

**IN THE MATTER OF AN OPPOSITION filed  
by Souza Cruz S.A. to Application No. 886792  
for the Trade-mark PALERMO & Design filed  
by Tabacalera Del Este, S.A.**

**I The Pleadings**

On August 7, 1998 Tabacalera Del Este, S.A. (the “Applicant”) filed an application to register the trade-mark PALERMO & Design as hereinafter reproduced:



(the “Mark”)

application number 886792, on the basis of proposed use in Canada, in association with cigarettes (the “Wares”). The Applicant states in its application that it has duly registered the Mark in Spain on May 20, 1997 and used it in that country.

The application was advertised on October 20, 1999 in the Trade-marks Journal for opposition purposes.

Souza Cruz S.A. (the “Opponent”) filed on December 31, 1999 a statement of opposition forwarded on March 14, 2000 to the Applicant. The Opponent raises the issues of registrability of the Mark in view of the likelihood of confusion with its trade-mark covered by registration TMA450472 (the “Opponent’s trade-mark) and entitlement to the registration of the Mark given that the Opponent’s trade-mark has been used in Canada since before the filing date of the present application.

For ease of reference I reproduce the Opponent's trade-mark:



In a counter statement filed on July 14, 2000 the Applicant stated that its Mark was registrable as it was not confusing with the Opponent's trade-mark and that it was entitled to register the Mark.

The Opponent's evidence consists of a certified copy of trade-mark registration number TMA450472 and two affidavits of Paul Greame Nicholson (February 9, 2001 and February 16, 2001) while the Applicant filed the affidavits of Jose Ortiz Escauriza, Janet MacDonald, Florinda Lages, Jorge Isern, Lynda Palmer and four (4) affidavits of Etelle Boles. The Opponent filed the affidavit of Mr. Paul Graeme Nicholson dated November 4, 2002 as reply evidence. At the Applicant's request, the Registrar issued on February 24, 2003 an order for the cross-examination of Mr. Nicholson on his affidavit dated November 4, 2002. By letter dated April 29, 2003 the Applicant informed the Registrar that it was withdrawing the aforesaid affidavit. Therefore it has been returned to the Applicant.

The Applicant subsequently requested an order for the cross-examination of Mr. Nicholson on his two affidavits filed as Rule 41 evidence. By decision dated January 22, 2004 the Registrar refused to issue such order.

None of the other affiants have been cross-examined and both parties filed written arguments. There was no oral hearing.

## **II The Opponent's evidence**

Mr. Nicholson describes himself as an authorized attorney of the Opponent. It is a Brazilian corporation with business interests in the manufacture, sale and distribution of tobacco products. He states that the Opponent is the owner of the Opponent's trade-mark as it appears from a certified copy of the registration.

He then discusses the various registrations obtained worldwide of the Opponent's trade-mark as well as different variations thereof with or without the word "FREE". Those additional foreign registrations will be of little assistance to the Opponent, as it will appear hereinafter. I may add that none of these trade-marks were listed in the statement of opposition and there is no evidence of their use in Canada except for the Opponent's trade-mark.

He goes on to provide export sales figures of cigarettes bearing the trade-mark FREE for the period of 1991 to 1998 without giving any sales figures for Canada. I should point out at this stage that the affiant is using different terminology throughout his affidavit without defining any of the following terms: FREE label design, FREE cigarettes and FREE brand. The only defined term in his affidavit is FREE & DESIGN, which corresponds to the Opponent's trade-mark as illustrated above. Under these circumstances I shall interpret against the Opponent any ambiguity resulting from the use of those different terms.

He alleges that the Opponent's trade-mark has been used in Canada since June 1995 in association with cigarettes and has filed a sample packaging and invoices. He then describes the design of the Opponent's trade-mark and compares it with the Mark for the purpose of arguing the similarities between them. He concludes his affidavit executed on February 9, 2001 by annexing copies of an expert report and a survey report filed in court proceedings before a Brazilian Court. The Applicant in its written argument objected to the production of those

exhibits arguing that they constitute inadmissible hearsay evidence as they emanate from a third party. I agree with the Applicant and I shall disregard them.

The content of his second affidavit executed on February 16, 2001 relates to the two exhibits described in the preceding paragraph that have been excluded from the evidence. I shall therefore not take into account the content of such affidavit.

### **III The Applicant's evidence**

Etele Boles and Florinda Lages are translators and have translated from Spanish to English or from French to English certain documents and videos annexed to other affidavits filed as the Applicant's evidence. As for the Jara affidavit it consists of a translation from Spanish to English of a decision rendered by the High Court of Paraguay. The documents translated are not relevant to the issues raised in this opposition as they relate to proceedings in foreign countries. In some instances the foreign jurisdiction is not even identified in either the translated document itself or in Ms. Boles' affidavits. [See for example her affidavit executed on October 29, 2001 with its enclosures] Finally I note that the Applicant did not refer in its written argument to any allegations or documentation referred to in the Boles, Lages or Jara affidavits.

Mr. Escauriza has been, since 1995, the Applicant's General Manager and Director. The Applicant is a company incorporated in 1994 in Paraguay. It sells different brands of cigarettes both in Paraguay and around the world. He alleges that it is the largest cigarette manufacturer in Paraguay. He discusses the Applicant's international activities, which are not relevant to the issues to be decided in this opposition. Then he provides in paragraphs 8 and 9 his own opinion on the customers' perception of the Mark. It does not constitute proper admissible evidence. It should have been incorporated in an expert affidavit. Moreover the affiant does not refer to the average Canadian consumer, which would be the applicable norm. Finally he files extracts of the Canadian register consisting of over 70 trade-mark applications or registrations of trade-marks incorporating coats of arms and/or line graphics in association with cigarettes. I can identify at least 19 trade-marks which comprise the combination of coats of arms and line graphics.

Paragraphs 14 to 20 and 32 of his affidavit are arguments on the issue of confusion and do not constitute factual evidence. In paragraph 21 of his affidavit, he states that the parties' trade-marks have coexisted in numerous countries around the world and he is not aware of any instances of confusion in those countries.

In paragraphs 23 to 31 inclusive, he refers to various foreign administrative and court decisions wherein the Applicant was allegedly successful against the Opponent. However, we have no evidence of the applicable law in those jurisdictions and as such those decisions are of little assistance in this case.

Ms. MacDonald has been a legal assistant for the Applicant's agent firm. She was asked by a member of that firm to conduct a search of the CDNameSearch Trade-Marks Database to locate all active design trade-marks for cigarettes containing design elements which include LION, SHIELD and CROWN. She located 45 active trade-marks meeting those criteria and filed the pertinent extracts of the register.

#### **IV Analysis of the legal issues**

The legal burden is upon the Applicant to establish that its application complies with the provisions of the Trade-marks Act, R.S.C. 1985, c. T-13 (the "Act") but there is however an initial onus on the Opponent to establish the facts relied upon by it in support of each ground of opposition. Once this initial onus is met, the Applicant still has to prove, on a balance of probabilities, that the particular grounds of opposition should not prevent the registration of the Mark. [See *Joseph E. Seagram & Sons Ltd. et al v. Seagram Real Estate Ltd.*, 3 C.P.R. (3d) 325, at pp. 329-330; *John Labatt Ltd. v. Molson Companies Ltd.*, 30 C.P.R. (3d) 293 and *Wrangler Apparel Corp. v. The Timberland Company*, [2005] F.C. 722]

i) *Registrability*

The material time for considering the issue of the registrability of the Mark under s. 12(1)(d) of the Act is the date of the Registrar's decision. [See *Park Avenue Furniture Corporation v. Wickes/Simmons Bedding Ltd. (1991)*, 37 C.P.R. (3d) 413 at 424 (F.C.A)]

The test for confusion is set forth in s. 6(2) of the Act and I must have regard to all the surrounding circumstances, including those enumerated in s. 6(5) of the Act, namely: the inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known; the length of time the trade-marks or trade-names have been in use; the nature of the wares, services, or business; the nature of the trade; and the degree of resemblance between the trade-marks or trade-names in appearance, or sound or any ideas suggested by them. Those criteria are not exhaustive and it is not necessary to give each one of them equal weight. [See *Clorox Co. v. Sears Canada Inc. (1992)*, 41 C.P.R. (3d) 483 (F.C.T.D.) and *Gainers Inc. v. Marchildon (1996)*, 66 C.P.R. (3d) 308 (F.C.T.D.)]

I refer to the decision rendered by the Supreme Court of Canada in *Mattel, Inc. v. 3894207 Canada Inc.*, (2006) 49 C.P.R. (4th) 321 for a detailed analysis of the test applicable in our situation.

The Opponent has met its initial onus with respect to the ground of opposition based on the provisions of s. 12(1)(d) of the Act by filing a certified copy of the registration of the Opponent's trade-mark.

The Mark consists mainly of the word PALERMO with a crest on top and stripes at the bottom. The Opponent's trade-mark is composed of the word FREE with a combination of a crest on top and stripes at the bottom. Both of the marks in issue are inherently distinctive. The degree of distinctiveness may be enhanced through use in Canada. Even though Mr. Nicholson asserts that the Opponent's trade-mark has been used in Canada since 1995, we have limited evidence of the extent of such use. Sample invoices and a package were filed without any details similar to those furnished with respect to the Opponent's worldwide sales. There is no evidence of use of the Mark

in Canada. Therefore the Opponent's trade-mark has acquired a higher degree of distinctiveness than the Mark. As a result this factor does slightly favour the Opponent.

Given that there is some evidence of use of the Opponent's trade-mark in Canada while there is none with respect to the Mark, the length of time the trade-marks have been in use favours the Opponent.

The Applicant admits in its written arguments that the parties' respective wares and their channels of trade are similar. Consequently those factors also favour the Opponent.

The degree of resemblance is an important factor when assessing the likelihood of confusion between two trade-marks, especially when the wares are similar or identical. Mr. Justice Cattanach in *Beverley Bedding & Upholstery Co. v. Regal Bedding & Upholstering Ltd.* (1980), 47 C.P.R. (2d) 145 defined the issue in the following terms:

Realistically appraised it is the degree of resemblance between trade marks in appearance, sound or in ideas suggested by them that is the most crucial factor, in most instances, and is the dominant factor and other factors play a subservient role in the over-all surrounding circumstances.

As expressed by Mr. Justice Cattanach in *Canadian Schenley Distilleries Ltd. v. Canada's Manitoba Distillery Ltd.* (1975), 25 C.P.R. (2d) 1, one should not fall into the trap of comparing the marks side by side. The Opponent in its written argument described at length the similarities between the marks including the fact that they both have a similar crest and stripe design. Such analysis is of the type proscribed by the Federal Court in *Canadian Schenley Distilleries Ltd., op. cit.*

I have to determine if the average Canadian consumer, who has a vague recollection of the Opponent's trade-mark, when faced with the Mark, would think on a first impression that the Wares sold in association with the Mark originate from the Opponent. Under normal circumstances a consumer will remember the dominant feature(s) of a trade-mark. In most instances it is the word portion of the trade-mark. I do not see why in the case of cigarettes, like

ours, the situation would be different. Unless the design is so original or unique, a consumer is likely to remember the trade-mark by its name.

In this particular case I am inclined to say that it is the word portion of the marks in issue that represent the most relevant portion and will be remembered by a consumer in view of their predominance. In this case a consumer having a vague recollection of the Opponent's trade-mark would likely recall the word FREE. Therefore when confronted with the Mark I do not see, on a balance of probabilities, a possible association with the Opponent's trade-mark as the word portion PALERMO is quite different in sound, meaning and visually, than the word FREE. I conclude that this factor favours the Applicant.

As an additional surrounding circumstance I have to determine the relevancy of the state of the register evidence filed by the Applicant. It is only relevant insofar as one can make inferences from it about the state of the marketplace. [See *Ports International Ltd. v. Dunlop Ltd.* (1992), 41 C.P.R. (3d) 432 and *Del Monte Corporation v. Welch Foods Inc.* (1992), 44 C.P.R.(3d) 205 (F.C.T.D.).] In *Kellogg Salada Canada Inc. v. Maximum Nutrition Ltd.* (1992), 43 C.P.R. (3d) 349 (F.C.A.) the Federal Court of Appeal concluded that inferences about the state of the marketplace can only be drawn from state of the register evidence where large numbers of relevant registrations are located.

The Applicant filed extracts of the register that show that there were at a time prior to the relevant date at least 19 trade-marks which comprise a design with the combination of coats of arms and line graphics. I can therefore infer from that evidence that this combination is common in the trade. As a result, the average Canadian consumer is accustomed to it and is able to distinguish the various trade-marks. This reinforces my earlier conclusion that the consumer would differentiate the marks in issue by their word component.

From this analysis of the relevant circumstances, I conclude that the Applicant has discharged its burden to prove on a balance of probabilities that the Mark is not likely to cause confusion, in the mind of the average Canadian consumer, with the Opponent's trade-mark when used in association with the Wares. There is little resemblance between the parties' trade-marks when viewed as a



whole. The state of the register evidence enables me to infer that the design elements on which the Opponent has focused are common in the marketplace. The ground of opposition based on s. 12(1)(d) of the Act is therefore dismissed.

*ii) Entitlement*

The difference in the relevant dates when assessing this ground of opposition would not have any impact on my previous analysis of the various factors to determine the likelihood of confusion between the parties' respective marks. This ground of opposition is also dismissed.

**V Conclusion**

Having been delegated authority by the Registrar of Trade-marks by virtue of s. 63(3) of the Act, I reject the opposition to the registration of the trade-mark PALERMO & Design, the whole pursuant to s. 38(8) of the Act.

DATED IN BOUCHERVILLE, QUEBEC, THIS 22<sup>nd</sup> DAY OF JANUARY 2008.

Jean Carrière,  
Member of the Trade-marks Opposition Board