



Faster, cheaper trademark litigation

This is just another reason for choosing Canada as the North American venue for trademark disputes, according to Mark K. Evans of Smart & Biggar/Fetherstonhaugh.

With good reason, Canada has long been recognized as an attractive and favorable jurisdiction for litigating trademark disputes. Over the past few years, Canada's reputation as a desirable venue has been enhanced and reinforced by a number of procedural developments and statutory changes. This is especially important as upcoming amendments to Canada's *Trademarks Act* will likely result in an increased level of activity by infringers and trademark squatters. Furthermore, by strategically choosing Canada as a venue, trademark disputes can often be resolved cost-effectively throughout North America.

Litigation by "application"

During the past few years, the Federal Court of Canada has permitted trademark disputes to be handled in a streamlined, expeditious manner based solely upon a written record, without wide-ranging pre-trial discovery. As a result, cases can often be brought relatively quickly and efficiently.

The recent decision of the Federal Court in *Trans-High Corporation v Hightimes Smokeshop and Gifts Inc*, 2013 FC 1190, showcased the benefits of this procedure. In this case, the applicant, Trans-High Corporation, successfully moved by way of application for permanent injunctive relief, damages and legal fees in respect of its claims that the respondent, Hightimes Smokeshop and Gifts Inc., had engaged in trademark infringement, passing off and depreciation of goodwill. The entire proceeding, from the date of service of the Notice of Application to

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the date of the Court's decision, took only five months, and the hearing was conducted in a single day.

By proceeding by way of an application, the parties' evidence is restricted to affidavits, and cross-examinations upon those affidavits. As for the hearing, it is based upon a paper record only, and the judge decides the matter after an oral hearing without seeing or hearing from any live witnesses.

While proceeding by way of application is especially well suited for simpler cases, this procedure can also be used effectively in commercially important trademark disputes.

Litigation by "action"

In some situations though, a trademark owner may not be in possession of all the evidence that it wishes to present at trial, and may require pre-trial discovery to obtain documentary evidence or admissions from the

Résumé

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Mark Evans is a member of Smart & Biggar's Executive Committee and is the Co-Managing Partner of the firm's Toronto office. His practice focusses on providing sophisticated trademark protection, management and counselling services. He represents many of the world's most famous brand owners, and is recognized as one of Canada's leading trademark lawyers. Mark has been successful in numerous precedent setting trademark cases in Canada, and has highly significant experience and expertise in all aspects of trademark law and practice including trademark and trade-dress litigation, clearance, prosecution, oppositions and cancellations, and licensing and merchandising, in a wide range of industries.



infringer. In these cases, proceeding by way of an application will not be the recommended route. Rather, it will remain desirable to proceed by way of an “action”. This will involve relatively detailed pleadings followed by a more traditional form of pre-trial discovery.

Summary trial

However, even when litigating a trademark dispute by way of an action, such as when it is desired to obtain pre-trial discovery, relatively recent amendments to the Federal Courts Rules permit a party to proceed in an expeditious, hybrid manner. In particular, after proceeding by way of an action and obtaining pre-trial discovery, a party may seek to convert the case and seek to have the matter heard at a summary trial.

The standard of proof on summary trial is the same as at a regular trial. Admissible evidence for both parties consists of affidavits (which cannot be based on information and belief), admissions received pursuant to a request to admit, expert affidavits or statements and discovery evidence. Additionally, the Court may require a deponent or expert to attend for cross-examination. The Court may also draw an adverse inference if a party fails to cross-examine or file responding or rebuttal evidence.

By proceeding in this hybrid manner, pre-trial discovery can be obtained and yet the need to present live witnesses at trial is usually avoided. As a result, the trial is typically heard much more quickly and less expensively as the length of the trial would be shortened greatly. Also, by converting a case and seeking summary trial, limiting an infringer’s testimony to a written record can be used strategically and effectively in many situations.

While a motion for summary trial can be brought in any case, the Court may dismiss the motion if the case would not be suitable for summary trial or if the summary trial would not assist in the efficient resolution of the action.

Streamlined pre-trial discovery

Another benefit of conducting trademark litigation in Canada is that even when pre-trial discovery is conducted, it is much more restrictive than in the United States.

For instance, the volume of information and documents exchanged between the parties is generally more limited than in US litigation because the information must be actually relevant to material facts at issue in the dispute. Further, requests for production and interrogatories as they are used in the US are not permitted in Canada.

As for the conduct of the depositions, they are again more streamlined than in the US. Once documents have been exchanged, the parties have the right to depose any adverse party. If a party is a corporation, the corporation must designate a representative to be examined on behalf of the corporation.

Importantly, in Canadian trademark disputes, other witnesses such as employees, fact witnesses and expert witnesses are not typically subject to examination before trial.

An expert court

The vast majority of trademark litigation is conducted in Canada’s Federal Court. Although its jurisdiction is not limited to IP cases, Canada’s Federal Court is extremely familiar with trademark issues and disputes. Furthermore, several judges were leading IP litigators before joining the Federal Court. And importantly, trademark cases are never heard by a jury.

Limited foreign shopping

Canada’s Federal Court is a single, unitary court. It is not divided into circuits or districts. There is therefore very limited opportunity for forum shopping in Canada. Consequently, there is usually little concern about an infringer seeking a declaratory judgment in a less favorable venue upon receiving a cease and desist letter and this issue rarely arises in Canada.



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Legal fees usually recoverable

Unlike in the United States, where attorneys’ fees generally are not recoverable unless specifically permitted by contract or statute, in Canada legal fees are awarded to the successful party in almost every trademark case. In an action, it is typical for a successful party to be awarded about one-third of its incurred legal fees, together with all reasonable disbursements (e.g. survey fees, expert fees). Furthermore, if the court determines that a party has engaged in improper or particularly egregious behavior in the conduct of the litigation, additional fees (including complete indemnification) can be awarded.

Also, an award of legal fees can be increased substantially if a party rejects a settlement offer that was more favorable than the judgment ultimately rendered at trial. Thus, delivery of an appropriate settlement offer at an early stage can have a significant impact in advancing settlement.

The benefit of a weakened Canadian dollar

Further enhancing the attractiveness of litigating trademark disputes in Canada is the current exchange rate. Due to a recent and rapid decline, at present, the Canadian dollar is roughly equivalent to US \$0.82.

Effective remedies

A potentially attractive feature of Canadian trademark litigation is the availability of alternate remedies to a successful brand owner.

Typically, a successful plaintiff will have a choice to elect between its own damages suffered due to the infringing activities or to seek an accounting of profits realized by the infringer. In addition, the Federal Court has jurisdiction to award punitive damages. These are aimed at punishing a party which has engaged in conduct deemed to be malicious, oppressive, high-handed or egregious.

In 2013, the Federal Court awarded default judgment to Twentieth Century Fox, including \$10,500,000 in damages, against an individual who had copied and posted episodes of The Simpsons and Family Guy on the internet. While this was a copyright case and not a trademark case, this nevertheless reflects the Court’s willingness to award significant damage awards in infringement and counterfeiting matters.

In addition to other available remedies that include destruction or delivery up of all infringing goods, a successful plaintiff in a Canadian trademark trial is also normally entitled to a permanent injunction. An injunction granted by the Federal Court is typically Canada-wide in scope, and is not dependent upon the brand owner using its mark in Canada or in any particular region. It is also not necessary for a brand owner to establish that it will suffer irreparable harm if the permanent injunction is not granted.



Strategic use of Canadian trademark litigation

It is apparent that Canada is an attractive forum for trademark litigation, and that when used strategically, highly cost-effective protection can be obtained.

But, litigating trademark disputes in Canada can have benefits well beyond the border. In addition to preventing infringing activity in Canada, Canadian trademark litigation can be used in many situations to exert a settlement throughout North America or internationally.

Additionally, because of the ability to litigate trademark cases relatively quickly and cost-efficiently, Canadian trademark litigation can be used as an effective testing ground before litigating the dispute elsewhere.

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