

Federal Court



Cour fédérale

Date: 20161012

Docket: T-1314-12

Citation: 2016 FC 1125

Ottawa, Ontario, October 12, 2016

PRESENT: The Honourable Mr. Justice Southcott

BETWEEN:

CATHAY PACIFIC AIRWAYS LIMITED

Applicant

and

**AIR MILES INTERNATIONAL TRADING
B.V.**

Respondent

JUDGMENT AND REASONS

I. Overview

[1] The Applicant, Cathay Pacific Airlines Limited [Cathay Pacific], has appealed a decision of the Trademarks Opposition Board [the Board] dated April 25, 2012, which refused its applications to register five trade-marks in association with the operation of a loyalty reward program and various other wares and services. These trade-marks are the word mark ASIA MILES and four marks which incorporate the words ASIA MILES and a stylized A design

feature [the ASIA MILES Marks]. The Respondent, Air Miles International Trading B.V. [Air Miles], opposed these applications before the Board, based on several grounds but primarily based on allegations of confusion with its mark AIR MILES. The AIR MILES mark is used in association with an incentive reward program where consumers collect miles which can be redeemed for air travel and other rewards. Air Miles now seeks to have the Board's decision upheld.





[2] Cathay Pacific has filed new evidence in this appeal and wishes to have its applications considered *de novo* by the Court, in accordance with its articulation of the standard of review. Air Miles argues that the new evidence would not have materially affected the Board's decision and that the decision should accordingly be reviewed on a standard of reasonableness.

[3] For the reasons explained below, my conclusion is that the standard of correctness applies to my review of certain aspects of the Board's decision, although not to findings of the Board that are unaffected by the new evidence, where deference is still applicable. Applying such principles, I find that the new evidence does materially affect aspects of the Board's decision related to use of the ASIA MILES Marks by Cathay Pacific under license to its subsidiary. On certain of those aspects of the decision, I have made findings different from those of the Board. However, my finding is that the Board has not erred in its overall conclusion refusing Cathay Pacific's applications, as a result of which this appeal must be dismissed.

II. Background

A. *Applications and Opposition*

[4] On September 8, 2005, Cathay Pacific filed five applications to register the ASIA MILES Marks for use in association with various wares and services. The following table sets out the ASIA MILES Marks and the application date and basis of registration for each:

TRADE-MARK	APPLICATION NO.	DATE OF FILING	BASIS FOR REGISTRATION
ASIA MILES	1,271,320	2005-09-08	- proposed use in Canada - prior use in Canada - use and registration abroad
	1,271,440	2005-09-09	- proposed use in Canada - prior use in Canada - use and registration abroad
Asia Miles 	1,271,441	2005-09-09	- proposed use in Canada - prior use in Canada - use and registration abroad
	1,276,725	2005-10-21	- prior use in Canada - use and registration abroad
Asia Miles 	1,276,720	2005-10-21	- prior use in Canada - use and registration abroad

[5] Air Miles opposed these applications before the Board, raising various grounds of opposition under the *Trade-marks Act*, RSC 1985, cT-13 [the Act]. Referencing the relevant sections of the Act, the grounds raised in opposition to the application to register the mark ASIA MILES were as follows:

- A. s.30(a): The Applicant's wares and services are not stated in ordinary commercial terms;
- B. s.30(b): The Applicant had not used its mark in Canada since the date claimed;
- C. s.30(d): The Applicant had not used its mark in Hong Kong as claimed;
- D. s.30(e): The Applicant does not intend to use its mark in Canada as claimed;
- E. s.12(1)(d): ASIA MILES is not registrable because it is confusing with the opponent's registered mark AIR MILES;
- F. s.16(1)(a) and (b): The Applicant is not entitled to register the ASIA MILES mark because at the claimed date of first use in Canada it was confusing with one or more of the opponent's marks including AIR MILES, which had been previously used in Canada by the opponent;
- G. s.16(1)(c): The Applicant is not entitled to register the mark ASIA MILES because at the claimed date of first use in Canada it was confusing with one or more of the opponent's trade-names that it had previously used;
- H. s.16(2)(a) and (b): The Applicant is not entitled to register the mark ASIA MILES because at the date of filing the application in Canada it was confusing with one or more of the opponent's marks;

- I. s.16(2)(c): The Applicant is not entitled to register the mark ASIA MILES because at the time of filing the application in Canada it was confusing with one or more of the opponent's trade names which it had previously used in Canada;
- J. s.16(3)(a) and (b): The Applicant is not entitled to register the mark ASIA MILES because at the date of filing in Canada it was confusing with one or more of the opponent's marks including AIR MILES, which had been previously used in Canada by the opponent;
- K. s.16(3)(c): The Applicant is not entitled to register the mark ASIA MILES because at the date of filing in Canada it was confusing with one or more of the opponent's trade names including AIR MILES, which had been previously used in Canada by the opponent;
- L. s.2: The mark ASIA MILES is not distinctive and not adapted to distinguish the Applicant's wares and services from those of the opponent;
and
- M. s.2: That the Applicant does not intend to use the mark ASIA MILES
and/or has abandoned it.

[6] Each of the parties filed affidavit evidence in support of its position, along with transcripts of cross-examination of Cathay Pacific's deponents.

B. *Decision of the Trademarks Opposition Board*

[7] The Board released its decision on April 25, 2012, reviewing the parties' evidence and addressing first the technical grounds of opposition under ss. 30(a), (b) and (e) of the Act and then the remaining grounds of opposition which turned on the issue of confusion between the ASIA MILES and AIR MILES marks.

[8] First, the Board considered Cathay Pacific's evidence of its use of the ASIA MILES Marks under license to its wholly-owned subsidiary, Cathay Pacific Loyalty Programmes Limited [CPLP]. However, the Board concluded that there were doubts concerning Cathay Pacific's claim that CPLP had been using the marks in Canada under license in compliance with s.50 of the Act, which sets out the requirements for the owner of a trade-mark to demonstrate that a licensee's use of the mark accrues to the owner's benefit. The Board therefore refused the application pursuant to the ground of opposition under s.30(b) of the Act related to use in Canada.

[9] The Board then refused the application on the ground of opposition under s.30(e) of the Act, related to intended use in Canada, on the basis that Cathay Pacific's intended use would be consistent with its past use, that is that such use would accrue to the benefit of CPLP rather than to Cathay Pacific.

[10] The remaining basis for registration was use and registration of the wares and services in Hong Kong. However, in relation to the wares, the Board concluded that they were incidental to

the services rather than standalone wares. The Board found that the ASIA MILES Marks were not used in a trade-mark sense for the litany of wares in the application, but just for advertising and promoting a loyalty program, and agreed with Air Miles that the wares were stated overly broadly and therefore not in compliance with s.30(a) of the Act. The application was therefore refused on this ground of opposition in relation to the wares.

[11] The grounds of opposition for the remaining portion of the application were those alleging non-registrability, non-entitlement and non-distinctiveness, each of which turned on the issue of confusion between the ASIA MILES and AIR MILES marks. The Board's application of the test for confusion and the factors prescribed by s.6(5) of the Act to be considered in determining confusion is described in greater detail later in these Reasons. In summary, the Board reasoned that Air Miles used its mark extensively and for a long period, that Cathay Pacific cannot claim any reputation for its mark in Canada, that there is considerable overlap in the services associated with the marks in issue, and that there is a fair degree of resemblance between them (although they are more different than alike). The Board concluded that at all material dates Cathay Pacific failed to establish, on a balance of probabilities, that there is no reasonable likelihood of confusion between the marks ASIA MILES and AIR MILES with respect to the services for which Cathay Pacific sought registration based on use and registration in Hong Kong. Accordingly, the Board found that Air Miles succeeded on the grounds of opposition based on confusion. The Board refused the ASIA MILES mark application in its entirety.

[12] The Board then found that the four other applications covered the same wares and services, with the same corresponding bases for registration, as the ASIA MILES mark application, and had the same pleadings, issues and evidential record, with material dates that were not significantly different. The Board therefore concluded that the same findings and reasoning applied and refused the other applications in their entirety as well.

C. *Procedural History*

[13] The Federal Court heard Cathay Pacific's appeal of the Board's decision and, on June 11, 2014, released a decision allowing the appeal and setting aside the Board's decision, returning the matter for redetermination by a differently constituted Board (see *Cathay Pacific Airways Limited v Air Miles International Trading B.V.*, 2014 FC 549). The Federal Court reasoned that uncontradicted evidence before the Board showed that Cathay Pacific licenses CPLP to use the ASIA MILES mark and that there was sufficient evidence for the Board to conclude that Cathay Pacific had direct or indirect control of the character or quality of the mark's use, such that CPLP's use of the mark should have been credited to Cathay Pacific under s.50 of the Act. The Court further held that, but for the Board's unreasonable conclusion on use, its analysis of confusion would have been different; the Board would have considered whether ASIA MILES had acquired distinctiveness in Canada and would have taken into account the fact that, notwithstanding years of parallel use of both marks in Canada, there was no evidence of any actual confusion between them.

[14] Cathay Pacific appealed the Court's remedy, arguing that it was entitled to have the Court allow registration of the trade-marks. Air Miles cross appealed on the merits of the Court's

decision. In *Air Miles International Trading B.V v Cathay Pacific Airways Limited*, 2015 FCA 549, the Federal Court of Appeal allowed Air Miles' cross appeal, holding that the Federal Court erred in not considering new evidence tendered by Cathay Pacific on the appeal pursuant to s 56 of the Act. The Court of Appeal also held that the Federal Court, while purporting to apply a reasonableness standard, instead applied a correctness standard to the Board's decision. The Court of Appeal stated that there was no reason to believe that the Board's decision was unreasonable, given the record which it had before it. Accordingly the matter was returned to the Federal Court for the present redetermination of Cathay Pacific's appeal.

III. Issues

[15] Cathay Pacific identifies the following issues to be addressed in this appeal:

- A. What standard of review should be applied?
- B. Did the Board err in considering the improperly pleaded s.30(a) ground of opposition, or in finding that the Respondent had met its initial burden of proof for this ground, or in applying an incorrect legal test to determine that the Applicant's description of wares was overly broad?
- C. Did the Board err in refusing the applications in respect of certain wares and services under s 30(b) of the Act based on a finding that use of the ASIA MILES Marks by the Applicant's subsidiary was not licensed use accruing to the benefit of the Applicant pursuant to s.50 of the Act?
- D. Did the Board err in refusing the applications in respect of certain wares and services under s.30(e) of the Act based on the assumption that the

Applicant intended to use the ASIA MILES Marks through its subsidiary in such a manner that use would not accrue to the benefit of the Applicant?

- E. Did the Board err in refusing the applications based on ss.2, 12(1)(d) and 16 of the Act based on a finding that the Applicant had failed to establish that there is no reasonable likelihood of confusion between the Applicant's ASIA MILES Marks and the Respondent's mark AIR MILES?

IV. Analysis

- A. *What standard of review should be applied?*

[16] The selection of the standard of review turns on the question whether the new evidence filed by Cathay Pacific on the appeal, as permitted by s.56(5) of the Act, would have materially affected the Board's decision (see *Molson Breweries, a Partnership v John Labatt Ltd.* (2000), 5 C.P.R. (4th) 180 at para 29). This principle is not disputed by the parties. In this Court's recent decision in *Kabushiki Kaisha Mitsukan Group Honsha v. Sakura-Nakaya Alimentos Ltda.*, 2016 FC 20 [*Kabushiki Kaisha*], Justice LeBlanc identified that decisions of the Board are generally reviewable against the reasonableness standard but explained as follows at paragraph 18 the circumstances in which the introduction of new evidence may result in the application of the correctness standard:

[18] As contemplated by subsection 56(5) of the Act, the reasonableness standard of review may give way to the correctness standard where additional evidence is filed with the Court. In such instances, the Court may exercise any discretion vested in the Registrar and come to its own conclusion. However, as explained by Justice Yves de Montigny, now a judge of the Federal Court of Appeal, in *Producteurs Laitiers du Canada*, this will only occur where the fresh evidence is relevant insofar as it fills a gap or

remedies deficiencies identified by the Registrar or substantially adds to what has already been submitted. On the other hand, where the fresh evidence is repetitive and does not enhance the probative value of the evidence already adduced, the standard of reasonableness will continue to apply (*Producteurs Laitiers du Canada*, at para 28; see also *Molson Breweries v John Labatt Ltd*, [2000] 3 FC 145 (CA), at para 51). [emphasis added]

[17] As there is no new evidence related to the ground of opposition under s.30(a) of the Act, the parties agree that the standard of reasonableness applies to the review of that ground. However, on the remaining grounds, Air Miles takes the position that the reasonableness standard again applies, while Cathay Pacific argues that the standard is correctness or, more accurately in its view, a review conducted as a hearing *de novo* on the extended record.

[18] Cathay Pacific's position, that the correctness standard should more accurately be described as a review *de novo*, relies on the description by the Supreme Court of Canada, at paragraph 35 of *Mattel, Inc. v 3894207 Canada Inc.*, 2006 SCC 22 [*Mattel*], of the requirement that the judge hearing the appeal proceed by way of a fresh hearing on an extended record. However, I note that, at paragraphs 46 to 47 of the recent decision in *Eclectic Edge Inc. v Gildan Apparel (Canada) LP*, 2015 FC 1332, Justice Gascon, relying on paragraphs 36 to 37 of *Mattel*, observed that the term trial "*de novo*" is not an accurate description of a s.56 appeal, as the Board remains entitled to a degree of deference because the reception and consideration of fresh evidence do not eliminate the Board's expertise as a relevant consideration. Rather, a correctness standard of review should apply to findings of fact which are materially affected by the new evidence. Other findings of fact remain subject to a more deferential reasonableness standard, recognizing the particular expertise of the Board. I adopt Justice Gascon's articulation of the applicable standard of review.

[19] Cathay Pacific has filed four new affidavits in this appeal, sworn by Stephen John Rackstraw, Sarra Gau, Wong Ngai Sang Ivor, and William Geraghty. Air Miles has also filed one new affidavit, sworn by John K. Chambers. I will address each of these affidavits, and whether each has an effect on the applicable standard of review, when addressing below the individual issues in this application.

B. *Did the Board err in considering the improperly pleaded s.30(a) ground of opposition, or in finding that the Respondent had met its initial burden of proof for this ground, or in applying an incorrect legal test to determine that the Applicant's description of wares was overly broad?*

[20] As noted above, the standard of review applicable to this issue is reasonableness.

[21] Section 30(a) of the Act requires an applicant for the registration of a trade-mark to file an application containing a statement in ordinary commercial terms of the specific wares or services in association with which the mark has been or is proposed to be used. Air Miles argued before the Board that Cathay Pacific's application referred to a litany of wares and services, many of which are generic and overlap. Air Miles referred to terms like "cardboard" and "leaflets" and "provision of tourist information" as requiring more precise commercial terminology. Air Miles also argued that any use of the ASIA MILES Marks in association with the ASIA MILES loyalty reward program is not use in a trade-mark sense but rather is just for advertising and promoting the program.

[22] The Board accepted Air Miles' position as it related to the wares referenced in Cathay Pacific's application, finding that it was apparent on a fair reading of the evidence that the wares were incidental to and complement the services rather than being standalone wares. The Board agreed with Air Miles both that the marks were not used in a trade-mark sense for the wares and that the wares are stated overly broadly and therefore not in compliance with s.30(a).

[23] Cathay Pacific argues that s.38(3)(a) of the Act requires that a statement of opposition be set out in sufficient detail to enable the applicant to reply and that Air Miles' statement of opposition did not meet this requirement as it failed to specify which wares and services it alleged were noncompliant with s.30(a). It also submits that Air Miles failed to properly plead the argument that the marks were not used in a trade-mark sense for the wares, this submission appearing for the first time in Air Miles' written argument. Cathay Pacific further argues that Air Miles failed to meet its initial evidentiary burden to file sufficient admissible evidence or provide sufficient argument from which it can be concluded that the facts alleged to support the ground of opposition exist. On the substance of this issue, Cathay Pacific also takes the position that the Board erred by reaching its conclusion on the basis of use of the mark rather than the question of whether the wares and services were stated in ordinary commercial terms.

[24] I find the Board's decision on this issue to be unreasonable, because it failed to address Cathay Pacific's argument that this ground of opposition was insufficiently pleaded by Air Miles. The Board's decision on this ground turned largely on its acceptance of Air Miles' argument that the ASIA MILES Marks were not used in a trade-mark sense for the wares, even though that argument had not been pleaded in the statement of opposition. In *Pricewaterhouse Coopers LLP*

v Barrow National Cooperative Inc., 2013 TMOB 24, at paras 26-29, the Board dismissed the opponent's ground of opposition under s.30(a) for being insufficiently pleaded, because it was vague and ambiguous and did not indicate which services allegedly offended s.30(a). Similarly, in the present case, Air Miles' pleading on this issue was expressed in generic terms, and Air Miles did not raise the argument upon which the Board's decision turned until it filed its written argument. As a result, Cathay Pacific was deprived of the opportunity to address this position through its evidence or written argument before the Board.

[25] Both the Board's failure to consider Cathay Pacific's argument that Air Miles' pleading under s.30(a) was insufficient, and its decision to base its conclusion on this insufficiently pleaded ground of opposition, result in its decision on this ground being outside the range of acceptable outcomes. I conclude that the Board should have dismissed the ground of opposition under s.30(a) of the Act due to insufficient pleading, and I therefore dismiss this ground of opposition.

C. *Did the Board err in refusing the applications in respect of certain wares and services under s.30(b) of the Act based on a finding that use of the ASIA MILES Marks by the Applicant's subsidiary was not licensed use accruing to the benefit of the Applicant pursuant to s.50 of the Act?*

(1) New Evidence and Standard of Review

[26] Before the Board, Cathay Pacific relied on the affidavit evidence of Grace Poon, identified as its Manager, Market Development, to establish its use of the ASIA MILES Marks in

Canada under license to CPLP. Cathay Pacific submits that the new evidence in the affidavits of Mr. Wong, Ms. Gau and Mr. Rackstraw all provide evidence relevant to this ground of opposition.

[27] I have considered the affidavits of Mr. Wong and Ms. Gau and find that they add little to the evidence of Ms. Poon that was available to the Board.

[28] Mr. Wong is a Business Analytics Analyst in Cathay Pacific's Customer Information System team. Cathay Pacific's written submissions summarize Mr. Wong's evidence as verifying the information in Ms. Poon's affidavit relating to: (i) membership in the ASIA MILES Programme worldwide and in Canada; (ii) earning and redemption of ASIA MILES miles by Canadian members; and (iii) login traffic to the asiamiles.com website by Canadian members from 1999 to 2007. Cathay Pacific notes that Mr. Wong also provides updated figures for this information from 2008 to 2012. I agree with the Air Miles' characterization of this affidavit, in comparison to that of Ms. Poon, as being "more of the same", and I conclude that it would not have materially affected the Board's decision.

[29] Similarly, Cathay Pacific refers to Ms. Gau's affidavit as confirming certain evidence presented in Ms. Poon's affidavit relating to advertising and promoting the ASIA MILES Programme in Canada. Ms. Gau is an employee of Cathay Pacific's Vancouver, British Columbia office. She has worked there since 2004, and her duties include the promotion of the ASIA MILES Programme in Canada. Cathay Pacific's written submissions describe Ms. Gau's affidavit as explaining her personal direct involvement in developing and/or distributing the

referenced advertising and promotional material in Canada since 2004, as well as her understanding that the same procedure was followed from 1999 to 2004, prior to her employment. A review of her affidavit confirms this description. Ms. Gau references various paragraphs in Ms. Poon's affidavit, confirms their accuracy, and describes her involvement in the activities to which Ms. Poon had referred. Again, I find that this evidence does not add materially to the evidence of Ms. Poon which was before the Board and that it would not have materially affected the Board's decision.

[30] Furthermore, the Board's decision on the ground of opposition under s.30(b) of the Act turned on the issue of licensing of the ASIA MILES Marks, and the affidavits of Mr. Wong and Ms. Gau do not speak materially to this issue. However, I reach a different conclusion on the effect of the affidavit of Mr. Rackstraw, whose evidence relates directly, and in my view materially, to the issue of Cathay Pacific's licensing of the ASIA MILES Marks to CPLP.

[31] The Board found Ms. Poon's evidence inadequate to establish that CPLP had been using the ASIA MILES Marks under license in compliance with s.50 of the Act. Cathay Pacific now supplements this evidence with that of Mr. Rackstraw, its Manager, Member Services for Cathay Pacific's loyalty programs including the ASIA MILES Programme. My determination that this new evidence would have materially affected the Board's decision turns on considering the Board's findings based on Ms. Poon's evidence and, in that context, the additional significance of Mr. Rackstraw's evidence.

[32] In its decision, the Board recited in full paragraph 6 of Ms. Poon's affidavit, in which she deposed that Cathay Pacific licenses the ASIA MILES Marks to CPLP in respect of the wares and services applied for under the subject applications and that Cathay Pacific directly or indirectly controls the character or quality of the wares distributed and services provided by CPLP in association with these marks. Ms. Poon stated that one way in which Cathay Pacific exercises this control is that CPLP reports directly to Cathay Pacific's Director of Sales and Marketing who oversees the operation of CPLP. The Board referred to admissions by Ms. Poon on cross examination that: (i) she is unaware of the existence of a written license agreement between Cathay Pacific and CPLP; and (ii) that she could not give details of the form of direct or indirect control exercised by Cathay Pacific over the wares and services provided by CPLP, other than the reporting to the Director of Sales and Marketing mentioned in her affidavit.

[33] The Board then referred to Air Miles' arguments in support of its position that any purported use of the ASIA MILES reward program and associated ASIA MILES Marks in Canada resided with CPLP and did not accrue to Cathay Pacific under s.50 of the Act.

[34] At the beginning of its subsequent analysis, the Board noted that a trade-mark license agreement need not be in writing, as a verbal agreement may suffice to meet the requirements of s.50. However, the Board observed that the issues concerning licensed use by CPLP that arose at cross-examination might have been clarified by Cathay Pacific had it requested leave to file additional evidence and that it had elected not to do so. Having regard to the lack of specificity in Ms. Poon's evidence, to her inability on cross-examination to speak to the terms of a license agreement, and to the exhibit material attached to her affidavit, the Board found that there were

doubts that CPLP had been using the ASIA MILES Marks in Canada under license in compliance with s.50. After canvassing the evidential burden upon Air Miles, which the Board found had been met, and the legal onus upon Cathay Pacific, the Board found that the weight of the evidence did not support Cathay Pacific's claim that use of the mark ASIA MILES in Canada accrued to its benefit.

[35] In this appeal, Cathay Pacific has filed Mr. Rackstraw's affidavit to provide additional evidence as to the relationship between Cathay Pacific and CPLP (which it notes has been called Asia Miles Limited since 2011), the license that Cathay Pacific says exists between them, and the control it exercises over the character and quality of the wares and services. In its written submissions, Cathay Pacific refers to Mr. Rackstraw's affidavit and cross-examination as establishing the following points:

- A. Mr. Rackstraw has worked for Cathay Pacific as the Manager, Member Services for its loyalty programs since 1999;
- B. CPLP is a wholly-owned subsidiary of Cathay Pacific, which was expressly set up to manage and operate Cathay Pacific's ASIA MILES Programme;
- C. There is a written agreement effective since at least February 1, 1999 between Cathay Pacific and CPLP governing the management and operation of the ASIA MILES Programme. Under the agreement, Cathay Pacific provides a license to CPLP to use the ASIA MILES Marks and Cathay Pacific controls the type and quality of wares and services provided by CPLP in association with the ASIA MILES Marks;

- D. The written license agreement was not produced as it is confidential;
- E. Cathay Pacific in practice directly controls virtually all activity by CPLP. CPLP has no employees and is staffed entirely by employees of Cathay Pacific. CPLP is operated out of Cathay Pacific's Hong Kong office, and Cathay Pacific manages the treasury function of CPLP, provides CPLP with use of its overhead and administrative support systems, its customer loyalty-related systems, and its IT support;
- F. CPLP's Board of Directors is entirely composed of employees of Cathay Pacific, and there are weekly management meetings held by a director of Cathay Pacific at which the General Manager of CPLP can raise issues concerning the ASIA MILES Programme;
- G. Cathay Pacific owns the domain name asiamiles.com, which is where the website for the ASIA MILES Programme is hosted.

[36] Section 50(1) of the Act, upon which Cathay Pacific relies to establish use accruing to its benefit, provides as follows:

50. (1) For the purposes of this Act, if an entity is licensed by or with the authority of the owner of a trade-mark to use the trade-mark in a country and the owner has, under the licence, direct or indirect control of the character or quality of the wares or services, then the use, advertisement or display of the trade-mark in that country as

50. (1) Pour l'application de la présente loi, si une licence d'emploi d'une marque de commerce est octroyée, pour un pays, à une entité par le propriétaire de la marque, ou avec son autorisation, et que celui-ci, aux termes de la licence, contrôle, directement ou indirectement, les caractéristiques ou la qualité des marchandises et services,

<p>or in a trade-mark, trade-name or otherwise by that entity has, and is deemed always to have had, the same effect as such a use, advertisement or display of the trade-mark in that country by the owner.</p>	<p>l'emploi, la publicité ou l'exposition de la marque, dans ce pays, par cette entité comme marque de commerce, nom commercial — ou partie de ceux-ci — ou autrement ont le même effet et sont réputés avoir toujours eu le même effet que s'il s'agissait de ceux du propriétaire.</p>
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[37] Cathay Pacific further relies upon jurisprudence of this Court which speaks to methods of demonstrating the control contemplated by s.50(1). As stated by Justice Kelen at paragraph 84 of *Empresa Cubana Del Tabaco Trading v. Shapiro Cohen*, 2011 FC 102 [*Empresa Cubana*]:

[84] There are three main methods by which registered owners of trade-marks can demonstrate the control required to benefit from the deeming provision in section 50(1) of the Act:

1. they can clearly swear to the fact that they exert the requisite control: see, for example, *Mantha & Associés/Associates v. Central Transport Inc.* (1995), 64 C.P.R. (3d) 354 (Fed. C.A.), at paragraph 3;
2. they can provide evidence that demonstrates that they exert the requisite control: see, for example, *Eclipse International Fashions Canada Inc. v. Shapiro Cohen*, 2005 FCA 64, at paragraphs 3-6; or
3. they can provide a copy of a license agreement that explicitly provides for the requisite control.

[38] Cathay Pacific argues that Ms. Poon's affidavit meets the first criterion in *Empresa Cubana* and that Mr. Rackstraw's affidavit meets both the first and second criteria. It also argues that, as noted during the cross-examination of Mr. Rackstraw, although the written license is

confidential, Cathay Pacific was prepared to consider production of relevant portions of the license subject to an appropriate protective order, but that Air Miles elected not to pursue this point.

[39] Air Miles' position is that Mr. Rackstraw's affidavit does not have probative value additional to that of the evidence that was before the Board. It also takes issue with Cathay Pacific's reliance on *Empresa Cubana*, arguing that decision involved an expungement proceeding under s.45 of the Act, in which the evidentiary standard for establishing use is lower than in an opposition proceeding (see *Tint King of California Inc. v. Canada (Registrar of Trade-Marks)*, 2006 FC 1440). In response, Cathay Pacific relies on *Kabushiki Kaisha*, which it notes involved an appeal from an opposition proceeding. At paragraphs 25 to 27 of *Kabushiki Kaisha*, Justice LeBlanc recited and relied on paragraph 84 of *Empresa Cubana* to conclude that affidavit evidence swearing to the exercise of quality control was sufficient to infer the existence of a verbal license agreement.

[40] I agree with Air Miles' position that the authorities upon which Cathay Pacific relies are distinguishable from the present case. Section 45 proceedings involve a simple and expeditious method of removing from the register trade-marks that have fallen into disuse, described as having the purpose of cleaning up "dead wood" on the register and therefore involving a relatively low evidentiary threshold (see *Uvex Toko Canada Ltd. v. Performance Apparel Corp.*, 2004 FC 448). This is to be contrasted with an opposition proceeding, where applicants for trade-mark registration must establish their case on a balance of probabilities (*Thymes, LLC v*

Reitmans Canada Limited, 2013 FC 127, at para 17; *John Labbatt Ltd v Molson Co*, [1990] FCJ No 533, 30 CPR (3d) 293, aff'd [1992] FCJ No 525, 42 CPR (3d) 495 (FCA).

[41] *Kabushiki Kaisha*, while involving an opposition proceeding, is distinguishable in that it applied *Empresa Cubana* in the context of the initial evidentiary burden upon the party opposing a trade-mark registration. The Court was required to assess whether the opponent had met this initial evidentiary burden to adduce sufficient admissible evidence from which it could reasonably be concluded that the facts alleged to support its ground of opposition existed. In that case, the Court found that an affidavit swearing to the handling of quality control fell under the first category of the *Empresa Cubana* methods and was sufficient to satisfy the evidentiary burden. Given this context, I am not prepared to treat *Kabushiki Kaisha* as authority to extend the application of *Empresa Cubana* to a proceeding which involves satisfaction of the legal onus to meet the requirements of s.50(1) of the Act.

[42] Notwithstanding this analysis of the jurisprudence, the evidence necessary to satisfy s.50(1) will undoubtedly vary from case to case, and the issue presently under consideration involves a determination of the particular impact of Mr. Rackstraw's evidence. My conclusion is that this evidence does add sufficient material content to that which was available from Ms. Poon to have had an impact on the Board's decision.

[43] Each of Ms. Poon and Mr. Rackstraw has sworn to the existence of a license and to Cathay Pacific controlling the character, type or quality of the wares and services provided in association with the ASIA MILES Marks. With respect to licensing, the most significant

difference in their evidence is that Mr. Rackstraw states that the license is contained in a written agreement, while Ms. Poon was unaware whether there was a written license agreement. The Board expressly noted in its decision that a license agreement need not be in writing and that a verbal agreement may meet the requirements of s.50(1). Nevertheless, the significant improvement in Cathay Pacific's evidence that I draw from Mr. Rackstraw's affidavit is the fact that his evidence, that the license is in written form, provides a credible basis for his assertion that the license exists. Ms. Poon's evidence provided no such basis, which I read as contributing to the Board's doubt as to Cathay Pacific's claim that CPLP had been using the ASIA MILES Marks in Canada under license.

[44] In reaching its conclusion on this issue, the Board also referred to Ms. Poon's inability to speak to the terms of a license agreement in cross-examination. While neither Mr. Rackstraw's affidavit nor his cross-examination provides any detailed information as to the terms of the license agreement, he does state that under the license Cathay Pacific controls the type and quality of the wares and services provided in association with the ASIA MILES Marks worldwide, including Canada. This is again an improvement on Ms. Poon's evidence, which failed to address at all the requirement of s.50(1) that the control of the character or quality of the wares or services must be under the license.

[45] I also find that Mr. Rackstraw's affidavit has improved significantly the evidence as to the control exercised by Cathay Pacific over the wares and services provided by CPLP. The Board remarked on Ms. Poon's inability to give details of the form of control other than CPLP reporting to Cathay Pacific's Director of Sales and Marketing. Mr. Rackstraw's evidence still

focuses significantly on this reporting relationship as the means of control. However, it provides much more detail on this relationship, explaining that the most senior position in CPLP is its Director & General Manager, who reports directly to CPLP's Board of Directors, which is itself comprised entirely of Cathay Pacific management employees, including the Director of Sales and Marketing.

[46] Mr. Rackstraw also explains that weekly management meetings are held by Cathay Pacific's Director of Sales and Marketing and attended by all the General Managers reporting to him, certain senior staff, CPLP's Director & General Manager and Mr. Rackstraw himself. During these meetings, any significant issues related to the operation of the ASIA MILES Programme in association with the ASIA MILES Marks are raised and discussed. Mr. Rackstraw gives an example from early 2012 of implementing a new reservation system requiring budget approval, which was obtained from Cathay Pacific's Director of Sales and Marketing, for the hiring of additional call centre agents to maintain target call centre times.

[47] I find that this substantial increase in detail, as to how Cathay Pacific exercises control over the wares and services provided by CPLP through the relationship with Cathay Pacific's Director of Sales and Marketing, as well as of the fact that CPLP's Board of Directors is comprised entirely of Cathay Pacific management employee, would have materially affected the Board's decision. I disagree with Air Miles' position that this evidence has nothing to do with control of the quality of any wares or services offered by CPLP on behalf of Cathay Pacific. In particular, the weekly management meetings relate to the operation of the ASIA MILES Programme, and the example of implementing a new reservation system and hiring additional

call centre agents to maintain target call answer times represents an example of controlling the quality of the relevant services, which are principally the provision of a loyalty reward program.

[48] I find that the evidence of Mr. Rackstraw would have materially affected the Board's decision on the use of the ASIA MILES Marks by Cathay Pacific under license to CPLP and that the standard of correctness therefore applies to my consideration of this aspect of the Board's decision.

(2) Finding on Ground of Opposition under Section 30(b) of the Act

[49] With the benefit of the new evidence, applying the correctness standard and the above analysis of that evidence, I disagree with the Board's conclusion on this issue and find that Cathay Pacific has met the requirements of s.50(1) of the Act, having established that the use of the ASIA MILES Marks in Canada by CPLP accrues to Cathay Pacific's benefit.

[50] However, the analysis of this ground of opposition, and Cathay Pacific's use of the ASIA MILES Marks in Canada, does not end with the licensing analysis. Independent of the licensing question, Air Miles also takes issue with the proposition that the advertising and operation of the ASIA MILES Programme in Canada by CPLP constitutes use for purposes of the Act.

[51] Cathay Pacific argues that the Board accepted Ms. Poon's evidence on the use of the marks in Canada, that the Board implicitly found that the required use by CPLP had been established, and that Air Miles' success under s.30(b) turned strictly on the licensing point. The Board's summary of Ms. Poon's evidence includes the following:

- A. Cathay Pacific was founded in 1946 and initially provided passenger airline flights within Asia but at present provides passenger and cargo flights worldwide. It started to provide flights to and from Canada in 1983;
- B. Members of Cathay Pacific's ASIA MILES Programme earn miles that can be redeemed for rewards. The number of members has increased from 400,000 in 1999 (of which 6000 were Canadian residents) to 3 million in 2007 (of which 250,000 were Canadian residents);
- C. Members can earn points with over 300 partners of Cathay Pacific in nine consumer categories including hotels, dining and retail. Members earn points by using credit cards or by purchasing a wide variety of products and services. Prior to 1999, members could earn Miles by flying with Canadian Airlines;
- D. From early 1999 to mid-2008, Canadian residents earned several billion miles, about 85% of which have been earned through air travel. During the same time period, Canadian residents have redeemed more than 1 million miles for rewards, about 85% of which have been redeemed for airline rewards, that is free tickets or an upgrade on a ticket;
- E. Cathay Pacific has extensively advertised and promoted its ASIA MILES Programme in print advertising (including application forms, members' guides and members' newsletters, direct mailings and e-mailings), radio, television, websites and membership cards.

[52] The Board subsequently reached its conclusion that there are doubts concerning Cathay Pacific's claim that CPLP has been using the marks in Canada under license and that the weight of the evidence does not support the claim that use of the mark ASIA MILES in Canada accrues to the benefit of Cathay Pacific. I consider it difficult to definitively characterize these findings as including an implicit determination that use by CPLP had been established. Given the standard of correctness applicable to my review of this ground of opposition, I have instead reached my own conclusion on this issue.

[53] With respect to claimed use of the wares, Air Miles raises an argument similar to that which it raised under s.30(a), that the ASIA MILES Programme is effectively a frequent flyer or loyalty rewards program and that any use of the ASIA MILES Marks in association with such wares is not use in a trade-mark sense, but rather is just for advertising and promoting the program. It referred as an example to the placing of an advertisement bearing a mark in a newspaper or magazine, which would not support an assertion that the mark was used in association with wares in the nature of newspapers and magazines.

[54] I have rejected this argument in my reasonableness review of the Board's findings under s.30(a), on the basis that it was not pleaded sufficiently before the Board. However, I reach a different conclusion under s.30(b), where I am required to apply the standard of correctness and make findings on use of the ASIA MILES Marks which were not made by the Board because of its determination on licensing. Cathay Pacific has had sufficient notice of this argument to respond to it in this appeal, as it was raised both in Air Miles' written argument before the Board and in its Memorandum of Fact and Law submitted to the Court.

[55] I conclude this argument by Air Miles has merit. Air Miles relies on the decision in *SeaMiles LLC v Air Miles International Trading B.V.*, 2009 CarswellNat 3294 (TMOB), in which the Board found that use of a mark on promotional wares that were used for promotion of a customer loyalty program was not sufficient to establish use of the wares for the purposes of the Act. Cathay Pacific has not cited contrary authority or referred to evidence which would support a conclusion that the ASIA MILES Marks were used for any other commercial activity in connection with the wares claimed in its applications. I therefore refuse its applications insofar as they relate to the wares.

[56] In relation to the claimed services, Air Miles again submits that Cathay Pacific has not established the required use. Air Miles' position is that much of the alleged use of the ASIA MILES Marks is through display of the marks online and that this cannot constitute use in association with the services in the absence of some benefit to Canadians (see *TSA Stores, Inc. v. Registrar of Trade-Marks*, 2011 FC 273). I accept that Cathay Pacific must demonstrate some benefit to Canadians. As noted by Justice Noël at paragraph 46 of *Unicast SA v South Asian Broadcasting Corporation Inc.*, 2014 FC 295, the services must be effectively offered to Canadians or performed in Canada. However, I have no difficulty concluding from Cathay Pacific's evidence that this requirement has been met. As reflected in the above summary of Ms. Poon's evidence, there were 6000 Canadian resident members of the ASIA MILES Programme in 1999 and 250,000 such members in 2007. From early 1999 to mid-2008, Canadian residents earned several billion miles, about 85% through air travel, and redeemed more than 1 million miles for rewards, again about 85% for airline rewards.

[57] In support of its position, Air Miles relies on *SuperShuttle International, Inc. v Fetherstonhaugh & Co.*, 2015 FC 1259 [*SuperShuttle*]. That case involved the use of a trademark in advertising airport ground transportation services in Canada and in connection with the placement of reservations for such services. Because the applicant did not offer ground transportation services in Canada, the Board held that this did not constitute use of the mark in Canada. Justice Heneghan upheld this decision as reasonable.

[58] In distinguishing *SuperShuttle*, Cathay Pacific refers to evidence, in the exhibits to Ms. Poon's affidavit, of its operation of flights to and from Canada, as well as identifying Canadian partners such as Royal Bank of Canada, Esso, Petro Canada, and Golf British Columbia from which members can redeem rewards. Air Miles argues that there is no evidence of the specific rewards which were received by Canadian residents in redeeming their points. Cathay Pacific responds that, even in the absence of evidence of redemptions, the fact that its Canadian resident members have earned points which make them eligible for rewards constitutes a benefit to Canadians. I agree with Cathay Pacific's position and find in any event that the evidence establishes use of the ASIA MILES Marks in Canada in connection with the services represented by the ASIA MILES Programme. While Cathay Pacific's applications include a list of various such services, Air Miles has not raised arguments challenging specific items in this list.

[59] I accordingly reject the ground of opposition under s.30(b) insofar as it relates to the claimed services.

D. *Did the Board err in refusing the applications in respect of certain wares and services under s.30(e) of the Act based on the assumption that the*

Applicant intended to use the ASIA MILES Marks through its subsidiary in such a manner that use would not accrue to the benefit of the Applicant?

[60] The Board's conclusion on the ground of opposition under s.30(e) of the Act, related to proposed use of the marks, turned entirely on its finding on licensed use. The Board stated that it was reasonable to assume, in the absence of evidence to the contrary, that at the time of filing the application Cathay Pacific intended to use the ASIA MILES mark in Canada in the same manner in which it had based its claims to use of the mark in Canada. That is, use of the mark would have accrued to the benefit of CPLP rather than to Cathay Pacific.

[61] Based on the new evidence of Mr. Rackstraw, I have applied the standard of correctness and found that found that CPLP's use of the marks does accrue to Cathay Pacific, pursuant to a license which meets the requirements of s.50(1) of the Act. I therefore apply the same standard to my review of the Board's finding under s.30(e) and, with the benefit of the new evidence, disagree with the Board's finding. Adopting my analysis under s.30(b) above, I find that that this ground of opposition succeeds in relation to the claimed wares but fails in relation to the claimed services.

E. *Did the Board err in refusing the applications based on ss.2, 12(1)(d) and 16 of the Act based on a finding that the Applicant had failed to establish that there is no reasonable likelihood of confusion between the Applicant's ASIA MILES Marks and the Respondent's mark AIR MILES?*

(1) Legal Principles

[62] The parties agree that the remaining grounds of opposition raised by Air Miles under ss.2, 12(1)(d) and 16 of the Act amount to an assessment of the likelihood of confusion as between Cathay Pacific's ASIA MILES Marks and Air Miles' mark AIR MILES. As Air Miles' technical grounds of opposition have prevailed only in relation to the wares, it remains necessary to consider this issue in relation to the services.

[63] Section 6(2) of the Act provides that a trade-mark causes confusion with another trade-mark if the use of both trade-marks in the same area would be likely to lead to the inference that the wares or services associated with those trade-marks are manufactured, sold, leased, hired or performed by the same person. Section 6(5) states that, in determining whether trade-marks are confusing, the Court or the registrar shall have regard to all surrounding circumstances including: (a) the inherent distinctiveness of the trade-marks and the extent to which they have become known; (b) the length of time the trade-marks have been in use; (c) the nature of the wares, services or business; (d) the nature of the trade; and (e) the degree of resemblance between the trade-marks in appearance or sound or in the ideas suggested by them.

[64] The material dates at which to assess confusion are:

- A. the date of filing the application, with respect to the ground of opposition alleging non-entitlement under ss.16(2) and (3). This date is October 5, 2005, the date Cathay Pacific filed its amended application adding use and registration of its marks in Hong Kong as a basis for registration;

- B. the date of first use of the marks, with respect to the grounds of opposition alleging non-entitlement under s.16(1). This is a range of dates commencing with February 28, 1999;
- C. the date of filing the statement of opposition, with respect to the ground of opposition alleging non-distinctiveness under s.2. This date is March 19, 2007;
- D. the date of decision, with respect to the ground of opposition alleging non-registrability under s.12(1)(d). This is either the date of the Board's decision on April 25, 2012 or the date of this decision by the Court.

[65] The test for confusion under the Act is a matter of first impression in the mind of a casual consumer, somewhat in a hurry, who sees the mark at a time when he or she has no more than an imperfect recollection of the prior mark, and does not pause to give the matter any detailed consideration or scrutiny, nor to examine closely the similarities and differences between the marks (see *Masterpiece Inc. v Alavida Lifestyles Inc.*, 2011 SCC 27 [*Masterpiece*] at para 40, citing Justice Binnie in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23 at para 20).

(2) The Board's Decision on Confusion

[66] Applying the test for confusion and the factors prescribed by s.6(5) of the Act to be considered in determining confusion, the Board reached the following conclusions:

- A. *Inherent and Acquired Distinctiveness* – The Board noted that the mark AIR MILES possesses a fairly low degree of inherent distinctiveness,

because it is comprised of two common words. The common use of “miles” to describe points accumulated in various loyalty reward programs further lessens the inherent distinctiveness. The Board found that AIR MILES is to some extent suggestive of a loyalty reward program and that, similarly, Cathay Pacific’s mark ASIA MILES possessed a low degree of inherent distinctiveness as it is suggestive of a loyalty reward program restricted to Asia. Because Cathay Pacific had not established that any use of the mark ASIA MILES in Canada accrues to its benefit, it could not claim the benefit of any acquired distinctiveness for the mark at any material time. The Board found that the opponent’s mark AIR MILES was very well known in Canada at all material times. Therefore, the inherent and acquired distinctiveness of the parties’ marks strongly favoured Air Miles. Further, the Board was not persuaded that the evidence submitted by Cathay Pacific, related to third-party use of trade-marks incorporating the component MILES and the use of the term “miles” as indicative of points in loyalty reward programs, significantly diminished the acquired distinctiveness of the AIR MILES mark;

- B. *Length of Time in Use* – The Board found that the length of time the marks have been in use favoured Air Miles, who began to use its mark about 13 years before Cathay Pacific filed the application based on use and registration in Hong Kong;
- C. *Nature of the Parties’ Services, Businesses and Trades* – The Board agreed with Air Miles’ submissions that the parties operate essentially the

same sort of customer reward program and that they do so in essentially the same way. As Cathay Pacific's services are closely aligned with the rewards program, the Board concluded that the third and fourth factors of s.6(5), considered together, weighed in favour of Air Miles;

- D. *Degree of Resemblance* – The Board found a fair degree of resemblance between the marks, as they share the component MILES. The Board noted that, ordinarily, the first portion of a mark is somewhat more important for the purposes of distinction, but that when the first component is a common, descriptive or suggestive word, its significance decreases. As the word ASIA is descriptive of a geographical area, its importance in distinguishing ASIA MILES from AIR MILES was diminished. Considered in their entireties, the marks were more different than alike visually and in sounding owing to the different first portions of the marks, although less so in ideas suggested. In this respect, AIR MILES suggested travel by air while ASIA MILES suggested travel in a particular region. The Board found that the marks resembled each other to a fair degree but nevertheless were more different than alike. As such, this factor weighed in favour of Cathay Pacific, but only to a limited extent.

[67] The Board referred to the decision in *Air Miles International Trading BV v Deutsche Lufthansa AG*, 2010 TMOB 198 [*Lufthansa*], involving the marks AIR MILES and MILES AND MORE. In that case, the Board noted the overwhelming reputation that Air Miles had established for itself and expressed concern that, even though “miles” is a term synonymous with points

employed in the associated industry, the applicant had not chosen a mark that was sufficiently different from Air Miles' well-known mark, nor acquired a sufficient reputation in its inherently weak mark, to make confusion unlikely. Similarly, in the present case, as Air Miles had established an almost overwhelming reputation for its mark AIR MILES in Canada, as the ASIA MILES Mark was different but not especially different, and as Cathay Pacific was unable to claim any reputation for its mark in Canada, the Board had the same concern as was expressed in *Lufthansa*.

[68] In conclusion on the confusion issue, the Board reasoned that Air Miles used its mark extensively and for a long period, that Cathay Pacific cannot claim any reputation for its mark in Canada, that there is considerable overlap in the services associated with the marks in issue, and that there is a fair degree of resemblance between the marks (although they are more different than alike). The Board concluded that at all material times Cathay Pacific failed to establish, on a balance of probabilities, that there is no reasonable likelihood of confusion between the marks ASIA MILES and AIR MILES with respect to the services for which Cathay Pacific sought registration based on use and registration in Hong Kong. Accordingly, the Board found that Air Miles succeeded on the grounds of opposition based on confusion. The Board refused the ASIA MILES mark application in its entirety.

(3) New Evidence and Standard of Review

[69] Cathay Pacific argues, and I agree, that the Board's finding that the ASIA MILES Marks were not licensed to CPLP affected the Board's subsequent findings under ss.6(5)(a), (b) and (e). That is, the Board's conclusions with respect to the acquired distinctiveness of the ASIA MILES

Marks, the length of time the marks had been in use, and degree of resemblance were all influenced by its finding that Cathay Pacific had not used the mark in Canada. In relation to degree of resemblance in particular, the Board expressed the concern that Cathay Pacific had not chosen a mark that was sufficiently different from Air Miles' well-known mark, in part because Cathay Pacific was unable to claim any reputation for its mark in Canada.

[70] As such, the effect of the new evidence from Mr. Rackstraw is that the Board's conclusion on reasonable likelihood of confusion is reviewable on a standard of correctness. However, as previously noted, to the extent there are findings made by the Board in the course of its confusion analysis that are not affected by the new evidence, those findings remain entitled to deference.

[71] I must also consider the effect of the remaining two affidavits, which these Reasons have not yet addressed, as evidence relevant to the confusion analysis. First, the remaining affidavit filed by Cathay Pacific is that of William Geraghty. As explained in his affidavit, Mr. Geraghty is a private investigator retained by Cathay Pacific to conduct an investigation in the Canadian marketplace to identify third party trade-marks containing the word "miles" used in association with an airline customer loyalty program (i.e. frequent flyer program). Mr. Geraghty also searched for evidence of the use of the term "miles" in general media in Canada to refer to the currency of a frequent flyer program.

[72] Cathay Pacific's written submissions refer to Mr. Geraghty's affidavit as providing evidence of 11 third-party trade-marks containing the term "miles" used in Canada in association

with frequent flyer programs. Cathay Pacific notes that Mr. Geraghty provides evidence that these trade-marks are available to and known by Canadians, in that he: (i) joined or confirmed he could join each of these frequent flyer programs; (ii) obtained general information from the internet about each program and how consumers in Canada could collect miles in the program; (iii) obtained an estimate of the frequency of flights to and from Canada for each related airline; and (iv) conducted media database searches for Canadian newspaper articles referencing the trade-marks. His media database searches also showed that the word “miles” is generally used in Canadian newspapers to refer to the currency of a frequent flyer program, both before and after Cathay Pacific’s date of first use in February 1999.

[73] Cathay Pacific argues that the presence of these third-party “miles” marks in the Canadian marketplace means that consumers are experienced in distinguishing between trade-marks that contain the term “miles” and are therefore unlikely to infer a connection between the ASIA MILES marks and any other third party “miles” mark including AIR MILES (see *San Miguel Brewing International Limited v Molson Canada 2005*, 2013 FC 156 [*San Miguel*]; *Eclectic Edge Inc v Victoria’s Secret Stores Brand Management, Inc*, 2015 FC 453 [*Victoria’s Secret*]).

[74] The effect of Mr. Geraghty’s evidence must be considered in relation to the evidence on third-party marks that was before the Board. At that stage in this proceeding, Cathay Pacific relied on affidavits of Jeff Coles, Caroline D’Amours and Eileen Castellano. Cathay Pacific’s written submissions summarize this evidence as follows:

- A. Mr. Coles' affidavit provided evidence of third-party trade-marks containing the words "mile" or "miles" used in association with incentive/loyalty programs and travel services in Canada, including evidence of six registered "miles" trade-marks and over ten common law "miles" trade-marks used in association with frequent flyer programs in Canada;
- B. Ms. D'Amours' affidavit provided the results of a common-law search for trade-mark and business names containing the words "mile" or "miles" in the context of travel-related wares/services and incentive/loyalty/rewards/points programs in Canada;
- C. Ms. Castellano's affidavit provided the results of a state of the register search for active third-party trade-mark applications and registrations in Canada containing the words "mile" or "miles" for use in association with travel- related wares/services and incentive/loyalty/rewards/points programs, with more than 20 relevant marks being found.

[75] Cathay Pacific also notes that, as Air Miles' reply evidence before the Board, it filed the affidavit of Lucy Rooney, a trade-mark clerk, providing particulars of Canadian trade-mark applications and registrations for marks incorporating the word "miles", where Air Miles had opposed the application or had sought summary expungement of the registration.

[76] In its decision, the Board canvassed the evidence of Mr. Coles, Ms. D'Amours, and Ms. Castellano, as well as the effect of the reply evidence of Ms. Rooney. The Board concluded from its review of Ms. Castellano's evidence that her searches revealed 33 marks, consisting of 12 applications and 21 registrations, standing in the names of 26 different owners. After considering the reply evidence, the Board stated that Ms. Castellano's findings could be discounted to 14 registrations and 12 applications, standing in the name of 20 different owners, and noted that subsequent to Ms. Rooney's search two applications (RENTMILES owned by Rent Check Corp. and MILES & MORE owned by Deutsche Lufthansa) had been refused in opposition proceedings initiated by Air Miles.

[77] In its subsequent analysis of confusion, the Board noted that Cathay Pacific's evidence was not persuasive that third-party use of trade-marks incorporating the component MILES, or use of the word "miles" as a term indicative of "points" in loyalty reward programs, or isolated instances of generic use of the term "air miles", has significantly diminished the acquired distinctiveness of the opponent's mark AIR MILES. Cathay Pacific's arguments that the Board erred in this analysis will be considered later in these Reasons. However, for present purposes, the question is whether Mr. Geraghty's evidence would have materially affected the Board's decision. I find that it would not have had such an effect, as it identifies a number of third-party marks no greater than the number identified by the Board in considering the earlier affidavits.

[78] Mr. Geraghty's affidavit also identified the word "miles" to be generally used in Canadian newspapers to refer to the currency of a frequent flyer program. However, the Board appears to have accepted that the word "miles" is in common use to describe the points

circulated in various loyalty reward programs, relying on this fact as lessening the inherent distinctiveness of the mark AIR MILES. As such, I also cannot conclude that this aspect of Mr. Geraghty's evidence would have materially affected the decision.

[79] It is accordingly my conclusion that the Board's findings on the impact of third-party marks remain subject to review on a standard of reasonableness, based on the evidence that was before the Board.

[80] The remaining affidavit to be considered is the sole new affidavit filed by Air Miles, that of John K. Chambers, a professor of linguistics at the University of Toronto. Air Miles offers Mr. Chambers' affidavit as expert evidence as to the degree of resemblance (if any) between the trade-marks AIR MILES and ASIA MILES in appearance and/or sound and/or in the ideas suggested by them.

[81] Cathay Pacific takes the position that Mr. Chambers' affidavit is either inadmissible or should be given no weight, arguing principally that it provides no relevant information that is beyond the knowledge of the Court, contrary to the purpose of expert evidence as explained in *Masterpiece*.

[82] I agree with Cathay Pacific's position on this issue. In *Masterpiece*, at paragraphs 75 to 77, Justice Rothstein explained the application of the requirements from *R. v Mohan*, [1994] 2 SCR 9 to the tendering of expert evidence in trade-mark cases and emphasized in particular the requirement of "necessity", such that an expert should not be permitted to testify if the testimony

is not likely to be outside the experience and knowledge of a judge. In considering the particular expert evidence at issue in *Masterpiece*, Justice Rothstein held at paragraph 80 that, in a case where the casual consumer, through whose eyes the issue of confusion must be assessed, is not expected to be particularly skilled or knowledgeable, and where there is a resemblance between the marks, expert evidence which simply assesses that resemblance will not generally be necessary. At paragraph 88, the Court distinguished this from a situation which involved goods sold in a specialized market of sophisticated consumers engaged in a particular trade, where evidence about the special knowledge or sophistication of the targeted consumers may be essential to determining when confusion would be likely to arise.

[83] The case at hand does not involve trade-marks or services that are employed in specialized markets. Bearing in mind that the test for confusion under the Act is a matter of first impression in the mind of a casual consumer, I find no necessity for the receipt of an expert linguist's opinion on the degree of resemblance between the marks, and I therefore conclude that Mr. Chambers' affidavit is inadmissible.

[84] I now turn to my analysis of the Board's decision on likelihood of confusion, considering each of the factors prescribed by s.6(5) of the Act for assessing confusion, including the surrounding circumstances argued by Cathay Pacific.

(4) Inherent and Acquired Distinctiveness

[85] In applying this factor, the Board first considered the inherent distinctiveness of the marks AIR MILES and ASIA MILES. As noted above, it concluded that the AIR MILES mark

possesses a fairly low degree of inherent distinctiveness, as it is comprised of two common words. The Board found that the inherent distinctiveness is further lessened by the fact the word “miles” is in common use to describe points accumulated in various loyalty reward programs, such that the mark is to some extent suggestive of a loyalty reward program. Similarly, the Board found that the mark ASIA MILES possesses a fairly low degree of inherent distinctiveness as it is suggestive of a loyalty reward program restricted to Asia.

[86] These findings on inherent distinctiveness are not affected by the new evidence of Mr. Rackstraw which has contributed to the application of the correctness standard to aspects of this judicial review. I therefore consider these findings, which are within the expertise of the Board, to be subject to deference, and I find no basis to interfere with them.

[87] With respect to the acquired distinctiveness of the AIR MILES mark, the Board concluded, based on the evidence of record, that the mark was very well known in Canada, if not famous in Canada, at all material times. This finding is based on the Board’s review, earlier in its decision, of the evidence contained in six affidavits filed by Air Miles. Again, as the new evidence in this judicial review does not affect this finding of the Board, I consider this finding to be subject to deference. While it is not necessary to review in detail the evidence contained in Air Miles’ affidavits, I note the Board’s description of the following evidence derived from those affidavits:

- A. The AIR MILES marks have been in licensed use in Canada since 1992 in connection with Air Miles’ incentive reward program;

- B. By 1994, one billion AIR MILES reward miles had been issued to collectors in Canada under this program and, by 1998, one million redemption transactions had been processed in Canada;
- C. By 2007, 26 billion AIR MILES reward miles had been issued to collectors in Canada, and 27 million redemption transactions had been processed in Canada;
- D. Since the beginning of 1998, over 65% of Canadian households have had a collector under this program, representing over 9 million individual collectors.

[88] The Board's finding, on the extent to which the AIR MILES mark has become well known and famous in Canada, is well supported by the evidence, and I find no basis to interfere with it. As noted previously in these Reasons, the Board also found that Cathay Pacific's evidence was not persuasive that the third-party use of trade-marks incorporating the component MILES, or use of the word "miles" as a term indicative of "points" in loyalty reward programs, or isolated instances of generic use of the term "air miles", had significantly diminished the acquired distinctiveness of the AIR MILES mark. Having found that the new evidence would not materially affect this finding, I consider this finding to be within the Board's expertise and entitled to deference, and I find no basis to interfere with it.

[89] With respect to the acquired distinctiveness of the ASIA MILES mark, the Board finds that, because Cathay Pacific had not established that any use of the mark in Canada accrues to its benefit, it cannot claim the benefit of any acquired distinctiveness for the mark at any material

time. This finding is affected by the new evidence, from which I have previously concluded that the licensed use of the mark does accrue to Cathay Pacific's benefit. Applying the standard of correctness, and with the benefit of the new evidence, I disagree with the Board's conclusion and find that Cathay Pacific can claim some measure of acquired distinctiveness for its mark.

[90] However, I also find that the measure of acquired distinctiveness that can be claimed by Cathay Pacific for the ASIA MILES mark is significantly less than that of the AIR MILES mark. Recognizing that the grounds of opposition turning on confusion are to be assessed at different material dates, and on the premise that acquired distinctiveness increases with use of marks over time, one can compare: (i) the evidence of Mr. Kline that, since the beginning of 1998, the number of Canadian households having a collector under the AIR MILES program has represented over 9 million collectors; and (ii) the evidence of Ms. Poon that, as of 2007, there were 250,000 Canadian residents who were members of the ASIA MILES program. One can similarly compare Ms. Poon's evidence, that in total "several million dollars" have been spent promoting the ASIA MILES program in Canada, with Mr. Kline's evidence that, from 1998 to present, over \$15 million annually has been spent advertising the AIR MILES program.

[91] The Board's overall conclusion on the first factor in s.6(5), being a combination of the inherent and acquired distinctiveness of the parties' marks, was that this factor strongly favoured Air Miles. Because of the impact of the licensing issue on the Board's finding on the acquired distinctiveness of the ASIA MILES mark, this overall conclusion must be considered from the perspective of correctness. I reach the same conclusion as the Board, that this factor favours Air

Miles although, because of the effect of my finding on acquired distinctiveness, it is somewhat less strongly favoured than had been concluded by the Board.

(5) Length of Time in Use

[92] I read the Board's finding, that Air Miles began to use its mark in Canada about 13 years before Cathay Pacific filed its application based on use in Hong Kong, to have been influenced by its conclusion that use of the mark in Canada by CPLP since 1999 did not accrue to the benefit of Cathay Pacific. Given my conclusion on the licensing issue, the correct comparison is between Air Miles' use of its mark since 1992 and Cathay Pacific's use since 1999.

[93] The Board found that this factor favoured Air Miles. I agree with this conclusion although, because the difference in length of time in use is 7 years rather than 13 years, this factor does not favour Air Miles as strongly as the Board's decision would suggest.

(6) Nature of the Parties' Services, Businesses and Trades

[94] The Board's findings that the parties operate essentially the same sort of customer reward program, and that they do so in the same way, are not affected by the new evidence in this application. This finding is entitled to deference, and I see no reason to interfere with it, or with the Board's conclusion on the third and fourth factors of s.6(5) that they weigh in favour of Air Miles.

(7) Degree of Resemblance

[95] As noted by the Board, the last factor cited in s.6(5), the degree of resemblance between the marks, is the statutory factor that is often likely to have the greatest effect in deciding the issue of confusion (see *Masterpiece*).

[96] The Board concluded that, when the marks AIR MILES and ASIA MILES are considered in their entireties, they are more different than alike visually and in sounding due to the different first portions of the mark, although less so in ideas suggested, with AIR MILES suggesting travel by air and ASIA MILES suggesting travel in a particular region. Observing that the marks resembled each other to a fair degree but were more different than alike, the Board found that the final factor in s.6(5) weighed in favour of Cathay Pacific, but only to a limited extent. This finding is unaffected by the new evidence, and I find no basis to interfere with it.

[97] However, in the next part of the decision, the Board referenced its decision in *Lufthansa* and reached a conclusion based on the same concern as was expressed in that case. Air Miles had established an almost overwhelming reputation for its mark, the ASIA MILES mark is different but not especially different, and Cathay Pacific was unable to claim any reputation for its mark in Canada. Therefore, the Board was concerned that Cathay Pacific had not chosen a mark that was sufficiently different from Air Miles' well-known mark, nor acquired a sufficient reputation in its inherently weak mark, to make confusion unlikely.

[98] This analysis leads to the Board's overall conclusion that Cathay Pacific failed to establish on a balance of probabilities that there is no reasonable likelihood of confusion between the marks. This analysis and the resulting conclusion are based at least in part on the Board's finding that Cathay Pacific is unable to claim any reputation for its mark in Canada, which in turn is a result of the finding on licensing. As that finding has been overturned due to the new evidence, this analysis and conclusion are subject to review on a standard of correctness.

[99] I note that Air Miles argued in *Lufthansa* that it was not seeking to monopolize the use of the word MILES and did not object to the use of the mark LUFTHANSA MILES & MORE because that mark included the distinctive term LUFTHANSA. Air Miles similarly submits in the present case that its arguments do not amount to an effort to monopolize the word MILES, just that the mark ASIA MILES is not sufficiently distinguishable from AIR MILES.

[100] As with the finding on the acquired distinctiveness of the ASIA MILES mark, I disagree with the Board's conclusion that Cathay Pacific cannot claim any reputation for its mark in Canada. However, relying on the same evidence as that which supported my finding on acquired distinctiveness, I conclude that the degree of reputation that Cathay Pacific can claim is significantly less than can be claimed by Air Miles. While Cathay Pacific's ability to claim reputation through its licensed use would alter the analysis, so as to lessen the concern expressed by the Board, I do not consider such effect to be sufficient to make the Board's overall conclusion incorrect.

[101] Put differently, Cathay Pacific's ability to claim licensed use of its marks has an overall favourable impact on its ability to demonstrate that there is no reasonable likelihood of confusion between the ASIA MILES mark and the AIR MILES mark. However, I do not consider this impact to be sufficient to conclude that Cathay Pacific has met this burden. It is still relying on an inherently weak mark in a market in which the AIR MILES mark has become very well known, if not famous, and significantly more well-known than the ASIA MILES mark. My conclusion is that the ASIA MILES mark is not sufficiently different from the AIR MILES mark for Cathay Pacific to be able to demonstrate that there is no reasonable likelihood of confusion.

(8) Surrounding Circumstances

[102] In reaching this conclusion, I have also considered Cathay Pacific's argument that the Board erred in failing to consider certain surrounding circumstances that affect the confusion analysis. First, Cathay Pacific relies on principles explained in *San Miguel* and *Victoria's Secret*, to support an argument that consumers are experienced in distinguishing between trade-marks that contain the term "miles" and are therefore unlikely to infer a source connection between the ASIA MILES Marks and any other third party "miles" mark including AIR MILES. Cathay Pacific relies on the evidence of such marks in the marketplace and the use of the term "miles" as a generic term meaning "points" in the travel rewards industry. It submits that the Board erred by considering the effect of this evidence only in concluding that it did not adversely affect the acquired distinctiveness of the AIR MILES mark, when its argument was that the third-party marks should influence the degree of resemblance analysis.

[103] At paragraph 82 of *Victoria's Secret*, Justice Manson succinctly expresses the relevant principle as follows:

[82] Where two trademarks contain a common element that is also contained in a number of other trademarks, the common nature of the element in the market causes consumers to pay closer attention to the other non-common features of the marks, and distinguish between the two marks at issue using the other features, thus decreasing the likelihood of confusion (*Kellogg*, above at 358 – 360).

[104] My conclusion is that, while the Board did not articulate this principle in the same terms as expressed in *Victoria's Secret*, it did not overlook or fail to consider the effect of the evidence of third-party marks or generic use of the term “miles”. Cathay Pacific is correct that the Board’s consideration of this effect is expressed in the portion of its decision addressing inherent and acquired distinctiveness, where the Board found that the common use of the word “miles” lessened the inherent distinctiveness of the AIR MILES mark but that Cathay Pacific’s evidence was not persuasive that third party use of trade-marks incorporating the component MILES significantly diminished the acquired distinctiveness of the AIR MILES mark. However, the applicable test requires an overall assessment of the likelihood of confusion. In considering the evidence of third-party marks in the context of distinctiveness, the Board took into account the question whether this evidence reduced the likelihood of confusion. Given that the Board’s conclusion on confusion turned significantly on the acquired distinctiveness of the AIR MILES mark, it is perhaps not surprising that it considered the evidence of third-party marks in this context. This aspect of the Board’s decision is not affected by the new evidence, it is entitled to deference as it relates to an area within the Board’s expertise, and I do not find it unreasonable.

[105] In the alternative, if I were reviewing this aspect of the surrounding circumstances on a standard of correctness, on the basis that the overall confusion analysis is affected by the new evidence, it would not alter my overall conclusion. Application of the principle expressed in *Victoria's Secret* would decrease the likelihood of confusion. However, the evidence of third party use of trade-marks incorporating the element MILES is not as compelling as was the evidence of third party use of the relevant common element in *Victoria's Secret* or in the decision in *Kellogg Salada Canada Inc. v Canada (Register of Trademarks)*, [1992] FCJ No 562 (FCA) upon which *Victoria's Secret* relies. I would not find, based on the particular evidence related to third-party marks adduced in the present case, that any resulting decrease in the likelihood of confusion is sufficient for Cathay Pacific to be able to demonstrate that there is no reasonable likelihood of confusion between its inherently weak mark and the very well known, if not famous, AIR MILES mark.

[106] Cathay Pacific also argues that, with the ASIA MILES and AIR MILES marks having coexisted in the marketplace since 1999, the lack of any evidence of actual confusion between the marks is a factor which strongly favours it. Cathay Pacific relies on the recent decision in *Scott Technologies, Inc. v Scott Safety Supply Services Inc.*, 2015 FC 1336 [*Scott Technologies*], in which Justice Zinn dismissed a claim for trade-mark infringement and passing off. The Court's decision was based in part on there being no real evidence of confusion despite the fact that the defendants' business had operated in a market in which the plaintiff had been doing business for more than 20 years.

[107] I accept that evidence of actual confusion would be a relevant factor, and that the Board might have drawn an adverse inference from the lack of any such evidence. However, I do not consider the absence of such evidence in this case to be determinative or that such absence should have had a determinative impact on the Board's decision. The Court noted at paragraph 70 of *Scott Technologies* that the extent to which a court may draw an inference from a lack of actual confusion depends on the circumstances. In *The Black & Decker Corporation v Piranha Abrasives Inc*, 2015 FC 185, at paras 78 – 79, Justice Manson declined to draw a negative inference from the fact that there was no evidence of actual confusion between the parties' marks, holding that this was not a case where evidence of actual confusion would be readily available if the allegation of likelihood of confusion was justified. Justice Manson referred to paragraph 55 of the decision of the Supreme Court of Canada in *Mattel*, in which Justice Binnie stated the following:

Evidence of actual confusion would be a relevant “surrounding circumstance” but is not necessary (*Christian Dior*, at para. 19) even where trade-marks are shown to have operated in the same market area for ten years: *Mr. Submarine Ltd. v Amandista Investments Ltd.* (1987), 19 C.P.R. (3d) 3 (F.C.A.). Nevertheless, as discussed below, an adverse inference *may* be drawn from the lack of such evidence in circumstances where it would readily be available if the allegation of likely confusion was justified.

[108] The only evidence in the present case relevant to the issue of actual confusion is that of Ms. Poon, who states that she is not aware of any member of the public having ever indicated or suspected that there is any relationship or connection between any ASIA MILES products or services and any AIR MILES products or services. She also states that she is unaware of any member of the public having ever indicated or suspected that any ASIA MILES products or services are provided by or are in any way associated with Air Miles. However, Cathay Pacific

has provided no evidence of any procedures that would result in evidence of actual confusion being collected or how such evidence would be expected to come to Ms. Poon's attention. My view is that the evidence on the record does not provide a basis for the Court to conclude that evidence of actual confusion would be readily available if the allegation of likely confusion was justified.

[109] I would accordingly give little weight to the absence of evidence of actual confusion.

[110] In conclusion, I find that the Board did not err in concluding that Air Miles succeeds on the grounds of opposition under ss.2, 12(1)(d), and 16 of the Act and in refusing Cathay Pacific's application for registration of the mark ASIA MILES. In reaching that conclusion, I have applied a deferential standard to particular findings of the Board, which are not affected by the new evidence, and have otherwise applied a standard of correctness. However, as noted in the above analysis of the principle expressed in *Victoria's Secret*, I also recognize that the overall confusion analysis is affected by the new evidence. If I were on that basis to apply a standard of correctness to the entirety of the Board's confusion analysis, I would adopt the Board's findings to which I have applied a reasonableness standard, as I find the Board's analyses in support of those findings to be compelling. It would therefore remain my conclusion that the Board did not err in refusing Cathay Pacific's application for registration of the mark ASIA MILES.

V. Conclusion

[111] Finally, turning to the applications for the four marks consisting of the words ASIA MILES accompanied by a stylized "A" design feature, the Board refused these applications on

the basis of essentially the same analyses that it applied to the application for registration of the word mark ASIA MILES, supplemented by the additional finding that the design feature of the marks did not significantly add to the inherent distinctiveness of the marks or significantly distinguish them from the opponent's mark AIR MILES.

[112] My analysis of the Board's decisions on these four applications follows my analysis of the decision on Cathay Pacific's application to register its word mark. The Board's additional finding as to the effect of the stylized "A" design feature is not affected by the new evidence and is accordingly entitled to deference. I find no basis to conclude that finding to be unreasonable. Again, if I were assessing the Board's analysis on a standard of correctness, in recognition of the fact that the overall analysis of the marks employing the design feature incorporates the analysis of the word mark, aspects of which are affected by the new evidence, I would still find that the Board did not err in refusing these four applications.

[113] Cathay Pacific's application under s.56 of the Act, appealing the Board's decision, is accordingly dismissed.

VI. Costs

[114] Each of the parties has claimed costs in the event it was successful in this matter. I therefore award costs to Air Miles.

[115] Each of the parties took the position that a lump-sum award of costs would be appropriate and that the quantum of costs that followed this Court's June 11, 2014 decision on the previous

hearing of this application would be a useful guide to quantification of this lump-sum. However, each party also requested an opportunity to make submissions on such quantification.

[116] I will afford the parties 30 days from the date of this Judgment to provide brief written submissions to the Court, either jointly confirming their agreement on a lump-sum costs award or providing their respective positions on the amount of such award.

JUDGMENT

THIS COURT’S JUDGMENT is that:

1. The Applicant’s application, appealing the decision of the Trademarks Opposition Board dated April 25, 2012, is dismissed with costs to the Respondent in a lump sum amount to be determined by the Court following written submissions by the parties.

2. The parties shall serve and file, within 30 days of the date of this Judgment, written submissions either jointly confirming their agreement on a lump-sum costs award or providing their respective positions on the amount of such award.

“Richard F. Southcott”

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1314-12

STYLE OF CAUSE: CATHAY PACIFIC AIRWAYS LIMITED v AIR MILES INTERNATIONAL TRADING B.V.

PLACE OF HEARING: OTTAWA, ONTARIO

DATE OF HEARING: MAY 16, 2016

JUDGMENT AND REASONS: SOUTHCOTT J.

DATED: OCTOBER 12, 2016

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