

Federal Court of Appeal



Cour d'appel fédérale

Date: 20160223

Docket: A-569-14

Citation: 2016 FCA 60

**CORAM: TRUDEL J.A.
SCOTT J.A.
DE MONTIGNY J.A.**

BETWEEN:

MC IMPORTS INC.

Appellant

and

AFOD LTD.

Respondent

Heard at Ottawa, Ontario, on December 2, 2015.

Judgment delivered at Ottawa, Ontario, on February 23, 2016.

REASONS FOR JUDGMENT BY:

TRUDEL J.A.

CONCURRED IN BY:

**SCOTT J.A.
DE MONTIGNY J.A.**

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REASONS FOR JUDGMENT

TRUDEL J.A.

I. Overview

[1] This appeal is about the validity of a trade-mark when that mark is a geographical location.

[2] The appellant, MC Imports Inc., imports and sells food products under the trade-mark LINGAYEN (or Mark). Lingayen is a municipality in the Philippines known for its bagoong shrimp paste products characterized by their distinct aroma and flavour. In the Federal Court, it commenced a motion for summary trial relating to an alleged infringement of its trade-mark by the respondent AFOD Ltd. It also sought damages. By counter-claim, the respondent challenged the validity of the appellant's trade-mark registration under the *Trade-marks Act*, R.S.C. 1985, c. T-13 (the Act).

[3] A judge of the Federal Court (the Judge) granted the motion for summary trial but dismissed the appellant's action for infringement of its Mark. The Judge agreed with the respondent that the appellant's trade-mark was not registrable at the time of registration and was thus invalid, because it was clearly descriptive of the place of origin of the wares (the current Act uses the word goods) in relation to which it was used, contrary to paragraph 12(1)(b) of the Act. Moreover, the Judge found that the trade-mark was not distinctive at the time proceedings bringing the validity of the registration into question were commenced, contrary to section 2 and paragraph 18(1)(b) of the Act. The Federal Court decision is cited as 2014 FC 1161.

[4] MC Imports Inc. appeals from that decision seeking an order declaring that its trade-mark has not been shown to be either *clearly descriptive* or *deceptively misdescriptive* under paragraph 12(1)(b) of the Act. As a result, its Mark should not have been struck from the register and, if already struck, should be reinstated. The appellant's position is that its trade-mark LYNGAYEN is distinctive in association with its wares.

[5] For the reasons that follow, I am of the view that this appeal cannot succeed. As a result, I propose to dismiss it but for reasons that depart somewhat from those of the Judge.

II. Relevant Facts and Procedural Background

[6] The Judge aptly summarized the relevant facts from paragraphs 1 through 9 of his reasons.

[7] The LINGAYEN trade-mark covers Filipino food products such as fish/shrimp sauce, known as bagoong, fish/shrimp preserves, fish based, salted fish, soy sauce, and vinegar (the wares) and food supplier and distributor services (the services).

[8] The appellant was incorporated in 2004. Meneses-Canso Bros Trading of Canada is the predecessor company to MC Imports Inc. Meneses-Canso was started as a family business in September 1975 by the father of Mr. Alfredo C. Meneses III who is the principal of MC Imports Inc.

[9] Since 1975, Meneses-Canso and now the appellant have sold their products directly and through distributors. In 1975, the company began to use the mark LINGAYEN in Canada in association with the wares, and since that time there has been continuous use of the Mark. LINGAYEN products are available in small, medium and national grocery stores across the country. The appellant has also advertised its products bearing the Mark on the Internet since October 2004.

[10] On February 15, 2000, Meneses-Canso filed a trade-mark application for LINGAYEN in Canada in association with its wares and services, under application number 1,046, 868. The application was registered on August 27, 2003, under registration No. TMA 588,314. During that three-year delay, a prior trade-mark registration for LINGAYEN owned by an unrelated company was expunged on the basis of non-use.

[11] In 2004, Meneses-Canso assigned the Mark to various members of the Meneses family, operating as a partnership. Following the incorporation of the appellant, it became a licensee of the trade-mark LINGAYEN and imported and sold the food products under that Mark. The partnership subsequently assigned the trade-mark to MC Imports Inc. on October 21, 2011.

[12] The respondent AFOD Ltd. is a company based in Delta, British Columbia. It imports food products, including bagoong, from the Philippines and other Asian countries into Canada and then sells them to grocery stores. Around May 2011, AFOD Ltd. imported from the Philippines a shipment of bagoong products. As noted by the Judge, the imported products included 49 cases of bagoong alamang, a type of fish sauce, and 49 cases of bagoong guisado. The labels from these products were marked with the respondent's trade-mark Napakasarap. The labels also included the words "Lingayen Style" in smaller script, immediately below the trade-mark. The labels appearing on the parties' products are reproduced at Annex 1 to these reasons.

[13] The respondent sold the inventory of bagoong guisado between September and November 2011. This event brought on the present litigation. The total sales revenue of those products was less than \$3500.

[14] In the Federal Court, each party provided affidavit evidence.

[15] For a better understanding of the Judge's reasons, I immediately reproduce the relevant provisions of the legislation as it read in November, 2011, when the Appellant commenced its action. The provisions relevant to the results of this appeal are substantially similar in the current text of the Act.

III. Relevant legislation

Trade-marks Act, R.S.C. 1985, c. T-13.

2 In this Act,

“trade-mark” means

(a) a mark that is used by a person for the purpose of distinguishing or so as to distinguish goods or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others

...

4(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

Loi sur les marques de commerce, L.R.C. 1985, c. T-13.

2 Les définitions qui suivent s'appliquent à la présente loi.

« marque de commerce » Selon le cas :

a) marque employée par une personne pour distinguer, ou de façon à distinguer, les produits fabriqués, vendus, donnés à bail ou loués ou les services loués ou exécutés, par elle, des produits fabriqués, vendus, donnés à bail ou loués ou des services loués ou exécutés, par d'autres;

[...]

4(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

possession is transferred.

personne à qui la propriété ou possession est transférée.

...

[...]

7 No person shall

7 Nul ne peut :

...

[...]

(b) direct public attention to his wares, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his wares, services or business and the wares, services or business of another;

b) appeler l'attention du public sur ses marchandises, ses services ou son entreprise de manière à causer ou à vraisemblablement causer de la confusion au Canada, lorsqu'il a commencé à y appeler ainsi l'attention, entre ses marchandises, ses services ou son entreprise et ceux d'un autre;

...

[...]

12(1) Subject to section 13, a trade-mark is registrable if it is not

12(1) Sous réserve de l'article 13, une marque de commerce est enregistrable sauf dans l'un ou l'autre des cas suivants :

...

[...]

(b) whether depicted, written or sounded, either clearly descriptive or deceptively misdescriptive in the English or French language of the character or quality of the wares or services in association with which it is used or proposed to be used or of the conditions of or the persons employed in their production or of their place of origin;

b) qu'elle soit sous forme graphique, écrite ou sonore, elle donne une description claire ou donne une description fautive et trompeuse, en langue française ou anglaise, de la nature ou de la qualité des marchandises ou services en liaison avec lesquels elle est employée, ou à l'égard desquels on projette de l'employer, ou des conditions de leur production, ou des personnes qui les produisent, ou du lieu d'origine de ces marchandises ou services;

...

[...]

12(2) A trade-mark that is not registrable by reason of paragraph (1)(a) or (b) is registrable if it has been so used in Canada by the

12(2) Une marque de commerce qui n'est pas enregistrable en raison de l'alinéa (1)a) ou b) peut être enregistrée si elle a été employée au

applicant or his predecessor in title as to have become distinctive at the date of filing an application for its registration.

Canada par le requérant ou son prédécesseur en titre de façon à être devenue distinctive à la date de la production d'une demande d'enregistrement la concernant.

...

[...]

18(1) The registration of a trade-mark is invalid if

18(1) L'enregistrement d'une marque de commerce est invalide dans les cas suivants :

(a) the trade-mark was not registrable at the date of registration;

a) la marque de commerce n'était pas enregistrable à la date de l'enregistrement;

(b) the trade-mark is not distinctive at the time proceedings bringing the validity of the registration into question are commenced;

b) la marque de commerce n'est pas distinctive à l'époque où sont entamées les procédures contestant la validité de l'enregistrement;

...

[...]

19 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.

19 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.

20(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

20(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 personne :

...	[...]
(b) any bona fide use, other than as a trade-mark,	b) d'employer de bonne foi, autrement qu'à titre de marque de commerce :
(i) of the geographical name of his place of business, or	(i) soit le nom géographique de son siège d'affaires,
(ii) of any accurate description of the character or quality of his wares or services,	(ii) soit toute description exacte du genre ou de la qualité de ses marchandises ou 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.	d'une manière non susceptible d'entraîner la diminution de la valeur de l'achalandage attaché à la marque de commerce.

IV. The Federal Court decision

[16] After having decided that the matter before him could appropriately be decided by summary trial, the Judge turned his mind to the question of whether the appellant's claim for infringement should be dismissed under paragraph 12(1)(b) of the Act because the mark LYNGAYEN is either clearly descriptive or deceptively misdescriptive; or because it is not distinctive as required by the definition of the term trade-mark under section 2 of the Act. Then, the Judge stated the "two subsidiary issues imbedded in this alternate formulation of the description/deceptive misdescription ... (1) whether or not the perspective of ordinary consumers is relevant and (2) how the "ordinary consumer" is defined" (Judge's reasons at paragraph 18).

[17] Having regard to the definition of the ordinary consumer, the Judge noted a doctrinal divide alleged by the parties with respect to the correct analytical approach when determining whether a mark is clearly descriptive or deceptively misdescriptive of the place of origin of the

wares or services. Specifically, this divide is over the role of the ordinary consumer's perception of the mark. From one point of view, it is necessary to ask whether the ordinary consumer would recognize the mark as relating to the place of origin. The other approach would set aside the ordinary consumer's recognition and understanding of the mark as irrelevant, asking only whether it clearly describes the actual place of origin of the wares or services. The two cases illustrating the parties' respective position are *Conzorsio Del Prosciutto Di Parma v. Maple Leaf Meats Inc.* 2001 F.C.J. No. 89, [2001] 2 F.C. 536 [*Parma*] and *Sociedad Agricola Santa Teresa Ltd. v. Vina Leyda Limitada* 2007 FC 1301, 63 C.P.R. (4th) 321 [*Leyda*]. I shall discuss these two cases later but for now, I return to the Federal Court's decision.

[18] Although the Judge indicated he was unconvinced that this divide truly exists in the jurisprudence (Judge's reasons at paragraph 25), he declined to resolve it on the basis that he arrived at the same result by either approach (*ibidem* at paragraph 19).

[19] As a matter of fact, the Judge acknowledged that Lingayen is a geographical location, a city of about 100,000 people in the Philippines, and that the appellant's own website along with tourism and trade websites identify Lingayen as a source of bagoong.

[20] He found, despite the appellant's silence on the question, the wares did originate in Lingayen, on the basis of Meneses-Canso's concession before the United States Trademark Office (Judge's reasons at paragraph 27, Appeal Book, Vol. 2, Tab 45, p. 541).

[21] Therefore, the Judge found, taking the *Leyda* approach, that the ordinary consumer's perspective is irrelevant, "the wares are clearly descriptive of this place of origin, and not registrable under [paragraph] 12(1)(b)" (Judge's reasons at paragraphs 26, and 28).

[22] Then adopting the *Parma* approach and assuming that the perception of the ordinary consumer is relevant to the analysis, the Judge stated that the standard to find a trade-mark is clearly descriptive of place of origin is that it is "*self-evident* to a consumer, on "immediate impression", that the mark signals the origin of the ware" (Judge's reasons at paragraph 30, emphasis in original).

[23] As to the identity of the ordinary consumer, he considered a broad approach that would describe the general public but ultimately determined that for the purposes of this status the "ordinary consumer" was better understood narrowly as the actual consumer of the goods in question. In this case, he accepted evidence that the average consumer of the goods refers to "Canadians of Filipino or South East Asian origins" (Judge's reasons at paragraph 39).

[24] Hence, having concluded that the wares do originate from Lingayen, and that the relevant consumer is of Filipino or South East Asian origin, the Judge stated that Lingayen "has a generally recognized connection to fish sauce products from the perspective of the average Canadian consumer of the wares in question" (reasons at paragraph 42). Therefore, the Judge concluded that the result is the same as if the perspective of the ordinary consumer is irrelevant: the Mark is clearly descriptive of the product's place of origin and the trade-mark's registration is invalid because it was not registrable.

[25] Despite finding that the Mark was invalid, the Judge considered whether the appellant had made its claim of infringement.

[26] He concluded that the respondent did not use the words “Lingayen Style” as a trade-mark but rather to indicate a characteristic of its bagoong products. It did not use the words for the purpose of distinguishing its wares and therefore there cannot have been infringement. Rather, the respondent’s products prominently featured the *Napakasarap* trade-mark including the TM symbol. The Judge did not address the appellant’s claim under paragraph 7(b) of the Act (passing off).

V. Issues

[27] To dispose of this appeal, I propose to answer the following questions:

- a) What is the appropriate standard of review?
- b) What is the appropriate legal test for whether a trade-mark is clearly descriptive or deceptively misdescriptive of place of origin under paragraph 12(1)(b) of the Act?
- c) Did the Judge err in fact, or in his application of the law to the facts in determining that the trade-mark was not registrable and is invalid pursuant to paragraphs 12(1)(b) and 18(1)(a) of the Act?
- d) Did the Judge err in concluding without supporting reasons, that the trade-mark was invalid for lack of distinctiveness?
- e) Did the Judge err in finding that the respondent was not guilty of infringement?
- f) Did the Judge err in not addressing the claim of passing-off under paragraph 7(b) of the Act?

VI. Position of the parties and analysis

[28] As the title of this section suggests, I will deal with the relevant submissions of the parties as I go along examining in turn each issue.

A. *The standard of review*

[29] MC Imports Inc. argues that all issues should be reviewed on a standard of correctness.

[30] Determining the correct legal approach to paragraph 12(1)(b) of the Act is a question of law attracting review on a standard of correctness. The Judge's findings of fact in relation to that question, although ordinarily reviewed on a lower standard, should be reviewed for correctness on this case as it was related to the proper test under paragraph 12(1)(b).

[31] The appellant also proposes correctness review on the order invalidating the trade-mark for lack of distinctiveness, because the Judge offered no reasons that would attract deference.

[32] Finally, the Judge's decision to dismiss the infringement claim was a question of mixed fact and law "that may be reviewed on a standard of correctness" on the basis of paragraph 27 of *Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235 [*Housen*], which teaches that questions of mixed fact and law can actually be errors of pure law when a judge applies the wrong law by misapprehending the proper test to be applied.

[33] I agree with the appellant, as does the respondent, that the question of the legal test under paragraph 12(1)(b) of the Act is a question of law reviewed for correctness. However, issues of validity, distinctiveness and infringement are questions of mixed fact and law. Absent palpable and overriding errors, our Court will not disturb the Federal Court's findings.

B. *The legal test under paragraph 12(1)(b) of the Act.*

[34] The parties' submissions with respect to the correct legal approach amount to a *Parma v. Leyda* contest.

[35] Indeed, the appellant relies on *Parma* and contends that the correct analytical approach mandates consideration of whether the ordinary consumer perceives the trade-mark LINGAYEN to relate to the wares' place of origin. The appellant invites the Court to note that *Leyda*, which holds that the perspective of the ordinary consumer is irrelevant, has been strongly criticized in academic commentary. More particularly, the appellant cites *Fox on Canadian Law of Trademarks and Unfair Competition* (Carswell: Toronto, 2002) at pages 5-44 and 5-45 where it is argued that "[f]or the public to be misled..., they must be aware of the geographical significance of the trade-mark". As a result, *Leyda* "incorrectly held that [paragraph] 12(1)(b), at least as far as a "place of origin" is concerned, is not dependent on the knowledge, or lack thereof, of the average Canadian consumer" (*ibidem*).

[36] The appellant further argues that the within appeal is factually distinct because unlike *Leyda* where the mark has not been in use prior to the application, the LINGAYEN mark has been in continuous use in Canada since 1975. The situation of MC Imports Inc. resembles that of

Parma, a case of prior use, where the perceptions of the “general public in Canada” were considered. Thus, the appropriate test is whether the ordinary Canadian consumer recognizes the Mark as a geographical “place of origin” and makes the connection between that place of origin and the wares or services in question. It relies on the reasons in *Ontario Teachers Pension Plan Board v. Canada (Attorney General)* 2012 FCA 60, 427 N.R. 328 [*Teachers*], for the test under paragraph 12(1)(b) and proposes that the perspective of ordinary consumer is “key” to the determination.

[37] As a matter of fact, the appellant states that Canadian consumers in general are not aware of Lingayen or that the wares are from Lingayen. It is a relatively small city in the Philippines; Filipino Canadians represent a small part of the national population and fish products from the Philippines are only a small portion of Canadian imports. On consideration of this evidence, it submits there is no basis to conclude that the ordinary consumer would recognize the Mark as descriptive of the origin of the wares in question.

[38] For the respondent, *Leyda* was the proper jurisprudential authority to follow because it is a case about whether the trade-mark is “clearly descriptive of place of origin”, contrary to *Parma* that deals with the deceptively misdescriptive branch of paragraph 12(1)(b) of the Act.

[39] In any event, it is not essential to make a definite choice between *Leyda* and *Parma* if our Court agrees with the Judge’s reasoning and ultimate conclusion. This Court could, as the Federal Court did, omit to choose between the two proposed tests under paragraph 12(1)(b) of the Act given the Judge’s conclusion that both approaches lead to the same result. The

respondent opines that *Parma* and *Leyda* are actually reconcilable tests: “they are differentiated on the mischief that they seek to prevent”, either misleading the public or monopolizing a descriptive word to the exclusion of other traders (respondent’s Memorandum of Fact and Law at paragraphs 53-55).

[40] I believe that this appeal highlights a need for guidance from this Court with respect to the registrability of trade-marks that describe places of origin of wares and services.

[41] Paragraph 12(1)(b) of the Act establishes that a trade-mark is not registrable if it is “either clearly descriptive or deceptively misdescriptive in the English or French language of the character or quality of the goods or services in association with which it is used or proposed to be used ... or their place of origin”.

[42] The interpretation of this provision with respect to the character or quality of goods is well established. This Court described the test in paragraph 29 of *Teachers*:

[29] It is trite law that the proper test for a determination of whether a trade-mark is clearly descriptive is one of first impression in the mind of a normal or reasonable person. If such a person is unclear or uncertain as to the significance of the trade-mark in relation to the wares or services or if the trade-mark is suggestive of a meaning other than one describing the wares or services, then the word is not clearly descriptive. One should not arrive at a determination of the issue by critically analyzing the words of the trade-mark, but rather by attempting to ascertain the immediate impression created by the trade-mark in association with the wares or services with which it is used or proposed to be used.

[43] The purpose of the rule against clearly descriptive trade-marks is also well established.

The Court in *Teachers* endorsed the following words of the Privy Council:

If, then, the use of every word in the language was to be permitted as a trade-mark, it was surely essential to prevent its use as a trade-mark where such use would deprive the rest of the community of the right which they possessed to employ that word for the purpose of describing the character or quality of goods. (*Eastman Photographic Materials Co. Ltd. v. Comptroller-General of Patents, Designs and Trade-marks*, [1898] A.C. 571, at page 180, quoted in *Teachers* at paragraph 35).

[44] Whether describing the character or quality of goods or their place of origin, the same rationale applies: maintaining a monopoly over the use of words to describe their origin is to unduly deprive potential competitors of the opportunity to so describe their own goods (see *Hughes on Trade Marks*, loose-leaf (Toronto: LexisNexis Canada, 2005), at paragraph 31; *Fox on Canadian Law of Trade-marks and Unfair Competition*, loose-leaf (Toronto: Carswell, 2002), at 5-44).

[45] Unlike the test whether the mark is clearly descriptive of the goods' quality or character, the test in the context of place of origin is not clear in the jurisprudence, and there is no authority binding on this Court. As a result, the Judge and the parties focussed on *Parma* and *Leyda*. It is now useful to discuss these cases at length and to look at their subsequent treatment with respect to the analysis of paragraph 12(1)(b) of the Act. I start with *Parma* relied upon by the appellant.

[46] In *Parma*, the trade-mark PARMA used in association with various meat products, and in particular prosciutto, was challenged as deceptively misdescriptive of place of origin by a group of producers of prosciutto located in Parma, Italy. This issue was deceptive misdescription as opposed to clear description because the goods associated with the PARMA trade-mark were not actually produced in Parma.

[47] The Federal Court adopted the test stated by Cattanach J. of the Federal Court of Canada (Trial Division) in *Atlantic Promotions Inc. v. Canada (Registrar of Trade Marks)* 2 C.P.R. (3d)

183:

In my view the proper test to be applied to the determination as to whether a trade mark in its entirety is deceptively misdescriptive must be whether the general public in Canada would be misled into the belief that the product with which the trade mark is associated had its origin in the place of a geographic name in the trade mark (page 186).

[48] As a result of this test, it was determined that because ordinary consumers in Canada at the relevant time were not generally aware of Parma as a region in Italy or of its association with meat products, the public would not likely be misled into believing that the goods sold in association with the trade-mark had their origin in Parma. The trade-mark was thus not deceptively misdescriptive. The Federal Court of Appeal upheld the Federal Court's decision without reasons of its own, stating general agreement with the Federal Court's reasons (2002 FCA 169).

[49] As mentioned before, the appellant relies on *Parma* to support its view that its trade-mark is not clearly descriptive: the general public in Canada, understood in its broadest sense, does not associate its wares and services with the municipality of Lingayen.

[50] For the appellant, it matters little that, unlike the present case, *Parma* addresses the deceptively misdescriptive part of paragraph 12(1)(b). What matters most is that, contrary to *Parma* and to the present case, *Leyda* is a first-use case. That is *Leyda* was about a proposed trade-mark that had never been used in Canada by the applicant, while in *Parma* the trade-mark had been in continuous use prior to registration.

[51] This brings me to *Leyda*, in which the Federal Court considered the proposed trade-mark LEYDA for use in association with wine. The wine in question was produced in Leyda, a region in Chile. The Court rejected the proposition that for the mark to be clearly descriptive the average consumer must perceive that the wine was produced in Leyda. It stated its approach as follows:

Those "far away places with strange sounding names" may call some more than others, but [paragraph] 12(1)(b), at least as far as "place of origin" is concerned, is not dependent on the knowledge, or lack thereof, of the average Canadian consumer. The Registrar rightly pointed out that there was no real evidence before him as to the state of mind of such a person. Would he or she be one who reads the wine magazines referred to by those who opposed the application, or one whose knowledge is limited to red, white, rosé or bubbly? Over the past several years, a great many wines have been introduced to the market from "new world" countries such as Chile, Argentina, Australia and New Zealand. Other countries may follow suit. Although decided in a different context, the decision of the Supreme Court in *Home Juice Co. v. Orange Maison Ltée*, [1970] S.C.R. 942, 16 D.L.R. (3d) 740 (S.C.C.), can be relied upon for the proposition that a shrewd trader should not be permitted to monopolize the name of a foreign wine district in Canada by registering it as a trade-mark (at paragraph 9).

[52] In my view, this is the right approach. *Parma*, with its general public approach is not the proper jurisprudential authority to rely upon when facing a clearly descriptive case. In any event, although *Parma* does not engage in the distinction between clearly descriptive and deceptively misdescriptive, it certainly does not reject it.

[53] As mentioned, *Parma* takes its source in *Atlantic Promotions*, also a deceptively misdescriptive case. It is of interest, however, to note a passage from that case not referred to in *Parma* or by the parties, where Cattanach J. stated a general approach to geographic names:

A geographical word is usually regarded as being clearly descriptive or deceptively misdescriptive of the place of origin and because of that any person in a particular locality is at liberty to apply the place or origin to his wares unless perchance the word has become distinctive of one person's wares.

The words used in para. 12(1)(b) of the Trade Marks Act are "place of origin". Thus if a geographical name is attached to wares there made it is "clearly descriptive of the origin". If the wares are not made there then the word is misdescriptive and mayhap deceptively so depending on the circumstances (*Atlantic Promotions* at 195, emphasis added).

[54] Cattanach J. emphasized that, where a word has a geographic meaning but it also has others, that the ordinary meaning as it would be understood by ordinary people should be the meaning attributed to the term. The trade-mark at issue was MILAN SHOWERGEL. The Court determined that although "Milan" can refer to a man's name as well as the name of a city in Italy, it would ordinarily be understood to refer to the city. On that basis, the mark was deceptively misdescriptive (*ibidem* at 195-197).

[55] On my reading, *Atlantic Promotions* stands for a distinction between clearly descriptive and deceptively misdescriptive cases in that consumer perception is only relevant in deceptively misdescriptive type cases. The analysis of consumer perception is not immediately helpful for a case where it is alleged that a geographic place name would be perceived not as having another meaning, but as a coined word because the ordinary consumer is ignorant of the place.

[56] How, then, does one determine whether a geographic name is unregistrable as a trade-mark because it is clearly descriptive of place of origin? First, by determining that the trade-mark is a geographical name; second, by determining the place of origin of the wares or services; and third by assessing the trade-mark's owner assertions of prior use, if any.

a) whether the impugned trade-mark is a geographic name

[57] This may require resort to consumer perceptions where, as in *Atlantic Promotions*, the name of a geographic place (name or location) also has other meanings. For example, “Sandwich” is the name of a number of towns in the United States and the United Kingdom, but it is also a word referring to a common food item. Cattanach J. considered this question in *Atlantic Promotions*, stating that the primary meaning of the word to a person of “ordinary education and intelligence” (at page 196) dictates its meaning.

[58] I agree with this approach, but would caution that this first step does not mean that names of places not widely known to Canadians fall somehow outside the ambit of paragraph 12(1)(b)’s prohibition of clearly descriptive trade-marks. This nature of inquiry is only relevant when there are multiple meanings to the word in question, not all of which are geographic. It must then be determined which meaning predominates. If, going back to my example, proper evidence establishes that the primary meaning of “Sandwich” does not refer to a geographic place, then such a trade-mark cannot be clearly descriptive or deceptively misdescriptive of place of origin.

[59] Further, where such an inquiry is necessary, the relevant ordinary consumer from whose perspective this question ought to be considered is the ordinary consumer of the products or services with which the Mark is associated.

[60] Despite the approach stated in *Parma* that the ordinary consumer is the general public in Canada, the weight of authorities support the Judge’s approach when assessing the validity of the

registration on a test where “clear description and deceptive misdescription pivot on the perceptions held by ordinary consumers are engaged” (Judge’s reasons at paragraph 29). The Judge relied on reference to “the average retailer, consumer or user of the type of wares or services the mark is associated with” (*Cliche v. Canada (Attorney General)*, 2012 FC 564 at paragraph 22, [2012] F.C.J. No 753) and to the endorsement in another case of a survey focussed not on the general public but on consumers who were aware of the relevant brand and likely to purchase the wares in question, for the purposes of determining distinctiveness in an expungement proceeding (*Cross-Canada Auto Body Supply (Windsor) Limited v. Hyundai Motor America*, 2007 FC 580 at paragraph 31, 60 C.P.R. (4th) 406).

[61] I note that even authorities citing *Parma* have tended not to adopt the view that the “general public” is the relevant consumer perspective, referring instead to the ordinary consumer of the wares or services with which the trade-mark is used (*Boston Pizza International Inc. v. Boston Market Corp.*, 2003 FC 892 at paragraph 36; *ITV Technologies Inc. v. WIC Television Ltd.*, 2003 FC 1056 at paragraph 71).

[62] As I mentioned above, the appellants rely heavily on academic commentary endorsing *Parma* and rejecting *Leyda*. I find this commentary unpersuasive. In particular, the authors fail to engage in any distinction between clearly descriptive and deceptively misdescriptive cases, and simply assert that *Leyda* was wrongly decided. Once again, I disagree.

[63] In brief, in a clearly descriptive case, the resort I describe to the perspective of the ordinary consumer (as defined at paragraph [59] above) is only meaningfully relevant when there is ambiguity whether the trade-mark actually refers to a place.

[64] Once it is concluded that the trade-mark refers to a geographic location, the focus of the analysis becomes the origin of the wares or services.

- b) whether the wares or services originate from the geographic location used as the trade-mark

[65] If the wares or services originate in the place referred to by the trade-mark, then the trade-mark is clearly descriptive of place of origin. There is no ambiguity when the trade-mark is the name of the place of origin that would invite further inquiry: referring to the place of origin by its name is the pinnacle of clarity. This is why the perspective of the ordinary consumer of the wares or services is unnecessary. As stated earlier, when filing an application for registration of a trade-mark referring to a geographical place, an applicant should not be allowed to benefit from the consumer's lack of knowledge in geography. Let it be clear that it is irrelevant at this stage whether a trade-mark that uses a geographic name has become distinctive of the product or service with which it is associated: this is a different inquiry discussed below at paragraphs [69] and following.

[66] On the other hand, if the trade-mark refers to a geographic place that is not the actual place of origin of the goods or services, then it cannot be clearly descriptive of place of origin. It is misdescriptive, and further analysis is required to determine whether it is deceptively so (see

Atlantic Promotions, at page 195). As this is a clearly descriptive case, it is unnecessary to set out the analytical approach under the deceptively misdescriptive branch of paragraph 12(1)(b) of the Act in relation to place of origin.

[67] In sum, if a trade-mark is a geographic name that refers to the actual place of origin of the goods or services with which the trade-mark is associated, it is clearly descriptive of place of origin within the meaning of paragraph 12(1)(b) of the Act, and is therefore not registrable.

[68] This approach is consistent with the authorities and with the purposes of prohibiting registration of geographically descriptive trade-marks. It should remain open to all producers of goods and services to describe the origin of what they are selling, even if the ordinary consumer might not be previously familiar with that place.

c) whether the trade-mark's prior use is relevant

[69] A determination that the trade-mark is clearly descriptive of place of origin is not, however, necessarily a complete answer to registrability under section 12 of the Act. It is at this stage in the analysis that the issue, emphasized by the appellant, of a trade-mark's prior use becomes relevant.

[70] Subsection 12(2) of the Act provides an exception to paragraph 12(1)(b): despite being clearly descriptive or deceptively misdescriptive, a trade-mark is nonetheless registrable if it has become distinctive, as of the date of application, due to its use in Canada by the applicant or the applicant's predecessor in title.

[71] Counsel for the appellant argued at the hearing of this appeal that it is impossible for a trade-mark to be simultaneously descriptive and distinctive, and that because its trademark was distinctive, it could not be descriptive.

[72] The interaction of paragraph 12(1)(b) and subsection 12(2) of the Act clearly dictate otherwise: a descriptive trade-mark may become distinctive despite its descriptiveness through use. If it has become distinctive by the date of application, through use in Canada by the applicant, it is registrable *despite* being descriptive. This does not mean that it has ceased to be descriptive and it does not undermine the analysis under paragraph 12(1)(b) (see *Molson Breweries v. John Labatt Ltd.*, [2000] 3 F.C.R. 145 at paragraph 32, [2000] F.C.J. No 159).

[73] In a case where there has been no prior use of the trade-mark, there is clearly no resort to subsection 12(2) and the analysis stops once it has been determined that the trade-mark is clearly descriptive within the meaning of paragraph 12(1)(b). In a prior-use case, however, it is open to the applicant to argue that through this prior use the trade-mark has developed distinctiveness such that it falls within the subsection 12(2) exception.

[74] It is also at this stage that consumer perceptions become highly relevant. The burden is on the registrant to prove that its trade-mark had acquired distinctiveness due to use in Canada at the time of registration. While normally, the burden is on the party challenging an otherwise valid trade-mark to demonstrate that it *lacks* distinctiveness, the trade-mark holder or applicant must positively demonstrate that it falls within the words of subsection 12(2) when the trade-mark is clearly descriptive or deceptively misdescriptive within the meaning of paragraph 12(1)(b).

[75] This Court has held that what must be demonstrated is that the trade-mark “although it may be descriptive, has acquired a dominant secondary or distinctive meaning in relation to the wares or services” with which it is associated (*Molson*, at paragraph 32).

[76] How does one demonstrate that a mark has acquired such a dominant secondary meaning? Evidence must be presented to demonstrate that from the perspective of the relevant public — that is, people who actually use the product or service in question — the trade-mark has become distinctive of that product or service (*Carling Breweries Ltd. v. Molson Companies Ltd.*, [1984] 2 F.C. 920 at page 930, 1 C.P.R. (3d) 191; affirmed: 16 C.I.P.R. 157, 19 C.P.R. (3d) 129 (F.C.A.)). It is clear that mere evidence of prior use will not satisfy the requirement under subsection 12(2), which requires both prior use and acquired distinctiveness as a result of that use.

C. *Did the Judge err in determining that the Mark was not registrable and is invalid pursuant to paragraphs 12(1)(b) and 18(1)(a) of the Act?*

[77] Applying the above analytical approach to this appeal, the result is straightforward.

[78] It has been established that Lingayen is a municipality in the Philippines and that the goods with which the LINGAYEN trade-mark is associated originate in Lingayen. No evidence has been presented to suggest that the ordinary meaning of the word “Lingayen” refers to anything but the municipality. It follows that the trade-mark clearly describes the place of origin of the goods with which it is associated, within the meaning of paragraph 12(1)(b) of the Act.

[79] The appellant did not raise subsection 12(2) or present arguments to the effect that its registration falls within the exception it sets out. However, I understand the appellant's argument on distinctiveness, in particular its contention that if the trade-mark is distinctive it cannot be descriptive, to implicitly raise this argument.

[80] The appellant's evidence of prior use is not sufficient to meet the burden of demonstrating that it had acquired distinctiveness at the time of registration. The appellant provided evidence that its product had been continuously sold since 1975 in association with the LINGAYEN trademark, and it provided an expert affidavit contending that because of this the trade-mark had "likely" acquired distinctiveness in the minds of consumers.

[81] Effectively, the appellant has shown nothing more than the fact of its prior use and the speculation of one expert as to consumer perceptions. This is insufficient to meet its burden of proving that the trade-mark acquired distinctiveness in the minds of consumers.

[82] Given my conclusion that the trade-mark is clearly descriptive of place of origin, and that the appellant has not demonstrated that it acquired distinctiveness through prior use as of the date it applied for registration, the trade-mark's registration is invalid under paragraph 18(1)(a). The Judge did not err in his conclusion.

D. *Did the Judge err in concluding that the trade-mark was invalid for lack of distinctiveness?*

[83] The appellant correctly notes that the Judge included in his order that the Mark was invalid pursuant to paragraph 18(1)(b) because it was not distinctive at the time of registration, but he did not address or explain this conclusion in his reasons.

[84] While I note the Judge ought to have addressed distinctiveness directly in his reasons, in light of my above conclusion that the registration is invalid under paragraph 18(1)(a), it is unnecessary to consider the alternate grounds of invalidity originally submitted by the respondent under paragraph 18(1)(b).

E. *Infringement and Passing Off*

[85] In the Federal Court, by way of a Notice of Cross-Motion, the appellant sought damages for trade-mark infringement and passing off. In that vein, it alleged that the respondent “was using the word LINGAYEN in such a way as to cause or be likely to cause confusion in Canada as between its own wares, business and services” and those of the appellant. Thus, the appellant had suffered or was likely to suffer damages while the respondent had made an unlawful profit from the sale of the 49 cases of bagoong guisado (see Notice of Cross-Motion, Appeal Book, Vol. I, Tab 4 at page 35 and ff.).

a) Infringement

[86] MC Imports submits that the Judge erred in his conclusion that even if the registration was valid, the respondent did not infringe its trade-mark. Particularly, it argues that the Judge erred in his determination that the respondent did not use the word “Lingayen” as a trade-mark by relying on the respondent’s intention rather than the public’s actual perception.

[87] Given my conclusion that the Mark’s registration is invalid, it is not necessary to address infringement under sections 19 and 20 of the Act. The analysis for infringement, however, is helpful to contextualize passing off, which I discuss below.

[88] The Judge considered the manner in which the respondent used the words “Lingayen Style” on its packaging, noting that these words were used in lesser script, below the respondent’s NAPAKASARAP trade-mark, which was identified with a TM symbol, unlike “Lingayen Style”

[89] He concluded that the respondent did not use the words “Lingayen Style” as a trade-mark to distinguish its product from those of other producers, but in order to indicate a characteristic of its bagoong products. There could therefore be no infringement under sections 19 and 20 of the Act. This requirement of use as a trade-mark derives from the definition of “trade-mark” in section 2 of the Act, and from the text of section 20.

[90] I agree. The Judge arrived at a clear conclusion, well supported by the evidence of the relevant product labels, that the message to the public was to distinguish the respondent's products through its NAPAKASARAP trade-mark and that "Lingayen Style" described a characteristic — that is, that the respondent's bagoong was in the style of bagoong from Lingayen (Judge's reasons at paragraph 46).

[91] The judge correctly framed his conclusion in respect of the clear message to the public through the respondent's use of the words "Lingayen Style", and it was open to him to determine this message through an analysis of the product labels: *Pepper King Ltd. v. Sunfresh Ltd.*, [2000] F.C.J. No. 1455 at paragraph 54, 8 C.P.R (4th) 485.

b) Passing Off

[92] The Judge's reasons address infringement under sections 19 and 20, but do not address the appellant's claim under paragraph 7(b) of the Act. For ease of reference, I reproduce it again:

7 No person shall

...

(b) direct public attention to his wares, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his wares, services or business and the wares, services or business of another;

7 Nul ne peut :

[...]

b) appeler l'attention du public sur ses marchandises, ses services ou son entreprise de manière à causer ou à vraisemblablement causer de la confusion au Canada, lorsqu'il a commencé à y appeler ainsi l'attention, entre ses marchandises, ses services ou son entreprise et ceux d'un autre;

[93] The appellant argues that the Judge erred in failing to determine whether confusion existed between its trade-mark and that of the respondent.

[94] In its view, the inherent distinctiveness of the word LINGAYEN, its continuous use by the appellant since 1975, the similarity of the parties' business and the resemblance between LINGAYEN and Lingayen Style are all factors pointing to confusion, or at least "a high likelihood of confusion". As a result, the Judge had no choice but to find infringement.

[95] Although the Judge did not specifically turn his mind to the allegation of passing off and should have, I fail to see how on this record he could have reached a conclusion favorable to the appellant.

[96] It is trite law that an allegation of passing off requires the analysis of three factors to be proven by the plaintiff to an action in infringement (here the appellant):

- (a) the existence of reputation (often referred to as goodwill) acquired in the appellant's goods, name, mark etc...;
- (b) a misrepresentation made by the defendant to the action (here the respondent) which leads to confusion or likelihood of confusion; from which ensue
- (c) damages to the appellant.

(Kirkbi AG v. Ritvik Holdings Inc., 2005 SCC 65, [2005] 3 S.C.R. 302 [Kirkbi], and Cheung v. Targen Event Production Ltd., 2010 FCA 255, 87 C.P.R. (4th) 287).

[97] Nowhere in its Memorandum of Fact and Law does the appellant discuss the factor of reputation. On the other hand, the respondent argues that the allegation of passing off must fail on this factor alone.

[98] It writes, at paragraph 97 of its Memorandum of Fact and Law that the respondent began selling its “Lingayen Style” products in September 2011, that is before the appellant acquired the Mark by way of assignment. Moreover, the evidence shows that the assignment of the LINGAYEN registration and mark to the appellant specifically excluded the goodwill associated with the Mark. As a result, the claim for passing off fails.

[99] I find this argument unconvincing. The value of a trade-mark is generally based on the particular trade-mark’s earning power. In other words, the value of a trade-mark lies in the goodwill associated with that trade-mark. One can easily imagine tax reasons why Meneses-Canso sold, assigned and transferred all of its rights, title and interest in the Mark, and the registration to the appellant to the exclusion of the goodwill. Presumably it was to the appellant’s advantage to ensure that the entirety of consideration for the transfer of the trade-mark is attributed to that property and not to goodwill in the trade-mark. This does not mean that the trade-mark has somehow been stripped of its goodwill within the meaning contemplated in this analysis, which looks to the reputation and earning power of the trade-mark.

[100] In any event, having examined the record, I conclude that the appellant has failed to demonstrate goodwill in respect of the distinctiveness of the product. The nearest to a demonstration of goodwill is the appellant’s evidence that it has been using the Mark for almost

40 years and has “had a much longer time to establish its reputation and awareness among consumers” (appellant’s Memorandum of Fact and Law at paragraph 91).

[101] In my view, the test to establish the existence of goodwill requires more than that. The following definition of “goodwill” adopted by the Supreme Court of Canada in *Manitoba Fisheries Ltd. v. The Queen*, [1979] 1 S.C.R. 101 at page 108 (cited in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23, [2006] 1 S.C.R. 824, at paragraph 50) is apposite:

[50] ...[i]n *Manitoba Fisheries Ltd. v. The Queen*, [1979] 1 S.C.R. 101, at p. 108, this Court adopted the following definition of "goodwill":

"Goodwill" is a word sometimes used to indicate a ready formed connection of customers whose custom is of value because it is likely to continue. But in its commercial sense the word may connote much more than this. It is, as Lord Macnaghten observed in *Inland Revenue Commissioners v. Muller & Co.'s Margarine Ltd.* [1901] A.C. 217, 224, "the attractive force which brings in custom," and it may reside, not only in trade connections, but in many other quarters, such as particular premises, long experience in some specialised sphere, or the good repute associated with a name or mark. It is something generated by effort that adds to the value of the business. [Emphasis added.]

(Quoting Lord MacDermott L.C.J. in *Ulster Transport Authority v. James Brown and Sons Ltd.*, [1953] N.I. 79, at pp. 109-110).

[102] Having put this argument to rest, I move on to the second factor: the alleged misrepresentation made by the respondent.

[103] In my view, the appellant’s argument cannot succeed. It has failed to establish a misrepresentation leading to deception of the public.

[104] At paragraphs 45 and 46 of his reasons, the Judge found that the words “Lingayen Style”, appearing in lesser-script on the label, were not used as a trade-mark but rather as a characteristic of the bagoong products. This finding led to his conclusion that there was no infringement.

[105] The appellant has not persuaded me that the Judge erred in concluding that there was no infringement, hence no misrepresentation leading to deception.

[106] I need not say more about the appellant’s arguments with respect to passing off. They all fail.

VII. Proposed Disposition

[107] As a result, I would dismiss this appeal with costs.

"Johanne Trudel"

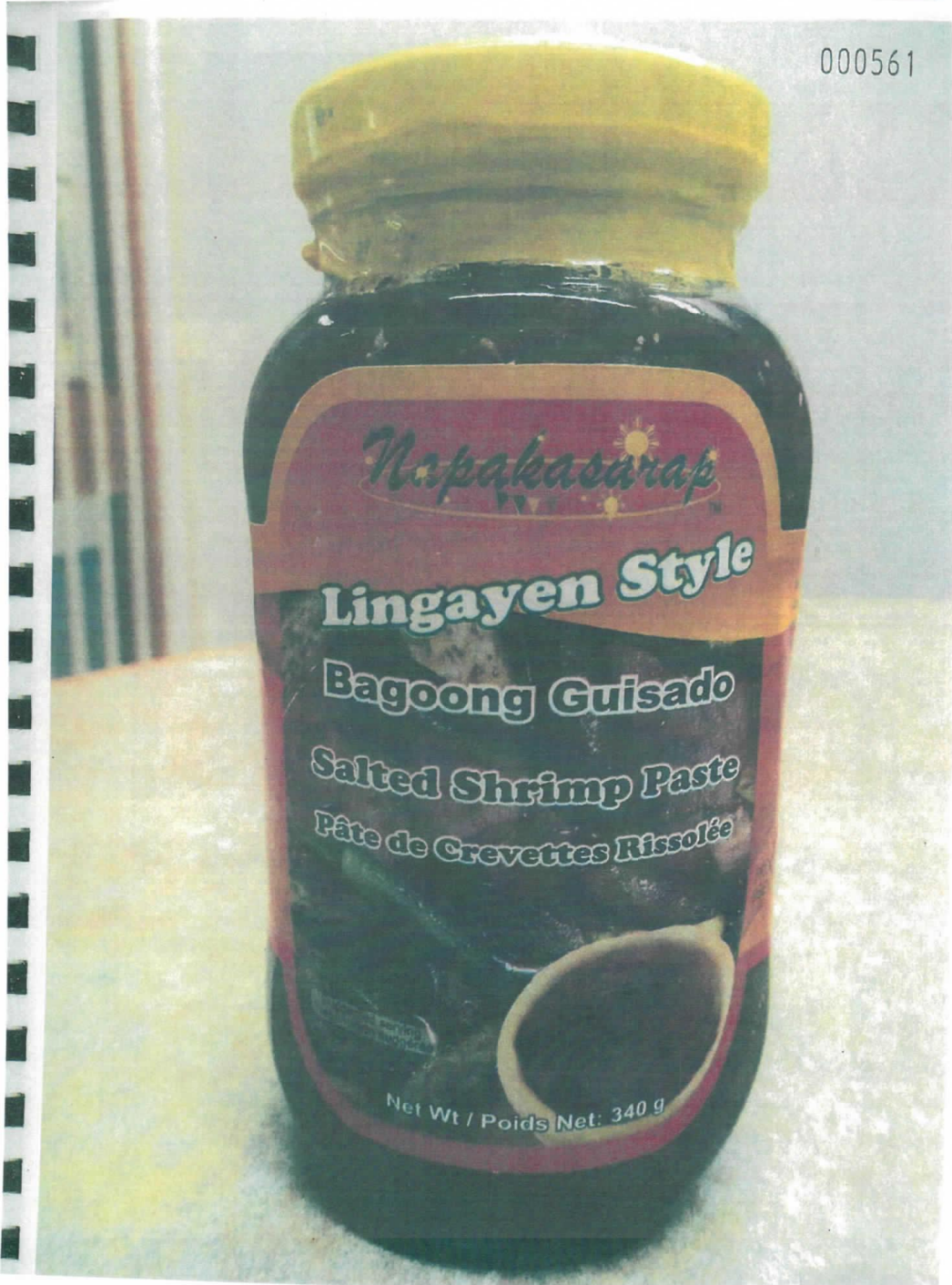
J.A.

“I agree.
A.F. Scott J.A.”

“I agree.
Yves de Montigny J.A.”

ANNEX A
(Appeal Book, Vol. 1, Tab. 16 at page 208)





FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-569-14
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PLACE OF HEARING: OTTAWA, ONTARIO
DATE OF HEARING: DECEMBER 2, 2015
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CONCURRED IN BY: SCOTT J.A.
DE MONTIGNY J.A.
DATED: FEBRUARY 23, 2016

APPEARANCES:

David R. Elliott FOR THE APPELLANT
MC IMPORTS INC.
Georges Sourisseau FOR THE RESPONDENT
Layne Hellrung AFOD LTD.
Scott E. Foster FOR THE RESPONDENT
AFOD LTD.

SOLICITORS OF RECORD:

DENTONS CANADA LLP FOR THE APPELLANT
Ottawa, Ontario MC IMPORTS INC.
SOURISSEAU & CO. FOR THE RESPONDENT
Vancouver, British Columbia AFOD LTD.
GOWLING LAFLEUR HENDERSON LLP FOR THE RESPONDENT
Ottawa, Ontario AFOD LTD.