

INTELLECTUAL PROPERTY LAW

TRADE-MARKS

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A. Introduction

The past year saw a number of changes in trade-mark law. The Federal Parliament passed legislation to assist with the protection of Olympic marks and symbols for the Vancouver 2010 Winter Olympics. New Practice Notices were issued by the Canadian Intellectual Property Office ("CIPO") dealing with changes in the practice of trade-mark applications, opposition proceedings, official marks and professional designations.

The Supreme Court of Canada was not active in the area of trade-marks as it was in 2006; however, there are a number of important decisions that have been delivered in 2007 from various court jurisdictions. Among these are Federal Court of Appeal decision in the long-running battle of *Remo Imports Ltd. v. Jaguar Cars Ltd.*, 2007 FCA 258 concerning famous marks along with some interesting decisions concerning damages in passing off actions and the necessary evidence for establishing a right to an official mark.

B. Legislation

On June 22, 2007, the Federal Parliament passed the *Olympic and Paralympic Marks Act*, S.C. 2007, c. 25, which it claimed will bring Canadian trade-mark law in line with the practices of other countries which have hosted Olympic Games.

The legislation is intended to deal with "ambush marketing" with respect to the upcoming Winter Olympic and Paralympic Games in Vancouver in 2010. In essence, the legislation is designed to prevent advertising in a way which suggest incorrectly that an advertiser has a business connection or association with the Vancouver 2010 Winter Games. Damages or an accounting of profits and injunction remedies are available to the Olympic Games organizers for ambush marketing.

The most controversial aspect of this legislation is that it allows for interim interlocutory injunction orders to be granted against a party allegedly in breach without having to prove that the games organizers would suffer irreparable harm if such an order was not granted.

The *Olympic and Paralympic Marks Act* came into force on December 17, 2007, and has a sunset provision for the expiry of this legislation on December 31, 2010 with respect to certain marks set out in the schedules to the legislation.

Other than the amendments to the *Trade-mark Act*, R.S.C. 1985, T-R (the "Act") required by the passage of the *Olympic and Paralympic Marks Act*, supra, there were no changes to the Act. However, there were amendments to the Trade-marks Regulations (SOR/96-195) as set out below regarding Procedures in Opposition Proceedings.

C. Administrative Practice

1. Procedures in Opposition Proceedings

On October 1, 2007, CIPO issued a Practice Notice replacing the previous Practice Notice: (i) Procedure Before the Trade-Marks Opposition Board (August 19, 1996), (ii) Review of Statements of Opposition (November 8, 2006) and (iii) Service in Opposition Proceedings (June 13, 2007). In part, these changes are reflected in the amendments to the Trade-mark Regulations (SOR/2007-91) concerning procedures in opposition proceedings. The Practice Notice included changes regarding the naming of opponents, permitted methods of serving documents, conduct of cross examinations and the time limits for carrying out various steps in the opposition proceedings to trade-mark registration.

With respect to requests of parties to opposition proceedings for extensions of time, CIPO will require sufficient reasons for allowing initial extension requests and for subsequent requests for extensions CIPO will require sufficient reasons and consent of the other party or exceptional circumstances. It appears that despite settlement discussions being underway among the parties to trade-mark proceedings, the time limitations for such proceedings may be strictly enforced by CIPO.

What constitutes "sufficient reasons" and "exceptional circumstances" is not entirely clear. Accordingly, there remains to be seen how these new efforts to move trade-mark proceedings forward faster and avoid delays will be enforced.

2. Disclaimers

On August 15, 2007, CIPO issued a Practice Notice stating that the Registrar of Trade-marks will generally no longer require an applicant for registration of a trade-mark to enter disclaimers for descriptive words and other non-registrable matter pursuant to section 35 of the Act with the exception of an 11-point maple leaf design.

Previously, descriptive words in a trade-mark were often dealt with by a trade-mark examiner in the application process for a trade-mark in CIPO. The examiner would write to the applicant and request that the applicant disclaim a descriptive word in a mark so as to indicate that when the trade-mark registration was issued it was clear that the trade-mark owner did not claim a monopoly for such a word in association with the wares or services.

It is unclear how this change in practice will ultimately affect trade-mark practice in the future. However, it may mean that there will be more trade-mark litigation over proper disclaimers and

descriptive words that was previously resolved at the stage of examination in CIPO for registration of trade-marks.

3. Official Marks – Section 9(1)(n)(iii) of the Act

On August 22, 2007, CIPO issued a Practice Notice to amend an earlier Practice Notice concerning official marks following the decision in the Federal Court (Trial Division) case of *See You In - Canadian Athletes Fund Corporation v. Canadian Olympic Committee*, 2007 FC 406.

In this case, the Federal Court (Trial Division) dealt with the issue of the adoption and use of an official mark by the Canadian Olympic Committee ("COC") pursuant to Section 9(1)(n)(iii) of the Act. See You In-Canadian Athletes Fund Corporation ("SYI Fund") and its predecessor organization were created to support Canadian athletes competing in international events. Since 1997, SYI Fund and its predecessor raised over \$2,000,000 in successful campaigns using the slogans "See You In Sydney", "See You In Salt Lake" and "See You In Athens".

In 2003, SYI Fund filed four trade-mark applications for: SEE YOU IN ATHENS, SEE YOU IN TORINO, SEE YOU IN BEIJING and SEE YOU IN VANCOUVER (the "SYI Fund Marks").

In 2004, COC requested that public notice be given to certain marks under Section 9(1)(n)(iii) of the Act: SEE YOU IN TORINO, SEE YOU IN BEIJING and SEE YOU IN VANCOUVER (the "COC Marks").

Later that year, the Registrar of Trade-marks gave public notice under Section 9(1)(n)(iii) of the Act of the adoption and use of these official marks by COC. The effect of the publication was to preclude the registration of the previously adopted and used marks of SYI Fund for which it had

applied for registration. As a result, SYI Fund was precluded from using the SYI Fund Marks in association with any wares or services other than those for which it had used the SYI Fund Marks up until the date of publication of the COC Marks.

SYI Fund brought an application for judicial review of the Registrar's decision to publish the COC Marks and to foreclose SYI Fund's future use of the SYI Fund Marks.

The key issue was whether COC actually had adopted and used the COC Marks before the publication date as required by the Act.

The court made an adverse finding of fact that COC used the COC Marks prior to the publication only for internal strategic and business plan discussions. The use by COC of the COC Marks on pens and flashlights was compromised by the evidence that COC only received the pens and flashlights which bore the COC Marks a few days after the publication date for the COC Marks. The implication of this finding was that it would not be possible for COC to have adopted or used the COC Marks before the publication date.

The court noted that the Act does not define "adoption" or "use" with respect to publication of official marks. Further, the court noted that an official mark is ostensibly not used for commercial purposes or in the course of trade and as such Sections 3 and 4 of the Act could not assist with the interpretation of these words. However, the court did hold that an element of "public display" was required which COC failed to establish.

Accordingly, SYI Fund was successful in its judicial review application and the decision of the Registrar to publish the COC Marks was quashed.

While the case sets out the necessity of those seeking publication of official marks pursuant to Section 9(1)(n)(iii) of the Act to establish not only that they are a "public authority" under this provision but they must also have, in fact, "adopted" and "used" the official mark in some form of "public display" prior to publication by the Registrar of Trade-marks. As a practical matter in pursuing an official mark, careful documentation of such adoption and use must be made before applying for publication.

This decision does not appear to prevent a party who has not met the burden of showing adoption and use from later doing so in order to meet the test of "public display" of the official mark and then reapplying for publication to the Registrar of Trade-marks pursuant to Section 9(1)(n)(iii) of the Act.

The Practice Notice, however, did comment further on the evidence required to demonstrate an element of "public display". The Practice Notice cited *FileNET Corp. v. Canada (Registrar of Trade-marks)* (2002), 22 C.P.R. (4th) 328, where the Federal Court of Appeal held that advertising a mark on a government website in connection with an Internet service was considered sufficient use even though the actual server was not yet available.

The Practice Notice further cited *Piscitelli v. Ontario (Liquor Control Board)* [2002] 1 F.C. 247, where the Trial Division of the Federal Court held that the display of a sign cannot constitute adoption or use of MILLENIUM as an official mark because it was not distinguished in any manner surrounding the text. The usage of MILLENIUM in the sign was merely a generic or descriptive expression and was not used as an official mark within the meaning of the Act.

4. Professional Designations

On June 13, 2007, CIPO issued a Practice Notice concerning the application of Section 12(1)(b) of the Act regarding the prohibition against registering clearly descriptive trade-marks in relation to professional designations such as Doctor and Engineer.

The Practice Notice directs trade-mark examiners to apply the first impression test in light of a trade-mark applicant's wares or services if the trade-mark appears to be the title of a profession. If the prospective consumer, when faced with the applied for trade-mark would, immediately, as a matter of first impression, assume that the wares and services are produced by a professional from that designation, the mark will be found to be clearly descriptive and unregistrable. See also below the cases involving the Canadian Medical Association under the heading Clearly Descriptive.

D. Case Law

1. Licensing

In the Federal Court (Trial Division) case of *Fairweather Ltd. v. Canada (Registrar of Trade-marks)*, 2006 FC 1248, dealing with a Section 45 Notice of Expungement under the Act, the court commented on the licensing of trade-marks.

Fairweather Ltd. ("Fairweather") owned the trade-mark TARGET APPAREL in association with men's clothing. Pursuant to the Section 45 proceedings, Fairweather had to show use of this trade-mark in Canada in association with the registered wares during the six-month period between Fairweather's acquisition of the trade-mark and issuance of the Section 45 Notice of Expungement.

New evidence was filed by Fairweather in the appeal to the Federal Court to overturn the decision of the Registrar of Trade-marks to expunge the trade-mark TARGET APPAREL from the Register of Trade-marks. This evidence dealt, in part, with the fact that another company, International Clothiers Inc. ("International Clothiers"), made the sales of the wares in association with the trade-mark rather than Fairweather. Consequently, the issue was whether the relationship between Fairweather and International Clothiers was that of a licensing arrangement between these parties such that the trade-mark use by International Clothiers accrued to the benefit of the trade-mark owner, Fairweather.

The court was satisfied that Fairweather and International Clothiers had a sufficiently close relationship to imply a licence between the parties. They were related companies and the Secretary-Treasurer of Fairweather was also a Director of Finance of International Clothiers. As such, an inference could be drawn that International Clothiers' use of the trade-mark was pursuant to an oral licence and that it remained under the control of Fairweather.

Further, the court seems to be persuaded to reach this conclusion as there was evidence that Fairweather did not sell men's clothing and it was anticipated from the beginning that the men's clothing sold in association with TARGET APPAREL would be sold through a related men's wear company. As well, the parties reduced to writing a formal licence agreement although this occurred after the Section 45 Notice of Expungement was issued.

Subsequently, the Federal Court of Appeal upheld Trial Division decision (see 2007 FCA 376).

2. Famous Marks

In last year's Annual Review we reported on the case of *Remo Imports Ltd. v. Jaguar Cars Ltd.* in which the Federal Court (Trial Division) found in favour of Jaguar Cars Ltd. ("Jaguar"), the

well-known automotive company, against Remo Imports Ltd. ("Remo"), a luggage and handbag company. At trial Jaguar succeeded in having the trade-mark registration for JAGUAR by Remo expunged on the basis that the trade-mark was confusing with the earlier trade-mark registration by Jaguar for JAGUAR. Further, the court at first instance held that Jaguar's registration was accorded a wider ambit of protection as a famous trade-mark pursuant to Section 22 of the Act.

The Federal Court of Appeal in its decision (see 2007 FCA 258) reviewed the issue of a finding of depreciation of goodwill pursuant to Section 22 of the Act and found, relying on the decision of the Supreme Court of Canada in *Veuve Clicquot Ponsardin v. Boutiques Clicquot Ltée*, 2006 S.C.C. 23, that the "evidence of at least a likelihood of depreciation is required". However, the Trial Judge rejected all of the expert evidence submitted by Jaguar.

Accordingly, the Federal Court of Appeal stated that all that was left in the evidence was that Jaguar sold expensive luxury cars and at the same time Remo sold inexpensive bags. The court concluded that this may be enough to establish a likelihood of confusion in the mind of the consumer but it was not enough evidence to establish a likelihood of depreciation of goodwill of JAGUAR's trade-mark for cars. The court was not prepared on the mere basis of unequal quality or price of the parties' goods to make a finding of a breach of Section 22 of the Act.

As such, the Federal Court of Appeal was not prepared to award damages under Section 22 of the Act for depreciation of goodwill and was only prepared to find damages against Remo based on trade-mark infringement by Remo pursuant to Section 20 of the Act.

It is noteworthy that the Federal Court of Appeal also stated that Section 22 of the Act is not a basis for a finding of expungement of a registered trade-mark as found by the Trial Judge.

Also, it is noteworthy that the damages that Jaguar was entitled to for infringement were limited to those from the date of the expungement of Remo's trade-mark registration for JAGUAR in association with luggage and handbags and not from the date of Remo's registration of this trade-mark.

3. Passing-Off

There were a number of interesting passing-off cases in 2007 which dealt with the issue of damages.

In the British Columbia Supreme Court Case of *Stenner v. Scotia Capital Inc.*, 2007 BCSC 1377 the court dealt with a case of members of a team of financial advisors leaving one investment firm for another and their liability to their former team leader, Gordon Stenner, in competing against him and soliciting his clients.

The investment team was historically referred to and promoted as "Stenner Team" after Gordon Stenner who actively promoted himself on radio broadcasts. His daughter, Vanessa Stenner-Campbell, was part of the departing team of financial advisors and she thereafter continued to use the name "Stenner" in her promotion of her new team's investment business in competition with her father, Gordon Stenner.

While the court found no liability for breach of fiduciary duties or confidential information for the solicitation of clients of Gordon Stenner by the departing team of financial advisors, the court found that Vanessa Stenner-Campbell's use of "Stenner" in her business at the new investment firm constituted passing off and caused confusion.

It appears that the court was particularly impressed by a telephone call being placed during the course of trial proceedings to Ms. Stenner-Campbell's office at her new investment firm which was answered by the receptionist as "the Stenner Team", the same moniker used to describe the team of financial advisors when she worked with her father at her previous investment firm.

The court gave judgment in favour of Gordon Stenner to proceed to an election for damages of not more than \$1,000,000 or alternatively an accounting of profits of 10% of Ms. Stenner-Campbell's \$11,000,000 gain related to the passing-off plus further yearly accounting for five years on a declining basis of 10% to 5% of the value of Ms. Stenner-Campbell's business.

The Nova Scotia Court of Appeal in *2703203 Manitoba Inc. v. Parks*, 2007 NSCA 36 reviewed the issue of damages in a passing-off action.

This case concerned a franchise operator who terminated a franchisee who subsequently competed with the franchisor by publishing a publication that was found to be nearly identical to that of the franchisor's.

In determining the damages the court ruled that the former franchisee and his business associates deliberately acted to confuse the public and that the public was actually confused as to the relationship between the publications.

The court found that there was insufficient evidence to show the extent to which the defendants profited by their misconduct and that the evidence of general damages was extremely thin. However, this evidence was not challenged and the plaintiff was awarded \$70,000 in general damages and \$40,000 in punitive damages.

In 2007 the British Columbia Court of Appeal did not disturb the lower court decision in *Edward Chapman Ladies Shop Ltd. v. Edward Chapman Ltd.*, 2007 BCCA 370 for which we provided a report for the Annual Review last year. The court found that in a case of concurrent rights of two separate companies to the same name for their businesses, passing off will not be proven unless one party does something which increases the risk of confusion that is naturally attended upon the sharing of the same names. The court affirmed the remedy of a permanent injunction.

Of interest with respect to passing-off is the Federal Court of Appeal decision in the car maker battle of *BMW Canada Inc. v. Nissan Canada Inc.*, 2007 FCA 255.

BMW Canada Inc. ("BMW") was successful at trial in obtaining judgment against Nissan Canada Inc. ("Nissan") for passing off under Section 7(b) of the Act but was refused its claim for trade-mark infringement under Section 20 of the Act and for depreciation of goodwill under Section 22 of the Act. The case revolved around the trade-marks M45 and M35 registered by Nissan and BWM's unregistered trade-marks M and M6.

The review of the evidence showed that the M and M6 trade-marks were not marked on BMW's wares or packages in which such wares are distributed and at the time of transfer of the property the M and M6 marks were not associated with such property. BMW's use of the M and M6 marks was confined to advertisements and promotional materials or owners' manuals and handbooks which the court held was insufficient to find that these marks were used as trade-marks by BMW within the meaning of the Act. Accordingly, BWM failed to establish M and M6 as trade-marks owned by BMW.

In any event, the court also stated that BMW had failed to establish one of the three elements of a passing-off action:

- (a) the existence of goodwill;
- (b) deception of the public due to misrepresentation;
- (c) actual or potential damage to the plaintiff.

The court found that with respect of the last element BMW was required to show at trial, despite the order for a reference on damages after the trial on liability, that it was likely to suffer damage of passing off. A bi-furcation order for a later hearing on damages does not relieve a party pursuing a passing-off claim from proving the existence of damage. It simply defers the proof of the extent of the damage.

4. Injunctions

The battle between BMW and Nissan also is interesting for the procedural issues with respect to injunctions.

Upon issuance of the judgment at trial in favour of BMW granting an injunction, Nissan brought a motion in the Federal Court of Appeal to stay the injunction, pending the outcome of Nissan's appeal of the Trial Judge's judgment. Nissan filed evidence it would suffer irreparable harm if the stay was not granted. In this regard it identified the requirement to destroy all brochures before important upcoming car shows in Canada for its Infinity line of cars and that it would not be able to get new ones produced in time for the car shows. Further, Nissan identified other problems such as redesigning websites, computer systems, guides and manuals for cars which would be a very large undertaking.

The court was convinced that irreparable harm would be suffered by Nissan if the stay was not granted and the status quo should be maintained until the appeal was heard. With respect to any harm suffered by BMW it could be compensated for by damages to be paid by Nissan.

In another ongoing battle in the car industry, that we initially reported in last year's Annual Review, there was further litigation in the Federal Court (Trial Division) in the case of *Hyundai Auto Canada v. Cross Canada Auto Body Supply (West) Ltd.*, 2006 FC 1510. This decision dealt with the concept of a "blatant infringement" as a factor in determining whether an injunction would be granted.

Hyundai Auto Canada ("Hyundai") claimed that its registered trade-mark HYUNDAI used in association with automobiles, parts and accessories was infringed by Cross Canada Auto Body Supply (West) Ltd. ("Cross Canada") who used the mark HYUNDAI on packaging for sales of its automobile parts for Hyundai cars. It appears that Cross Canada was grey marketing genuine Hyundai parts in Canada from an undisclosed source.

Hyundai claimed that because the trade-mark infringement was blatant there is no need to prove irreparable harm as typically required to obtain an injunction. The court rejected Hyundai's argument and distinguished the cases relied upon by counsel for Hyundai and held that there was no such general principle.

5. Section 45

In the case of *Guido Berlucchi & C.S.r.l. v. Brouillette Kosie Prince*, 2007 FC 245, the Federal Court heard an appeal of a decision of the Registrar of Trade-marks finding that the trade-mark should be expunged pursuant to Section 45 of the Act as it was not used at any time in the three

years prior to the date of the filing of the notice of the application. Of note, the court reviewed the standard review on such an appeal.

Specifically, the court stated with regard to the standard review that:

- (a) where it is undisputed that on an appeal there is no new evidence filed that would materially affect the Registrar's finding or exercise of discretion, the standard is reasonableness *simpliciter* whether the issue is one of fact or mixed fact;
- (b) where additional evidence is filed in the appeal that would materially affect the Registrar's finding of fact or exercise of the Registrar's discretion, the court must decide the issue *de novo* after considering all of the evidence before it; and
- (c) where the new evidence adds nothing of significance, but is merely repetitive of existing evidence, without increasing its cogency, the issue will be whether the Registrar was clearly wrong.

On the facts of the case the court was satisfied based on the new evidence provided on appeal that the trade-mark owner had used the trade-mark in the normal course of trade within the relevant time period and ordered that the trade-mark registration be restored with respect to the uses proven by the trade-mark owner.

6. Clearly Descriptive

Whether a trade-mark is clearly descriptive of the wares and services with which it is used and as such is unregistrable pursuant to Section 12(1)(b) of the Act is often a point of contention amongst trade-mark owners and competitors.

In *Kellogg Canada Inc. v. Nature's Path Foods Inc.*, [2007] T.M.O.B. No. 65, the Trade-Marks Opposition Board heard the opposition of Kellogg Canada Inc. ("Kellogg") to the application for registration of the trade-mark POWER BREAKFAST used in association with waffles, cereal-based food bars and breakfast cereals by Natures Path Foods Inc. ("Natures Path").

Kellogg opposed the registration taking the position that the trade-mark POWER BREAKFAST describes a breakfast food that provides energy and is often associated with business breakfasts and would be so interpreted by the average consumer of the wares in which Natures Path proposed to use the mark. This opposition by Kellogg was rejected by the Trade-Marks Opposition Board.

However, in *Unilever Canada Inc. v. Superior Quality Foods, Inc.*, [2007] T.M.O.B. No. 66, the Trade-Marks Opposition Board came to the opposite decision with respect to whether the trade-mark BETTER THAN BOUILLON used in association with soups and soup bases was clearly descriptive. In this instance, the opposition was successful on the grounds that it was clearly descriptive and the trade-mark registration for BETTER THAN BOUILLON was refused.

The Canadian Medical Association ("CMA") is often active in trade-mark proceedings in preventing the use of medical terms such as DOCTOR as trade-marks.

In *Canadian Medical Association v. Sleep Products International Inc.*, [2007] T.M.O.B. No. 17, the CMA successfully challenged the application to register the trade-mark DOCTOR

APPROVED CHIROPRACTIC in association with mattresses and box springs. Among the successful grounds of opposition, the CMA succeeded in showing that this mark was clearly descriptive of the wares for which the applicant proposed to use the mark. Simply put, the Trade-Marks Opposition Board could not see how the everyday consumer could react to the mark DOCTOR APPROVED CHIROPRACTIC in any way other than indicating that the mattress products have been approved by doctors as good for one's back.

However, the CMA failed in its opposition in the *Canadian Medical Association v. Babaknia*, [2007] T.M.O.B. No. 52, with respect to the application for registration of the trade-mark DRISOY.COM in association with nutritional and hormonal supplements. The Trade-Marks Opposition Board seems to have been swayed by the fact that the potential reference to the medical profession does not stand on its own but rather is combined with other words so as to prevent this mark from being clearly descriptive.

In another case, the Federal Court had an opportunity to review whether a trade-mark which was registered should be expunged as it was clearly descriptive at the time of registration: *Emall.ca Inc. v. Cheap Tickets and Travel Inc.*, 2007 F.C. 243.

In this case, Cheap Tickets and Travel Inc. ("CT&T") had obtained the registration for, among other marks, CHEAP TICKETS in association with its travel agency, travel information and travel tours and charters.

CT&T commenced legal proceedings against Emall.ca Inc. ("Emall") to prevent Emall from using the mark CHEAP TICKETS in association with its business. Emall took the position that the words "cheap tickets" were clearly descriptive and they should not be precluded from using

them in association with their on-line shopping mall business using the domain name "cheaptickets.ca".

The Federal Court agreed with Email. However, CT&T appealed the matter and the decision of the Federal Court of Appeal is expected in 2008.