from May 26, 2020 sent by Eric Martin to potential customers in Canada about setting up a store locator to identify retailers who are selling WANAKOME goods in which Eric Martin includes a signature line identifying himself as co-owner of Wanakome.

[87] Second, the Plaintiff takes issue with alleged sales made by the Defendants of samples of merchandise bearing the WANAKOME mark after May 8, 2020. In particular, the Plaintiff highlights WANAKOME hoodies being offered for sale by Kara Martin through her account on the Poshmark website.

[88] Leaving aside whether the last two arguments can be raised in view of the fact that they were not put forward in the Plaintiff's written argument, as set out above, it is my view that the evidence adduced does not establish unfair competition under any of subsection 7(b), (c) or (d) of the *Trademarks Act*, or if it does would be insufficient to support an award of damages.

[89] With respect to the allegations relating to LIO, I have concern as a preliminary matter as to the Defendants named for these allegations. While Eric Martin did send correspondence to potential customers relating to LIO from his Park email address, suggesting some connection to Park, the nature of the connection was not established. It was suggested during testimony that LIO had principals Eric Martin and Prasad Venigalla that operate under a parent company Trident Global Inc. There was no evidence to establish any connection between LIO and Kara Martin, and inconclusive evidence relating to the connection between LIO and Park.

(1) Subsection 7(b)

[90] Subsection 7(b) of the *Trademarks Act* provides that “no person shall direct public attention to his goods, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his goods, services or business and the goods, services or business of another.”

[91] Subsection 7(b) of the *Trademarks Act* is the statutory codification of the common law tort of passing off.

[92] There are three necessary components to establish both the statutory and the common law causes of action for passing off: (1) the existence of goodwill; (2) deception of the public due to a misrepresentation; and (3) actual or potential damage to the plaintiff: *Ciba-Geigy Canada Ltd v Apotex Inc*, 1992 CanLII 33 (SCC) at page 132, [1992] 3 SCR 120; *Kirkbi AG v Ritvik Holdings Inc/Gestions Ritvik Inc*, 2005 SCC 65 at para 66.

[93] In addition, for an action under subsection 7(b), the plaintiff must also meet an initial threshold requirement of establishing possession of a valid and enforceable trademark, either registered or unregistered, at the time the defendant first began directing public attention to its own goods and services: *Sandhu Singh Hamdard Trust v Navsun Holdings Ltd*, 2019 FCA 295 [Sandhu Singh] at para 39. This requirement derives from constitutional constraints on federal jurisdiction in relation to trademarks: *Sandhu Singh* at para 39. As stated in *Dragona Carpet Supplies Mississauga Inc v Dragona Carpet Supplies Ltd*, 2022 FC 1042 at paragraph 90, aff'd 2023 FCA 228:

The Federal Court is a statutory court, and it has “no jurisdiction apart from what is expressly conferred on it by Parliament” (*Celliers du Monde Inc v Dumont Vins & Spiritueux Inc* (1992), 1992 CanLII 14732 (FCA), 42 CPR (3d) 197 (FCA) at 209). This Court cannot entertain a claim for passing off that is not grounded in the Act.

[94] Given the definitions of “trademark” and “use” in the *Trademarks Act*, this requires that the mark be used by the Plaintiff for the purpose of distinguishing its goods from those of others: *Sandhu Singh* at para 39; *Nissan Canada Inc v BMW Canada Inc*, 2007 FCA 255 at para 16.

[95] In this case, while the bulk of the evidence related to the US, there is no dispute that the WANAKOME trademark has been used in Canada in association with clothing. The evidence includes line sheets displaying product bearing the WANAKOME trademark and invoices showing sales of the product to Canadian customers, as well as excerpts from the wanakome.com website and social media pages visible in Canada showing WANAKOME product being offered for sale. Assuming, for the purpose of the analysis, that this could be attributable to the Plaintiff, the Defendants do not dispute that there would be goodwill associated with the mark in Canada.

[96] However, it is with respect to the second and third factors under the test for passing off that I have more difficulty.

[97] For the second element, there must be a misrepresentation creating confusion in the public as to the source of the goods.

[98] With respect to the latter two actions that have been asserted by the Plaintiff, they involve the continued sale or offering for sale of WANAKOME goods manufactured during the collaboration and not of competing products.

[99] In the first instance, the Plaintiff's primary complaint is that Eric Martin and Park continued to associate themselves with Wanakome Inc. after the Plaintiff terminated the alleged sales agreement between the parties and pursued additional sales of WANAKOME goods, with Eric Martin identifying himself as a "co-owner of Wanakome".

[100] However, such actions were for the benefit of the collaboration and took place at a time shortly after the May 8, 2020 letter when the Defendants indicated that they were contesting the allegations of ownership. To the extent that the email provides any misrepresentation as to the ownership of Wanakome Inc., in my view, the Plaintiff has not established that this limited correspondence resulted in any damage to the company in Canada particularly in view of their past relationship with Eric Martin and Park.

[101] The Plaintiff also alleges that the Defendants engaged in the unauthorized sale of samples of merchandise bearing the WANAKOME mark. In particular, the Plaintiff points to the posting of WANAKOME product by Kara Martin on her Poshmark account.

[102] As was established by the evidence, the Defendants were typically provided with samples of the product line to use for promotion and to sell as they saw fit. Kara Martin testified that Hadad encouraged the Martins to sell any remaining samples on third party websites for extra money because they were taking a low commission rate and were not charging a showroom fee. In my view, the offering for sale of these samples by Kara Martin was in line with this past practice.

[103] Further, I agree with the Defendants the evidence is insufficient to establish when the samples are from, the date of any such sales, what was sold and where (*i.e.*, if the samples were sold to customers in Canada). I am not satisfied that the evidence establishes that there were any unauthorized sales.

[104] With respect to activities involving LIO, the Plaintiff does not claim that the LIO trademark is confusingly similar to the WANAKOME trademark. Rather, they allege that there is an unlawful association between LIO and the WANAKOME brand that has been created through the use of the WANAKOME mark in social media posts and in correspondence relating to the LIO goods. The Plaintiff asserts that this creates a misrepresentation and conveys the impression that the LIO hoodies originate from the same source as the WANAKOME hoodies.

[105] As a general matter, although the misrepresentation referred to in the second part of the passing off test must be related to a registered or unregistered trademark given the constitutional limitations of subsection 7(b), as previously noted by this Court, it does not require the use of a confusing trademark: *Ark Innovation Technology Inc v Matidor Technologies Inc*, 2021 FC 1336 at para 69. As explained by Justice McHaffie in *TFI Foods Ltd v Every Green International Inc*, 2021 FC 241 at paragraphs 51-53:

[51] Subsection 7(b) requires the defendant's conduct to cause or be likely to cause confusion between the "goods, services and business" of one trader and those of another. The second element of passing off is therefore sometimes described as "misrepresentation creating confusion": *Kirkbi* at para 68. While the misrepresentation element of a claim of passing off often pertains to the use of a confusing trademark, it is "impossible to enumerate or classify all the possible ways in which a man may make the false representation relied on": *HTS* at para 171, citing *Gill* at ch 4.5(a), in turn quoting *AG Spalding & Brothers v AW*

Gamage Ltd (1915), 32 RPC 273 (HL) at p 284. At the same time, any misrepresentation must be related to a registered or unregistered trademark given the constitutional limitations of subsection 7(b): *Sandhu Singh* at para 39, *Kirkbi* at paras 26, 35.

[52] In *Group III 2017*, the Federal Court of Appeal concluded that false claims of “Swiss-ness” may constitute a misrepresentation for purposes of passing off, or at least exacerbate the confusion arising from the use of similar trademarks: *Group III 2017* at paras 80–82; see also *Wenger SA 2019* at para 16. While the Court of Appeal in *Group III 2020* subsequently held that the portions of *Group III 2017* that found passing off should not be followed as authority, I understand this to be because the finding was made despite the respondent’s registered trademark, rather than anything to do with the nature of the misrepresentation. In any event, I take this simply as some indication as to the nature of representations that may potentially constitute passing off in the appropriate case, rather than as binding authority.

[53] As I observed in my reasons on the injunction motion, the defendant in *Consumers Distributing* was enjoined from making misrepresentations that implied association with Seiko, even though it was selling genuine Seiko watches. *Consumers Distributing* was not prevented from selling Seiko watches, but it was enjoined both on an interlocutory basis and at trial from implying it was an authorized Seiko dealer by claiming the watches were internationally guaranteed: *Consumers Distributing* at pp 588–590. That part of the final injunction was not appealed. The Supreme Court noted, in allowing the appeal with respect to the ongoing sale of Seiko watches, that there was no misrepresentation in the period *after* the interim injunction was extant: *Consumers Distributing* at pp 590, 594, 601–602, 611–612. In other words, while selling grey market goods may not itself amount to passing off, this does not excuse other acts or statements that misrepresent an association with the trademark owner.

[106] The Plaintiff points to three uses of the WANAKOME trademark in communications involving the promotion of LIO goods:

- 1) social media posts made by “Cellyscellar”, who promotes both LIO and WANAKOME goods together in the same posts;

- 2) the use of “#wanakome”, “#wanakomefamily” and “#wanakomehoodie” hashtags on LIO’s Instagram account; and
- 3) an email sent by Eric Martin to his customer base on March 23, 2023, promoting LIO products that includes in its subject line “LIO --> from the people who brought you Naketano and Wanakome”.

[107] The Martins testified that the “Cellyscellar” Instagram account, formerly called “Poshcelly” refers to a boutique located in the San Diego area that buys and sells wholesale brands. They are a client of LIO and a former client of Park for the WANAKOME brand. While the Martins indicated they were aware of the “Cellyscellar” Instagram page, there was no evidence to suggest that the Defendants had any control over its content.

[108] Further, although the account provided comparisons between WANAKOME goods and LIO goods, the posts on their own, in my view, are insufficient to establish any confusion arising from the posts as to source. To the contrary, in my view, the posts identify two separate product lines that are being offered for sale.

[109] Similarly, while the Plaintiff argued that at least one of the posts confused the LIO goods with WANAKOME goods when making a comparison between colours, there was no evidence to ground the assertion. The blog post is insufficient on its own to make out the second part of the passing off test.

[110] With respect to the offering for sale and sale of LIO goods, I am similarly not persuaded that the likeness of the clothing itself when combined with the hashtag use is sufficient to satisfy the second element of the passing off test.

[111] As a first point, the Plaintiff has not established that the design of the WANAKOME goods are themselves distinctive nor can there be, as admitted by counsel for the Plaintiff in final argument, any assertion that there is trade dress protection associated with these goods. As acknowledged by Hadad, the Martins are free to sell hoodies in the marketplace.

[112] While LIO used multiple hashtags containing “wanakome” on some of their Instagram posts, the posts also included many other hashtags. Eric Martin testified that hashtags were used as descriptors and that broad hashtag usage was common in the industry as “hashtags are hallmarks for people to find either other hoodies that they like or categories that they like”.

[113] To the extent that a hashtag may be perceived as a keyword or search term on a social media platform, the Defendants argued that hashtags may be comparable to search engine metatags which were considered in *Red Label Vacations Inc v 411 Travel Buys Ltd*, 2015 FC 18 [*Red Label*]; affirmed in 2015 FCA 290. In *Red Label*, the ability of a metatag to attract users to the defendant’s website as one of its possible choices was not sufficient to ground a likelihood of confusion unless once a user reached the website there was confusion as to the source of the goods or services:

[113] The question I must answer is whether the Defendants’ use of the Plaintiff’s trade name and the likely confusing words red tag vacations, red tag and shop, compare & payless words, as metatag

identifiers, to attract business to the Defendants' website, constitutes passing off by causing a likelihood of deception.

[114] Some United States Courts have held such use can cause "initial interest confusion", where confusion is caused in the customer before actually purchasing a good or service, when the customer seeks a particular brand of goods or services, but is drawn or enticed to a competitor's goods or services through the competitor's use of the first company's trade name or trademark.

[115] However, that approach to likelihood of confusion has not to my knowledge gained a foothold in Canada. In any event, I do not believe that it would be applicable to the facts of this case. The use of metatags in a search engine merely gives the consumer a choice of independent and distinct links that he or she may choose from at will, rather than directing a consumer to a particular competitor. Rankings may affect the choice to be made, but nevertheless, such a choice exists. Even if a searcher is looking for the website connected with a particular trade name or trademark, once that person reaches the website, there must be confusion as to the source of the entity or person providing the services or goods. If there is no likelihood of confusion with respect to the source of the goods or services on the website, there is no support for finding this prong of the test for passing off. Accordingly, use of a competitor's trademark or trade name in metatags does not, by itself, constitute a basis for a likelihood of confusion, because the consumer is still free to choose and purchase the goods or services from the website he or she initially searched for.

[116] Here, there is no use of any of the Plaintiff's trademarks or trade names on the Defendants' visible website. The website is clearly identified as 411 Travel Buys' website. There is no likelihood of deception as to the source of the services provided on the 411 Travel Buys website, and the consumer is free to redirect his or her search to the Plaintiff's website.

[114] In another metatag case, *Vancouver Community College v Vancouver Career College (Burnaby) Inc*, 2017 BCCA 41, the British Columbia Court of Appeal alternatively found that the moment for assessing confusion was the first encounter when search results appear, not when the searcher arrives at the landing page.

[115] While I agree that these cases do not provide a direct parallel to the facts at hand, as understood from these cases, it is the association that would be made from the use of the hashtag that is key, and whether this would create confusion in the mind of the consumer as to source.

[116] In this case, the hashtags are used on an account with a handle and username of LIO, selling products marked with the LIO logo. To the extent that one could argue that traffic was directed to the LIO Instagram page because of the use of the wanakome hashtags, which was not established through evidence, I am not satisfied without more that there would be any confusion in the mind of the consumer created by this use. This is particularly so when one considers the short-term in which the hashtags were used.

[117] Further, there was no evidence of actual or potential damage associated with the hashtag use. While this Court has held that the mere loss of control over reputation, image, or goodwill can be sufficient to establish the damages required to support a claim in passing off (*Sani Bleu Inc v 9269-6806 Québec Inc*, 2022 FC 1711 at para 37, citing *H-D USA, LLC v Varzari*, 2021 FC 620 at para 42), the short-term use of the hashtags in question in my view is insufficient to even meet this threshold.

[118] With respect to the March 23, 2023 correspondence from Eric Martin to the customer base, while I agree that the subject line “LIO --> from the people who brought you Naketano and Wanakome” could constitute a misrepresentation as to source, the Plaintiff has not established specifically to whom the correspondence was sent, if it was sent to customers in Canada, and

what if any impact it may have had. Further, as a one-off correspondence, in my view, any damages arising from the correspondence would be minimal.

[119] For all of these reasons, it is my view that the Plaintiff has not made out the requirements of subsection 7(b) of the *Trademarks Act*, or to the extent it has, there is negligible damage arising therefrom.

(2) Subsection 7(c)

[120] Unlike subsection 7(b) of the *Trademarks Act*, subsection 7(c) is focussed on substitution, as opposed to confusion: *Diageo Canada Inc v Heaven Hill Distilleries, Inc*, 2017 FC 571 [*Diageo*] at para 96. Pursuant to subsection 7(c) of the *Trademarks Act*, “no person shall pass off other goods or services as and for those ordered or requested.” Specifically, there must be a substitution of one trader's goods “as and for those ordered or requested”: *Positive Attitude Safety System Inc v Albian Sands Energy Inc*, 2005 FCA 332 at para 34.

[121] The criteria required to satisfy an action under subsection 7(c) was outlined in *Distrimed Inc v Dispill Inc*, 2006 FC 1229 at paragraph 68 and reiterated in *Diageo* at paragraph 97 as follows:

[68] ... Passing off by substitution will be established where, in answer to an order for what plainly appears to be the plaintiff's goods, the defendant, without any explanation of the circumstances, supplies corresponding goods of his own or someone else' manufacture without any enquiry whether the plaintiff's goods or merely equivalent goods are required. In order, however, to found a case of passing off by substitution it must be clear that the words in which the order was given referred to goods of the plaintiff and nobody else. It must be clear that proper notice

was given to the retailer as to the articles desired and that something was substituted for that which was ordered. It is not an improper substitution of goods or services if the purchaser is told that the goods or services he asked for are not available and agrees to take others in their place. (*Fox on Canadian Law of Trademarks and Unfair Competition*, above, at page 4-16)

[122] The Plaintiff asserts that the Defendants have knowingly reached out to WANAKOME customers, selling them LIO goods in the place of WANAKOME goods. It refers to the email from Eric Martin to Wanakome customers whose subject line reads, “LIO --> from the people who brought you Naketano and Wanakome”.

[123] However, I do not read the email as establishing a bait and switch. The email is insufficient on its own to establish the sale of goods let alone a substitution of goods. Moreover, the email makes clear in the subject line that it relates to LIO goods and not WANAKOME goods. While the subject line identifies the WANAKOME brand as a past brand offered for sale by someone who also offered LIO goods for sale, it is clear that the advertisement is for LIO goods and not WANAKOME product. There is no substitution of product that has been made.

(3) Subsection 7(d)

[124] Pursuant to subsection 7(d) of the *Trademarks Act*, no person shall:

(d) make use, in association with goods or services, of any description that is false in a material respect and likely to mislead the public as to

d) employer, en liaison avec des produits ou services, une désignation qui est fautive sous un rapport essentiel et de nature à tromper le public en ce qui regarde :

(i) the character, quality, quantity or

(i) soit leurs caractéristiques, leur

composition, of the goods or services.	qualité, quantité ou composition,
(ii) the geographical origin, or	(ii) soit leur origine géographique,
(iii) the mode of the manufacture, production or performance	(iii) soit leur mode de fabrication, de production ou d'exécution
of the goods or services.	

[125] Subsection 7(d) is “intended to prohibit the misuse of a description by a person in association with offering *his or her* goods or services to the public” [emphasis in original]: *Living Sky Water Solutions Corp v ICF Pty Ltd*, 2018 FC 876 at para 27. The analysis focuses on how the defendant is making use of the mark on the defendant’s goods or services and not those of the plaintiff: *College of Traditional Chinese Medicine Practitioners & Acupuncturists (British Columbia) v Council of Natural Medicine College (Canada)*, 2009 FC 1110 at para 239.

[126] In order for a plaintiff to take advantage of the protection afforded by subsection 7(d), it must establish that its mark has garnered goodwill in the Canadian marketplace: *Alliance Laundry Systems LLC v Whirlpool Canada LP*, 2019 FC 724 at para 73; *Louis Vuitton Malletier SA v Singa Enterprises (Canada) Inc*, 2011 FC 776 at para 101. However, to succeed in an allegation under subsection 7(d), the plaintiff must establish that the defendant used the plaintiff’s mark in association with their own goods in a manner that amounted to a misrepresentation regarding the character, quality, quantity or composition of their goods, or the mode of the manufacture, production or performance of the goods.

[127] In this case, the Plaintiff submits that LIO has misrepresented to the public that its products are of a higher quality than they really are by associating itself with WANAKOME products through the use of “wanakome” in hashtags, on Instagram, and in its email blasts (subject line “LIO --> from the people who brought you Naketano and Wanakome”). It also refers to the “Cellyscellar” blog posts where LIO’s customer makes comparisons between the WANAKOME products and LIO products.

[128] However, none of these examples, or any of the other correspondence relating to LIO, relate to a description of the LIO goods that relate to their character, quality, quantity or composition of the goods, their geographical origin or the mode of their manufacture or production. Nor does the use of “wanakome” in these examples suggest this information.

[129] The Plaintiff refers to the evidence of Durey who testified that LIO hoodies were sold at a twenty per cent lower price point than WANAKOME hoodies. However, this evidence does not establish that the reference to “wanakome” in the above examples is an attempt to suggest a higher quality product. As indicated by Durey’s evidence, the LIO goods are a distinct product line aimed at a younger customer base than the WANAKOME goods.

[130] The Plaintiff’s further reference to the “store locator” correspondence from May 2020 in which Eric Martin included a signature line identifying himself as the co-owner of Wanakome is also in my view insufficient on its own to satisfy subsection 7(d). Further, in the context of its limited use, and for the reasons set out earlier, it is my view that there is insufficient evidence to establish any liability arising from this correspondence.

[131] The Plaintiff has not established a misrepresentation under subsection 7(d) of the *Trademarks Act*.

C. *Personal Liability*

[132] The Plaintiff alleges that each of Eric Martin and Kara Martin are also personally liable along with the Defendant Park.

[133] As set out in *Mentmore Manufacturing Co, Ltd v National Merchandising Manufacturing Co Inc*, 1978 CanLII 2037; 89 DLR (3d) 195 (FCA) [*Mentmore*] at pp 204-205, to establish personal liability:

...there must be circumstances from which it is reasonable to conclude that the purpose of the director or officer was not the direction of the manufacturing and selling activity of the company in the ordinary course of his relationship to it but the deliberate, wilful and knowing pursuit of a course of conduct that was likely to constitute infringement or reflected an indifference to the risk of it.

[134] Personal liability will only attach when the actions of a director or officer are such that the director's own behavior is tortious, or exhibits a separate identity or interest from that of the corporation such as to make the acts or conduct complained of those of the individual: *Mentmore* at p 203. The degree and kind of participation of the individual defendant must be considered. It is a question of fact to be determined on the circumstances of the case: *Mentmore* at p 203.

[135] In this case, the Plaintiff's submissions as to personal liability are brief. They point to Eric Martin's involvement with LIO and with respect to Kara Martin, the offers for sale made on her Poshmark account of the WANAKOME samples.

[136] In my view, these allegations as broadly made are insufficient to establish personal liability.

[137] Further, as it is my view that there is insufficient evidence to establish liability under section 7 of the *Trademarks Act* for the LIO activities, it follows that personal liability as against Eric Martin cannot be found.

[138] Similarly, as set out earlier, there is insufficient evidence to associate any liability to the offering for sale of samples by Kara Martin. Thus, the Plaintiff's allegations of personal liability against Kara Martin also cannot succeed.

D. *Is the Defendants' copyright registration invalid and should it be expunged pursuant to section 57(4) of the Copyright Act?*

[139] Pursuant to subsection 55(1) of the *Copyright Act*, "an application for the registration of copyright in a work may be made by or on behalf of the author of the work, the owner of the copyright in the work, an assignee of the copyright, or a person to whom an interest in the copyright has been granted by licence." If the Court is satisfied that a party was not entitled to apply for registration of copyright in that it does not fall within the ambit of subsection 55(1), the registration may be expunged from the Register pursuant to subsection 57(4): *Gemstone Travel Management Systems Inc v Andrews*, 2017 FC 463 at para 16.

[140] Subsection 53(2) of the *Copyright Act* provides that "a certificate of registration of copyright is evidence that the copyright subsists and that the person registered is the owner of the

copyright.” However, this presumption is only held insofar as there is no evidence to the contrary: *Andrews v McHale*, 2016 FC 624 at para 56.

[141] As a preliminary point, I note that ownership of copyright is not dispositive of trademark ownership. As noted earlier, trademark rights arise through “use” in the marketplace over time and the generation of reputation and goodwill. Copyright, in contrast, derives through the expression of the idea, which forms the basis for the work. Thus, the rights need not be synonymous and the fact that there is copyright does not mean that there are trademark rights, or that there cannot be an interference with trademark rights, particularly where the copyright relates to an artistic work and the trademark in question is a word mark.

[142] In this case, the copyright registration for the Wanakome Logo lists Kara Martin as author and Park as owner.

[143] The Plaintiff contests the validity of the registration. It asserts that Talley Smith jointly created the Wanakome Logo. However, the evidence does not support this contention.

[144] Rather, the evidence was consistent that Kara Martin was responsible for the design and creation of the Wanakome Logo (Exhibit 58). Although Talley Smith was retained to assist with the design process, he acknowledged in testimony that the Martins took “a pass” on his designs and went in a different direction. Talley Smith’s involvement thereafter was limited and related only to design features of the product itself. The evidence indicates that Talley Smith made

introductions to a factory in Pakistan for production of samples and for a time, helped with labelling.

[145] The Plaintiff's further argument under subsection 13(3) of the *Copyright Act* is also not persuasive. Subsection 13(3) of the *Copyright Act* relates to the ownership of copyright created under a contract of employment and provides:

(3) Where the author of a work was in the employment of some other person under a contract of service or apprenticeship and the work was made in the course of his employment by that person, the person by whom the author was employed shall, in the absence of any agreement to the contrary, be the first owner of the copyright, . . .

(3) Lorsque l'auteur est employé par une autre personne en vertu d'un contrat de louage de service ou d'apprentissage, et que l'oeuvre est exécutée dans l'exercice de cet emploi, l'employeur est, à moins de stipulation contraire, le premier titulaire du droit d'auteur; . . .

[146] The Plaintiff argues that Kara Martin was functioning in a contract for service with Wanakome Inc. As the PR Agreement and the draft shareholder agreement refer to Wanakome Inc. as the owner of intellectual property, they contend that there would be an implied assignment of any copyright relating to the logo to Wanakome Inc., even if no such assignment is in writing.

[147] However, none of these documents refer to the Wanakome Logo; nor was the PR Agreement with Kara Martin or with Park directly. Additionally, the draft shareholder agreement was never finalized as noted.

[148] Further, I do not agree that Kara Martin's creation of the Wanakome Logo can be considered as a creation made in a contract for service on behalf of Wanakome Inc. as currently registered under the CBCA. Rather, the creation was made as part of the collaboration between the Defendants and Hadad/Double J. While Kara Martin testified that she prepared the logo with the purpose of using it in the partnership, as set out earlier this was under the understanding that the Martins were an equal party to that partnership. The evidence does not support a finding that the logo was created on behalf of a company to which the Martins did not hold an interest.

[149] The Plaintiff alternatively argues that the copyright registration should not be in the name of Park as there was no employment agreement in evidence showing Kara Martin's affiliation with that entity.

[150] However, as set out in subsection 55(1) of the *Copyright Act*, an application for registration of copyright in a work may be made on behalf of the author. In this case, the evidence supports the view that Park made the application on Kara Martin's behalf. Although there is no formal employment agreement showing Kara Martin works for Park, all of the correspondence sent to and from her Park email address, her activities with Park, and the fact that she claimed income tax as an employee of Park (Exhibit 56, Q.30, p 10) indicate that she maintained this relationship.

[151] In my view, there is no basis to expunge the copyright registration.

VI. Remedies/Conclusion

[152] Based on these findings, it is my view that the Plaintiff is not entitled to any of the remedies claimed and thus, I will dismiss the action accordingly.

VII. Costs

[153] Each of the parties provided submissions on costs.

[154] The Plaintiff asserted that the action did not involve the same technical complexities or extensive discoveries and trial time as other intellectual property matters to justify a lump sum costs award; however, in view of alleged behaviour of Eric Martin toward Hadad that the lower end of column V of Tariff B should be awarded to the Plaintiff.

[155] The Plaintiff broadly asserts that Eric Martin was involved in behaviour that damaged Hadad's personal reputation. During testimony, Hadad described this behaviour as "complaining, bad talking, bad mouthing" to Hadad's Facebook followers, partners, LinkedIn contacts, sales reps, customers and family members. He referred to a message from Eric Martin's LinkedIn account to Michael Feldman, a business associate of Hadad's at Double J, which read (Exhibit 41; Exhibit 56, QQ. 479-484):

My name is Eric Martin, and Kemel is trying to make me his latest victim, by stealing the brand we were supposed to be equal partners on called Wanakome! I would share some insight about the problem and Perhaps get your feedback.

[156] However, there was otherwise little evidence relating to the assertions and communications allegedly made. Further, the evidence that did exist was in many cases contrary

to the characterizations given by Hadad (Exhibit 56) and appeared to be related to personal matters and allegations that were misplaced in the context of the proceeding.

[157] The Defendants submitted that a lump sum costs award of \$65,000 (35% of the Defendants' fees) was appropriate, or in the alternative an award of costs to the Defendants on the lower end of column V of Tariff B in view of the unsubstantiated personal liability claims against the Martins.

[158] In view of the outcome of the proceedings, the nature of the issues raised, the factors set out in Rule 400 of the *Federal Courts Rules*, and balancing the totality of the submissions made, in my view an award of costs to the Defendants set at the middle of column III of Tariff B is most appropriate in the circumstances, along with recovery of all reasonable and necessary disbursements. Costs shall therefore be awarded accordingly.

JUDGMENT IN T-609-20

THIS COURT'S JUDGMENT is that:

1. The action is dismissed.
2. Costs are awarded to the Defendants to be calculated at the middle of Column III of Tariff B, along with recovery of all reasonable and necessary disbursements.

"Angela Furlanetto"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-609-20

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JUDGMENT AND REASONS: FURLANETTO J.

DATED: MAY 6, 2024

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