

Federal Court of Appeal



Cour d'appel fédérale

Date: 20200526

Docket: A-121-19

Citation: 2020 FCA 94

**CORAM: DE MONTIGNY J.A.
WOODS J.A.
LASKIN J.A.**

BETWEEN:

BEDESSEE IMPORTS LTD.

Appellant

and

**GLAXOSMITHKLINE CONSUMER
HEALTHCARE (UK) IP LIMITED**

Respondent

Heard by online video conference hosted by the registry on May 7, 2020.

Judgment delivered at Ottawa, Ontario, on May 26, 2020.

REASONS FOR JUDGMENT BY:

WOODS J.A.

CONCURRED IN BY:

**DE MONTIGNY J.A.
LASKIN J.A.**

Federal Court of Appeal



Cour d'appel fédérale

Date: 20200526

Docket: A-121-19

Citation: 2020 FCA 94

**CORAM: DE MONTIGNY J.A.
WOODS J.A.
LASKIN J.A.**

BETWEEN:

BEDESSEE IMPORTS LTD.

Appellant

and

**GLAXOSMITHKLINE CONSUMER
HEALTHCARE (UK) IP LIMITED**

Respondent

REASONS FOR JUDGMENT

WOODS J.A.

[1] This appeal concerns an application by Bedessee Imports Ltd. (Bedessee) for an order expunging the trademarks HORLICK'S and HORLICKS (collectively, the HORLICKS Marks) from the register of trademarks kept under the *Trademarks Act*, R.S.C. 1985, c. T-13 (Act). The application was dismissed by the Federal Court (2019 FC 206) and Bedessee has appealed.

[2] In this Court, the questions are whether the Federal Court erred in concluding that Bedessee failed to demonstrate that, at the relevant date, the HORLICKS Marks were not distinctive and that they had been abandoned.

Background facts

[3] Bedessee is based in Toronto, Ontario and sells food products across Canada. On November 14, 2017, Bedessee launched an expungement application in the Federal Court to assist with its own application to register the HORLICKS trademark.

[4] The owner of the HORLICKS Marks, GlaxoSmithKline Consumer Healthcare (UK) IP Limited (GSK IP), is a subsidiary of GlaxoSmithKline plc, a well known pharmaceutical and healthcare company. Both companies are based in the United Kingdom.

[5] The products associated with the HORLICKS Marks (HORLICKS Products) are malted beverage products that were originally developed in the United States by the Horlick brothers around 1873. To this day, HORLICKS branded goods continue to have strong sales in several countries, most notably in India.

[6] The HORLICK'S trademark (with the apostrophe) was registered in Canada in 1917 to Horlick's Malted Milk Company. At some point, the trademark owner ceased using the apostrophe and the HORLICKS trademark was registered to Horlicks Limited in 1952.

[7] Since that time, the HORLICKS Marks were assigned several times as a result of mergers and acquisitions and they are now owned by GSK IP, which acquired the marks from Glaxo Group Limited on July 12, 2016.

[8] Prior to 2016, HORLICKS Products were sold in Canada to distributors and retailers by GlaxoSmithKline Consumer Healthcare Inc. (GSK Inc.), and its predecessors, under the authorization of predecessors of GSK IP. The dollar value of sales of HORLICKS Products in Canada ranged from approximately \$300,000 to \$1,000,000 from 2005 to 2015, inclusive.

[9] In 2015, the HORLICKS Products were found to be non-compliant with Canada's food and drug regulations due to a failure of the formulation to include required supplements. As a result, GSK Inc. has not sold HORLICKS Products in Canada after 2015.

[10] In 2016 and 2017, goods bearing what appears to be genuine HORLICKS trademarks have appeared in some retail outlets in Canada. It was suggested that the goods were imported by persons without specific authorization from GSK IP or a predecessor. At least some of the goods appear to have a different formulation from the HORLICKS Products that were sold in Canada by GSK Inc.

Federal Court decision

[11] The Federal Court concluded that Bedessee had not met its burden of proof with respect to the issues raised, and dismissed the expungement application. In these reasons, it is sufficient

to summarize the findings of the Federal Court with respect to the issues raised in this appeal – distinctiveness and abandonment of the HORLICKS Marks.

[12] Concerning distinctiveness, the Court considered two of Bedessee’s submissions: (1) that “the reputation associated with HORLICKS has lost its distinctiveness” due to a change of manufacturing source, and (2) that assignments of the HORLICKS Marks and address changes in relation to the trademark owner have impacted the quality of the goods. The Court concluded that Bedessee failed to introduce sufficient evidence to support that distinctiveness was lost at the relevant date as a result of these changes (Reasons at paras. 37-42).

[13] With respect to whether the HORLICKS Marks were abandoned as at the relevant date, the Court considered the two elements required to establish abandonment – lack of use and an intention to abandon. Bedessee was required to establish both of these elements. The Court determined that Bedessee had failed to do so in both respects.

[14] As for use, the Court determined that the HORLICKS Marks continued to be used by GSK IP in Canada in 2016 and 2017 when GSK Inc. ceased selling in Canada and similar products were imported by others. The Court concluded that GSK IP used the marks in Canada if goods bearing the HORLICKS Marks have reached the consumer.

[15] As for an intention to abandon, the Court rejected Bedessee’s evidence on this issue on the ground that it was inadmissible hearsay. Accordingly, the Court concluded that Bedessee had not demonstrated that GSK IP had an intention to abandon the marks. It also rejected Bedessee’s

submission that an adverse inference should be made against GSK IP as a result of its failure to introduce relevant evidence. This submission was not accepted since Bedessee had the burden of proof.

[16] The Federal Court thus concluded that Bedessee had failed to establish that the HORLICKS Marks were not distinctive or that they had been abandoned.

Analysis

[17] Bedessee submits that the Federal Court should have expunged the HORLICKS Marks either on the ground that the marks were not distinctive or that they had been abandoned.

[18] I agree with the Federal Court that the burden was on Bedessee to establish the facts to support these conclusions (*Cheaptickets and Travel Inc. v. Emall.ca Inc.*, 2008 FCA 50 at paras. 10-12, [2009] 2 F.C.R. 43). Despite Bedessee's submission that this is unfair, the principle is well-established and should be followed.

[19] The standard of review that is to be applied in this Court is correctness for questions of law and palpable and overriding error for questions of fact and questions of mixed fact and law (other than extricable questions of law).

Did the Federal Court err with respect to distinctiveness?

[20] The Federal Court has the jurisdiction to expunge the HORLICKS Marks if they were not distinctive on November 14, 2017, which is the date that the expungement application was filed (subsection 57(1) and paragraph 18(1)(b) of the Act).

[21] The Act defines the term “distinctive” in section 2:

distinctive, 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;

distinctive 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.

[22] In light of this definition, the HORLICKS Marks would be distinctive as of November 14, 2017 if they actually distinguished HORLICKS Products from the products of others, or were adapted to do so.

[23] Distinctiveness must be determined based on the particular circumstances of the case (*Molson Breweries v. John Labatt Ltd.*, [2000] 3 F.C. 145 at para. 70, 5 C.P.R. (4th) 180 (C.A.)). In my view, the Federal Court did not err in concluding that Bedessee failed to satisfy its burden of proof in this regard.

[24] Bedessee points to the fact that the HORLICKS Marks have been assigned several times, and that other products bearing a “HORLICKS” trademark with different formulations have found their way into the Canadian marketplace.

[25] These facts by themselves do not support a finding that the HORLICKS Marks are not distinctive of HORLICKS Products. As to the effect of assignments, the question is whether the public would believe that HORLICKS Products that originate with an assignee were actually derived from a prior trademark owner. This cannot be inferred from the assignments themselves. As for different products finding their way into the Canadian marketplace, this would only affect the distinctiveness of the HORLICKS Marks if the public were to believe that these products were derived from a different company than the owner of the HORLICKS Marks. Again, this cannot be inferred from the evidence in the record. Regardless of the standard of review that is applied, the Federal Court did not err in concluding that Bedessee did not satisfy its burden of proof.

[26] Bedessee has referred to judicial authorities in which distinctiveness was found to be lost following a transfer of trademarks. However, in these cases the evidence established that the purchasing public were likely to believe that the goods originated with someone other than the current owner of the trademarks.

[27] A good example is *Heintzman v. 751056 Ontario Ltd.* (1990), 38 F.T.R. 210, 34 C.P.R. (3d) 1 (F.C.), which was one of the cases relied on by Bedessee. In *Heintzman*, the purchasing public over time came to associate pianos which bore the “Heintzman” trademark as originating

with the Heintzman Company and having been manufactured by that company in Hanover, Ontario. In light of this reputation, the public would be deceived when a new owner of the Heintzman trademark attached the mark to goods not originating with the Heintzman Company or manufactured in Hanover, Ontario. This case is typical of the cases relied on by Bedessee in which the purchasing public believed that the goods originated with “A” when in fact they originated with “B” (for example, *Wilkinson Sword (Canada) Ltd. v. Juda* (1966), [1968] 2 Ex. C.R. 137, 51 C.P.R. 55, *Breck’s Sporting Goods Co. Ltd. v. Magder* (1975), [1976] 1 S.C.R. 527, 63 D.L.R. (3d) 645).

[28] In this case, the evidence does not establish that the purchasing public would believe that the goods originated with anyone other than the owner of the HORLICKS Marks.

[29] Bedessee also submits that if a trademark is assigned, the new owner must educate the purchasing public as to the name of the new owner. Courts have taken this factor into account in circumstances in which the purchasing public have in the past identified similar goods with a particular company that no longer owns the marks. As discussed earlier, it cannot be inferred from the assignment of the HORLICKS Marks that the public would tend to associate the marks with a prior trademark owner. Accordingly, it is not necessary to take into account whether the purchasing public have been educated as to the new owner on the facts of this case.

[30] Bedessee also submits that use of a trademark by other than the registered owner can negate distinctiveness if such use is not stopped. Bedessee points to goods available in Canada in 2016 and 2017 which were not sold by GSK Inc. The Federal Court made no error by failing to

apply this principle because Bedessee failed to demonstrate that distinctiveness was actually lost by the importation of goods by others.

[31] Bedessee also submits that the Federal Court erred by failing to draw an adverse inference from GSK IP's failure to provide evidence of notice to the public regarding the source of the HORLICKS Products. I disagree. As mentioned earlier, the burden of proof in this case is on Bedessee and the Federal Court determined that it was not met. It would not be appropriate in these circumstances to draw an adverse inference against GSK IP as to the evidence that it chose not to introduce.

[32] Finally, Bedessee submits that the Federal Court erred in law by concluding that Bedessee was required to introduce evidence that distinctiveness was lost. The Federal Court did not err in this regard. Contrary to Bedessee's submission, the jurisprudence is clear that Bedessee bears the burden to prove a loss of distinctiveness. This includes the burden to introduce evidence supporting its contention, where it is necessary.

[33] In my view, the Federal Court made no reviewable error in its findings on distinctiveness.

Did the Federal Court err with respect to abandonment?

[34] Bedessee submits that the Federal Court erred in concluding that the HORLICKS Marks had not been abandoned as at November 14, 2017.

[35] The principles that are applicable in determining whether a trademark has been abandoned are well-accepted and not in dispute. It is a two part test: the trademark must have ceased to have been used and the trademark owner must have intended to abandon the mark (*Iwasaki Electric Co. Ltd. v. Hortilux Schreder B.V.*, 2012 FCA 321 at para. 21, 442 N.R. 310).

[36] As mentioned earlier, the Federal Court determined that neither part of the test for abandonment was satisfied. Bedessee submits that both of these conclusions are in error.

[37] It is sufficient for purposes of this appeal to consider only the second part of the test: Did the Federal Court err in concluding that GSK IP did not intend to abandon the HORLICKS Marks? I conclude it did not.

[38] As with the distinctiveness issue, the Federal Court's conclusion on an intention to abandon rested on a finding that Bedessee failed to satisfy its burden of proof on this issue. Although Bedessee attempted to provide evidence on this point, the Federal Court rejected the evidence as proof of the truth of its contents on the ground that it was "inadmissible hearsay" (Reasons at para. 62).

[39] Bedessee submits that the Federal Court erred in law because the Court failed to consider the principled exception to hearsay that the evidence may be admitted if it is necessary and reliable. Although the Federal Court did not discuss the principled exception explicitly, I am not prepared to infer that the Federal Court failed to consider it (see for example *Sum Estate v. Kan* (1997) 44 B.C.L.R. (3d) 250 at para. 17, 163 W.A.C. 17 (B.C.C.A.)). Not only did the Federal

Court refer to a decision well known for recognizing the principled exception (*R. v. Khelawon*, 2006 SCC 57, [2006] 2 S.C.R. 787), but it is clear on the facts of this case that the principled exception would not apply because the relevant evidence was far from being reliable.

[40] The evidence in question concerned a comment made by a GSK customer relations representative in response to a telephone inquiry by Mr. Raymon Bedessee. When Mr. Bedessee inquired about HORLICKS Products not being available in Canada, the representative suggested that HORLICKS Products had been discontinued.

[41] The evidence in question is not sufficiently reliable to warrant application of the principled exception: it is not known whether the representative's role was to represent GSK's decisions on branding, or whether he had specific and accurate information about the Canadian situation involving the HORLICKS Marks. There is no safeguard in place to ensure that the representative was not mistaken, and given that Bedessee did not provide the representative's full name, there is no way to further test the reliability of his comment. The Federal Court did not err in rejecting this evidence as inadmissible hearsay.

Conclusion

[42] The appeal is dismissed with costs.

[43] GSK IP requested costs at an elevated level because of unsubstantiated allegations by Bedessee that GSK IP avoided telling the full story about the abandonment of the HORLICKS

Marks. The evidence introduced by GSK IP was very general in important respects, but I do not criticize GSK IP for adopting this litigation strategy. In any event, in my view this is not an appropriate case for elevated costs to be awarded.

“Judith Woods”

J.A.

“I agree
Yves de Montigny J.A.”

“I agree
J.B. Laskin J.A.”

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-121-19

STYLE OF CAUSE: BEDESSEE IMPORTS LTD. v.
GLAXOSMITHKLINE
CONSUMER HEALTHCARE (UK)
IP LIMITED

PLACE OF HEARING: HEARD BY ONLINE VIDEO
CONFERENCE

DATE OF HEARING: MAY 7, 2020

REASONS FOR JUDGMENT BY: WOODS J.A.

CONCURRED IN BY: DE MONTIGNY J.A.
LASKIN J.A.

DATED: MAY 26, 2020

APPEARANCES:

Dale E. Schlosser FOR THE APPELLANT

Chantal Saunders FOR THE RESPONDENT
Kathleen Lemieux

SOLICITORS OF RECORD:

Sprigings Intellectual Property Law FOR THE APPELLANT
Toronto, Ontario

Borden Ladner Gervais LLP FOR THE RESPONDENT
Ottawa, Ontario