

Date: 20090122

Docket: A-194-08

Citation: 2009 FCA 16

**CORAM: NADON J.A.
SEXTON J.A.
EVANS J.A.**

BETWEEN:

GLENORA DISTILLERS INTERNATIONAL LTD.

Appellant

and

THE SCOTCH WHISKY ASSOCIATION

Respondent

Heard at Ottawa, Ontario, on December 16, 2008.

Judgment delivered at Ottawa, Ontario, on January 22, 2009.

REASONS FOR JUDGMENT BY:

SEXTON J.A.

CONCURRED IN BY:

**NADON J.A.
EVANS J.A.**

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REASONS FOR JUDGMENT

SEXTON J.A.

[1] This is an appeal from a decision of Justice Harrington, allowing the Scotch Whisky Association's ("the Association") appeal from a decision of the Trade-Marks Opposition Board. He held that the appellant, Glenora Distillers International Ltd. ("Glenora"), was not entitled to register the trademark GLEN BRETON, for use in association with a single-malt whisky, as it was a mark prohibited by section 10 of the *Trade-marks Act*. For the reasons that follow, I am of the opinion that the decision of Justice Harrington should be set aside, and Glenora should be entitled to register its proposed trademark.

RELEVANT LEGISLATIVE PROVISIONS

[2] Subsection 12(1) of the *Trade-marks Act*, R.S.C. 1985, c. T-13, sets out the circumstances in which a trademark is not registrable:

When trade-mark registrable

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

(a) a word that is primarily merely the name or the surname of an individual who is living or has died within the preceding thirty years;

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

(c) the name in any language of any of the wares or services in connection with which it is used or proposed to be used;

(d) confusing with a registered trade-mark;

(e) a mark of which the adoption is prohibited by section 9 or 10;

(f) a denomination the adoption of which is prohibited by section 10.1;

(g) in whole or in part a protected geographical indication, where the trade-mark is to be registered in association with a wine not originating in a territory indicated by the geographical indication;

(h) in whole or in part a protected

Marque de commerce enregistrable

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

a) elle est constituée d'un mot n'étant principalement que le nom ou le nom de famille d'un particulier vivant ou qui est décédé dans les trente années précédentes;

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

c) elle est constituée du nom, dans une langue, de l'une des marchandises ou de l'un des services à l'égard desquels elle est employée, ou à l'égard desquels on projette de l'employer;

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

e) elle est une marque dont l'article 9 ou 10 interdit l'adoption;

f) elle est une dénomination dont l'article 10.1 interdit l'adoption;

geographical indication, where the trade-mark is to be registered in association with a spirit not originating in a territory indicated by the geographical indication; and

(i) subject to subsection 3(3) and paragraph 3(4)(a) of the *Olympic and Paralympic Marks Act*, a mark the adoption of which is prohibited by subsection 3(1) of that Act.

g) elle est constituée, en tout ou en partie, d'une indication géographique protégée et elle doit être enregistrée en liaison avec un vin dont le lieu d'origine ne se trouve pas sur le territoire visé par l'indication;

h) elle est constituée, en tout ou en partie, d'une indication géographique protégée et elle doit être enregistrée en liaison avec un spiritueux dont le lieu d'origine ne se trouve pas sur le territoire visé par l'indication;

i) elle est une marque dont l'adoption est interdite par le paragraphe 3(1) de la *Loi sur les marques olympiques et paralympiques*, sous réserve du paragraphe 3(3) et de l'alinéa 3(4)a) de cette loi.

[3] Paragraph 12(1)(e) states, in part, that a trademark is not registrable if it is a prohibited mark within the meaning of section 10 of the Act, which reads:

Further prohibitions

10. Where any mark has by ordinary and *bona fide* commercial usage become recognized in Canada as designating the kind, quality, quantity, destination, value, place of origin or date of production of any wares or services, no person shall adopt it as a trade-mark in association with such wares or services or others of the same general class or use it in a way likely to mislead, nor shall any person so adopt or so use any mark so nearly resembling that mark as to be likely to be mistaken therefor.

Autres interdictions

10. Si une marque, en raison d'une pratique commerciale ordinaire et authentique, devient reconnue au Canada comme désignant le genre, la qualité, la quantité, la destination, la valeur, le lieu d'origine ou la date de production de marchandises ou services, nul ne peut l'adopter comme marque de commerce en liaison avec ces marchandises ou services ou autres de la même catégorie générale, ou l'employer d'une manière susceptible d'induire en erreur, et nul ne peut ainsi adopter ou employer une marque dont la ressemblance avec la marque en question est telle qu'on pourrait vraisemblablement les confondre.

FACTS

[4] Glenora is a distiller located in Cape Breton, Nova Scotia. In 1990, it began distilling a single malt whisky, claiming to use the traditional Scottish method. It claims that its product has the taste, character, and aroma of a Scotch whisky. However, Glenora is not permitted to call its whisky “Scotch.” “Scotch whisky” is a protected geographical designation pursuant to section 11.12 of the *Trade-marks Act*, and may only be used in association with whiskies produced in Scotland.

[5] Section B.02.016 of the *Food and Drug Regulations*, C.R.C., c. 870, also states that in order to be labelled “Scotch” or “Scotch whisky,” a product must have been distilled in Scotland, in accordance with the laws of the United Kingdom. Ironically, Glenora is also not entitled to call its product “Canadian whisky,” as it does not have the taste, character, and aroma associated with Canadian whisky, as required by section B.02.020 of the same Regulations.

[6] Thus, Glenora’s product is called simply “single malt whisky.” Nevertheless, its marketing has capitalized greatly on the similarities between its whisky and Scotch whiskies, and Glenora states that it considers its product to be in direct competition with single-malts distilled in Scotland. I believe it is fair to say that Glenora has marketed its product as being like a single-malt Scotch in everything but name.

[7] Glenora applied to register GLEN BRETON as a trademark for use in association with its whisky in 2000. That application was opposed by the Association. The Association takes exception to Glenora using a mark prefixed with the word “glen” for its whisky. It claims that the use of

“glen”-prefixed marks in association with several well-known single malt Scotches, including Glenlivet, Glenmorangie, and Glenfiddich, has resulted in an association between the word “glen” and whiskies distilled in Scotland. The grounds of opposition relevant to this appeal are premised on this alleged association.

[8] The Trade-marks Opposition Board rejected the Association’s objection. Although there was evidence of “glen”-prefixed marks used by Scotch whisky distillers, the Board found that this use was not widespread enough to have instructed Canadian consumers to associate the word “glen” with Scotch whiskies. Accordingly, it found that “glen” had not become recognized through “ordinary and *bona fide* commercial use” as designating the geographic origin of whisky, and was not a prohibited mark pursuant to section 10 of the *Trade-marks Act*.

DECISION BELOW

[9] The Association applied to the Federal Court for judicial review of the Board’s decision, filing significant new evidence on the issue of confusion in the marketplace. Justice Harrington found that the new evidence was sufficiently material that it would have affected the Board’s decision, and that he was therefore entitled to review that decision on a standard of correctness (*Christian Dior, S.A. v. Dion Neckwear Ltd.*, 2002 FCA 29, [2002] 3 F.C. 405 at paragraph 8).

[10] Unlike the Board, Justice Harrington was of the opinion that there was a more extensive reputation associated with “glen”-prefixed Scotch whisky brands. He stated (2008 FC 425 at paragraphs 18-19):

The record shows that in 2000 some 896,607 cases of Scotch whisky were imported into Canada. This works out to some ten million six hundred twenty five thousand three hundred and seventy-six (10,625,376) 75cl bottles. The malt whisky portion thereof came to 132,000 cases, *i.e.* some 1,584,000 bottles, representing approximately 15% of Scotch whisky sales.

The “Glen” single malts came to 933,000 bottles or close to 59% of the single malts...

[11] He also considered that a “glen”-prefixed mark had not been used in Canada in recent memory in association with a whisky that was not a Scotch whisky.

[12] Perhaps more importantly, Justice Harrington found that there was actual confusion in the marketplace, and that some consumers were not aware that Glenora’s product was not a Scotch distilled in Scotland. In reaching this conclusion, he had particular regard to evidence that Glenora’s whisky had been listed on several bar and restaurant lists under the heading “Scotch,” albeit occasionally with some sort of note attempting to clarify that it was Canadian. There was also evidence before him that similar mistakes had been made by a few independent critics and reviewers.

[13] Justice Harrington did not accept the argument that any confusion was due to the fact that Glen Breton has many of the characteristics of a Scotch (flavour, aroma, and so forth), and found on a balance of probabilities that the confusion was due to the use of a “glen”-prefixed mark. He concluded that the word “glen” had, by ordinary and *bona fide* commercial use, become recognized in Canada as designating Scotch whisky, and was thus a prohibited mark pursuant to section 10 of

the Act. He therefore allowed the application, and directed the Registrar of Trade-marks to refuse Glenora's application to register GLEN BRETON.

[14] Glenora now appeals to this court.

STANDARD OF REVIEW

[15] The first role of this court in reviewing the Federal Court's decision is to ensure that Justice Harrington selected and applied the appropriate standard of review to the decision of the Trade-marks Opposition Board. I agree that Justice Harrington was entitled to review the Board's decision on a standard of correctness, given the quantity of new evidence before him, and his conclusion that the new evidence would have affected the Board's decision.

[16] As Justice Harrington was entitled to apply the standard of correctness, this court may only interfere with his decision if he made a palpable and overriding error in resolving a question of fact, or made an error of law in his analysis (*Housen v. Nikolaisen*, 2002 SCC 33, [2002] 2 S.C.R. 235).

ANALYSIS

[17] I am of the view that Justice Harrington made an error of law by failing to consider whether the word "glen," having only previously been used as part of various registered trademarks, is in fact a "mark" within the meaning of section 10 of the *Trade-marks Act*. Counsel advised this court at the oral hearing that this argument was put before the Federal Court, but it is not addressed in the reasons.

[18] In its memorandum of fact and law, the Association suggests that Justice Harrington held, at paragraph 16 of his reasons, that “Glen, as a mark, has become recognized as designating Scotch whisky in Canada.” However, he did not address specifically the argument that “glen,” being only a segment of the mark GLEN BRETON, and only a segment of any registered trademark (e.g. GLENFIDDICH) was not in itself a mark. He stated only that:

I am, therefore, satisfied that Glen Breton is not registrable under section 12(1)(e) of the Act because its adoption is prohibited by section 10 as no person shall adopt a mark as a trade-mark if it has by “ordinary and *bona fide* commercial usage become recognized in Canada as designating the...place of origin...of any wares...of the same general class.”

[19] There was no express finding that “glen” was a mark, and no evidence has been shown to us that would justify such a finding.

[20] The word “glen,” standing alone, has never been used as a trademark in Canada, for any product. However, it has been used as a prefix for many trademarks associated with Scotch whisky, most famously GLENFIDDICH, GLENMORANGIE, and GLENLIVET. Trademarks incorporating the word “glen” have also been registered for many products and services completely outside the liquor and beverage trade (for example, GLENCOE for plows and GLEN ABBEY for real estate development services).

[21] “Mark,” as it appears in section 10, is not defined by the Act. A “trade-mark” is defined in section 2, in part, as “a mark that is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, lease, hired or performed by him from those

manufactured, sold, leased, hired or performed by others.” The respondent argues that the term “mark” is clearly broader the term “trade-mark,” and suggests that the word “glen,” which forms part of many registered trademarks, can be considered on its own as a “mark” for the purposes of section 10.

[22] I agree with the first part of this argument, that a mark is not necessarily a trademark. *Fox on Trademarks* makes clear that a mark that is used for purely decorative or warehouse purposes will not be considered a trademark unless it has actually come to distinguish the trader of the goods (4th ed., looseleaf (Toronto: Thomson Carswell, 2002) at 3-14 to 3-16). For instance, a sticker affixed to a ware to indicate to warehouse employees the date of manufacture would most likely not fall within the definition of a “trade-mark.” Likewise, a certification mark (a mark used to indicate that goods meet a defined standard, such as being “organic”), which may be used by many different traders, is a “mark” but not a “trade-mark,” as it is not unique to any particular trader.

[23] However, this court has not been referred to any authority for the proposition that a segment of a trademark can stand alone as a mark. In my view, this would run counter to numerous authorities, albeit outside the context of section 10, stating that trademarks should generally not be dissected and analyzed syllable by syllable.

[24] Two such authorities are *Thomas J. Lipton Ltd. v. Salada Foods Ltd. (No. 3)* (1979), 45 C.P.R. (2d) 157 (F.C.T.D.) and *Park Avenue Furniture Corp v. Wickes/Simmons Bedding Ltd.* (1991), 37 C.P.R. (3d) 413 (F.C.A.). In *Lipton*, the applicant sought to register LIPTON CUP-A-

TEA to be used in association with tea, disclaiming the word “tea,” but not “cup.” The opponent argued that the CUP-A-TEA was not registrable as it was clearly descriptive of Lipton’s product (as contemplated in paragraph 12(1)(b) of the Act), and therefore additionally could not be distinctive. Justice Addy cited Dr. Fox for the proposition that “It is clear that when assessing a trade mark to determine whether it is distinctive, the mark must be looked at as a whole. It is not proper to dissect it.” (at page 162)

[25] In the *Park Avenue* case, the applicant sought to register POSTURE-BEAUTY for beds, mattresses, and other furniture. The opponent claimed that the mark would be confusing with several of its already-registered marks (including BEAUTYREST and BEAUTYSLEEP), and was therefore not registrable pursuant to paragraph 12(1)(d) of the Act. Writing for this court, Justice Desjardins held that the marks were to be considered in their entireties to discern the likelihood of confusion. She found that by improperly segmenting the mark, the trial judge had given the opponent very strong trade protection for the word “beauty,” which Justice Desjardins described as “a common English word” and a “weak mark” (at pages 426-427). She cited the following passage from *Fox on Trademarks* (at page 426):

... In applying these tests the first principle to be invoked is that the marks are to be looked at as totalities and not as dissected items. The idea of each mark, that is, the net impression left by the mark as a whole upon the mind is to be considered. It is the mark taken in its entirety that is to be examined and a decision then arrived at whether such mark is likely to cause confusion with one already registered... The true test is whether the totality of the mark proposed to be registered is such that it is likely to cause mistake or deception or confusion in the minds of persons accustomed to the existing trade mark. It is the combination of the marks as a whole that is to be regarded and the effect or idea of the whole that is to be compared.

[26] While neither of these cases deal directly with section 10 of the Act, in my view, the same essential logic applies, and it would be improper for this court to segment the previously registered marks, or the appellant's mark GLEN BRETON, as the respondent suggests. First, these authorities disclose a broader pattern of the courts refusing to dissect trademarks as part of a registrability analysis, which is itself persuasive. Further, the reasoning of *Park Avenue* is compelling. The word "glen," being a common word and forming part of numerous registered trademarks, is at best a weakly distinctive component of those trademarks. However, by segmenting those trademarks to consider "glen" as a mark on its own, this court would be affording stronger trade protection to that word than is due.

[27] The Trade-marks Opposition Board has also held that the totality of a trademark must be considered in the section 10 analysis. Even where a particular word is prohibited, if the word is used in combination with a distinctive element such that the prohibited word does not dominate, the trademark will still be registrable. Citing *Lipton* for the non-dissection principle, the Board allowed the registration of MOLSON EXPORT, notwithstanding the argument that EXPORT was prohibited (*John Labatt Ltd. v. Molson Cos./Cies Molson* (1983), 2 C.P.R. (3d) 150). On my reading, the Board in this case applied the same approach, when it stated that "Even if GLEN had been established as a mark prohibited by Section 10, the applicant's mark GLEN BRETON does not so nearly resemble the word GLEN as to be mistaken for it." (at paragraph 28)

[28] I therefore conclude that the word "glen" has not been shown to constitute a mark within the meaning of section 10 of the *Trade-marks Act*, and therefore cannot be prohibited. Alternatively,

even if “glen” could be considered a mark and is prohibited, I find that it does not dominate GLEN BRETON as contemplated in *Molson*, when that trademark is considered as a whole.

[29] I also briefly note that this is a somewhat unusual case under section 10 of the Act. *Fox on Trademarks* describes the purpose of this section as follows (at 5-66.5):

This section is obviously designed...to prohibit the adoption of such marks as the hallmark for silver and such other well-known marks indicative of quality or origin.

[30] All of the section 10 cases to which we were referred concerned the prohibition of particular words or phrases (as opposed to designs or other symbols). In all of these authorities, the words in question have been inherently descriptive of the character or quality of the products being sold. For instance, in *Bank of Montreal v. Merrill Lynch & Co.* (1997), 84 C.P.R. (3d) 262, the Trade-marks Opposition Board held that CASH MANAGEMENT ACCOUNT was prohibited in association with financial services, as it was commonly understood as “designating a type of financial service through which one can consolidate and manage cash investments and credit through one account.” (at page 275)

[31] Similarly, the Board held that HABANOS was a prohibited mark for tobacco products, as it resembled the marks HABANA and HAVANA commonly used by traders and understood, among other uses, as designating Cuban tobacco by reference to Cuba’s capital (*Benson & Hedges (Canada) Ltd. v. Empresa Cubana Del Tabaco* (1975), 23 C.P.R. (2d) 274). In cases like these, section 10 prevents a single trader from having a monopoly over a mark that is common to the trade and well-understood as designating a particular quality of wares or services.

[32] Naturally, it would be possible for a mark that is not inherently descriptive of any quality of a product, through ordinary and *bona fide* commercial usage, to become a designator mark. This is an unusual section 10 case, however, in that the respondent is essentially seeking to establish a monopoly over a word, which is not inherently descriptive, for a group of traders (namely, its members), when it is not clear that any of the Association's members incorporated the word into their trademarks for the purpose of designating their whiskies as being from Scotland.

[33] Counsel for the Association insisted at the hearing that even if a "glen"-prefixed mark was prohibited by section 10, its members would be entitled to continue using their own "glen"-prefixed marks, since they distil Scotch whiskies. This is completely contrary to the plain wording of the provision, which states that "no person" shall adopt a prohibited mark as a trademark.

[34] In short, success in this appeal would jeopardize the trademarks of many of the Association's members. In my view, this cannot be the correct result, and is not true to the spirit and purpose of section 10 of the Act. Accordingly, I would allow the appeal, and direct the Registrar to allow Glenora's application for the registration of GLEN BRETON.

[35] Finally, Justice Harrington also made a distinct finding that GLEN BRETON was not clearly descriptive or deceptively misdescriptive of the appellant's wares, within the meaning of paragraph 12(1)(b) of the Act. While the respondent argued this point again in its written submissions before this court, it did not point to any particular error in the reasons, and it did not

pursue the issue in oral argument. I do not see any error in Justice Harrington's conclusion on paragraph 12(1)(b) meriting this court's intervention.

CONCLUSION

[36] For the foregoing reasons, I would allow this appeal with costs, here and below, and issue an order directing the Registrar to allow Glenora's application to register GLEN BRETON.

"J. Edgar Sexton"

J.A.

"I agree
M. Nadon J.A."

"I agree
John M. Evans J.A."

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET: A-194-08

**APPEAL FROM AN ORDER OF THE HONOURABLE MR. JUSTICE
S. HARRINGTON DATED APRIL 3, 2008, NO. T-402-07**

STYLE OF CAUSE: *Glenora Distillers International
Ltd. v. The Scotch Whiskey
Association*

PLACE OF HEARING: Ottawa, Ontario

DATE OF HEARING: December 16, 2008

REASONS FOR JUDGMENT BY: Sexton J.A.

CONCURRED IN BY: Nadon J.A.
Evans J.A.

DATED: January 22, 2009

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