

Federal Court of Appeal



Cour d'appel fédérale

Date: 20151218

Docket: A-46-15

Citation: 2015 FCA 290

**CORAM: DAWSON J.A.
RYER J.A.
WEBB J.A.**

BETWEEN:

**RED LABEL VACATIONS INC., carrying on
business as REDTAG.CA or REDTAG.CA
VACATIONS or both**

Appellant

and

**411 TRAVEL BUYS LIMITED carrying on
business as 411TRAVELBUYS.CA and
CARLOS MANUEL LOURENCO**

Respondents

Heard at Toronto, Ontario, on November 16, 2015.

Judgment delivered at Ottawa, Ontario, on December 18, 2015.

REASONS FOR JUDGMENT BY:

WEBB J.A.

CONCURRED IN BY:

RYER J.A.

CONCURRING REASONS BY:

DAWSON J.A.

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REASONS FOR JUDGMENT

WEBB J.A.

[1] This is an appeal from the decision of Manson J. dated January 7, 2015 (2015 FC 19). The Federal Court Judge dismissed the claims of Red Label Vacations Inc. (Red Label) under the *Copyright Act*, R.S.C. 1985, c. C-42 and the *Trade-marks Act*, R.S.C. 1985, c. T-13 and he also

dismissed the counterclaim of 411 Travel Buys Limited (411 Travel Buys) under the *Trade-marks Act*. Red Label has appealed the dismissal of its claims. 411 Travel Buys has not appealed the dismissal of its counterclaim.

[2] For the reasons that follow I would dismiss the appeal of Red Label.

Background

[3] Both Red Label and 411 Travel Buys are in the business of offering travel services to customers primarily in Canada. Red Label is owned by Vincenzo Demarinis and started carrying on business in 2004. It has used three registered trade-marks: “redtag.ca”; “redtag.ca vacations”; and “Shop. Compare. Payless!! Guaranteed” since then. Customers could either book online or call to speak to an agent.

[4] 411 Travel Buys was incorporated in 2008 by the respondent, Carlos Manuel Lourenco. Mr. Lourenco had worked in the travel industry for several years, but he was not experienced in designing or creating a web page. He hired Aniema Ntia as a student intern and later as an employee to create the website for 411 Travel Buys and keep it up to date. Mr. Lourenco directed Ms. Ntia to a number of websites as examples of what he thought worked well, including itravel2000.com and redtag.ca. Mr. Lourenco eventually hired Nhu Train to assist and instruct Ms. Ntia on how to improve the website to increase the number of visitors to the site.

[5] This case arises because metatags from Red Label’s website were copied into 411 Travel Buys’ website. In *British Columbia Automobile Association v. Office and Professional*

Employees' International Union, Local 378, 2001 BCSC 156, Sigurdson J. described metatags as follows:

Meta Tags

32 A meta tag is part of a website not automatically displayed on the user's computer screen in the normal course of viewing a website. A meta tag is put on the website by the website owner to provide key information about the website. Through the use of meta tags, a website creator can describe what is available at that particular site or insert any other information. A meta tag is written in HTML.

33 When search engines gather information they seek out and obtain the information in the meta tags. Meta tags are used by most search engines and directories to gather information, index a website and match the website to the key words in a user's query. This generates search results corresponding to the user's query. It is common to use meta tags to specify key words that will be matched to key words entered by someone conducting a search

[6] When the website for 411 Travel Buys went online on January 5, 2009, metatags in 48 pages of the 411 Travel Buys website had been copied from the website of Red Label, which consisted of approximately 180,000 pages. The copied metatags included "Red Tag Vacations" and "shop, compare, & pay less". None of the copied metatags appeared on the visible pages of 411 Travel Buys website once a person went to the 411 Travel Buys website. At the hearing Red Label focused on a copy of a page from a Google search for "site://411travelbuys.ca". This excerpt was from page 7 of the Google search, which identified the websites that ranked 61st to 70th in relation to this search. The website for 411travelbuys.ca ranked 70th and the description for this website stated in part as follows:

Save on your Hola Sun Holidays Packages from Canada. Book Online with Red Tag Vacations & Pay Less Guaranteed!

[7] While “Red Tag Vacations” and “Pay Less Guaranteed” appeared in this description, there was no evidence that these words appeared in this form on any of the webpages that would be viewed by any person who went to the 411travelbuys.ca website. Also, it should be noted that in referring to “Red Tag Vacations” the description directs individuals to “Book Online with Red Tag Vacations”, which would indicate to any potential customer that he or she would have to go to another website to do the booking.

[8] On February 26, 2009, Red Label discovered that 411 Travel Buys was using metatags that appeared to be copied from its website. On March 10, 2009, Mr. Demarinis called Mr. Lourenco to complain about the use of Red Label’s metatags by 411 Travel Buys and to demand that 411 Travel Buys cease to do so immediately. On the same day, the website for 411 Travel Buys was taken down entirely and it was not reinstated until all of the potentially infringing content was removed. It should also be noted that during the brief period when the 411 Travel Buys website was operational from January 5, 2009 to March 10, 2009, no purchases could be made on this site. Anyone interested in purchasing any services offered by 411 Travel Buys had to call its call centre where the individuals answering the phone identified themselves as part of 411 Travel Buys.

Decision of the Federal Court

[9] Red Label claimed that copyright subsisted in its metatags and that 411 Travel Buys infringed this copyright by using these metatags in its website. Red Label also claimed copyright infringement by 411 Travel Buys when it used Red Label’s cascading style sheets or when it copied the “look and feel” of Red Label’s website.

[10] Red Label also alleged trademark infringement, passing off or depreciation of goodwill contrary to sections 7(b), 7(c), 20 or 22 of the *Trade-marks Act* by 411 Travel Buys using Red Label's registered trademarks (or trademarks that would be confusing with Red Label's registered trademarks).

[11] Red Label sought damages for lost profits as well as punitive damages and also alleged that Mr. Lourenco was personally liable for the damages that were claimed.

[12] The Federal Court Judge summarized the evidence presented by the various witnesses and then dismissed all of the claims of Red Label. Red Label has appealed to this Court in relation to the conclusions of the Federal Court Judge.

Standards of Review

[13] The standards of review are those standards as set out in *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235. Findings of fact (including inferences of fact) will stand unless it is established that the Federal Court Judge made a palpable and overriding error. For questions of mixed fact and law, the standard of correctness will apply to any extricable question of law and otherwise the standard of palpable and overriding error will apply. An error is palpable if it is readily apparent and it is overriding if it changes the result.

Issues

[14] Red Label raised a number of issues in this appeal, which essentially can be stated as whether the Federal Court Judge erred in:

- (a) applying the test for infringement under section 20 of the *Trade-marks Act*;
- (b) applying the test for passing off under subsection 7(b) of the *Trade-marks Act*;
- (c) applying the test for depreciation of goodwill under section 22 of the *Trade-marks Act*;
- (d) finding that there was no copyright in Red Label's metatags, and if so, in his other findings in relation to the copyright infringement claim;
- (e) failing to find that Carlos Lourenco was personally liable for the damages as claimed by Red Label; and
- (f) awarding costs to 411 Travel Buys in relation to the dismissal of Red Label's claims and not awarding costs to Red Label in relation to the dismissal of the counterclaim.

Infringement

[15] Red Label submits that the Federal Court Judge erred in applying the test for infringement under section 20 of the *Trade-marks Act* because, in its view, the Federal Court Judge incorporated the element of deception from the test for passing off when he determined that 411 Travel Buys did not infringe the trade-marks of Red Label. This is based on the Federal Court Judge's summary dismissal of Red Label's claim for infringement in paragraph 121 of his reasons:

121 For the reasons I have given above with respect to likelihood of deception under passing off, I do not find that use of the Plaintiff's trade name or trademarks in metatags constitutes trademark infringement.

[16] I do not agree with Red Label's interpretation of the reasons of the Federal Court Judge. In paragraph 118 of his reasons, the Federal Court Judge sets out what is required to be established in relation to an infringement claim under section 20 of the *Trade-marks Act* as quoted from Kelly Gill, *Fox on Canadian Law of Trade-marks and unfair Competition*, looseleaf 4th ed (Toronto: Carswell, 2014). Red Label does not dispute that this is an accurate statement of what must be established to succeed on a claim for infringement.

[17] In paragraph 119 of his reasons, the Federal Court Judge sets out section 20 of the *Trade-marks Act* and in paragraph 120, he states:

120 Section 4(2) of the *Trademarks Act* provides that 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

[18] There is no dispute that the Federal Court Judge, in paragraph 118 of his reasons, cited the correct test for infringement, which includes the requirement that, in this case, Red Label would have to establish that 411 Travel Buys had sold or advertised services in association with a confusing trade-mark. In paragraph 120 of his reasons, the Federal Court Judge noted the requirements of subsection 4(2) of the *Trade-marks Act* in relation to when a trade-mark will be deemed to be used in association with services. As a result, in my view, a fair reading of his reasons would mean that paragraph 121 should be read in light of the immediately preceding paragraphs. Therefore, the reference by the Federal Court Judge to the reasons that he had "given above with respect to likelihood of deception under passing off" would only incorporate that part

of his reasons that related to the use of Red Label's trade-marks (or trade-marks that would be confusing with Red Label's trade-marks) by 411 Travel Buys in relation to the performance or advertising of its services. He was not incorporating the element of deception that would be required for passing off into the test for trade-mark infringement under section 20 of the *Trade-marks Act*.

[19] With respect to use of Red Label's trade-marks (or trade-marks that would be confusing with Red Label's trade-marks), Red Label argues that, in any event, the use of these trade-marks by 411 Travel Buys in its metatags would support an infringement claim under section 20 of the *Trade-marks Act* and that the Federal Court Judge erred by not so finding.

[20] In *Compagnie Générale des Établissements Michelin--Michelin & Cie v. National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW-Canada)*, [1997] 2 F.C. 306, [1996] F.C.J. No. 1685, Teitelbaum J. explained the meaning of "use" for the purposes of section 20 of the *Trade-marks Act*:

26 I am satisfied that the classic *Clairol* analysis of use under section 20 is still good law. The test for "use" in section 20 requires two separate elements of proof from both section 2 and section 4. In effect, the first element taken from section 4 is: (1) did the defendants associate their services with the plaintiff's trade-marks? The second element from section 2 is: (2) did the defendants use the mark as a trade-mark for the *purpose* of distinguishing or identifying the defendants' services in connection with the plaintiff's wares or services?

[21] In this case, the Federal Court Judge found, at paragraph 116 of his reasons, that "there is no use of any of the Plaintiff's trademarks or trade names on [411 Travel Buys'] visible website". Although Red Label submitted that the metatags were visible, Red Label did not direct this Court to any evidence to suggest that once a person went to the website for 411 Travel Buys, that any

of Red Label's trade-marks (and any trade-marks that may be confusing with such marks) would be visible. As noted above, with respect to the visible metatags, Red Label directed this Court to the results of the Google search for "site://411travelbuys.ca/" which showed that the 70th result of this search was the 411 Travel Buys website.

[22] In my view it is implicit in the Federal Court Judge's reasons that he found that, in this case, 411 Travel Buys did not use any of Red Label's trade-marks (or any trade-marks that would be confusing with such trade-marks) for the purpose of distinguishing or identifying 411 Travel Buys' services in connection with Red Label's services. In the one instance to which this Court was directed by Red Label, the reference to "Red Tag Vacations & Pay Less Guaranteed!" was in a phrase which directed interested parties to "Book Online with Red Tag Vacations & Pay Less Guaranteed!" Since no one could book online by using the 411 Travel Buys website, this reference would actually direct potential customers to Red Label's website. While, in some situations, inserting a registered trade-mark (or a trade-mark that is confusing with a registered trade-mark) in a metatag may constitute advertising of services that would give rise to a claim for infringement, in this case, this reference to "Book Online with Red Tag Vacations" cannot be considered to be advertising the services of 411 Travel Buys in connection with the services offered by Red Label.

[23] I am not persuaded that the Federal Court Judge made a palpable and overriding error in implicitly concluding that 411 Travel Buys did not use any of Red Label's trade-marks (or any trade-mark that would be confusing with such trade-marks) in such a manner as would be required to establish a claim for infringement under section 20 of the *Trade-marks Act*.

Passing Off

[24] While Red Label acknowledges that the Federal Court Judge correctly stated the elements of passing off under section 7(b) of the Trade-marks Act, it disputes the finding by the Federal Court Judge that there was no likelihood of deception. This finding, however, is a finding of fact and Red Label has not demonstrated that the Federal Court Judge made any palpable and overriding error in making this finding.

Depreciation of Goodwill

[25] In paragraph 123 of his reasons, the Federal Court Judge sets out the test for depreciation of goodwill. Red Label does not dispute that this is the correct test. Red Label, in its memorandum, states that:

76. The Trial Judge also dismissed the Plaintiff's claim for depreciation of goodwill on the basis that the Plaintiff's trade-marks were not "visible", and therefore the Defendants' use could not affect the Plaintiff's goodwill.

[26] In paragraph 124 of his reasons, the Federal Court Judge dismissed Red Label's claim for depreciation of goodwill. This paragraph is as follows:

124 "Use" under section 22 requires use of the plaintiff's trademarks, as registered. There has been no such use here and accordingly, section 22 does not apply. Moreover, even if it could arguably be said that there is at least some use of redtag.ca by use of red tag, that use was not in any visible portion of 411 Travel Buys' website, it was in the metatags. There is no connection between the online services of 411 Travel Buys on their website and the services of the Plaintiff as offered on 411 Travel Buys' website.

[27] The Federal Court Judge dismissed Red Label's claim for depreciation of goodwill on the basis that 411 Travel Buys did not use Red Label's registered trade-marks. In the alternative, he dismissed the claim on the basis that "red tag" was not visible. Since Red Label has not challenged the primary basis on which the Federal Court Judge dismissed Red Label's claim, Red Label cannot succeed in an appeal in relation to this issue and there is no need to address the alternative basis to which the Federal Court Judge referred. In any event, these would be findings of fact and Red Label has not established that the Federal Court Judge made any palpable and overriding error.

Copyright

[28] Red Label does not dispute that copyright protection will only be available if skill and judgment were required to produce the work. However, Red Label disputes the following finding made by the Federal Court Judge:

101 In this case there is little evidence of any sufficient degree of skill and judgement in creating these metatags, as is required by the test set out by the Supreme Court of Canada in *CCH*, above, or for the originality required in compiling data or other compilations, as discussed by the Federal Court of Appeal in *Tele-Direct*. While in some cases there may be sufficient originality in metatags to attract copyright protection when viewed as a whole, the substance of the metatags asserted by the Plaintiff in this case does not meet the threshold required to acquire copyright protection in Canada.

[29] This is a finding of fact and Red Label has not established that the Federal Court Judge made any palpable and overriding error in making this finding. Since this is sufficient to dismiss Red Label's appeal in relation to copyright infringement, it is not necessary to address the other reasons given by the Federal Court Judge for dismissing Red Label's claim for copyright infringement.

Personal Liability of Carlos Lourenco

[30] Since I would dismiss the appeal of Red Label in relation to its claims under the *Trade-marks Act* and the *Copyright Act*, there would be no liability of 411 Travel Buys and hence no personal liability of Carlos Lourenco.

Costs Awarded by or Not Awarded by the Federal Court Judge

[31] Costs are within the discretion of the Federal Court Judge and I am not persuaded that the intervention of this Court is warranted in the awarding of costs against Red Label in relation to its claims and not awarding costs against 411 Travel Buys in relation to its counterclaims.

Disposition

[32] As a result, I would dismiss the appeal, with costs.

"Wyman W. Webb"

J.A.

"I agree.

C. Michael Ryer J.A."

DAWSON J.A. (Concurring Reasons)

[33] I would also dismiss the appeal with costs. I reach this conclusion for the following reasons.

[34] The appellant asserts that the Judge erred by:

- i. dismissing its claim for trademark infringement;
- ii. dismissing its claim for passing off;
- iii. dismissing its claim for depreciation of goodwill;
- iv. dismissing its claim for copyright infringement;
- v. failing to find the individual defendant personally liable;
- vi. failing to award punitive damages; and,
- vii. awarding costs in the main action to the defendants, while failing to award costs to the appellant (the plaintiff below) in respect of the defendants' counterclaim that the Judge dismissed.

[35] With respect to trademark infringement, at paragraph 118 of his reasons the Judge correctly set out the test for establishing infringement under section 20 of the *Trade-marks Act*, R.S.C. 1985, c. T-13.

[36] On the evidence before him, the Judge found that the use of the plaintiff's trademarks in 411 Travel Buys' website metatags would not give rise to confusion with respect to the source of

the services provided on 411 Travel Buys' website. The Judge went on to find, on the evidence before him, that the use of the plaintiff's trademarks would not give rise to confusion because their use did not entice a consumer to visit 411 Travel Buys' website. Rather, a consumer maintains a choice over which website he or she wished to visit (reasons, paragraphs 115 and 116). The appellant has not shown any error of fact or law that vitiates the Judge's findings. These findings are not dispositive of the appellant's claim to trademark infringement.

[37] With respect to passing off, at paragraph 108 of his reasons the Judge correctly set out the three elements required to ground an action under subsection 7(b) of the *Trademarks Act*.

[38] At paragraph 115 of his reasons, the Judge wrote "use of a competitor's trademark or trade name in metatags does not, by itself, constitute a basis for a [finding of] likelihood of confusion, because the consumer is still free to choose and purchase the goods or services from the website he or she initially searched for." In the following paragraph, the Judge found there to be no likelihood of deception as to the source of the services provided on the 411 Travel Buys' website "and the consumer is free to redirect his or her search to the Plaintiff's website." This finding has not been shown to be vitiated by any palpable and overriding error; it is determinative of the passing off claim.

[39] At paragraph 123 of his reasons, the Judge correctly articulated the four elements that must be established when alleging depreciation of goodwill under section 22 of the *Trade-marks Act*.

[40] At paragraph 124 of his reasons, the Judge found the plaintiff had failed to establish the use of its trademarks in a manner likely to have any effect on the goodwill associated with the trademarks. This finding was fatal to the plaintiff's claim and it has not been shown to be palpably and overridingly wrong.

[41] At paragraph 91 of his reasons, the Judge quoted from *CCH Canadian Ltd. v. Law Society of Upper Canada*, 2004 SCC 13, [2004] 1 S.C.R. 339 to the effect that for the expression of an idea to attract copyright protection the expression must be the result of an exercise of skill and judgment.

[42] At paragraph 100, the Judge then found that the plaintiff's metatags allegedly copied by the defendants "were substantially derived from a list of Google key words which are then incorporated into short phrases descriptive of travel industry types of travel, locations, and discounts or deals for consumers". He went on to find insufficient evidence of any sufficient degree of skill and judgment in the creation of the metatags at issue and insufficient evidence of the originality required when compiling data or other compilations. No error has been established in connection with these findings which are dispositive of the claim to copyright infringement.

[43] It follows from the above reasons and the conclusion that the appeal should be dismissed that it is not necessary to consider the appellant's submission that the Judge erred by failing to find the individual defendant to be personally liable for any wrongs and by failing to award punitive damages.

[44] Costs generally follow the event and no error has been shown in the Judge's award of costs to the successful defendants in the main action. The Judge dismissed the counterclaim summarily, in eight lines in his reasons, stating that the defendants failed to adduce any evidence of damages and led insufficient evidence of goodwill to found a claim for passing off. In this circumstance, the appellant has not shown any error in the Judge's failure to award costs in respect of the counterclaim.

[45] To conclude, the decision of the Federal Court must be read in light of the facts before the Court. The extent to which a trademark may be used in metatags without infringing the trademark is, of necessity, fact specific. These reasons ought not to be read as endorsing the Judge's remarks relating to "initial interest confusion" or as endorsing every alternate basis on which the Judge dismissed the action.

"Eleanor R. Dawson"

J.A.

FEDERAL COURT OF APPEAL
NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-46-15

**AN APPEAL FROM A JUDGMENT OF THE HONOURABLE JUSTICE MANSON
DATED JANUARY 7, 2015,) DOCKET NUMBER T-1399-09.**

STYLE OF CAUSE: RED LABEL VACATIONS INC.,
CARRYING ON BUSINESS AS
REDTAG.CA OR REDTAG.CA
VACATIONS OR BOTH v.
411 TRAVEL BUYS LIMITED
CARRYING ON BUSINESS AS
411TRAVELBUYS.CA AND
CARLOS MANUEL LOURENCO

PLACE OF HEARING: TORONTO, ONTARIO

DATE OF HEARING: NOVEMBER 16, 2015

REASONS FOR JUDGMENT BY: WEBB J.A.

CONCURRED IN BY: RYER J.A.

CONCURRING REASONS BY: DAWSON J.A.

DATED: DECEMBER 18, 2015

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