

CANADIAN DISTRIBUTOR NOT ENTITLED TO REGISTER TRADE-MARKS, FEDERAL COURT RULES IN INFRINGEMENT ACTION

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In a recent decision, the Trial Division of the Federal Court of Canada has ruled that a Canadian distributor cannot be said to have "used" trade-marks registered in its name when those trade-marks clearly indicated that the source of the marks was a manufacturer abroad (*Havana House Cigar & Tobacco Merchants Ltd. et als v. Skyway Cigar Store*, T-2144-96, May 19, 1998 (Teitelbaum J.)).

In September 1996, plaintiff Havana House Cigar & Tobacco Merchants Ltd. (hereinafter "Havana House") initiated trade-mark infringement proceedings against defendant Skyway Cigar Store (hereinafter "Skyway"). In its statement of claim, Havana House alleged its use and ownership of four (4) registered trade-marks in association with cigar products. These trade-marks (HOYO DE MONTERREY DE JOSÉ GENER HABANA, MONTE CRISTO HABANA, MONTECRISTO and ROMEO Y JULIETA) were registered in the name of Havana House in 1994 on a stated date of first use of March 1988. In June 1994, Havana House signed an exclusive distributor agreement with Cubatabaco, a state-owned Cuban corporation which has a monopoly over the distribution from Cuba of all cigars manufactured by the government-owned cigar factories in that country; the agreement signed with Cubatabaco entitled Havana House to distribute these cigars in Canada.

Defendant Skyway is an Ontario importer and retailer of tobacco and tobacco products. During the summer of 1996, negotiations occurred between Havana House and Skyway so that the former company could supply tobacco products to the latter. These negotiations eventually failed and Havana House told Skyway's representative that it would not sell any cigar products to its company because Skyway was already buying them from other sources, namely from outlets in Cuba. Some of these products originating from those outlets exhibited one or more of the trade-marks owned and registered in Canada by Havana House. In August 1996, Havana House requested that Skyway cease and desist

from importing tobacco products from Cuba bearing the trade-marks registered in the name of Havana House in Canada. Skyway refused and the action was filed in September.

In support of its claim, Havana House argued that the cigars sold by Skyway were unauthorized since they did not come through plaintiff's channel of distribution and therefore did not meet its quality control requirements. Additionally, it pleaded that defendant knew of Havana House's trade-mark rights in Canada as early as 1995 but nonetheless continued its purchase of unauthorized cigars bearing the trade-marks registered in Havana House's name.

In November 1996, Skyway countered by filing a statement of defence and counter-claim requesting an order to strike Havana House's four registered trade-marks on the grounds that plaintiff was not entitled to secure registration of those marks and that said registrations were invalid since the trade-marks at issue were not distinctive of the plaintiff at the time the proceedings to expunge were initiated. Defendant applied for a summary judgment in support of its position.

Skyway argued that Havana House was merely a distributor and was not entitled to register the four (4) above trade-marks in 1994. It further claimed that itself could not be found liable in a passing off action when it sold products bearing what were really the Cuban manufacturer's trade-marks; in the defendant's view, no deception to the public occurred if the products emanated from the originators of the marks; it relied on *Smith & Nephew Inc. v. Glen Oak Inc.*, (1996) 3 F.C. 565 (F.C.A.) (see commentary at (1996), 10 W.I.P.R. 309).

In reviewing the parties' arguments, Mr. Justice Teitelbaum asked whether Havana House had "used" the trade-marks in issue within the meaning of section 4 of the *Trade-marks Act*, R.S.C. 1985, c.T-13. As pointed out by Rouleau J. in *Citrus Growers Assn. Ltd. v. William D. Branson Ltd.* (1990) 1 F.C. 641(F.C.T.D.), "the jurisprudence under s. 57 is clear that an importer or agent has no right to register a trade-mark owned by the foreign principal, under his own name and for his own benefit. Anything the importer does with respect to the mark must be for the benefit of the foreign supplier and owner of the mark."

Mr. Justice Teitelbaum also dealt with the question of possible acquiescence by the foreign owner: This possibility "does not mean that the distributor is entitled to the trade-mark *unless* the distributor has used the mark and it has become distinctive of the distributor". Was this the case with Havana House?

Mr. Justice Teitelbaum concluded in the negative stating it was clear that Havana House was acting as a distributor for Cubatabaco and the Cuban state-owned tobacco manufacturers. Those cigars distributed by Havana House in

Canada were manufactured and sold in Cuba with the trade-marks Havana House registered in Canada. Because the trade-marks clearly indicated that the source of the marks was the manufacturer in Cuba, Havana House could only distribute these products in Canada for the benefit of said manufacturer and could not be said to have "used" those marks for its own benefit. The court therefore concluded that Havana House was not entitled to register the marks; it consequently allowed Skyway's application for summary judgment and ordered that the four (4) trade-mark registrations be expunged from the register. Havana House has filed an appeal against the court's decision.

Mr. Justice Teitelbaum's decision is a reminder of a distributor's obligations and responsibility vis-a-vis a manufacturer's trade-mark. In such case, in order to determine who is entitled to registration, one must not ask who is using the trade-mark but rather inquire whose trade-mark is being used (see *S.A. Jetstream v. R.D. International Style Collections Ltd.* (1993), 49 C.P.R. (3d) 336). Although in this case, the distributor had the consent of the Cuban manufacturer to register the trade-marks, the message sent out to the public in Canada appeared to be that the trade-marks could be traced back to the manufacturer.

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