



COURT OF APPEAL DECIDES: CANADA IS NOT MARLBORO COUNTRY

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On 29 September, 1987, the Federal Court of Appeal of Canada rendered two decisions confirming the judgment of Mr. Justice Rouleau of the Trial Division in which he dismissed an application under Section 57 of the Trade Marks Act to expunge the trade-mark "Marlboro" registered under No. 260/5598, and dismissed an appeal from the refusal of the Registrar of Trade Marks to strike the said registration from the Register under section 44 of the Trade Marks Act. (Philip Morris Inc. and Imperial Tobacco Ltd., No. A-906-85)

The application to expunge and the appeal from the refusal of the Registrar of Trade Marks had been brought by Philip Morris Inc. Why would Philip Morris Inc. want to have the trade mark "Marlboro" struck from the Canadian Trade Marks Register? Simply because in Canada, the trade mark "Marlboro" is registered in the name of Imperial Tobacco Ltd.

This explains why the famous American cigarette cannot be bought in Canada, except in duty-free shops.

Even those sales might one day be put to a stop, if Imperial Tobacco Ltd. is successful in its action for infringement of its "Marlboro" registration initiated in September 1981, which has been stayed by Court Order pending the outcome of the expungement proceedings.

Application under Section 57 of the Trade Marks Act

Philip Morris Inc. based its application on all four grounds of invalidity set forth in section 18(1) of the Trade Marks Act: the trade mark was not registrable at the date of registration; it is not distinctive at the time proceedings bringing the validity of the registration into question are commenced; it has been abandoned; or the applicant was not the person entitled to secure the registration.

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The Court separated the alleged grounds of invalidity into two groups – those which go back to the date of registration of the trade mark, and those relating to the situation existing at the time of the institution of the proceedings.

The 1932 Registration

Tuckett Tobacco Company Ltd. was the first registrant of the “Marlboro” trade mark in Canada. The Court was satisfied after having considered the evidence that Tuckett was, through various assignments, the successor in title to Mr. Philip Morris, who had commenced business as a tobacconist in London, England, approximately in 1846.

The trade marks owned by Philip Morris Inc. and Imperial Tobacco Ltd. both have the same original predecessor in title, except that along the way the ownership of the trade marks in Canada and in the United States separated. The Court stated at page 4 of its judgment: “There is no evidence of a written assignment of the Marlboro mark by the ultimate U.S. owner to Tuckett, the 1932 registrant, and there are no witnesses to provide first-hand testimony as to what transpired.”

The Court, however, considered circumstantial evidence, and agreed with the Trial Judge that there had been a transfer of the rights. The Court therefore concluded that the trade mark was registrable at the date of registration, and that the applicant for registration was the person entitled to secure the registration.

Distinctiveness in 1981

The evidence showed that Philip Morris Inc. was very successful in promoting and selling its “Marlboro” cigarettes. In fact, the evidence demonstrated that the “Marlboro” brand had become the number one selling brand in the world by 1972 and in the United States by 1975.

Imperial Tobacco Ltd. was no as successful. It was demonstrated that Imperial suffered a decline in sales from 1976 to 1980. However, a new package was then designed for the Canadian “Marlboro” cigarette. It would appear that the new packages were first sold at the retail level on 26 June, 1981, the day on which the appellant instituted proceedings. The new packaging considerably improved sales in Canada during the period from June 1981 to 31 December, 1981.

A survey conducted by Philip Morris Inc. shows that even in Canada, 76 percent of Canadian smokers who associated the trade mark “Marlboro” with a source identified that source as the appellant, whereas only 9 percent identified that source as the respondent. Ten percent of all Canadian smokers spontaneously offered the comment that it is “an American cigarette”.

Based, *inter alia*, on these facts, the appellant argued that the trade mark was not distinctive at the time of the commencement of the action. The Court did not agree; it confirmed the opinion of the Trial Judge that the distinctiveness in question must be determined in relation to other wares “offered on the same market”, that is, within Canada.

The Court found that there was no firm evidence to show that there were ever American “Marlboro” cigarettes actually available in Canada, except in the duty-free shops. It decided that, although significant in quantity, especially by 1980, sales in such limited circumstances (duty-free shops) did not deprive the respondent’s mark of its distinctiveness by 1981.

Abandonment as of 1981

The appellant argued that the use and the intention to use must be in the normal course of trade. It further argued that a mark used only on a token basis to maintain a registration, rather than as an instrument in the marketing of wares, is not used as a trade-mark.

The Court does not seem to have granted much merit to this argument. It would seem that the Court only considered the actual use which was made of the Canadian trade mark, without having regard to the motivations behind the use made by Imperial Tobacco Ltd. of the trade mark “Marlboro” in Canada. The Court confirmed the findings of the Trial Judge that the respondent had not abandoned nor had any intention of abandoning the trade mark “Marlboro”.

The application for expungement of the Canadian “Marlboro” trade mark was therefore dismissed.

Appeal in Respect of Section 44 Notice under the Trade Marks Act

This section provides a summary proceeding empowering the Registrar to expunge or amend the registration of a trade mark not in use when its presence on the Register is no longer justified.

The appeal was heard together with the appeal in relation to the application under section 57 of the Trade Marks Act, and was based on similar facts. The Courts reiterated that section 44 is designed primarily to clear the Register if dead wood, not to resolve issues in contention between competing interests, which should be resolved in expungement proceedings under section 57(8).

The Court further reiterated that evidence as to use in the normal course of trade is not limited to use prior to the notice date. The Court therefore admitted not only evidence of sales of 166,000 “Marlboro” cigarettes during the period of January

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through June, 1981, but also evidence of sales of 1.35 million during the period of June 1981 through 31 December, 1981, after the redesign and relaunching of the cigarette.

The Court found that no proof was made as to what constituted the normal course of trade in the tobacco industry in Canada. In the absence of such evidence, the Court found that within the limited nature of section 44 proceedings, the court should not question the evidence on the basis of its own view as to what constitutes the normal course of trade.

Having found that the court had no basis on which to interfere with the decision of the Trial Judge, it dismissed the appeal.

Comments

No judgment can satisfy all. This is particularly true in this case. Would Philip Morris Inc. have obtained better results if the attack on the Canadian “Marlboro” trade mark had been based strictly on common-law principles (or civil law in the province of Quebec)? Would the case have been more favourable before a Superior Court of one of the Canadian provinces?

If the use of a trade mark is found to be unfair, based on common-law principles (or civil-law principles in the province of Quebec), is the fact of having that trade mark registered under the Trade Marks Act (a Federal statute) sufficient to “sanctify” an unfair use to a point where it becomes fair?

The question is theoretical, and would have to be supported by evidence of unfair use. Some may be of the opinion that the use by Imperial Tobacco Ltd. of the trade mark “Marlboro” in Canada is unfair, but neither the Trial Judge nor the Court of Appeal made any findings to that effect.



