

INTELLECTUAL PROPERTY LAW

TRADE-MARKS

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A. Introduction

2008 saw no major changes to the legislation or regulations governing trade-marks. However, significant practice notices were issued by the Canadian Intellectual Property Office ("CIPO") with respect to the administration practice of trade-marks relating to opposition proceedings and s. 45 proceedings.

With respect to case law, the Federal Court and Federal Court of Appeal dealt with a variety of issues, including false statements made in a trade-mark registration, prohibited marks, prior use and confusion. Also, the Ontario Superior Court of Justice and BC Supreme Court dealt with interesting matters relating to trade-marks and intellectual property concerning respectively the analysis for the tests for injunctions and pre-litigation demand letters.

B. Legislation

There were no significant amendments in 2009 to the *Trade-marks Act*, R.S.C. 1985, T-13 (the "Act") or the Trade-marks Regulations (SOR/96-195) ("Regulations").

C. Administrative Practice

CIPO, which is responsible for trade-mark registrations in Canada, issued a number of practice notices. The practice notices clarify CIPO's current policy but do not have the force of law unless supported by specific provisions in the Act and Regulations.

1. Changes to Opposition Proceedings

On March 31, 2009, CIPO implemented new Practice Guidelines in Trade-mark Opposition Proceedings based on its consultation paper published on September 4, 2008, *Proposed Changes*

to the Practice in Trade-mark Position Proceedings. The significant changes with respect to extensions of time and hearings set out in this consultation paper are summarized in last year's *Annual Review of Law of Practice*. The implemented new practice guidelines largely follow the consultation paper with the noteworthy exception that with respect to time extensions both the Opponent and Applicant can each request on consent of the other party nine-month "cooling-off" period allowing for a possible 18-month period for the parties to negotiate a settlement. Further, under the new guidelines, it does not appear that a party can unilaterally terminate the "cooling-off" period as set out in consultation paper.

2. Practice in Section 45 Proceedings

On September 14, 2009, CIPO implemented new guidelines with respect to proceedings under s. 45 of the Act. This provision allows a person to request that a registered trade-mark be cleared from the Trade-mark Registry if it has not been in use for three years prior to the date of the notice given to the trade-mark owner, and the absence of use has not been due to special circumstance that excuses non-use. The new guidelines replace the practice notice concerning s. 45 proceedings published in the Trade-mark Journal on December 21, 2005. Noteworthy aspects of the new guidelines are summarized as follows:

- (a) With respect to delivery of the Notice by the Registrar of Trade-marks concerning an amended statement of wares or services in the registration, the three-year period commences from the date of the registration of the amendment. Further, the Registrar will generally refuse to issue a Notice in respect of wares and services that have only been listed in a registration for less than three years.

Further, the Registrar may refuse to issue a Notice upon a request being made if it sees good reason to do so. Examples of good reasons are that the trade-mark is already subject to a s. 45 proceeding, the request is within three years of issuance of a previous s. 45 Notice in which a final decision has been made, and the Registrar considers the request to be frivolous or vexatious.

- (b) With respect to evidence on a s. 45 proceeding, it is the registered owner's responsibility to furnish evidence within three months from the date of the s. 45 Notice. Failure to file any evidence will result in expungement of the registered trade-mark.

The evidence must be in the form of an affidavit or statutory declaration and show use of the trade-mark by the registered owner, an assignee entitled to be recorded as registered owner, a licensee of the trade-mark pursuant to s. 50 of the Act or licensee of a certification mark pursuant to s. 23(2) of the Act.

Evidence of "special circumstances" excusing non-use of the trade-mark during the relevant period so as to avoid expungement will be based on:

- (i) the length of time during which the trade-mark has not been used;
- (ii) whether the reasons of non-use were due to circumstances beyond the control of the owner; and

- (iii) whether there exists a serious intention to resume use of the trade-mark shortly.

- (c) With respect to extensions of time in s. 45 proceedings, the Registrar may do so if the facts justify such an extension. However, the Registrar will generally only consider one request for an extension up to a maximum benchmark of four months with sufficient reasons.

The Registrar will only grant an extension beyond the four-month limit on a case-by-case basis and the circumstances justify such an extension.

Consent of the parties or the pursuit of settlement negotiations by the parties would not be justifiable circumstances. Similar to the criteria set out in the new Practice Guidelines in Trade-mark Opposition Proceedings, the circumstances in which the Registrar may consider an extension beyond the benchmark in s. 45 proceedings are changes in the instructing principal or trade-mark agent, assignment of the trade-mark as well as cancellation of the registration and amendment of the registration.

Further, the Registrar will generally not grant a retro-active extension of time for filing of additional evidence after the requesting party has filed its written representations. A retro-active extension must be supported by sufficient facts to support a determination that the failure to file evidence within the time limits was not reasonably avoidable. There is no authority for the Registrar to grant a retro-active extension where the Registrar has reached a final decision.

- (d) The Registrar has no authority to order a cross-examination on an affidavit or statutory declaration.

- (e) With respect to written representations by the parties, these are not required for s. 45 proceedings. However, the Registrar will send a notice to the requesting party of a deadline of four months from the date of the notice to file written representations or advise that no written representations will be filed. Similarly, once this deadline has passed or the Registrar has recovered the requesting parties' response, the Registrar will send another notice to the registered owner setting a deadline of four months from the date of that notice to provide written representations or that no written representations will be filed.

The Registrar will not grant extensions despite the consent of the parties to do so or in the circumstances of the parties negotiating settlement.

- (f) Hearings of s. 45 proceedings are also not required but a party may request a hearing which Registrar will proceed to schedule in due course. However, a party making such a request must give the Registrar written notice of its request within one month following the final deadline for submission of the registered owner's written representations. The Registrar will not grant extensions for this deadline.

The Registrar will issue a notice to the parties as to the time, date and location of the hearing. The hearing will be heard in person by both parties if the parties have not specified whether the representation will be

in person or by telephone in the request to be heard delivered to the Registrar. Similarly, the representations by the registered owner will be made in the official language in which the evidence was written and by the requesting party in the official language in which the s. 45 Notice was written and there will be no arrangement for simultaneous translation if the parties have not made specific requests in this regard in the request to be heard.

The Registrar will generally issue notices to the parties as to the scheduled hearing dates no less than 90 days from the hearing date. The parties will have one month to confirm attendance from such notice. If a party is not available on the scheduled date and the parties consent to a rescheduling, the Registrar will reschedule for date as soon as possible. However, cases will generally only be rescheduled once.

Any changes to the appearance at a scheduled hearing, including a request for simultaneous translation or representation by telephone, then the party must telephone the Registrar and confirm in writing by this request for a change no less than three weeks prior to the scheduled hearing.

At least give five working days prior to the hearing date the parties must exchange and provide to the Registrar a list and copies of their case law.

The Registrar will not grant postponements of scheduled hearings. In particular, even if the parties agree that they no longer wish to be heard after the hearing has been scheduled, the Registrar will still proceed to

issue a final decision. In general, the Registrar will not hold decisions in abeyance or agree to not issue a decision based on consent of the parties or pending settlement negotiations.

However, the parties can cancel the scheduled hearing but must advise the Registrar by telephone and confirm this in writing. But again, the Registrar will proceed to issue a decision in due course, except where the s. 45 proceeding has been discontinued on consent or the registration has been voluntarily abandoned.

- (g) With respect to decisions and appeals, the Registrar will act in accordance with its final decision in writing if a no appeal has been initiated as required under s. 56 of the Act in accordance with *Federal Court Act* and Federal Court Rules.

3. Other Practice Notices

There were a number of other practice notices in 2009, however due to the limitations of space for this chapter, we are unable to summarize or provide details concerning the following:

- (a) Reformatted and Revised Wares and Services Manual used October 6, 2009
- (b) Time limits to Respond to Correspondence from the Trade-marks Office with respect to Transfers issued August 13, 2009
- (c) Updated Correspondence Procedures issued July 22, 2009

- (d) Discontinuance of Courtesy Letters for Co-pending Confusing Trade-marks issued June 17, 2009
- (e) Extension of Deadline for Responding to Examination Reports issued June 17, 2009
- (f) Publishing Practice Notices issued May 20, 2009

D. Case Law

The following material summarizes important 2009 cases relating to trade-marks.

1. Prior Use

The Federal Court rendered an interesting decision relating to the trade-mark KAMA SUTRA in 2009 in *Kamsut, Inc. v. Jaymei Enterprises Inc.*, 2009 FC 627.

Jaymei Enterprises Inc. ("Jaymei"), a Vancouver-based company, obtained a trade-mark registration for KAMA SUTRA in association with chocolates, candies, chocolate truffles, candied fruit, cookies, coffee and packaged hot chocolate.

Kamsut, Inc. ("Kamsut"), a California corporation, sought under s. 57 of the Act to expunge Jaymei's trade-mark registration on the basis of its prior use in Canada of the unregistered trade-mark KAMA SUTRA in association with its business manufacturing, distributing and selling romantic gift ware. Among these products, Kamsut asserted it sold a number of edible chocolate flavoured products, including chocolate flavoured body soufflé and chocolate body paints and oil. In this regard, Kamsut alleged that use by Jaymei of the trade-mark KAMA SUTRA was confusing with its use of the trade-mark KAMA SUTRA. As well, Kamsut alleged on a second

ground of expungement that Jaymei's use of the trade-mark KAMA SUTRA was not distinctive of its wares.

The court found that Kamsut failed to discharge its onus to expunge Jaymei's trade-mark registration for KAMA SUTRA for its chocolate products on a balance of probabilities and overcome the presumption, albeit weak, of validity of trade-mark registration by Jaymei.

In reviewing the evidence of Kamsut the court was not convinced that Kamsut was actually a prior user to Jaymei of the trade-mark KAMA SUTRA. None of the evidence of the products said to be sold in Canada specifically related to an earlier date of first use such as an invoice, purchase order or other document showing a date prior to the use by Jaymei.

With respect to the test confusion set out in s. 6(5) of the Act the court found that KAMA SUTRA is not inherently distinctive as it is not a coined or invented word and was in a sense descriptive. It is derived from an ancient language translated as meaning love or desire manual and is given an English language dictionary meaning associated with romance, pleasure and sex.

Further, the nature of the wares and trade was found to be different. Jaymei's products were found not to be sexual aids and Kamsut's products were not properly termed edible. As well, the Jaymei products were sold directly to corporations and individuals whereas Kamsut's products were sold to distributors or retailers for resale to consumers

Importantly, the court drew an adverse inference from the lack of evidence of actual confusion between the trade-marks. The court noted that this is important where there is evidence of extensive concurrent use of the mark.

In terms of a lack of distinctiveness of Jaymei's trade-mark, the court rejected Kamsut's argument that this could be inferred by a lack of evidence from Jaymei that its product was distinctive in terms of extensive use beyond the local Vancouver market and the competitive use of the KAMA SUTRA trade-mark by Kamsut. The court reiterated the well accepted law that in order to be distinctive it is not necessary for the mark to distinguish wares throughout Canada and it may do so only locally. Further, the court pointed out the evidence of Kamsut on the distinctiveness of its trade-mark was weak as it provided evidence of mainly United States publications with a small Canadian circulation and did not break out sales of its chocolate products in the Vancouver area.

2. Name of an Individual

In *Miranda Aluminum Inc. v. Miranda Window/Door Inc.*, 2009 FC 669, the dispute involved a father and his son over the use of their surname, Miranda.

The father alleged that his son should have his registered trade-mark expunged pursuant to s. 57 of the Act.

The son had use the registered trade-mark MIRANDA as a word mark (the "Word Mark") and design mark (the "Design Mark") since 1991 for use in association with selling and installing aluminum products. The Federal Court rejected the father's allegations and dismissed his expungement proceedings.

The first ground of attack by the father was that his son could not use the mark MIRANDA because it contravened s. 12(1)(a) of the Act which prohibits registration of a trade-mark that is primarily merely the name or the surname of an individual who is living.

There was no issue that Miranda is a surname and the court held it would not be registrable under s. 12(1)(a). However, the court held that under s. 12(2) of the Act, the name Miranda could be registered as a trade-mark if it has acquired distinctiveness of the son, the trade-mark applicant, at the time of filing of the application for registration. The court found that the Work Mark had acquired distinctiveness based on the awards the son had won in relation to his business, prominent use of the Word and Design Marks on its trucks, trailers and promotional material as well as to testimonials from clients and others showing the public associated the Word and Design Marks with the son's company.

The second ground of attack by the father was on the basis that he was the prior user of the mark MIRANDA to that of his son. Accordingly, the father alleged that on this basis, the son was not entitled to register the trade-mark MIRANDA pursuant to s. 17(1) of the Act.

However, the court was not convinced by the evidence that the father was the prior user of the mark MIRANDA and if the MIRANDA mark was used by the father he twice abandoned its use. In any event, the father's later use of the mark MIRANDA was calculated to confuse customers of his son such that the court held he could not benefit from s. 17(1) of the Act.

The third ground of attack of the father was under s. 9(1)(k) of the Act which states that no person shall adopt any mark consisting of, or so nearly resembling as to be mistaken for, any matter that may falsely suggest a connection to any living individual.

The court rejected this attack on the basis that as at the date the son adopted the name Miranda his father was working for him, his father had been out of business for two years prior and his corporate registration had been cancelled. Finally, the father's subsequent arrest and

imprisonment had been publicized so that the public would not have falsely made a connection with the father in association with the supply and installation of aluminum products.

Another ground of attack was based on the allegation that the son had made a false claim of first use in its trade-mark application entitling the father to expunge the trade-mark registration of the son. While there was case law to support such a ground of attack, the court found that the first documentary evidence of first use was dated only two months after the first use date started in the trade-mark applications which was insufficient to justify expungement on this ground.

The final ground of attack, also dismissed by the court, was that the trade-mark registrations were invalid pursuant to s. 18(1) of the Act as they were not distinctive at the time if the expungement proceeding were commenced. Again, the court was not convinced by the father's confusing use of variations of the son's trade-marks as a basis for attack in this case on the grounds of a lack of distinctiveness.

3. False Statements in a Trade-mark Registration

In 2009, the Federal Court considered in mere detail the issue of an allegation of an incorrect declaration of use in a trade-mark registration.

In *Parfums De Coeur, Ltd. v. Christopher Asta*, 2009 FC 21, Parfums De Coeur, Ltd. ("PDC") sought expungement under s. 57 of the Act of Christopher Asta's registered trade-mark BOD in association with, among other things, hair care products, skin care products, cosmetics and body care products.

PDC used the trade-mark BOD MAN in association with body sprays in seeking its own trade-mark registration but Mr. Asta's trade-mark registration was cited as a bar by the Trade-marks

Office. PDC wrote to Mr. Asta to advise of its intention to expunge Mr. Asta's registered trade-mark based on the allegation that it had falsely claimed use of the trade-mark BOD in association with certain wares. Mr. Asta in response amended his trade-mark to delete the wares except hair care shampoos and conditioners.

The issue before the court was whether the amended trade-mark registration of Mr. Asta could be struck out based on the false statements in the original application by Mr. Asta.

S. 57 of the Act allows for expungement where the registration did not "accurately express or define the existing rights" of the registered owner of the mark as at the date of the commencement of the expungement proceedings. Expungement for misstatements in an application for registration has been generally believed to be only successful on the basis of fraudulent misrepresentation.

Mr. Asta admitted the misstatement on his trade-mark application and explained his error on the basis that he believed that if he used the mark BOD in relation to just one of the wares, then he could file his declaration of use in relation to all of the wares. PDC and the court accepted this explanation and PDC did not pursue an allegation of fraud.

However, PDC did cite a Federal Court of Appeal case stating that a registration could be invalidated by not only fraudulent or intentional misstatement but also innocent misstatements that are material in the sense that without the misstatement registration of the trade-mark would have been barred.

PDC attempted to take this further and argued the United States doctrine of fraud on the Trade-marks Office was applicable in Canada. This doctrine does not require real fraud to void a trade-mark registration but only a material misstatement.

The court refused to recognize the US doctrine and found that the case law could be distinguished where the registration was expunged for a misstatement in the declaration of use on the basis that the flaw in that case was that there was in fact no use at all by the owner of the trade-mark in question. Whereas Mr. Asta had used the mark at least in association with some of the wares set out in his declaration of use.

Further, the court stated that it was significant that Mr. Asta amended his registration prior to filing of the application for expungement by PDC.

The court concluded by stating that Canadian law in this regard is "nuanced and balanced..." as it "looks to substance" such that an intentional misstatement should and would void a registration but where an innocent misstatement made in good faith the trade-mark owner has an opportunity to amend its registration.

4. Section 45

The Federal Court dealt with an appeal of a decision of the Registrar of Trade-marks under s. 45 of the Act in *Michael Curb v. Smart Biggar*, 2009 FC 47.

At the request of Smart & Biggar, the Registrar sent a notice under s. 45 of the Act for Michael Curb to file evidence that the registered trade-mark CURB RECORDS had been used in association with the wares and services set out in the trade-mark registration at any time during the previous three years.

The Registrar found that the evidence supported use of the trade-mark in the relevant period in association with wares for audio and audio-visual recordings set out in the registration.

However, the Registrar did not find use for the remaining wares listed of printed materials and

clothing, or any of the services listed of entertainment provided by pre-recorded and live music and the production, publishing and distribution of audio and audio-visual recordings.

As the new evidence filed by Mr. Curb would have materially affected the Registrar's decision, the court considered the whole appeal *de novo* without deference to the Registrar.

The court found that Mr. Curb's appeal succeeded except with respect to the clothing items of t-shirts and caps. The evidence before the Registrar and court in this regard was an affidavit which stated that Mr. Curb had “sold **and/or** distributed t-shirts and caps bearing the CURB or CURB RECORDS mark in the United States **and/or** Canada” and photographs of caps and t-shirts were appended as exhibits to the affidavit (emphasis added).

The court agreed with the Registrar that the language of the affidavit could be reasonably read as failing to properly claim any distribution within Canada at all. It is irrelevant whether there was distribution in the United States.

Further, the court was not willing to infer that based on the evidence of live performances in Canada during the relevant period that was accepted by the court, the court should also infer that t-shirts and caps bearing the trade-mark CURB would have also been sold.

The court determined that there should have been some documentation from customs brokers and accounting (e.g. Goods and Services Tax) showing distribution of the t-shirts and caps in Canada.

In another appeal of a decision of the Registrar of Trade-marks concerning s. 45 of the Act in *Brouillette Kosie Prince v. Great Harvest Franchising, Inc.*, 2009 FC 43, the Federal Court upheld the decision of the Registrar.

Brouillette Kosie Prince ("Brouillette") appealed the Registrar's finding that two trade-marks registrations for GREAT HARVEST BREAD CO & Design were used during the relevant three-year period so as to avoid expungement from the trade-marks registry. The trade-marks in issue were registered by Great Harvest Franchising Inc. ("Great Harvest").

The court found use with respect to all of the franchising services identified in both of the registrations and the bakery wares identified in one of the registration with the exception of cookies, muffins, cinnamon rolls, wheat, jams and jellies as well as clothing (namely hats, sweatshirts, aprons, t-shirts and sweaters). In effect, only the wares of bread were found to be in use in association with Brouillette's registered trade-mark.

As no additional evidence was submitted on appeal under s. 56 of the Act, the Federal Court reviewed the matter on the standard of whether the Registrar's decision was reasonable.

The Federal Court noted that the burden of proof is on the owner of the registered trade-mark GREAT HARVEST to demonstrate use but that this burden is not a "stringent one, and a *prima facie* case will suffice". Further, the Federal Court noted that the case law in this situation is to the effect that the statutory declaration evidence does not have to be perfect.

The court held, based on the evidence in the record, that the Registrar's decision was reasonable.

The attack of Brouillette that the evidence of the temporary operation of a retail bakery on a single day was an insufficient attempt to show use of the registered trade-mark was rejected.

The court cited case law stating that evidence of continuous use of the trade-mark is not required and that an owner need not furnish evidence of weekly, monthly or even yearly use. What is required is evidence of use in the normal course of trade.

5. Deceptively Misdescriptive and Prohibited Marks

Last year we reported in the *Annual Review of Law and Practice* on the Scotch Whisky battle between a Nova Scotia company, Glenora Distillers International Ltd. ("Glenora Distillers") and The Scotch Whisky Association (the "Association"), an industry association representing Scottish based whisky companies. The case concerned the efforts of Glenora Distillers to register the trade-mark GLEN BRETON in association with single malt whisky. The Registrar rejected the allegation that the use of the word "Glen" had become recognized in Canada as designating Scotland to be the origin of whiskies bearing that name and as such the use of the trade-mark GLEN BRETON would be deceptively misdescriptive under s. 12(1)(6) of the Act. The Federal Court on appeal reversed the Registrar's decision and held that there was no evidence that there was ever a non-Scottish whisky sold in Canada which had "Glen" as part of its name prior to Glenora Distiller's GLEN BRETON whisky. However the Court did find that there were 22 "Glen" whiskies sold in Canada since at least 1888, all of which were of Scottish origin. Importantly, the Court found that there was actual confusion in the marketplace in the sense that some consumers were not aware that Glenora Distillers' product was not a scotch distilled in Scotland. By way of an appeal by Glenora Distillers the Federal Court of Appeal reversed the matter once again in *Glenora Distillers v. The Scotch Whisky Association*, 2009 FCA 16. In the appeal s. 12(1)(e) of the Act was in issue which states that a trade-mark is not registrable if it is a prohibited mark under s. 10 of the Act.

s. 10 of the Act states as follows:

"Where any mark has by ordinary and bona fide commercial usage become recognized in Canada as designating the kind, quality, quantity, destination, value, place of origin or date of production of any wares or services, no person shall adopt it as a trade-mark in

association with such wares or services or others of the same general class or use it in a way likely to mislead, nor shall any person so adopt or so use any mark so nearly resembling that mark as to be likely to be mistaken therefor".

In reviewing the lower court's decision the Court of Appeal noted that Glenora Distillers is prohibited pursuant to s. 11.2 of the Act from calling its whisky "Scotch" as "Scotch Whisky" is protected as geographical designation under the Act and may only be used in association with whiskies actually produced in Scotland. Glenora Distillers in marketing its product simply called it a "single malt whisky" but nonetheless capitalized greatly on the similarities between its whisky and Scotch whiskies.

On appeal the Federal Court of Appeal was constrained to review the matter on the basis that it could only overturn the lower court if there was a palpable and overriding error in resolving a question of fact, or an error of law in its analysis.

The Federal Court of Appeal found that the lower court did make an error of law in failing to consider whether the word "Glen" was in fact a "mark" within the meaning of s. 10 of the Act as it had only previously been used as part of various registered trade-marks.

Simply put, the word "Glen", standing alone, had never been used as a trade-mark in Canada for any product. It was only used as a prefix for trade-marks associated with Scotch whisky such as GLENFIDDICH, GLENMORANGIE and GLENLIVET.

The question arose as to whether the reference in s. 10 of the Act to "mark" is broader than the meaning given to a "trade-mark" under the Act such that the word "Glen" could be considered on its own as a "mark" for the purposes of s. 10.

While the Federal Court of Appeal did agree that a "mark" under s. 10 does not necessarily have the same meaning as a "trade-mark" under the Act, it was still not convinced that there was any authority for the proposition that a segment of a trade-mark can stand alone as a mark.

Further, the Federal Court of Appeal relied on the well settled law that trade-marks should not be dissected and analyzed syllable by syllable and that trade-marks must be looked at as a whole.

The Federal Court of Appeal agreed with the Registrar's finding that even if "Glen" had been established as a mark prohibited by s. 10, the mark GLEN BRETON does not so nearly resemble the word GLEN as to be mistaken for it so as to prevent its registration.

The Federal Court of Appeal also commented that the purpose of s. 10 of the Act, in any event, was to prohibit the adoption of such marks as the hallmark for silver and other well-known marks indicative of quality or origin. Here the Association was seeking to establish a monopoly over the word "Glen" (which is not inherently distinctive of its members) when it was not clear that any of the members of the Association incorporated the word "Glen" into their trade-marks for the purpose of designating their whiskies as being from Scotland.

Finally, the Federal Court of Appeal noted that if the Association was successful it is establishing "Glen" as a prohibited mark would have led to the odd result that its own members which used "Glen" as a prefix in their trade-marks would have been prohibited from doing so as s. 10 of the Act states that "no person shall adopt a prohibited mark as a trade-mark".

6. Remedies

In another Federal Court of Appeal decision, *SC Prodal 94 SRL v. Spirits International B.V. and the Registrar of Trade-marks*, 2009 FCA 88, the court dealt with an important technical issue of procedure.

Pursuant to s. 57 of the Act, Spirits International B.V. ("Spirits") applied to the Federal Court to expunge the registered trade-mark STALINSKAYA owned by SC Prodal 94 SRL ("Prodal").

Spirits did so on the basis of its prior use of the trade-mark STOLICHNAYA in Canada.

In response Prodal voluntarily cancelled its trade-mark registration for STALINSKAYA prior to the hearing of the Spirits application. Prodal did not file an Appearance in the application and was not given notice of hearing.

At the hearing the lower court allowed Spirits application even though the trade-mark in issue had already been cancelled. The lower court went further and issued a declaration that trade-mark STALINSKAYA was not distinctive because it was confusing with Spirit's STOLINCHNAYA trade-mark as used in association with vodka. As well, the lower court ordered a stay of proceedings and a permanent "mandatory injunction...prohibiting" the Registrar of Trade-marks from considering a trade-mark application for STALINSKAYA.

No reasons were given for the lower court's order and remarkably the stay and injunctive relief was not set out in the Notice of Application of Spirits. The relief was granted on the basis of oral submissions by counsel to Spirits and the typical basket clause in the Notice of Application requesting "such other relief as counsel may advise and this Honourable Court deems just".

While the Federal Court of Appeal was not prepared to express an opinion as to the exercise of the lower court's discretion to provide ancillary relief declaring that confusion existed where the primary relief sought was rendered moot by Prodal's voluntary cancellation of its registration, it

did intervene on the granting of the stay and injunctive relief which it stated could not be characterized as ancillary.

To obtain a stay or an injunction order the tripartite test articulated in *RJR-MacDonald Inc. v. Canada*, [1994] 1 S.C.R. 311 must be satisfied. As there was no evidence in this regard, the Court of Appeal held the test was not satisfied. Further, the Federal Court of Appeal commented that a reference to both “mandatory injunction” and a “prohibition” set out in the order for injunctive relief cannot co-exist as a mandatory order requires one to act positively and a prohibitive injunction is one which restrains one from acting in a particular way.

Finally, the Federal Court of Appeal held that where a responding party to a proceeding does not have notice of the relief being requested, such relief should not be granted until notice is given and the responding party is offered the opportunity to respond.

7. Injunctions

In *Bell Canada v. Rogers Communications Inc. and Rogers Cable Communications Inc.*, (2009) 76 C.P.R. (4th) 61, the Ontario Superior Court of Justice made noteworthy comments on the proper analysis of the test of when an interlocutory injunction should issue in a dispute involving breaches of the related causes of action of *Competition Act* for misleading advertising and breaches of ss. 7(a), 22(1) and 53(2) of the Act and the tort of injurious falsehood and trade libel.

While not strictly a straightforward trade-mark case the approach to interlocutory injunctions by the Ontario Court may be useful in relation to the trade-mark cases generally and arguably make seeking the seldom used remedy easier to pursue. In this case Bell Canada (“Bell”) sought to prevent Rogers Communications Inc. and Rogers Cable Communications Inc. (collectively “Rogers”) from continuing to distribute a direct mail and internet campaign material aimed at

Bell's internet connection service customers. Bell sought in the action \$50 million in general damages, \$1 million in punitive damages as well as interlocutory injunctive relief.

There was no dispute as to the test set out in *RJR-MacDonald Inc. v. Canada*, [1994] 1 S.C.R. 311 which is summarized as follows:

1. Is there a serious question to be tried?
2. Will the moving party suffer irreparable harm if the injunction is not granted?
3. Is the balance of convenience such that the moving party will suffer greater harm of the injunction is not granted than the responding party will suffer if the injunction is granted?

The court determined that it would have found a strong *prima facie* case of misleading advertising except for the fact that counsel to Rogers undertook at the hearing that Rogers would not continue distributing the most offensive parts of its advertising campaign. On this basis the court found that Bell would not succeed and the case for irreparable harm suffered by Bell was weak.

Interestingly, the court indicated that where there is a strong *prima facie* case it may be easier to succeed in a claim for interlocutory relief and that each branch of the tripartite test must be analyzed together rather than separately. In doing so, a strong argument for one branch of the test may compensate for a weaker argument for the others. It remains to be seen if this case is any fodder for increased success for interlocutory injunctions.

8. Demand Letters

The BC Supreme Court dealt with an interesting claim concerning pre-litigation correspondence or demand letters in *Peak Innovations Inc. and Peak Products Manufacturing Inc. v. Pacific Rim Brackets Ltd. and Smart and Biggar*, 2009 BCSC 1034.

The case dealt with an action commenced by Peak Innovations Inc. and Peak Products Manufacturing Inc. (collectively "Peak") against Pacific Rim Brackets Ltd. ("Pacific Rim") and their legal counsel Smart & Biggar. Pacific Rim's legal counsel sent a demand letter to Peak alleging infringement of its intellectual property, including passing off as it related to the trade dress of its products.

Not receiving a satisfactory response and having already received instructions to commence legal proceeding of a satisfactory settlement could not be reached, Pacific Rim's legal counsel commenced legal proceedings in the Federal Court and BC Supreme Court based on the demand letter to Peak.

Before receiving copies of the pleadings in those actions Peak commenced its own action against Pacific Rim and its counsel in the British Columbia Supreme Court claiming the demand letter constituted, among other things, trade libel and defamation.

Pacific Rim responded by claiming that the demand letter was covered by an absolute privilege and brought a motion under Rule 18A of the Supreme Court rules for a summary trial to dismiss Peak's action.

The court reviewed the law concerning prepatory steps taken with a view to judicial proceedings such as demand letters.

The court cited case law stating that "an [absolute] privilege is not confined to statements made in court, but extends to all preparatory steps taken with a view to judicial proceedings ... But the statement or document must be directly concerned with actual contemplated proceedings; not just remotely so, like a factual report containing allegations which merely might provide a ground for future prosecution". Further, the court noted that such an absolute privilege protects both the solicitor and the client.

In examining the bounds of absolute privilege in pre-litigation situations the court cited *Moseley-Williams v. Hanster Industries*, (2004) 38 C.C.E.L. (3d) 111, where a letter sent threatened legal proceedings was not found to be a preparatory step with a view to litigation as in fact no legal proceeding was brought and the solicitor gave evidence that he had received no instructions to commence proceedings at the time the letter was written.

It appears that the decisive facts favouring protection of absolute privilege to Pacific Rim and its lawyers were as follows:

- The allegations in the demand letter were sufficiently related to the pleadings in the subsequent legal proceedings.
- At the time of the demand letter distribution there were already condition instructions to sue.
- The limited extent of the distribution of the demand letter to the intended defendants only.
- The fact that the legal proceedings that followed the demand letter were instituted in the time frame reflected in the body of the demand letter.

Accordingly, lawyers in advising their clients should be careful as to ensure they are within the purview of absolute privilege with respect to pre-litigation correspondence.

9. Confusion

In the on-going controversy concerning the issue a confusion between trade-marks involving pharmaceutical products the Federal Court had the opportunity to review the issue again in *NPS Pharmaceuticals, Inc. v. Bioforma, Société Par Action Simplifiée*, 2009 FC 172. Given the potential harm that confusion in pharmaceutical products can cause patients, this is a recurring issue among pharmaceutical trade-mark litigants.

In this case NPS Pharmaceuticals, Inc. ("NPS") appealed pursuant to s. 56 of the Act the decision of the Trade-marks Opposition Board refusing the registration of its trade-mark PREOS for use in association with pharmaceutical preparations for the prevention or treatment of osteoporosis. The Trade-marks Opposition Board did so based on its finding of confusion with the prior registered trade-mark of PROTOS owned by Bioforma, Société Par Action Simplifiée ("Bioforma") for use in association with a pharmaceutical preparation for the prevention or treatment of osteoporosis.

There was little in the way of new evidence such that the court determined that the decision of the Trade-marks Opposition Board would be reviewed at the standard of whether it was reasonable rather than correctness as determined by the court.

In analyzing the reasonableness of the decision in terms of whether there was confusion the court reiterated the case law that there are no special rules for pharmaceutical products as the possibility of errors in prescribing and dispensing is not directly related to the likelihood of confusion as to the source of product, which is the issue for decision in trade-mark cases.

However, the court affirmed the decision of the Trade-marks Opposition Board that there was a reasonable likelihood of confusion as to the source of the parties wares and dismissed the appeal of NPS.

In another appeal concerning confusion the Federal Court in *Advance Magazine Publishers Inc. v. Farleyco Marketing Inc.*, 2009 FC 153 dealt with the issue of how broad was the scope for protection of a registered trade-mark.

Farleyco Marketing Inc. ("Farleyco") sought to register its trade-mark GHOULISH GLAMOUR in association with Halloween cosmetics and eyelash accessories. Advance Magazine Publishers Inc. ("Advance") opposed this application to register on the basis of its prior registration for the trade-mark GLAMOUR for use in association with a periodical magazine and a variety of print and electronic wares and services.

The Trade-marks Opposition Board rejected Advance's opposition as it was satisfied that Farleyco satisfied its onus, on a balance of probabilities, that confusion between the mark was unlikely. This was primarily because of the inherent weakness of the GLAMOUR trade-mark and the difference between the parties wares and channels of trade.

Advance provided significant new evidence on the appeal under s. 56 of the Act such that the Federal Court reviewed the matter on the standard of correctness.

However, the Federal Court dismissed the appeal and upheld the Trade-mark Opposition Board decision. In doing so, the Federal Court rejected Advance's argument that it should be afforded wide protection for its trade-mark GLAMOUR based on evidence of acquired distinctiveness.

In particular, the Federal Court was not convinced that because the GLAMOUR magazine advertised cosmetic products and provided commentary on cosmetics, fashion and beauty this would cause confusion with Farleyco's trade-mark. The Federal Court was clear that the advertisement of cosmetic products in GLAMOUR magazine and the advice given in relation to cosmetics, fashion and beauty in that publication was not trade-mark usage by Advance in association with its trade-mark GLAMOUR.

In effect, just because cosmetic products are advertised, discussed or otherwise featured in Advance's magazine does not mean that any acquired distinctiveness in the GLAMOUR trade-mark should extend to cover such products.