

Federal Court



Cour fédérale

Date: 20150916

Docket: T-1971-13

Citation: 2015 FC 1083

Ottawa, Ontario, September 16, 2015

PRESENT: The Honourable Madam Justice Gagné

BETWEEN:

**CONSTELLATION BRANDS INC.,
CONSTELLATION BRANDS QUÉBEC INC.,
CONSTELLATION BRANDS CANADA INC.,
SUMAC RIDGE ESTATE WINERY LTD.,
AND FRANCISCAN WINEYARDS INC.**

Applicants

and

DOMAINES PINNACLE INC.

Respondent

JUDGMENT AND REASONS

[1] This is an appeal of a decision rendered by the Trade-marks Opposition Board, whereby it rejected the statement of opposition brought under section 38 of the *Trade-marks Act*, RSC 1985, c T-13 [Act], by Constellation Brands Inc., Constellation Brands Québec Inc., Constellation Brands Canada Inc., Sumac Ridge Estate Winery Ltd., and Franciscan Vineyards Inc. [Applicants]. The Board was of the view that there was no reasonable likelihood of

confusion between the Applicants' trade-marks and DOMAINE PINNACLE & DESIGN [Word & Design Mark] - the subject of the application for registration by Domaines Pinnacle Inc.

[2] The Applicants essentially argue that the Board erred in fact and law with respect to the test of confusion pursuant to subsection 6(5) of the Act. They particularly take issue with the overarching application of the test and a number of legal principles misapplied or ignored in relation to the following subsection 6(5) factors: (i) the degree of resemblance; (ii) additional surrounding circumstances; and (iii) the distinctiveness of the trade-marks and the extent to which they have become known. The Applicants also submit fresh evidence and argue this Court should consider this matter *de novo*.

[3] After the parties' file was perfected but before the hearing, this Court issued its decision in *Restaurants la Pizzaiolle Inc v Pizzaiolo Restaurants Inc*, 2015 FC 240 [*Pizzaiolle*]. The Applicants argue that it is determinative of this case, whereas the Respondent contends it should not be followed.

[4] I am of the view that the Applicants' best argument hinges on the issue of whether the Board erred in failing to consider the registered word mark according to its terms rather than resorting to actual use, in the degree of resemblance analysis.

[5] For the reasons discussed below, the appeal will be granted.

I. Background

[6] Franciscan Vineyards Inc. [Franciscan] is a winery. It does business under a number of different trade names including “Estancia Estates”, and is located in Soledad Monterey County California. It produces and bottles wine sold in Canada and the United States and does so in association with the trade-mark PINNACLES (TMA 683,119, registered on March 7, 2007) [Applicants’ Word Mark PINNACLES] and PINNACLES RANCHES. The marks PINNACLE (without an “s”) has also been used by another Applicant, Sumac Ridge Estate Winery Ltd [Sumac Ridge] located in British Columbia, under a licence agreement. The PINNACLES Registration has been used in Canada since 1993.

[7] The Respondent is a family owned business that has specialized in the making of ice cider since 2000. The Word & Design Mark has been used in association with apple-based alcoholic beverages since 2001. The Respondent has distributed and marketed its products in Canada and worldwide using different channels and distributors.

[8] On June 3, 2004 (amended July 13, 2005), the Respondent filed with the Board its application No. 1,219,008 to register the Work & Design Mark, as mentioned, DOMAINE PINNACLE & DESIGN, in association with the following wares:

Wares (1): Apple-based alcoholic beverages,

Wares (2): Apple-based non-alcoholic products, namely, sparkling and non-sparkling juice, sparkling sweet cider, beverage, purees, compotes, jellies, jams, candies, pies, sauces, baby foods and cereals.

[9] The subject of the application shows the Word & Design Mark as follows:



[10] On August 5, 2008, the Applicants filed a statement of opposition which was rejected by the Board on September 16, 2013.

II. The Board's Decision

[11] The Applicants raised several grounds of opposition but the Board was of the view that the non-registrability ground of opposition under s. 38(2)(b) of the Act was determinative of the opposition. Essentially the issue was framed as whether the Word & Design Mark is confusing with the Applicants' trade-mark or word mark PINNACLES. The Board member concluded that the Respondent discharged its burden of showing, on a balance of probabilities, that there was no reasonable likelihood of confusion. She noted that the applied-for Wares (1) and the Applicants' wines "travel through the same, or overlapping channels of trade and both belong to the same industry" but nevertheless concluded that overall, the remaining factors tipped the balance of probabilities in favour of the Respondent.

[12] The Board first interpreted the test for confusion under subsection 6(2) of the Act:

- As concerning confusion of wares or services from one source as being from another source, rather than confusion between the trade-marks themselves;
- As being one of first impression and imperfect recollection; “the point of view of the average consumer having a general and not a precise recollection of the earlier mark”. Thus, the trade-marks should be looked at in their totality and assessed for their effect on the average consumer as a whole rather than dissected or subjected to microscopic analysis (quoting from *Pernod Ricard v Molson Breweries*, [1992] FCJ No. 706);
- In applying the test, all the surrounding circumstances, including those factors listed in subsection 6(5), must be considered;
- As the list stipulated under subsection 6(5) is not exhaustive, additional surrounding circumstances are to be considered;
- As the factors are not necessarily attributed legal weight, the weight given to each depends on the circumstances; and that
- Regard should be given to the following decisions: *Mattel, Inc v 3894207 Canada Inc*, 2006 SCC 22 [Mattel]; *Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée* [2006] and *Masterpiece Inc v Alavida Lifestyles Inc*, 2011 SCC 27 [Masterpiece].

[13] The Board then went on to consider each of the factors under subsection 6(5) along with additional surrounding circumstances.

A. *Inherent distinctiveness of the trade-marks and extent to which they have become known*

[14] The Board found that the “inherent distinctiveness and acquired distinctiveness” of the trade-marks favoured the Respondent, after comparing the sales figures and marketing expenses for Sumac’s PINNACLE brand of wines provided through the Howard affidavit to those provided by the Respondent through the Crawford affidavit.

[15] The Board's analysis begins with the conclusion: "I assess the inherent distinctiveness of the trade-marks at issue as about the same and relatively weak". The analysis continues:

Indeed, both trade-marks are made up of the dictionary word "pinnacle" that is defined as the highest point, the culmination, a summit or a tall pointed formation, such as a mountain peak. Accordingly, the trade-marks, when considered in the context of the wares at issue, may evoke a summum and so they arguably have a laudatory connotation. Likewise, they may evoke a geographical connotation, especially the Mark owing to the preceding word DOMAINE.

[16] Before the Board, the Applicants submitted that the question of geographical significance was irrelevant in assessing the inherent distinctiveness of the parties' trade-marks because there was no evidence that the average consumer of the wares at issue would be aware of the two specific geological formations. For the Applicants, PINNACLES was arbitrary and original to them; the Mark was distinctive only to the extent that it adopted the common word PINNACLES.

[17] The Board sided with the Respondent because the evidence on the record established the geographical connotation of the word PINNACLE. The Board member added: "I do not mean to say by this that the parties' trade-marks are clearly descriptive of the place of origin of the wares at issue. Rather, I believe such evidence supports my previous finding as to the weak inherent distinctiveness of the parties' marks".

[18] The Board then went on to discuss the concept of inherent distinctiveness in the context of the confusion analysis and cited *Fox on Canadian Law of Trade-marks and Unfair Competition*: "Marks that do not have much inherent distinctiveness, such as APPLE, BEAUTY

or MASTERPIECE, deserve less of an ambit of protection than coined words. These marks are weak due to their common use in everyday language... This aspect... of the confusion analysis takes into consideration the ability of the ordinary consumer to be able to discriminate between marks that have a common element that is non-distinctive.”

[19] As regards the extent to which the trade-marks at issue have become known, the Board was satisfied by the Crawford Affidavit that the Respondent established continuous and extensive use of the Mark in Canada in association with Wares (1) dating back to the year 2001. The Applicants’ evidence, meanwhile, established the sales of the Respondent’s ice cider under the Mark at the same Société des Alcool du Québec (SAQ) retail outlets as the Applicants sold its Estancia Estates PINNACLES wine.

[20] When considering the assertions of use of the PINNACLES trade-mark by Franciscan, the Board was not prepared to accept the PINNACLES RANCHES label (as shown on Exhibit 6, submitted in evidence), on each bottle of wine sold in Canada, as constituting use of the PINNACLES trade-mark as registered *per se*. Relying on *Canada (Registrar of Trade Marks) v Cie Internationale pour l’informatique CII Honeywell Bull SA*, [1985] 1 FC 406 (FCA), the Board concluded that the overall impression created by the mark, as registered, was lost, because the trade-mark as used is made up of the words PINNACLES and RANCHES which were equally dominant. The public as a matter of first impression would not perceive the trade-mark used as being the registered trade-mark.

[21] On the other hand, the Board agreed with the Applicants that when it came to Sumac Ridge Estate Winery Ltd.'s deviation between PINNACLE and PINNACLES, it was only a minor deviation and thus constituted use of the Applicants' Word Trade-Mark.

B. *Length of time the trade-marks have been in use*

[22] The Board concluded that overall, the second factor favoured the Applicants with respect to Wares (1) and (2). However, the Board found the significance of this factor to be reduced with respect to Wares (1) because both trade-marks have been used for a considerable length of time.

[23] The Board was satisfied that PINNACLES was used in Canada through the Franciscan's licensee Sumac dating back to 1997.

[24] The Respondent's Mark showed use of the Mark in association with Wares (1) dating back to 2001.

C. *Nature of the wares, services or business; and d) Nature of the trade*

[25] Treating both *c)* and *d)* factors together, the Board concluded that they favoured the Applicants in as far as applied-for Wares (1) were concerned. However, as regards applied-for Wares (2), the Board concluded that the *c)* and *d)* factors favoured the Respondent.

[26] Comparing the statement of wares in Franciscan's registration to the Respondent's statement of wares, it was clear to the Board that the Applicant's wine and the Respondent's applied-for Wares (1) fall under the category of alcoholic beverages. However, as to the first part of the applied-for Wares (2), the "apple-based non-alcoholic products namely, sparkling and non-sparkling juice, sparkling sweet cider, beverage", the Board found they are not part of the same industry as the Applicant's wine. As for the second part of Wares (2), the "apple-based non-alcoholic products" namely, "purees, compotes, jellies, jams, candies, pies, sauces, baby foods and cereals", the Board found they were "clearly different" than wine and thus it was reasonable to infer that corresponding channels of trade would differ.

D. *Degree of resemblance between the trade-marks in appearance or sound or in the ideas suggested by them*

[27] The Board did not explicitly express whether factor *e*) favoured the Applicants or the Respondent; however, it seems that the visual aspect was determinative, and thus in favour of the Respondent. The analysis can be broken down as follows:

- There was a fair degree of resemblance between the parties' marks since the word PINNACLE is the dominant element of the Word & Design Mark;
- This conclusion did not change even though the Word & Design Mark included the word DOMAINE and a fanciful element made up of a snowflake superimposed on an apple; the word PINNACLE remained the most distinctive element when considering the mark phonetically;
- Visually speaking, however, the marks suggested different ideas; the apple element in the Word & Design Mark suggests the idea of apple-based products while the snowflake element suggests the idea of cold and winter; in contrast, the PINNACLES of the Applicants' suggests the idea of a plurality of summits.

E. *Additional surrounding circumstances*

[28] Contrary to other submissions made by the Applicants and relying on *Christian Dior SA v Dion Neckwear Ltd* [*Dion Neckwear Ltd*], 2002 FCA 29, the Board member was only prepared to accord weight to one additional surrounding circumstance, which she viewed as favouring the Respondent: absence of actual confusion amidst coexistence. Since at least 2001, there was an absence of confusion between the parties' trade-marks despite their having been used and having coexisted in the Canadian marketplace; the evidence was based on concurrent use in provincial liquor commissions, and the fact that both parties participated in the same competitions for their products. Relying on the case law, the Board noted that the "lack of actual confusion" was a factor which the courts have found to be of significance when determining the likelihood of confusion.

III. Issues

[29] This appeal raises the following issues:

1. What is the standard of review – is the new evidence filed mainly by the Applicants important and significant?
2. Did the Board commit a reviewable error in determining whether the Respondent's Word and Design Mark, DOMAINE PINNACLE & DESIGN, is likely to be confusing with the Applicants' registered Word Marks PINNACLES and PINNACLE? If the Court should instead assess this appeal *de novo*, the question is rather whether such confusion is likely to occur?

IV. Analysis

A. *Standard of review*

[30] New evidence may be submitted on appeal under subsection 56(1) of the Act; however, the question remains: would this fresh evidence have materially affected the Board's findings of fact, or its exercise of discretion? The answer to this question determines the standard of review this Court must apply in this appeal. If answered in the affirmative, a *de novo* review will take place and it is not an option to send the matter back for redetermination. However, if the Applicants have not adduced new evidence or if they have and such evidence would not have materially affected the decision of the Board, the standard of review is reasonableness (*Mattel*, above at paras 35, 37, 40-41; *Telus Corp v Orange Personal Communications Services Ltd*, 2005 FC 590 at paras 22 and 41, aff'd 2006 FCA 6; *Molson Breweries v John Labatt Ltd*, [2000] 3 FC 145, [2000] FCJ No 159 at para 51).

[31] I note at the outset, filed before the Board were the following three most substantive pieces of evidence: affidavits sworn by (i) Mr. Fondiller, who, among several titles, is the Senior Vice President and General Counsel and Secretary of Franciscan; (ii) Mr. Howard, the Senior Vice-President of Marketing, English Canada for Vincor International and (iii) Mr. Crawford, Founder and President of the Respondent. The following exhibits supported those affidavits:

- i. Exhibit ICC 2 and the Cross-examination of Mr. Crawford containing admissions he made in writing or orally concerning confusion and resemblance of the marks (tab 6);

- ii. The addition of paragraph 37 to Mr. Fondiller's Affidavit, in which he cross-references Exhibit-13, a Statement of Claim filed by the Respondents purporting to contain contradicting statements in another matter before the Federal Court in file T-290-13, on the predominant element of Respondent's trade-mark and actual confusion with the word "Pinnacle" (tab 3);
- iii. The addition of paragraphs 33-36 to Mr. Fondiller's Affidavit and Exhibits 11 and 12, pertaining to settlement discussions between the parties to this appeal (tab 3);
- iv. 21 affidavits of various Canadian consumers touching on their geographical knowledge of "Pinnacles national monument or park" in California and "Mont Pinacle" in Québec (tab 5);
- v. The addition of the examination of Mr. Crawford and Exhibits U-1 – U 2 and Exhibit ICC 3 regarding sales-related evidence concerning the geographic presence of the Respondent's product and evidence of actual use of the Respondent's trade-mark on the market (tab 6);

[32] In order to determine if the fresh evidence would have materially affected the Board's decision, the Court must consider the nature and quality of the new evidence, taking into account its significance, probative value and reliability (*Bojangles' International LLC v Bojangles Café Ltd*, 2006 FC 657 at para 10). The new evidence must not be repetitive or supplementary but must enhance cogency (*Vivat Holdings Ltd v Levi Strauss & Co*, 2005 FC 707 at para 27), which means that the test for new evidence is one of quality and not quantity (*Hawke & Co Outfitters LLC v Retail Royalty Co*, 2012 FC 1539 at para 31).

[33] I have reviewed the evidence and find that the Applicants' have failed to convince me that in terms of quality, it is of such probative value that it would have materially changed the Board's analysis and thus, its decision.

[34] With respect to items i), ii) and iii) above, the alleged admissions made by Mr. Crawford that should the Applicants use PINNACLES in association with ice wine, it would lead to confusion, have little probative value. In looking at the entire evidence, it appears that Mr. Crawford has taken contradictory positions depending on the context. When he was protecting his mark against a third party who used it in association with vodka, confusion was likely (this Court recently homologated a transaction between the parties in *Domaine Pinnacle Inc v Beam Suntory Inc*, 2015 FC 680). Confusion was unlikely when he first discussed coexistence with the Applicants. It became likely again when he discussed a potential license that he would have granted to the Applicants for the use of the Word Mark PINNACLES, after having allegedly bought it from the Applicants (a motion to homologate that transaction is pending before the Québec Superior Court). In other words, these so-called admissions have to be interpreted in their context and that context seems to be years of litigation and settlement discussions, not only between the parties involved in this file but between the Respondent and a third party. The same could be said about the distribution agreement that was entered into by the Respondent and Vincor Québec, a member of the Applicants' group of companies. The admissions and distribution agreement merely reflect business strategies and decisions. Without the entire context, these documents and admissions have little probative value and, in my view, would not have had a significant impact on the Board's decision. As to Mr. Crawford's admission that

PINNACLE constituted the dominant feature of the Respondent's mark, it would not have added anything to the file as it is a conclusion that the Board had reached without it.

[35] As to the 21 affidavits of individuals who do not know where the Pinnacle Monument in California or Mont Pinacle in Québec are located (item iv), they have no probative value. It appears that these individuals were not duly sworn and were mostly selected by the Applicants amongst acquaintances. They do not represent the average consumer in Canada. This is not a scientific survey as those discussed by Justice Rothstein at paragraphs 94 to 97 of *Masterpiece*, above.

[36] Finally, in terms of the sales-related evidence concerning the geographic presence of the Respondent's product and evidence of actual use of the Respondent's trade-mark on the market (item v), it is seldom cited in the written submissions of the Applicants in asserting errors purportedly committed by the Board. First, even though the Respondent's sales were largely concentrated in the province of Québec, the sales made outside Québec, and specifically in British Columbia, were still more important than those of the Applicants. The same can be said for marketing expenses. Second, as to the Respondent's actual use of its mark on the market, the focus should be the terms of the application and what the registration would authorize the Respondent to do, not what the Respondent happens to be doing at the moment (*Mattel*, above). I have trouble seeing how those elements would have materially changed the outcome of the decision.

B. ***Reasonable likelihood of confusion between the Design Mark and the Opponents' word trade-marks***

[37] I am of the view that the determinative issue in this appeal is the error made by the Board in its determination of the degree of resemblance between the marks, along with the impact that error had on the Board's "global analysis" of the factors under the confusion test.

[38] The Applicants challenge the final result based on the way the Board balanced the various factors. Also, citing *Masterpiece*, they say that if one takes into account how a "fair degree of resemblance" is the most influential factor in the analysis, the balance should have tilted toward confusion.

[39] In *Masterpiece*, the Supreme Court of Canada found that Justice O'Reilly erred in his analysis of the degree of resemblance between Alavida's registered word mark, "MASTERPIECE LIVING", and Masterpiece Inc.'s unregistered word marks "MASTERPIECE" and "MASTERPIECE LIVING" (at paras 11-12). The relevant part of Justice O'Reilly's decision is as follows:

[46] There is obviously a degree of resemblance as between Masterpiece Inc.'s trade-name and marks and Alavida's registered mark for "Masterpiece Living". However, as part of the overall circumstances, I note that Alavida's use of "Masterpiece Living" has been in the nature of a slogan accompanying its corporate identity. By contrast, Masterpiece Inc. uses "Masterpiece" to identify the company itself, along with various other words and phrases of far lesser prominence, alongside a distinctive butterfly logo. These differences help reduce the likelihood of confusion.

[40] It appears that the registered word marks were used in various ways and these various uses justified the “weaker” degree of resemblance. The Supreme Court found this was an error and specified that the registered word mark, having bare words, could be presented in many ways under the registration. For example, nothing would prevent the trade-mark owner from altering the advertising to highlight a word, giving it more prominence, or changing the font or style of lettering. As held by the Supreme Court, “single use [does] not reflect the entire scope of exclusive rights that were granted to Alavida under its registration ...[a]ctual use is not irrelevant, but it should not be considered to the exclusion of potential uses within the registration” (at paras 53 and 59).

[41] At the hearing, the Applicants strongly relied on the recent decision of the Court in *Pizzaiolle*, above, which, they argue, reinforces their position as it stands for the proposition that Justice Rothstein’s finding in *Masterpiece* - that the Board should consider all the potential uses permitted by a registration, not just the actual use, and that *Masterpiece* is not limited to word marks. In *Pizzaiolle*, Justice LeBlanc found that the word mark LA PIZZAIOLLE (or its variant PIZZAIOLLE) granted its owner the right to use the mark in any way, shape or form it wishes, including with the same style of lettering, the same green oval design and the same GOURMET PIZZA description next to it, as the respondent’s applied-for word & design mark.

[42] Even though Justice LeBlanc seems to be leaving the door open to some distinction between symbols and distinctive designs, on one hand, and lettering, colour and design or graphic, on the other hand (para 74 of *Pizzaiolle*), I don’t think the Act supports such a distinction. A trade-mark is either a word mark, a design mark or a word & design mark. If the

teaching in *Masterpiece* is to be understood as applying not just to word marks but also to word & design marks, it would thus apply to all of them.

[43] Upon review of the jurisprudence, contrary to the assertion of the Respondent, I find that as long as the confusion analysis uses a registered word mark as the basis for the analysis, the teaching of *Masterpiece*, on the question of potential uses included in a registration is particularly pertinent and not distinguishable. It makes no difference that the applied-for mark is a word & design mark. I find that in the circumstances of this case, it is even more significant because the Board's analysis of this factor hinges on the visual element and the ideas suggested. The Board should have taken into account that the registered word mark PINNACLE could have had a different style of lettering, colour or design which would have suggested, for example, the "idea of cold and winter", similarly to the applied-for Design & Word Mark DOMAINE PINNACLE & DESIGN.

V. Conclusion

[44] For all of the foregoing reasons, the appeal will be granted, the decision will be quashed and the file will be remitted back to a different member of the Board for reconsideration

JUDGMENT

THIS COURT'S JUDGMENT is that:

1. The appeal is granted;
2. The decision of the Trade-marks Opposition Board dated September 16, 2013 is set aside;
3. The file is remitted back to a different member of the Trade-marks Opposition Board who will reweigh all factors of the test for confusion in accordance with these reasons;
4. Costs are granted in favour of the Applicants.

"Jocelyne Gagné"

Judge

FEDERAL COURT
SOLICITORS OF RECORD

DOCKET: T-1971-13

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