

Federal Court of Appeal



Cour d'appel fédérale

Date: 20160127

Docket: A-476-14

Citation: 2016 FCA 31

**CORAM: TRUDEL J.A.
STRATAS J.A.
RYER J.A.**

BETWEEN:

PRODUCT SOURCE INTERNATIONAL LLC

Appellant

and

TLG CANADA CORP.

Respondent

Heard at Toronto, Ontario, on January 27, 2016.
Judgment delivered from the Bench at Toronto, Ontario, on January 27, 2016.

REASONS FOR JUDGMENT OF THE COURT BY:

STRATAS J.A.

Federal Court of Appeal



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REASONS FOR JUDGMENT OF THE COURT
(Delivered from the Bench at Toronto, Ontario, on January 27, 2016).

STRATAS J.A.

[1] Product Source International LLC appeals from the order dated September 29, 2014 of the Federal Court (*per* McVeigh J.): 2014 FC 924.

[2] The facts giving rise to the Federal Court's order can be briefly stated.

[3] The respondent, TLG Canada Corp. sells cigarette filters. It uses the trade-mark NIC-OUT. Product Source started an action against TLG Canada for infringement of its trade-mark NIC OUT. As can be seen, and as the Federal Court held (at paragraph 55), the trademarks differ by only a hyphen. Soon after Product Source's action against it for trade-mark infringement, TLG Canada sought an order from the Federal Court expunging Product Source's trade-mark from the registry. The Federal Court granted that order and this is the order that Product Source now appeals to this Court.

[4] The Federal Court held that the respondent TLG Canada had standing to seek the order as an "interested person" under sections 2 and 57 of the *Trade-marks Act*, R.S.C. 1985, c. T-13. And, among other things, it held that it should grant the order because Product Source's trade-mark was invalid under section 18 of the *Trade-marks Act*. It found (at paragraph 46) that when Product Source applied for the registration of its trade-mark NIC OUT, it knew that the confusing mark NIC-OUT was previously used in Canada and it found overall that its mark was not distinctive.

[5] Product Source appeals to this Court, challenging these findings.

[6] In their memoranda of fact and law, the parties agree that the normal appellate standard of review applies: *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235; *H.L. v. Canada (Attorney General)*, 2005 SCC 25, [2005] 1 S.C.R. 401. Unless Product Source can point to an error of law or an error on an extricable legal principle on the part of the Federal Court, it must persuade us that the Federal Court committed palpable and overriding error. Palpable and

overriding error is a high standard: “[w]hen arguing palpable and overriding error, it is not enough to pull at leaves and branches and leave the tree standing,” but rather “[t]he entire tree must fall.” See *Canada v. South Yukon Forest Corporation*, 2012 FCA 165, 431 N.R. 286 at paragraph 46.

[7] In our view, in making the above-noted findings, the Federal Court did not err in law or on an extricable legal principle:

- On the issue of Product Source’s standing, the Federal Court held (at paragraph 40) that a party sued for trade-mark infringement is entitled to answer the suit by seeking the expungement of the trade-mark it is said to have infringed. The jurisprudence recognizes that such a party is an “interested person” under sections 2 and 57: *Havana House Cigar & Tobacco Merchants Ltd. v. Skyway Cigar Store* (1998), 81 C.P.R. (3d) 203, 147 F.T.R. 54 at paragraph 42 (F.C.), rev’d in part but not on this issue, 3 C.P.R. (4th) 501, 176 F.T.R. 159 (F.C.A.); *Candrug Health Solutions Inc. v. Thorkelson*, 2007 FC 411, 60 C.P.R. (4th) 35 at paragraph 22.
- On the merits of Product Source’s application for an order for expungement, we are not persuaded that the Federal Court erred in law or on an extricable legal principle in relying upon, interpreting and applying section 18 of the Act and making its order.

[8] On these points, the Federal Court assessed the evidence before it, made factual findings and ordered that Product Source's trade-mark registration be expunged. Product Source has not persuaded us that the Federal Court, in doing this, committed any palpable and overriding error.

[9] Product Source also submits that TLG Canada's delay in seeking the order in the Federal Court should have disentitled it to relief. The Federal Court dealt with this submission and, in its discretion, did not give effect to it. We see no ground to interfere with that exercise of discretion. It is supported by the fact that TLG Canada acted within the five year limitation period and acted soon after Product Source sued it for trade-mark infringement. Product Source also raises the defence of acquiescence. The Federal Court found insufficient evidence to support that defence and, again, we see no ground to interfere with its assessment of the evidence before it on that point.

[10] In the course of its reasons, the Federal Court dealt with other issues. In oral argument before us, Product Source devoted many of its submissions to these issues. In particular, it made submissions on the meaning of "successor in title" in subsection 17(1) of the Act. We need not deal with these issues and express no comment on them as they have no bearing on the outcome of this appeal in light of the above analysis.

[11] Therefore, we shall dismiss the appeal with costs.

"David Stratas"

J.A.

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-476-14

**APPEAL FROM A JUDGMENT OF THE HONOURABLE MADAM JUSTICE
MCVEIGH DATED SEPTEMBER 29, 2014, DOCKET NO. T-380-13**

STYLE OF CAUSE: PRODUCT SOURCE
INTERNATIONAL LLC v. TLG
CANADA CORP.

PLACE OF HEARING: Toronto, Ontario

DATE OF HEARING: JANUARY 27, 2016

REASONS FOR JUDGMENT OF THE COURT BY: TRUDEL J.A.
STRATAS J.A.
RYER J.A.

DELIVERED FROM THE BENCH BY: STRATAS J.A.

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