

Federal Court



Cour fédérale

**Date: 20140929**

**Docket: T-380-13**

**Citation: 2014 FC 924**

**Ottawa, Ontario, September 29, 2014**

**PRESENT: The Honourable Madam Justice McVeigh**

**BETWEEN:**

**TLG CANADA CORP**

**Applicant**

**and**

**PRODUCT SOURCE INTERNATIONAL LLC**

**Respondent**

**JUDGMENT AND REASONS**

[1] This is an expungement proceeding under section 57 of the *Trade-marks Act*, RSC, 1985, c T-13 (the Act), for an order striking Registration TMA726190 (the Registration) from the Register of Trade-marks for “NIC OUT”, a trademark for cigarette filters that remove tar and nicotine and held by Product Source International LLC (the Respondent, or Product Source).

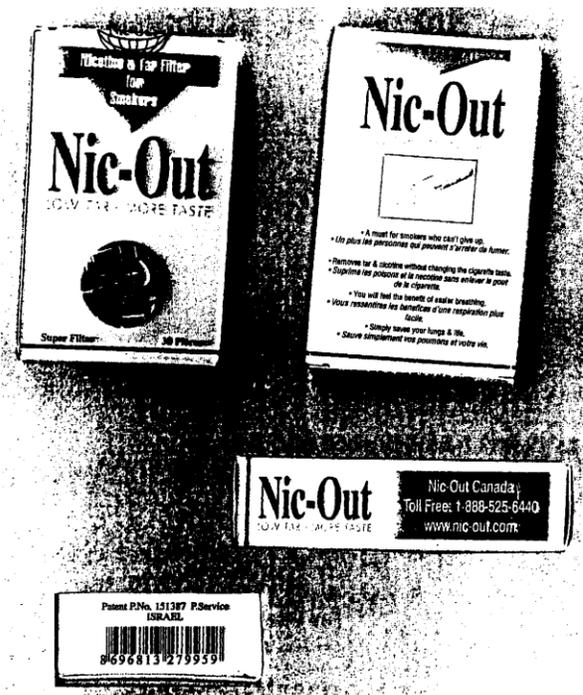
I. Overview

[2] NIC OUT filters are cigarette filters that the Respondent, (Product Source) started using in Canada in 2006 and registered a trademark for in Canada in 2008.

## NIC OUT

[3] Product Source brought an infringement action against TLG Canada Corp (the Applicant, or TLG) for selling NIC-OUT (with a hyphen) cigarette filters.

[4] Both parties filed undated photographs of their respective cigarette filter packages.



TLG CANADA CORP



PRODUCT SOURCE INTERNATIONAL LLC

[5] Both parties filed a number of photographs including the marketing displays filed with the packages as above. The two photographs shown above are representative of all of the photographs that were attached as exhibits to the parties' affidavit evidence.

[6] The photographs show that both parties were using NIC-OUT with a hyphen though the registered trademark as shown in paragraph 2 is without a hyphen. In the evidence, Product Source says they use NIC OUT but the evidence of the photographs shows both marks as being identical.

[7] The only difference alleged between the marks in the written and oral arguments is that the hyphen between the words "NIC" and "OUT" in the Applicant's mark is not present in the Respondent's mark. Both parties say they own the trademark.

[8] TLG says that the Product Source trademark was not registerable as the product Nic-Out was sold in Canada at least as early as 2001 and the Respondent knew Nic-Out was distributed and sold in Canada. TLG contends that Product Source should not have been able to register the trademark as the marks are confusing and not distinguishable. TLG asks me to expunge the trademark.

[9] The Respondent, Product Source, argues that TLG is not an interested party pursuant to section 2 of the Act so cannot bring this action. Their position is that even if TLG has standing, Product Source owns the registered trademark in Canada and internationally, the registered trademark prevails.

II. Background

A. *Product Source*

[10] On April 29, 1999, Product Source was formed as a limited liability company in New Jersey to sell innovative products in the Canadian, US and international market. The Director and President is Eugene Higgins and it is his affidavit evidence that is relied on in the application.

[11] Product Source introduces and sells, new and innovative products into the marketplace in Canada, US and Internationally. Product Source introduces and sells primarily through direct marketing, catalogue, home shopping, inserts and newspaper ads.

[12] Product Source represents that Safety Aid Supplies, Inc. ("SAS"), a United States based company, designed and developed the NIC OUT (without hyphen) packaging for the filters. Product Source submits that through its partnership and other agreements concluded with SAS, it began selling NIC OUT filters exclusively throughout Canada as early as 2003.

[13] Product Source provided evidence of ownership of Canadian Registration No. TMA726190 for the trademark NIC OUT, for use in association with cigarette filters for removing tar and nicotine registered October 16, 2008. The advertising for registration was June 25, 2008.

[14] Product Source says that they have sold NIC OUT filters since 2003 directly or in partnership.

[15] Product Source purchased cigarette filters directly from P. Service from May 2007 to November 2007. P. Service is a company based in Beer-Sheva, Israel and operates a business that manufactures, supplies, distributes and exports various cigarette-related products. P. Service's owner operator is Leonid Nahshin. Eugene Higgins dealt directly with P. Service officer, Alex Slobidker. Alex Slobidker worked as sales and distribution manager for P. Service in Israel from February 2000 until February 2013.

[16] Product Source said the responsibility for sourcing the material was with SAS until that partnership ended when Product Source instructed P. Service to remove the SAS company name from the packages as the distributor of NIC OUT and to replace it with the new source. It was then that Eugene Higgins determined that SAS had been using P. Service and not buying directly from Turkey as he had thought.

[17] Product Source's evidence is that they sold the filters to Afficianado Wholesale Cigar Corp ("AWCC"), which was previously owned by Shelly MacMillan (see below paras 21 & 22).

[18] Currently, Product Source receives the product directly from a manufacturer called Duell, located in Istanbul.

[19] In 2011, Eugene Higgins found out that Alex Slobidker had immigrated to Ontario and was selling NIC OUT from the company, Simplora Distributors. Product Source's legal counsel contacted Simplora Distributors and told them to stop selling in Canada. In a response dated December 18, 2011, Alex Slobidker said that his company sold the product of an Israeli

company called P. Service and that P. Service had sold to Canada since 2001, and P. Service was not aware how anyone could have a registered trademark.

[20] Product Source owns trademarks in: US Registration No. 3350041, dated February 1, 2008; Japan Registration No. 941185, dated November 14, 2008; WIPO/European Community Registration No. 941185, undated.

B. *TLG*

[21] On February 4, 2009, TLG was incorporated in Alberta as a business of retailing non-tobacco smoking accessories and related products. Shelly MacMillan is the owner of the Corporation.

[22] Shelly MacMillan was sole shareholder/owner of another Canadian company, AWCC, a company she sold to a third party on July 31, 2008. Some time in May 2011, TLG purchased "NIC-OUT" cigarette filters to sell through its website, from her former company AWCC.

[23] TLG claims that the filters were developed and owned by P. Service. TLG provided evidence that in May 2001, P. Service entered in to an agreement with Burda Ticaret, a manufacturer in Turkey to produce NIC-OUT for them. On November 27, 2002, P. Service entered in to an agreement with Atas Tuketim Mallari to manufacture, package and ship NIC-OUT filters.

[24] P. Service has never applied for Canadian registration of the trademark for NIC-OUT (with hyphen). TLG submits that P. Service is the owner of the NIC-OUT trademark based on Shelly MacMillan's prior experience having purchased the filters from P. Service for sale in Canada between 2005 and 2008 as described below.

[25] As the owner of AWCC, Shelly MacMillan found the website of P. Service on the internet. On June 30, 2005, Alex Slobidker on behalf of P. Service, and Shelly MacMillan on behalf of AWCC, entered into a distribution agreement that AWCC would be the exclusive importer and distributor of NIC-OUT cigarette filters in Canada for P. Service. AWCC made the first order for Canada on July 6, 2005 from P. Service and AWCC began marketing and selling units of NIC-OUT to retail and wholesale customers in Canada.

[26] Shelly MacMillan requested that P. Service include French and English on the package and that the wording on the package be changed from "cigarette filter" to "nicotine and tar filter". P. Service agreed to produce the packaging as requested.

[27] On November 17, 2005, AWCC placed another order with P. Service for the new packaging which included that AWCC was the distributor in Canada.

[28] Shelly MacMillan's understanding is that the current owners of AWCC still sell NIC-OUT.

[29] On December 14, 2011, TLG received a “cease and desist” letter from Product Source’s legal counsel.

[30] The letter alleged that TLG had infringed Product Source’s Registration by selling cigarette smoking filters in Canada bearing marks that were identical or imitations of the trademark. In addition to demanding TLG discontinue selling products bearing the confusing mark, Product Source asked for the identification and contact details of TLG’s supplier and manufacturer of the filters.

[31] TLG claimed that to its knowledge, the Nic-Out product had been sold in Canada since 2005 by “another company” that allegedly created and held a North American patent. It stated that upon legal verification of Product Source’s claim it would cease its retail sales activity.

[32] On December 17, 2012, Product Source filed a Statement of Claim in the Federal Court (T-2244-12). Among the allegations, Product Source alleged TLG’s sale of cigarette filters amounted to infringement of its trademark registration, caused confusion with Product Source’s wares, amounted to passing off, and depreciated the value of the Respondent’s goodwill.

[33] On February 6, 2013, TLG concluded a license with P. Service whereby P. Service granted TLG an exclusive license to use its NIC-OUT trademark for cigarette filters in Canada, and including the right to use, defend, assert and enforce its trademark rights in Canada.

[34] On March 1, 2013, as a defense to the infringement action, TLG brought this application seeking to strike the registration from the trademarks Register. Invalidity would be a full defence to the infringement action (*PVR Co LTD v Decosol Ltd* (1972), 10 CPR (2d) 203).

C. *Evidence Filed*

[35] Affidavits filed in support of TLG and cross-examined on:

- A. Alex Slobidker;
- B. Shelly MacMillan

[36] Affidavits filed in support of Product Source and cross-examined on:

- A. Eugene Higgins

III. Issues

- A. Does TLG have standing as a “person interested” to seek an order to strike the Registration from the Register?
- B. Is the Registration invalid because Product Source was not entitled to register the Registration pursuant to subsection 18(1) because:
  - a) the registered trademark NIC OUT is confusing with the mark NIC-OUT and not registerable under paragraph 16(1)(a) at the date of registration? and/or
  - b) the trademark NIC OUT was not distinctive with NIC-OUT at the time of the proceedings?

IV. Analysis

A. *Does TLG have standing as a “person interested” to seek an order to strike the Registration from the Register?*

[37] The parties disagree as to whether TLG is a person interested and has standing under section 57 to seek to have the Registration struck from the trademarks Register.

[38] To have standing, section 57 states:

- A person that, before the trademark was registered, used the registered trademark;
- A person that, when attempting registration, it was refused on the ground of prior registration of the trademark they are trying to expunge;
- A person charged with infringement or passing off;
- A person who’s business is likely hampered or prejudiced because it interferes with a desire to use the trademark as a describer of the wares

[39] The definition of “person interested” has been interpreted as being broad and the threshold to establish it is low (*John Labatt Ltd v Carling Breweries Ltd* (1974), 18 CPR (2d) 15 at paras 51, 61).

[40] I find TLG is a “person interested” as Product Source brought an action in T-2244-12 against TLG for infringement (*Havana House Cigar & Tobacco Merchants Ltd v Skyway Cigar Store* (1998), 81 CPR (3d) 203 at para 42; reversed in part but not on this issue, 3 CPR (4<sup>th</sup>) 501 (FCA); *Candrug Health Solutions Inc v Thorkelson*, 2007 FC 411 at para 22).

[41] Having determined TLG is a person interested as a result of being the Defendant in a separate infringement action, I see no need to address the other arguments made by the parties.

- B. *Is the Registration invalid because Product Source was not entitled to register the Registration pursuant to section 18 (1) because:*
- a) *the registered trademark NIC OUT is confusing with the mark NIC- OUT and not registerable under s. 16(1)(a) at the date of registration? and/or*
  - b) *the trademark NIC OUT was not distinctive with NIC-OUT at the time of the proceedings?*

[42] Product Source maintains that its registration is *prima facie* valid and that it sold NIC OUT in Canada since 2003 and that no one has ever challenged its rights to NIC OUT trademark. Product Source argued that bringing this application now to expunge only after they were sued for infringement is somehow not a proper or legitimate purpose.

[43] Validity of a registered trademark can be challenged if Product Source was not entitled to register the trademark. The onus is on TLG to prove on a balance of probabilities that the trademark should be expunged.

[44] The Act sets out how a trademark can be expunged. I will set out the step by step process to see if TLG proved on the evidence it presented that on a balance of probabilities the trademark should be expunged.

[45] The Court may invalidate a registration on one of the enumerated grounds under subsection 18(1) (attached as Appendix A):

- a. the trademark was not registrable as of its date of registration;

- b. the trademark was not distinctive on the date these proceedings began in the court; or the trademark was abandoned.
- c. Subject to section 17, the trademark is invalid if the applicant for registration was not the person entitled to secure the registration.

[46] In this case I find the registration for NIC OUT should be struck from the Registry because it is invalid under paragraph 18(1)(a) because it was not registrable on the date it was registered. It was not registrable as it was confusing to the Nic-Out mark and Product Source knew at the time of the application that the confusing mark NIC-OUT was previously used in Canada by P Source and others. Further Product Source knew at the time of the proceedings that the mark NIC OUT was not distinctive.

[47] The Applicant has the onus to prove invalidity despite the presumption that the mark is valid (*General Motors of Canada v Décarie Motors Inc*, [2001] 1 FC 665 (FCA)). This presumption is strong, but the Applicant must bring some evidence for the Court to weigh (*Emall.ca Inc (cob Cheaptickets.ca) v Cheap Tickets and Travel Inc*, 2008 FCA 50).

(1) Not Entitled to Registration

[48] Section 18(1) (a) says a registration is invalid if it was not registrable at the time it was registered. To determine if the trademark was registerable at the time I have to look at the section of the Act that deals with if a trademark is registerable which is addressed in section 16 (see Appendix A) of the Act. Paragraph 16(1)(a) prevents registration of a trademark which, as of the

date of its first use, was confusing with a trademark that had been previously used in Canada by any other person.

[49] Section 16 codifies a common law principle in trademarks law that it is the use of a trademark and not its registration that confers a priority right to a trademark (*Masterpiece Inc v Alavida Lifestyles Inc*, 2011 SCC 27 (“*Masterpiece*”) at paras 35-36).

(2) Confusion

[50] The first step is to examine if the trademark Product Source was registering “was confusing”. Section 6 outlines when a mark or name may be confusing and paragraphs 6(5)(a)-(e) provides the surrounding circumstances that must be considered.

[51] Confusion is determined by referring to people who will likely purchase the service (*Hudson’s Bay Co v Baylor University* (1997), 8 CPR (4<sup>th</sup>) 64 (FCTD)) and with reference to all the surrounding circumstances including the criteria outlined in subsection 6(5).

[52] The burden of establishing confusion in expungement proceedings rests with the party seeking to establish the invalidity of the registered trademark (*Remo Imports Ltd v Jaguar Cars Ltd*, 2007 FCA 258 at paras 23, 26).

[53] The test for confusion outlined in *Veuve Clicquot Ponsardin v Boutiques Cliquot Ltee*, 2006 SCC 23 at 20, and restated in *Masterpiece*, above, is examined in relation to:

a matter of first impression in the mind of a casual consumer somewhat in a hurry ...who does not give pause to give the matter any detailed consideration or scrutiny, nor to examine closely the similarities and differences between the marks.

[54] However, the average consumer is given some credit to exercise care in different circumstances (*Mattel, Inc v 3894207 Canada Inc*, 2006 SCC 22 (“*Mattel*”). A careful examination or a side-by-side comparison between the trademarks should not be done (*Masterpiece* at para 40) but what should be determined is whether a casual consumer somewhat in a hurry, on first seeing the NIC OUT trademark would be likely to think that it comes from the same tobacco or cigarette- related source as the NIC-OUT mark represents.

[55] In this case the marks are identical except for a hyphen. The marks are used on the same packaging for the identical product distributed for some periods of time by the same company to both the parties. It is even within the range of possibilities that the product was manufactured in Istanbul by the same manufacturer. At the hearing, Product Source’s counsel agreed the marks are almost identical.

[56] Without the necessity of much analysis, I find that the marks would be confusing to a casual consumer somewhat in a hurry.

[57] When dealing with marks that are actual or substantial copies and have the same wares and services, confusion may be demonstrated without having to go through the catalogue of factors in section 6 of the Act (A. Kelly Gill, ed, *Fox on Canadian Law of Trademarks and*

*Unfair Competition*, 4th ed (Toronto, Carswell, 2002 at s.8.6(c)) citing *WJ Hughes & Sons “Corn Flower” LTD v Morawiec* (1970) Fox Pat. C 88 (CanExCt).

[58] Out of an abundance of caution, I will go through the exercise of applying the confusion analysis in subsection 6(5) of the Act below:

- Under paragraph 6(5)(b) the length of time the marks have co-existed is not sufficient to disprove confusion because Product Source has not demonstrated its trademark has been in use since 2008;
- Under paragraph 6(5)(c), the nature of the wares supports a finding of confusion because the NIC OUT filters of the Applicant and Respondent are virtually indistinguishable;
- Under paragraph 6(5)(d), the nature of the trade supports a finding of confusion because both the Applicant and Respondent target the same categories of distributors, retail specialty tobacco shops and consumers;
- Under paragraph 6(5)(e), the degree of resemblance between the trademarks is the most important factor that supports a finding of confusion. The Applicant’s trademark NIC-OUT with the hyphen is nearly identical to the Respondent’s trademark “NIC OUT;

(3) Distinctiveness paragraph 6(1)(a)

[59] Analysis of the surrounding circumstances for confusion begins with paragraph 6(5)(a) to examine the inherent distinctiveness of the trademarks. The strength of a trademark is determined by the inherent distinctiveness of the trademark and the extent to which it has

become known (*Pink Panther Beauty Corp v United Artists Corp*, [1998] 3 FC 534 at para 23 (FCT)). The inherent distinctiveness of a trademark depends on whether it is an everyday word or a non-descriptive, invented word (*Mattel*, above, at 75). When a trademark is unique or a created name referring only to one thing, it is given a larger scope of protection.

[60] Conversely, if a trademark is not inherently distinctive and has not acquired distinctiveness because of continuous use in the marketplace it will not be considered a strong mark and will have less protection available (*Reynolds Presto Products Inc v PRS Mediterranean Ltd*, 2013 FCA 119; *Groupe Boulangerie v National Importers Inc*, 2005 FC 1460 at 84). There is less protection when the trademark refers to many things or is only descriptive of the goods or of their geographic origin.

[61] I have no evidence of how the marks were developed but using common sense I would guess the filters purport to take the nicotine out which is what a consumer would think a product called NIC OUT would do.

[62] I have evidence of both marks being in sold in Canada but I do not have enough evidence to determine if they have acquired distinctiveness because of use in a market.

[63] I find the marks are confusing per section 16(1) which finding is confirmed when the factors in section 6 are analyzed.

(4) Previously Used in Canada (paragraph 16(1)(a))

[64] To determine if expungement is appropriate the next step is to decide if the trademark that Product Source was registering was “a trade-mark that had been previously used in Canada or made known in Canada by any other person”.

[65] Use of a trade mark and not its registration is what confers a priority right to a trademark (*Masterpiece* at paras 35-36). “Use” is defined in sections 2 and 4 of the Act. Sale to a Canadian distributor has been held to amount to “use” under section 4 of the Act (*Lin Trading Co v CBM Kabushiki Kaisha*, [1989] 1 FC 620 (FCA)).

(5) Product Sources’s Evidence in Support of this Application

[66] Product Source provided evidence of the Canadian trademark NIC OUT TMA726,190 registered on October 16, 2008 and that it was filed October 10, 2007 and advertised June 25, 2008.

[67] On the registration date of October 16, 2008, Product Source stated that that they sold NIC OUT in Canada since September 2006. In this present application, Product Source says they sold NIC OUT in Canada as early as 2003 exclusively through its partnership and other agreements concluded with SAS.

[68] Product Source did not produce invoices or other evidence of sales or advertisement in Canada before 2006 as they argued that the onus is not on them because they own the registered

trademark. Secondly, they explain that did not produce invoices as it was “litigation strategy” with regards to the infringement action that they have pending against TLG.

[69] Eugene Higgins in his affidavit said Product Source sold Nic Out in Canada to a number of companies. Under cross-examination he admitted the companies he sold to were for the most part companies in the United States.

[70] When Eugene Higgins was cross examined on July 31, 2013 on his affidavit he said:

Q. Sir, paragraph 15 of your affidavit...

A. Yes.

Q. ...you indicate that in August of 2005, two years before the summer of 2007, you became aware of the NIC OUT cigarettes were being offered for sale and being sold in Canada, that did not originate from the partnership, correct?

A. Yes.

Q. And were you aware that one of the parties involved in the sale and distribution of NIC OUT in Canada was P. Service?

A. No.

Q. Were you aware that one of the parties that became involved was Afficianado?

A. Afficianado. I saw the name...well, no, I read the communication. I spoke with Nick. He thought we had a problem in Canada. We discussed whether or not to start a lawsuit, decided to send a cease and desist letter to them, and we received out Exhibit H back. And that is the extent of the information we have, is Exhibit H.

Q. How did you become aware of Afficianado, was it from a website?

A. The first time I had heard about the Afficianado I believe it was several years later and I noticed them on a website. I attempted to communicate with them but had no success.

Q. But your Exhibit H is a communication through your counsel with Afficianado on August, 2005; is that correct?

...

A. I phone. I use it for a telephone.

Q. Do you recall communicating by Skype with Mr. Slobidker in May of 2007?

A. I do not recall, no.

Q. Do you have a Skype name?

A. Dionysus. Dionysus55, that is correct.

Q. Do you also go by a Skype name, "Psille"?

A. I might have set out an account like that previously.

MR. FEEHAN: Mr. Perinot, last examination I provided you with this transcript. Have you provided a copy to your client?

[71] As early as August 2005, Product Source knew that NIC-OUT filters that did not originate from the partnership were being sold in Canada.

[72] There was evidence of a United States TradeMark for NIC OUT Re No 3,350,041 dated February 1, 2008 for a term of 10 years from December 4, 2007. International Registration of NIC OUT dated 10.10.2007, Japan registry and a grant of protection from World Intellectual Property Organization dated 23/09/2008 No 941185 NIC OUT.

[73] Eugene Higgins filed evidence of an email between himself and Alex at info@nic-out.com dated from May 19, 2008-June 11, 2008. Eugene Higgins said:

"Alex

I will deal Maslov

My company is the SOLE OWNER of the Nic Out Trademark in the following countries/regions:

The USA, E.U., Japan, Canada, Mexico and most of so America

Also my company holds the ONLY Patent pending for Nic Out in the USA.

So as you can see the only one who is in any position to anything legal **here** is ME

And for you information only, we happen to be sending out cease and desist letters next week companies infringing on OUR Trademark although he was not previously I included I will now include Mr. Maslov

Best regrds

Gene-PSI-LLC

[74] Alex's response included that:

Hello Gene,

Unfortunately, we have no idea what happens on the American market.

The reasons for my letter to you were repeated references of Mr. Maslov to some juridical documents, which do not allow anyone, except him, to sell Nic-Out in USA (by the way, nobody has seen these documents). In addition, he insists on the possibility to influence our partners in legal form, therefore, we began to worry about you.

All the more, he informed us that he should receive from you all the documents, related to our activities. In every case, this is absolutely not accepted.

As I see from your reply, all this is unknown bluff.

I hope for the soonest continuation of our cooperation.

Regards,

Alex

[75] On January 25, 2010, Leonid Nahshin, P. Service's owner operator, applied to have the United States Trademark for NIC OUT cancelled for priority of use and he filed a US trademark application on January 23, 2003 and that was refused registration. Evidence, dated December 1, 2001, was filed that his counsel withdrew from representation on the ground that "Leonid Nahshin engaged in fraudulent conduct before the UAPTO and my effort to call upon the client to rectify the fraud have been refused."

[76] The parties did not file evidence of the outcome of the US patent cancellation though they alluded by oral evidence that it was cancelled.

[77] In these proceedings Product Source claims it first sold NIC OUT cigarette filters in Canada in 2003 through its partnership with SAS. As evidence to support this assertion the Respondent submits:

- Undated photographs of packaging bearing the "NIC-OUT" trade mark (with hyphen) that are identical to the applicant's photographs;
- Product representation agreements concluded in 2003 and 2004 between the respondent and SAS, granting the respondent exclusive right to distribute unnamed products of SAS.

(6) TLG's Evidence in support of this Application

[78] TLG filed evidence that P. Service sold NIC-OUT filters in Canada since July 15, 2001.

The evidence they produced in support is:

- a. Invoice dated July 15, 2001 for products shipped on August 8, 2001, to Marketing Inc, a Toronto, Ontario company. Evidence of an invoice # 153/1 dated July 15, 2001 showing that P. Service of Beer-Sheva, Israel sold NIC-OUT filters to Marketing Inc, a Canadian company. Matching the invoice is an air waybill issued by the manufacturer/shipper Burda Ticaret indicating that the product was shipped to Toronto, Ontario on August 8, 2001;
- b. Filed as evidence is the agreement of the manufacturer Burda Ticaret to produce the filters and that P. Service has all the exclusive rights for "Nic-Out"[that is how it is written in the agreement] for Canada, Israel, Russia, USA, Ukraina [sic] and that they would not distribute to another company in those countries. This document is unsigned and undated though the fax heading on the document shows that it was sent from Burda Tigar on May 14, 2001 at 16:04;
- c. An agreement dated November 27, 2002 between Atas/ Istanbul and P/Service/Israel agreeing that Atas will manufacture NIC-OUT filters and that the brand name "Nic-Out"[as shown in the document ] is owned by P. Service and ATAS cannot sell Nic-Out or other filters to the USA, Canada, Ukrain [sic], Bellarus and SNG countries without permission of P. Service. It has unreadable signatures over the stamps of the respective companies. The evidence is that Atas still manufactures for P. Service;

- d. Evidence in the form of invoice 172/1 dated November 13, 2001 from P. Service to Orion Company Cango Overseas Trading ITD (Orion) in Toronto, Ontario for Nic-Out filters with the air waybill issued by the manufacturer/ shipper Burda Ticaret showing a shipment on December 14, 2001. An invoice # 506 dated 12.11.2002 from manufacturer/shipper Atas Tuketim Mallari to Orion for Nic-Out cigarette filters and also a copy of the same invoice showing it was faxed from Atas Pazarlama Ltd on December 20, 2002 03:52 pm. Both invoices have the same unreadable signature over the company stamp. Filed in support was an air waybill with a shipment going to Canada dated December 15, 2002, with the same parties;
- e. Invoice no 324NCOT dated March 17, 2003 from P. Service to A3R Distributing Co., Concord, Ont. for NIC-OUT cigarette folders[sic]. The invoice is stamped with a P. Service NIC\_OUT Israel stamp with an unreadable signature and also noted is Leonid Nahshin Executive Director P. Service. No waybill or fax line are on this invoice;
- f. TLG filed an email from Shelly MacMillan dated June 19, 2005 at 5:17 am to sales@nic-out.com telling them that she was a distributor in Canada and asked if she could sell the product. The response from Alex Slobidker on June 24, 2005 at 2:42am attached information about the product and also a standard draft-distributor agreement. The reply dated June 24, 2005 at 11:51 am from Shelly MacMillan asked if they currently had anyone distributing in Canada. She was told “at this moment we do not have any distributor in Canada and would be happy if you become our distributor” in a response from Alex Slobidker on Jun 26, 2005 at 12:11 pm. The string of emails continues on June 26, 2005 at 8:42 pm where Shelly MacMillan says her company would distribute the product in Canada and then discusses among other

- things the distribution agreement and shipping arrangements with the response from Alex Slobidker being June 27, 2005 at 5:14 pm;
- g. TLG filed evidence of the agreement that has a stamp for P. Service NIC-OUT Israel with a unreadable signature and Leonid Nahshin;
  - h. P. Service invoiced Canadian company AWCC for sale of NIC-OUT filters at least as early as November 30, 2005 and at least once a year thereafter until 2008. TLG submitted evidence that P. Service invoiced Canadian company AWCC for sale of NIC-OUT filters on January 29 2007, January 28, 2008, and February 25, 2010;
  - i. AWCC then sold those NIC-OUT filters to clients in Alberta between at least December 2005 and May 2006, and submits invoices in support;
  - j. P. Service produced evidence that they sold NIC-OUT filters through a website since April 12, 2003, with the domain name URL “nic-out.com” that was secured September 2002. Evidence of the domain name was a copy of a “WHOIS” record of “nic-out.com” proving that you could learn of NIC-OUT online in Canada since April 12, 2003;
  - k. P. Service used NicoNet as their North American distributor from 2003-2005. In the United States, companies were told to contact SAS at “nicout.com”. Evidence of this was provided by the “Wayback Machine” (internet archive) for the “nic-out.com” website as it appeared on April 12, 2003. The consolidation of marketing to a single contact of info@nic-out.com is evidenced by a copy of the website again provided by the “Wayback Machine” dated June and July, 2004;
  - l. In Alex Slobidker’s affidavit that he was cross-examined on he indicates that “P. Service did not grant permission or license of any sort to Product Source International

LLC to use “NIC-OUT” brand, trademark, or packaging in association with cigarette filters that are not supplied by P. Service or a designated manufacturer of P.

Service.”;

- m. On cross-examination, the evidence of Alex Slobidker was that P. Service sold NIC-OUT to Product Source with the first shipment to the United States in 2006-2007, and they stopped buying from P. Service in 2008;
- n. SAS bought NIC-OUT from P. Service from 2003 to 2007;
- o. There was evidence that in 2007 P. Service had conversations with Product Source that they were the owner and manufacture of NIC-OUT product. In late 2007 Eugene Higgins emailed the owner of P. Service and said he was the sole owner of the NIC OUT trademark in the US:

A...sole owner of the NIC OUT trademark in the U.S. and many countries and territory. To my knowledge, except the USA, Leonid didn't take seriously this statement.

Q. All right. So in 2007 there were conversations where Eugene Higgins made claims that he had trademarks in Canada. So you're telling me that Mr. Nahshin didn't take it seriously?

A. Mr. Nahshin didn't take it seriously because we informed...P. Service informed many times Mr. Eugene that P. Service is the manufacturer and the owner of the company of the NIC-OUT brand, and that's the reasons Leonid didn't take this seriously when he told that he's trying to register NIC-OUT in U.S.A. in Canada and Japan and all this stuff.

Q. Were you aware at any time that Product Source International actually had a registered trademark in Canada for NIC-OUT?

A. No.

Q. Never?

A. I didn't know about it.

Q. So not even...in December 2011 you were not aware that Product Source International had a registered trademark in Canada?

(7) Evidentiary Findings

[79] I rely on the evidence of Alexander Slobidker as he is now an independent, uninterested party that corroborated his statements with documentation to prove that P. Service sold NIC-OUT in Canada as early as 2001 and continued to do so before and after the date Product Source registered the trademark NIC OUT TMA726,190.

[80] I find that Product Source knew that the confusing trademark had been used in Canada when they registered it October 16, 2008. I make that finding of fact based on the evidence of the owner of Product Source, Eugene Higgins, and the evidence produced by TLG showing sales to Canada of the NIC-OUT cigarette filters as early as 2001.

[81] I find that Product Source knew that Nic-Out was being sold in Canada before they registered contrary to s. 16.

(8) Successor in title

[82] In order to expunge the trademark, TLG must be the successor in title of the trademark. Secondly TLG must show that the confusing trademark was not abandoned as of June 25, 2008, the date of the advertisement of Product Source's registration. (Section 17(1))

**VALIDITY AND EFFECT  
OF REGISTRATION**  
Effect of registration in

**VALIDITÉ ET EFFET DE  
L'ENREGISTREMENT**  
Effet de l'enregistrement

relation to previous use, etc.

17. (1) No application for registration of a trade-mark that has been advertised in accordance with section 37 shall be refused and no registration of a trade-mark shall be expunged or amended or held invalid on the ground of any previous use or making known of a confusing trade-mark or trade-name by a person other than the applicant for that registration or his predecessor in title, except at the instance of that other person or his successor in title, and the burden lies on that other person or his successor to establish that he had not abandoned the confusing trade-mark or trade-name at the date of advertisement of the applicant's application.

relativement à l'emploi antérieur, etc.

17. (1) Aucune demande d'enregistrement d'une marque de commerce qui a été annoncée selon l'article 37 ne peut être refusée, et aucun enregistrement d'une marque de commerce ne peut être radié, modifié ou tenu pour invalide, du fait qu'une personne autre que l'auteur de la demande d'enregistrement ou son prédécesseur en titre a antérieurement employé ou révélé une marque de commerce ou un nom commercial créant de la confusion, sauf à la demande de cette autre personne ou de son successeur en titre, et il incombe à cette autre personne ou à son successeur d'établir qu'il n'avait pas abandonné cette marque de commerce ou ce nom commercial créant de la confusion, à la date de l'annonce de la demande du requérant.

[83] I find the evidence establishes that TLG is the successor in title to P. Service. TLG acquired any rights P. Service had in its common law trademark associated with NIC-OUT through its license with P. Service. The license includes "the right to use, defend, assert and enforce the rights in the Marks in Canada on behalf of, and in the name of the Licensor, including the right of action and application to bring proceedings before the courts of Canada". In the license, "Marks" is defined to include common law trademarks associated with the NIC-OUT brand cigarette filters as depicted in the Schedule. The picture in the schedule depicts packaging identical to the claims of use as of 2005.

[84] TLG has standing to challenge Product Source's trademark registration.

(9) Abandoned use of the trademark as of the date of advertisement of registration

[85] It must be shown that TLG (the successor in title) has not abandoned the mark (paragraph 18(1(c) of the Act).

[86] Counsel for Product Source agrees that abandonment was not an issue in this case.

[87] The test for abandonment was recently restated as follows: "abandonment of a trade-mark is not determined based solely on a person ceasing to use that trade-mark. The person must also have intended to abandon the trade-mark" (*Iwasaki Electric Co v Hortilux Schreder BV*, 2012 FCA 321 at para 21).

[88] The sales between P. Service and Canadian distributors between 2007 and 2010 are sufficient to establish P. Service had not abandoned use of its trademark in Canada as of June 25, 2008, the date of advertisement of the Respondent's application for registration.

(10) When registration incontestable

[89] Subsection 17(2) (see Appendix A) says:

In proceedings commenced after the expiration of five years from the date of registration of a trademark or from July 1, 1954, whichever is the later, no registration shall be expunged or amended or held invalid on the ground of the previous use or making known referred to in subsection (1), unless it is established

that the person who adopted the registered trademark in Canada did so with knowledge of that previous use or making known.

[90] P. Service knew that Product Source threatened to register in Canada the trademark Nic Out as early as 2007 yet did nothing to oppose that registration or to register their own mark Nic-Out. There is evidence in the email chain between Eugene Higgins and Alex Slobidker (employed by P. Service at the time) that shows that P. Service overlooked the use and registration of the trademark by Product Source. This is a concern in my mind, but not so much as to defeat the fact that when the Respondent registered his trademark, he was aware his mark was not registerable. The “head in the sand” approach by P. Service does not cure the fact that Eugene Higgins knew that the mark wasn’t registerable but did it anyway. Alex Slobidker’s explanation has a ring of truth that P. Service did not believe Eugene Higgins would actually obtain a registration when they were clearly the owners of the patent and the mark.

[91] Pursuant to s. 57, this Court has exclusive jurisdiction to expunge or vary the registration of a trademark and has inherent jurisdiction to act in the public interest in the purity of the register (*Fox* at 11-35). This is a case where it is in the public’s interest to intervene and I am expunging the trademark from the Registry. I find that when Product Source registered the trademark NIC OUT, they already knew that the confusing mark NIC-OUT was being used to sell the same product in Canada for at least 2 years before the registration of the confusing trademark NIC OUT. Product Source was not entitled to register the mark pursuant to paragraph 18(1)(a) as the mark was not registerable at the time Product Source registered it. It was not registerable under paragraph 16(1)(a) as the trademark was used by P. Service in Canada and Product Source knew it was being used in Canada and it was confusing. In addition, the

trademark was not distinctive at the time of these proceedings making the registration invalid pursuant to paragraph 18(1)(b).

V. Costs

[92] The parties prepared a Common Bill of Costs to be awarded in the amount of \$10,000.00. I am exercising my discretion to award that amount to the Applicant payable by the Respondent forthwith.

**JUDGMENT**

**THIS COURT'S JUDGMENT is that:**

1. Expunge Trademark TMA726190 from the Canadian Trademark Registry;
2. Costs awarded in the amount of \$10,000.00 to the Applicant payable forthwith.

"Glennys L. McVeigh"

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Judge

**FEDERAL COURT**

**SOLICITORS OF RECORD**

**DOCKET:** T-380-13

**STYLE OF CAUSE:** TLG CANADA CORP V PRODUCT SOURCE  
INTERNATIONAL LLC

**PLACE OF HEARING:** EDMONTON, ALBERTA

**DATE OF HEARING:** APRIL 1, 2014

**JUDGMENT AND REASONS:** MCVEIGH J.

**DATED:** SEPTEMBER 29, 2014

**APPEARANCES:**

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## APPENDIX A

*Trade-marks Act* (RSC, 1985, c T-13)

### **When registration invalid**

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

- (a) the trade-mark was not registrable at the date of registration,
- (b) the trade-mark is not distinctive at the time proceedings bringing the validity of the registration into question are commenced, or
- (c) the trade-mark has been abandoned, and subject to section 17, it is invalid if the applicant for registration was not the person entitled to secure the registration.

### **PERSONS ENTITLED TO REGISTRATION OF TRADE-MARKS**

Registration of marks used or made known in Canada

16. (1) Any applicant who has filed an application in accordance with section 30 for registration of a trade-mark that is registrable and that he or his predecessor in title has used in Canada or made known in Canada in association with wares or services is entitled, subject to section 38, to secure its registration in respect of those wares or services, unless at the date on which he or his predecessor in title first so used it or made it known it was confusing with

- (a) a trade-mark that had been previously used in Canada or made known in Canada by any other person;
- (b) a trade-mark in respect of which an application for registration had been previously filed in Canada by any other person; or
- (c) a trade-name that had been previously used in Canada by any other person.

Marks registered and used abroad

### **Quand l'enregistrement est invalide**

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

- a) la marque de commerce n'était pas enregistrable à la date de l'enregistrement;
- b) la marque de commerce n'est pas distinctive à l'époque où sont entamées les procédures contestant la validité de l'enregistrement;
- c) la marque de commerce a été abandonnée. Sous réserve de l'article 17, l'enregistrement est invalide si l'auteur de la demande n'était pas la personne ayant droit de l'obtenir.

### **PERSONNES ADMISES À L'ENREGISTREMENT DES MARQUES DE COMMERCE**

Enregistrement des marques employées ou révélées au Canada

16. (1) Tout requérant qui a produit une demande selon l'article 30 en vue de l'enregistrement d'une marque de commerce qui est enregistrable et que le requérant ou son prédécesseur en titre a employée ou fait connaître au Canada en liaison avec des marchandises ou services, a droit, sous réserve de l'article 38, d'en obtenir l'enregistrement à l'égard de ces marchandises ou services, à moins que, à la date où le requérant ou son prédécesseur en titre l'a en premier lieu ainsi employée ou révélée, elle n'ait créé de la confusion :

- a) soit avec une marque de commerce antérieurement employée ou révélée au Canada par une autre personne;
- b) soit avec une marque de commerce à l'égard de laquelle une demande d'enregistrement avait été antérieurement produite au Canada par une autre personne;
- c) soit avec un nom commercial qui avait été antérieurement employé au Canada par une autre personne.

Marques déposées et employées dans un autre

(2) Any applicant who has filed an application in accordance with section 30 for registration of a trade-mark that is registrable and that the applicant or the applicant's predecessor in title has duly registered in or for the country of origin of the applicant and has used in association with wares or services is entitled, subject to section 38, to secure its registration in respect of the wares or services in association with which it is registered in that country and has been used, unless at the date of filing of the application in accordance with section 30 it was confusing with

- (a) a trade-mark that had been previously used in Canada or made known in Canada by any other person;
- (b) a trade-mark in respect of which an application for registration had been previously filed in Canada by any other person; or
- (c) a trade-name that had been previously used in Canada by any other person.

#### Proposed marks

(3) Any applicant who has filed an application in accordance with section 30 for registration of a proposed trade-mark that is registrable is entitled, subject to sections 38 and 40, to secure its registration in respect of the wares or services specified in the application, unless at the date of filing of the application it was confusing with

- (a) a trade-mark that had been previously used in Canada or made known in Canada by any other person;
- (b) a trade-mark in respect of which an application for registration had been previously filed in Canada by any other person; or
- (c) a trade-name that had been previously used in Canada by any other person.

pays

(2) Tout requérant qui a produit une demande selon l'article 30 en vue de l'enregistrement d'une marque de commerce qui est enregistrable et que le requérant ou son prédécesseur en titre a dûment déposée dans son pays d'origine, ou pour son pays d'origine, et qu'il a employée en liaison avec des marchandises ou services, a droit, sous réserve de l'article 38, d'en obtenir l'enregistrement à l'égard des marchandises ou services en liaison avec lesquels elle est déposée dans ce pays et a été employée, à moins que, à la date de la production de la demande, en conformité avec l'article 30, elle n'ait créé de la confusion :

- a) soit avec une marque de commerce antérieurement employée ou révélée au Canada par une autre personne;
- b) soit avec une marque de commerce à l'égard de laquelle une demande d'enregistrement a été antérieurement produite au Canada par une autre personne;
- c) soit avec un nom commercial antérieurement employé au Canada par une autre personne.

#### Marques projetées

(3) Tout requérant qui a produit une demande selon l'article 30 en vue de l'enregistrement d'une marque de commerce projetée et enregistrable, a droit, sous réserve des articles 38 et 40, d'en obtenir l'enregistrement à l'égard des marchandises ou services spécifiés dans la demande, à moins que, à la date de production de la demande, elle n'ait créé de la confusion :

- a) soit avec une marque de commerce antérieurement employée ou révélée au Canada par une autre personne;
- b) soit avec une marque de commerce à l'égard de laquelle une demande d'enregistrement a été antérieurement produite au Canada par une autre personne;
- c) soit avec un nom commercial antérieurement employé au Canada par une autre personne.

Where application for confusing mark pending

(4) The right of an applicant to secure registration of a registrable trade-mark is not affected by the previous filing of an application for registration of a confusing trade-mark by another person, unless the application for registration of the confusing trade-mark was pending at the date of advertisement of the applicant's application in accordance with section 37.

Previous use or making known

(5) The right of an applicant to secure registration of a registrable trade-mark is not affected by the previous use or making known of a confusing trade-mark or trade-name by another person, if the confusing trade-mark or trade-name was abandoned at the date of advertisement of the applicant's application in accordance with section 37.

## **REGISTRABLE TRADE-MARKS**

When trade-mark registrable

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

(d) confusing with a registered trade-mark;

## **VALIDITY AND EFFECT OF REGISTRATION**

When registration incontestable

17 (2) In proceedings commenced after the expiration of five years from the date of registration of a trade-mark or from July 1, 1954, whichever is the later, no registration shall be expunged or amended or held invalid on the ground of the previous use or making known referred to in subsection (1), unless it is established that the person who adopted the registered trade-mark in Canada did so with

Si une demande relative à une marque créant de la confusion est pendante

(4) Le droit, pour un requérant, d'obtenir l'enregistrement d'une marque de commerce enregistrable n'est pas atteint par la production antérieure d'une demande d'enregistrement d'une marque de commerce créant de la confusion, par une autre personne, à moins que la demande d'enregistrement de la marque de commerce créant de la confusion n'ait été pendante à la date de l'annonce de la demande du requérant selon l'article 37.

Emploi ou révélation antérieur

(5) Le droit, pour un requérant, d'obtenir l'enregistrement d'une marque de commerce enregistrable n'est pas atteint par l'emploi antérieur ou la révélation antérieure d'une marque de commerce ou d'un nom commercial créant de la confusion, par une autre personne, si cette marque de commerce ou ce nom commercial créant de la confusion a été abandonné à la date de l'annonce de la demande du requérant selon l'article 37.

## **MARQUES DE COMMERCE ENREGISTRABLES**

Marque de commerce enregistrable

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

d) elle crée de la confusion avec une marque de commerce déposée;

## **VALIDITÉ ET EFFET DE L'ENREGISTREMENT**

Quand l'enregistrement est incontestable

17 (2) Dans des procédures ouvertes après l'expiration de cinq ans à compter de la date d'enregistrement d'une marque de commerce ou à compter du 1er juillet 1954, en prenant la date qui est postérieure à l'autre, aucun enregistrement ne peut être radié, modifié ou jugé invalide du fait de l'utilisation ou révélation antérieure mentionnée au paragraphe (1), à moins qu'il ne soit établi que la personne qui a adopté au Canada la

knowledge of that previous use or making known.

marque de commerce déposée l'a fait alors qu'elle était au courant de cette utilisation ou révélation antérieure.