

Federal Court



Cour fédérale

Date: 20151023

Docket: T-2438-14

Citation: 2015 FC 1203

Vancouver, British Columbia, October 23, 2015

PRESENT: The Honourable Mr. Justice Zinn

BETWEEN:

ABSOLUTE SOFTWARE CORPORATION

Applicant

and

VALT.X TECHNOLOGIES INC.

Respondent

JUDGMENT AND REASONS

[1] The Applicant was incorporated in 1993 under the laws of British Columbia and has operated under the trade-name ABSOLUTE SOFTWARE since then. It used that name as a common law mark in Canada in association with computer software and services.

[2] On July 28 2003, the Applicant registered the trade-mark ABSOLUTE for use in association with software and services. It has since registered four other marks containing the word absolute: ABSOLUTE SECURE DRIVE (September 26, 2011); ABSOLUTE DATA

PROTECT (August 15, 2013); ABSOLUTE MANAGE (March 9, 2011); and ABSOLUTE MANAGE MDM (April 2, 2012).

[3] On February 28, 2001, the Respondent was incorporated under the laws of Ontario. It is in start-up mode and produces software that protects computers against viruses and malware. In November 2012, the Respondent began using the term ABSOLUTE SECURITY in association with its software.

[4] With respect to the Applicant's five registered trade-marks [the Absolute Marks], the Applicant seeks:

1. a declaration that it is the owner of the Absolute Marks;
2. a declaration that the Respondent has infringed the Absolute Marks;
3. damages or an accounting of profits for trade-mark infringement, depreciation of goodwill, and passing off contrary to sections 7(b), 7(c), 19, 20, and 22 of the *Trade-marks Act*, RSC 1985, c T-13;
4. in the alternative, an order pursuant to Rule 153 of the *Federal Courts Act*, referring the determination of the damages suffered by the Applicant, or the profits wrongfully earned by the Respondent, to a judge or other person designated by the Chief Justice;
5. an injunction restraining the Respondent together with its officers, directors, servants, agents from infringing the Absolute Marks, and in particular, from using the mark ABSOLUTE or any variation of it;

6. delivery up, or destruction on oath of all wares, packages, labels, and advertising material marked ABSOLUTE together with any dies used in connection therewith.

[5] Both parties filed fulsome submissions prepared by experienced trade-mark counsel. By Order dated May 21, 2015, counsel for the Respondent was removed from the record, and the Respondent was given 30 days to either file and serve a Notice of Appointment of Solicitor or bring a motion for relief pursuant to Rule 120 of the *Federal Courts Rules*. The Respondent did neither.

[6] When this matter came on for hearing in Vancouver on October 15, 2015, Dennis Meharchand, Chief Executive Officer of the Respondent, requested an adjournment so that the Respondent could obtain counsel. He explained that the Respondent did not have the financial resources to do so earlier but it now has and will retain counsel within a week. Alternatively, he asked that he be permitted to represent the Respondent. Both requests were rejected by the Court.

[7] In the course of submissions, it was disclosed that the Respondent retained counsel and commenced an action on September 28, 2015, to expunge the Applicant's trade-marks. The Respondent made a choice to use its financial resources to retain counsel to commence the expungement action, rather than use the funds to retain counsel to appear on this application. Considering that fact, and others including the passage of five months since the Court's Order, the failure of the Respondent to make a request for an adjournment until the day of the hearing, the attendance in Vancouver of counsel for the Applicant who travelled from Toronto, and the

previous filing of detailed submissions from former counsel for the Respondent, the Court rejected both requests and heard oral submissions only from counsel for the Applicant.

[8] The Applicant submits that the Respondent uses ABSOLUTE SECURITY as a trademark and that this mark would cause confusion with its own Absolute Marks. The Applicant admits that it has no evidence of any actual confusion. The lack of evidence is not surprising given that the Respondent is in start-up and development mode and has sold less than \$2000 in product thus far.

[9] The Applicant submits that likely confusion is established when one examines the five factors listed in subsection 6(5) of the *Trade-marks Act*: inherent distinctiveness and extent to which the marks have become known, the length of time the marks have been in use, the nature of the wares, services or business, the nature of the trade, and the degree of resemblance.

[10] The Applicant's submissions focus on the potential for confusion between ABSOLUTE SECURITY and the Applicant's registered mark ABSOLUTE, as well as its common law mark ABSOLUTE SOFTWARE. The Applicant says that these are the most likely candidates for confusion.

[11] With respect to inherent distinctiveness, the Applicant submits that the word "absolute" is inherently distinctive when used in association with security software because it is not descriptive of that software. It says that the distinctiveness of the Absolute Marks is further bolstered by the Applicant's sales of ABSOLUTE-branded software in Canada, as well as by its

website www.absolute.com, which promotes its products in Canada. In contrast, the Applicant submits that the Respondent's mark has little distinctiveness. It notes that the Respondent's world-wide revenue from sales of ABSOLUTE SECURITY-branded software is less than \$2000.

[12] With respect to length of use, the Applicant submits that it has used the trade-mark and trade-name ABSOLUTE SOFTWARE for more than 20 years and that its registered trade-mark ABSOLUTE has been in use for more than a decade. In contrast, the Respondent only began to use the ABSOLUTE SECURITY mark in November, 2012.

[13] With respect to the nature of the goods and services, the Applicant submits that both it and the Respondent use their marks in association with software that is designed to protect endpoint devices from security risks, such as viruses and malware.

[14] With respect to the nature of the trade, the Applicant submits that its and the Respondent's products are likely to be sold through overlapping channels of trade. The Applicant contracts with manufactures of PCs, tablets, and smartphones to embed its software in those products. The Respondent is currently seeking to secure contracts with the same manufactures of the same type. The Applicant also sells products directly to consumers through retailers like Amazon, Office Depot, and Staples. The Respondent is likewise seeking to sell its products through retailers like Amazon, Office Depot, and Staples. Both the Applicant and Respondent also sell their products through their websites, and both target similar sectors of consumers, like government contractors and resellers.

[15] With respect to the degree of resemblance, the Applicant submits that ABSOLUTE SECURITY closely resembles the Applicant's registered mark ABSOLUTE, as well as its common law mark ABSOLUTE SOFTWARE. It argues that the distinguishing feature in all of these marks is the word "absolute." The Applicant says that the Respondent has entirely appropriated this distinguishing feature of its marks.

[16] The Respondent submits that the Applicant's analysis of confusion is based on a false premise, namely, that the Respondent uses the trade-mark ABSOLUTE SECURITY. The Respondent submits that it does not use this trade-mark, but rather the mark VALT.X or, in the alternative, VALT.X ABSOLUTE SECURITY FOR WINDOWS SOFTWARE. The Respondent observes that VALT.X ABSOLUTE SECURITY FOR WINDOWS SOFTWARE appears frequently on the Respondent's website and that, in the rare instances where ABSOLUTE SECURITY FOR WINDOWS is used without the prefix VALT.X, the VALT.X logo is nonetheless displayed on the same page. Finally, the Respondent submits that the Applicant's purported examples of the Respondent's stand-alone use of the trade-mark ABSOLUTE SECURITY are either not examples of stand-alone use or are cherry-picked from an obscure slideshow posted on the Respondent's website.

[17] With respect to inherent distinctiveness, the Respondent submits that the word "absolute" is a common English word of a descriptive or suggestive character and thus has little inherent distinctiveness. It submits that the Applicant's evidence of its use and promotion of the Absolute Marks in Canada is problematic. First, it says that most of the products that the Applicant has sold subscriptions for in Canada are largely associated with the trade-marks COMPUTRACE

and LOJACK FOR LAPTOPS, rather than the Absolute Marks. Second, it says that the Applicant's list of Canadian subscriptions conflates subscriptions purchased by individuals with those purchased by organizations. It is therefore possible that the Applicant has sold a large number of subscriptions to a small number of institutional clients. Third, it notes that the Applicant has provided no evidence of its promotion and marketing efforts in Canada in particular. Fourth, it submits that the Applicant's list of retailers that sell its products in Canada is actually a list of retailers who are *entitled* to sell its products in Canada; it is not clear that these retailers *actually* sell its products.

[18] With respect to length of use, the Respondent submits that the only evidence provided by the Applicant of its use of the trade-mark ABSOLUTE prior to 2012 is its 2003 registration of that mark. The Respondent submits that registration only provides evidence of *de minimis* use.

[19] With respect to the nature of the goods and services and the nature of the trade, the Respondent submits that these two factors should be assessed by comparing the goods, services, and trade described in the Applicant's trade-mark registrations with those of Valt.X. The statements in the registrations should be read with a view to determining the probable type of trade that the Applicant intended to engage in, rather than all possible trades that could be encompassed by the wording. Evidence of actual trade may be useful in this regard.

[20] In this case the Respondent submits that, although there is potential overlap between the type of trade described in the Applicant's registrations and that engaged in by Valt.X, the type of trade that both parties actually engage in differs. While the Applicant's trade focusses on

“software for the monitoring, tracking and recovery of computer devices and software for management of computer-security issues,” the Respondent’s trade focusses on “software that directly protects against viruses and other malware.” The Respondent also submits that most of the Applicant’s business derives from large institutional clients, who are unlikely to be confused when investing significant resources in the purchase of important software and related services.

[21] With respect to the degree of resemblance, the Respondent submits that the most distinctive part of its trade-mark VALT.X ABSOLUTE SECURITY FOR WINDOWS SOFTWARE is the made up word “Valt.X.” It is the first word in the mark and it is the only one that is not descriptive. Furthermore, the Respondent says that its mark clearly conveys the message that Valt.X is the entity that is offering the software.

[22] In addition to its general submissions on confusion, the Respondent made submissions about the specific legislative provisions that the Applicant claims are engaged in this case.

[23] I agree with the Respondent that the Applicant is over-reaching in suggesting a breach of section 19 of the *Trade-marks Act*. This section only applies to situations in which the infringer uses a mark identical to a registered trade-mark in association with the goods or services for which that trade-mark is registered. Even the Applicant’s description of the Respondent’s mark as ABSOLUTE SECURITY does not engage section 19 because that mark is not identical to any of the Applicant’s registered marks.

[24] I also agree with the Respondent that paragraph 7(c) of the *Trade-marks Act* is not engaged on the facts here. In order to establish a violation of this provision, the Applicant must show that the Respondent has passed off its goods or services as and for those of the Applicant in response to a customer's request for the Applicant's goods or services. There is no evidence that the Respondent has done so.

[25] What remains to be considered is whether the Respondent has breached any or all of paragraph 7(b), and sections 20 and 22 of the *Trade-marks Act*. In order to undertake that analysis, one must first determine what mark the Respondent used.

[26] As noted earlier, the Respondent claims that it has used the trade-mark VALT.X or, in the alternative, the trade-mark VALT.X ABSOLUTE SECURITY FOR WINDOWS SOFTWARE. If the Respondent used the mark VALT.X, then the Applicant's claim must fail because VALT.X bears no resemblance to the Absolute Marks. Similarly, if this Court finds that the Respondent used the mark VALT.X ABSOLUTE SECURITY FOR WINDOWS SOFTWARE, then the Applicant's claim may well fail because of the many points of difference between it and the Absolute Marks.

[27] Based on my review of the evidence, I agree with the Applicant that, in addition to using the trade-mark VALT.X, the Respondent uses the trade-mark ABSOLUTE SECURITY with respect to its software.

[28] Illustrations of the Respondent's use of the trade-mark ABSOLUTE SECURITY can be found in the Applicant's record. Exhibit J to the affidavit of Steven Midgley is a print-out of the Respondent's website. Page 153 of the Applicant's Record appears to depict the various product lines sold by Valt.X, under the heading "Collections." The product lines are labelled "The S Chip' Desktop/Server Secure Cards," "Absolute Security for Windows Software," and "Cyber Secure Notebooks." Directly above the words "Absolute Security for Windows Software" is an image of a box containing the software in question. At the top of the box is the Valt.X logo against a white background. Below that logo, on a red background and in a different font and capitalized, are the words "ABSOLUTE SECURITY." The words "for WINDOWS" appear just below and in a smaller font.

[29] I agree with the Applicant that using these words in the manner noted and presenting them to the customer in that fashion would lead the customer to conclude that the software is made by Valt.X, that ABSOLUTE SECURITY is one of its product lines, and that the products in that line are compatible with the Windows operating system. This is the view a consumer would reach because the words "ABSOLUTE SECURITY" are capitalized; appear in a large and different font on the box, and against a different background than the word "VALT.X." The phrase "for WINDOWS" is clearly descriptive of the product and would not be mistaken for the name of the product line.

[30] An earlier part of the print-out, at page 148 of the Applicant's record, appears to depict the web page that would appear if one were to click on the ABSOLUTE SECURITY product line on the web page entitled "Collections." This page is entitled "Valt.X Absolute Security for

Windows Software” and contains entries for various software products entitled “Standard Edition,” “Professional Edition,” “Special Edition,” and “Premium Edition – Password.” Once again, the inference a customer would draw from this web page is that Valt.X offers a line of software products, for use on the Windows operating system, that are branded with the trade-mark ABSOLUTE SECURITY.

[31] The Respondent’s suggestion that it uses the trade-mark VALT.X ABSOLUTE SECURITY FOR WINDOWS SOFTWARE ignores the differences in how the elements “Valt.X,” “Absolute Security,” and “for Windows Software” are portrayed on its own website and product packaging. It also ignores the different functions that these elements perform. It conflates the trade-name and trade-mark for the company as a whole (“Valt.X”) with a trade-mark for a specific product line (“Absolute Security”), with a purely descriptive element (“for Windows Software”).

[32] For these reasons, I find that the Respondent has used the trade-mark ABSOLUTE SECURITY. Furthermore, upon considering the five factors in subsection 6(5) of the *Trade-marks Act*, I find that use to be confusing with the Applicant’s registered trade-mark ABSOLUTE and its common law mark ABSOLUTE SOFTWARE.

[33] With respect to inherent distinctiveness, I agree with the Respondent that the word “Absolute” lacks distinctiveness because it is a common English word of a descriptive or suggestive character. I also agree that the Applicant’s evidence of its use and promotion of the

Absolute Marks in Canada is weak because it does not provide a clear picture of the Applicant's marketing expenditures in Canada in particular, does not indicate how many customers the Applicant has in Canada, and does not indicate which of the Applicant's retail partners actually offer its products in Canada. Furthermore, the Applicant's data with respect to the number of active subscriptions that it had in Canada as of June 30, 2014 includes subscriptions for products that may not be primarily associated with the Absolute Marks (i.e. COMPUTRACE and LOJACK FOR LAPTOPS products). This factor favours the Respondent.

[34] With respect to length of use, I agree with the Respondent that the Applicant has provided no more than *de minimis* evidence of use in Canada prior to 2012. While the Applicant registered its mark ABSOLUTE in 2003 and claims that it has used its common law mark ABSOLUTE SOFTWARE since 1993, its web traffic data only provides evidence of use since 2012. This factor favours the Applicant.

[35] With respect to the nature of the goods and services, I agree with the Respondent that there are differences in the purpose and function of the Applicant's and Respondent's software. The Respondent's software directly protects against viruses and malware by ensuring that every time a computer is restarted, any viruses or malware that have infected its system since the last restart are eliminated. In contrast, the Applicant's software performs a number of functions, including allowing organizations to remotely track and secure their devices (ABSOLUTE COMPUTRACE), manage and maintain their devices (ABSOLUTE MANAGE), provide IT services (ABSOLUTE SERVICE), and control the encryption systems on their devices' hard drives (ABSOLUTE SECURE DRIVE).

[36] The Applicant also produces software that allows individuals to locate and secure the information on their laptops (COMPUTRACE LOJACK FOR LAPTOPS). It is thus fair to say that the Applicant produces software that serves a wide range of related but distinct functions, some of which are quite different from the functions performed by the Respondent's software. However, the fact remains that both parties produce software that is designed to provide security against viruses and malware for endpoint devices like laptops. I agree with the Applicant that the differences between the Applicant and Respondent's software would be relevant and noted only by a "computer geek" and that the average hurried consumer would consider both as being software designed to provide security against threats including viruses and malware. This factor favours the Applicant.

[37] The Respondent submits that, when determining the nature of the trade that is covered by a registered trade-mark, the statements in the registration should be read with a view to determining the probable type of trade that the Applicant intended to engage in, having regard to its actual trade. While I agree with the Respondent that the Applicant's actual trade may provide valuable context when interpreting the statements in its registrations, this Court should be cautious not to restrict the protective scope of the Applicant's registered marks based on its actual use. As the Supreme Court held in *Masterpiece Inc v Alavida Lifestyles Inc*, 2011 SCC 27, [2011] 2 SCR 387, at para 59:

[a]ctual use is not irrelevant, but it should not be considered to the exclusion of potential uses within the registration. For example, a subsequent use that is within the scope of a registration, and is the same or very similar to an existing mark will show how that registered mark may be used in a way that is confusing with an existing mark.

[38] Therefore, while I agree with the Respondent that the majority of the Applicant's sales are to sophisticated institutional clients who are unlikely to be confused, I also agree with the Applicant that the protection conferred by its registered mark ABSOLUTE extends beyond such sales to encompass sales to individual customers, and that it does in fact sell to some individuals. I also agree with the Applicant that many of the retailers and end-users that are targeted by the Respondent are the same as those who currently buy from the Applicant. Therefore this factor favours the Applicant.

[39] With respect to resemblance, I agree with the Applicant that ABSOLUTE SECURITY resembles ABSOLUTE and ABSOLUTE SOFTWARE. I also agree that the distinctive feature of these marks is the word "absolute" because the other words ("software" and "security") are highly descriptive. In particular, the Respondent's use of the word "security" would do little to prevent any confusion that would otherwise be created by its use of the word "absolute," because "security" is descriptive of both the Applicant's and Respondent's products. This factor strongly favours the Applicant.

[40] The Applicant has established confusion between its trade-mark ABSOLUTE and the Respondent's use of the trade-mark ABSOLUTE SECURITY and has therefore proved its case for infringement under section 20 of the *Trade-marks Act*.

[41] Similarly, on the balance of probabilities, the Applicant has proved its case for a breach of paragraph 7(b) of the *Trade-marks Act*. The Respondent argues that 7(b) does not apply because "there is no evidence that Valt.X intentionally used the word 'absolute' to deceive the

public or was negligent in its use of the word ‘absolute’.” It also submits that its conduct has not caused the Applicant any actual or potential damage.

[42] With respect to the deception issue, I agree that there is no evidence that the Respondent used the trade-mark ABSOLUTE SECURITY in a deliberate attempt to deceive. However, given the clear resemblance between ABSOLUTE SECURITY and the Absolute Marks, and the overlapping markets in which the Applicant and Respondent operate, the Respondent was negligent in its use of that mark. This is particularly so given that the Respondent is just at the beginning of its existence as a business and it would appear that discontinuing the use of that mark would be easy and inexpensive.

[43] With respect to the damages issue, the Federal Court of Appeal in *Remo Imports Ltd v Jaguar Cars Ltd*, 2007 FCA 258, [2008] 2 FCR 132 clarified that the requirement to show potential damages requires proof of the likelihood of damages. The Applicant has established the likelihood damages in this case, given the Respondent’s use of a confusing mark in a very similar market as the Applicant.

[44] Liability under section 22 does not depend on a finding of confusion but on finding that the Respondent’s use of the Applicant’s mark is likely to depreciate the value of the goodwill attaching thereto. The Respondent submits that there is no depreciation in this case because a customer would not associate the Respondent’s use of the word “absolute” with the Absolute Marks, and because the Applicant has not adduced evidence of depreciation of goodwill.

[45] I agree that the Applicant has not provided evidence of depreciation. Just because the Respondent's mark is confusing with the Absolute Marks does not mean that this confusion will lead to depreciation. As the Supreme Court of Canada noted in *Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée*, 2006 SCC 23, [2006] 1 SCR 824 at para 43 "a mental association of the two marks does not, under s. 22, necessarily give rise to a likelihood of depreciation."

[46] The Applicant submits, in place of evidence, that:

as Absolute has no control over the character and quality of the goods and services offered by the Respondent, if the Respondent's products are of an inferior quality than Absolute's products and fail to meet customers' expectations, it will depreciate Absolute's goodwill in the ABSOLUTE registered marks.

I agree with the Respondent that this speculative concern cannot support an inference of likely depreciation.

[47] For these reasons, the application will be allowed. A declaration of ownership and infringement will issue but will be limited to the Applicant's marks ABSOLUTE and ABSOLUTE SOFTWARE, since these are the only marks about which the Applicant made substantive submissions. An injunction against future infringement of the marks ABSOLUTE and ABSOLUTE SOFTWARE will also issue and the Respondent will be ordered to deliver up and destroy all of its goods, packaging, labels, and advertising that bear the infringing mark ABSOLUTE SECURITY. Finally, given the lack of evidence of confusion or depreciation, and evidence that the Respondent's sales of ABSOLUTE SECURITY-branded products only total \$1,939.53, damages of \$2,000.00 will be awarded.

[48] The Respondent submits that any injunction should permit Valt.X to continue using the trade-mark VALT.X ABSOLUTE SECURITY FOR WINDOWS SOFTWARE. I will make no such order as I have not found that the Respondent uses this mark.

JUDGMENT

THIS COURT'S JUDGMENT is that:

1. The Applicant is the owner of the registered trade-mark ABSOLUTE, and the trademark ABSOLUTE SOFTWARE [the two ABSOLUTE Marks];
2. The Respondent has infringed the two ABSOLUTE Marks;
3. The Applicant is awarded damages of \$2000.00, inclusive of prejudgment interest for trademark infringement contrary to section 20 of the *Trade-marks Act*;
4. The Respondent and all those under its authority or control, or any company, partnership, business entity or person with which it is associated or affiliated, are permanently enjoined from directly or indirectly:
 - a. Selling, distributing, or advertising wares and services related to security software in association with any trade-mark or trade-name that is confusing with the two ABSOLUTE Marks or manufacturing, causing to be manufactured, possessing, importing, exporting, or attempting to export, for the purpose of their sale or distribution, any wares in association with a trade-mark or trade-name that is confusing with the two ABSOLUTE Marks
 - b. Directing public attention to its wares, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time it commenced to direct public attention to them, between its wares, services, and business and the wares, services, and business of the Applicant, by

adopting, using, or promoting the trade-mark or trade-name “Absolute Security” or any other trade-mark or trade-name that is likely to be confusing with the two ABSOLUTE Marks; and

c. Further infringing the two ABSOLUTE Marks;

5. The Respondent shall deliver up forthwith or destroy under oath, at the option of the Applicant, all material of any nature, including all advertising material, in the possession or control of the Respondent, the use of which would offend the injunction granted; and
6. The Respondent shall pay the Applicant its costs which are to be assessed at the mid-point of Column IV, including HST and prejudgment interest.

“Russel W. Zinn”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-2438-14
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PLACE OF HEARING: VANCOUVER, BRITISH COLUMBIA
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APPEARANCES:

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FOR THE APPLICANT

-NIL-

FOR THE RESPONDENT