

Federal Court of Appeal



Cour d'appel fédérale

Date: 20160302

Docket: A-570-14

Citation: 2016 FCA 69

**CORAM: PELLETIER J.A.
STRATAS J.A.
GLEASON J.A.**

BETWEEN:

SADHU SINGH HAMDARD TRUST

Appellant

and

**NAVSUN HOLDINGS LTD., MASTER WEB INC.
AND 6178235 CANADA INC.**

Respondents

Heard at Toronto, Ontario, on January 12, 2016.

Judgment delivered at Ottawa, Ontario, on March 2, 2016.

REASONS FOR JUDGMENT BY:

GLEASON J.A.

CONCURRED IN BY:

**PELLETIER J.A.
STRATAS J.A.**

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REASONS FOR JUDGMENT

GLEASON J.A.

[1] In this appeal, the appellant, Sadhu Singh Hamdard Trust [Hamdard Trust] seeks to set aside part of the judgment rendered on November 26, 2014 by the Federal Court in the context of a summary trial. In the judgment, indexed as 2014 FC 1139, the Federal Court dismissed Hamdard Trust's claims of copyright infringement and for passing off against the respondents, Navsun Holdings Ltd. and 6178235 Canada Inc. [the Bains Defendants] and against the

respondent, Master Web Inc. [Master Web]. The Federal Court also dismissed the Bains Defendants' Counterclaim.

[2] In this appeal, Hamdard Trust seeks to set aside the portions of the Federal Court's judgment dismissing its claims against the Bains Defendants. It argues that the Federal Court made several errors of law and reviewable errors of fact in dismissing these claims, which singly or cumulatively should result in its appeal being granted.

[3] It is not necessary to address each of the arguments made by Hamdard Trust in this appeal as I believe that the Federal Court made legal and reviewable factual errors, as discussed below, which are central to its decision to dismiss Hamdard Trust's claims against the Bains Defendants. I would accordingly allow this appeal with costs, amend the judgment below to provide only for the dismissal of Hamdard Trust's claim against Master Web and the dismissal of the Bains Defendants' Counterclaim, with costs, and would remit Hamdard Trust's claims against the Bains Defendants back to the Federal Court for re-determination.

I. Background

[4] Hamdard Trust is the owner and publisher of an Indian Punjabi-language daily newspaper called the "Ajit Daily". This paper has been published in India since 1955 and is well-known among the Punjabi population in India. An online version has been available since 2002. Only a small number of subscriptions have been sold in Canada, but several of the affiants whose affidavits were before the Federal Court on the summary trial motion lived in Canada and

deposed or confirmed in cross-examination that they were aware of the Ajit Daily and its reputation as an important Punjabi paper in India.

[5] The Bains Defendants own and publish a Canadian Punjabi-language newspaper called the “Ajit Weekly”, a free newspaper that has been published in Canada since 1993 and that is distributed at the front of supermarkets and other stores. An online version has been available since 1998. The Ajit Weekly has carried advertisements that Hamdard Trust believes are offensive to some of the Ajit Daily readership.

[6] There has been considerable litigation between Hamdard Trust and the Bains Defendants over the use of the Ajit name and the stylized depiction of the name on the masthead of the Ajit Weekly, which Hamdard Trust alleges constitutes an unauthorized copying of the Ajit Daily trade-mark. One of the actions between the parties produced a partial settlement agreement [PSA] that was incorporated into an order issued on October 1, 2009 by the United States District Court for the Eastern District of New York.

[7] The PSA provides for a limited licence to the Bains Defendants to use the Ajit Daily logo during the remainder of 2009 and, thereafter, for a further licence to use an approved variation of the logo under the conditions noted in the agreement. The section of the PSA granting the licence states that the licence granted “shall in no way affect the [p]arties’ respectively asserted trademark and other rights in any jurisdiction” (subsection C(5)). The PSA does not contain a release of the Bains Defendants from acts of copyright infringement that may have pre-dated its execution, but does provide that the PSA is a complete defence to any claims of infringement

based on the partial licences granted by the PSA. The PSA also provides that it is to be governed by the laws of New York and that the New York courts retain jurisdiction over the interpretation and implementation of the PSA.

II. The Standard of Review

[8] As this Court held in *Collins v. Canada*, 2015 FCA 281 at paragraph 38, the appellate standards of review outlined in *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235 [*Housen*] govern the review of determinations made on a motion for summary trial. Thus, the legal determinations made by the Federal Court in this case are reviewable for correctness and its conclusions of fact or mixed fact and law from which a legal question cannot be extricated are reviewable only if the Federal Court committed a palpable and overriding error. To be palpable, an error must be obvious, and to be overriding it must be central to the result reached: *South Yukon Forest Corporation v. Canada*, 2012 FCA 165, 431 N.R. 286 at paragraph 46.

[9] In *Sattva Capital Corp. v. Creston Moly Corp.*, 2014 SCC 5, [2014] 2 S.C.R. 633 [*Sattva*] at paragraphs 50-52, the Supreme Court of Canada determined that contractual interpretation involves issues of mixed fact and law and therefore that review of a trial court's contractual interpretations should normally be conducted under the appellate standard of palpable and overriding error. However, the Court recognized that ignoring a specific and relevant provision of a contract would constitute an extricable question of law and would therefore be reviewable on a standard of correctness (*Sattva* at paragraph 64).

III. The Copyright Claim

[10] In its Statement of Claim issued in the Federal Court on July 15, 2010, Hamdard Trust alleges that the Bains Defendants infringed its copyright in the Ajit Daily logo commencing in 1995. By virtue of section 41 (now 43.1) of the *Copyright Act*, R.S.C. 1985, c. C-42, which sets out a three year limitation period, Hamdard Trust can claim for acts of infringement going back only to July 15, 2007. Arguably, each publication of the Ajit Weekly constitutes a separate act of copyright infringement as the logo was republished each week, and, if so, the copyright infringement claim is not statute-barred.

[11] The Federal Court dismissed the copyright claim in paragraphs 78 and 79 of its Reasons, where it stated:

I dismiss the copyright claim against the Bains Defendants. I have insufficient evidence on construing the United States agreement and no expert evidence on the United States' law regarding this partial settlement agreement approved by the New York Court.

Even without expert evidence, it is clear that the partial settlement agreement permitted the use of the current form of the masthead now used by the Defendants. The masthead currently used is exactly as shown in the partial settlement agreement at Exhibit C and as evidenced by the email exchange regarding colour of the logo. Any disputes between the parties regarding copyright should go back to the United States as the parties agreed to that court retaining jurisdiction over any disputes regarding the copyright of the mark.

[12] It is not entirely clear from the foregoing why the Federal Court decided to dismiss the copyright claim. Three possibilities emerge from the cited passage:

- Without expert evidence as to American law, the Federal Court could not adjudicate the copyright claim;

- The claim was settled by the PSA because it permitted the current form of the masthead used by the Bains Defendants; or
- The issue was more properly decided by a court in the United States.

[13] None of the foregoing provides a basis for dismissing Hamdard Trust's copyright claim.

[14] Lack of evidence about American law is not an impediment to the Federal Court's interpreting the PSA, to the extent it was required to do so to adjudicate the copyright claim. Canadian conflict of laws principles, that the Federal Court was bound to apply, provide that a court faced with interpreting a contract that contains a choice of foreign law clause should apply domestic law if it has no evidence as to the content of the foreign law: *JP Morgan Chase Bank v. Lanner (The)*, 2008 FCA 399, [2009] 4 F.C.R. 109 at paragraphs 15-18; J. Walker, *Castel & Walker: Canadian Conflict of Laws*, 6th ed. (Markham: LexisNexis/Butterworths, 2005), loose-leaf updated October 2015, Vol. 1 at §§ 7-1, 7-4.1 - 7-5. The Federal Court therefore erred in law in relying on the lack of evidence about American law as providing a basis for the dismissal of Hamdard Trust's copyright claim.

[15] Likewise, the fact that the Bains Defendants' masthead complied with the PSA, at the time of the summary trial, does not provide a basis for the dismissal of Hamdard Trust's copyright claim in its entirety. As noted, the PSA provides only for a licence to the Bains Defendants to use the Ajit Daily logo, or a variation of it, from October 1, 2009 onwards and contains no release for acts of infringement that pre-date October 2009. The copyright claim, however, stretches back to July 2007. The Federal Court therefore erred in offering the fact of

current compliance with the PSA as a reason for dismissing Hamdard Trust's copyright claim as current compliance with the PSA is irrelevant to the claim for copyright infringements that occurred before October 1, 2009.

[16] Finally, the choice of forum provision contained in the PSA does not provide a basis for the dismissal of Hamdard Trust's copyright claim because the parties in this case attorned to the jurisdiction of the Federal Court for adjudication of the copyright claim through their pleadings and no party objected to the Federal Court's jurisdiction by reason of the choice of forum clause in the PSA. Even though neither party raised the choice of forum clause in the PSA, the Federal Court raised the issue of deferring the dispute to the New York courts on its own motion. In so doing, it erred in law as a court cannot of its own motion decline to hear a dispute that falls within its jurisdiction based on its belief that another forum is more appropriate. As the Supreme Court of Canada noted in *Club Resorts Ltd. v. Van Breda*, 2012 SCC 17, [2012] 1 S.C.R. 572 at paragraph 102:

Once jurisdiction is established, if the defendant does not raise further objections, the litigation proceeds before the court of the forum. The court cannot decline to exercise its jurisdiction unless the defendant invokes *forum non conveniens*. The decision to raise this doctrine rests with the parties, not with the court seized of the claim.

[17] Here, the Federal Court had jurisdiction over Hamdard Trust's copyright claim by virtue of subsection 20(2) of the *Federal Courts Act*, R.S.C. 1985, c. F-7, section 41.24 of the *Copyright Act* and the allegations in Hamdard Trust's Statement of Claim that the infringements occurred in Canada. The Federal Court therefore could not decline to hear the copyright claim of its own motion.

[18] Due to the foregoing errors, the decision of the Federal Court dismissing Hamdard Trust's copyright claim against the Bains Defendants must be set aside.

IV. The Passing Off Claim

[19] Hamdard Trust alleges that in misappropriating the Ajit Daily logo the Bains Defendants were engaged in passing off in violation of subsection 7(b) of the *Trade-marks Act*, R.S.C. 1985, c. T-13 and in violation of Hamdard Trust's common law rights.

[20] In a claim of passing off, either at common law or under subsection 7(b) of the *Trade-marks Act*, a plaintiff must establish three elements: first, that it possesses goodwill in the trade-mark; second, that the defendant deceived the public by misrepresentation; and, third, that the plaintiff suffered actual or potential damage through the defendant's actions: *Kirkbi AG v. Ritvik Holdings Inc.*, 2005 SCC 65, [2005] 3 S.C.R. 302 at paragraph 66 [*Kirkbi*]; *Ciba-Geigy Canada Ltd. v. Apotex Inc.*, [1992] 3 S.C.R. 120 at 132, 1992 CanLII 33 (S.C.C.) [*Ciba-Geigy*].

[21] The second element of misrepresentation will be met if the plaintiff establishes that the defendant has used a trade-mark that is likely to be confused with the plaintiff's distinctive mark: *Ciba-Geigy* at 136-137, 140. Subsection 6(5) of the *Trade-marks Act* sets out a non-exclusive list of factors to be assessed in establishing confusion, namely:

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|--|--|
| (a) the inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known; | a) le caractère distinctif inhérent des marques de commerce ou noms commerciaux, et la mesure dans laquelle ils sont devenus connus; |
| (b) the length of time the trade-marks or trade-names have been in use; | b) la période pendant laquelle les marques de commerce ou noms |

- | | |
|--|---|
| | commerciaux ont été en usage; |
| (c) the nature of the goods, services or business; | 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 trade-marks or trade-names 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 dans la présentation ou le son, ou dans les idées qu'ils suggèrent. |

[22] In dismissing Hamdard Trust's trade-mark claim, the Federal Court found that Hamdard Trust had failed to establish any of the three necessary elements for a claim of passing off.

[23] With respect to goodwill, the Federal Court viewed the existence of goodwill from the viewpoint of the number of Ajit Daily subscribers in Canada. The Court noted as follows at paragraph 81 of its Reasons:

The existence of commercial goodwill is tested by looking if the party has established that its goods are known in the market by reason of their distinguishing feature. The goodwill must have been created through the exclusive use of the name or mark with its business, wares or services. The relevant market where a plaintiff proves [its] reputation is the defendant's market [citations omitted]. So I must ask myself if the people that subscribe (seven subscribers) to the Ajit Daily in Canada are likely to suffer a misrepresentation because of the Ajit Weekly's reputation in the same market.

[24] The Federal Court continued its analysis of the issue in paragraph 84 of its Reasons by stating:

The Plaintiff's evidence falls short of demonstrating reputation in the Defendants' geographic region. There is no survey or other independent reputable evidence before me to find that the Ajit Daily has commercial goodwill in Canada or is famous in Canada as the only evidence presented to me is of seven subscribers in Canada in 2010.

[25] In analyzing the existence of goodwill solely from the perspective of those who were shown to have read the *Ajit Daily* in Canada, the Federal Court erred in law because use of a trade-mark in Canada is not a necessary pre-condition for the existence of goodwill in Canadian law. Rather, the requisite goodwill within a defendant's market may be shown to exist by virtue of the reputation of the plaintiff's trade-mark in the defendant's market, even where the plaintiff does not use the trade-mark in that market: *Orkin Exterminating Co. Inc. v. Pestco Co. of Canada Ltd. et al.*, [1985] O.J. No. 2536, 1985 CarswellOnt 144; *Enterprise Rent-A-Car Co. v. Singer*, [1996] 2 F.C.R. 694, 1996 CarswellNat 2506 at paragraph 52 aff'd 1998 CanLII 7405 (F.C.A.).

[26] As the Ontario Court of Appeal noted in *Orkin*, at paragraph 49:

[...] a plaintiff does not have to be in direct competition with the defendant to suffer injury from the use of its trade name by the defendant. If the plaintiff's trade name has a reputation in the defendant's jurisdiction, such that the public associates it with services provided by the plaintiff, then the defendant's use of it means that the plaintiff has lost control over the impact of its trade name in the defendant's jurisdiction.

[27] Here, there was evidence before the Federal Court to indicate that the *Ajit Daily* enjoyed a reputation in the eyes of several affiants in Canada as a well-known Punjabi-language newspaper published in India. There was also evidence that a number of Canadians accessed the *Ajit Daily's* online version by visiting its website. It was incumbent on the Federal Court to evaluate this evidence to determine whether it was sufficient to establish that the *Ajit Daily* had garnered a reputation among a wider group in Canada than the few subscribers who bought the paper. Had such a wider reputation been established, it would have been sufficient to establish the requisite goodwill to meet the first step in the tripartite test for passing off. The Federal

Court, however, did not engage in this analysis as it erroneously viewed the issue of goodwill from the vantage point of the few Canadian subscribers who were shown to have purchased the Ajit Daily in Canada. The Federal Court therefore erred in law as it failed to apply the correct test for the assessment of goodwill.

[28] With respect to the second essential element for a claim of passing off, namely that a defendant's trade-mark be shown to be confusing with the plaintiff's mark, the Federal Court found that there was no confusion between the trade-mark of Hamdard Trust and that of the Bains Defendants. Both marks are a stylized version of the word "Ajit", which is a commonly-used name among Punjabis. The trade-marks in this case are thus not simply the word "Ajit" but, rather, the word and the stylized way in which it is written, that both papers use as their logos.

[29] The Federal Court found that the two marks, although indistinguishable to a casual consumer somewhat in a hurry, were not confusing in part because Hamdard Trust's stylized depiction of "Ajit", that it used on the masthead of the Ajit Daily for several years, was not distinctive. In assessing distinctiveness, the Federal Court stated as follows at paragraph 90 of its Reasons:

The mark is a common Punjabi word and also a common first name. The word "ajit" is used in business names in the Punjab and the rest of the world by the Punjabi community. There is no originality that attaches to this mark as it is simply a word written in a Punjabi font. There was evidence it is "Nanak heavy" font.

[30] However, the evidence before the Federal Court indicated that the stylized version of the word "Ajit" that appears on the masthead of the Ajit Daily was developed by an employee of Hamdard Trust and that the copyright for the Nanak heavy font was acquired only in 1995, two

years *after* the Ajit Weekly had begun using the Ajit Daily logo in Canada. These facts support the originality of the stylized Ajit Daily trade-mark. If the trade-mark were original, its use by the Bains Defendants is more likely to have been a result of a deliberate attempt to copy the Ajit Daily trade-mark, which may well have led to confusion. Moreover, in assessing the issue of distinctiveness, the Federal Court failed to consider the evidence as to the reputation that the Ajit Daily enjoyed, which may have contributed to the mark's acquiring distinctiveness. The Federal Court committed a palpable and overriding error in failing to consider these factors, which are central to the issue of distinctiveness. In short, the issue is not as straightforward as the Federal Court held and many additional facts needed to be weighed and considered before determining whether Hamdard Trust's mark was distinctive. As the lack of distinctiveness was key to the Federal Court's determination as to the lack of confusion, it follows that its finding on this point cannot stand.

[31] Finally, the Federal Court held that Hamdard Trust had not established that it suffered any compensable damages by reason of the Bains Defendants' use of the Ajit trade-mark in Canada. In making this determination, the Federal Court did not consider whether such use might have tarnished Hamdard Trust's goodwill as the Federal Court found that no such goodwill existed. However, the presence of the requisite damages to found a claim in passing off can be established through proof of a loss of control over reputation, image or goodwill: *Cheung v. Target Event Production Ltd.*, 2010 FCA 255 at paragraphs 24, 27-28; *Orkin* at paragraphs 48-49, 75. The Federal Court's findings in respect of damages were therefore erroneously premised at least in part on its erroneous goodwill determination and, accordingly, cannot stand.

[32] Thus, the Federal Court's dismissal of Hamdard Trust's passing off claim must be set aside as the Federal Court erred in respect of central findings on each of the three elements applicable to a claim for passing off.

V. Disposition

[33] Hamdard Trust requests that its action against the Bains Defendants be remitted back to the Federal Court for re-determination and that it be free to file additional evidence in respect of the re-determination. I agree that the matter should be remitted back to the Federal Court as disposing of the action against the Bains Defendants will require reassessment of the relevant facts, a task that is inappropriate for this Court to undertake on appeal in this case. However, I feel it likewise inappropriate in this case for this Court to determine how the Federal Court's re-assessment should be conducted as that is a matter best decided by the Federal Court.

[34] I therefore would propose that this appeal be allowed with costs, that the judgment of the Federal Court be varied to provide only for the dismissal of Hamdard Trust's claim against Master Web and the dismissal of the Bains Defendants' Counterclaim, with costs, and that Hamdard Trust's claims against the Bains Defendants be remitted back to the Federal Court for re-determination. I would provide no directions as to how this re-determination should be conducted.

"Mary J.L. Gleason"

J.A.

"I agree
J.D. Denis Pelletier J.A."

"I agree
David Stratas J.A."

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

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REASONS FOR JUDGMENT BY: GLEASON J.A.

CONCURRED IN BY: PELLETIER J.A.
STRATAS J.A.

DATED: MARCH 2, 2016

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