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INTELLECTUAL PROPERTY LAW, TRADE-MARKS CHAPTER, CLE ANNUAL REVIEW, [2011]

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By RBS Lawyers

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A. Introduction

2011 saw no changes to the legislation or regulations governing trade-marks in Canada. However, the Canadian Intellectual Property Office (“CIPO”), which is responsible for trade-mark registrations in Canada, issued a number of practice notices dealing with a variety of issues relating to trade-mark prosecutions in CIPO which are set out below.

With respect to significant case law, the Supreme Court of Canada once again heard a trade-mark case and provided guidance as to the test for confusion between trade-marks. There were also interesting decisions of the Federal Court and Federal Court of Appeal on a variety of issues including licensing, certification marks, procedural matters and descriptive marks. As well, the BC Court of Appeal rendered an interesting decision concerning keyword advertising which was not strictly a passing-off case but nonetheless dealt with similar issues.

B. Legislation

There were no amendments in 2011 to the *Trade-marks Act*, R.S.C. 1985, c. T-13 (the “Act”), or the Trade-marks Regulations (SOR/96-195) (“Regulations”).

C. Administrative Practice

CIPO issued a number of practice notices that should be considered. The practice notices clarify CIPO’s current policy, but do not have the force of law unless supported by specific provisions of the Act and Regulations.

1. Prohibited Marks on the Trade-marks Database





On December 14, 2011, CIPO issued a Practice Notice that prohibited marks that require public notice of their grant, recording or approval, or their adoption and use, will appear on the Trade-mark database upon filing. Further, such files will be open for public inspection.

Public notice is considered to be given by the Registrar of Trade-marks when the particulars relative to the protected matter are advertised in the Trade-marks Journal. Once public notice has been given, they become prohibited marks and may not be adopted as trade-marks.

2. Correspondence Procedures

On November 30, 2011, CIPO updated its practice notice concerning correspondence procedures.

● Designated Establishments

Correspondence delivered to the following address during ordinary business hours will be considered received by CIPO on the date of delivery:

Canadian Intellectual Property Office

Place du Portage I

50 Victoria Street, Room C-114

Gatineau, Quebec, K1A 0C9

As well, correspondence delivered during ordinary business hours, to one of a number of designated establishments, including the one in Vancouver for the British Columbia region listed below, will be considered to be received on the date of delivery to that designated establishment, only if it is also a day on which CIPO is open for business. Correspondence delivered to a designated establishment on a day in which CIPO is closed for business will be considered to be received the next day on which CIPO is open for business. The designated establishment for Vancouver is:

Industry Canada

Library Square

300 West Georgia Street, Suite 2000

Vancouver, BC V6B 2E1





- Registered Mail Service of Canada Post

Correspondence delivered through the Registered Mail Service of Canada Post will only be considered to be received on the date stamped on the envelope by Canada Post, only if it is also a day on which CIPO is open for business. If the date stamp on the Registered Mail is a day when CIPO is closed for business, the Registered Mail will be considered to be received on the next day on which CIPO is open for business.

- Electronic Correspondence

Correspondence sent by facsimile or online to the Registrar of Trade-marks constitutes the original and therefore a duplicate paper copy should not be forwarded.

Correspondence delivered by electronic means of transmission, including facsimile, will be considered received on the day that it is transmitted if delivered and received before midnight, local time at CIPO on a day when CIPO is open for business. When CIPO is closed for business, correspondence delivered on that day will be considered to be received on the next day on which CIPO is open for business.

Facsimile correspondence to the Registrar of Trade-marks must be sent to:

(819) 953-CIPO (2476)

(819) 953-OPIC (6742)

Facsimile correspondence that is sent to any other number will not be considered to have been received.

On-line correspondence to the Registrar of Trade-marks may be sent electronically via CIPO's website by accessing a number of web pages, including:

- application for the registration of a trade-mark;
- renewal of a trade-mark registration;
- statement opposition;
- extension of time in trade-mark opposition cases.

For a full listing, please see the practice notice.

3. List of Trade-mark Agents

On January 1, 2011, CIPO published a practice notice to replace its practice notice entitled Limited





Partnerships Can Be Entered on the Registrar of Agents and on the List of Trade-mark Agents published on October 26, 2005.

Pursuant to the Act, the list of trade-mark agents shall include the names of all persons and firms entitled to represent applicants in the presentation and prosecution of applications for the registration of a trade-mark or in other business before the Trade-marks Office. Further, pursuant to the Regulations, the Registrar shall, on written request and payment of the fee set-out in item 19 of the Schedule, enter on a list of trade-mark agents the name of any firm having the name of at least one of its members entered on the list as a trade-mark agent.

D. Case Law

The following summarizes important cases in 2011 relating to trade-marks.

1. CONFUSION

Significantly in 2011 the Supreme Court of Canada saw fit to hear a trade-mark case which it had not done since 2006: *Masterpiece Inc. v. Alavida Lifestyles Inc.* 2011 SCC 27. At its heart this was a simple case of confusion.

In 2001, Masterpiece Inc. (“Masterpiece”) began using the trade-mark MASTERPIECE THE ART OF LIVING in Alberta in association with retirement residences.

In December 2005 Alavida Lifestyles Inc. (“Alavida”) filed a trade-mark application to register MASTERPIECE LIVING for use in association with retirement residences. However, this trade-mark application was based on proposed use of the trade-mark and in fact Alavida did not commence using the trade-mark MASTERPIECE LIVING until 2006 in Ontario.

Masterpiece did not oppose Alavida’s trade-mark application and Alavida obtained a trade-mark registration from CIPO.

When Masterpiece tried to file its own trade-mark applications the Registrar of Trade-marks denied the applications due to Alavida’s prior trade-mark registration.

As a result, Masterpiece brought a Federal Court action to expunge Alavida’s trade-mark registration. Masterpiece did so on the grounds that Alavida’s registration of the trade-mark MASTERPIECE LIVING was in breach of the Act as it was confusing with Masterpiece’s own unregistered trade-mark MASTERPIECE THE ART OF LIVING. In short, Masterpiece alleged that its trade-mark was first used prior to Alavida’s registered





trade-mark and therefore it had the superior rights over Alavida's confusing trade-mark.

At first instance the Federal Court held that while Masterpiece had established some use of its marks containing the word MASTERPIECE prior to Alavida's filing of its trade-mark application such use was limited in time and geographic area and was a factor in determining whether confusion existed. Further, at first instance the court found that no confusion would arise in any event as the services provided were relatively expensive and as such would not likely be susceptible to confusion because consumers would be unlikely to make choices based on first impressions. Consequently, the court application to expunge Alavida's trade-mark registration was dismissed.

The Federal Court of Appeal upheld the Federal Court decision and dismissed Masterpiece's appeal. Undeterred, Masterpiece took the matter to the Supreme Court of Canada.

The Supreme Court of Canada dealt with the following questions on appeal:

1. Is the geographic location where a trade-mark is used relevant when considering the likelihood of confusion between an applied for or registered trade-mark and a prior unregistered trade-mark?
2. What considerations are applicable in the assessment of the resemblance between a proposed use trade-mark and an existing unregistered trade-mark?
3. When considering the "nature of the trade" under section 6(5) of the Act, what effect does the nature and cost of the wares or services have on the confusion analysis?
4. When should courts take into account expert evidence in trade-mark confusion cases?

With respect to the first question on appeal the Supreme Court of Canada held that it is not relevant that the marks in issue were not used in the same geographic area when assessing confusion. The test for confusion is based on a hypothetical marketplace in which it is to be assumed that the trade-marks are used in the same geographic area of Canada. As a result, the Supreme Court of Canada found that if there was any suggestion in the lower courts' ruling that geography is relevant to the confusion analysis, it is wrong.

As to the second question on appeal the Supreme Court of Canada set-out a non-exhaustive list of factors in assessing the resemblance between an unregistered trade-mark and a trade-mark that is the subject of an application for registration of a trade-mark filed on the basis of proposed use. Among these considerations, the Supreme Court of Canada held that the proper approach is to address the entire scope of exclusive rights and potential uses that are available to the proposed use trade-mark and that the court should not consider how such trade-mark is actually used by the applicant.





Further, in reviewing these factors, the Supreme Court of Canada upheld the test for confusion set out in its decision in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée* 2006 SCC 23 as being a matter of first impression as to whether the casual consumer somewhat in a hurry who has only an imperfect recollection of the impugned mark.

As well, the Supreme Court of Canada held that a relevant consideration to be determined is to first test for resemblance between the trade-marks in issue and then consider the other factors set out in section 6(5) of the Act if the marks are found to be identical or very similar.

Based on its review of the factors concerning the resemblance between the trade-mark in issue, the Supreme Court of Canada found that there was a basis for a finding of confusion.

With respect to the third issue as to the effect of the costs of the wares or services in issue, the Supreme Court of Canada held that while consumers of expensive goods and services may be confused over trade-marks, it is improper to consider that such consumers would generally take considerable time after first encountering the confusing trade-marks to inform themselves about the source of those goods and services or that they are unlikely to make choices based on first impressions. Where there is a strong resemblance between trade-marks suggesting a likelihood of confusion, and the other factors considered for confusion set out in section 6(5) of the Act do not strongly suggest against a finding of confusion, then the costs of the goods or services is unlikely to lead to a different conclusion in the determination of confusion. In this regard, the Supreme Court of Canada found that the lower court erred in its approach.

The last issue with which the Supreme Court of Canada dealt was that of expert evidence. Continuing along a line of judicial decisions concerning this type of evidence in trade-mark cases, the Supreme Court of Canada confirmed that such evidence is permissible but confirmed that such evidence must be relevant and necessary. In this regard, the Supreme Court of Canada stated that where the casual consumer is not expected to be particularly skilled or knowledgeable, and there is a resemblance between the marks, expert evidence which simply assesses that resemblance will not generally be necessary. As a result, the expert evidence tendered in this case was found to be of little assistance in determining the key question of confusion.

Upon review of the foregoing analysis, the Supreme Court of Canada overturned the findings of the Federal Court of Appeal and ordered that Alavida's trade-mark registration of the mark MASTERPIECE LIVING be expunged from the Trade-mark Register.

In another decision of the Federal Court concerning confusion, *Hortilux Schreder B.V. v. Iwasaki Electric Co. Ltd.* 2011 FC 967, there were issues concerning the meaning of "use" under the Act which are useful to





review.

The appeal of Hortilux Schreder B.V. (“Hortilux Schreder”) of the Trade-marks Opposition Board decision concerned the application of Iwasaki Electric Co Ltd. (“Iwasaki”) for registration of the mark HORTILUX. Hortilux Schreder opposed the application of Iwasaki on the basis of non-use of trade-mark HORTILUX by Iwasaki in contravention of section 30(b) of the Act and on the basis that it was confusing with Hortilux Schreder’s trade-marks HORTILUX and HORTILUX SCHREDER which had been used prior to Iwasaki’s mark.

The Board rejected the opposition and Hortilux Schreder appealed.

In the appeal the Federal Court found that the Opposition Board erred in finding that Iwasaki had provided evidence of its use of the mark HORTILUX based on sales for zero value. The transfer of wares bearing the mark in issue for zero value could not be in the normal course of trade and therefore satisfy the meaning of “use” of the mark under the Act. Simply put, giving away wares for free *per se* is not considered use in the normal cause of trade. Accordingly, the trade-mark application should be refused.

The Federal Court also found that the Opposition Board erred in its decision finding that the opponent to registration, Hortilux Schreder, had not shown use of its own mark. The Opposition Board failed to consider the relevant jurisprudence establishing that Hortilux Schreder’s trade-mark appearing at the top of its invoices can constitute “use” of that mark in association with the wares referenced in the invoice.

In particular, the Federal Court identified the following key factors that constitute “use” in such circumstances:

1. The mark HORTILUX was in different font and size from the surrounding text on the invoice.
2. The mark HORTILUX was a reference to a trade-mark and not the company name as the company name actually appeared elsewhere on the invoice.
3. The recipient of the invoice would have had familiarity with Hortilux Schreder and would have understood that the mark HORTILUX was distinguishing the source of the wares referred to in the invoice from similar wares of others.
4. No other trade-mark appears in the invoices.

The Federal Court also took issue with the Opposition Board’s decision that Hortilux Schreder also failed to show use of its mark HORTILUX through its licensee as required by section 50 of the Act. The Opposition Board failed to recognize the evidence established by Hortilux Schreder that it sold its products in Canada





through its Canadian distributor. When a trade-mark owner sells its wares associated with a trade-mark to a distributor in Canada, the trade-mark is considered to be “used” in Canada within the meaning of the Act by the trade-mark owner. Such evidence is evidence of direct use by Hortilux Schreder and section 50 of the Act is not applicable.

Given that the marks in issue were identical, the appeal succeeded and the trade-mark application of Iwasaki was refused.

2. USE

In 2011 the Federal Court of Appeal heard the appeal in *Archmetal Industries Corporation v. JAG Flocomponents N.A.* 2011 FCA 235, an expungement action brought by JAG Flocomponents N.A. (“Jag”) with respect to the registered trade-mark FUSION used in association with “ball valves for industrial use” owned by Archmetal Industries Corporation (“Archmetal”).

Jag was the Canadian importer of the valve products manufactured by Archmetal. Jag successfully attacked Archmetal’s registration on the basis of an agreement between Jag and Archmetal that all intellectual property would be jointly owned and accordingly, Archmetal was not entitled to register FUSION on its own for its sole benefit. Further, Jag successfully attacked the registration’s claim for the date of the first use of the trade-mark since this was based on a single shipment by way of consignment rather than actual sale. Finally, Jag was successful in attacking the registration on the basis that the trade-mark FUSION lacked distinctiveness.

The Federal Court of Appeal dismissed the appeal of Archmetal.

It upheld the lower court’s decision that the Consignment Agreement in effect between Jag and Archmetal did not transfer property in, or possession of, the goods to Jag until Jag had sold them to a third party. Jag held the goods only “as trustee and not in its own right” so that there was no “use” of the trade-mark FUSION in association with the goods as defined under the Act.

3. PASSING-OFF

The battles between restaurants reared its head once again in trade-mark matters in 2011.

In *1429539 Ontario Limited v. Café Mirage Inc.* 2011 FC 1290, 1429539 Ontario Limited (“1429 Ontario”) registered the mark THE SYMPOSIUM CAFÉ and a series of others in association with their restaurant and concept (the “Symposium Marks”). Because of financial difficulties 1429 Ontario sold two of its five franchise restaurants to a creditor who in turn sold them on an “as is” basis. The new purchasers declined





the offer to join the franchise system and operated their restaurants under the name CAFÉ MIRAGE while maintaining the appearance, trade dress, trade-marks and menus of the Symposium Café.

1429 Ontario sued the purchaser for trade-mark and copyright infringement.

In reviewing the evidence, the Federal Court found that the Settlement Agreement between 1429 Ontario and its creditor expressly contemplated that the two restaurants could be sold “within or outside the Symposium Café Franchise System”. Further, the Federal Court found that the creditor did not have an unlimited right to use the trade-marks of 1429 Ontario outside the Symposium franchise system.

The Bill of Sale from the creditor to the purchasers did not specify a value to the goodwill or trade name whereas the agreement of purchase and sale did and the Bill of Sale restricted the assets transferred to the purchasers on a “where is, as is” basis. Significantly, the Bill of Sale stated that “[N]othing in this Indenture shall be construed as an attempt to assign any contractual rights forming part of the Assets that are not assignable in whole or in part with the consent of the other party to such contract, unless such consent has been given of the assignment is otherwise lawful”.

As a result, the Federal Court held that the Settlement Agreement between 1429 Ontario and the creditor only granted the creditor a right to use the Symposium Marks within the franchise system of 1429 Ontario. The Creditor sold no greater right to the purchasers who were put on notice that they no longer had the right to use the Symposium Marks when 1492 Ontario demanded return of the Symposium Café signs.

With respect to the issue of confusion pursuant to statutory provisions for passing off under section 7(b) of the Act, the Federal Court reviewed the factors and concluded that confusion existed between the restaurant operated by 1429 Ontario which owned the Symposium Marks and the purchasers Café Mirage restaurant.

While the names of the restaurants were different, the trade-dress was very similar. Among other things, Café Mirage used the same prominent “School of Athens” artwork, used the same circular display counter and floor tiles, used copied or similar menus and used 1429 Ontario’s trade-mark slogan “Redefining the Café Experience”.

Accordingly, the Federal Court held the purchasers were liable for passing-off and 1429 Ontario was awarded damages in the sum of \$30,000.00 for this breach of the Act.

Last year we reported on an interesting decision from the BC Supreme Court, which was not strictly speaking, a passing-off case but rather deceptive or misleading advertising case under the regulations of the Private Career Training Institutes Agency (the “Agency”). However, the case is significant as it provided





insight into how the courts may treat passing-off claims concerning keyword advertising.

The Agency regulated private colleges in British Columbia, including the defendant, Vancouver Career College (“VCC”). The complaint concerned VCC’s purchase of business names of its competitors as keywords from internet search engine companies in order to optimize search engine results as a “sponsored link” for online advertising. Students searching online would see VCC named as a “sponsored link” to its website first, even though a student searched VCC competitors name in its browser.

The BC Supreme Court refused the injunction sought by the Agency against VCC for this practice as being “misleading” under its regulations. The court saw no confusion in terms of trade-mark rights and held that keyword advertising strategies are no different from the perfectly acceptable business practice of placing advertisements in close proximity to a competitor’s advertisement in traditional media such as Yellow Pages advertisements placed close to a competitor’s telephone number.

The Supreme Court took this position despite evidence put forward by the Agency that students were at least initially confused as to the source of the advertisements.

The Agency appealed the decision and the BC Court of Appeal in *Private Career Training Institutions Agency v. Vancouver Career College (Burnaby) Inc.* 2011 BCCA 69 reviewed the matter. The Court of Appeal was at pains to state that the case was not a trade-mark case and that they were only properly examining whether the keyword advertising was misleading under the Agency’s regulations.

However, it is difficult to accept the Court’s position that the test of confusion in trade-mark cases is not relevant. This is particularly so when the keywords in issue are trade-marks of competitors and the law with respect to trade-names is that the test of confusion is one of a matter of “first impression”. Accordingly, the evidence of initial confusion of students searching online should have been a key factor.

It remains to be seen what effect this decision will have on similar cases of keyword advertising where trade-mark infringement and passing-off are expressly alleged.

4. LICENSING

The Federal Court in *Empresa Cubana Del Tabaco v. Shapiro Cohen* 2011 FC 102 dealt with the issue of what evidence is necessary for an owner of a licenced trade-mark to show that it met the requirements for proper licencing under section 50 of the Act by demonstrating it had direct or indirect control of the character or quality of the wares or services.

The case concerned an expungement proceeding under section 45 of the Act for non-use of the registered





trade-marks COHIBA and COHIBA Design (the “Cohiba Marks”) by the owner, Empresa Cobana del Tabaco trading as Cubatabaco (“Cubatabaco”).

The licencing issue arose as Cubatabaco, a state owned enterprise of the Republic of Cuba, licenced the use of the Cohiba Marks to Corperacion Habaros S.A. (“Habaros”), a company incorporated in Cuba, which was responsible for the export, marketing and commercialization of products bearing the Cohiba Marks. In turn, Havana House Cigar & Tobacco Merchants Ltd. (“Havana House”), a Canadian business, held the exclusive right to import and sell Habaros’ products in Canada.

The Registrar of Trade-marks accepted that Habanos was the licensee of Cubatabaco based on affidavit evidence submitted. However, the Registrar expunged the Cohiba Marks on the basis of a lack of use as the statement of wares in the Registration referred to “manufactured tobacco for smoking and chewing” and did not list “cigars and cigarillos” as stated in the affidavit in support of use of the Cohiba Marks.

On appeal, the Federal Court found that the trade-mark registration of the statement of wares for “manufactured tobacco for smoking and chewing” does include cigars and cigarillos.

With respect to the second issue of whether Cubatabaco, the licensor of the Cohiba Marks, had control over the character and quality of the cigars and cigarillos sold by its licensee Habanos pursuant to section 50 of the Act, the Federal Court held that this can be demonstrated by the licensor by three main methods:

1. The Licensor can clearly swear to the fact that they exert the requisite control;
2. The Licensor can provide evidence that demonstrates that they exert the requisite control; and
3. The Licensor can provide a copy of a licence agreement that explicitly provides for the requisite control.

While the licence agreement between Cubatabaco and Habanos was deficient in demonstrating control, the Federal Court was persuaded that control over the character and quality was shown by way of the attendance of a representative of Cubatabaco at monthly Board of Directors meetings of Habanos where it could monitor and veto decisions made by Habanos and the affidavit of Habanos in which it stated that its products were produced according to the standards developed by Cubatabaco.

Accordingly, the appeal was allowed and the expungement order with respect to the Cohiba Marks overturned. Further, in a subsequent appeal of this decision, the Federal Court of Appeal had no difficulty in dismissing the appeal and upholding the decision of the lower court.





5. CERTIFICATION MARK

Last year we reported on a case between the Republic of Cyprus and Producteurs Laitiers du Canada, Agropur Coopérative Agro-Alimentaire and International Cheese Council of Canada (the “Canadian Cheese Organizations”) with respect to the certification mark HOLLOWMI in association with cheese. The Ministry of Commerce and Industry of Cyprus (the “Ministry of Commerce”) appealed to the Federal Court the successful opposition of the Canadian Cheese Organizations for the application to register the certification mark.

The Federal Court dismissed Cyprus’ appeal on the basis that it was possible to procure cheese from various sources in Canada whose packaging bore the names HALLOOM, HALLOUM or HALLOUMI such that the term “halloumi” designated a type of cheese and was used generically. As such, the Federal Court ruled that Cyprus was not entitled to a certification mark.

However, Cyprus appealed again. In *Cyprus (Commerce and Industry) v. Producteurs Laitiers du Canada* 2010 FC 719, the Federal Court of Appeal upheld once again the original finding of the Opposition Board that Cyprus had not satisfied the requirements of section 10 of the Act for a certification mark for HOLLOWMI and failed to show that it had become recognized in Canada as designating the kind, quality, quantity, destination, value, place of origin or date of production for cheese.

6. PLEADINGS

2011 saw another case in which the pleadings of an opposition to registration of a trade-mark were relevant to the outcome of the case.

In *Le Massif Inc. v. Station Touristique Massif du Sud (1993) Inc.* 2011 FC 118, the Federal Court heard an appeal of the decision of the Trade-marks Opposition Board to refuse the application for the registration of the trade-mark LE MASSIF by Le Massif Inc. (“Massif”).

Station Touristique Massif du Sud (1993) Inc. (“Station Touristique”) opposed the application of Massif on a number of grounds. Among these grounds, Station Touristique alleged that the word “massif” designates in the broader tourism industry products and services related to mountain activities. Further, Station Touristique opposed the application on the basis that the application did not meet the requirements of paragraph 30(b) of the Act in that LE MASSIF had not been used in Canada by Massif since 1982, as stated in its application.

The Opposition Board allowed the opposition based on non-compliance with section 30(b) of the Act because it held that the application did not describe the use of the name LE MASSIF by Massif’s predecessor-in-title





during the period claimed for use.

The appeal to the Federal Court centred around whether the Opposition Board erred in allowing the opposition based on a ground of opposition that was not raised by Station Touristique and as such, the Opposition Board acted beyond its jurisdiction.

In short, Massif took the position in the appeal that the Opposition Board decision was based not on the pleading and evidence of non-use raised by Station Touristique but rather on the issue raised by the Opposition Board that Massif failed to indicate in its application for registration the use of the mark LE MASSIF by a predecessor-in-title. In doing so, the Opposition Board exceeded its jurisdiction conferred by the Act.

This issue then turned on whether the Station Touristique sufficiently particularized in its Statement of Opposition this ground of opposition.

While the Federal Court held that the Statement of Opposition was sufficiently broad in its wording, the written argument of Station Touristique detailing its grounds of opposition made no comment as to the user of the mark and did not allege the ground of opposition on which the Opposition Board actually made its decision. From the record, it was clear the Opposition Board raised the issue at the oral hearing stage.

The difficulty with this situation is that section 38(3) of the Act requires that the Statement of Opposition must set out the grounds of opposition with "sufficient detail to enable the applicant to reply thereto". Given that the written argument only referred to one ground pursuant to section 30(b) of the Act, the Opposition Board was not entitled to allow the opposition on a ground not raised by the opponent, Station Touristique.

Following the decision reviewed last year in *Proctor & Gamble Inc. v. Colgate-Palmolive Canada Inc.* 2010 FC 231, the Federal Court allowed the appeal and overturned the decision of the Opposition Board. The matter was the referred back to the Opposition Board for re-determination on the grounds of opposition actually raised by Station Touristique.

7. SUMMARY TRIAL

While summary trials are common place in the British Columbia Supreme Court, they are relatively new to the Federal Court Rules. In *Louis Vuitton Malletier S.A. v Singga Enterprises (Canada) Inc.* 2011 FC 776, the Federal Court expressly followed the approach under the British Columbia Rules of Court under Rule 18A, now Rule 9-7, and confirmed its decision in *Wenzel Downhole Tools Ltd. v. National-Oilwell Canada Ltd.* 2010 FC 966, whereby the trial judge should give judgment unless to do so would be unjust, regardless of





complexity or conflicting evidence. The Federal Court noted that the British Columbia Supreme Court has granted judgment in a summary trial in cases of counterfeit goods where there are multiple defendants, a complex fact pattern, numerous investigators and affidavits and large damage awards.

It should be noted that the Federal Court easily found judgment given that nearly all of the defendants did not contest the litigation. As well, it is important to note that significant damages well in excess of \$2 million for the plaintiffs.

8. DAMAGES

In *Auqasmart Technologies Inc. v. Robert Klassen* 2011 FC 212, the Federal Court reviewed damage awards in circumstance of default judgment. In this case, the plaintiff was awarded damages on the “conventional scale” of \$15,597.35 plus lump-sum solicitor-client costs of \$10,000.00. The court was influenced by a number of factors, including the fact that the goods in issue were expensive costing between approximately \$2,800.00 and \$5,600.00 and the defendant continued to infringe the plaintiff’s registered trade-mark after he was aware of the plaintiff’s trade-mark rights and the Statement of Claim was served on him.

9. INJUNCTIONS

While there has been much speculation and discussion amongst the intellectual property bar and bench as to whether there should be more interlocutory injunctions granted in intellectual property matters in the Federal Court, in 2011 there appears to be no evidence yet of a greater willingness to grant injunctions in trade-mark cases.

In *Target Brands, Inc. v. Fairweather Ltd.* 2011 FC 758, the Federal Court reviewed the classic three-part test for interlocutory injunctions set out in *RJR-MacDonald Inc. v. Canada* [1994] 1 SCR 311:

1. Is there a serious question to be tried?
2. Would the applicant suffer irreparable harm if the injunction is refused?
3. In whose favour does the balance of convenience lie?

The Federal Court found that the plaintiff, Target Brands, Inc. (“Target”), easily met the low threshold for the first part of the test but failed on the second and third parts. Accordingly, the application for an interlocutory injunction by Target was rejected. The Federal Court found that Target did not prove on a balance of probabilities that it would suffer irreparable harm given that the level of confusion among prospective customers was a matter of debate, the expert opinions bore closer examination and assessment





and the time to trial was relatively short (within a year and a half). Further, the Federal Court held that the balance of convenience favoured the defendants as Target had not yet opened stores in Canada while the defendant already had stores across Canada.

10. PROCEDURE

The Federal Court of Appeal in *BBM Canada v. Research in Motion Limited* 2011 FCA 151 heard an interesting case concerning the procedures before the courts that may be employed in trade-mark cases to bring a trade-mark infringement or passing-off case under the Act.

The *Copyright Act* specifically allows for an infringement proceeding to be brought by a petition or application on affidavit evidence before the Court rather than a full action leading to a trial with live witness giving evidence. The latter procedure is, of course, a more expensive and lengthy way to pursue a claim than the former procedure.

BBM Canada pursued its claim against Research in Motion (“RIM”) by way of an application in the Federal Court for trade-mark infringement and passing-off which RIM object to. However, the Federal Court ordered that the application to proceed as an action and ordered filing of the Notice of Application be served as a Statement of Claim. BBM Canada appealed the decision to the Federal Court of Appeal.

On the appeal, the Federal Court of Appeal determined that the interpretation of the Act, which was silent on the matter of the appropriate procedure, should be from the perspective of the purpose of the Act to promote access to the courts that is as expeditious and proportionate as possible. In light of this, the Federal Court of Appeal held that allowing proceedings to be brought by an application, which is a mere summary procedure, meets this goal.

However, the Federal Court of Appeal was careful to not foreclose challenges to the appropriateness of a claimant choosing to proceed by way of an application instead of an action. Not all cases are amenable to adjudication by application and the full procedural tools available in an action such as requiring evidence at a trial with live witnesses in order to challenge issues credibility before a judge may be necessary.

11. CLEARLY DECEPTIVE

The Ontario Teachers’ Pension Plan Board (the “Teachers’ Board”) applied to register the trade-mark TEACHERS’ in association with the “administration of a pension plan, management and investment of a pension fund for teachers in Ontario”. However, the Registrar of Trade-marks rejected the application on the basis that pursuant to section 12(1)(b) of the Act, the trade-mark TEACHERS’ was either descriptive or deceptively misdescriptive of the wares and services of the Teachers’ Board.





On appeal to the Federal Court in *Ontario Teachers' Pension Plan Board v. Canada (Attorney General)* 2011 FC 58, the Teachers' Board argued that the new evidence filed supported the conclusion that the trade-mark TEACHERS' described the targeted consumers and not the actual services of financial planning. Further, the Teachers' Board argued that there simply was no evidence that TEACHERS' are common to the trade of financial planning services or would put competitors at an undue advantage.

However, the Federal Court disagreed and upheld the Registrar's decision that the mark TEACHERS' was clearly descriptive pursuant to section 12(1)(b) of the Act and therefore unregistrable.

In essence, the Federal Court found that the proposed trade-mark TEACHERS' describes a prominent characteristic of a pension plan for teachers and is clearly descriptive even though it does not describe the administration, management or investment of the pension funds in question. The Federal Court noted that there are teachers in other provinces who have pension plans and it is a fundamental objective of section 12(1)(b) of the Act to prevent a monopoly on the use of a word common to others in providing a similar service.

In *Mövenpick Holding AG v. Exxon Mobil Corporation* 2011 FC 1397, the Federal Court heard the appeal of the decision of the Registrar of Trade-marks with respect to section 12(1)(b) of the Act to register the trade-mark MARCHÉ EXPRESS in association with fast food services offered at gasoline stations.

Mövenpick Holding AG ("Mövenpick") opposed the application for registration by Exxon Mobil Corporation ("Exxon") of MARCHÉ EXPRESS based on its trade-mark registration MARCHÉ in association with the operation of a restaurant.

The appeal centred on two issues:

1. Whether the name MARCHÉ EXPRESS was clearly descriptive and therefore unregistrable under the Act; or
2. Whether Mövenpick's registered trade-mark MARCHÉ was confusing with Exxon's mark MARCHÉ EXPRESS.

In dismissing the appeal, the Federal Court found that while the word "MARCHÉ" may have been a common or suggestive word in association with grocery stores it was not clearly descriptive.

With respect to the issue of confusion, the Federal Court was not convinced that when a customer pulls up to an Exxon gas station to fill-up on gas and takes advantage of the adjacent Marché Express to buy a loaf of bread that such person would think that the same people were behind the Marché restaurants as the





Marché Express convenience store.

12. EXPUNGEMENT

In the case of *McCallum Industries Limited v. HJ Heinz Company Australia Ltd.* 2011 FC 1216, the threshold test of proving that one is a “person interested” in undertaking expungement proceedings as required under the Act was highlighted.

McCallum Industries Limited (“McCallum”) filed a Notice of Application under section 57 of the Act to expunge from the Trade-marks Register the registered trade-mark OX & PALM used in association with meat and processed meat owned by HJ Heinz Company Australia Ltd. (“Heinz”).

McCallum did not oppose the Heinz registration application for OX & PALM which was registered on October 2005. McCallum later registered its own trade-mark PALM & DEVICE for meat and meat products. McCallum then waited until October 2010 to file its expungement proceedings before the expiration of the five year period under the Act to contest a trade-mark registration on the basis of prior use of a similar or confusingly similar trade-mark.

However, in waiting to expunge the registered trade-mark of Heinz until the last day, McCallum was required to meet the threshold test of proving it was an “interested person” entitled to seek the expungement of a registered trade-mark pursuant to section 57 of the Act and not just simply that it was a prior user of a confusingly similar trade-mark.

In order to qualify as a “person interested” under section 57 of the Act, McCallum needed to show that it may reasonably be affected by the entry of OX & PALM in the Register. In this regard, McCallum needed to show that this mark stood in its way and that it would suffer damage if it remained on the Register.

In finding that McCallum failed to discharge this onus, the Federal Court noted that the trade-mark examiner of the application to register the PALM & DEVICE mark never cited the registration of OX & PALM trade-mark as being confusingly similar, McCallum’s sales actually rose with respect to its PALM & DEVICE products since 2005, McCallum never opposed the Heinz application for OX & PALM and McCallum waited nearly five years after the registration of OX & PALM by Heinz to bring its expungement proceedings.

With respect to the delay to commence expungement proceedings, such delay was held to be inconsistent with the behaviour of a party that perceives itself to be a “person interested”.

The Federal Court concluded that despite the low threshold for proving that an applicant for expungement proceedings is a “person interested”, there were serious doubts as to whether McCallum met this





qualification.

The Federal Court then turned to the merits of the application as to whether confusion existed between McCallum's PALM & DEVICE and Heinz's OX & PALM for meat and meat products.

In reviewing the factors for evaluating confusion under section 6(5) of the Act, the Federal Court found that the marks in issue were not confusing for the following reasons:

1. The word "palm" was a common term so that upon viewing the marks consumers would not perceive a connection between PALM & DEVICE and OX & PALM. Further, OX & PALM is a coined phrase that is sufficient inherently distinctive to co-exist on the Register with PALM & DEVICE.
2. The marks co-existed without any evidence of actual confusion.
3. While the parties' wares were similar, being canned beef products, this factor was not determinative of the issue.
4. Similarly, the nature of the trade of the parties was similar but not determinative of the issue.
5. However, the degree of resemblance was held to be the overriding factor and the marks were found to be confusing in terms of appearance, sound or ideas suggested by the marks. The word "ox" was the first word in OX & PALM and PALM & DEVICE do not sound the same and do not convey the same idea.
6. With respect to the factor of additional surrounding circumstances, the Federal Court noted again that the trade-marks examiner did not cite the Heinz OX & PALM trade-mark registration as confusing with McCallum's application for PALM & DEVICE.

Accordingly, McCallum's application for expungement failed.

13. SECTION 45

In proceedings under section 45 of the Act, the trade-mark owner must show use of their registered trade-mark in the three years prior otherwise the trade-mark will be expunged from the Register for non-use. As is often said, this procedure is meant to be an expeditious way of clearing "dead wood" from the Trade-marks Register. Depending on the circumstances, evidence of a single sale may be sufficient to establish use of the trade-mark in the normal course of trade.

In *1459243 Ontario Inc. v. Eva Gabor International, Ltd.* 2011 FC 18, the Federal Court heard an appeal of the trade-mark owner 1459243 Ontario Inc. ("1459 Ontario") from the decision of the Registrar of Trade-





marks to expunge its trade-mark for non-use under section 45 of the Act. The appeal turned on whether the hearsay evidence of the trade-mark owner should be considered probative in support of use of the trade-mark.

The president of 1459 Ontario submitted an affidavit that during the relevant three year period promotional flyers bearing the trade-mark were included in customers' orders at the time of shipping and use by customers to place subsequent orders. However, on cross-examination on his affidavit, the president of 1459 Ontario acknowledged that he was not personally involved with the packaging or shipping of the product and that he had been informed by his employees that the promotional flyers were included in customer orders at the time of shipping.

In response to the argument that such evidence of the president of 1459 Ontario was hearsay and did not meet the criteria of reliability and necessity to justify its admission according to the classic enumeration of the law on hearsay in *R v. Smith* [1992] 2 SCR 915, the Federal Court found that the evidence was reliable and necessary in the circumstances of a section 45 proceeding.

The Court appears to have been persuaded that individuals who operate a business are presumed to have personal knowledge about the workings of their business, in view of their experience and position. Further, the admission of the evidence of the president without requiring evidence from several employees is consistent with the summary nature of the procedure under section 45 of the Act.

As a result, the Federal Court allowed the appeal and set aside the Registrar's decision to expunge the trade-marks of 1459 Ontario from the Register.

In an interesting decision on appeal from a ruling of the Registrar of Trade-marks pursuant to section 45 of the Act, the Federal Court dealt with the issue of trade-mark use and advertising over the internet.

TSA Stores, Inc. v. The Registrar of Trademarks, 2011 FC 273, TSA Stores, Inc. ("TSA") had six of its registered trade-marks for THE SPORTS AUTHORITY and LE SPORTS AUTHORITY (the "TSA Marks") expunged under section 45 of the Act for failure to use the TSA Marks within the prescribed previous three year period. The Registrar of Trade-marks found that TSA had no physical retail stores in Canada and was relying on a website as evidence that it was providing retail store services in association with the TSA Marks. While the Registrar held that use in Canada in association with retail store services does not require the operation of a physical retail store in Canada, the Registrar found that there was a deficiency in the evidence concerning whether TSA actually owned the website or properly licenced others to operate the website which was relied upon to show use of the TSA marks in association with retail store services.





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On appeal, new evidence was provided establishing that the TSA website was operated by another company under licence from TSA.

Further, in reviewing the website the Federal Court held that despite the fact that no sales of products could be made through the TSA website, the visitors were given detailed descriptions of TSA's products and could locate stores nearby in the United States. The Federal Court found that visiting the TSA website was akin to visiting a bricks and mortar store and benefiting from a discussion with a knowledgeable sales person.

Accordingly, the Federal Court found that there was use of the TSA during the relevant period and allowed the appeal of the expungement of the TSA Marks.



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