

Federal Court



Cour fédérale

Date: 20210217

Docket: T-408-20

Citation: 2021 FC 156

Ottawa, Ontario, February 17, 2021

PRESENT: The Honourable Mr. Justice Southcott

BETWEEN:

HIDDEN BENCH VINEYARDS & WINERY INC.

Applicant

and

LOCUST LANE ESTATE WINERY CORP.

Respondent

JUDGMENT AND REASONS

I. Overview

[1] The parties to this matter are two companies that operate wineries on adjacent properties on Locust Lane, in Beamsville, Ontario. The Applicant, Hidden Bench Vineyards & Winery Inc. [Hidden Bench], has been in business since 2003 and sells a variety of wines (and related services), some of which are labelled and marketed in a manner that employs the words “Locust Lane”. The Respondent, Locust Lane Estate Winery Corp. [LLEW], founded its winery in 2019

and uses the name “Locust Lane Estate Winery” to label and market its wines and related services.

[2] As a result, Hidden Bench brought the within application seeking a declaration that it is the owner of the unregistered trademark LOCUST LANE and seeking various forms of relief for alleged passing off by LLEW in contravention of ss 7(b) and (c) of the *Trademarks Act*, RSC 1985, c T-13 [the Act]. This decision addresses Hidden Bench’s application.

[3] As explained in greater detail below, this application is dismissed, because Hidden Bench has not satisfied the test applicable to the establishment of a cause of action under either s 7(b) or s 7(c) of the Act.

II. **Background**

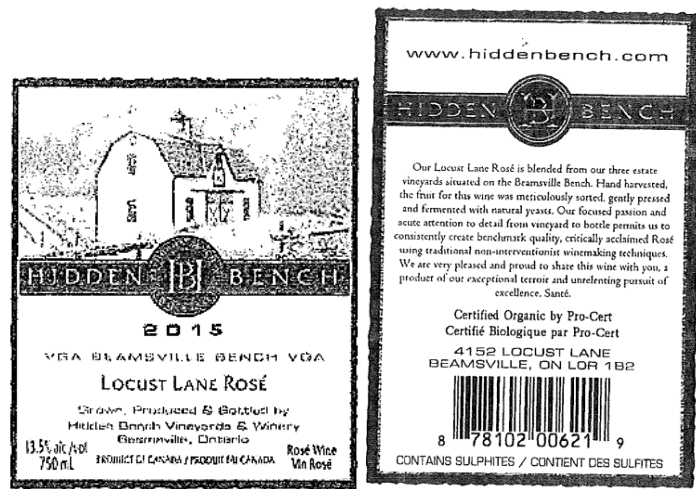
A. *Hidden Bench Vineyards & Wineries Inc.*

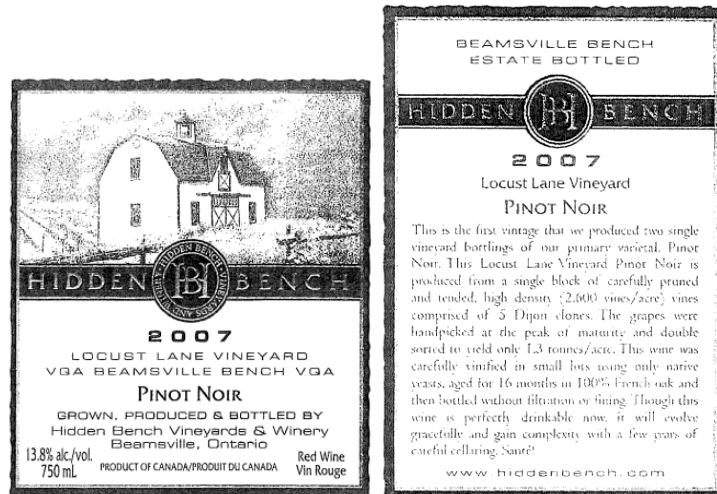
[4] Hidden Bench is a corporation incorporated pursuant to the laws of Ontario, founded in 2003 by its President and Director, Mr. Harald Thiel, who has sworn an affidavit and been cross-examined in this proceeding. Hidden Bench owns three vineyards in Beamsville, Ontario: the Rosomel Vineyard located at 4088 King Street; the Felseck Vineyard located at 4147 Locust Lane; and the Locust Lane Vineyard located at 4152 Locust Lane.

[5] Hidden Bench crafts many different styles of wines, including Rosé, Pinot Noir, Viognier, and Riesling, all of which are produced using grapes harvested from its three estate

vineyards and are certified organic. It produces all of its wines onsite and sells those products throughout Canada and internationally. Hidden Bench also provides on-site wine tastings and operates a retail store at 4152 Locust Lane and an online store and wine club. It asserts that it has continuously and extensively used the LOCUST LANE mark in association with winery and vineyard services since at least as early as 2003 and in association with goods consisting of alcoholic beverages including wine since as early as 2005.

[6] The labels of certain wines in Hidden Bench’s portfolio include the words “Locust Lane”. Examples of such wine labels (front and back) are shown below (although the Court cannot confirm from the evidence that the examples below of the front and back “Locust Lane Rosé” labels are from the same vintage):





[7] As will be canvassed in more detail later in these Reasons, Hidden Bench also employs the words “Locust Lane” on its website “www.hiddenbench.com”, which it has maintained since at least as early as 2006, and in other marketing efforts. Hidden Bench sells its wine through provincial liquor control boards such as the Liquor Control Board of Ontario, as well as through hotels, restaurants, event venues, its website and the retail store on its property. All of its wines have been approved and certified by Vintners Quality Alliance Ontario [VQA], a certification that is intended to ensure winemaking and labelling integrity and entitles the use of the VQA logo on wine labels and capsules.

[8] Between 2006 and 2019, sales of what Mr. Thiel refers to as LOCUST LANE branded wines have exceeded \$2,400,000. Approximately half of Hidden Bench’s wine sales are through its retail store located on its property.

B. *Locust Lane Estate Winery Corp.*

[9] In 2019, Michael Sannella, Frank Mondelli and Douglas Wheler [the Investors] purchased a property at 4041 Locust Lane, Beamsville, Ontario (adjacent to Hidden Bench's property), with a pre-existing winery, retail and tasting facility. Mr. Sannella has sworn an affidavit and been cross-examined in this proceeding. The purchased property was formerly the Mike Weir winery, which was in receivership. The Investors hired Jeff Innes, who had previously been involved with making wines on the property, to be their winemaker. With the help of Mr. Innes, they developed a plan to revamp the property and replant and expand upon its existing grape plantings.

[10] The Respondent was incorporated on August 26, 2019, under the *Ontario Business Corporations Act*, RSO 1990, c B 16, with the name "Locust Lane Estate Winery Corp." Mr. Sannella states in his affidavit that the Investors named the company after the road that the property is situated on, which itself is named after the locust trees that adorn the region.

[11] Before incorporating the company, the Investors conducted a Newly Upgraded Automated Name Search [NUANS] on August 26, 2019, which revealed no active corporations in Ontario with the name "Locust Lane". A NUANS report also revealed no trademarks containing the words "Locust" or "Locust Lane" in Nice class 33, which is the class of goods for wines and spirits.

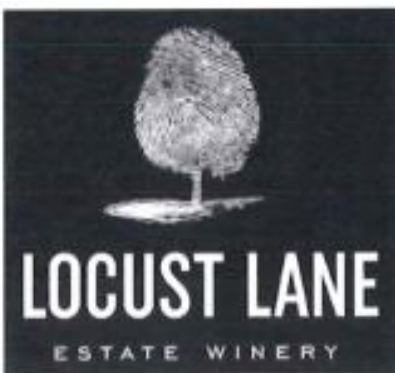
[12] Following its incorporation, LLEW applied for and was issued several licences from the Government of Ontario and Government of Canada in order to operate its winery. As will be explained shortly, Hidden Bench put LLEW on notice of its alleged rights to the LOCUST

LANE mark in January of 2020. LLEW had applied for its Manufacturer's Licence, Licence as a Processor of Grapes, and Excise Duty Licence before it received this notice. The applications for its other licenses were submitted after it was put on notice. On November 14, 2019, LLEW registered the domain name "locustlanewines.com", which it uses for its website.

[13] LLEW worked with a graphic designer to design its wine labels and branding. On or before December 23, 2019, it installed a sign at the entrance to its property, showing a stylized tree and the words "Locust Lane Estate Winery". The sign appeared as follows:



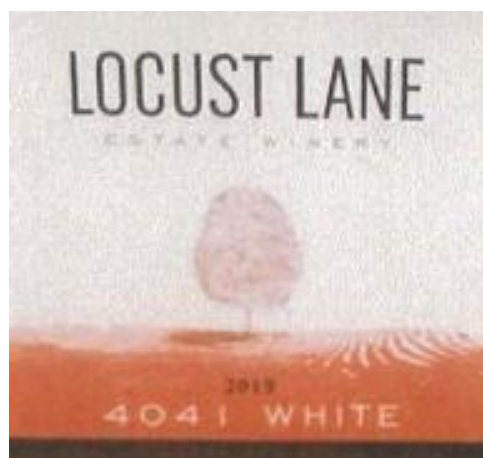
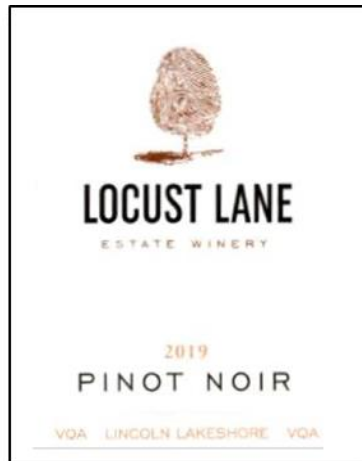
[14] In or about April 2020, LLEW adopted the following iteration of its mark, featuring a stylized "fingerprint" tree and the words "Locust Lane Estate Winery":



[15] A new sign, employing the stylized “fingerprint” tree and the words “Locust Lane Estate Winery”, was installed at the entrance to the winery in June 2020, appearing as follows:



[16] LLEW intended to open and begin selling wines at its retail store on its property in May of 2020, but these plans were delayed by the COVID-19 pandemic. It first produced and packaged its wine in July 2020 and began selling wine products in August 2020. The initial release of LLEW’s wines consisted of finished wines from various sources, including purchased juice and wines from the vines on the property. A version of its mark, employing the stylized “fingerprint” tree and the words “Locust Lane Estate Winery”, appears on its wine labels. The following are examples of the labels employed on the front and back of LLEW’s bottles:



[17] LLEW sells its wines through its retail store on its property, as well as to restaurants, event centres, and golf courses. Between August 1, 2020 and September 30, 2020, its revenue from wine sales amounted to \$63,287.44 (excluding HST). LLEW also provides vineyard and winery-related services, including wine tastings, restaurant services, in-person events and a proposed expansion into “glamping” (glamorous camping).

C. *Events Leading to the Hearing of this Application*

[18] Hidden Bench first became aware of LLEW’s winery from a tweet dated December 23, 2020 by *Wines in Niagara* journalist Rick VanSickle. The tweet introduced the winery and

attached a photo of LLEW's sign. Hidden Bench also learned of LLEW's "locustlanewines.com" domain in December of 2019.

[19] On January 6, 2020, Hidden Bench's counsel sent a letter to Mr. Sannella expressing concern that the Respondent's use of the LOCUST LANE mark is likely to mislead the public into believing that Hidden Bench is the source of LLEW's goods and services. The letter requested that LLEW cease all use of LOCUST LANE in association with any goods and services and undertake in writing to refrain from conducting such activities in the future.

[20] On January 31, 2020, Hidden Bench filed Trademark Application No. 2009369 in relation to the mark LOCUST LANE for use in association with wine.

[21] Following a conversation between Mr. Thiel and Mr. Sannella on or around February 3, 2020, Hidden Bench's counsel sent LLEW a further letter on February 4, 2020, alleging that its use of the LOCUST LANE mark constitutes passing off contrary to the common law and s 7(b) of the Act. This letter, among other things, requested that LLEW cease all use of the LOCUST LANE mark and cancel its registration of "locustlanewines.com".

[22] As LLEW did not comply with this request, Hidden Bench filed a Notice of Application on March 23, 2020, commencing this application for relief under the Act and claiming the following relief:

- A) a declaration that: (i) Hidden Bench is the owner of the trademark LOCUST LANE; (ii) LLEW has directed attention to their website, goods, services and

business in such a way as to cause or be likely to cause confusion between their goods, services and/or business and the goods, services and/or business of Hidden Bench, contrary to law and s 7(b) of the Act; and (iii) LLEW has passed off their goods, services and business in association with the LOCUST LANE mark and the domain name “locustlanewines.com”, as and for those of Hidden Bench, contrary to law and s 7(c) of the Act;

- B) related injunctive relief and an order for delivery up or destruction of materials offending the injunction;
- C) an order requiring LLEW to transfer to Hidden Bench the registration for the domain name “locustlanewines.com”;
- D) damages or, alternatively, an accounting of profits;
- E) punitive and exemplary damages; and
- F) pre-judgment interest and costs.

[23] The parties exchanged records including affidavit evidence and conducted cross-examinations thereon. The hearing of this matter was conducted by videoconference employing the Zoom platform on January 27, 2021.

III. ISSUES

[24] In its Memorandum of Fact and Law, Hidden Bench articulates the issues in this application as follows:

- A) LLEW 's use of Hidden Bench's LOCUST LANE mark passes off LLEW's goods, services and business as and for those of Hidden Bench and depreciates the value of the goodwill in Hidden Bench's LOCUST LANE mark;
- B) LLEW has directed attention to its website, goods, services, and business in such a way as to cause or be likely to cause confusion between its goods, services and/or business and the goods, services and/or business of Hidden Bench;
- C) Hidden Bench is entitled to injunctive relief and delivery up/destruction of offending material; and
- D) Hidden Bench is entitled to monetary relief.

[25] LLEW instead articulates the issues as follows:

- A) Has Hidden Bench established that it possesses a valid and enforceable trademark in the geographic name "Locust Lane"?
- B) Has LLEW directed public attention to its goods, services or business in such a way as to cause or be likely to cause confusion in Canada between its goods, services or business and those of Hidden Bench, contrary to the common law and paragraph 7(b) of the Act?

- C) Has LLEW passed off its goods or services as and for those ordered or requested, contrary to paragraph 7(c) of the Act?

- D) Is Hidden Bench entitled to any of the relief requested in its Notice of Application?

[26] For reasons that will be explained below in my analysis of the issues in this application, I prefer LLEW's articulation of the issues and will employ those issues as a framework for addressing this application.

IV. Analysis

- A. *Has Hidden Bench established that it possesses a valid and enforceable trademark in the geographic name "Locust Lane"?*

[27] In order to address this first issue, I must explain a divergence in the parties' positions as to the nature of causes of action under ss 7(b) and (c) of the Act. It is common ground that Hidden Bench's application asserts causes of action under ss 7(b) and (c). However, the parties disagree as to the elements that must be established under each of these sections. For ease of reference, these sections read 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,

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

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;

(c) pass off other goods or services as and for those ordered or requested; or

....

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;

c) faire passer d'autres produits ou services pour ceux qui sont commandés ou demandés

....

[28] Hidden Bench takes the position that s 7(c) is a codification of the common law cause of action for passing off, the three necessary components of which are: (a) the existence of goodwill; (b) deception of the public due to a misrepresentation; and (c) actual or potential damage to the applicant. It argues that s 7(b) represents a separate cause of action that requires only demonstration of confusion.

[29] LLEW takes the position that s 7(b), not s 7(c), codifies the common law cause of action for passing off. It agrees with Hidden Bench's articulation of the three components of that cause of action but submits that the establishment of a claim under s 7(b) also requires that an applicant satisfy a threshold issue, i.e. establishing that it possesses a valid and enforceable trademark. Hidden Bench takes the position that no such threshold requirement exists.

[30] LLEW argues that s 7(c) represents a codification of the common law cause of action of passing off by substitution. It relies on Justice Boswell's explanation of this cause of action in *Diageo Canada Inc v Heaven Hill Distilleries Inc*, 2017 FC 571 [*Diageo*] at para 97:

97. In *Distrimic Inc v Dispill Inc*, 2006 FC 1229, 301 FTR 52, this Court noted that:

[67] The cause of action described at subsection 7(c) of the Trade-marks Act is a codification of the common law action of "passing off by substitution" (*Fox on Canadian Law of Trade-marks and Unfair Competition*, above, at page 4-15)

[68] An action based on subsection 7(c) of the Trade-marks Act must satisfy the following criteria:

[...] Passing off by substitution will be established where, in answer to an order for what plainly appears to be the plaintiff's goods, the defendant, without any explanation of the circumstances, supplies corresponding goods of his own or someone else's manufacture without any enquiry whether the plaintiff's goods or merely equivalent goods are required. In order, however, to found a case of passing off by substitution it must be clear that the words in which the order was given referred to goods of the plaintiff and nobody else. It must be clear that proper notice was given to the retailer as to the articles desired and that something was substituted for that which was ordered. It is not an improper substitution of goods or services if the purchaser is told that the goods or services he asked for are not available and agrees to take others in their place. (*Fox on Canadian Law of Trade-marks and Unfair Competition*, above, at page 4-16)

[31] I agree with LLEW's position on the nature of a claim under s 7(c). As further noted in *Diageo* (at para 98), the Federal Court of Appeal stated in *Positive Attitude Safety System Inc v Albian Sands Energy Inc*, 2005 FCA 332 (at para 34) that, in order for there to be a contravention of s 7(c), there must be a substitution of one trader's goods as and for those ordered or requested.

[32] I also agree with LLEW's positions: (a) that it is s 7(b) that codifies the common law cause of action for passing off; and (b) that, when asserting this cause of action through its

statutory formulation in s 7(b), there is an additional threshold requirement that the claimant must prove possession of a valid and enforceable trademark. As explained in *Nissan Canada Inc v BMW Canada Inc*, 2007 FCA 255 [*Nissan*] at para 14:

14. Paragraph 7(b) of the Act prohibits a person from directing public attention to his wares, services or business in such a way as to cause or be likely to cause confusion, at the time he commenced the activity in question, with the wares, services or business of another. As stated by this Court in *Kirkbi AG v. Ritvik Holdings Inc.*, [2004] 2 F.C.R. 241 at page 245, (2003) FCA 297, aff'd [2005] 3 S.C.R. 302, paragraph 7(b) is the equivalent statutory expression of the common law tort of passing off with one exception: for resort to that paragraph, a plaintiff must prove possession of a valid and enforceable trade-mark, whether registered or unregistered.

[33] More recently, the Federal Court of Appeal has confirmed this threshold requirement in *Sandhu Singh Hamdard Trust v Navsun Holdings Ltd*, 2019 FCA 295 [*Sandhu Singh*] at para 39, noting that the requirement is derived from constitutional constraints on federal jurisdiction in relation to trademarks.

[34] I therefore turn to consideration of this threshold issue, i.e. whether Hidden Bench has established that it possesses a valid and enforceable trademark in the words “Locust Lane”. This requires consideration of the meaning of this requirement. LLEW takes the position that this requirement engages one of its principal arguments in this application, that “Locust Lane” represents a clearly descriptive reference that denotes the geographic location of one of Hidden Bench’s vineyards and, more particularly, the road on which both parties’ vineyards are situated.

[35] LLEW submits that, in almost all cases, Hidden Bench has used these words as a descriptor and not as a trademark. It further submits that, regardless of Hidden Bench’s intention

to use of the term descriptively or as a trademark, Hidden Bench has not established that it possesses valid and enforceable trademark rights in the term “Locust Lane”, because it represents a geographically descriptive name. LLEW argues that geographic names are not inherently distinctive and that, in the absence of sufficient evidence to establish that “Locust Lane” has acquired distinctiveness, it does not represent a valid and enforceable mark.

[36] Hidden Bench has not taken a position on the meaning of the threshold requirement. Rather, as noted above, it argues that the requirement does not exist. While I have found Hidden Bench’s position on this point to be without merit, I am also unable to accept the entirety of LLEW’s position as to the meaning of the threshold requirement, i.e. possession of a valid and enforceable trademark.

[37] The definition of “trademark” is found in s 2 of the Act:

trademark means

(a) a sign or combination of signs that is used or proposed to be used by a person for the purpose of distinguishing or so as to distinguish their goods or services from those of others, or

(b) a certification mark;

marque de commerce

Selon le cas :

a) signe ou combinaison de signes qui est employé par une personne ou que celle-ci projette d’employer pour distinguer, ou de façon à distinguer, ses produits ou services de ceux d’autres personnes;

b) marque de certification.

[38] This definition references use of a trademark which, by virtue of the definition of “use” in s 2, is that deemed to be use by the following provisions in s 4:

When deemed to be used

4 (1) A trademark is deemed to be used in association with goods if, at the time of the transfer of the property in or possession of the goods, in the normal course of trade, it is marked on the goods themselves or on the packages in which they are distributed or it is in any other manner so associated with the goods that notice of the association is then given to the person to whom the property or possession is transferred.

Idem

(2) A trademark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.

Use by export

(3) A trademark that is marked in Canada on goods or on the packages in which they are contained is, when the goods are exported from Canada, deemed to be used in Canada in association with those goods.

Quand une marque de commerce est réputée employée

4 (1) Une marque de commerce est réputée employée en liaison avec des produits si, lors du transfert de la propriété ou de la possession de ces produits, dans la pratique normale du commerce, elle est apposée sur les produits mêmes ou sur les emballages dans lesquels ces produits sont distribués, ou si elle est, de toute autre manière, liée aux produits à tel point qu'avis de liaison est alors donné à la personne à qui la propriété ou possession est transférée.

Idem

(2) Une marque de commerce est réputée employée en liaison avec des services si elle est employée ou montrée dans l'exécution ou l'annonce de ces services.

Emploi pour exportation

(3) Une marque de commerce mise au Canada sur des produits ou sur les emballages qui les contiennent est réputée, quand ces produits sont exportés du Canada, être employée dans ce pays en liaison avec ces produits.

[39] Against the backdrop of this definition, it is useful to return to the explanation of the threshold requirement by the Federal Court of Appeal in *Nissan*. That case involved claims under the Act, including a claim under s 7(b) related to the unregistered marks M and M6 that were, at the time of trial, the subject of applications for registration by the plaintiff BMW. After identifying that the first issue to be determined was whether the evidence supported a finding that BMW had valid and enforceable trademarks in the unregistered M and M6 marks, the Court of Appeal explained the required analysis as follows (at paras 16 to 18):

16. The term “trade-mark”, as defined in section 2 of the Act, requires that a mark be used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others. As such, in order to obtain trade-mark rights, the trade-mark must be “used” by the person for the purpose of distinguishing their wares or services from those of others. As stated by the Supreme Court of Canada, “the gravamen of trade-mark entitlement is actual use”: *Mattel, Inc. v. 3894207 Canada Inc.*, [2006] 1 S.C.R. 772 at paragraph 5.

17. “Use” is a defined term in the Act. Section 2 provides that “use” in relation to a trade-mark means any use that by section 4 is deemed to be a use in association with wares or services. At issue are BMW’s automobiles, parts and accessories and, as such, we are dealing with wares, not services.

18. In accordance with subsection 4(1) of the Act, a trade-mark is deemed to be used in association with wares, if, at the time of the transfer of the property in or possession of the wares, in the normal course of trade, it is marked on the wares themselves or on the packages in which they are distributed or it is in any other manner so associated with the wares that notice of the association is then given to the person to whom the property or possession is transferred.

[40] Following analysis of the evidence, the Court of Appeal concluded (at para 29) that there was no evidence of use of the marks, in the manner required by the Act, on which the trial judge

could rely to conclude that they were unregistered trademarks in accordance with s 2 of the Act for purposes of a passing off claim under s 7(b).

[41] Based on this jurisprudence, I am unable to agree with LLEW that Hidden Bench is required to establish acquired distinctiveness in relation to its alleged mark, in order for it to represent a valid and enforceable mark. To be clear, the sufficiency of the evidence necessary to establish acquired distinctiveness is an issue in this matter, related to the components of an action for passing off, which will be canvassed in detail later in these Reasons. However, I disagree with LLEW's position that acquired distinctiveness is a requirement that must be satisfied in connection with the threshold issue.

[42] While *Nissan* does not state expressly what is required for a mark to be valid and enforceable, it analyses that requirement in terms of whether the alleged mark has been used, within the meaning of s 4 of the Act, so as to constitute a trademark within the meaning of s 2. LLEW has not referred the Court to any jurisprudence that analyses this requirement in terms of an alleged mark's distinctiveness.

[43] I also consider the conclusion that acquired distinctiveness is not part of the threshold requirement to be supported by the language of s 12 of the Act. That provision prescribes the requirements for a trademark to be registrable. Authorities concerning registrability under s 12 support the position that geographic descriptions are not inherently distinctive and are not accorded a high degree of protection unless they have acquired distinctiveness over time. For instance, in *Carling Breweries Ltd v Molson Cos*, [1984] 2 FC 920 [*Carling*], this Court

explained the operation of the relevant provisions (as then found in ss 12(1)(b) and 12(2)) as follows (at para 7):

7 (2) Paragraph 12(1)(b) and subsection 12(2) — These provisions are as follows:

12. (1) Subject to section 13, a trade mark is registrable if it is not

.....

(b) whether depicted, written or sounded, either clearly descriptive or deceptively misdescriptive in the English or French languages of the character or quality of the wares or services in association with which it is used or proposed to be used or of the conditions of or the persons employed in their production or of their place of origin;

.....

(2) A trade mark that is not registrable by reason of paragraph 1(a) or (b) is registrable if it has been so used in Canada by the applicant or his predecessor in title as to have become distinctive at the date of filing an application for its registration.

It is common ground that the mark "Canadian" is now clearly descriptive of the place of origin of beer made in Canada. Thus the mark is *prima facie* unregistrable unless it can be brought within subsection 12(2) on the basis that it had been so used by the respondents so as to have become distinctive of their product at the date of the filing of an application for its registration, namely December 10, 1971.

[44] I recognize that s 12 and registrability generally are not at issue in the present case.

However, s 12(1) employs the defined term “trademark” and then places restrictions on the registrability of certain trademarks. This language suggests that, while acquired distinctiveness is necessary to invoke s 12(2) (or the similar provision now found instead in s 12(3)) and overcome

the operation of s 12(1)(b) so as to permit registration of a descriptive trademark, it is not an impediment to the existence of a “trademark” within the meaning of s 2.

[45] In other words, in the absence of distinctiveness, a trademark may be entitled to little protection. However, provided a mark meets the statutory definition, including use for the purpose of distinguishing goods and services from those of others (which incorporates the requirement to demonstrate trademark use within the meaning of s 4), the threshold issue is satisfied, and the analysis moves to consideration of the three common-law components of an action for passing off.

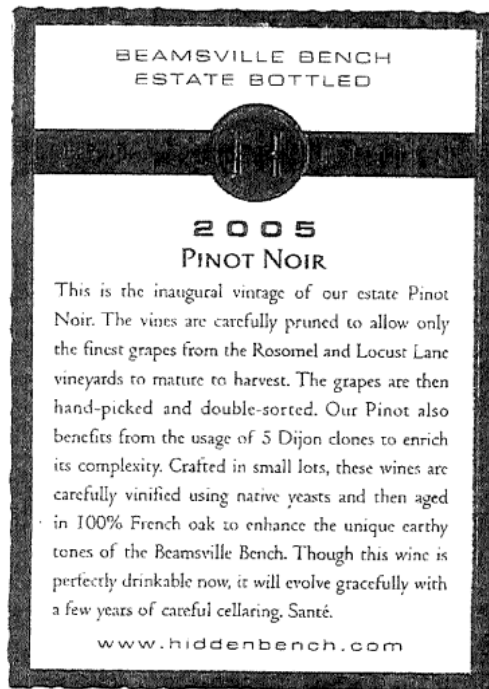
[46] The remaining point for consideration under the threshold issue is LLEW’s argument that, in almost all cases, Hidden Bench has used these words as a descriptor and not as a trademark. This argument is distinct from LLEW’s position that the alleged mark has insufficient acquired distinctiveness and, in my view, does engage the threshold question of whether the alleged mark has been used by Hidden Bench as a trademark.

[47] LLEW submits that Hidden Bench’s wine labels display the words “Locust Lane” in one of two ways. For wines that are produced exclusively from grapes grown at Hidden Bench’s Locust Lane Vineyard, the labels display the term “Locust Lane Vineyard”. The second method in which the words are used on the labels is in relation to a Rosé produced by Hidden Bench, which is not made exclusively from grapes from the Locust Lane Vineyard. As that wine employs grapes from Hidden Bench’s three vineyards, the label does not reference the “Locust Lane Vineyard”. However, the label refers to the wine as “Locust Lane Rosé”. The following are

examples of each of these two different methods in which the labels display the words “Locust Lane”:



[48] In reviewing the evidence, I have also noted examples in which the label employed on the back of the wine bottle includes the words “Locust Lane”, in reference to the Locust Lane Vineyard but without using the full style “Locust Lane Vineyard”. For instance, the back label for the 2005 Pinot Noir contains a description of the wine including the sentence, “The vines are carefully pruned to allow only the finest grapes from the Romosel and Locust Lane vineyards to mature to harvest”. This label presents as follows:



[49] Hidden Bench also points out that what it refers to as “tasting notes,” available on its website since at least 2006, use the words “Locust Lane”. These documents provide details related to individual wines. In addition to displaying a copy of the label for the relevant wine, some of these documents refer to the wine in a manner that uses the words “Locust Lane”. For instance, the tasting notes for the 2012 Rosé refer to that wine as “2012 Locust Lane Rosé”, the tasting notes for the 2012 Vioginer refer to that wine as “2012 Locust Lane Vioginer”, and the tasting notes for the 2012 Pinot Noir refer to that wine as “2012 Locust Lane Pinot Noir”. Other vintages of those varieties are similarly identified.

[50] I also notes that similar references are found on what appears to be the online sales portion of Hidden Bench’s website, for instance referring to the “2012 Locust Lane Pinot Noir”.

[51] Hidden Bench frames its claims as related to the mark LOCUST LANE, which is how it has styled the mark for which it has applied for trademark registration. However, the evidence demonstrates that Hidden Bench's use of the words "Locust Lane" is principally (but not exclusively) as part of a larger combination of words. The back label for the 2005 Pinot Noir (depicted above) represents an example where the words "Locust Lane" are used alone, although within a sentence of text. Otherwise, as explained above, the labels use these words as part of the larger phrase "Locust Lane Vineyard" or "Locust Lane Rosé". Similarly, the tasting notes and website references employ larger phrases such as "2012 Locust Lane Pinot Noir".

[52] This point is significant because, as Hidden Bench's claims relate entirely to unregistered marks, it may only rely on those trademarks that it has actually used (see *Masterpiece Inc v Alavida Lifestyles Inc*, 2011 SCC 27 [*Masterpiece*] at para 60). Also, for at least portions of the analysis required in assessing a claim under s 7(b) of the Act, each mark that has been used may have to be considered separately. As explained in *Masterpiece*, in conducting a confusion analysis, factors such as the degree of resemblance between the parties' marks may have to be assessed on a mark by mark basis (at para 45), and the degree of resemblance must be assessed by considering only those characteristics that define the relevant trademark itself (at para 61). Therefore, even while still considering the threshold issue as to whether Hidden Bench possesses a valid and enforceable mark (and in particular whether there has been use within the meaning of s 4), I consider it important to approach the analysis by considering the particular combinations of words (and therefore potentially different trademarks) identified in the evidence.

[53] In support of its position on the threshold issue, that Hidden Bench has used these words as a descriptor and not as a trademark, LLEW emphasizes that “Locust Lane” represents a reference to both the name of the road where Hidden Bench is based and the name of one of its vineyards. LLEW also relies on the manner in which Hidden Bench has identified its brands in its applications for VQA certification. While the relevant application forms permit the identification of more than one brand for a particular wine, Hidden Bench’s VQA Wine Approvals and Certificates of Origin [VQA Certificates] identify Hidden Bench’s brand only as “Hidden Bench Vineyards & Winery”. It appears that, for the wines produced solely from grapes from the Locust Lane Vineyard, the VQA Certificates employ the words “Locust Lane” only in the Designation(s) field, where they state “Vineyard Name: Locust Lane Vineyard” or “Vineyard Name: Locust Lane”. For the Rosé, the VQA Certificates state “Proprietary Name: Locust Lane Rosé” in the Labelling field.

[54] I accept that the evidence surrounding the VQA certificates is potentially relevant to the question of whether Hidden Bench is making trademark use of the words “Locust Lane”. However, in my view, this evidence does not particularly assist LLEW. Focusing first on the Rosé, while “Locust Lane” does not appear in the branding field, the reference to “Locust Lane Rosé” as a proprietary name connotes use intended to distinguish the product from those of others, i.e. trademark use. This conclusion is consistent with the manner in which the words “Locust Lane” are employed on the labels themselves as part of the name of the wine, “Locust Lane Rosé”.

[55] The analysis is perhaps not as straightforward in relation to the wines for which the VQA Certificates and labels employ the words “Locust Lane Vineyard” or “Locust Lane” in identifying the relevant vineyard rather than as the name of the wine itself. However, in my view, the fact the words represent a reference to the vineyard from which the product comes does not result in a conclusion that they are not being used in a trademark sense for the purpose of identifying the source of the product and thereby distinguishing it from those of others.

[56] I am also satisfied that displaying these various combination of words on the wine labels represents use in association with goods (i.e., the wine) within the meaning of s 4 of the Act. That is, at the time of the transfer of the property in or possession of the goods, in the normal course of trade, the words are marked on the goods themselves or on the packages in which they are distributed. With respect to the references (such as “2012 Locust Lane Pinot Noir”) to the wines displayed on the online sales portion of Hidden Bench’s website, I would also consider such display to be associated with the wine so as to give notice of that association to online purchasers when the property is transferred, within the meaning of s 4.

[57] Turning to services (described by Mr. Thiel as the operation of the Locust Lane Vineyard, the operation of a winery, and retails services provided by a winery), images of wine bottles bearing the labels described above, as well as other references to the “Locust Lane Vineyard” and the references to the wines such as “2013 Locust Lane Pinot Noir” in the tasting notes, are displayed on Hidden Bench’s website, which is used to advertise its services such as wine tasting at its facility. I am satisfied that such advertising represents use in association with services within the meaning of s 4 of the Act.

[58] Taking into account the totality of the evidence, I find that Hidden Bench has made trademark use of the combinations of words described above that include the words “Locust Lane” [together, the Locust Lane Marks]. As such, the threshold requirement is met, and I must consider the test for passing off under s 7(b).

B. *Has LLEW directed public attention to its goods, services or business in such a way as to cause or be likely to cause confusion in Canada between its goods, services or business and those of the applicant, contrary to the common law and paragraph 7(b) of the Act?*

[59] As previously noted, the three necessary components of a cause of action for passing off are: (a) the existence of goodwill; (b) deception of the public due to a misrepresentation; and (c) actual or potential damage to the applicant.

(1) Existence of Goodwill

[60] 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 (see *Sandhu Singh* at para 48). As noted in *Weldpro Limited v Weldworld Corp*, 2018 FC 312 at para 22, an applicant may establish goodwill in any number of ways, but must do so based on perceptions in the marketplace.

[61] The jurisprudence also emphasizes the importance of establishing that goodwill is in respect of the distinctiveness of the product. In *Kirkbi AG v Ritvik Holdings Inc*, 2005 SCC 65 [*Kirkbi*] at para 67, the Supreme Court of Canada explained:

67. The first component is goodwill or reputation. The claimant must establish goodwill in respect of the distinctiveness of the product (*Ciba-Geigy*, at pp. 132-33; *Oxford Pendaflex Canada Ltd. v. Korr Marketing Ltd.*, [1982] 1 S.C.R. 494 (S.C.C.), at pp. 504 and 507, per Estey J.). Evidence of goodwill solely attached to the techniques and processes which create the product will not do. The doctrine of passing off did not develop to protect monopolies in respect of products but of guises, get-ups, names and symbols which identify the distinctiveness of a source.

[62] As noted above, inherent and acquired distinctiveness are factors to be considered for purposes of assessing reputation or goodwill. LLEW relies on authority to the effect that marks containing descriptive words, in particular geographic references, are not inherently distinctive. As explained in *Prince Edward Island Mutual Insurance v Insurance Co of Prince Edward Island*, [1999] FCJ No 112 (FCTD) at para 32 (in considering inherent distinctiveness as part of a confusion analysis):

32. With respect to the first factor in subsection 6(5) of the Act, inherent distinctiveness of the trade marks in question, it is well established that marks which contain descriptive words are not inherently distinctive and will be afforded only a minimal degree of protection by the Court. In particular, trade marks or trade names which contain a reference to a geographic location, such as those in issue here, are descriptive rather than distinctive and do not deserve a wide ambit of protection. Where the court is called upon to determine the "likelihood of confusion" in respect of a descriptive name or mark, even small differences between the marks will be sufficient to diminish the "likelihood of confusion".

[63] Hidden Bench disputes the application of this principle to its use of the Locust Lane Marks. It argues that they cannot be considered clearly descriptive of the place of origin of the goods or services, because geographic locations to which this principle applies are usually place names, not the name of a road. In response to this argument, LLEW refers the Court to *General Motors of Canada v Décarie Motors Inc.*, [2001] 1 FC 665 (FCA) [*General Motors*], in which

the Federal Court of Appeal held the mark “Décarie” (a reference to the street Décarie Boulevard in Montréal) to be *prima facie* unregistrable under s 12(1)(b) of the Act due to its geographic descriptiveness of a place of origin (at para 28).

[64] Hidden Bench argues that *General Motors* is distinguishable, as that case involved a street which was noted by the Court to be a well-known and important geographical location (at para 38). Hidden Bench submits that, in contrast, the road Locust Lane is a little known location. I do not consider this argument to assist Hidden Bench. I read the portion of *General Motors*, in which the Court references the fact that Décarie Boulevard is well-known, to relate to its analysis of acquired distinctiveness, not inherent distinctiveness.

[65] I also find that Hidden Bench’s argument conflicts with the guidance of the Federal Court of Appeal in *MC Imports Inc v AFOD Ltd*, 2016 FCA 60 [*MC Imports*]. In that case, the Court indicated that the perspective of the consumer is only meaningfully relevant to the determination of inherent distinctiveness of a descriptive mark if there is ambiguity as to whether the mark actually refers to a place (at para 63). In the present case, there is no such ambiguity. As explained in *MC Imports*, the policy underlying the treatment of descriptions of places of origin is that maintaining a monopoly over the use of words to describe the origin of goods would unduly deprive potential competitors of the opportunity to describe their own goods in the same manner (see para 44). In my view, this policy applies regardless of how well the place of origin is known.

[66] I am conscious that *MC Imports* is a case about registrability under s 12 (as is other jurisprudence upon which LLEW relies in arguing that the Locust Lane Marks are not inherently distinctive). I nevertheless find that its reasoning guides consideration of the distinctiveness factor in assessing whether Hidden Bench has established the goodwill necessary to support its claim for passing off.

[67] I find the Locust Lane Marks to lack inherent distinctiveness and therefore turn to consideration of whether Hidden Bench has established acquired distinctiveness through its use of the marks. That consideration involves assessment of the evidence upon which Hidden Bench relies in support of acquired distinctiveness and the establishment of goodwill generally.

[68] As a first point in relation to that evidence, I note that Hidden Bench argued at the hearing of this matter that LLEW's ability to challenge Hidden Bench's evidence of goodwill is undermined by what Hidden Bench characterizes as LLEW's limited cross-examination of Mr. Thiel.

[69] In his affidavit, Mr. Thiel states that Hidden Bench's marketing efforts include creating exposure of LOCUST LANE branded wines through high-profile product placements, working with industry standards associations, participating in wine reviews, articles and competitions, and creating a robust website and social media presence. He further states that LOCUST LANE branded wines have achieved a significant level of notoriety from both media and wine consumers. Mr. Thiel asserts that, since its founding, Hidden Bench has earned a reputation for its high quality vineyards and wines. In its submissions on the goodwill issue, LLEW argues that

this represents a bald assertion unsupported by the evidence and raises arguments as to why the evidence relied upon by Hidden Bench is insufficient to establish goodwill.

[70] I disagree with Hidden Bench's position that the extent to which LLEW cross-examined Mr. Thiel on his affidavit limits its ability to advance these arguments. As noted by LLEW's counsel in responding to Hidden Bench's position at the hearing of this application, LLEW is not challenging Mr. Thiel's credibility but rather the sufficiency of the evidentiary support for his assertions. LLEW is not required to have cross-examined Mr. Thiel on those assertions in order to raise arguments surrounding the sufficiency of his evidence.

[71] In support of its position on goodwill, Hidden Bench asserts continuous, extensive and exclusive use of its marks since at least 2005. I accept Mr. Thiel's evidence that Hidden Bench commenced operation in 2003 and find that it has used at least some of the Locust Lane Marks in its branding since 2005. While his affidavit attaches example of wine labels referring to "Locust Lane Vineyard" or "Locust Lane Rosé" only since 2007, there is no reason to doubt his evidence that this branding began when Hidden Bench began selling wine in 2005. The label on the back of the Pinot Noir bottle that employed the words "Locust Lane", in referring to the vineyard, is from the 2005 vintage. There is also no evidence of any third party use of the marks. I therefore accept that there has been exclusive use of the Locust Lane Marks by Hidden Bench since 2005 and that, in relation to at least some of the marks, such use has been continuous.

[72] However, as for the qualitative assertion that the use has been extensive, it is necessary to assess the supporting evidence. With respect to volume of sales, Mr. Thiel attests that sales of

LOCUST LANE branded wines between 2006 and 2019 have exceeded \$2,400,000.00. LLEW does not contest this figure but argues that, as this represents only \$184,000.00 in annual sales, it is not a volume that significantly assists Hidden Bench in establishing acquired distinctiveness.

[73] LLEW also asserts that the volume of all Hidden Bench wine sales represents only 0.31% of total VQA Ontario wine production. It bases this calculation on the figure of 10,000 cases produced by Hidden Bench, as reflected in a June 2019 article written by the local wine journalist Rick VanSickle attached as an exhibit to Mr. Thiel's affidavit [the VanSickle Article], compared with total VQA Ontario wine production of 3,202,806 cases as identified in VQA's 2018 Annual Report. However, at the hearing of this matter, Hidden Bench's counsel objected to LLEW's reliance on the figures from the VQA report. Counsel points out that the report was introduced into evidence by LLEW's counsel as an exhibit to Mr. Thiel's cross-examination and that the only evidence elicited from Mr. Thiel during cross-examination in relation to the VQA report was his reading of the title of the document. Indeed, Mr. Thiel testified that he had never reviewed this document or VQA annual reports from other years that were also put to him. As Mr. Thiel did not testify to the document other than by reading its name, let alone confirm any of the information contained therein, LLEW is not in a position to rely on this document for the truth of its contents.

[74] That said, the VanSickle Article, which Mr. Thiel has put in evidence and on which he relies to support his assertion that LOCUST LANE branded wines have achieved significant notoriety, refers to Hidden Bench as a boutique winery with one of the smaller productions in the Niagara region, although performing at the highest end of Ontario wineries. I do not understand

Hidden Bench to disagree with this characterization. I therefore accept LLEW's submission that Hidden Bench cannot rely on a significant market share by volume in support of acquired distinctiveness or goodwill more generally. However, I do not regard that fact in itself to be particularly determinative. As Hidden Bench's counsel compellingly submits, vendors of premium products may have smaller unit sales volumes than vendors of lesser quality products, while still engendering reputation through those sales.

[75] In my view, the greater difficulty for Hidden Bench is establishing through its sales volumes that it has acquired distinctiveness (and goodwill more generally) specifically in the Locust Lane Marks. As explained in *Carling*, where one must prove that a descriptive word has acquired a secondary meaning so as to make it distinctive of a party's goods or services, the onus is a heavy one (at para 10). In *MC Imports*, the Federal Court of Appeal provided the following explanation of the evidence required to establish acquired distinctiveness of a descriptive mark (at paras 73-76):

73. In a case where there has been no prior use of the trade-mark, there is clearly no resort to subsection 12(2) and the analysis stops once it has been determined that the trade-mark is clearly descriptive within the meaning of paragraph 12(1)(b). In a prior-use case, however, it is open to the applicant to argue that through this prior use the trade-mark has developed distinctiveness such that it falls within the subsection 12(2) exception.

74. It is also at this stage that consumer perceptions become highly relevant. The burden is on the registrant to prove that its trade-mark had acquired distinctiveness due to use in Canada at the time of registration. While normally, the burden is on the party challenging an otherwise valid trade-mark to demonstrate that it *lacks* distinctiveness, the trade-mark holder or applicant must positively demonstrate that it falls within the words of subsection 12(2) when the trade-mark is clearly descriptive or deceptively misdescriptive within the meaning of paragraph 12(1)(b).

75. This Court has held that what must be demonstrated is that the trade-mark “although it may be descriptive, has acquired a dominant secondary or distinctive meaning in relation to the wares or services” with which it is associated (*Molson*, at paragraph 54).

76. How does one demonstrate that a mark has acquired such a dominant secondary meaning? Evidence must be presented to demonstrate that from the perspective of the relevant public — that is, people who actually use the product or service in question — the trade-mark has become distinctive of that product or service (*Carling Breweries Ltd. v. Molson Companies Ltd.*, [1984] 2 F.C. 920 at page 930, 1 C.P.R. (3d) 191; affirmed: 16 C.I.P.R. 157, 19 C.P.R. (3d) 129 (F.C.A.)). It is clear that mere evidence of prior use will not satisfy the requirement under subsection 12(2), which requires both prior use and acquired distinctiveness as a result of that use.

[76] As is apparent in those passages, the Court in *MC Imports* was considering acquired distinctiveness for purposes of what was then s 12(2) of the Act, which permitted registration of a mark, that was otherwise unregistrable because it was descriptive, if it had been so used in Canada as to have become distinctive. However, I regard *MC Imports* as instructive in considering the evidence that is required to demonstrate acquired distinctiveness for purposes of the goodwill analysis in the present case. Like the analysis in *MC Imports*, the demonstration of goodwill must focus not only upon the use of the relevant mark but, from the perspective of the relevant public, whether the mark has thereby become distinctive of the relevant product or service.

[77] LLEW emphasizes that the Locust Lane Marks are always displayed on Hidden Bench’s labels in association with the more prominent HIDDEN BENCH mark. That is, the labels all appear to feature the words “HIDDEN BENCH”, displayed in a coloured banner in the middle of the label, with a logo (composed of an “H” superimposed on a “B”) between the two words. The

upper half of the labels also features imagery of a farm house. Whichever of the Locust Lane Marks may appear on the label is displayed on the lower half of the label, in black font and surrounded by other information (sometimes in more prominent font) about the wine and winery.

[78] In considering LLEW's argument, I am conscious of the guidance in *Masterpiece* explained earlier in these Reasons that, in conducting a confusion analysis under the second element of the passing off test, the degree of resemblance must be assessed by considering only those characteristics that define the relevant trademark itself (at para 61). However, in assessing the establishment of goodwill under the first element of the test, I agree with LLEW that it is necessary to examine the context in which the Locust Lane Marks are used. Given the manner in which the Locust Lane Marks are used on the labels in the context of more prominent and non-descriptive marks, it is difficult to conclude from such use that it will have engendered in the minds of Hidden Bench's customers a secondary meaning of the sort necessary to establish acquired distinctiveness in relation to the descriptive marks. I therefore agree with LLEW's position that Hidden Bench's evidence of its sales volumes is insufficient evidence of consumer perceptions to establish reputation or goodwill in any of the Locust Lane Marks.

[79] In addition to its sales volume and resulting exposure to its product labels, Hidden Bench also relies on its use of the Locust Lane Marks on its website to support its claim of acquired distinctiveness and associated reputation and goodwill. However, whether focusing upon the tasting notes, the references to the wines displayed on the online sales portion of Hidden Bench's website, or other locations on the website where the words "Locust Lane" appear, there is no

evidence of the volume of consumer traffic to these locations. The evidence related to the website therefore adds little support to Hidden Bench's position.

[80] I reach the same conclusions with respect to Mr. Thiel's other evidence including awards and favourable product reviews. While these speak to the quality of Hidden Bench's wines, there is no evidence as to the resulting volume of consumer exposure to Hidden Bench's goods and services, let alone exposure to the Locust Lane Marks about which the goodwill analysis is concerned.

[81] In summary, the evidence adduced is not sufficient for Hidden Bench to surmount the heavy onus it bears to establish that, from the perspective of the consumer, its descriptive marks have acquired a secondary meaning so as to make them distinctive of Hidden Bench's goods and services. As noted earlier in these Reasons, acquired distinctiveness is only one of several factors that courts have considered in determining the existence of reputation or goodwill for the purposes of a passing off action. However, in assessing Hidden Bench's acquired distinctiveness arguments, I have also considered and rejected as insufficient its evidence on other factors such as length of use, volume of sales, and extent and duration of advertising and marketing. On the facts of this application, where the passing off claim relies on use of unregistered descriptive marks, Hidden Bench's failure to show acquired distinctiveness results in inability to establish the goodwill necessary to succeed in its claim under s 7(b) of the Act.

(2) Deception of the Public due to a Misrepresentation

[82] The second element of the test for a passing off claim under s 7(b) requires the claimant to show a misrepresentation creating confusion in the public (see *Kirkbi* at para 68). In assessing confusion, the Court must consider the non-exclusive list of factors set out in s 6(5) of the Act. Those factors include the inherent and acquired distinctiveness of the claimant's mark which, as explained above, Hidden Bench is unable to establish.

[83] Of course, there are other factors at play in the confusion analysis, including the degree of resemblance between the parties' marks, which has been described as the statutory factor that is often likely to have the greatest effect on the confusion analysis (see *Masterpiece* at para 49). I would note that I have difficulty envisioning a situation where, even following consideration of the other factors, confusion would result in the context of a claimant's mark that lacks both inherent and acquired distinctiveness. However, as Hidden Bench has not established the goodwill associated with the Locust Lane Marks necessary to succeed in a passing off claim, it is unnecessary for the Court to conduct a confusion analysis in the case at hand.

(3) Actual or Potential Damage to the Applicant

[84] Similarly, as the passing off claim cannot succeed in the absence of goodwill, it is unnecessary to consider the third element of the test – actual or potential damage to the claimant.

C. *Has LLEW passed off its goods or services as and for those ordered or requested, contrary to paragraph 7(c) of the Act?*

[85] As LLEW submits, there is no evidence that its goods or services were substituted as and for goods or services ordered or requested from Hidden Bench. Therefore, the claim under s 7(c) of the Act must fail.

D. *Is Hidden Bench entitled to any of the relief requested in its Notice of Application?*

[86] As Hidden Bench has not made out its claims under either ss 7(b) or (c) of the Act, it is not entitled to any of the relief claimed.

V. Costs

[87] Each of the parties has sought costs in the event it prevailed in this application. At the hearing, it was agreed that they would make written submissions on the disposition of costs following issuance of the Court's decision on the merits, with the successful party's submissions due within seven days of the decision and the unsuccessful party's submissions due seven days after that. My Judgment will so provide.

JUDGMENT IN T-408-20

THIS COURT'S JUDGMENT is that:

1. This application is dismissed.
2. The Respondent shall serve and file its written submissions on costs of this application within seven days of the date of this Judgment, and the Applicant shall serve and file its written submissions in response within seven days of service of the Respondent's submissions. Each party's submissions shall be limited to three pages in length, exclusive of any supporting bill of costs, evidence or authorities.

"Richard F. Southcott"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-408-20

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INC. v. LOCUST LANE ESTATE WINERY
CORP.

PLACE OF HEARING: HELD BY VIDEOCONFERENCE VIA TORONTO,
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JUDGMENT AND REASONS: SOUTHCOTT J.

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