



DEFENDANT AND ITS OFFICERS FOUND LIABLE FOR TRADE-MARK INFRINGEMENT IN *HIGH TIMES* CASE, RULES CANADA'S FEDERAL COURT

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A recent decision by Canada's Federal Court has found a Respondent and its corporate officers liable for trade-mark infringement because of the Respondent's use of HIGH TIMES on its exterior store signage and on its online advertising materials (*Trans-High Corporation v Conscious Consumption Inc.*, 2016 FC 949 (F.C. Manson J., August 18, 2016)).

Trans-High Corporation ("Trans-High" or the "Applicant") is a U.S. corporation that has used in Canada its trade-mark HIGH TIMES for the sale of products to those interested in the medical and recreational use of marijuana. It is also the owner in Canada of registrations for the trade-mark HIGH TIMES in association with magazines and for the trade-mark HIGHTIMES in association with various services including the wholesale, retail distribution and sale of smoking articles, posters, books, tins, ashtrays, shooter glasses, bottle openers, money clips, mugs, card holders, wrist bands and playing cards. These trade-marks have been used in Canada since at least the 1980s. The Applicant also has a pending application in Canada for the trade-mark HIGH TIMES in association with pre-recorded CDs and pre-recorded DVDs featuring videos about cannabis, with casual wear and with various services including financial and investment consultation services and the arrangement of educational and instructional seminars and conferences in the field of cannabis.

According to the evidence provided to the Court, the Applicant's HIGH TIMES magazine has become known for high quality photography and cutting-edge journalism covering a wide range of topics. While the decriminalization and legalization of marijuana is one of those topics, the magazine's coverage is not limited to that issue. In light of its association with the Applicant's various endeavours, the HIGH TIMES trade-mark has become well-known in what the Court described in its reasons as the counterculture community in Canada.

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Conscious Consumptions Inc. (“Conscious Consumptions” or the “corporate Respondent”) is an Ontario corporation that operates a retail store known as the Head Shop in Toronto. Conscious Consumptions’ registered director, also believed to be its owner and directing mind, is the individual Respondent, Lucelene Pancini, while the other individual Respondent, Dimitrios Hatzoglidis is described as Conscious Consumptions’ other owner. The Head Shop sells smoking articles and related merchandise and also targets the counterculture market. Since at least 2012, Conscious Consumptions has operated its establishment in Toronto in association with the tradename HIGH TIMES. The use by Conscious Consumptions of HIGH TIMES was not limited to the appearance of the mark and name on exterior store signage but also extended to online advertising in an effort to promote its business. The products sold by Conscious Consumptions include an assortment of smoking and countercultural goods, for example glass smoking pipes and bongos. Other products sold include jewelry and clothing.

The Applicant never authorized the corporate Respondent, nor its owners, to adopt or use any name that includes the words “HIGH TIMES” in association with their commercial activities. While the Applicant made several attempts to settle the matter since September 2015, the Respondents declined to comply with the Applicant’s request to cease any and all use of HIGH TIMES to distinguish their business.

When it sought relief before Canada’s Federal Court, the Applicant not only sued the corporate Respondent, it also brought claims against Ms. Pancini and Mr. Hatzoglidis. The Court therefore had to determine whether these individual Respondents were liable for the alleged infringement of the Applicant’s trade-mark rights. In order to decide whether individuals are personally liable for the infringement of the company for which they act as directing minds, the Court referred to the Federal Court of Appeal’s decision in *Mentmore Manufacturing Co v National Merchandise Manufacturing Co*, [1978] FCJ No 521, at paragraph 28, where the test was described as an examination of the circumstances “...from which it is reasonable to conclude that the purpose of the director or officer was not the direction of the manufacturing and selling activity of the company in the ordinary course of his relationship to it but the deliberate, wilful and knowing pursuit of a course of conduct that was likely to constitute infringement or reflected an indifference to the risk of it.”

The Court noted that both Ms. Pancini and Mr. Hatzoglidis were served with notice of the Court proceedings initiated by the Applicant. It also underlined each individual Respondent’s role within the corporate Respondent.

In the end, the Court examined all the relevant circumstances to determine whether the Applicant had established that both individual Respondents acted outside their normal duties in the direction of the corporation Respondent; in order words, it had to rule whether the Applicant provided clear evidence of a deliberate, wilful and knowing pursuit of a course of conduct likely to constitute infringement or that reflects an indifference to its risk.

The Court examined Conscious Consumptions corporate documents along with its social media postings that clearly established that the activities of both individual Respondents were not the legitimate exercise of their corporate duties as officers, directors or controlling minds of the corporate Respondent. Accordingly, the Court found the individual Respondents personally liable for any infringing activities that were carried out in this case.

The Court then proceeded to examine the issue of alleged infringement *per se*. Was the Respondents' use of HIGH TIMES confusing with the Applicant's registered mark HIGH TIMES from the perspective of the "casual consumer somewhat in a hurry" who sees the Respondents' tradename or trade-mark, having no more than an imperfect recollection of the Applicant's trade-mark? According to the Court, that person would be likely to think that both parties' goods and services would originate from the same source. The Court's conclusion was obviously based on the fact that the Respondents had used the same trade-mark as the Applicant. Moreover, both parties targeted the counterculture community. The evidence also revealed that both parties sold their wares through traditional retail and online channels.

In addition to trade-mark infringement, the Court concluded that the Respondent passed off their business and goods as being associated with those of the Applicant. The Court further decided that the Respondents had used the Applicant's registered trade-marks HIGH TIMES and HIGHTIMES in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto, contrary to subsection 22(1) of Canada's *Trade-marks Act*. The Court based its finding on the loss of quality control over the Applicant's marks as a result of the unauthorized use of HIGH TIMES along with the low-end quality of the goods marketed by the Respondents. Finally, no reason was provided by the Respondents for their choice of the HIGH TIMES trade-mark.

The Court accordingly issued an injunction restraining the use by the Respondents of the Applicant's trade-marks. The Court also ordered the Respondents to deliver up or destroy under oath any goods or packaging or any other material that exhibited the Applicant's trade-marks. The Respondents were also jointly and severally ordered to pay the Applicant damages in the amount of \$25,000.00 along with the costs of the Applicant's application set at \$10,000.00.

This case highlights the risks for the directing minds of a corporation that is involved in what could be perceived as the deliberate, willful and knowing pursuit of a course of action that is likely to constitute trade-mark infringement. In the matter before the Court, there did not appear to be even an effort on the part of the Respondents to adopt a trade-mark that could be distinguished from the Applicant's registered marks.

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