

Federal Court



Cour fédérale

Date: 20140611

Docket: T-1314-12

Citation: 2014 FC 549

Ottawa, Ontario, June 11, 2014

PRESENT: The Honourable Mr. Justice O'Reilly

BETWEEN:

CATHAY PACIFIC AIRWAYS LIMITED

Applicant

and

**AIR MILES INTERNATIONAL TRADING
B.V.**

Respondent

JUDGMENT AND REASONS

I. Overview

[1] The respondent, Air Miles International Trading BV, opposed an application by the applicant, Cathay Pacific Airways Ltd, to register the trade mark “Asia Miles”. The Trade-marks Opposition Board upheld Air Miles’ opposition primarily on the grounds that Cathay Pacific had not established use of its mark in Canada and that there was a likelihood of confusion between Cathay Pacific’s “Asia Miles” mark and the “Air Miles” mark used by Air Miles. Cathay Pacific

asks me to overturn the Board's decision and has presented fresh evidence that it says would have had a material effect on the Board's decision.

[2] I need not consider the fresh evidence given my conclusion that the Board's findings were unreasonable on the evidence before it. Therefore, I must allow this appeal and order the Board to reconsider Cathay Pacific's applications.

[3] The sole issue is whether the Board's conclusions on use and confusion were unreasonable. While Cathay Pacific raised other issues relating to the Board's conclusions, those issues are all closely related to the questions of use and confusion. I need not consider them separately.

[4] Cathay Pacific actually applied for five trade-mark registrations, which included the word mark "Asia Miles", as well as design marks in which "Asia Miles" appears near a stylized letter "A" consisting of an inverted "V" encircled by an arc:



[5] The mark used by Air Miles often uses those words within a round image showing an airplane flying above the earth:



II. The Board's Decision

[6] The Board doubted that use of the Asia Miles mark by a wholly-owned subsidiary of Cathay Pacific, called Cathay Pacific Loyalty Programmes Limited (CPLP) (now called Asia Miles Limited (AML)), could be attributed to Cathay Pacific. It found that the terms of the alleged license agreement between Cathay Pacific and CPLP were unclear and, therefore, Cathay Pacific was unable to show that it exerted control over the mark used by CPLP.

[7] On the issue of confusion, the Board found that Cathay Pacific had failed to discharge its burden of showing no reasonable likelihood of confusion between "Asia Miles" and "Air Miles". The Board considered all the factors identified in s 6(5) of the *Trade-marks Act*, RSC 1985, T-13. The question of use was relevant to some of them, and was an important factor in the Board's conclusion.

A. *The inherent distinctiveness of the marks and the extent to which they have become known*

[8] The Board found that both "Air Miles" and "Asia Miles" had low inherent distinctiveness. Each is comprised of two common words. The word "miles" is frequently used

in association with loyalty reward programs. “Asia” obviously suggests a geographical connection to that continent.

[9] Since Cathay Pacific had failed to show that use of “Asia Miles” in Canada accrued to its benefit (rather than to CPLP), it could not claim that its mark had acquired any distinctiveness. In contrast, Air Miles’ well-known mark had acquired distinctiveness through extensive use in Canada. This factor, therefore, favoured Air Miles.

B. *The length of time the marks have been in use*

[10] The Board found that this factor also favoured Air Miles, whose mark had been used since 1992, about 13 years before Cathay Pacific had filed that portion of its application.

C. *The nature of the wares, services, business or trade*

[11] Again, this factor favoured Air Miles because the parties operate essentially the same kind of reward program, in essentially the same way.

D. *The degree of resemblance between the marks*

[12] The Board accepted that this factor is often the most significant: *Masterpiece Inc v Alavida Lifestyles Inc*, 2011 SCC 27 at para 49.

[13] The Board found that while the first word of a mark is usually more important than the rest, here the words “Asia” and “Air” are merely common, descriptive terms making them less

significant (*Conde Nast Publications Inc v Union des Éditions Modernes* (1979), 46 CPR (2d) 183 (FCTD) at para 34; *Phantom Industries Inc v Sara Lee Corp* (2000), 8 CPR (4th) 109 (TMOB) at para 13).

[14] While the Board found the marks resemble one another, it concluded that they are actually more different than alike. Therefore, the Board found that this factor favoured Cathay Pacific, but only to a limited extent.

[15] In conclusion, the Board found that Cathay Pacific had not discharged its burden on a balance of probabilities. While the evidence showed that the “Air Miles” mark had been used widely for a long period of time in Canada, Cathay Pacific, as opposed to CPLP, could not claim any reputation for “Asia Miles”. In addition, given the overlap in the parties’ businesses and the resemblance between the marks, Air Miles’ opposition based on confusion was well-founded.

III. Were the Board’s conclusions on use and confusion unreasonable?

[16] Air Miles argues that the Board properly considered and weighed the relevant factors. The Board’s conclusion cannot be overturned simply because those factors could have been weighed differently. According to Air Miles, the Board’s conclusion fell within the range of defensible outcomes based on the facts and the law, and should not be disturbed on judicial review.

[17] In my view, the Board erred in failing to credit Cathay Pacific with use of its mark in Canada. The evidence showed that Cathay Pacific had been using its mark in Canada since 1999

through its licensee CPLP. The Board unreasonably discounted that evidence on the basis that the licensing arrangement was unclear. That error caused the Board to give little weight to factors favourable to Cathay Pacific in its confusion analysis. In the result, the Board arrived at an unreasonable conclusion.

[18] CPLP, a wholly-owned subsidiary of Cathay Pacific, directly managed and controlled Cathay Pacific's "Asia Miles" mark, and Cathay Pacific oversaw CPLP's operations. For example, CPLP reported directly to Cathay Pacific's Director of Sales and Marketing.

[19] In addition, the evidence showed that "Asia Miles" was used extensively in Canada. In 1999, there were over 6,000 Asia Miles members in Canada; by 2007, there were over 250,000 members in Canada. Prior to 2000, passengers on Canadian Airlines could earn Asia Miles. Since 1999, Canadians have redeemed more than a billion Asia Miles. The Asia Miles program has been widely advertised in Canada, and the associated marks have appeared on application forms, newsletters, brochures, displays, websites and membership cards. Cathay Pacific has spent several million dollars promoting its "Asia Miles" marks.

[20] The Board found that Cathay Pacific did not give sufficiently precise proof of its license with CPLP or details about Cathay Pacific's control over the wares and services provided by CPLP. Therefore, it concluded that use of the Asia Miles mark could not be credited to Cathay Pacific.

[21] However, the evidence obviously showed that CPLP's sole *raison-d'être* was to operate Cathay Pacific's loyalty programme. Its name states its purpose: Cathay Pacific Loyalty Programmes Limited. Cathay Pacific, through its license with CPLP, controlled the "Asia Miles" mark. This is clear both from the agreement between Cathay Pacific and Canadian Airlines and in the reporting relationship from CPLP to Cathay Pacific. Further, marketing materials for CPLP's use in Canada have been developed either by Cathay Pacific's Vancouver office or its Hong Kong headquarters.

[22] The Board noted that Cathay Pacific had not presented a written license between it and CPLP, but it acknowledged that a license need not be in writing. The Board also found that Cathay Pacific's witnesses could not give further details of that company's control over CPLP. However, none of them was asked on cross-examination to do so. The uncontradicted evidence before the Board showed that Cathay Pacific licenses CPLP to use the "Asia Miles" mark. There was sufficient evidence, therefore, for the Board to conclude that Cathay Pacific had "direct or indirect control of the character or quality" of the mark's use such that CPLP's use of the mark should have been credited to Cathay Pacific (s. 50, *Trade-marks Act*).

[23] But for the Board's unreasonable conclusion on use, its analysis of the issue of confusion would have been different. The Board would have considered whether, through use, "Asia Miles" had acquired distinctiveness in Canada, reducing the likelihood of confusion. Further, it would have taken account of the fact that there was, notwithstanding years of parallel use of both marks in Canada, no evidence of any actual confusion between them. Therefore, its unreasonable error on use led to an unreasonable conclusion on confusion.

IV. Conclusion and Disposition

[24] The Board unreasonably found that Cathay Pacific could not be credited for the use of its “Asia Miles” trade-mark by its subsidiary CPLP. In turn, the Board’s analysis of the issue of potential confusion with the “Air Miles” mark was flawed because it took no account of the use of that mark in Canada. Accordingly, I must allow this appeal, with costs, and order another panel of the Board to reconsider Cathay Pacific’s application to register its mark.

JUDGMENT

THIS COURT'S JUDGMENT is that:

1. The appeal is allowed, with costs.
2. The matter is remitted to the Trade-marks Opposition Board for reconsideration.

James W. O'Reilly"

Judge

Annex

Trade-marks Act, RSC 1985, T-13

What to be considered

6. (5) In determining whether trade-marks or trade-names are confusing, the court or the Registrar, as the case may be, shall have regard to all the surrounding circumstances including:

- (a) the inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known;
- (b) the length of time the trade-marks or trade-names have been in use;
- (c) the nature of the wares, services or business;
- (d) the nature of the trade; and
- (e) the degree of resemblance between the trade-marks or trade-names in appearance or sound or in the ideas suggested by them

Licence to use trade-mark

50. (1) For the purposes of this Act, if an entity is licensed by or with the authority of the owner of a trade-mark to use the trade-mark in a country and the owner has, under the licence, direct or indirect control of the character or quality of the wares or services, then the use, advertisement or display of the trade-mark in that country as or in a trade-mark, trade-name or otherwise by that entity has, and is deemed always to have had, the same effect as such a use, advertisement or display of the trade-mark in that country by the owner.

(2) For the purposes of this Act, to the

Loi sur les marques de commerce, LRC (1985), ch T-13

Éléments d'appréciation

6. (5) En décidant si des marques de commerce ou des noms commerciaux créent de la confusion, le tribunal ou le registraire, selon le cas, tient compte de toutes les circonstances de l'espèce, y compris :

- a) le caractère distinctif inhérent des marques de commerce ou noms commerciaux, et la mesure dans laquelle ils sont devenus connus;
- b) la période pendant laquelle les marques de commerce ou noms commerciaux ont été en usage;
- c) le genre de marchandises, services ou entreprises;
- d) la nature du commerce;
- e) le degré de ressemblance entre les marques de commerce ou les noms commerciaux dans la présentation ou le son, ou dans les idées qu'ils suggèrent.

Licence d'emploi d'une marque de commerce

50. (1) Pour l'application de la présente loi, si une licence d'emploi d'une marque de commerce est octroyée, pour un pays, à une entité par le propriétaire de la marque, ou avec son autorisation, et que celui-ci, aux termes de la licence, contrôle, directement ou indirectement, les caractéristiques ou la qualité des marchandises et services, l'emploi, la publicité ou l'exposition de la marque, dans ce pays, par cette entité comme marque de commerce, nom commercial — ou partie de ceux-ci — ou autrement ont le même effet et sont réputés avoir toujours eu le même effet que s'il s'agissait de ceux du propriétaire.

(2) Pour l'application de la présente

extent that public notice is given of the fact that the use of a trade-mark is a licensed use and of the identity of the owner, it shall be presumed, unless the contrary is proven, that the use is licensed by the owner of the trade-mark and the character or quality of the wares or services is under the control of the owner.

(3) Subject to any agreement subsisting between an owner of a trade-mark and a licensee of the trade-mark, the licensee may call on the owner to take proceedings for infringement thereof, and, if the owner refuses or neglects to do so within two months after being so called on, the licensee may institute proceedings for infringement in the licensee's own name as if the licensee were the owner, making the owner a defendant.

loi, dans la mesure où un avis public a été donné quant à l'identité du propriétaire et au fait que l'emploi d'une marque de commerce fait l'objet d'une licence, cet emploi est réputé, sauf preuve contraire, avoir fait l'objet d'une licence du propriétaire, et le contrôle des caractéristiques ou de la qualité des marchandises et services est réputé, sauf preuve contraire, être celui du propriétaire.

(3) Sous réserve de tout accord encore valide entre lui et le propriétaire d'une marque de commerce, le licencié peut requérir le propriétaire d'intenter des procédures pour usurpation de la marque et, si celui-ci refuse ou néglige de le faire dans les deux mois suivant cette réquisition, il peut intenter ces procédures en son propre nom comme s'il était propriétaire, faisant du propriétaire un défendeur.

FEDERAL COURT
SOLICITORS OF RECORD

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