

Federal Court of Appeal



Cour d'appel fédérale

Date: 20151113

Docket: A-396-14

Citation: 2015 FCA 253

**CORAM: PELLETIER J.A.
STRATAS J.A.
GLEASON J.A.**

BETWEEN:

CATHAY PACIFIC AIRWAYS LIMITED

Appellant

and

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

Respondent

Heard at Ottawa, Ontario, on November 3, 2015.

Judgment delivered at Ottawa, Ontario, on November 13, 2015.

REASONS FOR JUDGMENT BY:

PELLETIER J.A.

CONCURRED IN BY:

**STRATAS J.A.
GLEASON J.A.**

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REASONS FOR JUDGMENT

PELLETIER J.A.

[1] This is an appeal from a decision of Mr. Justice O'Reilly of the Federal Court which set aside a decision of the Trade-Marks Opposition Board ("the Board"), cited as 2012 TMOB 80 (the Decision), and returned the matter to the Board for redetermination by a differently constituted Board. The Federal Court's decision is cited as 2014 FC 549 ("Reasons").

[2] The applicant before the Board, and the appellant in this Court, is Cathay Pacific Airways Limited (“Cathay Pacific”), who sought to register five trade-marks, one of which was a word mark ASIA MILES, and four of which were design marks incorporating the word mark.

[3] The registration was opposed by Asia Miles International Trading B.V. (“Air Miles”) which advanced 13 grounds of opposition including non-compliance with the technical requirements of section 30 of the *Trade-Marks Act*, R.S.C. 1985 c. T-13 (the Act), lack of use of the marks in Canada (sections 4 and 50 of the Act), and a cluster of grounds which turn on the question of distinctiveness and the likelihood of confusion (sections 12, 16, and 18 of the Act).

[4] The Board reviewed the evidence of the use of the marks in Canada and, in particular, whether the use of the mark in Canada accrued to Cathay Pacific given that the evidence showed that the marks were used by a wholly owned subsidiary of the latter (Cathay Pacific Loyalty Management, “CPLP”). The question for the Board was whether, in the words of section 50 of the Act, Cathay Pacific had “direct or indirect control of the character or quality of the goods or services”. If it did, then the use of the marks accrue to Cathay Pacific; if it did not, the application for registration would have to proceed on a basis other than the use of the marks in Canada by the applicant.

[5] The Board examined the evidence and found that:

Having regard to the lack of specificity in Ms. Poon’s evidence, to Ms. Poon’s inability at cross-examination to speak in terms of a license agreement, and to the exhibit material attached to Ms. Poon’s affidavit, I find that there are doubts concerning the applicant’s claim that CPLP has been using the ASIA MILES marks in Canada under license in compliance with s. 50 of the Trade-Marks Act. In this regard, I find that the weight of the evidence does not support the

applicant's claim that the use of the mark ASIA MILES in Canada accrues to the benefit of the applicant.

Decision at paragraph 25.

[6] As a result, the applicant was unable to rebut the other grounds of opposition to which the use of the marks in Canada was relevant, particularly the factors to be considered under subsection 6(5) of the Act in assessing the likelihood of confusion. In the end, the Board dismissed all of the applications for registration.

[7] Cathay Pacific appealed the decision to the Federal Court and, as permitted by section 56 of the Act, it filed additional evidence in support of its application for registration of the marks, as did Air Miles.

[8] When the matter came before the Federal Court, it held that it did not need to review the additional evidence. It decided the matter on the basis of the record before the Board. On the critical issue of use of the marks in Canada by Cathay Pacific, the Federal Court found that the Board's conclusion was unreasonable. It held that:

The uncontradicted evidence before the Board showed that Cathay Pacific licenses CPLP to use the "Asia Miles" mark. There was sufficient evidence, therefore, 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 (s. 50, Trade-Marks Act).

Reasons, at paragraph 22.

[9] As for the other grounds of opposition, the Federal Court found that if the Board had not come to an unreasonable conclusion on the issue of use of the marks, its conclusions on the issues of distinctiveness and confusion would have been different: see Reasons at paragraph 23.

[10] The Federal Court did not deal with the argument related to the applicant's compliance with section 30 of the Act.

[11] In the end, the Federal Court Judge allowed the appeal and returned the matter to the Board for reconsideration by a different member of the Board.

[12] Cathay Pacific appeals from the Federal Court Judge's disposition of the appeal, arguing that it was entitled to have the Court allow the registration of the trade-marks. Air Miles cross appeals on the merits of the Federal Court's decision so, for that reason, I will deal with it first.

[13] While the parties raised a number of points in support of their positions, I am of the view that the Federal Court's decision must be set aside for two reasons.

[14] First, the Federal Court erred in law in its treatment of the new evidence tendered pursuant to section 56 of the Act:

56. (1) An appeal lies to the Federal Court from any decision of the Registrar under this Act within two months from the date on which notice of the decision was dispatched by the

56. (1) Appel de toute décision rendue par le registraire, sous le régime de la présente loi, peut être interjeté à la Cour fédérale dans les deux mois qui suivent la date où le

Registrar or within such further time as the Court may allow, either before or after the expiration of the two months.

registraire a expédié l'avis de la décision ou dans tel délai supplémentaire accordé par le tribunal, soit avant, soit après l'expiration des deux mois.

(5) On an appeal under subsection (1), evidence in addition to that adduced before the Registrar may be adduced and *the Federal Court may exercise any discretion vested in the Registrar.*

(5) Lors de l'appel, il peut être apporté une preuve en plus de celle qui a été fournie devant le registraire, et *le tribunal peut exercer toute discrétion dont le registraire est investi.*

[my emphasis.]

[15] The effect of section 56 was described as follows by the Supreme Court in *Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, [2006] 1 S.C.R. 772, at paragraph 35:

Where fresh evidence is admitted, it may, depending on its nature, put quite a different light on the record that was before the Board, and thus require the applications judge to proceed more by way of a fresh hearing on an extended record than a simple appeal (*Philip Morris Inc. v. Imperial Tobacco Ltd.* (No. 1) (1987), 17 C.P.R. (3d) 289 (F.C.A.)). Section 56 suggests a legislative intent that there be a full reconsideration not only of legal points but also of issues of fact and mixed fact and law, including the likelihood of confusion.

[16] In the case at bar, the Federal Court declined to consider the fresh evidence put forward by the appellant. Instead, it proceeded directly to an analysis as to whether the Board's decision was reasonable.

[17] The question which the Federal Court no doubt asked itself was “Why do I need to consider the fresh evidence if it is possible for me to decide the case in favour of the appellant on the original record on the standard of review most favourable to the respondent? In such a case, is the appellant’s fresh evidence not surplus to requirements?”

[18] The answer is that the Act requires the judge to consider the fresh evidence, bearing in mind that both parties are entitled to submit fresh evidence. What may be surplus to requirements for one party may be critical to the outcome for the other. The parties are entitled to have the Federal Court consider, in light of the fresh evidence, whether it should decide the case by way of a fresh hearing on the extended record or, alternately, by way of a review of the Board’s decision on the record as it was before the Board.

[19] As a practical matter, since the Federal Court’s decision is subject to appeal to this court, both the Court and the parties are entitled to have the Federal Court’s assessment of the probative value of the new evidence. If this Court finds that the Federal Court erred in a way which justifies its intervention, the absence of that assessment is a factor which militates for the return of the matter to the Federal Court for redetermination, rather than for the exercise of this Court’s discretion under subparagraph 52(1)(b)(i) of the *Federal Courts Act*, R.S.C. 1985 c. F-7.

[20] The second reason for which this appeal must be allowed is that, while purporting to apply the reasonableness standard to the Board’s decision, the Federal Court applied the correctness standard instead. This can be seen when the Board’s treatment of the evidence of control is compared to the Federal Court’s treatment of the same evidence. In the passage quoted

at paragraph 5, the Board considers the quality of the applicant's evidence on Cathay Pacific's control of the quality or character of the goods and services associated with the marks and finds it wanting. In the passage quoted at paragraph 8, the Federal Court re-weighs the evidence itself and finds that there is support for the view it takes of the matter.

[21] A decision is not unreasonable because the evidence would support another conclusion.

The question is whether the decision-maker's conclusion falls within the range of acceptable and defensible outcomes, having regard to the facts and the law:

...certain questions that come before administrative tribunals do not lend themselves to one specific, particular result. Instead, they may give rise to a number of possible, reasonable conclusions. Tribunals have a margin of appreciation within the range of acceptable and rational solutions. A court conducting a review for reasonableness inquires into the qualities that make a decision reasonable, referring both to the process of articulating the reasons and to outcomes. In judicial review, reasonableness is concerned mostly with the existence of justification, transparency and intelligibility within the decision-making process. But it is also concerned with whether the decision falls within a range of possible, acceptable outcomes which are defensible in respect of the facts and law.

Dunsmuir v. New Brunswick, 2008 SCC 9, [2008] 1 S.C.R. 190, at paragraph 47.

[22] We have not been given any reason to believe that the Board's decision was unreasonable, given the record which it had before it.

[23] It follows that, in my view, the cross appeal should be allowed.

[24] As I understand Cathay Pacific's appeal, it adopts the Federal Court's conclusion on the merits but argues that it should have arrived at that conclusion by a different route, a route which would have left the way clear for it to allow the registration of the trade-marks rather than

referring the matter back to the Board. So, while Cathay Pacific argued the merits of the Federal Court's decision, it did so only as a means of setting aside the Federal Court's decision to return of the matter to the Board for reconsideration instead of giving the judgment which the Federal Court should have given pursuant to subparagraph 52(1)(b)(i) of the *Federal Courts Act*, namely allowing the registration of the trade-marks in issue.

[25] Since the decision of the Federal Court should be set aside, Cathay Pacific's claim for a different remedy based on the Federal Court's conclusion on the merits cannot succeed.

[26] That said we are left with the issue of the disposition of this appeal. In its memorandum of fact and law, Air Miles does not ask us to do what Cathay Pacific would like us to do:

291. In view of the foregoing, Air Miles respectfully requests that:

- a) Its Cross-appeal be allowed;
- b) This decision vacate and set aside the decision of Justice O'Reilly;
- c) This Court restore the decision of the Trademarks Opposition Board;
- d) In the alternative, Cathay's appeal be dismissed and the decision of Justice O'Reilly affirmed; and,
- e) The costs of Cathay's Appeal and Air Miles' Cross-appeal be awarded to Air Miles.

[27] Given the basis upon which I would allow the cross-appeal, it is not appropriate to make an order restoring the Decision. The Federal Court's review of the Decision was flawed; the outcome of that review in light of the fresh evidence remains in issue.

[28] There are cases in which this Court's analysis of the decision under appeal leaves no doubt as to the conclusion to which the Federal Court should have come. In other cases, there may be other factors that suggest that it is in the interests of justice for this Court to make the decision the Federal Court should have made. This is not such a case. While the additional costs to the parties of returning the matter to the Federal Court are a relevant consideration, the fact that Cathay Pacific can continue to use its marks as it has since 1999 persuades me that there is no compelling reason for us to undertake an analysis which Parliament has conferred upon the Federal Court.

[29] On the issue of costs, I would note that neither party obtained the remedy which it sought from this Court. The Decision has not been restored nor has this Court allowed the registration of the marks. In the circumstances, I think it equitable that each party bears its own costs.

[30] As a result, I would order that:

- a) The order of the Federal Court be set aside;
- b) The appeal be dismissed;
- c) The cross-appeal be allowed;
- d) The matter be returned to the Federal Court for redetermination of all issues raised by the appeal by a different Federal Court Judge.

"J.D. Denis Pelletier"

J.A.

"I agree
Stratas J.A.

"I agree
Gleason J.A."

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-396-14

**APPEAL FROM A JUDGMENT OF THE HONOURABLE Mr. JUSTICE O'REILLY
DATED JUNE 11, 2015**

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

PLACE OF HEARING: OTTAWA, ONTARIO

DATE OF HEARING: NOVEMBER 3, 2015

REASONS FOR JUDGMENT BY: PELLETIER J.A.

CONCURRED IN BY: STRATAS J.A.
GLEASON J.A.

DATED: NOVEMBER 13, 2015

APPEARANCES:

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