

Federal Court



Cour fédérale

Date: 20220322

Docket: T-1887-19

Citation: 2022 FC 388

Ottawa, Ontario, March 22, 2022

PRESENT: Madam Justice McDonald

BETWEEN:

**ADVANCED PURIFICATION ENGINEERING CORPORATION,
DBA APEC WATER SYSTEMS**

Applicant

and

ISPRING WATER SYSTEMS, LLC

Respondent

JUDGMENT AND REASONS

I. Overview

[1] The Applicant, Advanced Purification Engineering Corporation, dba APEC Water Systems (APEC) applies under s 57(1) of the *Trademarks Act*, RSC, 1985, c T-13 (the Act) to strike from the register the trademark for APEC WATER, bearing Registration No. TMA969,157. The trademark was issued to the Respondent, iSpring Water Systems, LLC (iSpring) on April 26, 2017.

[2] In seeking to strike the registration, the Applicant relies upon paragraphs 18(1)(b), (c), (d) and (e) of the Act. The Applicant also argues that iSpring's trademark application contained a material misstatement, rendering the registration void.

[3] For the reasons that follow, I am granting the application as I have concluded that iSpring was not the party entitled to register the trademark, the trademark was not distinctive at the time these proceedings commenced, and iSpring abandoned the trademark. I also find that iSpring's trademark application contained a material misstatement.

II. Background

[4] APEC is a California corporation engaged in the manufacture and sales of water treatment systems. APEC has sold reverse osmosis drinking water filtration systems under the business name "APEC Water Systems" for over 20 years. APEC sells products via their website www.freedrinkingwater.com, and through Amazon. Canadian customers can purchase APEC products directly from their website and through Amazon. APEC made its first sale in Canada in January 2005.

[5] APEC holds trademark registrations in the United States (US) for "APEC Water" (Registration No. 4410172) and for the "APEC" Logo (Registration No. 5627059). APEC applied to register these trademarks in Canada on November 21, 2019, and learned that the trademark APEC WATER had already been registered by iSpring.

[6] iSpring is incorporated in the state of Georgia and sells reverse osmosis water filtration systems. iSpring sells products with the iSpring trademark. On April 23, 2015, iSpring applied to register the APEC trademark for use in association with the following goods and services:

Water treatment devices, components and additives, namely household, commercial and portable exchange water softeners, household and commercial water filters, point-of-use low pressure reverse osmosis drinking water systems, point-of-use distillation drinking water systems, drinking water treatment units, cation exchange water softeners, drinking water treatment units, ultraviolet microbiological water treatment systems, reverse osmosis drinking water treatment systems, drinking water treatment chemicals, drinking water system components and drinking water distillation systems.

[7] In September 2017, iSpring assigned its registration of the APEC WATER trademark to Cabrio International Inc., a corporation registered in the Marshall Islands.

[8] APEC and iSpring are competitors in the same business. iSpring is not a distributor, a franchisee, or licensee of the Applicant and has no previous relationship with the Applicant.

III. The Evidence

[9] In support of this application, APEC relies upon the following evidence:

- (a) Affidavit of Stephen Roger, Senior Investigator with Xpera Risk Mitigation & Investigation, sworn on December 20, 2019. Mr. Roger was not cross-examined on his affidavit.
- (b) Affidavit of Jia Rong, Vice President, Business Development of APEC, sworn on December 26, 2019. The transcript of the cross-examination of Jia Rong was also filed in evidence.

[10] The Respondent relies upon the affidavit of John Chen, the CEO of iSpring, sworn on February 21, 2020. Mr. Chen was cross-examined on his affidavit and the transcript was filed into evidence.

IV. Issues

[11] The following are the issues for determination:

- A. Is APEC a person interested for the purposes of s 57(1) of the Act?
- B. Assessment of the evidence.
- C. Was iSpring entitled to register the trademark [s 18(1)(d)]?
- D. Was the trademark distinctive at the time these proceedings commenced [s 18(1)(b)]?
- E. Has the trademark been abandoned by iSpring [s 18(1)(c)]?
- F. Was the trademark registered in bad faith [s 18(1)(e)]?
- G. Does iSpring's application include a material misstatement?

V. Analysis

- A. *Is APEC a Person Interested for the Purposes of s 57(1) of the Act?*

[12] Section 57 of the Act states:

**Exclusive jurisdiction of
Federal Court**

57 (1) The Federal Court has exclusive original jurisdiction, on the application of the Registrar or of any person interested, to order that any entry in the register be struck out or amended on the ground

**Compétence exclusive de la
Cour fédérale**

57 (1) La Cour fédérale a une compétence initiale exclusive, sur demande du registraire ou de toute personne intéressée, pour ordonner qu'une inscription dans le registre soit biffée ou modifiée, parce que,

that at the date of the application the entry as it appears on the register does not accurately express or define the existing rights of the person appearing to be the registered owner of the trademark.

à la date de cette demande, l'inscription figurant au registre n'exprime ou ne définit pas exactement les droits existants de la personne paraissant être le propriétaire inscrit de la marque de commerce.

[13] As noted in *Beijing Jingdong 360 du E-commerce Ltd v Zhang*, 2019 FC 1293 [*Jingdong*], “[t]he term ‘person interested’ in subsection 57(1) of the *Act* is very broad and has been interpreted as setting out a ‘*de minimis*’ threshold for standing” (at para 11).

[14] There does not appear to be any dispute that APEC is a “person interested” within the meaning of s 57(1) of the *Act*. In any case, a competing registration for a trademark has been held to qualify an applicant as a “person interested” (see *Bedessee Imports Ltd v GlaxoSmithKline Consumer Healthcare (UK) IP Limited*, 2019 FC 206 at para 18; *Yiwu Thousand Shores E-Commerce Co Ltd v Lin*, 2021 FC 1040 at para 23 [*Yiwu Thousand Shores*]).

[15] In the circumstances, I am satisfied that APEC is a person interested for the purposes of the *Act*.

B. *Assessment of the Evidence.*

[16] There is a presumption of validity of the registration of a trademark. As summarized by Justice Sharlow, “[w]hat that means, in my view, is that an application for expungement will succeed only if an examination of all of the evidence presented to the Federal Court establishes

that the trade-mark was not registrable at the relevant time.” (*Cheaptickets and Travel Inc v Emall.ca Inc*, 2008 FCA 50 at para 12).

[17] The question of whether iSpring used the trademark APEC WATER in Canada underpins the alleged grounds of invalidity. As stated by the Supreme Court of Canada, “the gravaman of trade-mark entitlement is actual use [...] In the absence of use, a registered mark can be expunged” (*Mattel, Inc v 3894207 Canada Inc*, 2006 SCC 22 at para 5 [*Mattel*]).

[18] APEC argues that there is no evidence that iSpring used APEC WATER as a trademark in Canada. APEC relies upon the evidence in the affidavit of their investigator, Mr. Roger who details the steps he took to investigate whether iSpring was selling any of its products with the trademark APEC or APEC WATER. His affidavit describes the searches he conducted on iSpring’s website (123filter.com), their Facebook account, and the online retailer websites of Canadian Tire, Home Depot Canada, Lowes Canada, Walmart.ca, Amazon.ca, and Rona. Mr. Roger states that none of the listings for iSpring products that he located as a result of these searches made any reference to APEC or APEC WATER.

[19] iSpring relies upon the affidavit of CEO John Chen. Mr. Chen’s affidavit attaches copies of invoices of sales. It also attaches a single image of packaging showing the APEC WATER trademark, and a screenshot showing an “APEC WATER 10 Stainless Steel Countertop Filter” from the website os.123filter.com.

[20] The invoices attached to Mr. Chen's affidavit contain mathematical errors. In one invoice for 50 units of an item priced at \$79.00, the subtotal is listed as \$99.00. Another invoice for 50 units priced at \$72.00, lists the subtotal as \$7,200.00. Mr. Chen's explanation for these errors was that this was due to a manual adjustment in the software program. In addition to mathematical errors, the invoices do not contain information showing method of payment or method of delivery.

[21] iSpring's evidence of packaging bearing the APEC WATER trademark is limited to a single poor quality photograph. When questioned about this photograph, Mr. Chen was unable to answer where the packaging was ordered from, when it was made, whether anyone helped with the package design, whether the factory making the packaging was the same factory making the product, and how many proofs were provided before the final packaging design was approved. Overall, Mr. Chen's evidence on this issue lacks credibility.

[22] There are discrepancies in Mr. Chen's evidence relating to the website used by iSpring. In his affidavit, Mr. Chen states that iSpring promoted and sold APEC WATER products using the trademark on its website "os.123filter.com". On cross-examination, Mr. Chen stated that the website os.123filter.com is an old website, that has not been used for over ten years. Mr. Chen stated that the website was disabled after iSpring was served with this Application.

[23] The Applicant's investigator, Mr. Roger, was unable to locate the website os.123filter.com when he conducted an online search prior to this Application being filed. This

contradicts Mr. Chen's statement that the website was disabled when iSpring was served with this Application.

[24] Mr. Chen's evidence about iSpring's website where the sale of "APEC" branded products purported to take place was confusing and contradictory. Despite his claim that the website was disabled as a result of this Application, I am not satisfied that the website os.123filter.com was accessible to members of the public at the relevant time.

[25] Due to the discrepancies and ambiguities in Mr. Chen's evidence, I attribute low weight to his evidence.

[26] In the circumstances, I prefer the evidence from Mr. Roger's affidavit that:

- iSpring's website located at 123filter.com did not contain any references to the term APEC, other than a sponsored reference linking to the Applicant's own website and references comparing the Applicant's products or the compatibility of such products with iSpring's products;
- iSpring's Facebook account did not contain any references to the term APEC, other than a sponsored reference linking back to the Applicant's Facebook page;
- Sites for Canadian online retailers listed on iSpring's website, including Amazon Canada, did not contain any references to the term APEC together with the term "iSpring", other than references to the compatibility of the Applicant's products with iSpring's products;

- Sites for ten Canadian retailers did not contain any references to the term APEC along with the term “iSpring”.

[27] Mr. Roger was not cross-examined on his Affidavit. I, therefore, prefer the uncontested evidence of Mr. Roger over the evidence of Mr. Chen.

C. *Was iSpring Entitled to Register the Trademark [s 18(1)(d)]?*

[28] Paragraph 18(1)(d) of the Act provides that the registration of a trademark is invalid if:

(d) subject to section 17, the applicant for registration was not the person entitled to secure the registration;	d) sous réserve de l'article 17, l'auteur de la demande n'était pas la personne ayant droit d'obtenir l'enregistrement ;
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[29] The Act at s 17(1) provides that no registration shall be held to be invalid on the ground of any previous use of a confusing trademark by another person, except at the instance of that other person, who must establish that they had not abandoned the confusing trademark at the date of the advertisement of the application.

[30] I must first consider if the use of the trademark was abandoned by the Applicant. As the party challenging the validity of iSpring's registration, APEC must show they had not abandoned their use of the APEC WATER trademark as of the date of the advertisement of iSpring's application for the trademark on September 21, 2016.

[31] APEC has provided evidence in the form of invoices showing sales of APEC WATER trademarked products to Canadian customers between 2005 and 2019. They also provided

evidence of their social media accounts, including YouTube, Facebook, Twitter, Instagram, and Pinterest, which display the APEC WATER trademark. Their evidence is that they spent approximately \$500,000 US per year over the past 5 years on marketing in the form of pay-per-click advertising through Google and promotional campaigns through their website and social media accounts.

[32] Based upon this evidence, I am satisfied that the Applicant has demonstrated use of the trademark in Canada as early as 2005 and continuously thereafter. Therefore, APEC has met their onus under s 17(1) of proving they had not abandoned the trademark as of September 21, 2016.

[33] On the question of whether iSpring was the party entitled to register the trademark, it is necessary to consider s 16 of the Act, which provides that a party is entitled to register a trademark unless it was confusing with a trademark previously used or made known in Canada. The relevant date for this assessment is either the filing date of iSpring's application for registration of the trademark, or the date of first use of the trademark in Canada, whichever is earlier.

[34] In their application for the APEC WATER trademark, filed on August 23, 2015, iSpring claimed a date of first use in Canada of August 4, 2012. Therefore, the relevant date to assess confusion under paragraph 18(1)(d) is August 4, 2012.

[35] Section 6 of the Act defines when a trademark is confusing:

When mark or name confusing

6 (1) For the purposes of this Act, a trademark or trade name is confusing with another trademark or trade name if the use of the first mentioned trademark or trade name would cause confusion with the last mentioned trademark or trade name in the manner and circumstances described in this section.

Quand une marque ou un nom crée de la confusion

6 (1) Pour l'application de la présente loi, une marque de commerce ou un nom commercial crée de la confusion avec une autre marque de commerce ou un autre nom commercial si l'emploi de la marque de commerce ou du nom commercial en premier lieu mentionnés cause de la confusion avec la marque de commerce ou le nom commercial en dernier lieu mentionnés, de la manière et dans les circonstances décrites au présent article.

What to be considered

(5) In determining whether trademarks or trade names are confusing, the court or the Registrar, as the case may be, shall have regard to all the surrounding circumstances including

(a) the inherent distinctiveness of the trademarks or trade names and the extent to which they have become known;

(b) the length of time the trademarks or trade names have been in use;

(c) the nature of the goods, services or business;

Éléments d'appréciation

(5) En décidant si des marques de commerce ou des noms commerciaux créent de la confusion, le tribunal ou le registraire, selon le cas, tient compte de toutes les circonstances de l'espèce, y compris :

a) le caractère distinctif inhérent des marques de commerce ou noms commerciaux, et la mesure dans laquelle ils sont devenus connus ;

b) la période pendant laquelle les marques de commerce ou noms commerciaux ont été en usage ;

c) le genre de produits, services ou entreprises ;

(d) the nature of the trade; and d) la nature du commerce ;

(e) the degree of resemblance between the trademarks or trade names, including in appearance or sound or in the ideas suggested by them. e) le degré de ressemblance entre les marques de commerce ou les noms commerciaux, notamment dans la présentation ou le son, ou dans les idées qu'ils suggèrent

[36] Evidence of actual confusion is not necessary. The test is whether there is a likelihood of confusion (*Mattel* at para 55).

[37] iSpring's trademark for APEC WATER is identical to the mark used by APEC.

Furthermore, the parties are competitors in the same business. Therefore, there was a high likelihood that customers would be confused as there are two corporations offering the same products bearing the mark in the same water filtration business.

[38] APEC provided an invoice which establishes use of the APEC WATER mark in Canada on January 31, 2005 – years before iSpring's trademark application in 2015, or the date of claimed first use in 2012. APEC filed evidence showing it continued to use the trademark in Canada since 2005. I accept the evidence of APEC that it has been using its trademark for APEC WATER before iSpring's claimed first use date.

[39] Based upon the above, I conclude that there was a likelihood of confusion between the two trademarks and, therefore, iSpring was not entitled to register the trademark.

D. *Was the Trademark Distinctive at the Time These Proceedings Commenced [s 18(1)(b)]?*

[40] Paragraph 18(1)(b) of the Act provides that the registration of a trademark is invalid if:

<p>(b) the trademark is not distinctive at the time proceedings bringing the validity of the registration into question are commenced;</p>	<p>b) la marque de commerce n'est pas distinctive à l'époque où sont entamées les procédures contestant la validité de l'enregistrement ;</p>
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[41] This application was commenced by APEC on November 21, 2019 which is the relevant date for an assessment of distinctiveness.

[42] The concept of “distinctive” is defined in s 2 of the Act as:

<p><i>distinctive</i>, in relation to a trademark, describes a trademark that actually distinguishes the goods or services in association with which it is used by its owner from the goods or services of others or that is adapted so to distinguish them; (<i>distinctive</i>)</p>	<p><i>distinctive</i> Se dit de la marque de commerce qui distingue véritablement les produits ou services en liaison avec lesquels elle est employée par son propriétaire de ceux d'autres personnes, ou qui est adaptée à les distinguer ainsi. (<i>distinctive</i>)</p>
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[43] Distinctiveness is a question of fact and a trademark must have the following three requirements to be distinctive: (i) the mark and the goods/services must be associated; (ii) the owner of the mark must use this association in manufacturing and selling its goods/services; and (iii) this association must enable the owner to distinguish its goods/services from those of others (see *Nature Path Foods Inc v Quaker Oats Co of Canada Ltd*, 2001 FCT 366 at para 40; *Bodum USA, Inc v Meyer Housewares Canada Inc*, 2012 FC 1450 at para 117).

[44] The trademark registered by iSpring is identical to APEC's mark and covers the same goods and services. It, therefore, cannot be distinguished. Furthermore, as I have concluded that there is no evidence that iSpring used the trademark APEC WATER as of the commencement of these proceedings, I have no difficulty reaching the conclusion that the trademark is not distinctive of iSpring's goods or services.

E. *Has the Trademark Been Abandoned by iSpring [s 18(1)(c)]?*

[45] Paragraph 18(1)(c) of the Act provides that the registration of a trademark is invalid if:

(c) the trademark has been abandoned;	c) la marque de commerce a été abandonnée ;
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[46] A trademark can be struck on the basis of abandonment where the trademark is no longer in use in Canada and where the trademark owner demonstrates an intention to abandon the mark [*Jingdong* at para 16; *Promafil Canada Ltée v Munsingwear Inc*, 1992 CanLII 12831 (FCA) at 64].

[47] Mere non-use of a trademark does not necessarily establish abandonment and even the smallest demonstrated use can avoid a finding of abandonment (*Omega Engineering Inc v Omega SA*, 2006 FC 1472 at para 42). However, an intention to abandon a trademark may be inferred as the result of a failure to use the trademark for a long period of time (*Iwasaki Electric Co Ltd v Hortilux Schreder B.V.*, 2012 FCA 321 at para 21).

[48] In Mr. Chen's affidavit, he states "Over the years and until 2018, iSpring has promoted and sold its APEC WATER Products under the trademark APEC WATER via its e-commerce

website [...]” (emphasis added). By their own evidence, iSpring admits that they have not used the trademark after 2018, although the precise date in 2018 was not identified.

[49] However, iSpring argues that despite the non-use, there is no evidence that they intended to abandon the trademark. They rely upon Mr. Chen’s statement that he suspended the sales of APEC WATER products on iSpring’s old website after being served with this Application in November 2019. This explanation fails to reconcile the investigator’s inability to locate any evidence of use of the APEC trademark by iSpring.

[50] Accordingly, as I have found that iSpring has not demonstrated with reliable evidence, use of the trademark, I, therefore, conclude that iSpring abandoned the use of the APEC WATER trademark.

F. *Was the Trademark Registered in Bad Faith [s 18(1)(e)]?*

[51] Paragraph 18(1)(e) of the Act provides that the registration of a trademark is invalid if:

(e) the application for registration was filed in bad faith.	e) la demande d’enregistrement a été produite de mauvaise foi.
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[52] APEC submits that iSpring, as a competitor, has appropriated the APEC trademark and that this constitutes bad faith.

[53] As noted above, I have concluded that iSpring has not produced reliable evidence demonstrating use of the trademark via direct sales or online sales. This clearly raises a question

as to the motivation of iSpring in seeking to obtain a trademark which otherwise has no association to their business name or their website profile.

[54] However, I am not satisfied that iSpring was aware of APEC's use of the trademark in Canada, or that iSpring intended to harm APEC's business (*Yiwu Thousand Shores* at para 53). Mr. Chen's evidence was that at the time of filing the application for the trademark in 2015, he was unaware of any other entity claiming to have rights in the trademark APEC WATER in Canada.

[55] As noted by Justice Zinn in *Norsteel Building Systems Ltd v Toti Holdings Inc*, 2021 FC 927, the Respondent was "at best, wilfully blind as to whether it had the right to make the application in the face of its competitor [...] however, I cannot say that a failure to make the obvious inquiries amounts to bad faith" (at para 75).

[56] Here, although iSpring may have acted in a "wilfully blind" manner, I am not satisfied that the evidence meets the high threshold necessary to establish bad faith.

G. *Does iSpring's Application Include a Material Misstatement?*

[57] APEC argues that iSpring's application for registration of the trademark includes a material misstatement, as it claims a date of first use in Canada in 2012. APEC argues that in the absence of credible evidence of use, the registration is rendered void *ab initio*.

[58] As described by Justice Walker in *Yiwu Thousand Shores*:

The jurisprudence establishes that a fundamental misstatement in an application may render a registration invalid and void *ab initio* (*Coors Brewing Company v Anheuser Busch, LLC*, 2014 FC 716 at para 38; *WCC Containers Sales Ltd. v Haul-All Equipment Ltd.*, 2003 FC 962 at para 25). There is no requirement to establish fraud or an intent to deceive in these circumstances. A false statement of use has been recognized as a fundamental misstatement because the registration could not have been secured without the misstatement (at para 50).

[59] As I have found no credible evidence that iSpring has used the APEC WATER trademark in Canada, I find the date of claimed first use by iSpring is false and constitutes a material misstatement. The registration is, therefore, invalid.

VI. Costs

[60] As the successful party, APEC is entitled to costs. APEC claims costs on an elevated basis on the grounds that iSpring acted in bad faith. However, as I have not made a finding of bad faith on the part of iSpring, I decline to award elevated costs.

[61] Both parties provided a Bill of Costs with calculations under both Column III and Column V of Tariff B.

[62] In the circumstances, I award APEC costs in the all-inclusive amount of \$7,000.00.

JUDGMENT IN T-1887-19

THIS COURT'S JUDGMENT is that:

1. The application is granted;
2. The Court declares that Registration No. TMA969,157 is invalid;
3. The Registrar shall remove the Respondents Registration No TMA969,157 from the register; and
4. The Applicant is entitled to costs, which I set at \$7,000.00.

"Ann Marie McDonald"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1887-19

STYLE OF CAUSE: ADVANCED PURIFICATION ENGINEERING
CORPORATION DBA APEC WATER SYSTEMS v
ISPRING WATER SYSTEMS, LLC

PLACE OF HEARING: HELD BY VIDEOCONFERENCE

DATE OF HEARING: DECEMBER 6, 2021

JUDGMENT AND REASONS: MCDONALD J.

DATED: MARCH 22, 2022

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