

Federal Court  
of Appeal



Cour d'appel  
fédérale

**Date: 20120629**

**Docket: A-463-10**

**Citation: 2012 FCA 201**

**CORAM: LÉTOURNEAU J.A.  
PELLETIER J.A.  
GAUTHIER J.A.**

**BETWEEN:**

**MARLBORO CANADA LIMITED and  
IMPERIAL TOBACCO CANADA LIMITED**

**Appellants**

**and**

**PHILIP MORRIS PRODUCTS S.A. and  
ROTHMANS, BENSON & HEDGES INC.**

**Respondents**

Heard at Montréal, Quebec, on January 18, 2012.

Judgment delivered at Ottawa, Ontario, on June 29, 2012.

**REASONS FOR JUDGMENT BY:**

**GAUTHIER J.A.**

**CONCURRED IN BY:**

**LÉTOURNEAU J.A.  
PELLETIER J.A.**

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**REASONS FOR JUDGMENT**

**GAUTHIER J.A.**

[1] The parties are each appealing from various portions of the trial judge's decision (reported as 2010 FC 1099) granting in part only the relief sought by Philip Morris Products S.A. and Rothmans, Benson & Hedges Inc. (collectively PM), and dismissing the claim of Marlboro Canada Limited and Imperial Tobacco Canada Limited (collectively ITL) for infringement of their

registered Canadian trade-mark MARLBORO<sup>1</sup> (TMDA 55,988), as well as its request to strike out the registration of six of PM's trade-marks relating to its ROOFTOP design marks.

[2] For the reasons that follow, I am of the view that ITL's appeal from the dismissal of its trade-mark infringement counterclaim should be granted in respect of the unregistered label (front and side) of PM's no-name cigarette package (see Schedule "A"). The appeal from the trial judge's refusal to strike out PM's registered trade-mark TMA 670,898 should be dismissed.

[3] PM's cross-appeal in respect of:

- a. The trial judge's dismissal of its copyright infringement claim as well as for breach of the 1952 Agreement;
- b. The trial judge's ruling that ITL's registration of MARLBORO is still valid;
- c. The trial judge's ruling that ITL was not estopped from challenging the registration of its various ROOFTOP design marks, particularly TMA 670,898;

should, in my view, also be dismissed.

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<sup>1</sup> To avoid confusion, I will use MARLBORO in capital letters when referring to ITL's registered trade-mark in Canada and Marlboro to refer to the word itself and to PM's marks used and registered outside of Canada.

## BACKGROUND

[4] As will be explained in more detail, the trial judge had to address various issues relating to ITL's and PM's trade-marks, as well as a claim of copyright infringement of the Marlboro's Red Roof Label with respect to ITL's 1996, 2001 and 2007 cigarette packages, which are all reproduced at paragraph 309 and in Annex C of the trial judge's reasons (Reasons).

[5] Most of the unique facts of this case are not disputed. They are described in detail in the Reasons, notably at paragraphs 8 to 65.

[6] Suffice it to say here that the parties have a long history with respect to the use of the trade-mark MARLBORO in Canada, which was sold by a predecessor in title of PM to a predecessor in title of ITL around 1930 and was then registered in Canada in 1932 under no. TMDA 55,988. It has since then been continuously used in Canada by ITL and its predecessors in title in association with cigarettes.

[7] Since the late 1950's, PM has made various attempts to reacquire the MARLBORO trade-mark in Canada and put an end to ITL's use of it. That said, on the one hand, it unsuccessfully initiated discussions to exchange it for one of its other marks or to buy it (from the scant evidence produced, it is unclear what exactly was offered). On the other hand, in 1981, it tried to register its Marlboro Red Roof Label and challenge the validity of ITL's registration (TMDA 55,988) by instituting a proceeding under section 45 of the *Trade-marks Act*, R.S.C. T-10 (the "Act") before the Registrar of Trade-Marks. It also filed an action before the Federal Court to strike ITL's MARLBORO mark from the Registry on the basis that it lacked distinctiveness because of the fame

of its own Marlboro marks registered in the United States and around the world, which fame was acquired decades after its predecessors in title assigned the MARLBORO mark to ITL's predecessors in title in Canada. These efforts were also unsuccessful.

[8] In 1987, in *Philip Morris Inc. v. Imperial Tobacco Ltd.* (1987), 17 C.P.R. (3d) 289, 81 N.R. 28 (C.A.), leave to appeal to S.C.C. refused, 20674 (December 17, 1987) [*Philip Morris (1987)*], this Court finally dismissed PM's contestation, stating that even if the owner of a trade-mark (a famous one in particular) registered outside of Canada had been given special rights by the Canadian legislator under the *Act* (such as the right to oppose the registration of a mark "made known" by it pursuant to section 5 of the *Act* and the right to register certain marks pursuant to section 17), the distinctiveness of a mark registered in Canada by a legitimate assignee such as ITL could not be affected by the unilateral actions (such as spill-over American advertising) of the assignor who does not use the mark in Canada.

[9] Between 1958 (date of the first registration of a ROOFTOP design mark by PM in Canada) and 2006 (date of the latest version of the ROOFTOP design mark registered by PM), PM never used its ROOFTOP design marks in Canada in association with an American blend cigarette. Canada being a special market where consumers up until now generally preferred the so-called "Virginia blend" cigarettes, PM used its various ROOFTOP design marks together with the word mark MATADOR (and to a very modest extent MAVERICK) in association with Virginia blend cigarettes.

[10] In 2006, a few days after the registration of its latest silver version of the ROOFTOP design mark (TMA 670,898), which for the first time, includes PM's crest, PM launched a new product – an American blend cigarette in Canada, which was referred to at trial and before us as either the ROOFTOP brand or the no-name package. The get-up or label of this product is unique in that, for the very first time in the world, cigarettes were offered for sale in a package with no brand name (or no word mark). Also, the no-name package refers, for the first time in Canada, to the “WORLD FAMOUS IMPORTED BLEND” (on the side of the package). Otherwise, the label included the most popular design elements and tag line associated around the world with PM's Marlboro trademarks that it had used for several decades in Canada in association with its MATADOR brand. Like the Marlboro brand sold by PM outside of Canada, the new no-name cigarettes were offered in a red, silver and gold version (allegedly different strength of tobacco).

[11] Until shortly before the trial, PM was seeking a declaration that its registered “ROOFTOP Design Trade-mark”, as defined in paragraph 6 of its Further Amended Statement of Claim by reference to several registrations, did not infringe any of ITL's trade-mark rights, as well as a declaration that the three latest versions of ITL's MARLBORO packages (1996, 2001 and 2007) infringed its copyright in the Marlboro Red Roof label. One of PM's defences to ITL's counterclaim of infringement of its MARLBORO mark by the no-name packages (red, gold and silver version) was that the registration of PM's various trade-marks used on the said packages excludes a finding of infringement.

[12] Thus, two weeks before trial, ITL amended its counter-claim to directly challenge the validity of the six ROOFTOP design marks of PM (Reasons, Annex “B”, reproduced as Schedule

“B” hereto). PM amended its Statement of Claim to challenge the validity of ITL’s MARLBORO mark, once again on the basis that it was not distinctive.

[13] In his 163-page decision, the trial judge thoroughly analysed the evidence and made various findings as to its weight. The most relevant passages of the Reasons and the submissions of the parties will be reviewed in the course of my analysis.

#### THE ISSUES IN APPEAL

[14] ITL challenges all of the trial judge’s adverse conclusions relating to its infringement claim.

[15] In its memorandum, it submits that he made the following errors:

- a. He failed to hold that, in the particular context of the sales of cigarettes in Canada, relevant consumers overwhelmingly call PM’s no-name product Marlboro at the time of purchase. Here, ITL essentially challenges the assessment and the weight given to the evidence.
- b. He erred on the question of mixed fact and law of whether the use of the word mark MARLBORO by consumers at the time of purchase falls within the meaning of “in any other manner so associated with the wares” in section 4 of the *Act*.
- c. He erred in law in failing to conclude that the use by consumers of the word mark MARLBORO constitutes use by PM, pursuant to sections 19 and 22 of the *Act*.

- d. He erred in concluding that the various trade-marks registered by PM exclude a finding of infringement by failing to appreciate that it is the get-up or label (front and side) of the no-name package, an unregistered compilation of elements, that is said to create the confusion and not the use of the individual registered trade-marks.
- e. He erred in law in applying an improper test to assess confusion, particularly considering extraneous factors and by misconstruing paragraph 6(5)(e) of the *Act*.

[16] ITL suggests that this Court can properly make the findings that the trial judge should have made pursuant to sections 19, 22 and 20 and thus, should allow the appeal and grant the judgment that should have been rendered in the first place. Finally, in the alternative, ITL challenges the trial judge's conclusion that PM's TMA 670,898 (silver version of the ROOFTOP Design registered in 2006) trade-mark registration is valid.

[17] In the cross-appeal, PM raises the following four issues:

- a. In his assessment of the validity of the MARLBORO trade-mark, the trial judge failed to appreciate that a different set of circumstances and legal grounds (mixed fact and law) warrant a different conclusion from that reached by the Federal Court of Appeal in 1987.
- b. With respect to the defence of estoppel, the trial judge misapplied the legal test to the facts of the case.

- c. The trial judge applied the wrong test or approach in evaluating whether the ITL packages (1996, 2001 and 2007) infringed PM's copyright in the Marlboro Red Roof Label.
- d. The trial judge improperly conflated the legal test for copyright infringement with that applicable to a breach of the terms of the 1952 Agreement dealing with ITL's use of labels created by PM. According to PM, something less than the substantial taking required for copyright infringement can amount to a breach of the said agreement. It should thus have been treated separately.

[18] I note with respect to this last question (paragraph 17 (iv), above) that it was not pursued at the hearing, as PM's counsel could not explain on what basis the Federal Court would have had jurisdiction to adjudicate a breach of contract if, as argued, it involved something other than the infringement of copyright under the *Copyright Act*, R.S.C. 1985, c. C-42. Thus, I will not discuss it further in my reasons.

### ANALYSIS

[19] The relevant legislative provisions are reproduced in Schedule "C" of these Reasons.

[20] The resolution of the first issue raised by PM in its cross-appeal can be determinative of ITL's claim of infringement and would render the errors described in paragraph 15 above moot. Thus, like the trial judge, I will examine this issue before reviewing ITL's arguments in the main appeal.

A. *The validity of the MARLBORO trade-mark*

[21] PM argues that the trial judge made two errors of law in reaching the conclusion that the MARLBORO mark was still valid:

i) He incorrectly interpreted the case law, in particular *Philip Morris (1987)* and thereafter wrongly applied it to the current situation, even though the non-distinctiveness of the mark in the present matter did not arise from events originating outside of the Canadian market and beyond the Canadian trade-mark owner's control.

ii) He erroneously required proof of deceptive behaviour by ITL.

[22] I will first summarize the tenor of the arguments advanced by PM before the trial judge in respect of these issues so as to place his comments in the Reasons in their proper context.

[23] First, PM had clearly acknowledged that the trial judge was bound by this Court's decision in *Philip Morris (1987)*, unless he were to find that ITL had since then failed to take steps to create its own separate distinctiveness and goodwill and that it wrongfully used its packaging design and advertising campaigns to falsely align its product with the PM Marlboro brand used outside of Canada (Transcript of the Hearing, Appeal Book (AB), Volume 39, pages 10385-10386).

[24] Second at paragraph 19 of the Second Further Reply and Defence counter-claim, PM expressly refers to the "intentionally false message given to the Canadian public" by ITL.

[25] Also, PM submitted as follows in its Memorandum of Fact and Law before the Federal Court (AB, Volume 2, page 605, paragraphs 177 to 179):

[...] A common feature of both *Crothers* and *Moore Dry Kiln* was a finding of deception of the public by use of the foreign mark in Canada.

Justices Rouleau and MacGuigan distinguished both *Crothers* and *Moore Dry Kiln* decisions on the basis that there was no evidence at the time in 1980s that ITL was engaged in acts of deception.

The evidence before the Court now, some 25 years after (...) presents a very different set of factual circumstances (...) because the defendants have deceptively taken advantage of the lack of distinctiveness of their MARLBORO trade-mark in Canada, allowing Canadian smokers to associate the brand with the international Philip Morris MARLBORO product rather than creating their own goodwill and brand identity.

[26] It is not disputed that in *Philip Morris (1987)*, although the dates at which the distinctiveness of the MARLBORO mark in Canada was to be assessed were different, a fundamental question before this Court was clearly whether the MARLBORO mark of ITL, the lawful assignee of the said mark for Canada, had lost its distinctiveness due to the fact that PM's Marlboro was, as the number one selling cigarette brand in the world, known even in Canada despite being used solely outside of Canada. The Federal Court had accepted that Canadian consumers knew of PM's foreign mark because of the spill-over effect of PM's American advertising and had acknowledged the fact that Canadians were exposed to it when abroad (*Philip Morris Inc. v. Imperial Tobacco Ltd. et al.* (1985), 7 C.P.R. (3d) 254 (F.C.), at paragraph 90, *in fine*).

[27] Indeed, PM had then presented even stronger expert evidence than in the present case, for its survey was more extensive. This is not surprising, considering that this aspect of the present

proceeding was, as mentioned, added at the very last minute and the parties did not file additional evidence after the amendment.

[28] At the time, the relevant provisions of the *Act* were essentially the same and this Court had the opportunity to consider the case law cited by PM (*Crothers Co. Ltd. v. Williamson Canada Co.*, [1925] 2 D.L.R. 844 [*Crothers*] and *Moore Dry Kiln Co. of Canada Ltd. v. U.S. Natural Resources Inc.* (1976), 30 C.P.R. (2d) 40 [*Moore Dry Kiln*]) in the present case.

[29] The purpose of the doctrines of *res judicata*, *issue estoppel*, *cause of action estoppel* and the rule against collateral attack is to ensure the finality of decisions (*Danyluk v. Ainsworth Technologies Inc.*, 2001 SCC 44, [2001] 2 S.C.R. 460, at paragraphs 18 to 24). Generally and in the absence of special circumstances, a party is not allowed to come to court to re-litigate a matter especially if it raises facts that could have been raised in the earlier litigation such as ITL's Project Ranch, dating from the 1970s.

[30] In my view, the trial judge had a clear understanding of the basis on which this Court ruled in *Philip Morris (1987)* and of the above-mentioned principles. He also had a clear understanding of the basis on which PM argued that this Court's prior decision should be distinguished (Reasons, paragraph 299).

[31] The trial judge was not satisfied that PM had established the factual basis upon which it argued that the case before him was quite different from the one finally decided by this Court in 1987 (Reasons, paragraphs 303-304).

[32] In that respect, the trial judge stated that the evidence on ITL's so-called 2009 "Alternative Product Guide" was mixed, unclear and far from conclusive (Reasons, paragraph 306). Then, he found (as discussed in more detail in the Reasons when dealing with copyright infringement) that ITL's cigarette packages were not mere imitations or copies of PM's American Marlboro package (Reasons, paragraph 307). The trial judge expressly noted that ITL used a red maple leaf and the word "Canadian" to differentiate its product from the American product, and that but for the word MARLBORO, there could be no confusion between ITL's packages and PM's international package.

[33] In respect of ITL's marketing strategy, the trial judge wrote that, contrary to PM's allegations, ITL has "consistently striven to differentiate [its] products from that of [PM]." (Reasons, paragraph 305).

[34] These findings were open to the trial judge on the whole of the evidence and PM has not established any palpable or overriding error.

[35] Moreover, even though, in my view, PM had not raised any valid ground that could call for the exercise of his residual discretion, the trial judge re-examined the issue already decided in *Philip*

*Morris (1987)*. He concluded at paragraph 300 of his Reasons that the legal policy and rationale adopted therein were still relevant today, and that “the words of the Federal Court of Appeal apply with equal force as they did at the time”.

[36] Turning to the second alleged error, I am not persuaded that the trial judge misunderstood *Crothers* and *Moore Dry Kiln*. In my view, when he refers to “deceptive behaviour”, he simply does so in order to deal with PM’s argument that ITL’s behaviour was indeed deceptive. I agree with ITL that it is disingenuous for PM to argue before us that the trial judge’s response to its very arguments evidences a misunderstanding of the law.

[37] In view of the foregoing, the trial judge was bound to dismiss PM’s attack on the validity of the MARLBORO mark. There is no reviewable error in his conclusion that ITL’s MARLBORO word-mark is still valid.

### *B. ITL’s Appeal*

#### 1. Consumers’ use of the word Marlboro

[38] Except for the argument that one of the trial judge’s comments at paragraph 289 of his Reasons is not supported by any evidence, ITL appears to be challenging the weight given to the evidence presented as to what was going on at the time of purchase of the parties’ products. In the absence of a palpable and overriding error, this Court ought not to intervene in such factual matters.

[39] Although PM could not point to any evidence that would indeed support the trial judge's comment that "point of sale materials (lighters, match cases, ashtray, shelf talkers, bin row inserts, etc) and retail items emphasized "Rooftop", with reference to the word [...]" (Reasons, paragraph 289), I am not persuaded that this would constitute an overriding error which calls for this Court's intervention. The trial judge's other comments in that paragraph were open to him on the evidence and he was discussing efforts made by PM to reduce the likelihood of confusion among retailers.

[40] Upon close examination of the Reasons, I cannot agree that the trial judge did not properly understand the differences between PM's approach with retailers and its strategy vis-à-vis consumers.

[41] Contrary to what was argued by ITL, the trial judge did not fail to make a finding in respect of consumers' use of the word Marlboro. He specifically states at paragraph 282 of his Reasons:

[282] [...] I am prepared to accept that there is a significant degree of confusion [as to] how to refer to the no-name product, especially among consumers. A large number of respondents seem to associate the Plaintiffs' product to the international PM Marlboro, for a variety of reasons, although more commonly in the case of the consumers than the retailers. [...]

[42] I cannot agree either that it is clear that the trial judge made contradictory findings. In that respect, ITL referred the Court to the following extract from paragraph 232: "the evidence does not entirely support the Defendants' claim that a large number of Canadians are familiar to the Philip Morris international Marlboro brand and associate the no-name product to that brand because of their shared features (...)." [My emphasis]. To be fair, this sentence should be read in its entirety as

the trial judge adds “as we shall see, when examining the infringement claim based on section 20 of the *Act*”. When it is read as a whole and in context, I understand the trial judge to be saying two things. First, that not all the evidence presented during the trial supports ITL’s position. Second that in the end, after weighing the evidence, he was satisfied that there was enough to make the finding described in paragraph 282 above.

[43] Although, this could have been expressed more clearly in paragraph 232, this ambiguity does not, in my view, call for a reassessment by this Court of the weight to be given to the various testimonies pertaining to this issue (consumers, retailers, sales representatives, etc.).

2. Use pursuant to sections 19 and 22 of the *Act*

[44] ITL argues that the trial judge unduly relied on the Federal Court’s decision in *Playboy Enterprises Inc. v. Germain* (1987), 16 C.P.R. (3d) 517 (F.C.) [*Playboy*] and unnecessarily limited the wide language of section 4 of the *Act*. This section provides that a mark is used if it is “in any other manner so associated with the wares at the time of the transfer of property”. According to ITL, the trial judge erred by requiring that the trade-mark be visually displayed in some way (Reasons, paragraph 237).

[45] Whatever the meaning of section 4, it is clear from the language of sections 4, 19 and 22 that, to be relevant, the mark must be used by the person who wishes to distinguish its wares.

[46] This means that ITL had to establish that PM used the word Marlboro in association with its no-name package at the time of the transfer of property to the said retailers or that the retailers were acting on behalf of PM when they referred to PM's product as Marlboro.

[47] As mentioned earlier, at paragraph 232 of the Reasons, the trial judge found that:

[232] [...] the evidence shows not only that the Plaintiffs [PM] never display the name "Marlboro" in association with the Rooftop products, let alone mark it on the wares, but that they have instructed retailers not to call their no-name product "Marlboro". In addition to the launch letter sent to all retailers and Mr. Guile's evidence on this point, the Defendants' own retailer witness, Mr. Hajjali, testified as to the Plaintiffs' sales representatives having told him that the brand was called "Rooftop" and not to use the term "Marlboro".

[48] None of the above findings has been challenged. In any event, I am satisfied that they reveal no palpable and overriding error. Indeed, having carefully reviewed the evidence, it would have been difficult for the trial judge to conclude that there was sufficient evidence to establish that the retailers were indeed authorized by PM to use the word Marlboro in association with PM's no-name package.

[49] That alone fully justifies the trial judge's conclusion at paragraph 239 that since "the Plaintiffs (PM) have not used the MARLBORO word-mark of the Defendants, they cannot be held to have infringed either section 19 or section 22, since "use" is a precondition for the application of both of these provisions."

[50] There is no need to say anything further in respect of section 4, except that the decision in *Playboy* was based on a very specific set of facts and the general question raised by ITL has not

directly been addressed previously by this Court. It is also relevant to the use of non-traditional marks (sound, smell, etc.), which is a topical issue around the world. It should thus be left for another day and a more appropriate case. Obviously, nothing herein should be understood as an endorsement of any of the trial judge's comments on this issue.

### 3. Section 20 of the *Act* – Confusion

[51] ITL's main arguments are that:

- a. the trial judge erred in law in applying the test set out in subsection 6(5) of the *Act* by relying on extraneous factors and focusing on its actual use of its word-mark as opposed to its rights under the registration;
- b. the trial judge erred in law when he narrowly construed paragraph 6(5)(e) of the *Act* as applying only to the resemblance between marks in the ideas inherently suggested by them, thereby imposing a limitation not found in the *Act*.

[52] ITL also submits that the essence of the trial judge's conclusion under section 20 is found in this passage of paragraph 291 of his Reasons:

[291] [...] While some consumers do refer to the no-name product of the Plaintiffs as "Marlboro", there is no confusion as to the source of the Plaintiffs' product. The "Marlboro" to which they refer to is the American PM Marlboro brand, and not to the ITL Canadian Marlboro. Indeed, there is no evidence that Canadian consumers

mistakenly believe that the Defendants are the source of the Plaintiffs' no-name product. Since section 20 of the *Act* seeks to prevent source confusion and not name confusion, that provision is not engaged in the present instance. [...]

[53] ITL argues that, in reaching such conclusion, the trial judge failed to apply his mind to “reverse confusion”, that is, customers of the senior mark mistakenly associating its source with the source of the junior mark (Reasons paragraph 248). He also did not appreciate that if PM’s no-name package continues to be referred to by a significant number of consumers as Marlboro, this will jeopardize the distinctiveness of its MARLBORO mark because two different products sold on the Canadian market, emanating from two different and non-associated sources, will be called Marlboro by Canadian consumers.

[54] A few months after the trial judge’s decision, the Supreme Court of Canada in *Masterpiece Inc. v. Alavida Lifestyles Inc.*, 2011 SCC 27, [2011] 2 S.C.R. 387 [*Masterpiece Inc.*] had an opportunity to review how one should apply the test set out in section 6 of the *Act* to determine if a trade-mark would likely cause confusion with another trade-mark.

[55] Justice Marshall Rothstein, writing for the Court made it very clear that, when considering the degree of resemblance between marks, the approach differed depending on whether they were registered or not.

[56] For unregistered marks, a court should only consider the manner in which they have actually been used. However, for registered marks, a court must consider the trade-mark registration according to its terms to reflect the entire scope of the rights granted under the latter.

[57] According to Justice Rothstein, the problem with an analysis which takes into account the actual use by the owner of a registered trade-mark is that nothing prevents such owner from changing how and for what he uses it, so long as this change is within the ambit of the registration. Thus, he concludes at paragraph 59:

[59] For this reason, it was incorrect in law to limit consideration to Alavida's post-application use of its trade-mark to find a reduced likelihood of confusion. Actual use is not irrelevant, but it should not be considered to the exclusion of potential uses within the registration. For example, a subsequent use that is within the scope of a registration, and is the same or very similar to an existing mark will show how that registered mark may be used in a way that is confusing with an existing mark.  
[My emphasis]

[58] Finally, in *Masterpiece Inc.*, Justice Rothstein noted that when confusion is alleged in respect of several different marks, the Court should make an individual comparison in respect of each rather than make an analysis based on a composite of all the marks (paragraphs 43 to 48).

[59] Before turning to what the trial judge did in this case, it is worth noting a few other general principles that may be relevant here:

- A mark symbolises a linkage between a product and its source. When assessing the likelihood of confusion, the focus is on such mental link in the head of the mythical consumer (*Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, [2006] 1 S.C.R. 772 [*Mattel*]). The full factual context including the factors set out in subsection 6(5) of the *Act* must be considered.

- It is not relevant that consumers are “unlikely to make choices based on first impressions”. It is an error to discount the likelihood of confusion by considering what actions the consumer might take after encountering the mark in the market place (*Masterpiece Inc.*, paragraphs 71, 73 and 74).
- Confusion as to the source (no need for it to be precisely identified) will arise if the public (mythical consumer) would likely infer that the source of the two products (senior mark or junior mark) is the same (this includes in appropriate circumstances associated sources such as licensor and licensee).
- Steps taken to avoid confusion are irrelevant in the context of an infringement action pursuant to section 20 of the *Act* (David Vaver, *Intellectual Property Law: Copyright, Patents, Trade-marks*, 2<sup>nd</sup> ed. (Toronto: Irwin Law, 2011) [Vaver] at page 533, *Pink Panther Beauty Corp. v. United Artists Corp.*, [1998] 3 F.C. 534 (C.A.)).
- Proof of actual confusion or the absence of such confusion over a long period of time is a very weighty factor that must be considered as part of the surrounding circumstances pursuant to subsection 6(5) of the *Act* (*Mr. Submarine Ltd. v. Amandista Investments Ltd.*, (1987) 19 C.P.R. (3d) 3, [1988] 3 F.C. 91 (C.A.) [Mr. Submarine], at paragraph 34, *Mattel*, at paragraph 55).

[60] The determination of whether a likelihood of confusion exists is a fact-finding exercise and this Court will defer to the trial judge's findings unless his assessment was based on an error of law or constituted a palpable and overriding error of fact (*Masterpiece Inc.*, paragraph 102).

[61] As in *Masterpiece Inc.*, where the Supreme Court of Canada reversed the decision of the trial judge for errors of law in the interpretation and application of the confusion analysis, I am of the view that, in this case, the trial judge erred in his interpretation of the confusion test and in its application to the facts by:

- Reducing the likelihood of confusion on the basis of the fact that ITL's MARLBORO cigarettes are made with a Virginia blend, whereas the no-name package product is an American blend (Reasons, paragraph 287).
- Reducing the likelihood of confusion based on the fact that presently ITL distributed its cigarettes differently than PM (Reasons, paragraph 286).
- Considering the efforts made by PM to reduce the likelihood of confusion as relevant (Reasons, paragraph 289) including by focusing on PM's marketing emphasis on the key distinguishing feature of its product – the American blend.
- Considering that any initial confusion would be diminished as a result of the interaction between the consumers and retailers. In effect, in his view, the retailers

would elicit clarification from the consumer as to the product he/she seeks (PM's product comes in three flavours while ITL's comes in one), making it unlikely that a consumer would, through confusion, actually purchase a different brand of cigarette than the one he/she intended to (Reasons, paragraph 287).

[62] It is not clear if the trial judge analysed each design mark individually or as a composite (6 different ROOFTOP design marks were registered) in his subsection 6(5) analysis. To be fair, he did not have the benefit of *Masterpiece Inc.*. In our case, the problem is compounded by the fact that the trial judge accepted PM's argument that the presence of the many elements that do not appear in each registered versions of these design marks did not have a material effect on the dominant features and the distinctiveness of the registered ROOFTOP design marks. Thus, he considered the get-up of the no-name package as a whole as an illustration of the use of the registered ROOFTOP design marks (Reasons, paragraphs 198-203).

[63] ITL's MARLBORO trade-mark is registered for use with cigarettes. It is not restricted to any particular blend or flavour. There is also nothing preventing ITL or PM from distributing their product differently, especially considering that PM has sales representatives visiting the retailers regularly, even if not as often as ITL sales representatives.

[64] There is no doubt in my mind that the above-mentioned errors in the interpretation and application of the test had a material impact on the trial judge's conclusion that there was no likelihood of confusion.

[65] In similar circumstances, in *Masterpiece Inc.* (at paragraph 103) the Supreme Court of Canada stated that the interest of justice would be served by an appellate court deciding the matter and proceeded to make its own analysis pursuant to subsection 6(5) of the *Act*.

[66] In the present case, the trial judge gave little weight to most of the evidence presented by either side with respect to confusion. This includes the evidence of lay witnesses as well as expert evidence based on surveys, which he found generally flawed. He stated precisely what could be made of the survey evidence.

[67] I shall thus proceed to compare ITL's registered word-mark MARLBORO with each version (red, gold and silver) of PM's no-name get-up as proposed by ITL. This combination of elements on the package (the whole label including the sides of the package) is used to distinguish PM's wares from those of others offered on the Canadian market and as such, falls within the definition of a trade-mark in section 2 of the *Act*.

[68] As mentioned, PM takes the position that its no-name package is simply one illustration of the many ways in which it can use its registered marks particularly its ROOFTOP design marks. I will address this question later where it will be of more importance, that is, in assessing PM's defences based on its registrations and on *estoppel*.

[69] Starting with paragraph 6(5)(a), like the trial judge, I find that these marks have inherent distinctiveness. The trial judge also stated that they were both well known, but did not explain on

what basis he had come to that conclusion, other than stating that there was no evidence to the contrary. At the hearing, PM did not direct this Court to any specific evidence in response to ITL's comment that there was no evidentiary basis for such finding in respect of the Canadian market, especially in respect of its own MARLBORO.

[70] Even though in this case this will ultimately be of no moment, I prefer to regard these marks as known rather than well-known marks. Although ITL's product has only a small fraction of the Canadian cigarette market (PM's MATADOR had even a smaller fraction), ITL has been using its registered MARLBORO mark for more than 80 years. PM has used most of the elements of the get-up of the no-name package in Canada for a long time (some, like the red version of the ROOFTOP design, since 1958) with the word mark (brand name) MATADOR. However, the particular package label under review, which adds unregistered elements and includes no brand name, has only been on the market since July 2006 (a few months before the institution of the present proceedings). The silver version of the ROOFTOP design was also not used prior to 2006 (paragraph 6(5)(b)).

[71] The marks are used with the same wares (cigarettes) and in the same trade (paragraphs 6(5)(c) & (d)).

[72] Turning to paragraph 6(5)(e), there is no resemblance in appearance between those marks. As mentioned, the trial judge did not consider under that paragraph the fact that a number of consumers did refer to the no-name packages as Marlboro because, in his view, to consider such

idea would be an unwarranted extension of the breadth of paragraph 6(5)(e). He stated that the expression “ideas suggested” should be restricted to those ideas that are inherent to the nature of the trade-marks in question (for example, the design of a penguin giving the idea of a penguin) (Reasons, at paragraph 290).

[73] If the examples used by the trial judge in paragraph 290 and in paragraph 249 of his Reasons (the word Panda evoking the same idea as a design mark depicting that animal) were meant to restrict the ambit of paragraph 6(5)(e) to ideas suggested by the literal and common meaning of a word or design, I cannot agree with this interpretation.

[74] In *Rowntree Co. v. Paulin Chambers Co.*, [1968] S.C.R. 134, the Registrar had refused to register “SMOOTHIES” because of a likelihood of confusion with “SMARTIES”. He considered a resemblance in the ideas suggested because the expressions were slang terms meaning ‘smart aleck’ or a ‘smooth operator’. The Exchequer Court of Canada reversed the decision because the dictionary meaning of those words was entirely dissimilar. The Supreme Court of Canada allowed the appeal and confirmed that the registration should be refused. Justice Ritchie noted:

[...] the essential question to be determined is whether the use of the word SMOOTHIES by the respondent would be likely to lead to the inference that the wares associated with that word and those associated with the registered trade marks of the appellant were produced or marketed by the same company and I do not think that this necessarily involves a resemblance between the dictionary meaning of the word used in the trade mark applied for and those used in the registered trade marks. It is enough, in my view, if the words used in the registered and unregistered trade marks are likely to suggest the idea that the wares with which they are associated were produced or marketed by the same person. This is the approach which appears to me to have been adopted by the Registrar of Trade Marks.

[75] Certainly, the dictionary meaning or common meaning and the technical meaning of a word or design are the most common suggestions considered when comparing marks, but I see no reason to ignore other suggestions acquired through marketing or use in a particular way. I will explain that with the following example: The word “yogi” is registered as a mark in association with children’s toys and a third party wishes to use a design mark for the same wares showing the thus-named famous cartoon bear with the cap and the short tie. Should the Registrar or the Court ignore the resemblance in the idea suggested simply because the word “yogi” is generally understood and defined in dictionaries such as the *Canadian Oxford* as a person proficient in the practice of yoga?

[76] Keeping in mind the need to adopt a purposive and contextual interpretation of paragraph 6(5)(e), I cannot see how such resemblance could be ignored. That being said, obviously when one invokes a resemblance based on something out of the ordinary, evidence will be required to satisfy the Court that the particular association or suggestion does indeed exist as a matter of fact before it is considered in the analysis under paragraph 6(5)(e).

[77] Even if I am in error and paragraph 6(5)(e) calls for a more restrictive construction, resemblance in unusual ideas suggested by any one of the marks once established would have to be considered as part of the surrounding circumstances (opening words of subsection 6(5)). Either way, it cannot be ignored.

[78] Be that as it may, in the special circumstances of this case, I prefer to consider the confusion as to the name of the product sold in the no-name package as part of the surrounding circumstances (opening words of subsection 6(5)) because of the particularities of the cigarette retail market in Canada which are dictated by Government regulations.

[79] In Canada, except for a limited number of specialty shops that require a special permit, the cigarettes market is a “dark market”. This means that the products cannot legally be exposed to the public’s view. A consumer must specifically ask for a product at the counter.

[80] One can understand how in such context a label that includes no brand name, or the sole use of design marks on a cigarette package to identify its source, will prompt consumers to ask for the product by using a word or words that is (are) not necessarily displayed on the product.

[81] That explains why the trial judge said that there was a significant degree of confusion among consumers (and to a lesser extent retailers) “as to how they should refer to the no-name package” (Reasons, paragraphs 282 and 291). That is also what prompted him to refer to the need for interpretation and interaction with the retailers.

[82] It is clear from the evidence accepted by the trial judge that this association was intentionally conveyed by the compilation of the various elements used by PM around the world in respect of its famous Marlboro brand and the reference to the “world famous imported blend”. Here, I am not considering whether PM intended to infringe, as intention is irrelevant to infringement.

Rather, I am considering this evidence as supporting the fact that this combination of elements on no-name package suggests to some extent (a significant number of consumers) an association with Marlboro.

[83] I also note that the evidence is to the effect, and this was admitted at the hearing by both sides, that the use of a brand name on a PM package bearing most of the other elements of the no-name package (like the MATADOR get-up) would likely be sufficient to sever the mental link or association with Marlboro.

[84] The result is that, as the trial judge found, a number of consumers refer to the PM's no-name product as Marlboro. This means that, in a dark market where the trade-marks are not in view, consumers will use the same name to refer to two different products offered by two different manufacturers. This must necessarily result in confusion as to source since consumers expect that products of the same kind, which they can refer to by the same name and buy through the same channels, will come from the same source. It matters little whether this situation is characterized as confusion or reverse confusion, the result is the same.

[85] Having now completed the analysis in the manner prescribed in *Masterpiece Inc.*, I conclude that there is a likelihood of confusion between the sources of the products under review if both MARLBORO and PM no-name package are used in Canada (subsection 6(2) of the *Act*).

[86] Before examining ITL's last argument, it is worth noting that the question of confusion between two marks actually used in Canada is quite distinct from the issue considered in *Philip Morris (1987)*.

4. Do PM's registrations exclude a finding of infringement in this case?

[87] At trial, PM relied on the registration of its ROOFTOP design marks as a full and complete answer to the allegation of infringement made by ITL (*Remo* defence).

[88] In view of section 19 of the *Act* and having considered the decision of the Ontario Court of Appeal in *Molson Canada v. Oland Breweries Ltd.* (2002), 59 O.R. (3d) 607, [2002] O.J. 2029 [*Oland*] whose reasoning was adopted in *Remo Imports Ltd. v. Jaguar Cars Ltd.*, 2007 FCA 258, [2008] 2 F.C.R. 132 [*Remo*], at paragraphs 111 to 113, the trial judge concluded that he was bound to accept PM's argument (Reasons, paragraph 209). Thus, in his view, in order to succeed in its infringement claim, ITL had to attack the validity of PM's registrations and show that PM's ROOFTOP design marks were confusingly similar to ITL's MARLBORO word-mark. ITL submits that the trial judge erred in law in so concluding.

[89] I agree with ITL that in those cases (including the British Columbia Court of Appeal decision in *Chemicals Inc. and Overseas Commodities Ltd. v. Shanahan's Ltd.* (1951), 15 C.P.R. 1 [*Shanahan*] cited therein) what was alleged to infringe was the use of a single trade-mark essentially as registered. Indeed, it was not disputed before us that even in *Oland*, the whole label on the beer

bottle (the get-up referred to by the Court) had been registered as such (Appendix A to ITL's Memorandum of Fact and Law, Image 21).

[90] However, in the case at bar, the label of the no-name package has not been registered. Also, ITL is adamant that none of the individual ROOFTOP design marks as registered by PM is confusing with its word-mark MARLBORO. In fact, as mentioned, although these marks (except for the one registered in 2006), have been used in Canada in various combinations for very many years, none appear to have created confusion among Canadian consumers.

[91] Before the trial judge, the *Remo* defence only came into play because PM argued that ITL's attack on the no-name package was in fact an attack on a legitimate use of PM's registered ROOFTOP design marks (six different ones). In response, ITL argued, among other things, that if the combination on the no-name package is confusing, then the individual marks that are part of this combination must also be confusing and their registration should be struck (Reasons, paragraph 216).

[92] Although he noted that this argument by ITL could not be easily disposed of (Reasons, paragraph 221), the trial judge never discussed it further as he concluded that there was no likelihood of confusion.

[93] I have already found that the combination on the no-name package is confusing. Thus, I have to address the argument. In doing so, it becomes evident that the following two aspects are

intimately linked: i) whether a combination of various registered and unregistered elements is regarded as a simple use of a registered mark and ii) whether, when such a combination is found to be confusing, it necessarily means that the registered marks included in it are confusing.

[94] Up until now, this aspect of the use of a registered mark, alone or in combination with other elements, has mostly, if not exclusively, been addressed in the case law under section 45 of the *Act*. This provision pertains to the expungement of marks that have not been used for the prescribed period. Its main purpose is to “prune deadwood” (*Vaver*, page 546). This explains the particular focus put on whether the dominant features of the mark as registered were changed. It also explains why, when looking at use in a combination, the Registrar and the Courts focused on the question of whether the registered mark had not lost its distinctiveness *per se*.

[95] It is this case law that the trial judge used to determine if the no-name package was simply a use of the individual ROOFTOP design marks as registered. It may explain why he dealt so briefly with the impact of the additions in the special combination on the no-name package that do not appear in the registration of the individual ROOFTOP design marks.

[96] Here, it is not disputed that one can use a registered mark in combination with other registered or unregistered elements or marks without that mark losing its distinctiveness. It all depends on the circumstances. Hence, the real question before us is whether this necessarily means that the protection of the registration of each ROOFTOP design marks can be extended to the whole of the combination in which they are used on the no-name package under review.

[97] Under section 45 of the *Act*, confusion with other registered trademarks (paragraph 12(1)(d) of the *Act*) is not a relevant issue. In my view, one cannot deal with the real question before us or the aspects mentioned in paragraph 93 above without considering the issue of confusion at all.

[98] In effect, in my view, the basic reasoning behind this Court's endorsement of *Oland* and *Shanahan* is that when a mark is registered, it is presumed to meet all the conditions set out in the *Act* at that time. This includes distinctiveness but also that the mark as described is not confusing with another registered mark (paragraph 12(1)(d) of the *Act*).

[99] In this case, the Registrar never considered whether the marks used in this particular combination on the no-name package met the test for registration. When the ROOFTOP design marks were individually registered, the Registrar did not have, in my view, to consider the likelihood of confusion of a composite of all PM's registered marks. Nor was he required to speculate as to the effect of the addition of unregistered elements on a particular label, which would include the proposed design mark.

[100] If I were to accept PM's argument, I would be in effect accepting a defence that is not available to PM since it has never submitted its label to the scrutiny of the registration process.

[101] PM correctly submits that it should not be forced to register its labels or every combination of its marks. Again, this is not the issue. If one registers a combination, one will have the benefit accruing from the said registration. If one chooses to use a combination without going through the

process of registration, one will still have rights but not necessarily the same rights as those accruing from registration. This is true for every trade-mark one uses to distinguish one's wares.

[102] In that respect, I note that in the Nike and McDonald's examples reproduced by the trial judge (Reasons, paragraph 218) the combinations as well as the individual elements were registered. PM did register the label for MATADOR. It is not unusual in the cigarette industry for companies to register their whole label. PM did try albeit unsuccessfully to register its Marlboro Red Roof Label in 1981. The choice to register or not is a commercial one that involves, among other things, consideration of costs and the importance of the product.

[103] To answer the real question before us, I must determine whether it is the unregistered combination alone or the individual marks, used essentially as registered, that are confusing. If the combination alone is confusing, in my view, it must necessarily be conveying a different message to the consumers than the individual registered marks. In such circumstances, the unregistered combination cannot claim the benefit of the *Remo* defence since it is not simply a use of the marks essentially as registered.

[104] Based on their registration, I have to assume that these marks were not confusing at the time of their registration. Is there any evidence that the situation had changed at the time the relevant proceedings were instituted? Having completed a subsection 6(5) analysis in respect of each individual mark, in my view, the answer is no.

[105] In that respect, I do not need to add to the comments I already made in paragraphs 69-71 above in respect of paragraphs 6(5)(a), (b), (c) and (d).

[106] There is no resemblance in appearance and sound (paragraph 6(5)(e)).

[107] Turning to the opening words of subsection 6(5), when the trial judge at paragraph 282 finds that there is confusion as to how to refer to the no-name package, he simply says that this was so for a “variety of reasons”. In other words, he did not find that consumers associated the word Marlboro to the no-name package because of the presence of one individual registered mark included on the said package.

[108] In any event, the surveys filed in evidence were not specifically designed to test whether consumers associated the name Marlboro to cigarette packages bearing only each individual ROOFTOP design mark essentially as registered. What was presented to the participants in the survey by both parties’ experts was the no-name package as a whole.

[109] As mentioned, what is clear is that PM used its registered design marks, except for the silver version registered in 2006, in other combinations for many years without apparent problems. What appears to be different here is the fact that the combination at issue characterizes the source of the product further than any of the trade-marks previously registered or used by PM by associating or identifying it expressly to Marlboro.

[110] Indeed, according to the evidence, PM's marketing department rejected the idea of using its registered word-mark ROOFTOP as part of the combination on the no-name package because it thought that such use would lead the consumer to conclude that the product was a fake, meaning that the no-name package was not from the source of its Marlboro.

[111] Based on the foregoing analysis, I conclude that the individual ROOFTOP design marks including the latest silver ROOFTOP design (TMA 670,898) are not confusing with the word-mark MARLBORO.

[112] This conclusion means that, in the particular circumstances of the case, which, as already mentioned, are quite unique, the registrations invoked by PM do not constitute an absolute defence to ITL's claim that the current combination of elements used on the no-name package (front and side) constitutes an infringement.

[113] There is no need to add anything further in respect of ITL's alternative argument (see paragraph 16 above).

### *C. PM's Cross-Appeal*

[114] Having addressed PM's first argument in respect of the invalidity of the MARLBORO trade-mark (see paragraph 21 and following), I will now examine the two remaining arguments of PM (See paragraph 17 (ii) and (iii)).

- i. Is ITL estopped from contesting PM's ROOFTOP design registrations?

[115] Considering my previous conclusions, the validity of PM's registrations is no longer in play. It is therefore unnecessary to deal with this issue.

- ii. Copyright Infringement

[116] As mentioned, PM challenges the trial judge's ultimate conclusion that ITL's packages at issue (1996, 2001 and 2007) did not infringe its copyright in its Marlboro Red Roof Label nor did it result in a breach of the 1952 Agreement. For reasons explained above (see paragraph 18), I will only review the arguments in respect of the Marlboro Red Roof Label.

[117] More particularly PM argues that:

- a. The trial judge applied the wrong approach to determine if ITL's packages incorporated a substantial part of its Marlboro Red Roof Label by a) focusing on the differences, b) by restricting his review to only six elements of the Marlboro label and c) by comparing the said elements on a piece-by-piece basis without looking at the overall composition. The trial judge also failed to take into consideration the essence of its copyrighted work (its label). Finally, according to PM, the trial judge erred in law by disregarding the impact of the word MARLBORO in the overall composition.

- b. The trial judge applied the wrong test to determine if a sufficient causal connection existed and misunderstood the meaning of an “independent creation”.

[118] I am not persuaded by PM’s argument that the trial judge applied the wrong test or a mistaken approach to determine the factual question of whether or not the 1996, 2001 and 2007 packages of ITL incorporated a substantial part of its copyrighted work (Marlboro Red Roof Label).

[119] Indeed, the trial judge properly described the principles he was bound to apply (Reasons, paragraphs 311 to 317) to determine what the most distinctive and memorable elements of the package were, in order to assess the significance of each element of the design. He came to an unchallengeable conclusion having regard to the evidence in his summary found at paragraph 328.

[120] Moreover, it is clear from paragraphs 333 and 362 that the trial judge not only looked at the particular elements identified throughout his Reasons but also at the overall arrangement and display before concluding that he was “unable to find substantial similarity when viewing the works as a whole”.

[121] Turning to the allegation that the trial failed to consider the impact of the word MARLBORO on ITL packages as part of his analysis. I cannot agree. ITL has a legal right to use that word on its cigarette package based on its Canadian registration. Moreover, it does so with PM’s consent, considering the valid assignment of this trade-mark between their predecessors.

[122] Thus, the trial judge was correct in limiting his inquiry to the graphic or design elements that ITL applied to its word mark (see paragraphs 318 and 335). His discussion in that respect was thorough. It does not contain any palpable and overriding error. There is sufficient evidence supporting the trial judge's overall assessment of the ITL's packages (see particularly Reasons, paragraphs 350, 351 and 363).

[123] The trial judge's conclusion that ITL did not take a substantial part of PM's copyrighted work contains no reviewable error. Therefore, there is no need to address PM's remaining arguments.

[124] For the reasons expressed above, the cross-appeal should be, in my view, dismissed with costs.

## CONCLUSION

[125] I would allow ITL's appeal in part with costs in this Court and at trial. I would set aside the judgment of the Federal Court declaring that PM's use of the "ROOFTOP Design Trade-mark" in association with cigarettes does not infringe any rights ITL may have under the *Trade-marks Act* to Canadian trade-mark registration no. TMDA 55,988. Proceeding to render the judgment that should have been rendered, I would declare that the no-name packages (red, gold and silver version) described in Schedule "A" infringe ITL's rights in the registered trade-mark MARLBORO (no. TMDA 55,988) pursuant to section 20 of the *Act*.

[126] As remedies to the said infringement, I would grant the following:

- (a) a permanent injunction restraining PM, by itself or by its officers, directors, shareholders, representatives, agents or any person under its authority or control, or by any company, partnership, business entity or person with which it is associated or affiliated, from directly or indirectly selling, distributing, and/or advertising in Canada, cigarettes or other tobacco products in, or in association with, the no-name packaging described in Schedule A;
- (b) an order requiring PM to deliver up, or to destroy under oath, all packaging described in Schedule A, and all material of any nature, including all advertising material, in the possession or control of PM, the use of which would offend the injunction granted;

[127] Given that no argument was presented to us in respect of ITL's right to elect between damages or an accounting of profits, pre-judgment interest and the appropriate amount of ITL's costs in the Federal Court, I would refer these matters back to the trial judge for determination.

[128] I would dismiss PM's cross-appeal with costs.

“Johanne Gauthier”

---

J.A.

“I agree  
Gilles Létourneau J.A.”

“I agree  
J.D. Denis Pelletier J.A.”

SCHEDULE "A"

ROOFTOP cigarette packages (red, gold and silver version)

**WARNING**  
**CIGARETTES HURT BABIES**

Tobacco use during pregnancy reduces the growth of babies during pregnancy. These smaller babies may not catch up in growth after birth and the risks of infant illness, disability and death are increased.

Health Canada

**FILTER CIGARETTES**

COME TO WHERE THE FLAVOR IS

20

**DON'T POISON US**

**WARNING.** Second-hand smoke contains carbon monoxide, ammonia, formaldehyde, benzo[a]pyrene and nitrosamines. These chemicals can harm your children.

Health Canada

**FILTER CIGARETTES**

COME TO WHERE THE FLAVOR IS

20

**WARNING**  
**EACH YEAR, THE EQUIVALENT OF A SMALL CITY DIES FROM TOBACCO USE**

Category	Estimated Deaths in Canada, 1996
Murders	510
Alcohol	1,900
Car accidents	2,900
Suicides	3,900
<b>Tobacco</b>	<b>45,000</b>

Health Canada

**FILTER CIGARETTES**

COME TO WHERE THE FLAVOR IS

20

WORLD FAMOUS IMPORTED BLENDING & PACKING BY PENNINGTON & HEDGECOCK TORONTO, ONTARIO, CANADA

NOT FOR SALE IN THE USA. VENTE INTERDITE AUX ETATS-UNIS

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WORLD FAMOUS IMPORTED BLENDING & PACKING BY PENNINGTON & HEDGECOCK TORONTO, ONTARIO, CANADA

NOT FOR SALE IN THE USA. VENTE INTERDITE AUX ETATS-UNIS

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WORLD FAMOUS IMPORTED BLENDING & PACKING BY PENNINGTON & HEDGECOCK TORONTO, ONTARIO, CANADA

NOT FOR SALE IN THE USA. VENTE INTERDITE AUX ETATS-UNIS

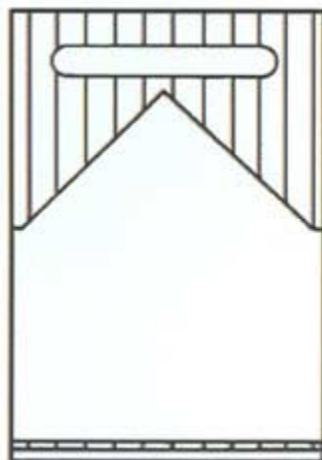
0 619563 9

SCHEDULE "B"

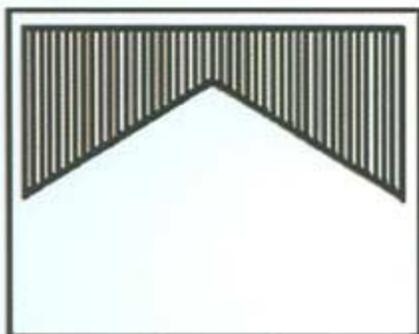
ROOFTOP Design Trade-mark registrations



Registration No.: TMA252,082  
Registration Date: November 4, 1980  
Filing Date: December 21, 1975  
Wares: (1) Cigarettes  
Based on use in Canada since August 8, 1958.



Registration No.: TMA252,083  
Registration Date: November 4, 1980  
Filing Date: December 21, 1979  
Wares: (1) Cigarettes  
Based on use in Canada since August 8, 1958.  
The drawing is lined for the colour red.



Registration No.: TMA254,670

Registration Date: January 9, 1981

Filing Date: December 21, 1979

Wares: (1) Cigarettes

Based on use in Canada since August 8, 1958

The drawing is lined for the colour red.



Registration No.: TMA274,442

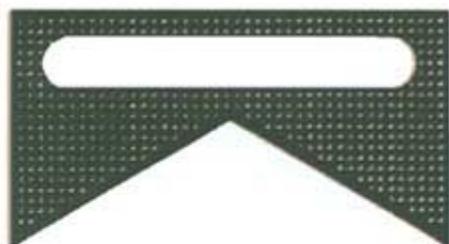
Registration Date: December 3, 1982

Filing Date: October 1, 1981

Wares: (1) Cigarettes

Based on use in Canada since at least as early as 1971.

The drawing is lined for the colour gold.



Registration No.: TMA465,532

Registration Date: November 1, 1996

Filing Date: September 13, 1995

Wares: (1) Cigarettes

Based on use in Canada since April 12, 1995

The background of the design is in gold with black triangular designs thereon, no colour is claimed for the blank oval portion.



Registration No.: TMA670,898

Registration Date: August 23, 2006

Filing Date: May 25, 2005

Wares: (1) Cigarettes.

Declaration of use filed on July 28, 2006

Colour is claimed as a feature of the trade-mark. The background of the design is in silver with black triangular designs thereon, no colour is claimed for the blank oval portion. The design of the crest is in gold, the letters PM are in white on a black background and VENI VIDI VICI are in white.

## SCHEDULE "C"

<i>Trade-marks Act</i> , R.S.C., 1985, c. T-13	<i>Loi sur les marques de commerce</i> , L.R.C., 1985, ch. T-13
<p>Definitions</p> <p><b>2.</b> In this Act,</p> <p>...</p> <p>“confusing” « <i>créant de la confusion</i> »</p> <p>“confusing”, when applied as an adjective to a trade-mark or trade-name, means a trade-mark or trade-name the use of which would cause confusion in the manner and circumstances described in section 6;</p> <p>...</p> <p>« <i>distinctive</i> »</p> <p>“distinctive”, in relation to a trade-mark, means a trade-mark that actually distinguishes the wares or services in association with which it is used by its owner from the wares or services of others or is adapted so to distinguish them;</p> <p>...</p> <p>“trade-mark” « <i>marque de commerce</i> »</p> <p>“trade-mark” means</p> <p>(a) a mark that is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others,</p>	<p>Définitions</p> <p><b>2.</b> Les définitions qui suivent s’appliquent à la présente loi.</p> <p>[...]</p> <p>« créant de la confusion »</p> <p>“confusing” « <i>créant de la confusion</i> » Relativement à une marque de commerce ou un nom commercial, s’entend au sens de l’article 6.</p> <p>[...]</p> <p>« distinctive »</p> <p>“distinctive” « <i>distinctive</i> » Relativement à une marque de commerce, celle qui distingue véritablement les marchandises ou services en liaison avec lesquels elle est employée par son propriétaire, des marchandises ou services d’autres propriétaires, ou qui est adaptée à les distinguer ainsi.</p> <p>[...]</p> <p>« emploi » ou « usage »</p> <p>“use” « <i>emploi</i> » ou « <i>usage</i> » À l’égard d’une marque de commerce, tout emploi qui, selon l’article 4, est réputé un emploi en liaison avec des marchandises ou services.</p> <p>[...]</p>

<p>(b) a certification mark,  (c) a distinguishing guise, or  (d) a proposed trade-mark;</p> <p>...</p> <p>“use”  « <i>emploi</i> » ou « <i>usage</i> »  “use”, in relation to a trade-mark, means any use that by section 4 is deemed to be a use in association with wares or services;</p> <p>...</p> <p>When deemed to be used</p> <p><b>4.</b> (1) A trade-mark is deemed to be used in association with wares if, at the time of the transfer of the property in or possession of the wares, in the normal course of trade, it is marked on the wares themselves or on the packages in which they are distributed or it is in any other manner so associated with the wares that notice of the association is then given to the person to whom the property or possession is transferred.</p> <p>Idem</p> <p>(2) A trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.</p> <p>Use by export</p> <p>(3) A trade-mark that is marked in Canada on wares or on the packages in which they are contained is, when the wares are exported from Canada, deemed to be used in Canada in association with those wares.</p>	<p>« marque de commerce »  “trade-mark”  « <i>marque de commerce</i> » Selon le cas :</p> <p>a) marque employée par une personne pour distinguer, ou de façon à distinguer, les marchandises fabriquées, vendues, données à bail ou louées ou les services loués ou exécutés, par elle, des marchandises fabriquées, vendues, données à bail ou louées ou des services loués ou exécutés, par d’autres;</p> <p>b) marque de certification;</p> <p>c) signe distinctif;</p> <p>d) marque de commerce projetée.</p> <p>[...]</p> <p>Quand une marque de commerce est réputée employée</p> <p><b>4.</b> (1) Une marque de commerce est réputée employée en liaison avec des marchandises si, lors du transfert de la propriété ou de la possession de ces marchandises, dans la pratique normale du commerce, elle est apposée sur les marchandises mêmes ou sur les colis dans lesquels ces marchandises sont distribuées, ou si elle est, de toute autre manière, liée aux marchandises à tel point qu’avis de liaison est alors donné à la personne à qui la propriété ou possession est transférée.</p> <p>Idem</p> <p>(2) Une marque de commerce est réputée employée en liaison avec des services si elle est employée ou montrée dans l’exécution ou l’annonce de ces services.</p> <p>Emploi pour exportation</p> <p>(3) Une marque de commerce mise au Canada sur des marchandises ou sur les colis qui les contiennent est réputée, quand ces marchandises sont exportées du Canada, être employée dans ce pays en liaison avec ces</p>
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<p>When mark or name confusing</p> <p><b>6.</b> (1) For the purposes of this Act, a trade-mark or trade-name is confusing with another trade-mark or trade-name if the use of the first mentioned trade-mark or trade-name would cause confusion with the last mentioned trade-mark or trade-name in the manner and circumstances described in this section.</p> <p>...</p>	<p>marchandises.</p> <p>Quand une marque ou un nom crée de la confusion</p> <p><b>6.</b> (1) Pour l'application de la présente loi, une marque de commerce ou un nom commercial crée de la confusion avec une autre marque de commerce ou un autre nom commercial si l'emploi de la marque de commerce ou du nom commercial en premier lieu mentionnés cause de la confusion avec la marque de commerce ou le nom commercial en dernier lieu mentionnés, de la manière et dans les circonstances décrites au présent article.</p> <p>[...]</p>
<p>What to be considered</p> <p>(5) In determining whether trade-marks or trade-names are confusing, the court or the Registrar, as the case may be, shall have regard to all the surrounding circumstances including</p> <p>(a) the inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known;</p> <p>(b) the length of time the trade-marks or trade-names have been in use;</p> <p>(c) the nature of the wares, services or business;</p> <p>(d) the nature of the trade; and</p> <p>(e) the degree of resemblance between the trade-marks or trade-names in appearance or sound or in the ideas suggested by them.</p>	<p>Éléments d'appréciation</p> <p>(5) En décidant si des marques de commerce ou des noms commerciaux créent de la confusion, le tribunal ou le registraire, selon le cas, tient compte de toutes les circonstances de l'espèce, y compris :</p> <p>a) le caractère distinctif inhérent des marques de commerce ou noms commerciaux, et la mesure dans laquelle ils sont devenus connus;</p> <p>b) la période pendant laquelle les marques de commerce ou noms commerciaux ont été en usage;</p> <p>c) le genre de marchandises, services ou entreprises;</p> <p>d) la nature du commerce;</p> <p>e) le degré de ressemblance entre les marques de commerce ou les noms commerciaux dans la présentation ou le son, ou dans les idées qu'ils suggèrent.</p>
<p>When trade-mark registrable</p> <p><b>12.</b> (1) Subject to section 13, a trade-mark is registrable if it is not</p>	<p>Marque de commerce enregistrable</p> <p><b>12.</b> (1) Sous réserve de l'article 13, une marque de commerce est enregistrable sauf</p>

<p>...</p>	<p>dans l'un ou l'autre des cas suivants :</p> <p>[...]</p>
<p>(d) confusing with a registered trade-mark;</p> <p>...</p>	<p>d) elle crée de la confusion avec une marque de commerce déposée;</p> <p>[...]</p>
<p>When registration invalid</p> <p><b>18.</b> (1) The registration of a trade-mark is invalid if</p> <p>...</p>	<p>Quand l'enregistrement est invalide</p> <p><b>18.</b> (1) L'enregistrement d'une marque de commerce est invalide dans les cas suivants :</p> <p>[...]</p>
<p>(b) the trade-mark is not distinctive at the time proceedings bringing the validity of the registration into question are commenced, or</p> <p>...</p>	<p>b) la marque de commerce n'est pas distinctive à l'époque où sont entamées les procédures contestant la validité de l'enregistrement;</p> <p>[...]</p>
<p>Rights conferred by registration</p> <p><b>19.</b> Subject to sections 21, 32 and 67, the registration of a trade-mark in respect of any wares or services, unless shown to be invalid, gives to the owner of the trade-mark the exclusive right to the use throughout Canada of the trade-mark in respect of those wares or services.</p>	<p>Droits conférés par l'enregistrement</p> <p><b>19.</b> Sous réserve des articles 21, 32 et 67, l'enregistrement d'une marque de commerce à l'égard de marchandises ou services, sauf si son invalidité est démontrée, donne au propriétaire le droit exclusif à l'emploi de celle-ci, dans tout le Canada, en ce qui concerne ces marchandises ou services.</p>
<p>Infringement</p> <p><b>20.</b> (1) The right of the owner of a registered trade-mark to its exclusive use shall be deemed to be infringed by a person not entitled to its use under this Act who sells, distributes or advertises wares or services in association with a confusing trade-mark or trade-name, but no registration of a trade-mark prevents a person from making</p> <p>(a) any <i>bona fide</i> use of his personal name</p>	<p>Violation</p> <p><b>20.</b> (1) Le droit du propriétaire d'une marque de commerce déposée à l'emploi exclusif de cette dernière est réputé être violé par une personne non admise à l'employer selon la présente loi et qui vend, distribue ou annonce des marchandises ou services en liaison avec une marque de commerce ou un nom commercial créant de la confusion. Toutefois, aucun enregistrement d'une marque de commerce ne peut empêcher une</p>

<p>as a trade-name, or  <b>(b)</b> any <i>bona fide</i> use, other than as a trade-mark,  (i) of the geographical name of his place of business, or  (ii) of any accurate description of the character or quality of his wares or services,  in such a manner as is not likely to have the effect of depreciating the value of the goodwill attaching to the trade-mark.</p> <p>Exception  (2) No registration of a trade-mark prevents a person from making any use of any of the indications mentioned in subsection 11.18(3) in association with a wine or any of the indications mentioned in subsection 11.18(4) in association with a spirit.</p> <p>Depreciation of goodwill  <b>22.</b> (1) No person shall use a trade-mark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.  Action in respect thereof  (2) In any action in respect of a use of a trade-mark contrary to subsection (1), the court may decline to order the recovery of damages or profits and may permit the defendant to continue to sell wares marked with the trade-mark that were in his possession or under his control at the time notice was given to him that the owner of the registered trade-mark complained of the use of the trade-mark.</p>	<p>personne :  <b>a)</b> d'utiliser de bonne foi son nom personnel comme nom commercial;  <b>b)</b> d'employer de bonne foi, autrement qu'à titre de marque de commerce :  (i) soit le nom géographique de son siège d'affaires,  (ii) soit toute description exacte du genre ou de la qualité de ses marchandises ou services,  d'une manière non susceptible d'entraîner la diminution de la valeur de l'achalandage attaché à la marque de commerce.</p> <p>Exception  (2) L'enregistrement d'une marque de commerce n'a pas pour effet d'empêcher une personne d'utiliser les indications mentionnées au paragraphe 11.18(3) en liaison avec un vin ou les indications mentionnées au paragraphe 11.18(4) en liaison avec un spiritueux.</p> <p>Dépréciation de l'achalandage  <b>22.</b> (1) Nul ne peut employer une marque de commerce déposée par une autre personne d'une manière susceptible d'entraîner la diminution de la valeur de l'achalandage attaché à cette marque de commerce.  Action à cet égard  (2) Dans toute action concernant un emploi contraire au paragraphe (1), le tribunal peut refuser d'ordonner le recouvrement de dommages-intérêts ou de profits, et permettre au défendeur de continuer à vendre toutes marchandises revêtues de cette marque de commerce qui étaient en sa possession ou sous son contrôle lorsque avis lui a été donné que le propriétaire de la marque de commerce déposée se plaignait de cet emploi.</p>
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<p>Registrar may request evidence of user</p> <p><b>45.</b> (1) The Registrar may at any time and, at the written request made after three years from the date of the registration of a trade-mark by any person who pays the prescribed fee shall, unless the Registrar sees good reason to the contrary, give notice to the registered owner of the trade-mark requiring the registered owner to furnish within three months an affidavit or a statutory declaration showing, with respect to each of the wares or services specified in the registration, whether the trade-mark was in use in Canada at any time during the three year period immediately preceding the date of the notice and, if not, the date when it was last so in use and the reason for the absence of such use since that date.</p> <p>...</p>	<p>Le registraire peut exiger une preuve d'emploi</p> <p><b>45.</b> (1) Le registraire peut, et doit sur demande écrite présentée après trois années à compter de la date de l'enregistrement d'une marque de commerce, par une personne qui verse les droits prescrits, à moins qu'il ne voie une raison valable à l'effet contraire, donner au propriétaire inscrit un avis lui enjoignant de fournir, dans les trois mois, un affidavit ou une déclaration solennelle indiquant, à l'égard de chacune des marchandises ou de chacun des services que spécifie l'enregistrement, si la marque de commerce a été employée au Canada à un moment quelconque au cours des trois ans précédant la date de l'avis et, dans la négative, la date où elle a été ainsi employée en dernier lieu et la raison de son défaut d'emploi depuis cette date.</p> <p>[...]</p>
<p>Effect of non-use</p> <p>(3) Where, by reason of the evidence furnished to the Registrar or the failure to furnish any evidence, it appears to the Registrar that a trade-mark, either with respect to all of the wares or services specified in the registration or with respect to any of those wares or services, was not used in Canada at any time during the three year period immediately preceding the date of the notice and that the absence of use has not been due to special circumstances that excuse the absence of use, the registration of the trade-mark is liable to be expunged or amended accordingly.</p> <p>...</p>	<p>Effet du non-usage</p> <p>(3) Lorsqu'il apparaît au registraire, en raison de la preuve qui lui est fournie ou du défaut de fournir une telle preuve, que la marque de commerce, soit à l'égard de la totalité des marchandises ou services spécifiés dans l'enregistrement, soit à l'égard de l'une de ces marchandises ou de l'un de ces services, n'a été employée au Canada à aucun moment au cours des trois ans précédant la date de l'avis et que le défaut d'emploi n'a pas été attribuable à des circonstances spéciales qui le justifient, l'enregistrement de cette marque de commerce est susceptible de radiation ou de modification en conséquence.</p> <p>[...]</p>

**FEDERAL COURT OF APPEAL**

**NAMES OF COUNSEL AND SOLICITORS OF RECORD**

**DOCKET:** A-463-10

**STYLE OF CAUSE:** Marlboro Canada Limited and  
Imperial Tobacco Canada Limited  
and Philip Morris Products S.A.  
and Rothmans, Benson & Hedges  
Inc.

**PLACE OF HEARING:** Montréal, Quebec

**DATE OF HEARING:** January 18, 2012

**REASONS FOR JUDGMENT BY:** GAUTHIER J.A.

**CONCURRED IN BY:** LÉTOURNEAU J.A.  
PELLETIER J.A.

**DATED:** June 29 2012

**APPEARANCES:**

François Guay  
Steven B. Garland  
Alexandrine Huck-Anano

Kelly Gill  
Selena Kim  
James Buchan

**SOLICITORS OF RECORD:**

Smart & Biggar  
Montréal, Quebec

Gowling Lafleur Henderson LLP  
Toronto, Ontario

FOR THE APPELLANTS

FOR THE RESPONDENTS

FOR THE APPELLANTS

FOR THE RESPONDENTS