

**Federal Court of Appeal**



**Cour d'appel fédérale**

**Date: 20191202**

**Docket: A-365-18**

**Citation: 2019 FCA 295**

**CORAM: PELLETIER J.A.  
WOODS J.A.  
LASKIN J.A.**

**BETWEEN:**

**SANDHU SINGH HAMDARD TRUST**

**Appellant**

**and**

**NAVSUN HOLDINGS LTD. and 6178235 CANADA INC.**

**Respondents**

Heard at Toronto, Ontario, on September 18, 2019.

Judgment delivered at Ottawa, Ontario, on December 2, 2019.

**REASONS FOR JUDGMENT BY:**

**LASKIN J.A.**

**CONCURRED IN BY:**

**PELLETIER J.A.  
WOODS J.A.**

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**LASKIN J.A.**

**I. Introduction**

[1] In *Sadhu Singh Hamdard Trust v. Navsun Holdings Ltd.*, 2016 FCA 69, 483 N.R. 33, this Court allowed an appeal by Hamdard Trust from a judgment of the Federal Court (2014 FC 1139, 128 C.P.R. (4th) 168), rendered after a summary trial, dismissing its trademark and copyright claims against Navsun and a related company (together, Navsun), and dismissing

Navsun's counterclaim. The Court remitted Hamdard Trust's claims to the Federal Court and directed their redetermination. On the redetermination (2018 FC 1039, 160 C.P.R. (4th) 282, Fothergill J.), which also took the form of a summary trial, the Federal Court concluded that Hamdard Trust had established certain of its claims, but failed to establish others. It awarded damages totalling \$10,000. It also declined to address Navsun's counterclaim.

[2] This appeal by Hamdard Trust is from the judgment of the Federal Court on the redetermination. Navsun cross-appeals, seeking the dismissal of one of Hamdard Trust's trademark claims and the associated claim for damages, and attacking the Federal Court's failure to address its counterclaim.

[3] For the reasons set out below, I would allow in part both the appeal and the cross-appeal. Despite the parties' request that this Court proceed to decide the claims that now remain on their merits, I would remit these claims to the Federal Court for further redetermination.

## II. Background

[4] This Court set out the background to the dispute between Hamdard Trust and Navsun in its reasons in the first appeal (at paras. 4-7). For efficiency, I reproduce those paragraphs here, with some additions and minor subtractions.

[5] Hamdard Trust is the owner and publisher of an Indian Punjabi-language daily newspaper called the "Ajit Daily." In Punjabi, the word "Ajit" means "invincible" or "unconquerable." 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 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.

[6] Navsun owns and publishes a Canadian Punjabi-language newspaper called the “Ajit Weekly,” a free newspaper that has been published in Canada since 1993 and 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.

[7] There has been considerable litigation between Hamdard Trust and Navsun 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 unauthorized use of the Ajit Daily trademark. 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.

[8] The PSA provides for a limited licence to Navsun to use the Ajit Daily logo during the remainder of 2009 and, subsequently, for a further licence to use an approved variation of the logo under the conditions noted in the agreement. Navsun modified the logo of the Ajit Weekly in accordance with the latter licence in September 2009.

[9] 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 Navsun 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 copyright infringement based on the partial licences granted by the PSA.

[10] Hamdard Trust succeeded in the redetermination in establishing its claims for passing off and copyright infringement with respect to Navsun’s original logo. (The Federal Court stated (at para. 6) that Hamdard Trust also established its claim for depreciation of goodwill with respect to the original logo, but this is not borne out by its reasons (at para. 75) or the terms of the judgment.) It failed to establish passing off, trademark infringement, or depreciation of goodwill with respect to Navsun’s modified logo or its internet domain name, [www.ajitweekly.com](http://www.ajitweekly.com).

[11] I note that the Federal Court’s judgment also purports to dismiss Hamdard Trust’s claim of copyright infringement with respect to the modified logo. In fact, Hamdard Trust did not pursue that issue in the Federal Court (see para. 76 of the Federal Court’s reasons), so that the Federal Court’s reference to copyright infringement in paragraph 3 of its judgment is simply an oversight on its part.

### III. The asserted errors

[12] In their written and oral submissions, both Hamdard Trust and Navsun assert that the Federal Court committed errors of law, of fact, and of mixed fact and law in conducting the

redetermination. Hamdard Trust submits that after correcting the errors that it identifies, this Court should decide the merits and grant a permanent injunction restraining Navsun from engaging in passing off, trademark infringement, or depreciation of goodwill, or in the alternative (which it made clear in oral argument it sees as much less desirable) remit these issues to the Federal Court for redetermination. Navsun submits that after correcting the errors that it identifies, this Court should decide the merits, dismiss Hamdard Trust's appeal, dismiss the trademark claim on which Hamdard Trust succeeded on the redetermination, and grant Navsun's counterclaim for a declaration that Hamdard Trust's registered mark is void *ab initio*. Navsun does not cross-appeal the finding of copyright infringement.

[13] In what follows I set out and deal in turn with the errors that the parties assert, beginning with those asserted by Hamdard Trust, and then addressing those asserted by Navsun. In some instances the parties are in agreement that the Federal Court erred in law. The correctness standard applies to the asserted errors of law. Any asserted errors of fact or mixed fact and law are reviewable only for palpable and overriding error. Once I consider the extent to which the asserted errors have been established, I will address the appropriate disposition.

A. *Did the Federal Court err in adopting the findings made in the first Federal Court decision?*

[14] At paragraph 25 of its reasons on the redetermination, the Federal Court stated,

[25] An overview of the relevant evidence presented by the parties in the initial motions for summary judgment or summary trial may be found in [the reasons in the first summary trial] at paragraphs 32 to 57. Neither the Federal Court of Appeal nor the parties expressed concern about this Court's prior evidentiary findings, and they are incorporated into these Reasons for Judgment.

[15] Hamdard Trust asserts that the Federal Court erred in adopting these “evidentiary findings.” In doing so, it submits, the Court failed to follow the judgment of this Court requiring a redetermination. The Federal Court’s conclusion as to the scope of the redetermination ordered by this Court raises a question of law: *Corlac Inc. v. Weatherford Canada Ltd.*, 2012 FCA 261 at para. 22, 440 N.R. 113.

[16] I would not give effect to this ground of appeal. First, I agree with Navsun that, although the Federal Court used the expression “evidentiary findings,” the paragraphs that it adopted merely summarized the affidavit and cross-examination evidence filed by the parties at the first summary trial. They do not contain the analysis or factual findings that Hamdard Trust challenged or that this Court set aside on the first appeal; the Federal Court undertook its own analysis of the evidence in conducting the redetermination. Second, this Court specifically declined in the first appeal to specify how the redetermination should be conducted (2016 FCA 69 at para. 33). Nothing in its judgment precluded the Federal Court from adopting portions of the reasons from the first summary trial.

B. *Did the Federal Court err in failing to determine whether Navsun’s modified trademark was the same as Hamdard Trust’s trademark for purposes of section 19?*

[17] Hamdard Trust’s claims considered in the redetermination included claims that Navsun’s modified logo infringed Hamdard Trust’s trademark under section 19 or alternatively, section 20, of the *Trademarks Act*, R.S.C. 1985, c. T-13. These two provisions (the latter in relevant part) read as follows:

**19** Subject to sections 21, 32 and 67,  
the registration of a trademark in

**19** Sous réserve des articles 21, 32 et  
67, l’enregistrement d’une marque de

respect of any goods or services, unless shown to be invalid, gives to the owner of the trademark the exclusive right to the use throughout Canada of the trademark in respect of those goods or services.

**20 (1)** The right of the owner of a registered trademark to its exclusive use is deemed to be infringed by any person who is not entitled to its use under this Act and who

(a) sells, distributes or advertises any goods or services in association with a confusing trademark or trade name;

commerce à l'égard de produits ou services, sauf si son invalidité est démontrée, donne au propriétaire le droit exclusif à l'emploi de celle-ci, dans tout le Canada, en ce qui concerne ces produits ou services.

**20 (1)** Le droit du propriétaire d'une marque de commerce déposée à l'emploi exclusif de cette dernière est réputé être violé par une personne qui est non admise à l'employer selon la présente loi et qui :

a) soit vend, distribue ou annonce des produits ou services en liaison avec une marque de commerce ou un nom commercial créant de la confusion;

[18] In rejecting Hamdard Trust's infringement claims, the Federal Court focused (at paras. 73-74) on whether Navsun's modified logo was confusingly similar to Hamdard Trust's registered mark. It stated that "[t]o establish infringement under ss 19 and 20 of the Trade-marks Act, this Court must consider the non-exhaustive factors listed in s 6(5)" – the factors to be considered in determining whether trademarks are confusing. It was "not persuaded" that Hamdard Trust had "met its burden of demonstrating" confusing similarity.

[19] Hamdard Trust submits that the Federal Court failed to apply the correct legal test in assessing the section 19 claim – that it erred in failing to ask itself whether the two marks were the same. Hamdard Trust further submits that whether two marks are the same is determined not by testing for confusion, but by assessing whether there are substantial differences between the



marks, so that a typical consumer, somewhat familiar with the registered mark and somewhat in a hurry, would perceive the marks to be the same.

[20] I agree with Hamdard Trust that the Federal Court failed to apply the correct legal test in determining the section 19 claim. Infringement under section 19 is distinct from infringement under section 20. Section 19 is concerned with the use by a defendant of a trademark that is identical to the plaintiff's registered trademark; the exclusive right that it protects is the right to the trademark as registered. Section 20 is broader in scope; it captures use by a defendant of a trademark that is confusing in light of, but not necessarily identical to, the plaintiff's registered mark: *Mr. Submarine Ltd. v. Amandista Investments Ltd.* (1987) [1988] 3 F.C. 91 at 97-98, 19 C.P.R. (3d) 3 (C.A.); *Tradition Fine Foods Ltd. v. Oshawa Group Ltd.*, 2005 FCA 342 at paras. 8-9, 260 D.L.R. (4th) 193, leave to appeal refused, [2006] 1 S.C.R. xv; *Venngo Inc. v. Concierge Connection Inc. (Perkopolis)*, 2017 FCA 96 at paras. 11-12, 146 C.P.R. (4th) 182, leave to appeal refused, [2017] 2 S.C.R. x. The relevant question in assessing the section 19 claim, therefore, was not whether Navsun's mark was confusingly similar to Hamdard Trust's registered mark, but whether the two marks were identical. The Federal Court erred in failing to ask itself this question.

[21] However, I do not accept Hamdard Trust's submission that whether two marks are identical for section 19 purposes is to be determined by a "mental association" test, based on the perception of the typical consumer. Hamdard Trust relies primarily for this submission on the Supreme Court's statements in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23 at paras. 20-21, 33, 35, 38, [2006] 1 S.C.R. 824. But those statements were made in the course

of determining claims based on confusion and depreciation of goodwill, not a claim under section 19. The authorities other than *Veuve Clicquot* on which Hamdard Trust relies, including *Promafil Canada Ltée v. Munsingwear Inc.* (1992), 142 N.R. 230, 44 C.P.R. (3d) 59 (F.C.A.), leave to appeal refused, [1993] 2 S.C.R. x, and *Ottawa Athletic Club Inc. (Ottawa Athletic Club) v. Athletic Club Group Inc.*, 2014 FC 672, 128 C.P.R. (4th) 1, are not section 19 cases either.

[22] In the section 19 context, identical simply means the same, not merely similar: *Tradition Fine Foods* at para. 9. In assessing whether the trademarks here are identical, it is necessary to take into account that, as this Court stated in the first appeal (at para. 28), “[t]he trade-marks in this case are [...] 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.”

[23] For these reasons, the dismissal of Hamdard Trust’s section 19 claim in relation to Navsun’s modified trademark must be set aside.

C. *Did the Federal Court err in failing to consider required factors in assessing confusion for purposes of section 20?*

[24] As noted above, section 20 of the *Trademarks Act* captures use by a defendant of a trademark that is confusing in light of the plaintiff’s registered mark. The Federal Court carried out most of its analysis of confusing similarity in addressing (at paras. 37-50 of its reasons) Hamdard Trust’s claims for passing off. It was in that context that the Court stated that it was “not persuaded” that Navsun’s modified logo was confusingly similar to Hamdard Trust’s mark. In the same context, it also pointed (at para. 48) to Hamdard Trust’s agreement to the PSA as an

admission that the modified logo was sufficiently distinct for copyright purposes, and stated (at para. 49) that “[i]f the new logo is sufficiently different to avoid infringing [Hamdard Trust’s] copyright in the image, then it is counterintuitive to suggest it is not sufficiently different to avoid confusion in the marketplace.” It adopted this analysis (at paras. 73-74) in considering the trademark infringement claims.

[25] As also noted above, the Federal Court recognized that in determining the claims for trademark infringement under section 20 of the *Trademarks Act*, it had to consider all of the non-exhaustive factors listed in subsection 6(5). This Court confirmed that requirement (along with the requirement to consider all other surrounding circumstances) in *Group III International Ltd. v. Travelway Group International Ltd.*, 2017 FCA 215 at paras. 34-35, 151 C.P.R. (4th) 295.

[26] The subsection reads as follows:

**6 (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;

**6 (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.

[27] Both sides submit that the Federal Court erred in law by failing to consider all of the subsection 6(5) factors in assessing the likelihood of confusion. Hamdard Trust attacks on this basis the Federal Court's determination that Navsun's modified logo was not confusingly similar to Hamdard Trust's logo. It also submits that the Federal Court erred by applying, instead of the test for confusing similarity, the test for infringement of copyright. Navsun argues that in finding liability for passing off with respect to its original logo, the Federal Court ultimately limited its analysis to one factor: the degree of resemblance between the marks.

[28] I share the parties' view that the Federal Court erred in failing to meet the requirements of subsection 6(5). Although the Federal Court summarized both sides' submissions on the issue of confusion (at paras. 39-45), and these submissions touched on a number of relevant factors, the only factors that the Federal Court itself analyzed (at paras. 45-50) were the paragraph 6(5)(a) factor of distinctiveness and the paragraph 6(5)(e) factor of degree of resemblance between the trademarks or trade names. Even then, the focus of the Court's consideration of resemblance was solely on the appearance of the marks; it said nothing about the other elements of paragraph 6(5)(e). I appreciate that, as the Federal Court observed (at para. 38), the Supreme Court has stated that degree of resemblance is the factor "that is often likely to have the greatest effect on the confusion analysis": *Masterpiece Inc. v. Alavida Lifestyles Inc.*, 2011 SCC 27 at

para. 49, [2011] 2 S.C.R. 387. In some cases in which an emphasis is placed on this factor, it may be possible to infer that all of the other required factors have also been considered. I cannot however draw that inference here, given the limits of the analysis carried out.

[29] The Federal Court also erred, in my view, in relying in part on whether Navsun's modified mark was sufficiently different to avoid liability for infringement of copyright. The criteria for copyright infringement and trademark infringement are not the same. As Professor David Vaver writes in *Intellectual Property Law: Copyright, Patents, Trade-marks*, 2d ed. (Toronto: Irwin Law Inc., 2011) at 59,

Copyright law protects copying only. Nobody infringes unless they somehow copied a protected work without authority. This requirement is what supposedly makes the long term of copyright tolerable and makes copyrights different from patents, industrial designs, or trade-marks, where the right may be infringed despite a defendant's independent creation.

[30] For these reasons, the dismissal of Hamdard Trust's section 20 claim in relation to Navsun's modified trademark must, in my view, be set aside.

D. *Did the Federal Court err in applying the wrong test in determining the claim for depreciation of goodwill?*

[31] Section 22 of the *Trademarks Act* confers a cause of action for depreciation of goodwill as follows:

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

**22 (1)** Nul ne peut employer une marque de commerce déposée par une autre personne d'une manière susceptible d'entraîner la diminution de la valeur de l'achalandage attaché à cette marque de commerce.

[32] The Federal Court rejected Hamdard Trust's claim for depreciation of goodwill in relation to Navsun's modified logo in one sentence (at para. 75): "Given my conclusion that neither Navsun's new logo nor its Internet domain name are confusingly similar to [Hamdard Trust's] registered mark, there can be no depreciation of goodwill pursuant to s 22." (The Federal Court's conclusion with respect to the Internet domain name is not in issue in this appeal.)

[33] Both sides submit that the Federal Court erred in dismissing the claim on this basis. Hamdard Trust submits that on the correct test, it is entitled to succeed on its claim. Navsun counters that on the correct test, the claim should fail.

[34] I agree that the Federal Court applied the wrong test. The Supreme Court has held that the cause of action under section 22 is "conceptually quite different" from trademark infringement under section 20: *Veuve Clicquot* at para. 46. The question is not whether the marks are confusingly similar; section 22 does not require a demonstration that use of both marks in the same geographic area would likely lead to confusion: *Veuve Clicquot* at para. 38. Rather, the depreciation of goodwill is to be determined by the four-part test set out in *Veuve Clicquot* at para. 46:

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. Secondly, that the claimant's registered trade-mark is sufficiently well known to have significant goodwill attached to it. Section 22 does not require the mark to be well known or famous (in contrast to the analogous European and U.S. laws), but a defendant cannot depreciate the value of the goodwill that does not exist. Thirdly, the claimant's mark was used in a manner *likely* to have an effect on that goodwill (i.e. linkage) and fourthly that the *likely* effect would be to depreciate the value of its goodwill (i.e. damage).

[35] The Federal Court erred in law in failing to apply this test. The dismissal of Hamdard Trust's section 22 claim in relation to Navsun's modified trademark must therefore be set aside.

E. *Did the Federal Court err in determining the claims for passing off under paragraph 7(b)?*

[36] Hamdard Trust claimed passing off under paragraph 7(b) of the *Trademarks Act* in relation to both Navsun's original and its modified logo. Paragraph 7(b) reads as follows:

**7** No person shall

[...]

**(b)** direct public attention to his goods, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his goods, services or business and the goods, services or business of another;

**7** Nul ne peut :

[...]

**b)** appeler l'attention du public sur ses produits, ses services ou son entreprise de manière à causer ou à vraisemblablement causer de la confusion au Canada, lorsqu'il a commencé à y appeler ainsi l'attention, entre ses produits, ses services ou son entreprise et ceux d'un autre;

[37] The Federal Court determined (at paras. 6 and 47-49) that Hamdard Trust had established passing off, but only with respect to Navsun's original logo. It rejected the passing off claim

directed to the modified logo. Navsun submits that the Federal Court erred in finding passing off in relation to the original logo. Hamdard Trust submits in response that the Federal Court erred in concluding that there was no passing off in relation to the modified logo.

[38] Navsun first acknowledges that the Federal Court correctly set out (at para. 29) the overall three-part test for passing off: that the plaintiff must prove (1) the existence of goodwill, (2) deception of the public resulting from a misrepresentation, and (3) actual or potential damage to the plaintiff: *Kirkbi AG v. Ritvik Holdings Inc.*, 2005 SCC 65 at paras. 66-69, [2005] 3 S.C.R. 302. However, it submits that the Federal Court made three errors in its interpretation and application of this test. The first two relate to the goodwill element: Navsun submits that the Federal Court erred in law by applying the wrong test to ascertain the existence of goodwill, and committed a palpable and overriding error by failing to consider evidence explaining Navsun's decision to use the name "Ajit" in Canada. The third is the failure to apply the required factors when assessing confusion for purposes of the deception element of the three-part test.

[39] Navsun also goes on to recognize, based on this Court's decision in *Nissan Canada Inc. v. BMW Canada Inc.*, 2007 FCA 255 at paras. 14-15, 380 N.R. 147, that in addition to meeting the three-part test, there is a threshold requirement that a plaintiff must meet to resort to statutory passing off under paragraph 7(b): the plaintiff must first prove possession of a valid and enforceable trademark, whether registered or unregistered, at the time the defendant first began directing public attention to its own goods and services: see also *Cheung v. Target Event Production Ltd.*, 2010 FCA 255 at para. 20, 409 N.R. 118; *Badawy v. Igras*, 2019 FCA 153 at paras. 2-3, 8-9. This in turn requires, given the definitions of "trademark" and "use" in sections 2



and 4 of the *Trademarks Act*, that the mark have been used by the plaintiff for the purpose of distinguishing its wares or services from those of others: *Nissan Canada* at paras. 15-18. The Federal Court did not advert to this requirement, which appears to derive from constitutional constraints on federal jurisdiction in relation to trademarks: see *Kirkbi* at paras. 3, 26. That was itself a legal error in my view, regardless of how easily the threshold could have been met.

[40] I now turn to the errors that Navsun asserts in the Federal Court's application of the three-part test. In brief, I conclude that the Federal Court did not err in its identification and application of the legal test for ascertaining the existence of goodwill, or in its treatment of the evidence explaining the use of the name "Ajit." However, I do conclude that the Federal Court erred in failing to consider the required factors when assessing deception. Consequently, the finding of passing off cannot stand.

- (1) Did the Federal Court err in applying the wrong test to ascertain the existence of goodwill?

[41] The Federal Court began its consideration of the existence of goodwill for purposes of passing off (at para. 30) by noting, paraphrasing *Kirkbi* at para. 67, that "[t]he existence of goodwill is tested by determining whether the party has established that its goods are known in the market by reason of their distinctive features." It then summarized the parties' submissions on this question, including their submissions on whether, in line with this Court's holding in the first appeal (at para. 27), the Ajit Daily had "garnered a reputation among a wider group in Canada than the few subscribers who bought the paper."

[42] The Federal Court then set out (at para. 34) the factors that, according to *Veuve Clicquot*, are to be considered in assessing goodwill for purposes of a section 22 depreciation of goodwill claim:

While “fame” is not a requirement of s. 22, a court required to determine the existence of goodwill capable of depreciation by a “non-confusing” use (as here) will want to take that approach into consideration, as well as more general factors such as the degree of recognition of the mark within the relevant universe of consumers, the volume of sales and the depth of market penetration of products associated with the claimant’s mark, the extent and duration of advertising and publicity accorded the claimant’s mark, the geographic reach of the claimant’s mark, its degree of inherent or acquired distinctiveness, whether products associated with the claimant’s mark are confined to a narrow or specialized channel of trade, or move in multiple channels, and the extent to which the mark is identified with a particular quality.

[43] The Court went on to state (at para. 35) that, “[a]ssuming that similar factors may be used to determine the existence of goodwill in a claim for passing off, their application in this case may be summarized as follows [...]” The Court then discussed five factors identified in *Veuve Clicquot*: (1) degree of recognition of the mark within the relevant universe of consumers; (2) volume of sales and depth of market penetration of products associated with the claimant's mark; (3) extent and duration of advertising and publicity accorded the claimant’s mark, the geographic reach of the claimant’s mark; (4) degree of inherent or acquired distinctiveness; and (5) whether products associated with the claimant’s mark are confined to a narrow or specialized channel of trade, or move in multiple channels. It concluded (at para. 36) that, “[o]n balance, [...] Hamdard [Trust] enjoyed sufficient goodwill within Canada to sustain a claim of passing-off.”

[44] Navsun submits that the Federal Court erred in law by applying the *Veuve Clicquot* factors in this context. It argues that the analysis under section 22 is premised on the claimant

having a valid registered trademark, and “presupposes the existence of significant goodwill capable of being depreciated by a non-confusing use”: *Veuve Clicquot* at para. 53. To succeed on a claim for passing off under paragraph 7(b), by contrast, the plaintiff must demonstrate the existence of goodwill in the defendant’s market, not whether it has depreciated or is capable of depreciation. There is no precedent, it submits, for applying the section 22 test in the context of a paragraph 7(b) passing off claim.

[45] Hamdard Trust responds on this point by submitting, among other things, that despite its reference to *Veuve Clicquot*, the factors that the Federal Court actually considered were the factors in subsection 6(5) that relate to goodwill. I do not accept this submission; the factors that the Federal Court considered track those listed in *Veuve Clicquot*, not those in subsection 6(5).

[46] But Hamdard Trust also submits that, in any event, it was open to the Federal Court to consider the factors that it considered in determining whether there was goodwill, regardless of the status of these factors in the *Veuve Clicquot* test, and that goodwill for one purpose, depreciation of goodwill, is goodwill for the other, passing off.

[47] In my view, there is merit in the submission that it was open to the Federal Court to consider the factors that it did, even though those factors are also applied in considering depreciation of goodwill under section 22.

[48] In determining the existence of reputation or goodwill for the purpose of passing off, courts have considered factors including inherent distinctiveness, acquired distinctiveness, length

of use, surveys, volume of sales, extent and duration of advertising and marketing, and intentional copying: Kelly Gill, *Fox on Canadian Law of Trade-Marks and Unfair Competition*, 4th ed. (Toronto: Thomson Reuters, 2019) (loose-leaf updated 2019, release 5), ch. 4 at 4-77 – 4-81. A number of these factors overlap with or are analogous to factors listed in *Veuve Clicquot*. It is true that the factors are considered for different purposes in the two contexts: for purposes of passing off, it must be shown that a mark is distinctive and possesses reputation, while for section 22 purposes distinctiveness and reputation are considered when assessing the capability of that goodwill to depreciate. But recourse to a relevant factor is not forbidden simply because the factor is also relevant for other purposes.

[49] Navsun has not demonstrated that any of the five factors the Federal Court considered were irrelevant in determining the existence of goodwill. The Federal Court’s reasons show that it was aware of the purpose for considering these factors as it did. While Navsun submits that because the Federal Court considered these factors it did not conduct “the appropriate examination of the evidence” (Navsun’s memorandum at para. 43), it does not explain how this was so or how it resulted from the nature of the factors considered.

[50] In my view, therefore, the Federal Court did not err in law in applying factors set out in *Veuve Clicquot* in determining the existence of goodwill.

- (2) Did the Federal Court err in failing to consider evidence explaining the use of the name “Ajit”?

[51] Navsun submits that the Federal Court also erred in failing to give any consideration to the evidence of its late principal, Dr. Bains, explaining Navsun’s decision to use the name “Ajit” in Canada. I disagree that the Federal Court failed to consider this evidence. In my view, the Federal Court’s reasons demonstrate that it considered the evidence explaining Navsun’s decision.

[52] In its reasons (at para. 36), the Federal Court stated, “Navsun has offered no credible explanation for its decision to use the ‘Ajit’ name in Canada when it launched the Ajit Weekly in 1993” (emphasis added). It is evident from this passage alone why the Federal Court did not further address Navsun’s submissions respecting its decision to use the “Ajit” name in Canada: the Federal Court did not find the supporting evidence provided to be credible. The Federal Court made no palpable and overriding error in this determination.

- (3) Did the Federal Court err in failing to consider the required factors when assessing deception?

[53] I have already concluded, in discussing confusing similarity for purposes of the section 20 infringement claim, that the Federal Court erred in law in its treatment of the factors set out in subsection 6(5). Since, as this Court stated in the first appeal (at para. 21), these factors also apply in determining whether there is confusion for purposes of the deception element of passing off, and deception is a required element of a passing off claim, the finding of passing off in

relation to the original logo cannot stand, and the claim of passing off in relation to the modified logo requires fresh consideration.

F. *Did the Federal Court err in failing to address Navsun's counterclaim?*

[54] In response to Hamdard Trust's action, Navsun filed both a statement of defence and a counterclaim, in which it sought a declaration that Hamdard Trust's registered mark was void *ab initio* and should be struck from the register of trademarks. In the first summary trial, the counterclaim was dismissed on the basis that Navsun had failed to lead sufficient evidence to establish its allegations (2014 FC 1139 at paras. 113-114). In the first appeal, this Court did not disturb the portion of the judgment of the Federal Court dismissing the counterclaim, and remitted only Hamdard Trust's claims for redetermination (2016 FCA 69 at para. 34). After the first appeal and in advance of the second summary trial, Hamdard Trust sought and was granted leave to amend its statement of claim. In the same order, Navsun was granted leave to amend its statement of defence. No leave was sought or granted in relation to its counterclaim.

[55] In the redetermination, the Federal Court dealt briefly with the counterclaim, as follows (at para. 85): "Navsun's counterclaim was previously dismissed by this Court in [the first summary trial], and no longer forms a part of these proceedings." Navsun now asserts in its cross-appeal that the Federal Court erred in failing to address the merits of its counterclaim.

[56] In my view, the Federal Court made no error in this regard. As this Court has observed, a counterclaim is "essentially an independent action that is grafted procedurally onto the existing action": *Ruhrkohle Handel Inter GMBH v. Federal Calumet (The)*, [1992] 3 F.C. 98 at para. 15,

144 N.R. 70 (C.A.). Here, that “independent action” was dismissed in the first summary trial, and there was nothing in the first appeal that revived it. To the contrary, the judgment of this Court left its dismissal undisturbed. Even assuming that some form of leave that would have permitted revival was possible, Navsun took no steps towards that end. In these circumstances, the Federal Court was correct in its statement that the counterclaim was no longer before it, and correct in declining to consider it.

IV. Should this Court now decide the remaining claims?

[57] To summarize, the consequence of the conclusions set out above is that the finding of passing off in relation to Navsun’s original logo must be set aside, as must the dismissal of the following claims by Hamdard Trust under the *Trademarks Act* in relation to Navsun’s modified logo: passing off, infringement under section 19, infringement under section 20, and depreciation of goodwill. The award of \$5,000.00 in damages for passing off in relation to Navsun’s original logo must also be set aside.

[58] Both sides urge us, if we conclude that the Federal Court committed reversible errors, to decide on the merits ourselves the issues that would then remain, rather than again remit them to the Federal Court for redetermination. Their main ground for this request is the time that has elapsed since the proceeding was commenced in 2010 and the further time that would be required if the matter were returned to the Federal Court.

[59] Though subparagraph 52(b)(i) of the *Federal Courts Act*, R.S.C. 1985, c. F-7, gives this Court the power to give the judgment that the Federal Court should have given, it is ordinarily

not the Court's role to act as a court of first instance. The reluctance to do so arises not only from the greater experience and expertise of the Federal Court in fact-finding, but also from the logistical and other complications associated with fact-finding by a three-judge panel.

[60] The factors relevant in determining whether to decide rather than remit include whether the case is factually voluminous and factually complex, whether the case involves documentary evidence or live evidence and assessments of credibility, whether the result is uncertain and factually suffused, whether the parties have made specific submissions on the issues that remain to be decided, and whether the further delay associated with remitting the matter would be contrary to the interests of justice: *Pfizer Canada Inc. v. Teva Canada Limited*, 2016 FCA 161 at para. 157, 400 D.L.R. (4th) 723, leave to appeal refused, [2017] 1 S.C.R. xviii; *Canada v. Piot*, 2019 FCA 53 at paras. 113-115, 124-128; *Wells v. Newfoundland*, [1999] 3 S.C.R. 199 at paras. 67-68, 177 D.L.R. (4th) 73.

[61] I appreciate the parties' concern to be done with this litigation. But I do not consider that in the circumstances of this case, a further delay would amount to a failure of justice. The parties' publications have now co-existed in Canada for many years, and did so for many years before the litigation was launched. This is a complex case, which still requires the determination of multiple issues. The focus of the hearing was largely on the legal errors asserted, and much less on the evidence that would support the parties' positions if these errors were corrected. While the parties' memoranda also set out evidentiary references, they do not address all of the factors that would need to be considered and decided: see, for example, paragraph 31 of Hamdard Trust's memorandum responding to the cross-appeal, stating that "[t]his memorandum



will not reconsider all the [subsection 6(5)] factors, but merely address the submissions made with respect to some of them in [Navsun’s memorandum in the cross-appeal].” Asking for further written submissions on evidentiary issues would be a cumbersome mechanism for obtaining answers to the evidentiary questions that would inevitably arise.

[62] For these reasons, I would not propose that this Court exercise its discretion to decide the remaining issues.

V. Proposed disposition

[63] I propose that this Court grant judgment as follows:

1. The cross-appeal of the respondents Navsun Holdings Ltd. and 6178235 Canada Inc. (collectively, Navsun) is allowed in part and the judgment of the Federal Court dated October 19, 2018 is set aside insofar as it holds Navsun liable for passing off for the period July 2007 to September 2009 with respect to the logo that appears on the masthead of the Daily Ajit newspaper published by the appellant Sadhu Singh Hamdard Trust.
2. The Federal Court’s award of damages is varied so that Navsun is liable to Sadhu Singh Hamdard Trust for \$5,000 as damages for copyright infringement from July 2007 to September 2009.
3. The appeal of Sadhu Singh Hamdard Trust is allowed and the Federal Court’s dismissal of Sadhu Singh Hamdard Trust’s claims under paragraph 7(b) and sections 19, 20, and 22 of the *Trademarks Act* for the period September 2009 to the present is set aside.
4. The matter is returned to the Federal Court for redetermination of all factual and legal issues relating to liability under paragraph 7(b) and sections 19, 20, and 22 of the *Trademarks Act*.

[64] In light of this outcome I would also order that the parties bear their own costs.

“J.B. Laskin”

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J.A.

“I agree.

J.D. Denis Pelletier J.A.”

“I agree.

Judith Woods J.A.”

**FEDERAL COURT OF APPEAL**

**NAMES OF COUNSEL AND SOLICITORS OF RECORD**

**DOCKET:**

A-365-18

**(APPEAL FROM A JUDGMENT OF THE HONOURABLE MR. JUSTICE  
FOTHERGILL OF THE FEDERAL COURT DATED OCTOBER 19, 2018, DOCKET  
NUMBER T-1127-10)**

**STYLE OF CAUSE:**

SANDHU SINGH HAMDARD  
TRUST v. NAVSUN HOLDINGS  
LTD. and 6178235 CANADA INC.

**PLACE OF HEARING:**

TORONTO, ONTARIO

**DATE OF HEARING:**

SEPTEMBER 18, 2019

**REASONS FOR JUDGMENT BY:**

LASKIN J.A.

**CONCURRED IN BY:**

PELLETIER J.A.  
WOODS J.A.

**DATED:**

DECEMBER 2, 2019

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