



Canadian Intellectual Property Office

THE REGISTRAR OF TRADEMARKS

Citation: 2024 TMOB 211

Date of Decision: 2024-11-20

INTERLOCUTORY RULING

Opponent: Monster Energy Company

Applicant: Pacific Smoke International Inc.

Applications: 2,194,691 for FLAVOUR BEAST Design,
2,301,385 for FLAVOUR BEAST

INTRODUCTION

[1] This ruling is made under section 38(6) of the *Trademarks Act*, RSC 1985, c T-13 (the Act).

[2] On September 6, 2024, Pacific Smoke International Inc. (the Applicant) sought an interlocutory ruling to strike a number of grounds of opposition contained in the statements of opposition which had been filed by Monster Energy Company (the Opponent) on July 19, 2024 in respect of application No. 2,194,691 for the trademark FLAVOUR BEAST & Design and application No. 2,301,385 for the trademark FLAVOUR BEAST (the Marks). The challenged pleadings comprised the grounds of non-entitlement to registration pursuant to section 38(2)(c), non-distinctiveness pursuant to section 38(2)(d), non-use or intent to use the Marks pursuant to 38(2)(e), and non-entitlement to lawful use pursuant to section 38(2)(f).

[3] On October 18, 2024, the Opponent responded by submitting amended statements of opposition withdrawing some grounds of opposition and providing its comments regarding the Applicant's challenge to the sufficiency of the remaining pleadings. More specifically, the Opponent withdrew the ground raised pursuant to section 38(2)(e) of the Act as well as portions of its 38(2)(f) ground. I note the two statements of opposition generally include the same grounds. However, the entitlement grounds differ in respect of the trademarks relied upon by the Opponent. These differences do not affect my analysis.

LEAVE TO AMEND STATEMENT OF OPPOSITION GRANTED

[4] Noting the amendments to the statements of opposition are responsive to the Applicant's request for an interlocutory ruling and that the proceedings are at a very early stage, I am satisfied that it is in the interests of justice to grant the Opponent leave to amend its statements of opposition. The amended statements of opposition, dated October 18, 2024, are therefore made of record, and I shall rely on these when addressing the Applicant's representations regarding the sufficiency of pleadings.

SCOPE OF INTERLOCUTORY RULINGS

[5] The sufficiency of a statement of opposition is governed by section 38 of the Act. Section 38(2) of the Act comprises an exhaustive list of the grounds upon which an opposition may be based. Section 38(3)(a) of the Act requires the grounds to be set out in sufficient detail so as to enable the applicant to reply. A proper pleading alleges the material facts but not the evidence which an opponent intends to adduce to establish those facts [see *Pepsico Inc and Pepsi-Cola Canada Ltd v Registrar of Trade-marks* (1975), 22 CPR (2d) 62 (FCTD) (*Pepsico Inc*)].

[6] It is a recognized elementary condition of fairness that each party

be informed of the case which it must meet [*Carling Breweries Ltd v Molson Companies Ltd*, [1984] 2 FC 920, aff'd [1988] FCJ No 10]. The Registrar's power to strike all or part of a statement of opposition is set out in section 38(6) of the Act.

[7] Additionally, assuming the allegations of fact are true, grounds may be struck if they have no reasonable prospect of success when viewed in the context of the applicable law [*Manufacturers Life Insurance Company v British American Tobacco (Brands) Limited*, 2017 FC 436 at paras 57-64].

INTERLOCUTORY RULING

[8] The Applicant's requests to strike grounds of opposition are refused for the reasons that follow.

Non-entitlement Ground of Opposition

[9] The Applicant submits that paragraph 2.1 of the statements of opposition should be struck on the basis that they contain imprecise and bare pleadings without factual support. The Applicant claims it is, therefore, unable to reply. The Applicant also objects to the Opponent's reference to "any or all" listed trademarks. Additionally, the Applicant alleges that the Opponent has not identified when, where, how or with what goods it has used its trademarks in Canada. In support of its position that the ground is not adequately pleaded, the Applicant relies on the findings in *Ilco Unican Corp v Creditcard Keys Company*, 1991 CanLII 6774 at para 13 and *McIntosh v La-Co Industries Inc* (1998), 86 C.P.R. (3d) 95 (TMOB) (*McIntosh*).

[10] The Opponent responds that the ground includes all necessary material facts. It relies on precise identification of the trademarks on which the non-entitlement ground of opposition is based, as well as information concerning associated goods and services. The Opponent argues the

Applicant has all that is needed to reply and submits that it is not required to explain further when, where and how it has used the trademarks, relying for example on the decisions in *Pepsico Inc, Association canadienne du médicament générique v Boehringer Ingelheim Pharma GmbH & Co KG*, 2017 TMOB 47 and *Metromedia CMR Plus Inc v Metromedia Company*, 2009 CanLII 90870.

[11] As the Opponent has alleged the use of specific trademarks in association with particular goods and has also identified that it relies on the use of its own trademarks by itself, its predecessors or its licensees, I am satisfied that this ground has been pleaded in sufficient detail so as to allow the Applicant to reply. Unlike the situation in *McIntosh*, the Opponent identified the entities allegedly using the trademarks in Canada. In the *Ilco* matter, the entitlement ground failed because no trademarks were identified, which is not the situation with respect to the matter at hand. I find these cases do not support the Applicant's request. The Applicant's requests in respect of this ground are denied.

Non-Distinctiveness Ground

[12] The Opponent has pleaded as follows:

The Opponent bases its opposition on section 38(2)(d) of the Act, namely that in view of section 2 of the Act (definition of "distinctive"), the TRADEMARK is not distinctive of the goods of the Applicant since the TRADEMARK does not actually distinguish the goods in association with which the TRADEMARK is used or proposed to be used by the Applicant from the goods and/or services of the Opponent, nor is it adapted to so distinguish them

[13] The Applicant argues that the pleading is deficient because it is a bald assertion, relies on statutory language, and lacks sufficient supporting facts.

[14] The Opponent responds that sufficient material facts have been provided. It relies on the principle that the statement of opposition must be

considered as a whole inasmuch as this ground relies on the identified trademarks of the Opponent in association with the identified goods. The Opponent acknowledges that in due course, it must prove its trademarks are sufficiently known so as to negate the distinctiveness of the Applicant's trademark and that their reputation in Canada is substantial, significant or sufficient. It adds that the Opponent's initial burden can only be met with evidence which will be filed at a later stage.

[15] Regarding the non-distinctiveness ground, I find, as I did in *Industria de Diseño Textil, S.A. v Sara Ghassai*, 2024 TMOB 150 (*Diseño Textil*) involving comparable pleadings, the ground is sufficiently pleaded. The Opponent identified its own trademarks applied to its goods as what prevents the Mark from actually distinguishing or being adapted to distinguish the Applicant's goods from those of the Opponent. The Opponent claims various trademarks in the context of the non-registrability and non-entitlement grounds and associates these trademarks with specific goods. While this component of the non-distinctiveness ground is understood to be limited to the trademarks of the Opponent referenced in the statements of opposition the ground is adequately pleaded and provides sufficient detail to allow the Applicant's reply.

[16] The Applicant relies on a case inaccurately identified as "*Hennes & Mauritz AB v M & S Meat Shops Inc*, 2012 TMOB 7" in support of its position that this ground of opposition has not been sufficiently pleaded. There is no such case. This citation appears to be an AI "hallucination," as discussed in paragraph 5 of *Diseño Textil*. I will, therefore, disregard this portion of the submission and remind the Applicant that even if accidental, reliance on a false citation, AI hallucination or otherwise, is a serious matter [see *Zhang v Chen*, 2024 BCSC 285].

Lawful Use Ground

[17] The Opponent pleads as follows in respect of the grounds of opposition raised pursuant to section 38(2)(f) of the Act:

5. At the date of the filing of the opposed application in Canada (and at any relevant time), the Applicant, contrary to paragraph 38(2)(f) of the Act, was not entitled to use the TRADEMARK in Canada in association with the goods referred to in the opposed application in view of the content of the present opposition, including the knowledge of the Applicant of the rights of the Opponent as herein alleged and the unlawfulness of said use, if any, since:...

5.3 such use would be, was, and is unlawful in that such use would be, was, and is likely to have the effect of depreciating the value of the goodwill attaching to the registered trademarks alleged herein by the Opponent, contrary to section 22 of the Act [the Opponent adding, inasmuch as necessary, being the beneficiary of Canadian goodwill in the registered trademarks, that the public would be misled with respect to the origin of the goods, services or business of the Applicant, and that the Opponent will suffer damages therefrom];

5.4 such use would be, was, and is unlawful in that such use would direct public attention to Applicant's goods, services or business in such a way as to cause confusion in Canada between these goods, services or business and those of the Opponent, contrary to paragraph 7(b) of the Act [the Opponent adding, inasmuch as necessary, being the beneficiary of Canadian goodwill in the registered trademarks and the related goods and/or services, that the use of the TRADEMARK would constitute a misrepresentation to the public with respect to the goods of the Applicant leading or likely to lead the public to believe that the goods offered by the Applicant are the goods of the Opponent, and that the Opponent will likely suffer damages by reason of the erroneous belief engendered by Applicant's use of the TRADEMARK].

[18] The Applicant submits that these grounds are duplicative of the Opponent's section 38(2)(a) and 38(2)(b) grounds and reiterates earlier allegations. It relies on the decision *Kentwood Floors Inc v Kentwood Homes Ltd*, 2022 TMOB 204 at para 62 (*Kentwood*) to support its allegation that section 38(2)(f) should not be considered a "catch-all" clause and seemingly on *Diseño Textil* in support of the contention that this ground is duplicative and insufficiently pleaded. The Applicant also claims that allegations relating to depreciation of goodwill under section 22 and passing off under

section 7(b) are beyond the jurisdiction of the Registrar and involve determinations it cannot make.

Sections 38(2)(f) and 22 Depreciation of Goodwill

[19] The Opponent argues that its ground of opposition set out at para 5.3 of the statements of opposition is comparable to the ground of opposition available under the previous Act combining section 30(i) with section 22 of the Act and that such pleadings have been held to be valid in the past. It relies on *McDonald's Corporation and McDonald's Restaurants of Canada Limited v Hi-Star Franchise Systems, Inc.*, 2020 TMOB 111 at para 28. I note in that decision, the Board found:

The Registrar has previously noted that neither the Registrar, nor the Federal Court has ruled on whether a section 30(i) ground of opposition based on the violation of section 22 is a valid ground of opposition [*Euromed Restaurant Limited v Trilogy Properties Corporation* 2012 TMOB 19 at para 13; *Parmalat Canada Inc. v Sysco Corp.* 2008 FC 1104, 69 CPR (4th) 349 (FC) at paras 38-42]. I find that this is a valid ground of opposition on the basis that the Registrar cannot condone the registration of a mark if an applicant's use of the mark would violate Federal legislation including the Act. I find this case analogous to the cases where the Registrar has found a section 30(i) ground of opposition based on the violation of section 7(b) to be valid [*Bojangles, supra*; see also the discussion in *Dairy Processors Association of Canada v Dairy Farmers of Canada, supra* at paras 38-45].

[20] I agree that section 30(i) combined with section 22 affords an Opponent a potentially valid ground of opposition. This decision and others like it also address the Applicant's claim that consideration of this ground is beyond the jurisdiction of the Registrar. I see no reason to treat a combination of new section 38(2)(f) and section 22 differently. In making my determination, I am mindful that the striking of a pleading should be done with caution, as the law continues to evolve [*Knight v Imperial Tobacco Canada Ltd.*, 2011 SCC 42 at para 21].

[21] Section 22 of the Act requires four elements, these being the use of the registered trademark, the registered trademark being sufficiently known to have significant goodwill attached, the existence of a likely connection or linkage in the mind of the hypothetical consumer between the trademarks and that the likely effect of use would be to depreciate the registered owner's goodwill. The Opponent has alleged prior use of its trademarks as well as associated goodwill. Its allegations of a likelihood of confusion imply the possible existence of a connection or linkage in the consumer's mind. Depreciation of goodwill is alleged. Therefore, the pleadings contain sufficient material facts regarding the requisite elements set out in *Veuve Clicquot Ponsardin v Boutiques Cliquot Ltée*, 2006 SCC 23, 49 CPR (4th) 401 at para 46. Appropriate evidence will, of course, ultimately be required to meet the Opponent's burden of establishing a *prima facie* case of contravention of section 22. I am satisfied on a balance of probabilities that this ground should not be struck at this early stage of the proceeding. I find that the Applicant has been provided with sufficient material facts to reply to this ground.

[22] To address briefly the jurisprudential support relied upon by the Applicant in respect of this ground, I note that in *Diseño Textil* similar pleadings were found sufficient and maintained. In that decision, while grounds were found to be duplicative, this did not include section 38(2)(f) combined with section 22. In the *Kentwood* decision cited by the Applicant, the Registrar accepted that a 38(2)(f) ground alleging depreciation of goodwill could be valid even if ultimately finding that the evidence did not demonstrate a *prima facie* violation of section 22. In particular, this is attributable to the opponent in that case not having shown it acquired sufficient goodwill in its trademarks [see *Kentwood* at para 63]. As such, neither decision supports the Applicant's position that the grounds should be struck.

Sections 38(2)(f) and 7(b) -Passing Off

[23] The same allegations and case law are relied upon by the Applicant in respect of the ground of opposition involving sections 38(2)(f) and 7(b). The Opponent, on the other hand, argues that the comparable ground available under the old Act was held valid and relies on the decisions in *Dairy Processors Association of Canada v Producteurs Laitiers du Canada/Dairy Farmers of Canada*, 2014 FC 1054, and *Bojangles' International LLC v Bojangles Café Ltd*, 2006 FC 657. Again, these prior decisions address the Applicant's submission that the ground is beyond the jurisdiction of the Registrar.

[24] The Opponent correctly points out that pleadings acceptable under this ground should comprise material facts, which, if proven, would establish the three elements of passing-off, namely goodwill, misrepresentation creating confusion in the public and actual or potential damage to the party [see *Ciba-Geigy Canada Ltd v Apotex Inc*, [1992] 3 SCR 120 at para 3].

[25] The statements of opposition contain allegations that the Opponent's trademarks have been used and made known in Canada and that it is the beneficiary of goodwill in these trademarks. Allegations are also made of confusion and misrepresentation of the Applicant's goods as those of the Opponent. The Opponent also claims actual or potential damage as a result. I find the grounds relying on sections 38(2)(f) and 7(b) of the Act, when read in the context of the statement of opposition as a whole, are sufficiently particularized. Without commenting on the merits of the ground, I conclude that these pleadings are not so imprecise that the Applicant has insufficient material facts so as to allow it to reply. I am therefore satisfied this ground should not be struck at this early stage of the proceedings.

DEADLINE TO FILE A COUNTER STATEMENT

[34] In accordance with its request of September 6, 2024, the Applicant is granted one month from the date of this ruling within which to file and serve its counter statement.

[Coleen Morrison]
Member
Trademarks Opposition Board
Canadian Intellectual Property Office

Agents of Record

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