

Date: 20070718

Docket: A-62-06

Citation: 2007 FCA 258

**CORAM: DÉCARY J.A.
LÉTOURNEAU J.A.
TRUDEL J.A.**

BETWEEN:

REMO IMPORTS LTD.

Appellant

and

JAGUAR CARS LIMITED

and

**FORD MOTOR COMPANY OF CANADA, LIMITED/FORD DU CANADA LIMITÉE
carrying on business as JAGUAR CANADA**

Respondents

Heard at Montréal, Quebec, on June 26, 27 and 28, 2007.

Judgment delivered at Ottawa, Ontario, on July 18, 2007.

REASONS FOR JUDGMENT BY:

LÉTOURNEAU J.A.

CONCURRED IN BY:

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REASONS FOR JUDGMENT

LÉTOURNEAU J.A.

[1] These proceedings involve an appeal and a cross-appeal against a decision (2006 FC 21) of Shore J. of the Federal Court of Canada (judge).

[2] By his decision, the judge dismissed the appellant's action for infringement and allowed the respondents' counterclaim. He declared invalid the appellant's registered trade-mark No. 263,924

and expunged it from the registry. He declared valid the respondents' registration Nos. 378,643 and 378,644, including the following wares objected to by the appellant: driving license cases, wallet cases, business card holders, belts, credit card holders, key cases, address books, note books, passport holders, beauty cases, document cases and pocket wallets.

[3] In addition, the judge issued an injunction restraining and permanently enjoining the appellant from, broadly stated, using the trade-mark JAGUAR and a Leaping Jaguar design, selling and advertising products using the above trade-mark or design and passing off its wares for those of the respondents. An order also issued for the destruction of all products in the possession or within the power or control of the appellant which bear a trade name, design or trade-mark which is contrary to the injunction granted.

[4] Finally, the judge dismissed the respondents' claim for damages. This part of the judge's decision is the subject of the respondents' cross-appeal.

[5] The appellant initially asked this Court to reverse the judge's decision, declare its trade-mark valid and amend the respondents' trade-marks so as to delete from the description of the wares those to which the appellant objected. It also sought a declaration of infringement of its trade-mark by the respondents, the expungement of the respondents' trade-marks and the issuance of a permanent injunction requiring the respondents to cease to infringe the appellant's trade-mark.

[6] There are other conclusions sought by the appellant such as damages. However, it is not necessary to detail them for the purpose of this appeal.

[7] What was after all a simple matter has been rendered unduly and unnecessarily complex by the litigants. The 143 page judgment of the Federal Court, with an unfortunate use of loose language, did nothing to improve the situation.

[8] The appeal process has not been spared either. Orders of this Court were necessary to keep the parties within the boundaries of reason and enforce compliance with the *Federal Courts Rules* (Rules): see the orders of Sexton J.A., dated August 9, 2006, Décary J.A. dated September 5, 2006, Noël J.A. dated November 9, 2006 and Létourneau J.A. dated December 20, 2006.

[9] Yet the Amended Notice of Appeal filed by the appellant contains no less than forty-nine (49) pages. In *Marchand Syndics Inc. v. Canada (Superintendent of Bankruptcy)* 2006 FCA 368, this Court reasserted the role and purpose of the Notice of Appeal. At paragraph 14, I wrote for the Court:

...Rule 337 indeed provides that the notice of appeal must set out a complete and concise statement of the grounds intended to be argued. These are the grounds normally elaborated in the memorandum of fact and law. The appellants' notice of appeal is twenty pages long and reflects everything but the complete, concise, and precise grounds of appeal. It is in fact a veiled, deficient memorandum of fact and law.

As will be seen below, the above statement is even truer in this case.

[10] Three days before the hearing of the appeal, the appellant, by letter addressed to the Registry of the Court, abandoned its claim of infringement against the respondents as well as its demand for the expungement of the respondents' trade-marks.

[11] On the first morning of the hearing, another counsel for the appellant, who had been recently added to the record, made submissions to the Court. He argued that the judge made five errors of law which warrant the reversal of his decision. Some of these alleged errors were not addressed in the Memorandum of Fact and Law or the Amended Notice of Appeal. Others were barely alluded to or cast in such broad terms in the written material that one would be hard pressed to recognize the development made of these errors at the hearing. As a result, the appeal took a different turn and we expressed our concern that it had become an appeal by ambush.

[12] The respondents object to this Court entertaining any issue raised for the first time on appeal. They invoke, in support of their objection, the Federal Court decisions in *Kioroglo v. Canada (Minister of Citizenship and Immigration)*, [1994] F.C.J. No. 1606 and *Mishak v. Canada (Minister of Citizenship and Immigration)*, [1999] F.C.J. No. 1242 in which the Federal Court quoted the following statement from our colleague Décaré J.A. in *Sola Abel Lanlehin v. M.E.I.*, A-610-90, March 2, 1993:

This case raises disturbing questions as to the validity of the decision of the Refugee Division, and specifically as to the participation of one of the two members in the reasons for the decision. These questions were not, however, raised by the appellant in his memorandum, and it may be that, had the respondent known in time, she would have been able to explain the contradictions that are apparent on the record. At this point, we cannot assume that the decision is invalid and we are of the opinion, in the circumstances, that the appeal should be dismissed.

In the *Kioroglo* case, counsel for the applicants sought to introduce at the hearing a ground which did not appear in the application for judicial review while in the *Mishak* case, the applicants wanted to argue an issue that was not in their Memorandum of Fact and Law. In both cases, the respondent's objection was maintained by the Federal Court.

[13] The respondents have every right to complain. As a general rule, for obvious reasons, our Court will not hear grounds of appeal that were not raised in the Notice of Appeal or the Memorandum of Fact and Law. While exceptions relating, for example, to jurisdictional issues may be admitted, this is not the case here.

[14] Not knowing the position that our Court would take on their objection, the respondents have argued the merits of each of the five alleged errors. I believe that it is necessary to identify these errors so that future litigants intending to rely on the Federal Court's decision can be aware of them and of their treatment by this Court.

[15] The appellant contends that the judge:

- a) erred in imposing on the appellant the burden of proving a likelihood of confusion and then proceeded to apply the wrong test when determining whether confusion or likelihood of confusion existed;

- b) erroneously expunged the appellant's trade-mark on the basis of two grounds, namely deception and depreciation, which are not grounds of invalidity under section 18 of the *Trade-marks Act*, R.S.C. 1985, c. T-13 as amended (Act);
- c) erroneously expunged the appellant's trade-mark on the basis of a prior use when the limitation period contained in subsection 17(2) of the Act had run;
- d) erroneously expunged the appellant's trade-mark on the basis that the trade-mark was invalid because it was not registrable on account of confusion (paragraph 18(1)(a)) and also invalid because it was not distinctive from the wares of the respondents (paragraph 18(1)(b)); and
- e) granted an injunction against the appellant when there were no valid grounds for issuing it.

[16] Before I review the submissions of counsel for the appellant, I would like to dispose of the appellant's main ground of appeal relating to the fame of the respondents' trade-marks JAGUAR.

Whether the respondents' trade-marks "JAGUAR" for automobiles, luggage wares and other related accessories was famous by 1980, 1990 and still is today

[17] The judge found that the respondents' trade-marks had become famous for automobiles and luggage wares by 1980. At paragraph 213 of his reasons for judgment he wrote:

[213] The witnesses for Jaguar Cars showed that it is, and has been since at least 1980, a natural brand extension or expansion from luxury cars into Luggage Wares, defined as:

luggage, bags, cases, sacs, tote bags and other wares used to contain or hold smaller wares; attaché cases, briefcases, handbags; school bags; license cases, wallets, cardholders; keyrings, keycases; garment bags, suitcases, flight bags, folios, keyfobs, sports bags; driving license cases, wallet cases, business card holders, belts, credit card holders, passport holders, beauty cases, document cases, pocket wallets; address books, note books, camera bags; knapsacks, carry-ons, travel bags, sport bags, tennis bags, cosmetic bags/pouches, money belts, waist bags, lunch bags, and computer cases.

[18] He also found that the respondents' trade-marks were still famous at the time the appellant brought its action against the respondents in 1991, and still are today.

[19] Upon a sampling review of the extensive record (6,000 exhibits, hundreds of binders, dozens of samples), I am satisfied that there was ample and cogent evidence in the agreed statements of fact and the voluminous evidence adduced by the respondents to support the judge's conclusion. I see no overriding and palpable error in respect of this issue that would justify or require an intervention on our part.

[20] I should add that, as an American appellate judge once said, judges are not ferrets: cited in *Dow Agrosciences Canada Inc. v. Philom Bios Inc.*, 2007 ABCA 122, at paragraph 53. It cannot be expected that appeal judges will embark on a search of the record to find pieces of evidence which could support or particularize broad allegations made by a party to the appeal.

Whether the judge erred in imposing upon the appellant the burden of proving that there is no likelihood of confusion and applied the wrong test to the issue of confusion

1. Alleged error as to the burden of proof

[21] Paragraph 88 of the appellant's Memorandum of Fact and Law is the only basis for the extensive argument developed by the appellant at the hearing. The paragraph reads:

88. It is submitted respectfully that the criteria of section 6(2) of the Act were not proven by the Respondents, which was their onus to do. Accordingly, the Trial Judge erred at paragraph 306 of his Reasons (AB, Vol. 1, p. 219).

[22] The judge expressed himself in the following terms at paragraph 306 of his reasons for judgment:

[306] When a senior user's mark has become very well known across Canada and/or internationally, it is entitled to a much wider area of general protection beyond the wares in respect of which the mark has been used. In such cases, the burden on the junior user to dispel any likelihood of confusion is particularly difficult to overcome. Remo has not met its heavy burden to dispel likelihood of confusion where the JAGUAR cars' mark was famous at the material dates.

[Emphasis added]

[23] Counsel for the appellant submits that the respondents who were seeking the expungement of the appellant's trade-mark bore the burden of proving a likelihood of confusion. He relies upon a decision of the Exchequer Court of Canada in *Parke, Davis & Co., Ltd. v. Empire Laboratories*

Ltd., 41 C.P.R. 121 where Noël J. held that the burden to show invalidity rests with the party seeking expungement.

[24] In fairness to the judge, I should say that each party to the proceedings was seeking the expungement of the other's trade-mark. In these circumstances, it would have been helpful if the judge had addressed in a comprehensive manner the issue of the burden of proof.

[25] In coming to the conclusion that he did in paragraph 306 of his reasons, the judge relied upon the decision of the Federal Court in *Advance Magazine Publishers Inc. v. Masco Building Products Corp.*, 86 C.P.R. (3d) 207.

[26] This case involved an opposition to the registration of a trade-mark. The burden is, in these instances, on the party seeking registration of a trade-mark to show that there is no likelihood of confusion if the registration is allowed. Here, however, the situation is different. The respondents are seeking the expungement of a registered mark. I agree with the appellant that the burden of proving confusion was on the respondents: see *Parke, Davis & Co., Ltd.*, *supra*.

[27] The appellant also submits that this error of the judge permeates the other issues. For example, the reasons for judgment are silent on the burden of proof regarding depreciation of the value of the goodwill attached to the respondents' trade-marks. It is not unreasonable, the appellant says, to conclude that the judge took the same approach to this issue as he did for the issue of confusion.

[28] That the burden of showing depreciation is on the party claiming infringement of its trade-mark has been confirmed by the Supreme Court of Canada in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, 2006 SCC 23 where, at paragraph 15, Binnie J. wrote:

Despite the undoubted fame of the mark, the likelihood of depreciation was for the appellant to prove, not for the respondents to disprove, or for the court to presume.

[29] I am willing to accept the appellant's submission that if the judge made the alleged error in relation to confusion, he, in all likelihood, made the same error with respect to depreciation. Counsel for the respondents conceded that this was a reasonable inference to draw and submitted that the opposite inference should be made if we were to find that the judge made no error with respect to likelihood of confusion.

[30] Counsel for the respondents contends that the impugned statement was made by the judge in the context of the special difficulty created by a well known mark when comes the time of rebutting evidence of confusion adduced by the holder of the well known mark.

[31] There is no doubt that the statement made by the judge is at best ambiguous. His reference to the *Advance* case would tend to support the narrow and plain reading that the appellant makes of paragraph 306 of the reasons for judgment.

[32] However, in sub-paragraph 258(7)(f) of his reasons, where he distinguished the *Toyota Jidosha Kabushiki Kaisha v. Lexus Foods Inc.* case (2000), 9 C.P.R. (4th) 297 from the present instance, the judge expressly recognized that the burdens in the case of an opposition “differ significantly from the causes of action and expungement bases at play in this case”. He was aware of the fact that the burden of proof was different in matters of expungement.

[33] Furthermore, the judge twice used the word “dispel” in relation to the likelihood of confusion. The word “dispel” only makes sense in this context if a likelihood of confusion has already been established by the holder of the famous mark. One cannot dispel what does not exist. The word cannot be read as casting on the appellant the initial burden as regards likelihood of confusion.

[34] I think in the end that the judge was simply saying that, where a likelihood of confusion with a famous trade-mark entitled to a wide protection has been established, overcoming that evidence is a difficult task to assume. In my view, the word “burden” in paragraph 306 was not used in the legal sense of a burden of proof, but rather in the ordinary or colloquial sense of an arduous or daunting task.

[35] In any event, even if it were assumed that the judge made an error of law respecting the burden of proof, that error, as we shall see, would not be material. This brings me to the second part of the first error alleged, i.e. whether the judge applied the wrong test for confusion.

2. Whether the judge applied the wrong test for confusion

[36] The appellant's contention with respect to confusion is that the judge, while referring to the Act and stating the test as it appears in the Act, applied an erroneous test. Counsel for the appellant finds support for his view in paragraphs 7, 303(2) and 345 of the reasons for judgment. I should point out that the judgment itself, in its subparagraph 2(3), contains a clear conclusion as to the likelihood of confusion now and for the future.

[37] The impugned paragraphs and subparagraph 2(3) of the judgment read as follows:

[7] It is the Court's ultimate conclusion that even if confusion did not take place in the past, it has the potential to exist which, in and of itself is of major significance.

[Underlined in the original]

[303] (2) Likelihood of confusion is established when it is proven to exist on a "balance of probabilities". The likelihood of confusion has been established in potential, even if it did not exist in actuality.

[Emphasis added]

[345] Based on the principles of confusion referred to above, it is concluded that confusion is possible.

[Emphasis added]

2. Plaintiff's Registration No. 263,924 is and always has been invalid, and shall be expunged on the bases that at all material times:

...

- (3) Use of Plaintiff's JAGUAR Mark in association with Luggage Wares is likely to cause confusion with Defendants' trademark JAGUAR for automobiles and JAGUAR for Luggage Wares, and therefore:

[Emphasis added]

[38] The three statements referred to by the appellant are found in a sea of others regarding confusion: see paragraphs 298, 302, 303(4), 303(5), 306, 308, 310, 313, 317 and, as already mentioned, in the formal judgment. They are disturbing as they refer to a possibility of confusion as opposed to a likelihood. A mere possibility of confusion is not sufficient to invalidate a trade-mark: see *Veuve Clicquot Ponsardin, supra*, at paragraph 37; *Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, 38 C.P.R. (4th) 214 (F.C.A.); *Anheuser-Busch, Inc. v. Carling O'Keefe Breweries of Canada Ltd.*, 10 C.P.R. (3d) 433 (F.C.A.). Indeed, the judge's statement in subparagraph 303(2) of his reasons waters down the test to a possibility of a probability.

[39] I agree with the appellant that the three statements indicate a misconception or misapprehension of the test. However, that being said, this is not the end of the matter.

[40] There were facts on the record which could lead the judge to conclude that there was evidence of at least likelihood of confusion, if not actual confusion. First, the definition that the appellant gave of its "Maroquinerie" included the four items mentioned in its trade-mark, i.e. tote bags, handbags, school bags and luggage: see appeal book, volume 2, at page 362, admission D. 356.

[41] Second, the respondents' list of luggage wares included the above four items: see respondents' appeal book, volume 2, page 697, at paragraph 2 and the definition of luggage wares in Schedule A, at page 699.

[42] Third, the appellant admitted at trial confusion with some of the wares of the respondents. That admission can be found in volume 1 of the appeal book at page 375. It reads:

Confusion:

D509. The Plaintiff's use of the trade-mark JAGUAR in association with the Plaintiff's wares is confusing with Jaguar Cars' trade-mark JAGUAR used in association with driving license cases, wallet cases, business card holders, belts, credit card holders, key cases, address books, note books, passport holders, beauty cases, document cases and pocket wallets:

- (1) at the date of commencement of the action; and
- (2) at present.

[Emphasis added]

[43] Counsel for the appellant points out that said admission does not cover the four previously mentioned items that are an important part of the appellant's registered trade-mark and trade. It will be recalled that the judge found these four items to be, since at least 1980, part of the "natural brand extension or expansion from luxury cars into Luggage Wares": see paragraph 213 of the reasons for judgment.

[44] In my view, the matter can be understood as follows: as of 1991 and the time of trial, the appellant admits the existence of actual confusion between its wares and respondents' wares of a slightly different category. Given this admission, it is hard to imagine how and why the judge could not conclude that there would be at least a likelihood of confusion between similar wares or wares of the same category, namely the appellant's baggage, tote bags, school bags and handbags and the respondents' luggage, baggage and bags. He was entitled to draw that conclusion after having concluded that the respondents' trade-marks were famous and extended to the impugned wares.

[45] Furthermore, it is the appellant who launched an action for infringement and sought an injunction against the respondents, alleging that their wares were either confusing, causing confusion or likely to cause confusion with its own wares. The respondents counterclaimed, also alleging confusion and that the appellant was the source of that confusion. The judge found in favour of the respondents.

[46] In paragraphs 12, 14*d*), 15 and 17 of its declaration, the appellant stated:

12. By virtue of such conduct, the Defendants are infringing Remo's exclusive right to the trade-mark JAGUAR in Canada. Defendants' use of the trade name JAGUAR and of the Offending Marks is likely to cause confusion in Canada with Plaintiff's Trade-Marks.

14. Plaintiff submits that the abovementioned entries in the Register of Trade-Marks do not accurately express or define the existing rights of the Defendant J-England with respect to:

“driving license cases, wallet cases, business card holders, belts, credit card holders, key cases, address books, note books, passport holders, beauty cases, document cases and pocket wallets” (collectively the “Offending Wares”)

for the following reasons:

...

- d) the Offending Marks were not registrable with respect to the Offending Wares since they were at all material times and continue to be, confusing with the Trade-Mark JAGUAR previously registered in Canada by the Plaintiff.

15. The Offending Wares registered under the Offending Marks, namely:

“driving license cases, wallet cases, business card holders, belts, credit card holders, key cases, address books, note books, passport holders, beauty cases, document cases and pocket wallets”

are clearly of the same general class or category of wares as those registered and sold under the Plaintiff’s wide-known Trade-Marks.

17. The activities of the Defendants in using the Offending Marks JAGUAR and JAGUAR & Design with respect to Maroquinerie also constitute unfair competition in that they:

- (a) call attention to the wares and business of Defendants in such a way as to cause or be likely to cause confusion in Canada between Defendants’ wares and business and the wares and business of Plaintiff; and
- (b) constitute the passing-off of other wares for those ordered or expected.

[Emphasis added]

[47] On the basis of alleged confusion, the appellant sought, from the Federal Court, relief in the following terms regarding the use of the JAGUAR Mark and Design with respect to its Maroquinerie:

- (a) TO MAINTAIN the present action;
- (b) TO DECLARE that the adoption and use by Defendants of the Offending Marks JAGUAR and JAGUAR & DESIGN in connection with Maroquinerie constitute an infringement of Plaintiff’s exclusive rights in its Trade Mark JAGUAR registered under No. 263,924;

- (c) TO ISSUE an order for a permanent injunction requiring Defendants, their directors, officers, shareholders, licensees, clients, representatives, servants, agents, associates, employees, heirs, assignees and all those over whom Defendants exercise control or in whom they hold an interest, or any other persons having any cognizance of the Orders rendered pursuant hereto, to immediately cease, whether directly or indirectly from:
- (i) infringing or being deemed to infringe Plaintiff's registration No. 263,924 for the trade mark JAGUAR;
 - (ii) manufacturing, causing to be manufactured, importing, selling, offering for sale, distributing, advertising, or promoting in Canada with respect to any Maroquinerie any trade mark or trade name that consists of or includes the word JAGUAR or any representation of a jaguar or any combination thereof or any trade mark or trade name that is capable of causing confusion with Remo's trade mark JAGUAR;
 - (iii) calling the attention of the public to their wares in a manner that causes or is likely to cause confusion in Canada between their wares or business and those of Plaintiff;
 - (iv) passing-off other wares for those ordered or expected;
- (d) TO ORDER Defendants to remit to Plaintiff all Maroquinerie and all advertising, publicity materials, signage, literature, papers and all materials of any kind relating thereto in the possession or custody or under the control of Defendants or third parties for whom Defendants are responsible as may offend the injunction sought herein;

[Emphasis added]

[48] Now, on appeal of the same proceedings after having lost at trial, the appellant contended at the oral hearing that there is no confusion between its wares, consisting of baggage, tote bags, handbags and school bags and all the luggage wares of the respondents. Its contention came after it abandoned, three days before the hearing, its claim of infringement by the respondents. The appellant has significantly changed its argument from what it claimed before the judge. At first

instance, it initiated an infringement action with the intention of preventing the respondents from trading in Maroquinerie under the name Jaguar. Now, the appellant seeks to have the parties' uses of the marks coexist with respect to baggage, tote bags, handbags and schoolbags. The basis for this position is that, as the parties operate in different markets, there is no confusion between the parties' wares. In my view, the fact that the parties operate in different markets is not sufficient to overrule the judge's finding that there was a likelihood of confusion. Nothing in the terms of either party's registration confines that party to operation in a particular market, and the likelihood of confusion therefore remains.

[49] Furthermore, paragraphs 101 and 102 of its Memorandum of Fact and Law alleged until then existing confusion and sought a permanent injunction:

The evidence has revealed that the Respondents are offering for sale and selling in Canada tote bags, baggage (suitcases and luggage) and handbags in association with the trade-mark "JAGUAR" and are continuing to do so to date.

It is submitted that inasmuch as the Appellant has established the essential elements set forth in the *Standard Knitting* case, it is entitled to a declaration that the Respondents have infringed the Appellant's exclusive rights in its trade-mark "JAGUAR" registered under no. 263, 924, as well as the issuance of a permanent injunction restraining the Respondents, their officers, directors, licensees, dealers and employees from causing to be manufactured, importing, offering for sale, selling, advertising or promoting in Canada tote bags, suitcases, luggage, handbags and any other leather products in association with the trade-mark "JAGUAR" or any other trade-mark which is confusingly similar with the Appellant's trade-mark "JAGUAR".

[Emphasis added]

[50] Counsel for the appellant relies on a statement of L'Heureux-Dubé J. in *Sport Maska Inc. v. Zittler*, [1988] 1 S.C.R. 564 to submit that the appellant's pleadings are not binding on this Court.

At page 612, she wrote:

A digression must be made here. In his opinion LeBel J.A. [as he then was] notes that [TRANSLATION] "the pleadings of respondent [here the appellant] confirm the way in which it regarded the functions of appellants [here the respondents]" (p. 393). This "admission" can be found in paragraph 15 of the statement of claim, where respondent charged that appellants had broken certain obligations although they had [TRANSLATION] "agreed to be arbitrators". LeBel J.A. appears to regard this as a judicial admission.

At the hearing appellant explained that this word was used not in the legal sense, as it is found in the Quebec *Code of Civil Procedure*, but in a very broad sense as it is used in everyday language, and that, in any event, the classification of respondents' function was a question of law which could not be the subject of a judicial admission.

In the very recent judgment of this Court *C.(G.) v. V.-F.(T.)*, [1987] 2 S.C.R. 244, in which a similar situation occurred though in a different context, Beetz J., delivering the unanimous judgment of the Court, held as follows at p. 257:

At the hearing, counsel for the appellants conceded that the award of custody to a third person would amount to a declaration of partial deprivation ... This concession on a point of law is not binding on the Court.

A similar conclusion must be drawn here.

[51] The appellant claims that this passage prevents the Court from relying on its allegation that the parties' respective uses of the JAGUAR mark were confusing. There are at least two reasons why *Sport Maska* and the current case are distinguishable. First, to state that the Court is not bound by the parties' concessions is very different from stating that a party is not bound by its own statements. It is one thing for a litigant to adopt alternative positions. It is quite another for a litigant to simultaneously adopt positions in the same proceedings based on diametrically opposed

interpretations of the same facts, and seek to have the benefit of both positions. As previously mentioned, the appellant stated initially that there was confusion between the parties' marks in all respects; it now states that there is no confusion between the parties' marks in respect of baggage, tote bags, school bags and handbags. The appellant's success in this argument would be an internally inconsistent result. As I have already said, if the mark is confusing for key chains and wallets, it is also confusing for baggage, tote bags, school bags and handbags.

[52] Second, while the Supreme Court of Canada in *Sport Maska* dealt with a legal concession, the question of confusion is a question of mixed fact and law with a large factual component. Indeed, subsection 6(5) of the Act contains a non-exhaustive list of relevant factual considerations to guide the Court's analysis of confusion. On a question of mixed fact and law which depends so heavily on the relevant facts, the Court is entitled to rely on the facts adopted by the appellant in advancing its argument that the respondents' use of the JAGUAR mark was confusing with the appellant's registered marks with respect to all wares. That the Court now relies on these facts in a manner detrimental to the appellant's interests was the risk that the appellant took in advancing this particular argument and its factual underpinnings in the infringement claim before the Federal Court.

Whether the judge improperly added to section 18 of the Act two grounds of invalidity, i.e. depreciation and deception of the public, not recognized as such by Parliament

[53] Subsection 18(1) of the Act enumerates four grounds of invalidity of a registered trademark:

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.

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.

[54] Non-statutory grounds of invalidity have been recognized such as misappropriation of a trade-mark in violation of a fiduciary duty and fraudulent or material misrepresentations for the purposes of registration: see *Fox on Canadian Law of Trade-Marks and Unfair Competition*, (4th ed.), Thomson and Carswell, Toronto, pages 11-24. Depreciation of the value of the goodwill and deception of the public in the context of the tort of passing off one's goods as those of another are not grounds of invalidity under section 18 of the Act.

[55] The judge analyzed depreciation within the parameters of section 22 of the Act: see paragraphs 241-284 of the reasons for judgment. Section 22 deals with that issue in the following terms:

22. (1) No person shall use a trade-mark registered by another person in a manner that is likely to have the effect

22. (1) Nul ne peut employer une marque de commerce déposée par une autre personne d'une manière

of depreciating the value of the goodwill attaching thereto.

susceptible d'entraîner la diminution de la valeur de l'achalandage attaché à cette marque de commerce.

[56] Subsection 22(1) provides a remedy, even when there is no evidence of confusion, by which the respondents in this case may seek relief from the appellant's use of a mark sufficiently similar to theirs "to evoke in a relevant universe of consumers a mental association of the two marks that is likely to depreciate the value of the goodwill attaching to the [respondents'] mark": see *Veuve Clicquot Ponsardin, supra*, at paragraph 38. That remedy is not a ground of invalidity of the registration of the appellant's trade-mark contrary to what the judge found at paragraph 331 of his reasons for judgment.

[57] As for deception of the public, the judge relied upon the 1924 decision of the Exchequer Court of Canada in *Williamson Candy Co. v. W.J. Crothers Co.*, [1924] Ex. C.R. 183 where expungement of the mark was ordered. The judge's analysis of this issue of deception in the case before us was conducted under the discussion of the depreciation factors and treated as a possible kind of depreciation: see the reasons for judgment at pages 203, 205 and 210 of the appeal book, volume 1.

[58] There are two difficulties with the judge's reliance on the *Williamson* case for expungement of the appellant's registration in the present instance.

[59] First, the defendant in that case appropriated the mark of the plaintiff *Williamson* and concealed the fact that he was copying the plaintiff's mark when he applied for registration. The Exchequer Court found that the defendant was not the proprietor of the mark and not an innocent user, that the registration of the trade-mark had been improperly made and, therefore, should be expunged.

[60] In our instance, the situation is different as there is no such finding with respect to the appellant's trade-mark and registration. Though expressing some surprise, the judge accepted the testimony of Mr. Bassal, the sole shareholder, President and Chief Executive Officer of the appellant, who had lived in Beirut, Paris and Montreal for years, and traveled in Canada, Holland, Belgium, Northern Italy and Asia (Hong Kong and Korea): see reasons for judgment at paragraphs 12 to 24. According to that testimony, Mr. Bassal never saw or heard of the respondents' trade-marks JAGUAR for cars and luggage wares before he filed, on October 10, 1980, his application for the registration of the trade-mark JAGUAR covering tote bags and baggage: *ibidem*. Indeed, he claimed that it was not until 1990 that he became aware of Jaguar cars: *ibidem*, at paragraph 225. The judge also accepted that the respondents did not know of the existence of the appellant when the appellant launched its proceedings in 1991. On these facts alone, the *Williamson* case is clearly distinguishable and no authority for expungement in the present instance.

[61] In addition, section 11 of the 1906 *Trade-Marks Act* upon which the *Williamson* case is based gave the Minister the power to refuse to register any trade-mark if it appeared that the trade-mark was calculated to deceive or mislead the public: see *Williamson Candy Co.*, *supra*, at

paragraph 6. This is no longer the case although the Court, on an appropriate set of facts, could still find, when registration is sought, that a trade-mark is not adapted to distinguish the wares of the registrant because the trade-mark and its use are calculated to deceive and mislead the public: see *E.&J. Gallo Winery v. Andres Wines Ltd.*, [1976] 2 F.C. 3, at pages 17 and 18 (F.C.A.). The Exchequer Court made a finding that the defendant's registration was calculated to deceive or mislead the public and for that reason also should be expunged: *Williamson Candy Co.*, *supra*, at paragraph 16.

[62] Again, in the present instance, there is no finding made by the judge that the appellant knew of the respondents' trade-marks, that it was not the proprietor of the mark that it registered and that it knew that it was not the first user of the mark. These were all considerations that the Exchequer Court of Canada retained to ground its finding that the defendant's registration in the *Williamson* case was calculated to deceive and mislead the public.

[63] With respect, in the context of his analysis of the factors of depreciation of the goodwill attached to the respondents' trade-marks under section 22 of the Act and on the basis of the evidence before him, I do not think that the judge could conclude, as he did, that the appellant's registration of its trade-mark was "invalid and vulnerable to expungement" because it was calculated to deceive and mislead the public: see paragraphs 285 to 297 and 331 of the reasons for judgment.

Whether the judge erred in expunging the appellant's trade-mark on a prior use when the limitation period contained in subsection 17(2) of the Act had run

[64] Section 17 of the Act allows for the expungement of the registration of a trade-mark on the ground of prior use by a person other than the applicant for that registration. However, subsection 17(2) denies the right to an expungement when the proceedings are commenced after the expiration of five years from the date of the registration of the trade-mark. The five-year limitation period applies unless it is established that the person who adopted the registered trade-mark knew of the previous use.

[65] I reproduce section 17 in full since my summary left out some details not relevant for our purpose:

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.

(2) In proceedings commenced after the expiration of five years from the

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.

(2) Dans des procédures ouvertes après l'expiration de cinq ans à

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 knowledge of that previous use or making known.

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

[66] In paragraph 5 of his reasons for judgment, the judge accepted that the appellant and the respondents did not know of the existence of each other at the outset of the proceedings. He wrote:

...it is noted that both parties, respectively, claim that each, at the executive levels, did not know of the existence of the other at the outset of the legal proceedings; and the evidence itself, even if interpreted conversely by the respective parties, did not demonstrate otherwise; thus the parties should be made to live with the consequences thereof for the past.

[67] In view of this finding, the appellant submits, and the respondents do not challenge that submission, that the judge erred in ordering expungement of the registration of its trade-mark on the basis of prior use. I agree.

Whether the judge erroneously expunged the appellant's trade-mark on the basis that the trade-mark was invalid because it was not registrable on account of confusion and because it was not distinctive from the wares of the respondents

[68] I have already dealt with the issue of confusion. In view of the evidence supporting the judge's conclusion that there was in 1980, 1990, 1991, and still today, a likelihood of confusion, if

not actual confusion, with the respondents' trade-marks JAGUAR for automobiles and for Luggage Wares resulting from the appellant's use of its JAGUAR mark in association with baggage, tote bags, handbags and schoolbags, I find no merit in the appellant's argument based on paragraphs 18(1)(a) (confusion) and (b) (lack of distinctiveness) of the Act: see paragraph 2(3) of the judgment. Indeed, the appellant alleged in paragraph 15c) of its statement of claim in the Federal Court, found at page 250 of volume 1 of the appeal book, that the offending marks were not distinctive of the respondents (defendants at the Federal Court):

15.

...

- c) the Offending Marks are not distinctive of the Defendant as they do not actually distinguish all the wares in association with which the Offending Marks are registered from the wares of others, nor are they adapted to so distinguish them, nor have they ever been distinctive of the Offending Wares of Defendants; and

[69] Moreover, the appellant submitted in paragraph 95 of its Memorandum of Fact and Law that absent fame, and the requisite ambit of protection, of the respondents' trade-marks, its own trade-mark acquired distinctiveness as of March 6, 1992 through its use, advertising and attendance at trade shows. In view of the judge's finding that the respondents' trade-marks had acquired fame in 1980 and an extended ambit of protection, I see no error in the judge's conclusion that, at all material times, the appellant's mark JAGUAR has never been distinctive: see paragraph 2(4) of the judgment. That being said, I wish to add the following.

[70] I have already alluded to the ambiguity brought about by the judge's use of loose language when addressing the issue of confusion resulting from the use of the respondents' and appellant's

respective mark in association with Luggage Wares, including baggage, tote bag, handbag and schoolbag: see *supra* at paragraphs 7 and 37 to 51.

[71] This problem is compounded by the fact that the judge added at the beginning of his reasons for judgment, under the heading “introduction”, an unfortunate summary of these reasons in terms that both parties on appeal have been focusing on and struggling with.

[72] For example, the judge writes in paragraph 5 (see also paragraph 235):

...by corollary, therefore, and even more so, it then becomes readily apparent through the evidence that the respective clienteles of the respective parties were different, as was the marked separation in the market place of the respective products of both parties. Remo sells its accessories, mainly, to low-end and sometimes medium-range retail stores; whereas, Jaguar cars sells its accessories either through its automobile dealerships or directly to its buyers with no intermediary.

[73] Needless to say that the appellant is quick to seize upon this statement as evidence of the distinctiveness of its wares sold in different markets and as a finding of a lack of confusion.

[74] At paragraph 7 of this summary, the judge writes:

It is the Court’s ultimate conclusion that even if confusion did not take place in the past, it has the potential to exist.

[This last underlining appeared in the original]

[75] The words “even if” refer to a hypothetical situation and do not mean that there is no confusion in the present case. The judge found that, at all material times, there was a likelihood of confusion: see subparagraph 2(3) of the judgment and the appellant’s claim of actual confusion discussed in paragraphs 37 to 51.

[76] A careful reading of paragraphs 5, 6 and 7 of this summary shows that these statements are limited in their scope to the issue of damages and were made by the judge in support of his conclusion that no damages should be granted for the past. I will come back to that question when assessing the merits of the respondents’ cross-appeal.

Whether the judge erred in granting the respondents an injunction

[77] For reasons already expressed, I find no merit in this argument.

Conclusion on the appeal

[78] I would allow the appeal to the limited extent of setting aside the conclusions of the judge that:

- a) the appellant’s registration has always been invalid by deleting from the first sentence of paragraph 2 of the judgment the words “and has always been”;

- b) the use of the appellant's JAGUAR mark in association with Luggage Wares is likely to depreciate the value of the goodwill attaching to Jaguar Cars Limited's Registrations for JAGUAR marks for automobiles by deleting paragraph 2(1) of the judgment; and
- c) the use of the appellant's JAGUAR mark in association with Luggage Wares could potentially deceive and mislead the public by deleting paragraph 2(2) of the judgment.

The merits of the cross-appeal

[79] In his formal judgment, the judge ruled that the appellant's Registration No. 263,924 is and always has been invalid and shall be expunged (emphasis added). He came to the conclusion that at all material times, there was:

- a) a likelihood of depreciation of the value of the goodwill attached to the respondents' mark;
- b) a potential deception and misleading of the public resulting from the appellant's use of the JAGUAR mark with Luggage Wares;
- c) a likelihood of confusion with the respondents' trade-marks for cars and Luggage Wares; and
- d) a lack of distinctiveness of the appellant's trade-mark.

[80] The key passages relating to damages are found in paragraphs 5, 6, 7, 347, 348 and 349 of the reasons for judgment and in paragraph 6 of the judgment. I reproduce them as they appear in the reasons for judgment:

[5] Therefore, in regard to the surveys and the evidence of the experts, the Court, further to reflection, is in basic agreement with the analysis of the Plaintiff, yet, in and of itself, that does not alter the Court's analysis, reached in conclusion, after consideration of the evidence as a whole. Although the ultimate outcome remains the same as that argued by the Defendants, in terms of the interpretation of the law, doctrine and jurisprudence, it is noted that both parties, respectively, claim that each, at the executive levels, did not know of the existence of the other at the outset of the legal proceedings; and the evidence itself, even if interpreted conversely by the respective parties, did not demonstrate otherwise; thus, the parties should be made to live with the consequences thereof for the past; by corollary, therefore, and even more so, it then becomes readily apparent through the evidence that the respective clienteles of the respective parties were different, as was the marked separation in the market place of the respective products of both parties. Remo sells its accessories, mainly, to low-end and sometimes medium-range retail stores; whereas, Jaguar Cars sells its accessories either through its automobile dealerships or directly to its buyers with no intermediary.

[6] Therefore, the Plaintiff is not ordered to pay any exemplary, punitive or other damages; nevertheless, as explained in the reasons of the judgment below, the Defendants have a right to their "famous" trademark, thus, the Plaintiff's trademark, bearing the name Jaguar is to be expunged.

[7] It is the Court's ultimate conclusion that even if confusion did not take place in the past, it has the potential to exist which, in and of itself, is of major significance. Again, since each party, at its executive levels, claims it did not "consciously" or "directly" know of the existence of the other prior to the outset of legal proceedings, neither party should be financially accountable to the other for the past, nor should either party suffer financial consequences based on that past (other than costs which remain to be determined); with respect to the future that would be a different matter, and therefrom flows the judgment.

[347] The law assumes, or presumes, that if the goodwill of a man's business has been interfered with by the passing off of goods, damage results therefrom. He need not wait to show that damage has resulted, (*Sun Life*).

[348] It is concluded that Remo has infringed Jaguar Cars registered trademarks and passed off its wares contrary to s.19, 20, 7(b) and 7(c) of the *Trade-marks Act*.

[349] Jaguar Cars is therefore entitled to the following relief: A declaration that Remo's registration is invalid and Jaguar Cars' trademarks have the potential to be depreciated, infringed and passed off, as well as the issuance of an injunction (Whiten; Apotex).

and in the judgment:

6. Plaintiff shall not pay to the Defendants any exemplary, punitive or other monetary damages because until now, no monetary damages have been proven. The respective clienteles and markets of the respective parties have been separate until now; however, that may not be the situation for the future.

[81] The parties agree in their submissions that all these statements are not easy to reconcile. For example, the judge ruled at paragraphs 347 and 348 of the reasons for judgment and at paragraph 2(1) of the judgment that damage is presumed when the goodwill has been interfered with by the passing off of goods, that the appellant infringed the respondents' trade-marks and passed off its wares in violation of paragraphs 7(b) and (c) and of sections 19 and 20 of the Act, and there was a likelihood of depreciation at all material times, that is to say since 1980. Yet, in the same breath, in paragraph 349, he shows a willingness to issue, as a remedy, a declaration which contradicts his earlier findings, namely that the respondents' trade-marks "have the potential to be depreciated, infringed and passed off".

[82] The judge's reasons leave the impression that he had a desire not to award damages for the past, but to leave the door open for the future. I think that he came to the right result, but for reasons which confuse the issue of damages.

[83] The respondents argue in their cross-appeal that the judge erred in finding that there was no evidence of damages and in failing to order a reference as to damages or profits in accordance with the Order of Teitelbaum J. issued on November 18, 1998.

[84] That Order was issued pursuant to Rules 153 *et seq* of the *Federal Court Rules, 1998* and used the language of former Rule 480 of the *Federal Court Rules, C.R.C. 1978, c. 663*. The gist of that Order is found in paragraph 1 and reads:

1. IT IS ORDERED that the questions of:
 - (1) the extent of the infringement of any rights of any party;
 - (2) the damages flowing from any infringement of any rights of any party; and
 - (3) the profits arising from any infringement of any rights of any party, if any, be, after trial, the subject of a reference under Rule 153 I *et seq* if it then appears that such questions need to be decided.

[85] The judge found likelihood of confusion and passing off from 1980 to present. In assessing the relevant circumstances under subsection 6(5) of the Act, he took into consideration the fact that the appellant and the respondents operated in different channels of trade. Having so concluded, the

respondents submit that the judge could not rule that there were no damages for the past on the basis that the parties exploited different channels of trade.

[86] With respect to depreciation of the value of the goodwill attached to their trade-marks, the respondents argue that the finding of passing off by the judge required a finding of damage. Therefore, he could not later find that there was no damage for the past, once again on the basis that the parties were not trading in the same channels.

[87] Finally, the respondents aver that the judge, having found that the appellant's registration was void *ab initio* (the judge ruled that the appellant's registration is and always has been invalid and has never been registrable), should have made the appellant financially accountable for the past. Alternatively, compensation should be available to them either as of the date the appellant was made aware that the respondents were challenging the validity of its registration, or as of the date of the judgment by the Federal Court.

[88] The appellant did not appeal directly against the judge's finding of passing off. However, counsel for the appellant contends that his client is not liable for damages until the appellant's registration was declared invalid. He also supports the findings of the judge that there was no evidence of damages for the past resulting from confusion or depreciation.

[89] Three components are necessary for a passing-off action: the existence of a goodwill, deception of the public due to a misrepresentation and actual or potential damage to the plaintiff: see

Ciba-Geigy Canada Ltd. v. Apotex Inc., [1992] 3 S.C.R. 120, at page 132; *Kirkbi AG v. Ritvik Holdings Inc.*, [2005] 3 S.C.R. 302, at paragraphs 66 to 69. Misrepresentation is not limited to willful misrepresentation: it also covers negligent or careless misrepresentation: *ibidem*, at paragraph 68.

[90] I should point out that, in stating the three components of a passing-off action, Gonthier J. quoted from Lord Oliver in *Reckitt & Colman Products Ltd. v. Borden Inc.*, [1990] 1 all. E.R. 873, at page 880. However, when referring to damages, Lord Oliver retained actual damage or likelihood of damage as the third component, as opposed to merely potential damage. In *Fox on Canadian Law of Trade-marks and Unfair Competition*, previously cited, at page 4-83, the authors also speak in terms of likelihood of damage and cite the *Ciba-Geigy Canada Ltd.* case in support of their statement of that part of the test. These authorities, taken together with the fact that damages are assessed on the standard of likelihood in other trade-mark matters, lead me to conclude that the third component of a passing-off action requires proof of actual damage or the likelihood of damage: see *Veuve Clicquot Ponsardin*, previously cited, at paragraphs 37-38, maintaining the standard of likelihood for both the issues of confusion and depreciation. Accordingly, when Gonthier J. used the term “potential damage” in *Ciba-Geigy Canada Ltd.*, I believe that he used the phrase to mean damages that had not actually occurred. He did not set the standard for establishing damages in actions of passing off as anything lower than proof of the likelihood of damages.

[91] I confess that I am at a loss to understand how and why the judge in the case at bar could have come to the conclusion, on the basis of the evidence before him, that the appellant passed off its wares as those of the respondents and ruled the appellant's Registration No. 263,924 to have always been invalid.

[92] The appellant validly registered its trade-mark in 1981 for tote bags and luggage and amended it in 1984 for handbags and school bags. As previously mentioned, both parties to the proceedings were unaware at the time, and until 1991, of the existence of each other. The judge did not impugn the credibility of either party. How then can it be said that the appellant engaged in a willful or negligent misrepresentation creating confusion in the public when it did not know of the existence of the respondents' trade-marks, applied publicly and without opposition for a registration of, and subsequent amendments to, its own mark, and operated in channels of trade different from those of the respondents?

[93] It is true that in 1999, therefore after it knew of the existence of the respondents, the appellant launched a massive Canada-wide advertising campaign of its wares bearing its JAGUAR mark. However, at the time, the appellant's law suit for infringement against the respondents was pending although the respondents' counterclaim seeking expungement of the appellant's registration had been filed.

[94] These are the only facts related by the judge even remotely linked to a finding of misrepresentation. However, he draws no adverse inference or conclusion from them. Even if he did

find misrepresentation in these facts, it would still not explain his implicit finding that misrepresentation existed since 1981, i.e. the date of the registration of the appellant's trade-mark.

[95] Since the appellant did not appeal against the judge's conclusion with respect to passing off, I will refrain from deciding that issue. I will, however, address the question of damages, beginning with depreciation of the goodwill.

Damages resulting from depreciation of goodwill

[96] The judge made a finding pursuant to section 22 of the Act that use of the appellant's mark in association with luggage wares is likely to depreciate the value of the goodwill attaching to Jaguar Cars Limited's Registrations for JAGUAR marks for automobiles.

[97] In *Veuve Clicquot Ponsardin, supra*, the Supreme Court of Canada laid a stringent test in relation to depreciation. While depreciation of the value of the goodwill attaching to a mark may exist in the absence of confusion, there has to be a link, connection or mental association in the consumer's mind between the appellant's display and the respondents' famous trade-marks JAGUAR in order that depreciation of the latter be found: see paragraph 49 of the above decision.

[98] The existence of the linkage or mental association is not to be assumed. At paragraph 56, Binnie J. wrote:

If the somewhat-hurried consumer does not associate what is displayed in the respondents' store with the mark of the venerable champagne maker, there can be no impact – positive or negative – on the goodwill attached to Veuve CLICQUOT.

[99] The same is true here. If the hurried consumer at Zellers, K-Mart, Giant Tiger and Sears, where the appellant is selling its wares, does not associate what is displayed there with the JAGUAR mark for automobiles, then there is no impact on the goodwill attached to Jaguar cars.

[100] Furthermore, depreciation is not to be presumed. It has to be proven and mere possibility of depreciation is not sufficient. Evidence of at least a likelihood of depreciation is required: *ibidem*, at paragraphs 60 and 67.

[101] The judge found that use by the appellant of its mark JAGUAR in association with Luggage Wares is likely to depreciate the value of the goodwill attaching to the respondents' trade-marks JAGUAR for automobiles: see paragraph 2(1) of the judgment.

[102] While the judge did a theoretical review of the law relating to depreciation, his analysis of the evidence is too broad and unspecific.

[103] The judge rejected all expert evidence submitted by the respondents. One is then left with the evidence that the respondents, as of 1980, sold expensive and luxurious cars and that, at the same period, the appellant sold inexpensive bags. While the appellant's claim of confusion may be sufficient to ground a finding that there was a linkage between the parties' marks in the mind of the

somewhat hurried consumer, there is still not enough evidence on the record to establish a likelihood of depreciation of the respondents' JAGUAR mark for cars. The judge does not draw any attention to which evidence could lead to such a holding, and I cannot conclude on the mere basis of the unequal quality or price of the parties' goods that a likelihood of depreciation has been established.

[104] In the end, I do not think that the respondents have met their burden of proving depreciation and that an inference of likelihood of depreciation can be drawn from the record.

[105] The reference ordered by Teitelbaum J. applies to damages or profits flowing from any infringement. It applies to an infringement claim pursuant to section 20 of the Act. It does not extend to a claim of depreciation under section 22. As the Supreme Court of Canada ruled in the *Veuve Clicquot Ponsardin* case, at paragraph 69, the likelihood of depreciation is one of the elements of the cause of action and it needs to be established for the claim to succeed before the extent of said depreciation can be determined by way of reference.

Damages for the past

[106] The respondents invoke three decisions to support their contention that the judge was right in concluding that the appellant's registration was void *ab initio*: *Marchands RO-NA Inc. v. Tefal S.A.*, 55 C.P.R. (2d) 27 (F.C.T.D.); *W.J. Hughes & Sons "Corn Flower" Ltd. v. Morawiec* (1970),

62 C.P.R. 21 (F.C.T.D.); and *Unitel Communications Inc. v. Bell Canada* (1995), 61 C.P.R. (3d) 12 (F.C.T.D.).

[107] The *Marchands RO-NA Inc.* and *Unitel Communications Inc.* cases are distinguishable from the present instance. In the first case, the registration had been obtained on misleading evidence and, in the second, the marks were improperly registered on the basis of false declarations of use.

[108] As for the *W.J. Hughes & Sons "Corn Flower" Ltd.* case, it dates back some 37 years and many reasons were given for declaring void *ab initio* the registration of the trade-mark: the plaintiff did not intend to use the design or pattern as a trade-mark, never used the trade-mark as a trade-mark since the date of registration (August 11, 1951) to 1970, the pattern or design was not the subject of a trade-mark within the meaning of paragraph 2(m) of the *Unfair Competition Act, 1932* in that, as employed, it had a functional use or characteristic being ornamental and that its intended use was solely for such functional purpose. At page 11 of the reasons for judgment, Gibson J. wrote:

But there could have been no valid registration of this pattern or design to be applied on glassware for ornamentation or functional use only. If the intention to do this latter only had been conveyed to the Registrar at the time of the application in 1951, he probably would have refused registration.

[109] At the time, intention to use as a trade-mark was one of the bases for valid registration and the plaintiff lied as to its true intention when it declared that the pattern or design was to be used for trade-mark purposes. Again, this is a situation quite different from the one prevailing in the present instance.

[110] In the case at bar, the appellant had a valid registration until found invalid and expunged by the judge in 2006. There were no misrepresentations made by the appellant at the time of registration. There is no finding by the judge that the appellant was acting in bad faith at that time although no satisfactory explanation was given as to why the appellant changed the names “Beau Sac” and “Sacsibo” of its bags and moved to register its trade-mark JAGUAR in 1981. The judge concluded that there was evidence of likelihood of confusion at the time of the proceedings in 1991 and that this likelihood of confusion would remain if the appellant’s trade-mark were allowed to stay on the registry. I think that, in the circumstances, the appellant is entitled to the benefit of section 19 of the Act which reads:

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.

[111] The case law stands for the proposition “that the use of a registered trade-mark is an absolute defence to an action in passing off” where there is no significant difference between the mark as registered and the mark as used: see *Jonathan, Boutiques Pour Hommes Inc. v. Jay-Gur International Inc.* (2003), C.P.R. (4th) 492, at paragraphs 4 and 6 (F.C.).

[112] A similar conclusion was reached by the British Columbia Court of Appeal in *Chemicals Inc. and Overseas Commodities Ltd. v. Shanahan's Ltd.* (1951), 15 C.P.R. 1, at page 13 and by the Ontario Court of Appeal in *Molson Canada v. Oland Breweries Ltd.* (2002), 19 C.P.R. (4th) 201. In this last case, at paragraph 16, Carthy J.A., writing for the Court, said:

[16] My conclusion from this review of the case law is that the respondent is entitled to use its mark throughout Canada in association with its beer. If a competitor takes exception to that use its sole recourse is to attack the validity of the registration. If it were otherwise, a plaintiff complaining of confusion caused by a competitor's registered mark would himself be infringing on the mark by establishing that confusion. This follows from s. 20 of the *Act*, which provides that a registered mark is deemed infringed by a person who sells wares with a confusing trade-mark or trade name.

[113] This legal conclusion also finds support in the following *obiter* from Binnie J., at paragraph 16 of his reasons for judgment in the *Veuve Clicquot Ponsardin* case:

16. The respondents say that the 1997 registration of their trade-mark *Clicquot* and *Clicquot "Un Monde à part"* is a complete answer to the appellant's claim. I do not agree. The appellant has put the validity of the registrations in issue and seeks expungement. Were the appellant to succeed in obtaining expungement, no doubt the respondents could argue that they ought not to be liable to pay compensation attributable to the period during which their own registrations were in effect. However, as the appellant has not succeeded on this appeal, the scope of compensation is not an issue that arises for determination in this case.

[Emphasis added]

[114] In my respectful view, the respondents are entitled to damages or profits for infringement, but only as of January 16, 2006 which is the date of the judgment of the judge.

Whether a reference should be ordered

[115] The appellant was enjoined by the judge to cease selling its wares with the JAGUAR mark. However, by an Order of Blais J. rendered on February 13, 2006, the judgment was stayed in part and the appellant has continued selling its wares. A reference should therefore be made to determine the extent of the infringement since January 16, 2006 and the damages or profits flowing from that infringement.

Conclusion on the cross-appeal

[116] I would allow the cross-appeal with costs and set aside paragraph 6 of the judgment. Proceeding to render the judgment that should have been rendered, I would send the matter back to the Federal Court to determine whether the respondents, if they so desire, are entitled to elect for an accounting of profits instead of damages. Pursuant to the Order of Teitelbaum J., I would refer to the Federal Court the issue of the extent of the infringement as well as that of damages or profits, as the case may be, for a determination of their quantum as a result of the appellant's infringing activities since January 16, 2006.

[117] The stay of judgment sought by the appellant in the Federal Court was for the duration of the present appeal. However, the Order issued by Blais J. fixes no limit on the duration of the stay. Consequently, I would order that the partial stay of the Federal Court decision ceases to have effect on the release of the decision of this Court to the parties.

[118] I would also order that:

- a) the money held in trust by respondents' counsel pursuant to the Order of Blais J. dated February 13, 2006 be applied towards damages or profits found on the reference; and
- b) the sum of \$100,000 held in trust by respondents' counsel as a security for costs of the appeal be applied to the costs of the appeal and cross-appeal ordered in favour of the respondents.

[119] Finally, pursuant to section 37 of the *Federal Courts Act*, I would order that the appellant pay to the respondents post-judgment interests at a rate that the Federal Court considers reasonable in the circumstances.

Summary of findings on the appeal and cross-appeal

[120] For the sake of clarity, I think that I should summarize the principal findings made in these reasons for judgment since some of them are not reflected in the formal judgment.

[121] I agree with the judge that the respondents' trade-marks JAGUAR for automobiles, luggage wares and other related accessories were famous by 1980, 1990 and still are today.

[122] I also agree with his finding that there is a likelihood of confusion between the appellant's trade-mark and wares and those of the respondents since 1991 to the present time and that the appellant infringed the respondents' trade-mark. Accordingly, the judge made no mistake when he issued a permanent injunction against the appellant and an order to destroy or deliver up all material contrary to the injunction that is in the possession or within the power, custody or control of the appellant.

[123] The judge rightly concluded that the registration of the appellant's mark was invalid and should be expunged. However, I believe that, on the basis of the evidence that he accepted, he could not declare void *ab initio* the appellant's registration of its trade-mark.

[124] I also disagree with the judge's interpretation of section 22 of the Act whereby he made depreciation of the goodwill and deception of the public grounds of invalidity of a registration pursuant to section 18 of the Act.

[125] In the same vein, I do not think that the evidence on the record supports his conclusion that there is a likelihood of depreciation of the goodwill attached to the respondents' trade-marks JAGUAR.

[126] I also believe that he was mistaken when he expunged the registration of the appellant's trade-mark on the basis that it was calculated to deceive and mislead the public and on the basis of a prior use when the limitation period of five years had run.

[127] With respect to damages, the judge did not err in concluding that the appellant should not be made liable for damages in the past. However, I come to the same conclusion for different reasons.

[128] Since there was no appeal of the judge's decision regarding passing off, I do not interfere with his finding that the appellant passed off its wares for those of the respondents.

[129] Finally, since the appellant has continued to sell its wares after the release of the judge's decision, I have concluded that:

- a) The respondents are entitled to seek a determination by the Federal Court of their right to elect for an accounting of profits;
- b) On their claim of infringement, the respondents are entitled to a reference to have determined the extent of that infringement as well as the quantum of damages or profits, as the case may be, resulting from the appellant's infringing activities since January 16, 2006; and
- c) The respondents are entitled to post-judgment interests at a rate that the Federal Court considers reasonable in the circumstances.

“Gilles Létourneau”

J.A.

“I agree
Robert Décary J.A.”

“I agree
Johanne Trudel J.A.”

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

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REASONS FOR JUDGMENT BY: LÉTOURNEAU J.A.

CONCURRED IN BY: DÉCARY J.A.
TRUDEL J.A.

DATED: July 18, 2007

APPEARANCES:

Mr. Richard Uditsky
Mr. Barry Gamache

FOR THE APPELLANT

Mr. J. Douglas Wilson
Ms. Pauline Bosman

FOR THE RESPONDENTS

SOLICITORS OF RECORD:

McMillan Binch Mendelsohn
Montréal, Quebec
and
Léger Robic Richard
Montréal, Quebec

FOR THE APPELLANT

Ridout & Maybee
Toronto, Ontario

FOR THE RESPONDENTS