

Federal Court



Cour fédérale

Date: 20181029

Docket: T-1591-15

Citation: 2018 FC 1003

Ottawa, Ontario, October 29, 2018

PRESENT: The Honourable Mr. Justice Brown

BETWEEN:

**ENERGIZER BRANDS, LLC AND
ENERGIZER CANADA INC.**

Plaintiffs

and

**THE GILLETTE COMPANY,
DURACELL CANADA, INC.,
DURACELL U.S. OPERATIONS INC.,
AND PROCTER & GAMBLE INC.**

Defendants

JUDGMENT AND REASONS

(Redacted version of Confidential version issued October 5, 2018)

I. Nature of the matter and summary of conclusions

[1] This is a motion for summary judgment brought by the Defendants [Duracell] to strike certain allegations from the Plaintiffs' [Energizer's] Second Amended Statement of Claim.

[2] Duracell and Energizer are the leading battery brands in Canada.

[3] The allegations Duracell seeks to strike from Energizer's action arise from the fact that Duracell used the terms "the next leading competitive brand" and "the bunny brand" on labels Duracell attached to packages of its Duracell batteries. Energizer seeks damages from Duracell in relation to Duracell's use of these two terms under subsection 22(1) and subsections 7(a) and 7(d) of the *Trade-marks Act*, RSC 1985, c T-13 [*Trade-marks Act*]. Duracell seeks to strike those claims. Energizer also claims an accounting for profits if it succeeds; Duracell asks the Court to dismiss Energizer's claims for an accounting of profits. Energizer's claim for an accounting of profits is made under subsection 52(1) of the *Competition Act*, RSC 1985, c C-34 [*Competition Act*]; Duracell says such relief is not available under subsection 52(1).

[4] Energizer opposes Duracell's motion on its merits, and in addition submits the Court should not decide these issues but leave them for determination by the trial judge. As will be seen I have dismissed this submission.

[5] By way of background, the original Statement of Claim filed by Energizer's former solicitors was narrower than it is now; it was directed at terms found on different labels Duracell attached to Duracell's battery packages. Those labels made statements relating to ENERGIZER and ENERGIZER MAX. Both ENERGIZER and ENERGIZER MAX are *registered* trade-marks of Energizer and therefore may be protected by subsections 22(1) as well as subsections 7(a) and 7(d). The Court is not asked to resolve allegations related to ENERGIZER and ENERGIZER

MAX; they remain in the Second Amended Statement of Claim, which is set for a ten-day trial commencing December 3, 2018.

[6] The allegations at issue in this proceeding were added by Energizer's new counsel, who represented Energizer before the Court, after leave to file a Second Amended Statement of Claim was granted by Prothonotary Milczynski by Order dated August 10, 2016. Duracell did not appeal that Order, although it opposed allowing the amendments for many of the same reasons it now requests they be struck.

[7] For the reasons that follow, the motion is granted in part. In my respectful view, Duracell's use of the term "the bunny brand" on packages of Duracell's batteries may offend subsection 22(1) of the *Trade-marks Act* as construed in accordance with the Supreme Court of Canada's decision in *Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée*, 2006 SCC 23, per Binnie J [*Veuve Clicquot*]; they will not be struck. Likewise, use of "the bunny brand" may offend subsections 7(a) and 7(d) of the *Trade-marks Act*, and will not be struck. However, I find Duracell's use of the term "the next leading competitive brand" on packages of Duracell's batteries does not offend either subsection 22(1) or subsections 7(a) and 7(d). Pleadings referring to "the next leading competitive brand" in the context of subsection 22(1) and subsections 7(a) and 7(d) will be struck from Energizer's claim.

[8] In my respectful view, Energizer does not have the right to an accounting for profits under subsection 52(1) of the *Competition Act*. Energizer's claim in that respect will be struck.

[9] It is also my view that the motion for summary judgment should be considered and determined at this time.

II. Facts

[10] At a pre-hearing case management conference I asked the parties to agree, if they could, on relevant facts and provide them to the Court. Thereafter, the parties agreed on the following facts, which I accept; I will make further findings of fact in these Reasons:

DURACELL'S ON-PACK CLAIMS AT ISSUE

[1] The complained of references in issue on this summary judgment motion are as follows:

- a) up to 15% longer lasting vs. the next leading competitive brand*
*Next leading alkaline based on Nielsen sales data. AA size. Results vary by device and usage patterns.
- b) Durent jusqu'à 15% plus longtemps que les piles de l'autre marque concurrente la plus populaire*
*L'autre pile alcaline AA la plus populaire selon les données sur les ventes de Nielsen. Les résultats varient selon le type d'appareil et la fréquence d'utilisation.
- c) Up to 20% LONGER LASTING vs. the bunny brand on size 10, 13 & 312.
- d) Durent jusqu'à 20% PLUS LONGTEMPS vs. les piles 10, 13, et 312 de la marque du lapin.

[2] Examples of these references are:



[3] The references were used by Duracell on stickers applied to the front of packages of AA and hearing aid batteries sold to retailers in Canada.

[4] Duracell used the terms “the next leading competitive brand” and “the bunny brand” on its on-pack stickers. Sticking of products is part of communicating with the consumers.

ENERGIZER’S ASSERTED TRADEMARKS

[5] In its Second Amended Statement of Claim (the “Statement of Claim”), Energizer has asserted the following trademark registrations:

- a) ENERGIZER (TMA157162) registered in association with “Electric dry cell batteries for use on electronic, hearing, lighting and horological devices for operation of small electric motors”;

- b) ENERGIZER (TMA740338) registered in association [with] “general purpose batteries”;
- c) ENERGIZER MAX (TMA580557) registered in association with “batteries”; and
- d) RABBIT & DESIGN (TMA399312) registered in association with “batteries”:



[6] Duracell has consented to Energizer’s proposed amendment to the Statement of Claim with respect to adding trademark registration ENERGIZER BUNNY & Design (TMA943350) to the list of asserted trademark registrations. ENERGIZER BUNNY & Design (TMA943350) is registered in association with “general purpose batteries; general purpose battery chargers”:



[7] Energizer always used the word “ENERGIZER” when it advertised its batteries in Canada from 2012 to 2016.

THE NEXT LEADING COMPETITIVE BRAND

[8] Energizer has never used the term “the next leading competitive brand” on battery packaging in Canada.

THE ENERGIZER BUNNY

[9] Energizer’s bunny mascot is referred to as the “Energizer Bunny” by Energizer.

[10] The Energizer Bunny carries a drum which says ENERGIZER and in some depictions the Energizer Bunny has an ENERGIZER battery on its thigh as seen below.

[11] The Energizer website has a separate section devoted to the Energizer Bunny.



LEADING BRANDS

[12] The two leading brands of batteries in Canada are Duracell and Energizer.

III. Affidavits and cross-examinations

[11] A private investigator hired by Duracell, James Meadway, was instructed by Duracell's counsel to conduct a marketplace investigation on products that contained comparative advertising claims comparing a product to a competitor's product specifically or generically. In August 2017, Meadway went to thirteen stores across the Greater Toronto Area. In his investigation, Meadway identified seven products that contained comparative claims where a competitor's product was referred to as a "leading" brand or similar.

[12] Energizer submits that Duracell's evidence suggests that the use of "next leading competitive brand" is not commonplace. Energizer states that after Meadway visited thirteen stores carrying thousands of products, he was only able to find a handful labelled in a manner similar to the "next leading competitive brand".

[13] Energizer further submits that Meadway did not know what the leading brands were for the products he identified. Energizer says products like cat food, which Meadway identified, must be contrasted with the battery market, where it is agreed that there are two leading brands, Duracell and Energizer. In this connection, Energizer's private investigator, Junior Williams attended at three stores where he found: Walmart Supercenter had eleven brands of cat food and three brands of paper plates; Real Canadian Superstore had five brands of toilet paper and five brands of orange juice; and Shoppers Drug Mart had eleven brands of cleaner bars and eight brands of battery-operated toothbrushes. These were types of product where Meadway found use of terms similar to "the next leading competitive brand".

[14] There were two other affiants, both employees of the parties.

[15] Mark Pawliw is Sales Director for Duracell Canada, Inc, and managed Duracell's Canadian external sales force. Pawliw held relatively senior marketing positions in Duracell since 2010. He deposed that from August 2014 to January 2016, Duracell sold approximately [REDACTED] packs of AA batteries to Canadian retailers bearing the sticker with the "next leading competitive brand" claim. Pawliw's evidence was that Duracell used the term "next leading competitive brand" based on data Duracell obtained from the AC Nielsen Company, which maintains a database of retail analytics. The Nielsen sales data indicated that Energizer AA batteries were the next leading competitive brand, next to Duracell.

[16] Pawliw also deposed that from July 2015 to January 2016, Duracell sold approximately [REDACTED] packs of hearing aid batteries bearing stickers that used the term "the bunny brand" in

sizes 10, 13, and 312 to Canadian retailers. No Duracell AA batteries bore a sticker referring to “the bunny brand”. Pawliw deposed and as with the number of hearing aid batteries, I accept for these purposes, and subject to any trial court findings in this regard, that approximately [REDACTED] packs of hearing aid batteries bearing the sticker using the word “Energizer” were sold to Canadian retailers from October 2014 to July 2015. In September 2015, about [REDACTED] AA battery packs bearing the sticker using the word “Energizer Max” were sold to Canadian retailers. While I am not asked to make a decision in relation to the use of these two terms, as noted already, both ENERGIZER and ENERGIZER MAX are registered trade-marks of Energizer.

[17] Pawliw also deposed that from his business experience, as well as his experience as a consumer, he has seen descriptive terms such as the “next leading competitive brand” and “the leading brand” used in the marketing of consumer products to designate a competitive brand for comparative advertising purposes.

[18] As Energizer submits, I accept that Pawliw admitted Duracell was familiar with the Energizer advertisements that show the Energizer Bunny. Pawliw - and hence Duracell - was familiar with the Energizer packages that display the Bunny and recognized a number of Energizer’s video advertisements with the Bunny. I accept Pawliw’s evidence in this respect notwithstanding, as Energizer submits, Pawliw did not have direct responsibility in the area of marketing. I note also that Duracell did not produce Peter Gorzkowski on this motion, notwithstanding he had previously given evidence on discovery. Pawliw testified that Duracell staff in the United States were responsible for the on-package claims.

[19] Energizer submits that some of Duracell's sales numbers might be inaccurate (low) for a number of reasons: the last date of sales for some offending products might be incorrect, sales might not take into account products that remained on the shelf, some displays bore the offending terms that were not on the packages actually sold, and because of issues concerning the placement of stickered and non-stickered product in the same displays. However, again I am not called upon to precisely quantify the number of allegedly offending products sold as that is for the trial judge.

[20] I am satisfied that to the extent Energizer may have valid claims against Duracell based on subsections 22(1), 7(a) and 7(d), and based on the rough sales volumes alone as noted above (which if Energizer is correct may be higher), the most significant potential claims are those related to use of the term "the next leading competitive brand" on Duracell's AA batteries. As discussed more fully below, I am persuaded that resolving this claim at this point in the proceeding will significantly reduce the cost of trial preparation including discovery and documentary matters. Such early resolution will also reduce both the cost and time required for the trial of Energizer's action.

[21] In cross-examination, Pawliw said he was aware of labelling "problems" with Duracell's on-package claims comparing Duracell's batteries with those of Energizer. He testified on cross-examination:

[38] Q. Prior to the time it [the action] was started, were you aware of any problems with the claims on the Duracell packaging?

A. Yes.

[39] Q. And what were you aware of?

A. We were aware that some products had come in with the Energizer -- with an Energizer name and a claim.

[40] Q. When you say the Energizer name and the claim, are you referring both to the Energizer Max and the Energizer name or just the Energizer name?

A. The Energizer Max and the Energizer name.

[41] Q. And I take it that Duracell was aware that there was a problem with using the word "Energizer" on the packaging?

A. At the time this happened in Canada, it was brought to my attention that it was there, and then obviously discussion occurred on next steps.

[42] Q. And the next steps were to remove it from the packaging; is that right?

A. Correct.

[43] Q. And that was because Duracell understood it should not have that on its packaging?

R/F MR. LUE: That's refused. [Court note: Mr. Lue is counsel for Duracell]

[22] Pawliw's concern was shared by others at Duracell. Energizer filed excerpts of the discovery transcript of Gorzkowski, a senior member of Duracell's staff. Gorzkowski's discovery evidence is more revealing:

[458] Q. When was the investigation commenced with respect to the labelling of production number 1?

A. Around October 2015.

[459] Q. Do you have a more specific date?

A. I would have to check. I don't know.

[460] Q. Okay. And what prompted the investigation?

A. Me finding these products in the marketplace.

[461] Q. And how did you find them? You were shopping at Shoppers and you took a look at Duracell batteries?

A. Correct.

[462] Q. And you were looking at Duracell, you noticed the labelling, and you said there is something wrong here?

A. Correct.

[463] Q. And what prompted you to notice there was something wrong?

A. It said “versus Energizer Max”.

[464] Q. And you knew -- and what...what --

A. From my understanding of trademark law in Canada, we are not allowed to use trademarks without express written consent on point-of-sale materials.

[Emphasis added.]

[23] Pawliw in cross-examination also admitted and I accept that Duracell used the term “the next leading competitive brand” as an indirect reference to Energizer in relation to its AA batteries.

[85] Q. But you [*sic*] would be the two main leading brands, Duracell and Energizer; is that accurate?

A. Yes.

[86] Q. And the packaging on the batteries that said “next leading competitive brand”, I take it that was meant to give a message that Duracell wanted to convey that the next leading brand was Energizer?

A. No. I wouldn't necessarily agree with that.

[87] Q. It means a competitive brand, correct --

A. Mm-hmm.

[88] Q. -- the next leading competitive brand? And the next leading competitive brand, as you understood it, was Energizer?

A. At certain times, yes, so an indirect reference.

[89] Q. An indirect reference to Energizer?

A. Yes.

[Emphasis added.]

[24] Pawliw admitted and I accept that Duracell's use of "the bunny brand" on packages of hearing aid batteries was in fact a "reference to Energizer":

[234] Q. So, if we turn to paragraph 19 of your affidavit then, and you're referencing there the Bunny brand stickers which talk about lasting "up to 20% longer lasting vs. the Bunny brand", and you say there that the claim of "up to 20% longer lasting" is in reference to Energizer size 10, 13, and 312, and so the reference to the Bunny brand was in reference to Energizer; is that correct?

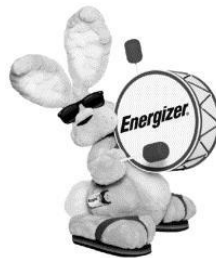
A. Yes.

[25] I have no difficulty finding on a balance of probabilities that Duracell's use of both "the next leading competitive brand" and "the bunny brand" were intended by Duracell to refer to Energizer's batteries.

[26] The other employee affiant was Amanda Broderick, Senior Director, Global Marketing at Energizer Holdings, Inc. From May 2015 to January 2018, Broderick oversaw marketing through the Americas.

[27] Broderick deposed that Energizer does not own a registered trade-mark in Canada for the phrase “bunny brand”. Broderick deposed that the Energizer Bunny is featured prominently on Energizer’s packaging and advertising of its batteries in Canada.

[28] In this connection, I note that Energizer has a design mark trade-mark registration described as ENERGIZER BUNNY & Design (TMA943350). This design mark is described on the registration as the ENERGIZER BUNNY; the registered design trade-mark is as follows:



[29] However, Energizer does *not* have a registered *word* mark trade-mark for ENERGIZER BUNNY. While that term is used on the design mark’s registration (TMA943350) as the design mark’s “mark descriptive reference”, Energizer does not have a *word* mark registration for ENERGIZER BUNNY.

[30] I also note that Energizer Brands, LLC filed a word mark trade-mark application for the words ENERGIZER BUNNY (1724082) on April 16, 2015. However, as of December 13, 2016, trade-mark registration has *not* been granted.

[31] Broderick deposed that from 2014 to 2016, Energizer spent in excess of [REDACTED] in Canada to market its Energizer batteries. This amount included media buys and creative

productions. Broderick noted that Canada also benefits from the creative production carried out in the US, which is in addition to these amounts.

[32] Broderick deposed that Energizer and its predecessor Eveready Canada have been selling, distributing, and promoting Energizer batteries in Canada with the iconic Energizer Bunny since at least 1992. These companies advertised the Energizer Bunny in relation to their batteries in numerous publications. She said Energizer has taken part in national promotions relating to movie vouchers, Visa gas cards, Bunny Bucks, and more all in aid of promoting the Energizer Bunny in association with their batteries. Energizer products with the Energizer Bunny are also advertised digitally through online shopping sites, news sites, and social media as well as in flyers and other media. Energizer has also used the Energizer Bunny in sponsoring celebrity athletes such as Canadian Olympian hockey star Cassie Campbell and NHL hockey star Alex Ovechkin.

[33] Broderick also deposed that in 2017, the Energizer Bunny was inducted into the Madison Avenue Wall of Fame as the “Most Iconic Mascot”. This recognition was made possible by online fan votes. Further, she deposed that in 2017, the Energizer Bunny was featured by appearing in person at the Toronto International Film Festival and New York Fashion Week. These appearances created significant media attention around the Energizer Bunny.

[34] I agree with Duracell that Broderick was evasive and reticent on certain points and incorrect on others. Despite Broderick’s hesitation in conceding the points, I find on a balance of

probabilities that Duracell's use of the terms "the next leading competitive brand" and "the bunny brand" were aimed at Energizer's batteries as indeed Duracell admitted.

[35] I agree Energizer did not use the term "the bunny brand" on battery packaging or advertising materials in Canada. I also accept there was no evidence Energizer used the terms "Bunny Bucks" or "Bunny Birthday Cash back". Further, Broderick gave no evidence of the use of DO YOU HAVE THE BUNNY INSIDE? In any event, Energizer does not rely on the registered trade-mark DO YOU HAVE THE BUNNY INSIDE? (TMA 590453) in its Second Amended Statement of Claim.

[36] I am also satisfied Energizer never used "the next leading competitive brand" on on-package labels or displays. That said, Energizer did use the term "other leading brand" in advertisements for lithium batteries that are not at issue here; those words were not found on package labels. Broderick deposed that according to data from AC Nielsen Company, which maintains a database of retail analytics, Energizer and Duracell make up over 80% of the Canadian market for batteries. This is not disputed.

IV. Issues

[37] At the hearing management conference referred to at the outset of these Reasons, I asked counsel to agree, if they could, on the issues to be decided at the hearing and to give me a summary of their submissions on each. Thereafter they agreed upon the following four issues for determination:

1. Does section 22 of the *Trade-marks Act* apply to Duracell's use of the terms "the next leading competitive brand" and "the bunny brand" (and their French equivalents) on its on-pack stickers?
2. Do sections 7(a) and 7(d) of the *Trade-marks Act* apply to Duracell's use of the terms "the next leading competitive brand" and "the bunny brand" (and their French equivalents) on its on-pack stickers?
3. Can a claim for profits be made under section 52 of the *Competition Act*?
4. Is Duracell's request for partial summary judgment appropriate in the circumstances of this action?

V. Analysis

A. *Nature of Motion*

[38] I will deal separately with each of the four issues raised. Before doing so, I wish to review the law with respect to summary judgment motions such as this.

[39] The *Federal Courts Rules*, SOR/98-106 [*Federal Courts Rules*] provide:

General Principle

3 These Rules shall be interpreted and applied so as to secure the just, most expeditious and least expensive determination of every proceeding on its merits.

...

Motion by a Party

213 (1) A party may bring a motion for summary judgment

Principe general

3 Les présentes règles sont interprétées et appliquées de façon à permettre d'apporter une solution au litige qui soit juste et la plus expéditive et économique possible.

...

Requête d'une partie

213 (1) Une partie peut présenter une requête en

or summary trial on all or some of the issues raised in the pleadings at any time after the defendant has filed a defence but before the time and place for trial have been fixed

jugement sommaire ou en procès sommaire à l'égard de toutes ou d'une partie des questions que soulèvent les actes de procédure. Le cas échéant, elle la présente après le dépôt de la défense du défendeur et avant que les heure, date et lieu de l'instruction soient fixés.

...

...

If no genuine issue for trial

Absence de véritable question litigieuse

215 (1) If on a motion for summary judgment the Court is satisfied that there is no genuine issue for trial with respect to a claim or defence, the Court shall grant summary judgment accordingly.

215 (1) Si, par suite d'une requête en jugement sommaire, la Cour est convaincue qu'il n'existe pas de véritable question litigieuse quant à une déclaration ou à une défense, elle rend un jugement sommaire en conséquence.

[40] In *Apotex Inc v Pfizer Inc*, 2016 FC 136 [*Apotex*], Diner J held at para 31:

[31] The basic principle in a motion for summary judgment is that the parties each put their “best foot forward” in terms of evidence. As a result, the Court is entitled to assume that no new evidence would be presented if the issue were to go to trial (*Rude Native Inc v Tyrone T Resto Lounge*, 2010 FC 1278 at para 16). In *Hryniak v Mauldin*, 2014 SCC 7 at para 49 [*Hryniak*], the Supreme Court stated that there is no genuine issue for trial when:

...the judge is able to reach a fair and just determination on the merits on a motion for summary judgment. This will be the case when the process (1) allows the judge to make the necessary findings of fact, (2) allows the judge to apply the law to the facts, and (3) is a proportionate, more expeditious and less expensive means to achieve a just result.

[41] The moving party (Duracell in this case) has the onus of proving there is no genuine issue for trial. That said, there is also a burden on Energizer to put forward serious, credible evidence demonstrating the existence of a genuine issue for trial. See *Apotex* at para 32:

[32] In this motion, then, while the onus is on the [moving party] to demonstrate that there is no genuine issue for trial ..., the [respondents] cannot raise a genuine issue for trial on bald statements, a lack of knowledge, or denials alone (*Moroccanoil Israel Ltd. v. Lipton*, 2013 FC 667 (F.C.)). The burden on the [respondents] is to put forward serious, credible evidence demonstrating the existence of a genuine issue for trial (*MacNeil Estate v. Canada (Department of Indian & Northern Affairs)*, 2004 FCA 50 (F.C.A.); *NFL Enterprises L.P. v. 1019491 Ontario Ltd.* (1998), 229 N.R. 231 (Fed. C.A.)).

[42] If there is no legal basis in the claim based on the law or the evidence brought forward, there is no genuine issue for trial: *Burns Bog Conservatory Society v Canada (Attorney General)*, 2014 FCA 170 at para 35, per Gauthier JA, aff'd by *Manitoba v Canada*, 2015 FCA 57 at para 15, per Stratas JA.

[43] I will now proceed to analyze the issues.

B. *Issue 1 – Does subsection 22(1) of the Trade-marks Act apply to Duracell’s use of the terms “the next leading competitive brand” and “the bunny brand” (and their French equivalents) on its on-pack stickers?*

[44] The starting point for this analysis is subsection 22(1) of the *Trade-marks Act*:

Depreciation of goodwill

22 (1) No person shall use a trade-mark registered by another person in a manner

Dépréciation de l’achalandage

22 (1) Nul ne peut employer une marque de commerce déposée par une autre personne

that is likely to have the effect of depreciating the value of the goodwill attaching thereto.	d'une manière susceptible d'entraîner la diminution de la valeur de l'achalandage attaché à cette marque de commerce.
--	---

[Emphasis added.]

[Nos soulignés.]

[45] At the outset I wish to make two points. First, I emphasize that the Court is not asked to and does not decide whether use of the terms in issue in the parts of this action now under review, was use “likely to have the effect of depreciating the value of the goodwill attaching to the mark.” The parties agreed the analysis is to proceed in the same manner whether or not there is depreciation. I make no finding on depreciation. The Court is dealing with the threshold issue: essentially, even assuming depreciation, does subsection 22(1) apply. Secondly, my findings in this matter apply equally to the English and French versions of the relevant trade-marks.

[46] The positions of the parties are as follows:

Duracell’s Position:

Duracell asks the Court to find that section 22 of the *Trade-marks Act* does not apply to Duracell’s use of the terms “the next leading competitive brand” and “the bunny brand” on battery packaging.

Section 22 of the Act requires use of a registered trademark. The only registered trademarks that Energizer has alleged are the marks ENERGIZER and ENERGIZER MAX and an illustration of a rabbit. Energizer has admitted that it does not own registered trademarks for the terms “the next leading competitive brand” and “the bunny brand”. Section 22 is not violated if a Defendant uses a term other than the trademark, as registered or a minor misspelling of the registered trademark. The use of the terms “the next leading competitive brand” and “the bunny brand” do not fall within that scope.

Energizer has alleged that the scope of section 22 extends to use of terms that are not registered trademarks on the basis that consumers understand that use of these terms refers to registered

trademarks. This is not the test under section 22. Even if it was, which is denied, Energizer has failed to produce any evidence of any such understanding by consumers.

Energizer's claims with respect to the terms "the next leading competitive brand" and "the bunny brand" are disingenuous. Not only is the use of these types of comparative advertising terms common in the marketplace, Energizer itself has used the term "The Other Leading Brand" to refer to Duracell in advertising its own batteries.

Energizer's Position:

The Supreme Court of Canada held that section 22 of the *Trade-marks Act* applies even though the use of the mark at issue may differ from the trade-mark as registered ("Cliquot" versus the registered mark "Veuve Clicquot") if it causes a "connection or mental association" in the mind of a consumer [ed. note: footnote moved here: *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23 at paras. 38 & 47....]. Duracell has admitted that the intended purpose of the words "the next leading competitive brand" and "the bunny brand" were to refer to Energizer, and has filed no evidence to suggest that the intended purpose of referencing the ENERGIZER Trade-marks was not met by its packaging, i.e., that it failed in its messaging.

Duracell comes to the court, after admitting that it intended to refer to the ENERGIZER Trade-marks and asks that it be exempted from the provisions of section 22 of the *Trade-marks Act* because it used terms to evoke the ENERGIZER Trade-marks, without using the word ENERGIZER. This is clearly contrary to the meaning of the section as it has been interpreted by the Supreme Court of Canada.

Duracell argues that the comparative advertising using the terms "the next leading competitive brand" and "the bunny brand" are common in the industry. There is no evidence to suggest that "the bunny brand" is anything but a reference to ENERGIZER. With respect to "the next leading competitive brand", Duracell's own evidence shows that this terminology is not commonly used on packaging. The Duracell private investigator went to 13 stores and looked at thousands of products but found only a handful, none of which were brands where he could identify "the next leading competitive brand". He did not find the Energizer advertisement referred to by Duracell. While the Energizer advertisement is not "use" under the *Trade-marks Act* (as it is not on the goods), Duracell can bring an action if it believes it is entitled to do so.

Duracell's argument appears to concede the term "the next leading competitive brand" can evoke the trade-mark of a competitor.

Accordingly, the answer to the first issue is that section 22 of the *Trade-marks Act* does apply to Duracell's use of the terms "the next leading competitive brand" and "the bunny brand" (and their French equivalents) on its on-pack stickers.

[47] In essence, Duracell submits that the prohibition in subsection 22(1) applies only to *registered* trade-marks and minor misspellings of a *registered* trade-mark. Energizer says this is too narrow an interpretation. Clearly the central issue involving subsection 22(1) is whether or not it applies to the two terms at issue, namely "the next leading competitive brand" and "the bunny brand" found on Duracell's stickers on its Duracell battery packages.

[48] It is not disputed that neither "the next leading competitive brand" nor the "the bunny brand" are *registered* trade-marks of Energizer, and I so find.

[49] In summary and as explained below, on the interpretation of the subsection 22(1) issue, I agree with Energizer. In my view, the interpretation of subsection 22(1) advanced by Duracell is too narrow and does not respect the law determined by the Supreme Court of Canada in *Veuve Clicquot Ponsardin v Boutiques Clicquot Ltée*, 2006 SCC 23 [*Veuve Clicquot*]. While Duracell's position might have been correct prior to *Veuve Clicquot*, that is no longer the case. In my respectful view, *Veuve Clicquot* materially changed the law on the interpretation of subsection 22(1). The change in the law was recently confirmed by the Federal Court of Appeal: *Venngo Inc v Concierge Connection Inc*, 2017 FCA 96, per Gleason JA [*Venngo*]. In my respectful view, subsection 22(1) construed as required by *Veuve Clicquot* prohibits Duracell's use of the term

“the bunny brand” even though it is not a registered trade-mark of Energizer. However, subsection 22(1) does not prohibit Duracell’s use of “the next leading competitive brand”.

[50] The leading authority on subsection 22(1) is *Veuve Clicquot*. The Supreme Court of Canada discusses subsection 22(1) in considerable detail at paras 38–70 of its unanimous decision authored by Binnie J. Important excerpts include:

B. Likelihood of Depreciation of the Value of Goodwill

[38] The conclusion that use of the trade-marks “in the same area” would not lead to confusion is not an end to the case. Here, unlike in *Mattel*, there is an additional ground of complaint. Section 22(1) provides:

22. (1) No person shall use a trade-mark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.

The depreciation argument, while it was treated as something of a poor cousin by the appellant in the courts below, and was not the subject of much evidence, was brought to the fore in this Court in part due to the intervention of INTA. Nothing in s. 22 requires a demonstration that use of both marks in the same geographic area would likely lead to confusion. The appellant need only show that the respondents have made use of marks sufficiently similar to VEUVE CLICQUOT to evoke in a relevant universe of consumers a mental association of the two marks that is likely to depreciate the value of the goodwill attaching to the appellant’s mark.

...

[43] In 2003, the U.S. Supreme Court denied the anti-dilution remedy to *Victoria’s Secret*, the women’s lingerie chain, which had sued *VICTOR’S LITTLE SECRET*, an adult novelty store selling “tawdry merchandise”: *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003). Under the federal Act, as it then stood, proof of actual harm rather than just likelihood (as under our Act) was required. The court commented however that

at least where the marks at issue are not identical, the mere fact that consumers mentally associate the

junior user's mark with a famous mark is not sufficient to establish actionable dilution. . . .
"Blurring" is not a necessary consequence of mental association. (Nor for that matter, is "tarnishing.")
[pp. 433-34]

...

[45] The depreciation or anti-dilution remedy is sometimes referred to as a "super weapon" which, in the interest of fair competition, needs to be kept in check....

...

[46] Section 22 of our Act has received surprisingly little judicial attention in the more than half century since its enactment. It seems that where marks are used in a confusing manner the preferred remedy is under s. 20. Equally, where there is no confusion, claimants may have felt it difficult to establish the likelihood that depreciation of the value of the goodwill would occur. Be that as it may, the two statutory causes of action are conceptually quite different. Section 22 has four elements. Firstly, that a claimant's registered trade-mark was used by the defendant in connection with wares or services — whether or not such wares and services are competitive with those of the claimant. ...
[Federal Court note: the second, third and fourth elements are deleted because they are not relevant in this proceeding] I will address each element in turn.

(1) Use of the Claimant's Registered Mark

[47] "Use" is defined in s. 4 of the Act as follows:

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

(2) A trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.

...

[48] The appellant acknowledges that the respondents never used its registered trade-marks as such, but says that use of the word *Cliquot* conveys the idea. I agree it was no defence that *Cliquot* is differently spelled. If the casual observer would recognize the mark used by the respondents as the mark of the appellant (as would be the case if *Kleenex* were spelled *Klenex*), the use of a misspelled *Cliquot* would suffice. The requirements of s.22 have to be interpreted in light of its remedial purpose. As Dr. Fox noted, albeit in relation to infringement:

. . . in the course of use[r] of a trade mark the purch[a]sing public may come to regard something that does not constitute the whole of the registered trade mark as being the distinguishing feature, and it is therefore possible . . . only that portion of [the registered trademark] that consists of the name of the owner will commend itself to them as the distinguishing feature.

[Citations omitted.]

...

[49] The appellant led evidence that “Clicquot” was the distinguishing feature of the VEUVE CLICQUOT mark. This was accepted by the trial judge; however, she went on to hold:

In my view a consumer who saw the word “Cliquot” used in the defendants’ stores would not make any link or connection to the [plaintiff’s mark].[para. 96]

This, it seems to me, is the critical finding which the appellant must overcome if its appeal is to succeed. Without such a link, connection or mental association in the consumer’s mind between the respondents’ display and the VEUVE CLICQUOT mark, there can be no depreciation of the latter. As Professor McCarthy writes:

. . . if a reasonable buyer is not at all likely to think of the senior user’s trademark in his or her own mind, even subtly or subliminally, then there can be no dilution. That is, how can there be any “whittling away” if the buyer, upon seeing defendant’s mark, would never, even unconsciously, think of the plaintiff’s mark? So the dilution theory presumes *some kind of mental association in the reasonable buyer’s mind between the two parties and the mark.*

[Footnote omitted; emphasis in original; _ 24:70, at p. 24-143.]

The appellant's s. 22 claim fails at the first hurdle.

[Emphasis added.]

[51] In addition to *Veuve Clicquot*, this Court is also bound by the Federal Court of Appeal's recent determination of the proper interpretation of subsection 22(1) in *Venngo*. The Federal Court of Appeal reviewed *Veuve Clicquot* and noted that subsection 22(1) applies where the casual observer would recognize the mark used by the respondents as the mark of the appellant (as would be the case if *Kleenex* were spelled *Klenex*), or, stated another way, where a defendant has used a mark sufficiently similar to evoke in a relevant universe of consumers a mental association of the two marks that is likely to depreciate the value of the goodwill attaching to the appellant's mark. The Federal Court of Appeal added that subsection 22(1) applies to the use of a mark that, while not identical to the plaintiff's registered trade-mark, is so closely akin to the registered mark that it would be understood in a relevant universe of consumers to be the registered mark: per Gleason JA at paras 79 to 81:

[79] Turning to *Venngo*'s argument in respect of the Federal Court's treatment of its claim under section 22 of the *Trade-marks Act*, I agree with *Venngo* that a defendant need not use a mark that is completely identical to the plaintiff's trade-mark to be liable under section 22. Rather, the Supreme Court of Canada has held that this section addresses circumstances where "the casual observer would recognize the mark used by the respondents as the mark of the appellant (as would be the case if *Kleenex* were spelled *Klenex*)", or, stated another way, where a defendant has used a mark "sufficiently similar [...] to evoke in a relevant universe of consumers a mental association of the two marks that is likely to depreciate the value of the goodwill attaching to the appellant's mark": *Veuve Clicquot* at paras. 38, 48.

[80] Thus, the Federal Court may well have described the nature of trade-mark use that comes within the ambit of section 22 of the

Trade-marks Act too narrowly when it stated that “[u]se under section 22 requires use of a plaintiff’s trademark, as registered” (*Venngo*, para. 86). The section also encompasses use of a mark that, while not identical to the plaintiff’s registered trade-mark, is so closely akin to the registered mark that it would be understood in a relevant universe of consumers to be the registered mark.

[Emphasis added.]

[52] Notwithstanding that the Federal Court of Appeal in *Venngo* decided the case before it on the section 4 “use” component of subsection 22(1), its decision confirms that subsection 22(1) protects more than just registered trade-marks or minor misspelling as Duracell submits. In my view the emphasized statements just nored, while *obiter*, are intended as guidance: *R v Henry*, 2005 SCC 76, per Binnie J at para 57.

[53] The Supreme Court’s intention to adjust the scope of subsection 22(1) is most clearly signalled by this comment at paragraph 38, quoted above:

[38] ... The appellant need only show that the respondents have made use of marks sufficiently similar to VEUVE CLICQUOT to evoke in a relevant universe of consumers a mental association of the two marks that is likely to depreciate the value of the goodwill attaching to the appellant’s mark.

[54] The foregoing disposes of a number of other submissions made by Duracell. Principally, and in my respectful view and given subsection 22(1)’s remedial purpose and intention, I am not persuaded that *Veuve Clicquot*’s approach offends the accepted first rule of statutory interpretation set out in Driedger’s modern principle, namely that: “today, there is only one principle or approach, namely, the words of an Act are to be read in their entire context and in their grammatical and ordinary sense harmoniously with the scheme of the Act, the object of the

Act and the intention of Parliament.” See *Re Rizzo & Rizzo Shoes Ltd*, [1998] 1 SCR 27 at para 21, per Iacobucci J, citing Driedger, *Construction of Statutes*, 2nd ed, 1983.

[55] Nor am I persuaded there is good reason to limit subsection 22(1)’s protection as Duracell proposes. It would be inconsistent with the object and intent of subsection 22(1) of the *Trade-marks Act* to allow Duracell to end-run the protection afforded by subsection 22(1). It seems to me that this, with respect, is what Duracell attempted to do by using the term “the bunny brand” as will be seen below. Nor am I of the view that following these two decisions offends the “super weapon” argument alluded to by Binnie J, particularly given the balance of the determinations already quoted from *Veuve Clicquot*.

[56] On its facts, in *Veuve Clicquot* the registered trade-mark relied upon was VEUVE CLICQUOT. The respondents’ use of a part of that trade-mark, misspelt as “Cliquot” without the letter “c”, was in dispute. The Supreme Court of Canada discussed the word “Cliquot” as a word mark, stating that the misspelling was not a defence. Likewise, from this decision it is clear that a defendant’s use of just *part* of a registered mark is also not a defence: I say this because the appellant in *Veuve Clicquot* did not own the registered mark CLICQUOT, i.e., the single misspelled word, which properly spelled constituted only a part of a registered mark: *Veuve Clicquot* at para 3. On its facts *Veuve Clicquot* stands for the proposition that more than use of an actual registered trade-mark or minor misspellings are prohibited by subsection 22(1): use of part of a mark in addition to the misspellings of part of a mark may also be prohibited.

[57] From specific statements made by our highest Court, I am persuaded its decision was intended to expand the scope of the protection provided by subsection 22(1). I will review these statements.

[58] The Supreme Court of Canada in *Veuve Clicquot* discussed linkage and connection to the appellant's mark and mental association: the Court spoke of "a link, connection or mental association in the consumer's mind" between the respondent's choice of mark and the registered mark at para 38:

[38] ... The appellant need only show that the respondents have made use of marks sufficiently similar to VEUVE CLICQUOT to evoke in a relevant universe of consumers a mental association of the two marks that is likely to depreciate the value of the goodwill attaching to the appellant's mark.

[59] *Veuve Clicquot* adds the following to the concept of mental association. Note also the question asked by the trial judge, quoted with approval at para 49:

[49] The appellant led evidence that "Clicquot" was the distinguishing feature of the VEUVE CLICQUOT mark. This was accepted by the trial judge; however, she went on to hold:

In my view a consumer who saw the word "Clicquot" used in the defendants' stores would not make any link or connection to the [plaintiff's mark]. [para. 96]

This, it seems to me, is the critical finding which the appellant must overcome if its appeal is to succeed. Without such a link, connection or mental association in the consumer's mind between the respondents' display and the VEUVE CLICQUOT mark, there can be no depreciation of the latter. As Professor McCarthy writes:

... if a reasonable buyer is not at all likely to think of the senior user's trademark in his or her own mind, even subtly or subliminally, then there can be

no dilution. That is, how can there be any “whittling away” if the buyer, upon seeing defendant’s mark, would never, even unconsciously, think of the plaintiff’s mark? So the dilution theory presumes some kind of mental association in the reasonable buyer’s mind between the two parties and the mark. [Footnote omitted; emphasis in original; _ 24:70, at p. 24-143.]

[Emphasis added.]

[60] Additional guidance is provided in that the Supreme Court accepted without criticism the question asked by the trial judge [see para 49 of *Veuve Clicquot* just quoted]. Rephrased for the case at bar that question becomes: would a consumer who sees the terms “the next leading competitive brand” or “the bunny brand” used on Duracell’s batteries make any link or connection to Energizer’s mark. In addition, by approving the writing of Professor McCarthy, a further refinement to the appropriate question is whether a reasonable buyer is at all likely to think of Energizer’s trade-mark in his or her own mind, even subtly or subliminally.

[61] In my respectful view, these passages provide directions to this Court on how to frame the specific question regarding how subsection 22(1) applies to the terms at issue in this case.


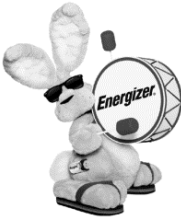
[62] Before applying *Veuve Clicquot* to the facts of this case, it is important to determine the attributes of the consumer in question. *Veuve Clicquot* confirms the appropriate consumer is trade-mark law’s well-known ‘somewhat-hurried consumer’; she or he is described at para 20 of *Veuve Clicquot*:

[20] The test to be applied is a matter of first impression in the mind of a casual consumer somewhat in a hurry who sees the name Cliquot on the respondents’ storefront or invoice, at a time when he or she has no more than an imperfect recollection of the

VEUVE CLICQUOT trade-marks, and does not pause to give the matter any detailed consideration or scrutiny, nor to examine closely the similarities and differences between the marks.

(1) Use of “the bunny brand”

[63] Energizer submits that its ENERGIZER Bunny Trade-marks are highly recognizable. Energizer submits its Bunny Trade-marks are famous in Canada. With respect, I agree the ENERGIZER Bunny Trade-marks are both famous marks. By ENERGIZER Bunny Trade-marks, I refer to the following two registered trade-marks asserted by Energizer in respect of the use of the words “the bunny brand” by Duracell. I appreciate that both of these registered trade-marks are design marks. However, both design marks contain the word “Energizer” (TMA 943,350) or ENERGIZER (TMA 399,312). When describing the designs in words either orally or in writing, for both one would use the words ENERGIZER BUNNY; indeed TMA 943,350 says just that. These marks are:

Registration No.	Description	Trademark	Goods	Registration Date
TMA 399,312	RABBIT & DESIGN		Batteries	June 19, 1992
TMA 943,350	ENERGIZER BUNNY & Design		General purpose batteries; general purpose battery chargers	July 14, 2016

[64] In this connection, I rely on the evidence set out in greater detail at paras 32 and 33 above. The ENERGIZER Bunny Trade-mark has been found in advertising dating back over 25 years. It won an award in the United States as the most iconic mascot; the evidence was that Energizer's US advertising spilled over into Canada. The ENERGIZER Bunny Trade-marks are displayed and promoted in television advertisements, on websites, on packages, and in bunny merchandise that may be purchased. The record supports and I agree with Energizer's submission:

[78] According to the *Clairol* case, in sum, goodwill is "the whole advantage" of the "reputation and connection" which may have been built up by years of hard work or gained by lavish expenditure of money, and which is identified with the goods distributed by the owner in association with the mark. As is apparent from the facts, Energizer has spent considerable sums of money in extensively advertising and promoting ENERGIZER and its bunny. This extensive advertising and promotion has resulted in famous marks.

[65] Given the ENERGIZER Bunny Trade-marks, and the fact that each is a famous mark, in my view the somewhat-hurried consumer seeing the words "the bunny brand" in relation to batteries, both AA and of the hearing aid type, would make both a link with and a connection to the ENERGIZER Bunny Trade-marks. In my view, looking at the evidence overall, Duracell used "the bunny brand" to claim that Duracell's batteries are longer lasting than Energizer batteries. This satisfies the critical test posed by the trial judge that was approved in *Veuve Clicquot*. In addition, I am satisfied that Duracell, in using the term "the bunny brand", made use of marks sufficiently similar to the ENERGIZER Bunny Trade-marks to evoke in the relevant universe of consumers, namely those purchasing hearing aid batteries in this case, a mental association of the two marks, as outlined by *Veuve Clicquot* at paragraph 38. In my respectful view, the distinguishing feature of the ENERGIZER Bunny Trade-marks is the Energizer Bunny

itself, which satisfies the requirements of para 48 in *Veuve Clicquot*. Finally, in terms of para 49 in *Veuve Clicquot*, I am satisfied that the somewhat-hurried consumer would certainly make a mental association be it unconsciously, subtly, or subliminally, between the words “the bunny brand” that Duracell used on its battery packages and the ENERGIZER Bunny Trade-marks.

[66] In terms of *Venngo*, I am satisfied that Duracell, in using the words “the bunny brand”, used a mark that, while not identical to the plaintiff’s registered trade-mark, is so closely akin to the registered mark that it would be understood in a relevant universe of consumers to be the ENERGIZER Bunny Trade-marks.

[67] In a word, and reverting to *Veuve Clicquot*, at para 48 [quoted at para 50 above], the casual observer would recognize “the bunny brand” mark used by Duracell as Energizer’s ENERGIZER Bunny Trade-Marks.

[68] While Energizer noted and I have found that Duracell intended the use of the term “the bunny brand” to evoke a mental association with Energizer, I am not satisfied that Duracell’s intention determines what, if any, mental association the somewhat-hurried consumer would make; that determination is to be and has been made objectively.

(1) Use of “the next leading competitive brand”

[69] On the other hand, I am not persuaded that the term “the next leading competitive brand” would cause a mental association in the mind of a somewhat-hurried consumer with the ENERGIZER Bunny Trade-marks. First of all, the evidence is and I find that these words in this

context mean nothing by themselves until informed by the results of expert marketing research provided by AC Nielsen Company, a company possessing a detailed database of retail analytics. I do not accept that the somewhat-hurried consumer would have that detailed expert knowledge. I also reject the proposition that Duracell's intention to refer to Energizer is determinative of this point. I appreciate the parties themselves agree the Canadian market for batteries is divided more or less between Energizer and Duracell. But, again, I do not accept that an agreement between the parties on relative market share dictates what, if any, mental association the somewhat-hurried consumer might make; again, this is an objective determination made by the Court. In my respectful view, no mental association would be made between Energizer's marks and the term "the next leading competitive brand" used on Duracell's batteries. Such an association would involve imputing to the somewhat-hurried consumer details of market share in respect of which expert third-party evidence was filed in this Court; I am unable to impute that specialized knowledge to trade-mark law's somewhat-hurried consumer in this case.

[70] Turning to the trial judge's test approved in *Veuve Clicquot* at para 49, see para 59 above, I have no hesitation in finding on a balance of probabilities that the somewhat-hurried consumer seeing the term "the next leading competitive brand" would not make any link or connection to Energizer's mark for the reasons just outlined. In terms of Professor McCarthy's writings, likewise I do not agree that a reasonable buyer would be at all likely to think of Energizer's trade-marks, even subtly, subliminally or unconsciously when seeing the term "the next leading competitive brand."

[71] In the result, pleadings referencing subsection 22(1) and “the next leading competitive brand” will be struck. The pleadings referring to “the bunny brand” will remain.

C. *Issue 2 – Do subsections 7(a) and 7(d) of the Trade-marks Act apply to Duracell’s use of the terms “the next leading competitive brand” and “the bunny brand” (and their French equivalents) on its on-pack stickers?*

[72] The starting point for this analysis is once again the *Trade-marks Act*, which provides in subsections 7(a) and (d):

Prohibitions

7 No person shall

(a) make a false or misleading statement tending to discredit the business, goods or services of a competitor;

...

(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

(i) the character, quality, quantity or composition,

(ii) the geographical

Interdictions

7 Nul ne peut:

a) faire une déclaration fautive ou trompeuse tendant à discréditer l’entreprise, les produits ou les services d’un concurrent;

...

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) soit leurs caractéristiques, leur qualité, quantité ou composition,

(ii) soit leur origine

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

[73] The Court will look at the same stickers Duracell attached to its battery packages that are reviewed under subsection 22(1) and, as before, focus on the terms “the next leading competitive brand” and “the bunny brand”. Once again the parties agree the result applies equally to the English and French terms. In addition, I emphasize the Court is not asked to determine whether these claims were false or misleading in terms of subsection 7(a), or false in a material respect and likely to mislead the public in terms of subsection 7(d).

[74] The submissions of the parties are:

Duracell’s Position:

Duracell asks the Court to find that sections 7(a) and (d) of the *Trade-marks Act* do not apply to Duracell’s use of the terms “the next leading competitive brand” and “the bunny brand” on battery packaging.

To provide relief under sections 7(a) and 7(d) of the *Trade-marks Act*, those causes of action must relate to a valid trademark owned by Energizer; otherwise, there is no jurisdiction for the court to provide the relief sought. As Energizer has admitted it does not own trademark registrations for and has not even used the phrases “the next leading competitive brand” and “the bunny brand”, those allegations must fail.

Energizer’s Position:

The courts have consistently held that false and misleading statements are actionable where the object of the statements is identifiable by implication. In a case between Duracell and

Eveready (Energizer's predecessor), the court found that in a Duracell advertisement in which a dancing toy with the Duracell battery outlasts the dancing toy which is shown to be a bunny, the bunny was a reference to Eveready.

Courts have found that promotional materials were references to the plaintiff by "implication" where the plaintiff was "the other major competitor in the marketplace" [ed. note: footnote moved here: *Mead Johnson Canada v. Ross Pediatrics* (1996), 31 O.R. (3d) 237 ...; *Bell Canada v. Rogers Communications Inc.*, 2010 ONSC 2788 at paras. 17 and 18]. On the facts in this motion, Duracell has admitted that Energizer is the other major competitor in the marketplace. Duracell also admitted that the reference to "the next leading competitive brand" and "the bunny brand" were intended to be references to ENERGIZER. Thus, the intellectual property rights involved with sections 7(a) and (d) of the *Trade-marks Act* are the ENERGIZER Trade-marks and the ENERGIZER Bunny Trade-marks.

Accordingly, sections 7(a) and 7(d) of the *Trade-marks Act* do apply to Duracell's use of the terms "the next leading competitive brand" and "the bunny brand" (and their French equivalents), which are clear and unambiguous references to Energizer, on its on-pack stickers.

[Emphasis in original.]

[75] The application of section 7 of the *Trade-marks Act* is in law narrower than the section is written, for constitutional reasons set out in *Vapor Canada Ltd v MacDonald*, [1977] 2 SCR 134 at 172, per Laskin CJ [*Vapor*], in which the Supreme Court of Canada limited the scope of section 7:

Neither s. 7 as a whole, nor section 7(e), if either stood alone and in association only with s. 53, would be valid federal legislation in relation to the regulation of trade and commerce or in relation to any other head of federal legislative authority. There would, in such a situation, be a clear invasion of provincial legislative power. Section 7 is, however, nourished for federal legislative purposes in so far as it may be said to round out regulatory schemes prescribed by Parliament in the exercise of its legislative power in relation to patents, copyrights, trade marks and trade names.

[Emphasis added.]

[76] Therefore, and to comply with *Vapor*, to engage the protection of section 7 in the trade-mark context, a party must establish the existence of intellectual property such as a trade-mark, registered or unregistered.

[77] Duracell submits that neither subsections 7(a) nor (d) applies to the terms “the next leading competitive brand” or “the bunny brand” because they are not trade-marks, and therefore, the allegations regarding subsections 7(a) and (d) should be dismissed. Duracell submits that there is no constitutional support for the application of subsections 7(a) and 7(d) to the terms “the next leading competitive brand” or “the bunny brand”.

[78] With respect, I disagree.

[79] For the reasons given in my analysis of subsection 22(1) in respect of the term “the bunny brand”, I am satisfied the term “the bunny brand” is nourished by sufficient trade-mark or “intellectual property” (see *Canadian Copyright Licensing Agency v Business Depot Ltd*, 2008 FC 737, per de Montigny J (as he was then) at para 41) interest to benefit from the protection and application in this case of both subsections 7(a) and (d) of the *Trade-marks Act*. Therefore the motion for summary judgment striking those parts of the pleadings relating thereto will be dismissed.

[80] On the other hand, my findings regarding the application of subsection 22(1) in relation to the term “the next leading competitive brand” lead me to conclude that neither subsections

7(a) nor 7(d) are adequately nourished by sufficient trade-mark or “intellectual property” interest to survive the constitutionally required statutory interpretation scrutiny. Neither subsection applies to that term. As a result, references to subsections 7(a) and (d) in relation to the term “the next leading competitive brand” will be struck.

D. *Issue 3 – May a claim for profits be made under subsection 52(1) of the Competition Act?*

[81] Subsection 52(1) of the *Competition Act* provides:

False or misleading representations

52 (1) No person shall, for the purpose of promoting, directly or indirectly, the supply or use of a product or for the purpose of promoting, directly or indirectly, any business interest, by any means whatever, knowingly or recklessly make a representation to the public that is false or misleading in a material respect.

Indications fausses ou trompeuses

52 (1) Nul ne peut, de quelque manière que ce soit, aux fins de promouvoir directement ou indirectement soit la fourniture ou l'utilisation d'un produit, soit des intérêts commerciaux quelconques, donner au public, sciemment ou sans se soucier des conséquences, des indications fausses ou trompeuses sur un point important.

[82] Subsection 52(1) is located in Part VI of the *Competition Act*.

[83] The remedy for Part VI violations are found in subsection 36(1) of the *Competition Act*, which provides:

Recovery of Damages

36 (1) Any person who has suffered loss or damage as a

Recouvrement de dommages-intérêts

36 (1) Toute personne qui a subi une perte ou des

result of	dommages par suite:
(a) conduct that is contrary to any provision of Part VI, or	a) soit d'un comportement allant à l'encontre d'une disposition de la partie VI;
(b) the failure of any person to comply with an order of the Tribunal or another court under this Act,	b) soit du défaut d'une personne d'obtempérer à une ordonnance rendue par le Tribunal ou un autre tribunal en vertu de la présente loi,
may, in any court of competent jurisdiction, sue for and recover from the person who engaged in the conduct or failed to comply with the order an amount equal to the loss or damage proved to have been suffered by him, together with any additional amount that the court may allow not exceeding the full cost to him of any investigation in connection with the matter and of proceedings under this section.	peut, devant tout tribunal compétent, réclamer et recouvrer de la personne qui a eu un tel comportement ou n'a pas obtempéré à l'ordonnance une somme égale au montant de la perte ou des dommages qu'elle est reconnue avoir subis, ainsi que toute somme supplémentaire que le tribunal peut fixer et qui n'excède pas le coût total, pour elle, de toute enquête relativement à l'affaire et des procédures engagées en vertu du présent article.

[84] The submissions of the parties are as follows, taken directly from the Agreed Statement of Issues:

Duracell's position:

Duracell asks the Court to find that a claim for profits cannot be made under section 52(1) of the *Competition Act*.

The statutory grant that allows the Federal Court to apply rules of equity does not give the Court a general jurisdiction to consider equitable remedies where the action is based on a statutory cause of action. The remedies for a breach of section 52(1), which are provided under section 36(1), are limited to

recovery of the plaintiff's actual loss (i.e. damages). Section 36 does not provide a basis for an equitable remedy such as an accounting of profits.

Energizer's position:

While the statute refers to the remedy of damages, the courts have held that a remedy in equity, such as an injunction, can be granted in relation to an action under section 52(1) of the *Competition Act*. [ed. note: footnote moved here: *Mead Johnson Canada v. Ross Pediatrics* 1996 CanLII 8235 (Ont. Court, General Division) ...] An accounting of profits, like an injunction, is an equitable remedy. Sections 3 and 4 of the *Federal Courts Act* make it clear that the Federal Court is a court of equity.

As has been pointed out by this Court, whether under section 36 of the *Competition Act* when read together with the *Federal Courts Rules* and the *Federal Courts Act*, the equitable forms of relief are also available, is a debatable legal issue. This issue should not be determined on a motion for summary judgment.

Accordingly, a claim for equitable relief (including profits) can be made under the *Competition Act*.

[85] Energizer draws support from the *Federal Courts Act* sections 3 and 4, which provide that this Court is a Court of equity:

Federal Court — Appeal Division continued

3 The division of the Federal Court of Canada called the Federal Court — Appeal Division is continued under the name “Federal Court of Appeal” in English and “Cour d’appel fédérale” in French. It is continued as an additional court of law, equity and admiralty in and for Canada, for the better administration of the laws of Canada and as a superior court of record having

Maintien: section d’appel

3 La Section d’appel, aussi appelée la Cour d’appel ou la Cour d’appel fédérale, est maintenue et dénommée « Cour d’appel fédérale » en français et « Federal Court of Appeal » en anglais. Elle est maintenue à titre de tribunal additionnel de droit, d’équité et d’amirauté du Canada, propre à améliorer l’application du droit canadien, et continue d’être une cour

civil and criminal jurisdiction. supérieure d'archives ayant compétence en matière civile et pénale.

Federal Court — Trial Division continued

4 The division of the Federal Court of Canada called the Federal Court — Trial Division is continued under the name “Federal Court” in English and “Cour fédérale” in French. It is continued as an additional court of law, equity and admiralty in and for Canada, for the better administration of the laws of Canada and as a superior court of record having civil and criminal jurisdiction.

Maintien: Section de première instance

4 La section de la Cour fédérale du Canada, appelée la Section de première instance de la Cour fédérale, est maintenue et dénommée « Cour fédérale » en français et « Federal Court » en anglais. Elle est maintenue à titre de tribunal additionnel de droit, d'équité et d'amirauté du Canada, propre à améliorer l'application du droit canadien, et continue d'être une cour supérieure d'archives ayant compétence en matière civile et pénale.

[86] Energizer submits that this issue should not be decided on this motion for summary judgment because it claims the issue is a debatable one. Energizer relies upon *Industrial Milk Producers Assn v British Columbia (Milk Board)* (1988), 18 FTR 147 [*Industrial Milk Producers*], per Reed J at 21:

A claim is also made that some of the remedies sought should be struck out (paragraphs (a), (b), (c), and (d) of the prayer for relief). This is based on the fact that section 31.1 of the *Competition Act* provides for the award of damages but does not specifically refer to the granting of declaratory or injunctive relief. Whether section 31.1 is limiting in this regard or whether, when read together with the *Federal Court Rules* and the *Federal Court Act*, the equitable forms of relief are also available, is a debatable legal issue. It is not one that should be precluded at this stage by striking out the claims.

[87] Duracell on the other hand submits that *Industrial Milk Producers* is a 30-year-old case, and that though perhaps this was once a debatable issue, it is not anymore. I agree: the point is no longer debatable. I reach this conclusion because *Garford Pty Ltd v Dywidag Systems International Canada Ltd*, 2010 FC 997, per Russell J [*Garford*], considered the issue and determined that remedies under section 36 are limited to damages. In *Garford*, this Court effectively ruled that equitable remedies, which an accounting of profits is, are not available in paras 8 and 11:

[8] This Court does have some equitable jurisdiction by virtue of section 3 of the *Federal Courts Act*, R.S.C. 1985, c. F-7. This statutory grant allows the Court to apply the rules of equity in cases in which it otherwise has jurisdiction (as for example, in admiralty matters), but it does not give the Court a general jurisdiction in a civil action to consider equitable claims and remedies where the action is based on a statutory cause of action. See *Bédard v. Kellogg*, 2007 FC 516, [2007] F.C.J. No. 714.

...

[11] Section 36 provides a civil remedy by which a person who has suffered loss as a result of certain offences under the *Competition Act* may be compensated, exclusively, for actual loss or damage. The Plaintiff's failure to show actual loss and damage is fatal to the claim. Section 36 does not provide a vehicle for the recovery of any enrichment of the wrongdoer, and it cannot provide the basis for an equitable or restitutionary remedy, i.e., a claim in unjust enrichment. The remedies available for a breach of the *Competition Act* are limited to the recovery of the Plaintiff's actual loss and damage. See *Maritime Travel Inc. v. Go Travel Direct.Com Inc.*, 2008 NSSC 163 and *947101 Ontario Ltd. (c.o.b. Throop Drug Mart) v. Barrhaven Town Centre Inc.* (1995), 121 D.L.R. (4th) 748 (Ont. Gen. Div.).

[Emphasis added.]

[88] While an accounting for profits is not specifically mentioned in *Garford*, Russell J's decision concludes the point because an accounting for profits is simply another variant of equitable remedies precluded by para 8 of *Garford*.

[89] To the same effect, I note that the Court dismissed a plaintiff's claim for an accounting for profits under section 52 of the *Competition Act* in *Maritime Travel Inc v Go Travel Direct.Com Inc*, 2008 NSSC 163, per Hood J at para 124:

[124] However, the statutory remedy created by the *Competition Act* does not provide for the remedy of accounting....

Also to the same effect is *947101 Ontario Ltd v Barrhaven Town Centre Inc* (1995), 121 DLR (4th) 748 (Ont Ct (Gen Div)), where Spence J ruled at 757:

In order to recover under these provisions, the plaintiff must establish that it "has suffered loss or damage" as a result of ...[the contravention of the *Competition Act*]. If that is established, the plaintiff is entitled under s. 36(1) to recover "an amount equal to the loss or damage proved to have been suffered ...".

The Act does not provide for any other relief, such as injunction relief

[90] I am not persuaded to follow *Mead Johnson Canada v Ross Pediatrics* (1996), 31 OR (3d) 237 (Ont Ct J (Gen Div)) in which Brennan J granted an injunction given the jurisdiction of the Ontario Court of Justice; I prefer to follow *Garford*, not only as a matter of comity, but because in my respectful view, its reasoning is correct.

[91] Therefore the claim for an accounting of profits will be struck from the pleadings.

- E. *Issue 4 – Is Duracell’s request for partial summary judgment appropriate in the circumstances of this action?*

[92] The submissions of the parties are as follows:

Duracell’s Position:

Duracell is seeking summary judgment on significant issues which can be readily separated from the remaining issues in the action and dealt with expeditiously and cost-effectively, promoting the just, most expeditious and least expensive determination of this proceeding.

Granting summary judgment will dispose of the discrete issue of whether Duracell’s use of the terms “the bunny brand” and “the next leading competitive brand” is actionable under sections 7(a), 7(d), and 22(1) of the *Trade-marks Act*. It will also eliminate the remedy of an accounting of profits for the sale of Duracell products that bore those terms.

The vast majority (over 95%) of the sales of Duracell’s batteries at issue in this action bore the terms “the bunny brand” and “the next leading competitive brand” on the packaging. Eliminating an accounting of profits on those sales would dramatically reduce not only the documentary evidence and factual testimony needed at trial in relation to these sales, but it would also eliminate the need for expert opinion on the profits, if any, attributable to the use of those terms in view of the myriad other factors that may affect sales, such as the price, promotions, the availability of third party batteries, other indicia on the packaging, etc. This in turn would reduce further discovery on Duracell’s sales and profits and reduce the complexity and length of a trial.

Granting summary judgment will also substantially limit any award of damages or profits, should Energizer prevail on the other issues at trial. Thus, granting summary judgment would encourage the parties to resolve the remaining issues.

Accordingly, Duracell asks the Court to find that there is no genuine issue for trial with respect to Energizer’s allegations under sections 7(a), 7(d), and 22(1) of the *Trade-marks Act* relating to the terms “the bunny brand” and “the next leading competitive brand” (and their French equivalents), nor with respect to the claim for an accounting of profits under ss. 52(1) of the *Competition Act*.

Energizer's Position:

Duracell has not met its onus in establishing that there is no genuine issue for trial. On the contrary, their evidence supports the fact that there is a genuine issue for trial. Duracell has admitted that the references on their packaging are intended to refer to ENERGIZER, which is a registered trade-mark for use in association with batteries. Duracell has also admitted that explicit references to ENERGIZER and ENERGIZER MAX on their packaging was not allowed.

Furthermore, since there are overlapping issues and evidence in relation to the claims under sections 7(a) and 7(d) of the *Trade-marks Act* and section 52(1) of the *Competition Act*, partial summary judgment will leave the trial judge with the same issues to consider in terms of the liability under the *Competition Act* as under sections 7(a) and 7(d) of the *Trade-marks Act*.

Accordingly, the granting of summary judgment will not dispose of "significant issues" in the litigation as suggested by Duracell in its Notice of Motion.

Given that the law and the facts are clear that a reference to "the next leading competitive brand" and "the bunny brand" is a reference to ENERGIZER and the ENERGIZER Bunny, that the result of this motion will not determine a significant issue in the action, and the delay by the Duracell in bringing this motion, Duracell's request for partial summary judgment is not appropriate in the circumstances of this action.

[93] I have held that claims related to use of the term "the next leading competitive brand" on AA batteries should be struck. I have decided in the circumstances of this case that it is in the interests of justice to grant summary judgment in part. Doing so disposes of significant issues in this action. As I found above, and repeat for convenience, I am satisfied that to the extent Energizer may have valid claims against Duracell based on subsection 22(1), and based on the rough sales volumes (which if Energizer is correct may be higher), the most significant potential subsection 22(1) and subsections 7(a) and (d) claims relate to use of the term "the next leading competitive brand" on AA batteries. I am satisfied that striking these claims at this point will

significantly reduce the cost of trial preparation, including discovery and documentary matters. Such early resolution will also reduce the cost, complexity, and length of the trial of Energizer's action.

[94] As Duracell submits, more than 95% of the sales at issue in this action were for products that bore these two terms. By contrast, less than 5% of sales were for products that bore the terms "Energizer" or "Energizer Max". Eliminating accounting of profits on those sales will reduce not only the documentary evidence and factual testimony needed at trial in relation to these sales, but eliminate the need for expert opinion on the profits, if any, attributable to the use of those terms in view of the myriad other factors that may affect sales, such as the price, promotions, the availability of third party batteries, other indicia on the packaging, etc. This in turn would reduce further discovery on Duracell's sales and profits and reduce the complexity and length of a trial. I have also decided that there is no merit in the claim for an accounting of profits; this determination will also achieve economies for both trial preparation and the trial itself.

[95] Energizer suggests that there will be no savings because there might be an appeal and if this judgment is overturned, there would have to be a second part of the trial. This submission lacks merit. First of all, it presupposes there will be an appeal, a matter of speculation. More fundamentally, Rule 213(1) authorizes motions for summary judgment or summary trial "on all or some [emphasis added] of the issues raised in the pleadings". If the Court accepts the submission that no partial summary proceeding may be taken because of the possibility of an appeal, it may be that no partial summary motion could be granted in any case because in all such cases there is the possibility of an appeal and if successful, a second trial. As I see it,

Energizer's argument would remove important content from Rule 213(1), namely the availability of summary judgment on "some" part of a claim before trial.

[96] I am unable to see a genuine issue for trial in these respects given my findings. In my respectful view, and pursuant to Rule 3 of the *Federal Courts Rules*, granting this motion in part will likely secure the just, most expeditious and least expensive determination of the issues raised.

[97] As a final note, Energizer said the motion should not be heard in part because it was brought late in the day. I agree it is late in the day, but the time to raise the timing of the motion was before Case Management Judge Aalto, who specifically authorized Duracell to bring the present motion by Order dated April 17, 2018 - and did so notwithstanding the trial was set down. Energizer did not appeal. In my view, the Case Management Judge's Order stands and is not subject to collateral attack.

VI. Conclusions

[98] Duracell's motion is granted in part. Energizer's pleadings referring to subsections 22(1), 7(a), and 7(d) of the *Trade-marks Act* and "the next leading competitive brand" will be struck. Energizer's pleadings referring to an accounting of profits under subsection 52(1) of the *Competition Act* will be struck. The balance of Duracell's motion is dismissed. The parties shall submit an agreed upon draft Third Amended Statement of Claim within 14 days from the date of this judgment, or if there is no agreement, their proposed drafts of the same.

VII. Confidentiality

[99] Because some of the information filed by the parties is subject to a protective order, the original Reasons for Judgment are released to the parties as “Confidential”. The parties within 14 days from the date of this Judgment shall consult and submit an agreed request for redactions, or if there is no agreement, their proposed redactions, failing which this version of the Judgment will be placed on the public file at that time.

VIII. Costs

[100] The parties agreed that the successful party should have costs in accordance with the guidelines attached hereto as Schedule “A”. In this matter, success was divided. However, in my respectful view Duracell achieved the most substantial success. Therefore I have concluded Duracell should receive 80% of the amount calculated in accordance with Schedule “A”, payable to Duracell by Energizer, and I will so order.

JUDGMENT in T-1591-15

THIS COURT'S JUDGMENT is that

1. Duracell's motion for summary judgment is granted in part in accordance with these reasons.
2. Energizer's pleadings referring to subsections 22(1), 7(a), and 7(d) of the *Trade-marks Act* and "the next leading competitive brand" are struck from Energizer's claim.
3. Energizer's pleadings requesting an accounting of profits under subsection 52(1) of the *Competition Act* are struck.
4. The balance of Duracell's motion is dismissed except in respect of costs.
5. Costs are awarded to Duracell payable by Energizer in an amount equal to 80% of the amount calculated in accordance with Schedule "A" hereto.
6. The parties within 14 days from the date of this Judgment shall consult and submit an agreed draft Third Amended Statement of Claim, or if there is no agreement, their proposed drafts of the same.
7. The parties shall within 14 days from the date of this Judgment consult and submit an agreed request for redactions, or if there is no agreement, their proposed redactions, failing which this version of the Judgment will be placed on the public file.

"Henry S. Brown"

Judge

Schedule “A” – Agreed Terms of Costs Order

1. The successful party will be awarded costs in accordance with the following directions, provided that the following directions in no way modify or supersede any existing Orders or Directions with respect to costs for particular motions or steps before the hearing of this Application:
 - a) Costs are to be assessed at the middle of Column IV of Tariff B;
 - b) No costs are recoverable for in-house counsel, law clerks, students and support staff;
 - c) Costs are recoverable only for those experts who provided affidavits or reports that were filed in the proceeding (the “allowable experts”);
 - d) The hourly rate for allowable experts shall not exceed the hourly rate of senior counsel;
 - e) Fees paid to allowable experts for time not spent preparing the expert’s own affidavit/report or preparing for the expert’s own cross-examination are recoverable only where it is demonstrated that it was reasonable and necessary to provide technical assistance to counsel;
 - f) Counsel fees shall be assessed on the basis of:
 - i. one senior and one junior counsel at the hearing;
 - ii. one senior and one junior counsel in conducting cross-examinations; and
 - iii. one senior counsel for defending cross-examinations;
 - g) Travel and accommodation expenses will be assessed on the basis of economy air fares and single rooms; and
 - h) Photocopying costs will be assessed at \$0.25 per page, and the number of recoverable copies shall be limited to that which is reasonable and necessary.

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET: T-1591-15

STYLE OF CAUSE: ENERGIZER BRANDS, LLC AND ENERGIZER CANADA INC. v THE GILLETTE COMPANY, DURACELL CANADA, INC., DURACELL U.S. OPERATIONS INC., AND PROCTER & GAMBLE INC.

PLACE OF HEARING: TORONTO, ONTARIO

DATE OF HEARING: JULY 25 AND 26, 2018

JUDGMENT AND REASONS: BROWN J.

CONFIDENTIAL JUDGMENT AND REASONS ISSUED: OCTOBER 5, 2018

JUDGMENT AND REASONS (REDACTED VERSION) ISSUED: OCTOBER 29, 2018

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