

## TRADE-MARKS 2004 – THE YEAR IN REVIEW

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### INTRODUCTION

While there were no major shifts in Canadian trade-mark law in 2004, there are several cases and trends of note. This paper reviews some of these cases and their contribution to the evolution of Canadian trade-mark law. The year 2004 also foreshadows some of the issues we can expect the courts, and in particular, the Supreme Court of Canada, to consider in the very near future. The Supreme Court of Canada granted leave to hear two trade-mark cases - *Veuve Clicquot Ponsardin Maison Fondée En 1772 v. Les Boutiques Cliquot Limite* and *Kirkby AG v. Ritvik Holdings Inc.* In these cases, we can anticipate the Supreme Court of Canada to address the issues of famous marks, functionality of trade-marks and the constitutionality of s.7(b) of the *Trade-marks Act* (the “Act”).

### EXECUTIVE SUMMARY

As a preview to the discussion, some of this year’s developments in Canadian trade-mark law can be summarized as follows:

- **Famous Marks, Functionality and s. 7(b):** We can expect the Supreme Court of Canada to address these issues in the very near future (*Veuve Clicquot Ponsardin Maison Fondée En 1772 v. Les Boutiques Cliquot Limite* and *Kirkby AG v. Ritvik Holdings Inc.*). In the meantime, the protection accorded famous marks continues to be limited (*Mattel, Inc. v. 3894207 Canada Inc.*).
- **Evidence of use is s. 45 proceedings:** Evidence of use of every ware specified in the registration is required unless demonstrated use of certain wares can serve as evidence of use of an entire category of wares on the plain reading of the registration (*Ridout & Maybee LLP v. Omega SA.* and *Uvex Toko Canada Ltd. v. Performance Apparel Corp.*). Evidence of use must be attributed to the registered owner (*Footlocker Group Canada*

*Inc. v. R. Steinberg and the Registrar of Trade-marks*). The Federal Court also dealt with special circumstances justifying non-use (*Clark O'Neill Inc. v. PharmaCommunications Group Inc.* and *Cassels Brock & Blackwell LLP v. Registrar of Trade-marks and Montorsi Francesco E Figli SPA.*) as well as variation of the trade-mark (*House of Kwong Sang Hong International Limited v. Borden Ladner Gervais and Brouillette Kosie Prince v. Andrés Wines Ltd.*).

- **Entitlement to Registration:** Dates of stated first use are not a relevant consideration in s. 37(1)(c) of the *Act* (*Effigi Inc. v. Canada (Attorney General)*).
- **Design Elements and Descriptiveness:** Depending on which Federal Court case you read, design elements of a trade-mark may or may not be considered in determining whether a trade-mark is clearly descriptive or deceptively misdescriptive (*Fiesta Barbeques Ltd. v. General Housewares Corp.* and *Best Canadian Motors Inns Ltd. v. Best Western International Inc.*).
- **Where only part of a trade-mark is clearly descriptive or deceptively misdescriptive:** In these cases, the registrability of the trade-mark will depend on whether the objectionable elements “so dominate the applied-for trade-mark as a whole such that...the trade-mark would thereby be precluded from registration” (*Canadian Council of Professional Engineers v. John Brooks Company Limited*).
- **“Adoption and Use” for the purpose of s. 9(1)(n)(iii):** Use of an official mark under license from another public authority does not constitute “adoption and use” (*Canadian Rehabilitation Council for the Disabled DBA Easter Seals/March of Dimes National Council v. Rehabilitation Foundation for the Disabled DBA Ontario March of Dimes*).
- **Confusion and the average Anglophone, Francophone and bilingual consumer:** Once there is a risk of confusion in either French or English, a trade-mark cannot be registered. The test is whether an Anglophone, Francophone or a bilingual consumer would be confused (*Pierre Fabre Medicament v. Smithkline Beecham Corporation*).
- **Actual Confusion and Opposition Proceedings:** While an opponent is not required to show actual confusion in order to successfully oppose a trade-mark application on the basis on non-distinctiveness, the Registrar or the Court on a de novo hearing, can infer from the co-existence of two marks and no evidence of actual confusion that there is little likelihood of confusion (*Sukdeo v. Gestion Technocap Inc.*).

- **Procedural Issues:** On appeal to the Federal Court from a decision of the Registrar of Trade-marks, it is open to a respondent to raise issues other than those raised by the applicant (*Autodata Limited v. Autodata Solutions Company*).
- **Domain Name Dispute:** The right of criticism does not permit the use of a trade-mark of another person in a domain name (*Diners Club International Ltd. v. Planet Explorer Inc.*). Other domain name cases of note: *Glaxo Group Limited v. Defining Presence Marketing Group (Manitoba)*; *Viacom International Inc. v. Harvey Ross Enterprises, Ltd.*; *Sutton Group Financial Services Ltd. v. GeorgeGeorge.com o/a George Georgopoulos*
- **S. 45 Proceedings and Oppositions:** Where the evidence shows that a registered trade-mark relied upon by the Opposition board to find confusion had subsequently been expunged, the matter can be sent back to the Board for reconsideration (*Everlast World Boxing Headquarters Group v. Amethyst Investment Group Inc.*).
- **Evidence of Actual Use:** On the issue of confusion, the Registrar may consider evidence of actual use in considering the nature of wares and services (*Metro-Goldwyn-Meyer Inc. v. Stargate Connections Inc.*).
- **Survey Evidence:** With respect to the issue of confusion, is rebuttal expert or survey evidence required? The Federal Court will not draw an adverse inference from the fact that a defendant has not produced its own survey evidence. Each case must be decided on the evidence before the Court, and according to the burden of proof borne by the plaintiff (*Tradition Fine Foods Ltd. v. The Oshawa Group Limited, Sobeys Inc et al.*).
- **Interlocutory Relief and Summary Judgment:** This year, the Superior Courts have demonstrated willingness to grant interlocutory relief (*Trodat GmbH v. Trodat Canada Inc. and Agropur Cooperative v. Saputo Inc. et al.*) and a judge of the Federal Court has complained about the limitations placed on summary judgment proceedings by the Court of Appeal (*Henkel Canada Corporation v. Conros Corporation*). The Court also dealt with an issue of contempt arising from non-compliance with an oral order given in a summary judgment proceeding (*Lifegear, Inc. v. Urus Industrial Corporation*).
- **Grey Goods and Copyright Law:** Intellectual property owners may now have a useful tool in combating grey goods – s. 27(2) of the *Copyright Act* (*Kraft Canada Inc. et al v. Euro Excellence*). However, while copyright protection may be a useful addition to

combat grey goods, passing off theory may not necessarily assist copyright holders (*Ulextra Inc. v. Pronto Luce Inc.*)

- **Use of a Mark as a Mark:** Both the user's intentions and the public recognition are relevant considerations in determining if a mark has been used as a trade-mark (*Tommy Hilfiger Licensing v. International Clothiers Inc.*).
- **Amendments to the Register:** The Court of Appeal confirmed that the Registrar has no power to correct errors in a registration (*Bacardi & Company Ltd v. Havana Club Holding S.A.*)

## **DEVELOPMENTS IN 2004**

### **1. Famous Marks**

Canadian Trade-marks law, at least at the Federal Court of Appeal level, does not appear to recognize so-called "famous marks", as evidenced by the Federal Court of Appeal decision in *United Artists v. Pink Panther Beauty Corp.*<sup>1</sup> (leave to appeal to the Supreme Court of Canada was allowed but the appeal was discontinued). However, in light of the fact that the Supreme Court of Canada has granted leave to hear the *Veuve Clicquot Ponsardin* case, we can anticipate at least some direction as to the status of "famous marks" in Canadian Trade-marks law.

By way of background, *Veuve Clicquot Ponsardin* is the owner of registered trade-marks in Canada incorporating the word CLICQUOT. *Veuve Clicquot Ponsardin* is in the champagne business. The defendants operate a business retailing women's clothing under the names LES BOUTIQUES CLIQUOT and CLIQUOT. The co-defendant, *Mademoiselle Charmante Inc.*, is the owner of two registered Canadian trade-marks comprised of the word CLIQUOT.

*Veuve Clicquot Ponsardin* brought an action against *Les Boutiques Cliquot Ltee* and *Mademoiselle Charmante Inc.*, for trade-mark infringement, unfair competition and passing-off. At trial, the Court found that there was no trade-mark infringement. In fact, the Court found that there was no connection between the plaintiff's activities and those of the defendants, even though it was proven that the plaintiff sold various clothing articles. While the Court noted that the plaintiff's CLICQUOT trade-mark was inherently distinctive; that the defendants' marks bear

a great degree of resemblance to the plaintiff's marks; and that the plaintiff's marks are well-known, it was not enough. The Court was of the view that the parties' activities were so different that there was no risk of confusion in consumers' minds.

The Federal Court of Appeal, in *Veuve Clicquot Ponsardin, Maison Fondée En 1772 v. Les Boutiques Clicquot Limite*,<sup>2</sup> upheld the trial judge's decision.

It will be interesting to see whether the Supreme Court of Canada will use the "fame" of the plaintiff's CLICQUOT mark in bridging a "connection" between the parties' activities. If so, we may see an increase in the ambit of protection for so called "famous marks".

In the meantime, the Federal Court continues to limit protection to famous marks. In *Mattel, Inc. v. 3894207 Canada Inc.*<sup>3</sup>, Mattel opposed the respondent's application for the registration of BARBIE'S & Design for use with restaurant and catering services alleging confusion with its famous BARBIE mark used in association with children's dolls and doll accessories. The Registrar rejected the opposition because of the differences between the applicant's wares and Mattel's business. The Court found that confusion is less likely when the wares are significantly different, even when the mark is well known. The Court noted that fame cannot be used to create a non-existent connection to different wares. Only a real connection between a mark and a specific product or service will be considered, notwithstanding the realities of cross-marketing. Further, the Court held that the fame of a mark is only one factor to consider in assessing confusion, and there was no automatic assumption of confusion for famous marks. Rather, the question was whether the use of the applicant's mark would prompt consumers to conclude that the wares and/or services associated with both marks emanated from the same source or were otherwise associated. The Court held that the nature of the wares, and the nature of the businesses, in this case could not be more different, and that "it is difficult to imagine that an individual would show up at one of the respondent's restaurants intending to buy dolls".<sup>4</sup> As for Mattel's argument that "there is nothing to prevent the respondent from decorating the walls of

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<sup>1</sup> (1998), 80 C.P.R. (3d) 247 (FCA)

<sup>2</sup> 2004 FCA 164 (FCA)

<sup>3</sup> 2004 FC 361, 30 C.P.R. (4th) 456

<sup>4</sup> at 467

its restaurants in pink and to possibly selling dolls there", the Court held that it "cannot follow such a speculative and hypothetical approach without crossing the line into the absurd."<sup>5</sup> The Registrar's decision was upheld and Mattel's appeal was dismissed.

## **2. Functionality and the Constitutionality of s. 7(b)**

Before hearing the *Veuve Clicquot* case, the Supreme Court of Canada will hear the LEGO case, *Kirkby AG v. Ritvik Holdings Inc.* At issue is whether an owner of a trade-mark, that meets the statutory definition of "trade-mark" under the *Act*, and which is found to have acquired secondary meaning, should be disentitled to relief from passing off on the basis of the "functionality doctrine". A second issue is whether s. 7(b) is unconstitutional.

At trial, notwithstanding the survey evidence that established that the Canadian public had significant recognition and awareness of these pegs and identified them with the LEGO company, the Court found the pegs to be functional and therefore, not a valid trade-mark. The Federal Court of Appeal, in a split decision, upheld the trial division's decision and dismissed the LEGO appeal. The Federal Court of Appeal held that the doctrine of functionality applies to both registered and unregistered trade-marks. Since the pegs were primarily functional, it was not a valid trade-mark, a requirement in an action for passing off under s. 7(b).

An undercurrent in the case is whether the LEGO company is attempting to extend the monopoly it once held over these construction bricks and pegs through the guise of a trade-mark. The fact that the LEGO company's patent monopoly has expired will no doubt be in the background of the Supreme Court of Canada's considerations. The extent to which this point may sway the Supreme Court of Canada one way or another will be interesting to observe.

## **3. Evidence of Use in S. 45 Proceedings**

Expungement proceedings are intended to establish a simple summary and expeditious procedure for clearing the Registrar of "deadwood". The registered owner of the mark must "show use" of the mark within the relevant period. The problem is that what is required to "show use" tends to vary case-by-case. For example, in the case of *Saks and Co. v. Canada (Registrar of Trade-*

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<sup>5</sup> at 467

marks),<sup>6</sup> it was not necessary to show use of the trade-mark with every ware under a particular category. On the other hand, in the case of *Plough Ltd. v. Aerosol Fillers Inc.*,<sup>7</sup> the Court required that use be shown with respect to each and every ware specified on the registration.

In the case of *Ridout & Maybee LLP v. Omega SA*,<sup>8</sup> the Federal Court formulated a more precise test, to alleviate any confusion as to what is required to “show use”, if such ever existed:

For the purpose of s. 45, evidence is required to show use of every ware specified in the registration unless demonstrated use of a particular ware or wares can serve as evidence of use of an entire category of wares on a plain reading of the registration.

The Court emphasized the point that this exercise is conceptually different from assessing overbreadth and vagueness in the wording of the registration itself. The key is that the determination of whether certain wares may represent a larger group specified in a registration must be capable of being made on a “plain reading” of this statement. If there is real ambiguity as to how to interpret this statement, then s. 45 is not the proper forum and the ambiguity must be resolved elsewhere.

In this case, Omega SA filed evidence of the sale of certain wares sold in a transaction between a distributor of its licensee and a third party in Canada. The sale items were “computer enregistreur sur bande papier” (photo time item), “une cellule photo-électrique” (transtime, Omega photocell), “pistolet de start à contact électrique” (start gun system item), and “un portail à contact” (starting gate item), which the Federal Court characterized as wares for the sports timing industry. However, the Federal Court noted that registration also covers other kinds of wares of scientific or technical application. i.e for purposes of “l’électricité, l’optique, la télégraphie, le cinema, la radio, la téléphone, la télégraphie”. The Federal Court held that the evidence of use relating to the wares for the sports timing industry did not represent all categories of technical and scientific application in the registration. Accordingly, the Federal Court ordered that the registration be amended to delete the wares:

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<sup>6</sup> (1989), 24 C.P.R. (3d) 49 (FCTD)

<sup>7</sup> (1980), 53 C.P.R. (2d) 62 (FCA)

<sup>8</sup> 2004 FC 1703 (FC)

- et appareils techniques et scientifiques pour l'électricité, l'optique, la télégraphie, le cinéma, la radio, la téléphonie, la télégraphie, nommément;
- cellules photo-électriques;
- portails à contact;
- compteurs enregistreurs sur bande de papier;
- pistolets de start à contacts électriques.

In a similar vein, the requirements of an affidavit evidencing use were discussed in *Uvex Toko Canada Ltd. v. Performance Apparel Corp.*<sup>9</sup> On appeal from an order that the registration be expunged for failure to show use, the Court emphasized the importance of balancing "evidentiary overkill"<sup>10</sup> against insufficient evidence such as mere assertions by the owner that the trade-mark is in use. The type of evidence that strikes the appropriate balance will depend on the trade-mark owner's business and merchandising practices, among other factors. Here, there were not many types of items covered by the registration, but the registrant still did not show enough corroborative examples of use. The registrant submitted a knitted balaclava as evidence of use in association with a neck warmer, a knitted hat and a woven hat, although it did not fit under all these categories. The Court was not satisfied with the evidence and disagreed with the registrant's submission that the distinction between a woven hat and a knitted hat was too detailed for s. 45 proceedings. As well, submitting thermal underwear as evidence of use in association with pants and shirts was not sufficient. The registrant had nothing but "bald assertions"<sup>11</sup> to submit as evidence of use with pants, tops, turtlenecks, vests and shirts. Submitting only "representative"<sup>12</sup> samples for some of the wares is not sufficient, and the Court rejected the registrant's "idiosyncratic"<sup>13</sup> characterization of the wares.

In addition to "showing use", evidence of use must be attributed to the registered owner. In *Footlocker Group Canada Inc. v. R. Steinberg and the Registrar of Trade-marks*,<sup>14</sup> on appeal from a s. 45 decision of the Trade-marks Office, the Court made it clear that where there had been several owners of a registered trade-mark, an affidavit as to use had to be specific as to the owner using the mark and the time period in which that person used the mark, failing which the registration could be cancelled. The Court held that while affidavit evidence does not have to be

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<sup>9</sup> 2004 FC 448

<sup>10</sup> at 281

<sup>11</sup> at 283

<sup>12</sup> at 283

<sup>13</sup> at 285

perfect, the evidence filed must establish facts from which a conclusion of “use” or “use in the normal course of trade,” would follow as a logical inference from the facts established. In the *Footlocker* case, the Court found a gap in the evidence and upheld the Registrar’s decision to expunge the mark. This case has been appealed.

Two decisions of the Federal Court dealt with special circumstances justifying non-use. In the first, *Clark O’Neill Inc. v. PharmaCommunications Group Inc.*<sup>15</sup>, the registrant owned SINGLE SOURCE SAMPLING & Design, registered and used in the United States and then registered in Canada based on that use. The registrant had been in negotiations with the requesting party regarding a joint venture in Canada, but the negotiations broke down when the registrant acquired a similar business in Canada. The requesting party then started a competing company using the trade-mark DIRECT SOURCE SAMPLING & Design, the design elements of which highly resembled those of SINGLE SOURCE SAMPLING & Design. The registrant of SINGLE SOURCE SAMPLING & Design commenced an infringement action, but the registration was ordered expunged under s.45 based on lack of use of the trade-mark. On appeal, the registrant filed new evidence, but the appeal was dismissed.

While the requesting party had engaged in bad faith by using a “disturbingly similar” unregistered trade-mark, such bad faith was held to be irrelevant, because although the requesting party was “a jilted business suitor”,<sup>16</sup> no fiduciary obligations were owed between the parties. As well, the requesting party did not interfere with use of the registered trade-mark.

Another case on absence of use was *Cassels Brock & Blackwell LLP v. Registrar of Trade-marks and Montorsi Francesco E Figli SPA*.<sup>17</sup> Montorsi owned the trade-mark DANIEL & Design for use in association with San Daniele ham from the Friuli-Venezia-Giulia area of Italy. In the s.45 proceeding, it was decided that the period of non-use was reasonable and excused by special circumstances (the certification process required for admission of the ham into Canada had yet to be completed). However, some of Montorsi’s evidence was vague and incomplete, so a second

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<sup>14</sup> 2004 FC 717 (FC)

<sup>15</sup> 2004 FC 136 (T.D.)

<sup>16</sup> at 35

<sup>17</sup> 2004 FC 753

s.45 notice was issued. On appeal, the Court held that the hearing officer did not exceed her jurisdiction by finding that special circumstances existed excusing the absence of use, and that therefore the registration should be continued. It was also held that issuing a second s.45 notice to acquire further information concerning prospective use was appropriate, because it served the overall purpose of s.45.

Finally, the Court also dealt with the issue of variation of the mark as registered. In *House of Kwong Sang Hong International Limited v. Borden Ladner Gervais*<sup>18</sup>, the mark in question was TWO GIRLS & Design, registered for use with personal care products. The Registrar ordered the trade-mark expunged on the basis that the registrant had not shown use of the mark, and that use shown by another entity was not use of the mark as registered. Additional evidence filed on appeal showed that the registrant had a wholly-owned subsidiary that used the mark, and that the registrant controlled the wares on which the subsidiary used the mark. The Court held that this use inured to the benefit of the registrant. The registrant's oral license and de facto control were sufficient for the purposes of licensing under s.50. However, the trade-mark as registered had been used only in association with one type of ware, and there were significant differences between the trade-mark as registered and the trade-mark as used for most of the other wares. On some wares, the trade-mark as registered did not appear at all. On other wares, the differences were so substantial that a purchaser would be unable to recognize that the wares had the same origin. Another problem was that the elements comprising the trade-mark as registered were found separately on some wares; for example, on different areas of the packaging with other words or designs separating them. The latter variation caused the registered trade-mark to no longer be clearly distinguishable.

The Court held that, with the notable exception of the "skin moisturizers", there were significant differences between the trade-mark as registered and the trade-mark used for most or all of the other wares listed in the registration.<sup>19</sup> There was thus too much variation of the mark to consist of use as registered for the other wares.

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<sup>18</sup> 2004 FC 554, History of Case: Related Proceeding: Federal Court of Appeal: [2001] F.C.J. No. 1694, 2001 FCA 346, (2001) 286 N.R. 334, (2001) 16 C.P.R. (4th) 51. Related Proceeding: Federal Court Trial Division: [2001] F.C.J. No. 1319, 2001 FCT 964

<sup>19</sup> at 263

*Brouillette Kosie Prince v. Andrés Wines Ltd.*<sup>20</sup> involved the word mark IN VINO VERITAS which, while registered without design, was always used inside a coat of arms. The Court pointed out that the trade-mark was:

toujours présentée en combinaison avec des éléments supplémentaires et le public ne peut percevoir à la première impression que la marque est utilisée comme marque de commerce distincte.<sup>21</sup>

With respect to the use of the mark as compared to how it was registered, the Court found as follows:

L'emploi de la marque est fort différent. Celle-ci apparaît toujours sur le listel des armoiries de la défenderesse et est indissociable des armoiries. D'ailleurs, il n'est pas possible de visu de détacher les mots des armoiries. La marque apparaît en caractères minuscules au milieu d'un dessin, qui est décoratif, non descriptif et beaucoup plus gros que celle-ci.<sup>22</sup>

Therefore, since the mark as registered was not perceptible as a matter of first impression given the design of the coat of arms, there was no use of the registered word mark.

It is interesting to note that the judge who decided the *Brouillette* case later decided the *Ridout & Maybee* case referenced above in which the variation of the mark was also an issue. In the *Ridout & Maybee* case, the judge noted as follows:

In my opinion, the mark under scrutiny here is entirely distinguishable from the one in *Brouillette, supra*. Whereas the registered mark is easily perceived in the instant case, indeed the Greek letter "Ω" and the word "OMEGA" are the most prominent elements, the wording "IN VINO VERITAS" - i.e., registered mark - was entirely embedded within a coat of arms and was barely legible to the naked eye in *Brouillette, supra*. The oblong marks serve as a dividing line between the registered mark and the word ELECTRONICS, which is merely descriptive in nature, does not detract from the key elements of the OMEGA & Design mark, i.e. the Greek letter "Ω" and the word "OMEGA".<sup>23</sup>

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<sup>20</sup> 2004 C.F. 812 (1re inst.)

<sup>21</sup> at 10

<sup>22</sup> at 16

<sup>23</sup> *supra*, Note 8, at 3

#### **4. Entitlement to Registration**

At the examination stage, where an application is said to be confusing with a pending application, the only issue is whether the two applications are confusing. Dates of stated first use are not a relevant consideration in s. 37(1)(c) of the *Act*. The Federal Court confirmed this principle in the *Effigi Inc. v. Canada (Attorney General)*<sup>24</sup> decision, changing, perhaps, the long standing practice of the Trade-marks Office in relation to s. 37(1)(c) of the *Act*. The current practice of the Trade-marks Office is that a proposed use application may be rejected, notwithstanding an earlier filing date, if a later application for a confusingly similar mark is filed, based on an earlier stated date of first use.

In the *Effigi* case, Effigi Inc. appealed the decision of the Registrar of Trade-marks rejecting its application for the mark MAISON UNGAVA. Effigi Inc. filed an application for registration of the mark MAISON UNGAVA on December 19, 2000 based on proposed use in respect of bed clothes, bath linen and table linen. On October 19, 2001, Tricorn Investments Canada Ltd. filed an application for registration of the trade-mark UNGAVA on the basis of use of this mark in Canada since 1981 in association with house linen, bed clothes and window coverings. The Registrar of Trademarks rejected the application for the mark MAISON UNGAVA pursuant to s. 37(1)(c) of the *Act*, stating that the applicant, Effigi Inc., having regard to the provisions of s. 16 of the *Act*, did not appear to be the person entitled to the registration of the trade-mark MAISON UNGAVA, since the date of filing was subsequent to the date of first use, specifically October 1981, disclosed in the co-pending application for UNGAVA.

The Federal Court allowed the appeal, holding that the Registrar erred in its interpretation of s. 37(1)(c) of the *Act*. The Federal Court, in viewing the scheme and object of the *Act*, agreed with Effigi Inc., recognizing that the examination process is not an adequate process for determining whether one trade-mark has been used prior to another. The Federal Court agreed with the Court of Appeal in *Unitel International Inc.*<sup>25</sup> with respect of the interpretation of s. 37(1)(c), being that “the only issue is whether there is confusion between the applicant’s trade-mark and a trade-mark for which an application for registration is already pending”. Dates of first use are not a

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<sup>24</sup> 2004 FC 1000 (FC)

<sup>25</sup> [2000] FCJ No. 1652 (CA) (QL)

relevant consideration under s. 37(1)(c) of the *Act*. The Court returned the matter to the Registrar for it to approve the advertisement of the application for the trade-mark MAISON UNGAVA.

It will be interesting to see how the Trade-marks Office adopts this decision into its current practice. In the meantime, the decision has been appealed to the Court of Appeal.

## **5. Design Elements and Descriptiveness**

There are two recent Federal Court decisions that are conflicting on the role of design elements in regards to the descriptiveness of a trade-mark. In the case of *Fiesta Barbeques Ltd. v. General Housewares Corp.*,<sup>26</sup> the Federal Court allowed the appeal from the decision of the Registrar of Trade-marks rejecting the trade-mark application for the mark GRILL GEAR & Design for barbeque accessories on the basis of descriptiveness. The Court took into consideration the design elements of the GRILL GEAR & Design mark and held that:

in this case the verbal components of the subject trade-mark and the flame motif have to be looked at as a whole and clearly give it sufficient distinctive elements to distance it from any terminology a trader might wish to use to describe wares of a similar client.

The Court focused on the fact that the subject trade-mark was a design mark, and therefore, it was not accurate to say that, when “sounded” it was either clearly descriptive or deceptively misdescriptive of the character or quality of the wares or services in association with which it is used or proposed to be used.

In contrast, the Federal Court in the case of *Best Canadian Motors Inns Ltd. v. Best Western International Inc.*<sup>27</sup> did not consider the design elements in the mark BEST CANADIAN MOTOR INNS & Design. Rather, the Federal Court was of the view that s. 12(1)(b) applied to design marks that include words as a dominant feature. Therefore, the trade-mark would still have to meet the “sounded” test on the basis of the word elements. In reaching this conclusion, the Court referred to the *Fiesta Barbecues* case and stated: “With great respect, I find that the decision in the GRILL GEAR case ... ignored generally applicable principles of statutory

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<sup>26</sup> (2003), 28 C.P.R. (4<sup>th</sup>) 60 (FC)

<sup>27</sup> 2004 FC 135 (FC)

interpretation when considering the words of s. 12(1)(b) of the Act.”<sup>28</sup> The Court held that Parliament did not “provide an exception to s. 12(1)(b) of the Act in respect of design marks that include words that are a dominant feature of the marks”.<sup>29</sup>

The distinction in the facts, with respect to these two cases, is unclear - giving rise to the uneasy feeling that the distinction may lie in the eye of the judicial beholder. In any event, there are cases that can be used to argue both positions.

## **6. Clearly Descriptive or Deceptively Misdescriptive**

Can an entire trade-mark be registered if only part of it is objectionable for being clearly descriptive or deceptively misdescriptive? The test is whether the objectionable part of the proposed trade-mark forms a significant part of the whole and, therefore, causes it to remain deceptively misdescriptive. In the case of *Canadian Council of Professional Engineers v. John Brooks Company Limited*,<sup>30</sup> the parties differed on the question whether the objectionable part of the trade-mark must be the dominant element, or merely a dominant feature. The Federal Court held that the proper test is whether the deceptively misdescriptive words “so dominate the applied for trade-mark as a whole such that...the trade-mark would thereby be precluded from registration”. In this particular case, Justice O’Reilly held that the words SPRAY ENGINEERING was deceptively misdescriptive of John Brooks Company Limited’s services and that these offending words “clearly dominated” the proposed trade-mark BROOKS BROOKS SPRAY ENGINEERING.

## **7. Section 9 Marks – Use Under License**

As in previous years, the concept of “adoption and use” pursuant to s. 9(1)(n)(iii) of the *Act* was discussed in 2004. In *Canadian Rehabilitation Council for the Disabled DBA Easter Seals/March of Dimes National Council v. Rehabilitation Foundation for the Disabled DBA Ontario March of Dimes*,<sup>31</sup> the Court refused to recognize use of an official mark under license from another public authority as constituting “adoption and use” for the purposes of s. 9(1)(n)(iii).

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<sup>28</sup> at 29

<sup>29</sup> at 35

<sup>30</sup> 2004 FC 586 (FC)

In this case, the Ontario March of Dimes (the “Ontario Foundation”) requested that the Registrar of Trade-marks issue public notices that it had adopted and used the marks MARCH OF DIMES and ONTARIO MARCH OF DIMES. The Registrar did so and the March of Dimes National Council (the “National Council”) instituted a judicial review application. It argued that any use that the Ontario Foundation made of the marks in question was under license to it and therefore did not give the Ontario Foundation any independent legal entitlement to them. The Ontario Foundation, in support of its position, cited the cases of *Canada Post Corp v. Post Office*<sup>32</sup> and *Magnotta Winery Corp. v. Vintners Quality Alliance*<sup>33</sup>. The Court distinguished the *Canada Post* and *Magnotta* cases on the basis that the question in those cases was whether a public authority could prove use of a mark by showing that its licensees had used it, the answer being “no”. Here the question is whether a licensee can satisfy s. 9(1)(n)(iii) by showing use of a mark that is the subject of a contract with its licensor. The Court noted that if it were to accept the Ontario Foundation’s argument, it would mean that a public authority that held trade-marks and obtained public notice of its official marks would risk limiting the scope of its intellectual property by entering into a licensing agreement with another public authority.

#### **8. Confusion and the Ordinary Person: anglophone, francophone, bilingual Canadian?**

Once there is a risk of confusion in either English or French, a trade-mark cannot be registered. The test is not whether the bilingual Canadian would be confused, but whether an Anglophone, Francophone or a bilingual Canadian would be confused.

The Federal Court of Appeal, in *Pierre Fabre Medicament v. Smithkline Beecham Corporation*,<sup>34</sup> held that the Federal Court and the Trade-marks Registrar erred as to the applicable test for determining the risk of confusion between the mark IXEL and PAXIL. Specifically, the Trial Judge and the Registrar erred in transforming the third prong of the only applicable test (is there a risk of confusion in the average Francophone consumer, the average Anglophone consumer or, in some special instances, the average bilingual consumer?) into an independent test. As stated by the Federal Court of Appeal, the average consumer test was

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<sup>31</sup> 2004 FC 1357 (FC)

<sup>32</sup> (2000), 8 C.P.R. (4<sup>th</sup>) 289 (FC)

<sup>33</sup> 2001 FCT 1421 (FC)

<sup>34</sup> (2001), 11 C.P.R. (4th) 1 (FCA)

extended to the bilingual consumer to guard against the possibility that:<sup>35</sup>

a trade-mark that does not create any confusion in a Francophone or in an Anglophone might create confusion in a bilingual person through the use of usual, distinct words in French and in English but, to someone who knew what it meant in both languages, referring to the same reality.

In this particular case, the Federal Court of Appeal found that the parties were agreed that there was no risk of confusion between the marks for the average Francophone consumer. It then returned the case to the Federal Court to determine whether there was a risk of confusion between the marks for an Anglophone consumer.

Justice Tremblay-Lamer, in her decision cited as *Pierre Fabre Medicament v. Smithkline Beecham Corporation*,<sup>36</sup> found no likelihood of confusion to the Anglophone consumer, who in this case, involving pharmaceutical wares, was a prescribing physician, the pharmacist and an informed patient. Justice Tremblay-Lamer considered the factors in s. 6(5) of the *Act* and the evidence of linguistic experts. Justice Tremblay-Lamer attached greater weight to Pierre Fabre's expert who noted that the emphasis was placed on the first syllable in both cases. Justice Tremblay-Lamer dismissed Smithkline's opposition and directed the Registrar to proceed to register the IXEL mark.

## **9. Actual Confusion and Opposition Proceedings**

In opposition proceedings, an opponent is not required to show actual confusion in order to oppose successfully a trade-mark application on the basis of non-distinctiveness. However the Registrar, or the Court on a de novo hearing, can infer from the co-existence of two marks and no evidence of actual confusion that there is little likelihood of confusion. The Federal Court in *Sukdeo v. Gestion Technocap Inc.*<sup>37</sup> confirmed this principle.

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<sup>35</sup> *Supra* at para. 14, see for example, *Les Produits Freddy Inc. v. Ferrero SpA* (1988), 22 C.P.R. (3d) 346 (FCA)

<sup>36</sup> 2004 FC 811 (FC)

<sup>37</sup> 2004 FC 1237 (FC)

In this case, Sukdeo, on appeal, emphasized that there was no evidence of actual confusion, notwithstanding six years of co-existence of the parties' trade-marks. In light of this point, the Federal Court held that there was no likelihood of confusion in this case, and that this factor favoured Sukdeo. In the end, the Federal Court allowed Sukdeo's appeal and held that Sukdeo had met its burden of showing that the mark TECHNOCORP was distinctive of its wares and services.

#### **10. Procedural Issues – Reply Submissions in Judicial Review Applications**

On appeal to the Federal Court from a decision of the Registrar on a trade-mark opposition proceeding, it is open to a respondent to raise issues other than those raised by the applicant.

In the case of *Autodata Limited v. Autodata Solutions Company*,<sup>38</sup> Prothonotary Tabib, recognizing this principle, denied Autodata Limited's motion for an order for special filing procedures. The applicant argued that a unique situation was created in this matter because the respondent intended to raise additional issues in order to argue that the Registrar's decision, even if wrong on the issues raised by the applicant, should nevertheless be upheld on other grounds, as would be the case on a cross-appeal. The applicant requested that a joint record be filed containing all evidence adduced, with the applicant then filing its memorandum of fact and law, the respondent filing its own memorandum in response with its submissions on the other grounds of appeal, and the applicant then having an opportunity to file submissions in reply to the respondent's issues.

Prothonotary Tabib held that it is clearly opened to the respondent to raise issues other than those raised by the applicant. The mere fact that the respondent chose to raise its own issues in appeal cannot, in and of itself, constitute sufficient grounds to depart from the procedures contemplated by the *Rules*. Further, to the extent the respondent's memorandum of fact and law raised novel arguments that could not reasonably be anticipated, the applicant would have an opportunity to make a full reply at the hearing of the judicial review application. The Court was not satisfied that the circumstances of this case justified a departure from the established rules of procedure.

#### **11. Domain Name Disputes – Criticism and Legitimate Interest**

In *Diners Club International Ltd. v. Planet Explorer Inc.*<sup>39</sup> – The Canadian Internet Registration Authority (“CIRA”) held that the right of criticism does not permit the use of a trade-mark of another person in a domain name.

The complainant, Diners Club International Ltd., commenced proceedings pursuant to the CIRA’s Domain Name Dispute Resolution Policy for transfer of the domain names *diners-club.ca* and *dinerscard.ca* to it. CIRA held that the domain names should be transferred. The complainant is the owner of Canadian registered trade-mark for DINERS CLUB. CIRA found the domain names in dispute to be confusingly similar to the trade-mark DINERS CLUB.

With respect to the issue of legitimate interest, the respondent was engaged in a commercial dispute with the complainant and used the *diners-club.ca* site for the purposes of that dispute. CIRA held that the use of a domain name or a mark for criticism is legitimate – the issue often is the extent to which the use encroaches on the proprietary rights of the complainant. Criticizing domain names in which respondents have been found to have a legitimate interest, generally contain language that identifies the domain name as being used for criticism. Domain names that merely use the mark of another have not been upheld. The same analysis has been applied for fan-club use.

The focus of the inquiry is not on the web site to which the domain name resolves or the information, disclaimers et cetera at that site. The issue is whether the unqualified use of mark in relation to its owners or its owner’s commercial activities is legitimate. CIRA made it clear that this conclusion does not limit the ability to criticize. It is not a question of free speech. It is a question of the scope or nature of the use of the property of another. Having determined that the respondent did not have a legitimate interest in the subject domain names, the panel made no finding concerning the allegation of bad faith.

Other domain name cases of interest include:

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<sup>38</sup> 2004 FC 1361 (FC)

<sup>39</sup> (2004), 32 CPR (4<sup>th</sup>) 377 (CIRA)

*Glaxo Group Limited v. Defining Presence Marketing Group (Manitoba)*<sup>40</sup>. Glaxo Group Limited owned the trade-mark ZYBAN and its parent company, GlaxoSmithKline, owned the domain name ZYBAN.COM. The ZYBAN product is used to treat nicotine addiction and has become famous in Canada and worldwide, and the website had a monthly average of over 20,000 visitors. Defining Presence Marketing Group (DPMG) provides search engine positioning services through its website, dpmg.com, and online advertising. After the trade-mark registration of ZYBAN, DPMG registered ZYBAN.CA which resolves to a website selling pharmaceutical products including ZYBAN and its competitors. Glaxo tried to get DPMG to transfer ZYBAN.CA to Glaxo, without success. On the issue of confusion, the Panelist found in favour of Glaxo, which had prior rights to the mark. The trade-mark registration predated the domain name registration, DPMG did not have permission to use ZYBAN, and the purpose of ZYBAN.CA appeared to be attracting Glaxo's potential customers when they tried to reach websites with ZYBAN in their names. On the test for bad faith registration, DPMG knew of the existence of Glaxo's mark and had asked Glaxo to pay much more than its out-of-pocket expenses for the transfer of ZYBAN.CA, so DPMG's registration of the domain name was found to have been a commercial endeavour. DPMG also held 190 domain name registrations, of which thirteen contained trade-marks owned by third parties. This was considered to be a "pattern of registering domain names in order to prevent persons who have Rights in Marks from registering the Marks as domain names."<sup>41</sup> Third, the Panelist found that DPMG was disrupting Glaxo's business by offering competing goods and confusing Glaxo's potential customers. DPMG was thus a bad faith registrant. On a balance of probabilities, DPMG also had no legitimate interest in the ZYBAN mark. It was a coined term, not clearly descriptive or generic; it was not for a non-commercial purpose; it did not relate to a geographic location; and it was not DPMG's own name. DPMG had no permission to use the mark in any way. Because DPMG was a bad faith registrant with no legitimate interest in the domain name, the Panelist ordered that it be transferred to Glaxo.

*Viacom International Inc. v. Harvey Ross Enterprises, Ltd.*<sup>42</sup> Viacom operates some of its television programming through MTV Networks, which also has websites such as the one at

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<sup>40</sup> (2004), BCICAC, Case No. 0020, BCICAC File Number: DCA-780-CIRA

<sup>41</sup> at p.6

<sup>42</sup> (2003) CIRA, BCICAC

mtvcanada.com. Viacom owns various MTV trade-marks registered in Canada such as MTV, MTV'S THE HEAD, and MTV/MUSIC TELEVISION. Harvey Ross Enterprises (HRE) is an Ontario operation that promotes Canadian travel accommodations. HRE registered the domain name mtv.ca, which was objected to by Viacom. This domain name led to the Registrar's default page and a website claiming to be for "MT Vacations" and containing a disclaimer that it is not associated with MTV Networks. The website was otherwise under construction. HRE did not have permission from Viacom to use the MTV trade-mark, which was registered prior to the domain name's registration. HRE claimed that it had a legitimate interest in the domain name, which stood for MT Vacations or "Melanie and Todd's Vacations", and that it intended to use the website in the future to promote this travel business. HRE denied the allegation of bad faith registration and claimed to have been unaware of the prior rights to MTV. HRE also claimed that "[w]hile it has registered other domain names which include marks of other parties, it did so in good faith with a bona fide intention of using those domain names in connection with its business plan over time."<sup>43</sup> The Panel found that HRE's domain name was confusingly similar to Viacom's trade-mark. The Panel stated that "the operative aspect of the Domain Name ("MTV") is identical to one trademark owned by the Complainant (TMA 398,119) and includes elements of its other trademarks",<sup>44</sup> which could lead to confusion. Evidence of bad faith was found in the fact that HRE did not actively use the domain name until after Viacom sent HRE a letter of complaint, and even then, the use was not enough to establish a legitimate interest. The Panel held that the CDRP:

should not be interpreted to authorize a registrant to "park" on a domain name for some indefinite or extended period of time simply on the basis that it will be used for a business to be carried on in the future. Accordingly, only where the registrant puts forward persuasive evidence of a bona fide intention to use the website in connection with the offering of wares, services or in connection with a business should "legitimate interest" be found in such circumstances. The kind of evidence necessary to demonstrate preparation to make legitimate use will of course depend on the context, but it must, at a minimum, show that a registrant has taken steps with a view to commence operation of the website and explain the delay in doing so at the time of the complaint.<sup>45</sup>

HRE left the website inactive for two years, did not provide sufficient evidence of its intention to use the domain name, and did not prove that it would soon be operating its business, and therefore HRE did not establish a bona fide intention of use or a legitimate interest in mtv.ca

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<sup>43</sup> at 3

<sup>44</sup> at 6

<sup>45</sup> at 8

There was also evidence that HRE had registered sixty-eight domain names containing third parties' trade-marks, and all these domain names resolved to the Registrar's default webpage instead of to an active website. The Panel stated:

In the face of this substantial circumstantial evidence of bad faith, the Registrant has failed to provide any reasonable or credible explanation as to why it registered the Domain Name in the first place. Its assertion that it did so in connection with "MT Vacations" is implausible insofar as it has never conducted any such business on the evidence. Moreover, its assertion that "MT" Vacations is a play on words is nonsensical. Moreover, the Registrant has failed to provide any tenable, explanation as to its numerous registrations of other domain names which are comprised of third parties marks. The clear inference to be drawn from that conduct, coupled with the registration of the Domain Name in issue, is that it was done so in bad faith with a view to preventing the Complainant from registering its trade-marks as a domain name.<sup>46</sup>

The Panel therefore ordered the domain name to be transferred to Viacom.

*Sutton Group Financial Services Ltd. v. GeorgeGeorge.com o/a George Georgopoulos*<sup>47</sup>. Sutton Group has offered real estate agency and brokerage services since 1983 and has generated significant franchising revenue. Sutton Group owns forty-eight trade-marks and twenty-two domain names containing the word SUTTON, and its websites generate millions of hits. George Georgopoulos is a real estate salesperson with a franchisee of Sutton Group, who also referred to himself as a "Domain Names Collector". In one day, Georgopoulos registered the twenty domain names in dispute, all of which include the word SUTTON, and all of which have remained inactive. Georgopoulos had no authorization to use SUTTON as a domain name, and Sutton Group requested that these domain names be transferred to it. Sutton Group argued that Georgopoulos' job in Sutton real estate sales did not confer upon him any rights to use the trade-mark SUTTON as part of a domain name, because this goes beyond what is required to advertise and sell real estate. An entitlement to distribute, franchise or sell trade-marked products does not automatically include the right to use the trade-mark in a domain name. Permission to advertise the sale or distribution of the trade-marked services does not necessarily include permission to register a domain name with this trade-mark. Georgopoulos had no legitimate interest, had a prior knowledge that Sutton Group owned the trade-mark in question, and of course had a relationship with the trade-mark owner. Georgopoulos' registration of numerous domain names

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<sup>46</sup> at 10

incorporating trade-marks not belonging to him was a signal of bad faith registration, as were his failure to respond to Sutton Group's requests, the websites' inactivity, and the fact that the domain names were all registered on the same day. The Panel found that the domain names in dispute were confusingly similar to Sutton Group's trademarks, and that Georgopoulos had not used the domain names for any bona fide offering of goods or services. The domain names were therefore held to be registered in bad faith and ordered to be transferred to Sutton Group.

## **12. The Use of S. 45 Proceedings in Oppositions**

Where the evidence shows that a registered trade-mark relied upon by the Opposition Board to find confusion had subsequently been expunged, the matter can be sent back to the Board for reconsideration.

In the case of *Everlast World Boxing Headquarters Group v. Amethyst Investment Group Inc.*,<sup>48</sup> the applicant filed an application to register the mark EVERLAST & Design for use with body care products. The opponent opposed the application on the basis of the registered trade-mark EVERLASTING registered for hair care products. The Opposition board allowed the opposition on the basis that there was a likelihood of confusion between the applied for mark and the opponent's registered trade-mark EVERLASTING. During the course of the opposition proceedings, the applicant requested that a notice issue pursuant to s. 45 of the *Act* requiring the opponent to show use of its registered mark. The opponent failed to show such use, and its trade-mark EVERLASTING was expunged on June 19, 2003. The applicant appealed the Opposition Board's decision and filed evidence showing that the opponent's mark had been expunged. The Federal Court allowed the appeal holding that when a registration has been expunged and there is no evidence of use, there can be no confusion.

## **13. Evidence of Actual Use in Considering the Nature of Wares and Services**

The case of *Metro-Goldwyn-Meyer Inc. v. Stargate Connections Inc.*<sup>49</sup> was an appeal from the decision of the Registrar of Trade-marks, rejecting Metro-Goldwyn-Meyer's opposition to Stargate Connections Inc.'s application for the trade-mark STARGATE. On appeal, one issue

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<sup>47</sup> D2004-0335

<sup>48</sup> (2004), 33 CPR (4<sup>th</sup>) 307 (FC)

<sup>49</sup> 2004 FC 1185 (FC)

raised by Metro-Goldwyn-Meyer's was that the Registrar erred by considering evidence of actual use in considering the nature of the wares and services instead of restricting herself to the statement of wares and services of each party. The Federal Court dismissed the appeal and held that evidence of actual use is relevant in considering the nature of wares and services in determining the issue of confusion.

#### **14. Survey Evidence**

The case of *Tradition Fine Foods Ltd. v. The Oshawa Group Limited, Sobeys Inc. et al*<sup>50</sup> involved an action for trade-mark infringement, passing-off and depreciation of goodwill. An over arching theme was the ambit of protection of a trade-mark that is common to a trade. Tradition Fine Foods is the registered owner of the mark TRADITION used in association with muffins and bakery products. The defendants, Sobeys Inc. et al ("Sobeys") was the registered owner of the mark LES MARCHES TRADITION used in association with grocery store services, offering for sale a variety of food products, including baked goods. Most Sobeys' stores have an in-store bakery.

Tradition Fine Foods brought an action for trade-mark infringement, passing off and depreciation of goodwill, alleging that the defendants' use of the word "Tradition" infringed its trade-mark, was confusing to consumers and was detrimental to the goodwill he has built up over the twenty years of business.

Sobeys used its own registration of the mark LES MARCHES TRADITION as a defence, relying on the case of *Molson Canada v. Oland Breweries Ltd./Brasseries Oland*,<sup>51</sup> wherein the Ontario Court of Appeal decided that a party who had registered a trade-mark can, in fact, use that registration as a defence to an action for passing off (or infringement). Unless the plaintiff can show that Sobeys' trade-mark was invalid, Sobeys' had an exclusive right to its use in respect of retail grocery store services. Tradition Fine Foods responded by arguing that Sobeys' trade-mark, as used by the defendants, was confusing and therefore, invalid. Justice O'Reilly did not comment on the availability of this defence directly. Rather, Justice O'Reilly was of the

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<sup>50</sup> (2004), 33 C.P.R. (4<sup>th</sup>) 289 (FC)

<sup>51</sup> (2002), 19 C.P.R. (4<sup>th</sup>) 201 (ONT.CA)

view that this issue merged with the issue of confusion in s. 7(b) and s. 20(1) of the *Act*, and did not comment any further. Disappointingly, Justice O'Reilly did not return to this point of law having found little risk of confusion. In summary, Justice O'Reilly found no infringement of the TRADITION trade-mark, little risk of confusion between the wares of parties, and that Tradition Fine Foods offered no evidence of a depreciation of goodwill.

Of particular note in this case was the expert survey evidence of Tradition Fine Foods on the issue of confusion. Tradition Fine Foods Ltd. used Dr. Corbin as an expert and provided a survey; 202 persons were interviewed. Each was shown a product and asked "If you wanted to buy this product, at what store would you expect to find it?" Consumers were divided into three groups. The first group (140 persons) was shown a package of muffins bearing the plaintiff's trade-mark "Tradition". The second group (31 persons) was shown a similar package of muffins but the label carried a fictitious trade-mark called "Heritage". The third group (31 persons) was shown a tablecloth with the word "Tradition" on its packaging. Dr. Corbin found that 32% of the persons in the first group said they would expect to find "Tradition" muffins at the "Tradition" store (almost all consumers referred to the store as the "Tradition" store, rather than "Les Marches Tradition". Only 6% of the members of the second group said they would expect to find the "Heritage" muffins at the "Tradition" store. No one in the third group expected to find the tablecloth at the "Tradition" store. Dr. Corbin's conclusion was that consumers surveyed must have inferred a connection between the plaintiff's product and the defendants' stores.

Justice O'Reilly did not find the survey persuasive on the issue of confusion:

I am hesitate to second-guess Dr. Corbin's expertise, but I do not find the survey persuasive on the issue of confusion. To repeat, I must decide whether the average consumer would likely infer that the wares of the two vendors have the same source. It is the consumer's first impression that matters or, as Dr. Corbin put it, the person's "top-of-mind" response. But, as Dr. Corbin herself stated, mere guessing or word association would not be enough to show that consumers were drawing an inference. Some actual thought has to go into it, but not much. The problem is, I do not see how the control conditions set up by Dr. Corbin eliminate the possibility of guess and word association.

In Justice O'Reilly's view, the second control group did not measure the possibility of guessing or word association. When presented with a product that most people would not expect to find in a grocery store, it is not surprising that no one believed that it could be found at "Les Marches Tradition", even though it said "Tradition" on it. Justice O'Reilly also found that other aspects

of the survey suggested that respondents may simply have been guessing. For instance, many people in the first group said that the “Tradition” muffins came from the “Tradition” store explained their answers by saying that the word “Tradition” was on the label or that “Tradition” was the nearest store. Almost all of the respondents believed that “Tradition” muffins could be found elsewhere than at “Les Marches Tradition”. Only 8 persons in the first group believed that “Tradition” muffins were exclusive to the “Tradition” store (3 others thought they were exclusive to IGA, the previous owner of the “Les Marches Tradition” store), too little to persuade Justice O’Reilly that the average consumer would make that inference.

Is rebuttal expert or survey evidence required? In this case, Justice O’Reilly did not draw an adverse inference from the fact that Sobeys’ did not produce their own survey. Justice O’Reilly held that each case must be decided on the evidence before the Court, and according to the burden of proof borne by the plaintiff.

This case is under appeal.

### **15. Interlocutory Relief and Summary Judgment**

While the Federal Court appears to be reluctant in granting interlocutory relief, in 2004, we did see the Superior Courts’ willingness to do so. The cases of *Trodat GmbH v. Trodat Canada Inc.*<sup>52</sup> and *Agropur Cooperative v. Saputo Inc. et al.*,<sup>53</sup> both involving actions for passing-off, are examples.

At the same time, Justice Hugessen in *Henkel Canada Corporation v. Conros Corporation*<sup>54</sup> protested what he saw as the judicial repeal of Federal Court Rule 216(3):

In my view the text of that rule clearly directs me to ask myself whether, on the state of this record, I could fairly determine the question on the basis of the affidavit evidence and transcripts of cross-examinations which are before me. It now appears that I am mistaken. In two recent judgments the Federal Court of Appeal has in effect repealed Rule 216 (3), deciding that once there is a genuine issue for trial a judge commits an error if he grants

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<sup>52</sup> (2004), 33 CPR (4<sup>th</sup>) 353 (Ont. SCJ)

<sup>53</sup> (2004), 32 C.P.R. (4<sup>th</sup>) 157 (Que. SCJ)

<sup>54</sup> 2004 FC 1747 (FC)

summary judgment and does not send the matter on to trial. No assessment of credibility may be made by the judge at this stage. ...

These decisions cause me difficulty. They appear to run counter not only to the express words of Rule 216 (3) but also to the documented intention of the Rules Committee which, when it recommended the rule to the Governor in Council for adoption, made a conscious choice against adopting the restrictive Ontario rule and preferred the more robust versions in force in other provinces, notably British Columbia and Manitoba. That was a legislative, not judicial, choice and whether or not it was well-advised it does not seem to me to be one which a court is at liberty to reverse. I am also uncomfortable with the Court's apparent view that only a full trial in the traditional sense is an adequate fact finding mechanism; both this Court and the Court of Appeal exercise a very large part of their original jurisdiction in matters of judicial review which frequently raise disputed and critical questions of fact which are routinely decided on the basis of affidavits and the cross-examinations thereon. While this Court has the possibility of converting an application into an action, that option is not open to the Federal Court of Appeal and I am not aware of any case in which it has exercised its related power to order the trial of an issue on the ground that it cannot fairly find the facts on the basis of affidavits and cross-examination. In my experience a Court's fact-finding capacity, especially where experts are involved, is rarely if ever dependant upon the opportunity of seeing and hearing witnesses in the box. It is not the witness' ability to "sell" a particular thesis but rather the reasonableness and cogency of that thesis viewed in the light of all the evidence which leads to a favourable or unfavourable finding of credibility.

If I were free to do so I would have no difficulty in finding that the plaintiff's evidence of actual confusion (not merely the likelihood thereof) and of the various enumerated elements listed in section 6 is strong and compelling while that tendered by the defendant is not persuasive. I find particularly unbelievable the egregious assertion by defendant's witnesses, both lay and expert, that "Lepage's" is not being used by defendant as a trademark notwithstanding its accompanying symbol of a circled "R". To his credit, defendant's counsel did not seek to rely on this part of the evidence.

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In short, had I felt free to do so, I would have granted summary judgment and given appropriate relief on the section 20 claim. I would not have granted separate or additional relief on the section 7 claims.

All that said, however, I am bound by the cited decisions and, unless I am subsequently told by the Court of Appeal that I have misunderstood them, I have no alternative but to dismiss the motion for summary judgment on the basis that I have no right to find that on the only serious issue raised by the present case the defendant's evidence is unworthy of belief. I will accordingly dismiss the motion but without costs.<sup>55</sup>

It will be interesting to see if the Court of Appeal has anything to say about this.

Also on the subject of summary judgment, the Federal Court dealt with the enforceability of an oral court order in *LifeGear Inc. v. Urus Industrial Corporation*.<sup>56</sup> LifeGear manufactured and sold exercise equipment using the SATURNE mark, and Urus contracted to distribute this equipment using the name Koolatron. LifeGear claimed that Urus also sold counterfeit SATURNE equipment, and on December 6, 2002, LifeGear was granted summary judgment against Urus prohibiting further infringement. However, the reasons were not written until December 10, and the formal order was not issued until February. Urus' website continued to sell the infringing equipment after the December 6 oral reasons were given, so LifeGear moved for contempt of court. Urus argued that its website was operated by a foreign third party, and that Urus began to remove the infringing equipment from its website after receiving the formal order in February.

The Federal Court granted LifeGear's motion for contempt of court, holding that Urus failed to respect the oral decision and then violated the formal court order. The Federal Court cited the Supreme Court's decision in *Baxter Travenol Laboratories of Canada Ltd. v. Cutter (Canada), Ltd.*,<sup>57</sup> holding that "a person must comply with a court's decision from the point at which it was rendered, whether or not a formal judgment has yet been signed",<sup>58</sup> as long as the decision is clearly worded.

It was clear that Urus had not complied with the decision as of December 6, and also that Urus continued to sell infringing equipment in direct violation of the formal court order after it was issued in February. The Court held that "[k]nowledge of a court order, combined with failure to comply, equals contempt of court";<sup>59</sup> these elements had been proven by LifeGear, so Urus was found to be in contempt. This could not be negated by any good faith attempts by Urus to comply with the order, although such efforts might be relevant to the penalty.

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<sup>55</sup> at 6 – 7.

<sup>56</sup> 2004 FC 21 (T.D.), History of Case: Related Proceeding: Federal Court Trial Division: [2002] F.C.J. No. 1745, 2002 FCT 1285, (2002) 23 C.P.R. (4th) 58. Related Proceeding: Federal Court Trial Division: [2001] F.C.J. No. 1602, 2001 FCT 1163, (2001) 15 C.P.R. (4th) 320. Related Proceeding: Federal Court Trial Division: [2001] F.C.J. No. 1515, 2001 FCT 1104, (2001) 15 C.P.R. (4th) 142

<sup>57</sup> [1983] 2 S.C.R. 388, 75 C.P.R. (2d) 1

<sup>58</sup> at 8

<sup>59</sup> at 24

This decision has been appealed to the Federal Court of Appeal.

## **16. Grey Goods and Copyright Law**

Although not a trade-marks case per se, the case of *Kraft Canada Inc. et al v. Euro Excellence*<sup>60</sup> is certainly relevant and an extension to the discussion of trade-marks law.

In Canada, the Courts have generally held that it is not an infringement of trade-mark rights to import and distribute “grey goods” – grey goods being merchandise that have been released in foreign markets under the authority of the trade-mark owner. The *Kraft* decision is an illustration of the skillful use of copyright law to extend protection to intellectual property owners against grey goods. Rather than focusing on the actual goods, as one would in a trade-mark case, the focus in the case shifted to the wrapper. In this case, the goods were chocolate, and the copyrighted work, the artwork on the wrapper.

By way of background, Kraft Belgium and its affiliate manufacture confectionary products, including chocolate under the trade-marks COTE’DOR and TOBLERONE. Euro Excellence Inc. had been the Canadian distributor of these chocolates. When the agreement expired and not renewed by Euro Excellence, Euro Excellence continued to sell these genuine chocolates, but from a new source.

Kraft Belgium registered some of the existing rights to the artwork in Canada. Kraft Canada Inc, the new distributor, was granted an exclusive license to reproduce the artwork. With this arrangement in place, the Kraft companies brought an application for copyright infringement pursuant to s. 27(2) of the *Copyright Act*, which states that it is an infringement of copyright to “sell..., distribute..., or import into Canada...a copy of a work...that the person knows or should have known infringes copyright or would infringement copyright if it had been made in Canada by the person who made it”. This section makes it an infringement to knowingly deal in copies of protected works in Canada even where the originator of the copies is otherwise licensed outside of Canada.

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<sup>60</sup> 2004 FC 652 (FC)

Kraft Canada Inc. was successful in this application since Euro Excellence could not show that the originator of the grey goods was authorized to reproduce the copyrighted work in Canada, even though it may have been licensed to do so in its own jurisdiction.

This decision has been appealed. If upheld, this decision would give intellectual property owners a useful tool in the battle against grey marketing, and increase concerns for importers of grey goods.

Also worth noting is *Ulextra Inc. v. Pronto Luce Inc.*<sup>61</sup> Ulextra claimed that Pronto was passing off and infringing the copyright in photographs of its lighting fixtures and in its industrial design registrations. However, Ulextra did not argue that Pronto made confusing or misrepresenting use of its trade-mark. The Court granted Pronto's motion for summary judgment because an action for passing off must relate to a trade-mark, and not simply to the wares themselves. Here, none of Ulextra's trade-marks were used by Pronto. There were problems with Ulextra's other claims as well, pertaining to copyright and industrial design protection. The Court found that Ulextra's "statement of claim, as it stands, is so clearly without foundation that it should not take up the time and incur the costs of a trial."<sup>62</sup>

## **17. Use of a Mark as a Mark**

The Federal Court of Appeal dealt with distinctiveness in *Tommy Hilfiger Licensing v. International Clothiers Inc.*<sup>63</sup>, an appeal of a Trial Division case, which we reported on last year. The first plaintiff, Tommy Hilfiger Licensing, Inc. (THL), owned the trade-mark Crest Design registered for use with various articles of clothing. The second plaintiff, Tommy Hilfiger Canada Inc. (THC), distributed and sold articles of clothing in Canada in association with the Crest Design under licence from THL. The defendant, International Clothiers (IC), operated retail stores selling articles of clothing manufactured by others. IC was not licensed to sell clothing with THL's mark.

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<sup>61</sup> 2004 FC 590, 31 C.P.R. (4th) 339

<sup>62</sup> at 15

<sup>63</sup> 2004 FC 252, 32 C.P.R. (4th) 289

In 1994, IC purchased a stock lot of shirts originally destined for another retailer. The shirts had a crest design mark, and the shirts' labels were trade-marked ASH CREEK, which IC recognized as belonging to the other retailer. IC had the labels cut out, and affixed labels and tags bearing its own trade-mark, GARAGE U.S.A., then sold the shirts in 1995. In 1998 (after the action had commenced), IC purchased and sold boys' shorts sets featuring a crest design mark.

The trial judge had allowed the plaintiffs' claims for passing off contrary to s.7(b) and for copyright infringement. The trial judge held that as of 1994 the Tommy Hilfiger Crest Design had acquired distinctiveness, IC's crest design was similar to the Tommy Hilfiger Crest Design, the wares were very similar, and therefore IC's crest design would likely cause confusion. However, the trial judge dismissed the claim for trade-mark infringement, on the basis that IC had not used its crest design to distinguish its wares from those of others, so it was not used as a trade-mark but merely for an aesthetic or decorative purpose.

The Federal Court of Appeal allowed the plaintiffs' appeal of their dismissed claim for trade-mark infringement. The Court stated that the user's intention and public recognition are relevant considerations in determining whether a mark has been used as a trade-mark. Either of these two factors alone might be enough to prove that the mark was used as a trade-mark (indicating origin). Since IC had no intention to use the crest design as a trade-mark, the Court considered the second factor, and decided that IC's crest design indicated origin. This was because the Tommy Hilfiger Crest Design had acquired distinctiveness and served to indicate origin, and because the two crest designs were very similar and found in the same location on the clothing. As well, the trial judge's finding of confusion meant that IC's crest design would have indicated to consumers that IC's garments were made by Tommy Hilfiger. The Court held that if a mark has been used in a way that denotes origin, there is no requirement of a deliberate resolution or intention by the user:

...the Trial Judge easily came to the conclusion that the respondent was in breach of s. 7(b) of the Act, i.e. that the respondent had passed off its wares as those of the appellants in that it had directed public attention to its wares by the use of its crest design, in such a way as to likely cause confusion in Canada between its wares and those of the appellants. Consequently, in the circumstances of this case, whether the respondent intended to use

its mark for the purpose of indicating origin is irrelevant, since, in fact, the design served that purpose.<sup>64</sup>

The appeal was therefore allowed.

## **18. Amendments to the Register**

In 2004 the Federal Court of Appeal handed down its decision in *Bacardi & Company Limited v. Havana Club Holding S.A.*<sup>65</sup> on the issue of the Registrar's jurisdiction in amending the Register under s.38. In 1934, a Cuban company, Jose Arechabala S.A., had registered HAVANA CLUB in Canada for use with rum. When Jose Arechabala S.A.'s assets were nationalized by the Castro regime in 1960, the Canadian Registrar change the owner's name on the Registry to Jose Arechabala S.A. Nacionalizada. Title to the HAVANA CLUB mark was eventually transferred to Havana Club, which in 1998 applied to register new trade-marks which were potentially confusing with HAVANA CLUB. To do so, Havana Club relied on s.15(1): "confusing trade-marks are registrable if the applicant is the owner of all such trade-marks, which shall be known as associated trade-marks". Bacardi argued that the Registrar in the 1960s did not have the authority to amend the Register in the 1960s by changing the name of the mark's owner, so that Jose Arechabala S.A. remained the rightful owner, and not Jose Arechabala S.A. Nacionalizada. Havana Club, having acquired title to the mark from Jose Arechabala S.A. Nacionalizada, therefore had no rights to HAVANA CLUB and could not rely on s.15 to register associated marks. The Registrar agreed with Bacardi that the Register should not have been amended in the 1960s, but the Registrar had no power to correct such errors and stated that Bacardi must apply to the Federal Court under s.57(1) for an amendment of the registration. Upon appeal, this decision was upheld on the grounds that the Registrar did not have authority to amend the register under s.38.

In this appeal, Bacardi argued that the Registrar should not have allowed Havana Club to use s.15(1) given the error from the 1960s, and that the reviewing judge should have intervened. The Federal Court of Appeal held that Bacardi was:

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<sup>64</sup> at 305

<sup>65</sup> 2004 F.C.A. 220, 32 C.P.R. (4th) 306, History of Case: Same Case, Federal Court: [2003] F.C.J. No. 1195, 2003 FC 938, (2003) 237 F.T.R. 292, (2003) 32 C.P.R. (4th) 366. Same Case, Federal Court: [2003] F.C.J. No. 1196, 2003 FC 939

attempting to impugn an extant registration. By attacking the ownership of the mark, the appellant seeks to evacuate the 1963 registration of effect, which is tantamount to amending or striking out this registration.<sup>66</sup>

The Court of Appeal held that both “[t]he legislation and case law make it clear that the appellant cannot achieve this result in a s. 38 opposition proceeding.”<sup>67</sup> The proper route for amendments or changes to the Register is through s. 57(1), which “grants the Federal Court sole and exclusive jurisdiction to alter the register, to the exclusion of all other courts and tribunals.”<sup>68</sup> The Court of Appeal therefore agreed with the reviewing judge’s decision to uphold the Registrar’s disposition of this issue.

### **SUMMARY**

These are just a few of the cases worthy of note this year. They do not reflect any major changes in trade-mark law; rather they reflect the ongoing growth of Canadian trade-mark law. We can look forward to the Supreme Court of Canada’s decisions in the *Veuve* and *Kirkby* cases, as well as the Federal Court of Appeal decisions in a number of the cases discussed above.

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<sup>66</sup> at 26

<sup>67</sup> at 27

<sup>68</sup> at 30