

# INTELLECTUAL PROPERTY LAW

## TRADE-MARKS

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## A. Introduction

2010 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 Federal Court and Federal Court of Appeal dealt with a variety of issues and some novel problems, including certification marks, judicial review, descriptive marks and jurisdiction of the Trade-mark Opposition Board (the "Opposition Board").

## B. Legislation

There were no amendments in 2010 to the *Trade-marks Act*, R.S.C. 1985, T-13 (the "Act"), or the Trade-marks Regulations (SOR/96-195) ("Regulations").

However, in 2010 CIPO requested comments and consultations from trade-mark practitioners concerning possible amendments to the Rules for opposition proceedings. It remains to be seen as to what proposed amendments are brought forward.

In 2010 CIPO also made a call for a round of consultation to trade-mark practitioners regarding the possible accession of Canada to the Protocol Relating to the Madrid Agreement concerning the International Registration of Marks (the "Madrid Protocol") and the Singapore Treaty on the law of Trade-marks (the "Singapore Treaty"). Canada's accession to both the Madrid Protocol and Singapore Treaty would bring Canada into line with its major trading partners internationally.

The Madrid Protocol would allow an applicant from Canada to file a trade-mark application not only in Canada but also file an international application for other participating countries relying on the Canadian application. However, such international applications would still be subject to the laws of each country designated in the international application.

As such, the Madrid Protocol would require CIPO to adopt the international classification system for the description of wares and services in trade-mark registrations. This represents a significant change from Canada's current system of general descriptions which is seen as an increasingly idiosyncratic one.

The Singapore Treaty, attempts to further simplify and standardize trade-mark administrative procedures internationally. It also addresses newer forms of trade-marks such as holograms, sound and scent marks.

### 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. Extensions of Time in Examination

On March 11, 2010, CIPO's Practice Notice with respect to extensions of time in the examination process for trade-mark registration take effect. CIPO will usually grant an applicant for registration of a trade-mark one extension of time up to a maximum of 6 months to file a response to the trade-mark examiner's report, if the request is justified. Generally speaking no further extension to time will be considered.

After 12 months from the initial date of the examiner's report, CIPO will require that the applicant demonstrate exceptional circumstances justifying a response to an examiner's report.

Examples of what could amount to "exceptional circumstances" to justify further extensions of time include the following:

- a very recent change in the trade-mark agent of the applicant.
- there are circumstances beyond the control of the applicant such as illness, accident, death, bankruptcy or other serious unforeseen circumstances.
- there has been a very recent assignment of the trade-mark.
- a certified copy of the foreign registration which has not yet been issued since the foreign application has not proceeded to registration.
- if a cited co-pending and confusing mark is possibly going to be abandoned within the next 2 months or is subject to opposition proceedings initiated by the applicant.
- if the cited registered trade-mark is subject to proceeding initiated by the applicant pursuant to section 45 of the Act.
- if the applicant is negotiating for a consent from the holder of an official mark.

## 2. "Persons"

On June 3, 2010 CIPO issued the Practice Notice that it will no longer require an applicant for registration of a trade-mark to confirm that it is a "person" as defined in section 2 of the *Trade-Mark Act* (the "Act") and that the onus rests with the applicant to ensure compliance with the Act.

### 3. Priority Claims

On September 2, 2010 CIPO published a Practice Notice concerning the requirements for a trade-mark applicant to make a claim of priority based on an earlier filed application pursuant to section 34(1) of the Act. In order to do so an applicant must set out a declaration of the date and country of filing of the earlier application which must be filed with CIPO within a period of 6 months after the date on which the earliest application was filed for registration of the same or substantially the same trade-mark for use in association with the same kind of wares for services. Such a priority declaration may be filed in one of the following ways:

- by including the declaration in an application as originally filed, provided that the subsequent application is filed within the above noted 6 month period;
- by amending an application to include the declaration, provided that the amendment is made within the 6 month period; and
- by filing a separate declaration in respect of an application at any time within the 6 month period.

Should an error be made in a priority declaration concerning the date or country of filing of the earlier application, CIPO will permit a declaration to be amended to correct the error at any time within the 6 month period of time. After expiry of the six-month period of time, no amendment will be permitted.

While section 34(1) of the Act does not require that a priority declaration include the number of an earlier application, CIPO considers that it is highly desirable to do so. Accordingly, where a priority declaration does not include the number of the earlier application, CIPO will require that

the applicant either provide CIPO with a number or submit a certified copy of the early registration pursuant to subsection 34(2) of the Act.

If an error is made in indicating the number of the earlier application, CIPO will permit the number be corrected at any time before publication.

#### 4. Standard Characters

On October 26, 2010 CIPO issued the Practice Notice concerning the situation of certified copies of foreign registrations where they contain a statement that the letters and numbers in the certified copy are to be considered as standard and also contains a statement to the effect that there is no claim to any particular font style, size or colour. In such circumstances, the examiner of the application will accept the certified copy for the purposes of section 16(2) of the Act as an application for a word mark that is in all capital letters in the Canadian application.

#### 5. Descriptiveness and Abbreviations, Acronyms or Initials

On October 26, 2010 CIPO published a Practice Notice concerning trade-marks consisting of or containing abbreviations, acronyms or initials which are examined for clearly descriptive or deceptively misdescriptive meanings pursuant to section 12(1)(b) of the Act. CIPO considers that the mere addition of an abbreviation, acronym or initial of a clearly descriptive word or phrase contained in a trade-mark will not render the trade-mark registrable.

#### 6. Professional Designations and their Initials

On October 26, 2010 CIPO also published another Practice Notice with respect to section 12(1)(b) of the Act. CIPO stated that where it appears that a mark that is subject of the trade-mark application appears to be the title of a profession, research is conducted to determine

whether the mark or a portion of it is a professional designation. Further, the mere addition of an abbreviation, acronym or initials of the professional designation contained in the trade-mark will not render the trade-mark registrable.

#### 7. Colour Claims: Pantone

On December 22, 2010 CIPO published a Practice Notice with respect to trade-mark applications which claim colour as a feature of the trade-mark. Pursuant to rule 28 of the Regulations, CIPO may require that the applicant include a clear description of the colour system for each colour claimed. The name of the colour system must be set out in upper case letters and must include a statement that the name of the colour system is a registered trade-mark. For example: an acceptable description "the colour turquoise (PANTONE 15-5519)" is claimed as a feature of the mark.

A reference to the colour system alone (i.e. PANTONE 32) is not acceptable. Further, if the applicant does not make reference to a colour system, it must provide a clear description of the colours that are claimed. For example, a claim to the colour "magenta" will be acceptable but "greyish green" would not.

#### 8. Amendments to Trade-mark Applications

On December 22, 2010 CIPO issued a Practice Notice that as a general rule CIPO will no longer assess amendment requests received prior to examination. A request affecting the entitlement date of the trade-mark will be forwarded to the examination section for review upon receipt. However, all other requests will be assessed by an examiner in order, according to the date of the filing of the application. Examples where requests for amendments will no longer be assessed



prior to the examination include clerical errors, the addition of the amendment of a claim, and the addition or amendment to statement of wares and services.

#### D. Case Law

The following summarizes important cases in 2010 relating to trade-marks.

##### 1. Certification mark

In the case of *Cypress (Commerce and Industry) v. Producteurs laitiers du Canada*, 2010 FC 719, the Federal Court dealt with the opposition to registration of a certification mark.

The Ministry of Commerce and Industry of the Republic of Cypress ("Ministry of Commerce") applied to register the certification mark HALLOUMI (the "Mark") in association with cheese. The Canadian Cheese industry organisations, Les Producteurs Laitiers du Canada, Agropur Coopérative Agro-Alimentaire and the International Cheese Council of Canada (the "Canadian Cheese Organizations") opposed the registrations successfully before the Opposition Board pursuant to sections 10 to 23 of the Act on the following grounds:

1. The Ministry of Commerce failed to establish that users of the Mark obtained their right to use the Mark from the Ministry of Commerce.
2. The Mark was not registrable as it had by ordinary and bona fide commercial usage become recognized in Canada as designating a type of cheese.

On appeal before the Federal Court the first ground of opposition concerned the provisions of the Act which require that a mark cannot be used by the applicant and it must be licensed by the applicant for use by others in order to qualify as a certification mark.

The Canadian Cheese Organizations argued, and the Opposition Board agreed, that the evidence of the Ministry of Commerce was not clear that the Ministry of Commerce, as applicant, granted the right to use the Mark as opposed to some other branch of the Government of the Republic of Cypress.

However, on the appeal the Ministry of Commerce submitted further evidence, which the Federal Court accepted as unchallenged, showing that the Ministry of Commerce was the appropriate monitoring authority for the use of the Mark as a certification mark in association with cheese. Further, this evidence showed these responsibilities were delegated to other ministries and departments which are not legally distinct from the Ministry of Commerce but are all a part of the Government of the Republic of Cypress. Accordingly, the Ministry of Commerce succeeded on this ground of the appeal.

With respect to the second ground of opposition, the Canadian Cheese Organization successfully maintained the finding of the Opposition Board that pursuant to the provisions of the Act, the Ministry of Commerce failed to demonstrate that the Mark, or any other mark so nearly resembling the Mark so as to be likely mistaken for it, was not extensively used in Canada by others to designate that type of cheese.

The Ministry of Commerce did not submit any further evidence on this issue, and as a result the evidence on the record in this regard was reviewed on the basis of its reasonableness in supporting the conclusion of the Opposition Board. The court found that the Canadian Cheese Organization's evidence established that it was possible to procure cheese from various sources whose packaging bore the names HALLOOM, HALLOUM, or HALLOUMI in different cities in Quebec and in Ottawa in 2002 and 2003. As well, a number of stakeholders in the industry provided evidence that the term "halloumi" designated a type of cheese and was used generically.

Accordingly, the Federal Court dismissed the appeal of the Ministry of Commerce of the Republic of Cyprus on this second ground of appeal.

2. Clearly Descriptive or Deceptively Misdescriptive

Deceptively Misdescriptive

In further battles involving alcohol products in 2010, the Federal Court heard the appeal from the decision of the Opposition Board finding that the trade-mark THE SPIRIT OF CUBA was deceptively misdescriptive pursuant to section 12(1)(b) of the Act and not distinctive when used in association with rum as required by the Act.

In the case of *Ron Matusalem & Matusa of Florida Inc. v. Havana Club Holding Inc., S.A.*, 2010 FC 786 the Federal Court dismissed the appeal of the trade-mark applicant Ron Matusalem & Matusa of Florida, Inc. ("Matusalem") and upheld the Opposition Board's decision in favour of the opponent Havana Club Holdings Inc. S.A. ("Havana Club").

It was not in controversy that the rum sold in association with the mark THE SPIRIT OF CUBA (the "Mark") was manufactured in the Dominican Republic and not Cuba. Accordingly, the Federal Court was required to determine if the Mark was deceptively misdescriptive. The owner of the Mark, Matusalem, urged the court to accept new evidence on the appeal and interpret the word "spirit" as meaning "soul" or "essence" rather than "liquor".

In short, the issue was whether the public in Canada will be misled into the belief that the rum product with which the Mark was associated had as its place of origin in Cuba.

The Federal Court upheld the Opposition Board's finding that as a matter of common sense the immediate impression created by the Mark was that the rum product originated from Cuba. The

Federal Court found that the new evidence of Matusalem would not have materially affected the Opposition Board's findings so that the standard of review was one of reasonableness. The Federal Court concluded that the Opposition Board's findings were not clearly wrong and were supported by the evidence on the record.

### Clearly Descriptive

In another Federal Court case involving allegations that the trade-marks set out in an application for registration were not registrable pursuant to section 12(1)(b) of the Act, the Federal Court was required to determine if the trade-marks were clearly descriptive and, if so, whether this finding could be overcome by the allegation that the trade-marks had acquired distinctiveness pursuant to section 12(2) of the Act and were therefore registrable.

In *Worldwide Diamond Trademarks Limited v. Canadian Jewellers Association*, 2010 FC 309, the Federal Court dealt with the trade-mark application of Worldwide Diamond Trademarks Limited ("Worldwide Diamond") for three design marks sold in association with diamond wares and services (the "Applied for Marks") which comprised words and a Canadian flag-like design element in which the Maple Leaf was replaced with a diamond ("Flag-design Element"). The words of the Applied for Marks were THE CANADIAN DIAMOND REPORT, THE CANADIAN DIAMOND CERTIFICATE and THE CANADIAN DIAMOND APPRAISAL. Further, all of the Applied for Marks had a phrase in smaller font below that read THE MARK OF A DIAMOND THAT IS MINED, CUT AND POLISHED IN CANADA.

It is important to note that Worldwide Diamond disclaimed the right to the exclusive use the words CANADIAN DIAMOND, DIAMOND, CUT, POLISHED, and CANADA as being descriptive. Worldwide Diamond also disclaimed the words A DIAMOND THAT IS MINED,

CUT, AND POLISHED IN CANADA. Accordingly, the key parts of the Applied for Marks that remained, and were not disclaimed as descriptive, were the Flag-design Element and the words REPORT, CERTIFICATE, APPRAISAL and MARK.

However, the Opposition Board found in favour in the opponent, the Canadian Jewellers Association, and it concluded on the evidence that the Applied for Marks in their totality were clearly descriptive and were, in any event, not distinctive so as to be unregistrable.

On the appeal to the Federal Court, there were three main arguments concerning descriptiveness:

1. The Applied for Marks contained words which formed part of previously accepted trade-mark registrations by CIPO so that the Applied for Marks can not be found to be clearly descriptive.
2. The words REPORT and MARK in the Applied for Marks had distinctive meaning so as to overcome the finding of descriptiveness.
3. The distinctive Flag-design Element was dominant in the Applied for Marks so as to overcome the finding of descriptiveness.

With respect to the first argument on the appeal, the Federal Court conceded that Worldwide Diamond did have registered trade-marks with many of the same words present in them as the Applied for Marks and the court must address prior registrations in assessing descriptiveness. However, the Federal Court noted that it was trite law that if the CIPO has erred in the past in allowing trade-mark registrations which should not have been registered, there is no reason to perpetuate that error. As such, the Federal Court was not persuaded that it was bound to accept,

and did not accept, that the Applied for Marks were not descriptive based on earlier trade-mark registrations which included the same words.

With respect to the second argument, the Federal Court found that the use of the words REPORT and MARK in the Applied for Marks that were not disclaimed were clearly descriptive words. The Federal Court commented that abstract dictionary definition references, divorced from the context found in the Applied for Marks, cannot be used to transform the Applied for Marks that are on first impression descriptive into ones that are not.

Finally, the Federal Court found that the only part of the Applied for Marks which were not descriptive was the Flag-design Element but that this was not a dominant part of the Applied for Marks so as to overcome the unregistrability as a consequence of the descriptiveness of the word components of the Applied for Marks. The court suggested, in *obiter*, that Worldwide Diamond could register as a trade-mark the Flag-design Element on its own and would be free to use the descriptive words with the trade-marks as a practical solution to their desire to market their wares with the descriptive words, albeit without any monopoly rights over those words.

After the determination of the issue of descriptiveness, the Federal Court then dealt with the issue of whether the Applied for Marks could still be registered as trade-marks on the basis that Applied for Marks had acquired distinctiveness under section 12(2) of the Act. In other words, had the Applied for Marks as used by Worldwide Diamonds acquired such a reputation that the consumers in the general public would associate the Applied for Marks with Worldwide Diamonds only despite the descriptiveness of the Applied for Marks.

The Federal Court determined on the caselaw that the time for assessing whether the Applied for Marks had acquired distinctiveness was not the date of filing of the Statement of Opposition but rather the date of filing of the applications for the Applied for Marks.

While the Federal Court stated that there has to be very strong evidence to show that the Applied for Marks were distinctive at the time of the registration and that there was insufficient evidence to discharge this onus by Worldwide Diamonds, it appears virtually impossible that Worldwide Diamonds could provide such evidence given that the Applied for Marks were filed on the basis of proposed use and not actual use.

As a result, Worldwide Diamonds' appeal was dismissed and the Applied for Marks were not registered.

### Distinctiveness

In an interesting decision involving the distinctiveness of a registered trade-mark, the Federal Court overturned the decision of the Opposition Board refusing to allow the application for registration of the trade-mark of Scott Paper Limited ("Scott Paper") based on the opposition of Georgia-Pacific Consumer Products LP ("Georgia-Pacific").

In *Scott Paper Limited v. Georgia-Pacific Consumer Products LP*, 2010 FC 478, Scott Paper applied to register a design pattern it proposed for use on bathroom tissue (the "Scott Paper Mark"). Georgia-Pacific opposed the registration on the basis that its registered trade-mark for a design pattern on its bathroom tissue (the "Georgia-Pacific Mark") was confusingly similar with the Scott Paper Mark. Further, it opposed the application of Scott Paper on the grounds that the Scott Paper Mark was not distinctive because it did not distinguish Scott Paper tissue from the tissue of Georgia Pacific.

Pursuant to section 6(5) of the Act regarding the test of confusion, the Opposition Board found that the state of the marketplace indicated that marks of this general nature are quite common in the industry, resulting in small differences between the Scott Paper Mark and the Georgia-Pacific Mark being sufficient to make confusion unlikely. Accordingly, Georgia-Pacific failed in its opposition on this ground of confusion.

However, the Opposition Board found that despite Georgia-Pacific failing to show that it used the Georgia-Pacific Mark pursuant to the requirements of section 4 of the Act, it was prepared to find a lack of distinctiveness in the Scott Paper Mark based on the Georgia-Pacific Mark. In particular, the Opposition Board found that the Georgia-Pacific Mark was not visible through the packaging of the tissue paper at the time of purchase and consumers seeing the Georgia-Pacific Mark after purchasing and opening the packaging did not constitute "use" as required under section 4 of the Act. However, the Opposition Board found that in such circumstances the Georgia-Pacific Mark acquired a reputation sufficient to succeed on this ground of opposition concerning distinctiveness of the Scott Paper Mark and refused registration.

Scott Paper appealed to the Federal Court the determination of the Opposition Board on the distinctiveness issue and provided new evidence which was accepted by the Federal Court. Georgia-Pacific did not provide any further evidence. As a result, the Federal Court conducted its appeal on the basis that it was free "to come to its own determination on the issue".

The Federal Court recognized that Georgia-Pacific did not have to show use of the Georgia-Pacific Mark to the standard required by section 4 of the Act, but it stated that it still must show that the consumer had more than "mere knowledge" of the Georgia-Pacific Mark so as to find the Scott Paper Mark as being unregistrable for lack of distinctiveness. Georgia-Pacific had to be able to show the Georgia-Pacific Mark as an indicator of source and not merely as being known.



The only evidence in the record in this regard were sales of \$72 million worth of tissue bearing the Georgia-Pacific Mark and the assumption that since "...inevitably the purchaser will open the packaging and see the embossed mark...[t]his post-purchase viewing necessarily results in the [Georgia-Pacific Mark] having become known to some extent".

The Federal Court was not prepared to find that this evidence was sufficient. It stated that more evidence was required to show Canadians would retain memory of the pattern or realize that it is a trade-mark that indicates source. The viewing of the Georgia-Pacific Mark after purchase cannot be assumed to be linked to the reputation of Georgia-Pacific.

Accordingly, the failure to prove the reputation of the Georgia-Pacific Mark sufficiently to challenge the distinctiveness of the Scott Paper Mark meant that Georgia-Pacific failed on this ground of opposition and Scott Paper was entitled to proceed to registration.

### Distinguishing Guise

In 2010 the Federal Court dealt with the ongoing problem of claiming colour and trade-mark registrations in the pharmaceutical industry in *Apotex Inc. v. Registrar of Trade-marks*, 2010 FC 291.

The Glaxo Group Limited ("Glaxo") obtained the registration for a distinguishing guise or get-up trade-mark for a plastic spherical inhaler used for the treatment of asthma and chronic obstructive pulmonary disease (the "Glaxo Mark"). The Glaxo Mark consisted of specific pantones of dark purple and light purple colours applied to the surface shape of an inhaler. The question for the Federal Court in this expungement proceeding was whether the colours of the Glaxo Mark were distinctive so as to support a trade-mark registration pursuant to the provisions of the Act.

The Federal Court confirmed the body of law in pharmaceutical cases which held that a finding of distinctiveness required proof that physicians, pharmacists or patients can and do use the proposed trade-mark in choosing whether to prescribe, dispense or request the product.

In particular, the Federal Court confirmed that while colour and shape can help distinguish one manufacturer from another, a trade-mark which is based on product colour and shape is likely be weak in the pharmaceutical cases and that demonstrating product appearance or get-up has become distinctive is not an easy requirement to satisfy. Without elaborating, the Federal Court, relying on a United States Supreme Court decision, stated that unlike trade-marks in the nature of corporate symbols, there are sound public policy concerns that arise from an expansive recognition of the distinctiveness in the area of non-functional product design.

Further, the Federal Court stated that in the context of a market where purchasing decisions are usually made by professionals or on the advice of professionals, the commercial distinctiveness of such a mark will inherently be more difficult to establish.

An important factor in this type of case is that the consumer would only see the Glaxo Mark with a product label affixed on it and the presumption would be that the consumer would rely heavily on the printing information on the label to draw conclusions as to the source of the product. This was important as the Federal Court held that a trade-mark based on a get-up cannot acquire its distinctiveness by virtue of its use in combination with a distinctive word mark.

Significantly, the Federal Court cited the decision in *Novopharm Ltd. v. AstraZeneca AB*, 2003 FC 1212, where the court found that the colour and shape of a pharmaceutical product only represented a secondary check for the identification of such a product by pharmacists.

With respect to patients the Federal Court accepted Apotex's evidence from pharmacists that patients are rarely concerned about the manufacturer of their medications, including inhalers, and that most patients are solely focused on what a drug does and how to take it. For example, they may make reference to "my blue sleeping pill" or "my blue inhaler". Patients generally consider appearance to mean therapeutic effect. Patients do not generally associate colour or shape with the manufacturer or source of the inhaler. In short, the Federal Court found that colour was clinically helpful to patients and physicians to identify what is inside a pharmaceutical product but not generally its source.

Further, the Federal Court found that the evidence established that no prudent physician or pharmacist would rely upon the colour or shape of the inhaler to exercise a professional judgment about the product and few patients would make a choice based solely on the appearance of an unlabelled inhaler. With a label patients are sufficiently equipped to distinguish one product from another and to make informed purchasing choices.

Accordingly, Apotex succeeded in its expungement proceedings and the Federal Court held that colour and shape were not the primary characteristics Glaxo used to distinguish its inhaler from those of its competitors or, more significantly, by which its purchasers make their choices.

### Passing Off

The British Columbia Supreme Court dealt with an interesting decision concerning the issue of keyword advertising terms by Vancouver Career College ("VCC") that corresponded to the business names of competing members of an organization called the Private Career Training Institutions Agency ("Agency").

While strictly speaking the case of *Private Career Training Institutions Agency v. Vancouver Career College (Burnaby) Inc. et al*, 2010 BCSC 765, was not a passing off case under the Act, it does provide insight into the contentious area of passing off and keyword advertising which does not appear to have been directly considered in Canadian jurisprudence.

The Agency is a regulatory body overseeing career training institutions in British Columbia and the Agency views its role as one of consumer protection regulating such institutions. With respect to this case, the Agency in responding to two complaints by students cited its bylaw 29 which prohibited member institutions, including VCC, from engaging or using advertising which has the capacity to be deceptive or mislead the consumer.

The Agency alleged that VCC engaged in deceptive and misleading practices by purchasing the business names of its competitors as keywords from Yahoo and Google in order to optimize search engines results as a "sponsored link" for its online advertising. Students searching online using these internet search engines would see VCC named as a "sponsored link" to its website first, even though a student searched VCC competitor's name in its browser.

It should be noted that VCC never used a competing members business name or trade-marks in the title line, description line or URL of its online advertisements.

The BC Supreme Court recognized that "sponsored links" are displayed alongside "organic" search results so that the results for the student internet search are not displaced. In other words, the "sponsored link" is an additional advertisement when the student searched VCC's competitors name and it was clearly identified separately on the webpage search results. The BC Supreme Court also noted that a student conducting a search could also click on the "back" button on their

browser after viewing the "sponsored link" and they would be returned to the original search results so that they could locate other websites of interest.

Importantly, in determining what is meant by "misleading" under the Agency's bylaw 29 the BC Supreme Court relied upon the trade-mark law concept of confusion and passing off under section 7(b) of the Act. Further, in the absence of Canadian jurisprudence, the BC Supreme Court relied on United States caselaw which held that keyword advertising it is not in itself a breach of trade-mark rights or results in confusion (see Merck & Co. v. Mediplan Health Consulting, 425 F. Supp. 2d 402 (U.S.D.C., N.Y.), Government Employees Insurance Company v. Google Inc, et al, 2005, U.S. Dist. LEXIS 18642 (E.D. Va.) and J.G. Wentworth, S.S.C. Limited Partnership v. Settlement Funding LLC, 2007 U.S. Dist. LEXIS 288 (E.D. Penn)).

Accordingly, the BC Supreme Court found that keyword advertising does not create confusion and as a result it is not misleading for the purposes of the Agency's bylaw so that VCC was not in breach.

It is noteworthy that the BC Supreme Court was not persuaded by the evidence of actual confusion of two student complainants to the Agency put forward. In effect, the BC Supreme Court found that any initial mistake in clicking on the sponsored link of VCC instead of the link that the student wished to pursue is easily rectified by clicking on the "back" button with no harm done. As well, the BC Supreme Court did not appear to find it credible in the circumstances that a student would pursue registration to take courses with VCC and not the organization she was seeking in her search. If there was any confusion, it was caused by carelessness of the student in reviewing the search results and not by an effort of VCC to mislead.

The BC Supreme Court concluded 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. The BC Supreme Court cited the examples of placing Yellow Page advertisements near a competitor's telephone number.

It remains to be seen how this case will effect other trade-mark cases dealing with online issues of passing off and trade-mark infringement.

In another British Columbia case relating to allegations of passing off, the Federal Court in Target Event Production Ltd. v. Cheung, 2010 FC 27, dealt with a phenomenon in the lower mainland of the "night market".

Night markets are numerous vendor booths set up in parking lot locations typically operating in the evenings on Friday, Saturday and Sunday nights and Mondays on the long weekends from May until October.

Target Event Productions Ltd. ("Target") operated a very successful night market in Richmond advertised as the "Richmond Night Market" in English and Chinese (the "Target Names"). However, it ceased operating in 2008 at the site because it was in dispute with its landlord but still had the intention of starting again at a new site.

Target's old site was taken over new operator, Lions Communications Inc. ("Lions") and its principal Paul Cheung. Lions operated its new night market on the site using the name "Richmond Night Market Summer Festival" in English and "Richmond Summer Night Market" in Chinese characters (the "Lions Names").

The key documents in the licensing and operating of the night market are the market site plan for the location of booths, facilities and layout of the market and the rules for vendors operating at the site.

Target commenced an action against Lions and Cheung personally for copyright infringement and passing off under section 7(b) of the Act. Target alleged, among other things, that the market site plan, rules and related documents were substantially copied by Lions in operating its night market on the same site and that Lions Names were used to appropriate Target's night market business.

The Federal Court found that the Target Names were originally merely descriptive but that they had acquired distinctiveness in association with the night market operated by Target at the Richmond site. However, the Federal Court stated that this acquired distinctiveness was not durable and that as Targets Names were inherently weak marks they lost their distinctiveness and associated goodwill when Target failed to open a night market in 2009 as well.

However, in a detailed analysis the Federal Court found that Lions and Cheung infringed the copyright of Target in its market site plan and that Lions could not have operated the night market on the site in 2008 without such infringement.

With respect to the allegation of passing off, the Federal Court determined that the relevant consumers to analyse were the booth operator from which Lions received rent and the customers who visited and shopped at the night market.

The Federal Court found that the vendors would not have been confused by Lions' conduct as the evidence of actual confusion of vendors was short lived and that all vendors who signed contracts with Lions had actually been confused about the identity of the market organizer.

However, with respect to customers of the night market operated by Lions, the Federal Court found that such prospective visitors to the night market would have thought that the night market operated by Lions was a continuation of Targets' successful night market operation on the site.

The Federal Court cited the evidence, particularly as it related to the Target Names and the Lions Names, in finding passing off with respect to the conduct of Lions and Cheung. The Federal Court was satisfied that the Lions Names were used in ways it calculated to confuse prospective visitors in 2008 that the Lions night market was a continuation of Target's successful night market.

As the Federal Court found that Target lost the distinctiveness in the Target Names by failing to operate a night market anywhere in 2008 and 2009, it found that Target was not harmed in a monetary sense. As a result, the damages claimed by Target in excess of \$600,000.00 at trial were dismissed and Target was awarded nominal damages of \$15,000.00 against Lions and Cheung for copyright infringement and passing off.

#### Name of an Individual

An interesting twist occurred in 2010 with respect to the British Columbia Supreme Court case of *Stenner v. Scotia McLeod*, 2007 BCSC 1377, which was previously reported in the Annual Review for 2008 (the "2007 Stenner Case").

The 2007 Stenner Case concerned disputes among the Stenner Family who all worked in the financial services sector. As reported, Gordon Stenner was successful in the litigation against his daughter Vanessa Stenner in obtaining a significant passing off award.



However, the issue of Gordon Stenner's registration of the family last name "Stenner" as a trade-mark was not resolved in the 2007 Stenner Case. This issue became the new battleground in the family dispute in the case of CIBC World Markets Inc. v. Stenner, 2010 FC 397 as Gordon Stenner's son, Thane Stenner, sought an application before the Federal Court to expunge the trade-mark registrations by Gordon Stenner's company, Stenner Financial Services Ltd. ("SFS") for the word STENNER in association with financial services (the "Stenner Registration") pursuant to section 57 of the Act. Thane Stenner's former employer, CIBC World Markets Inc. ("CIBC") participated in the proceedings as it was sent a letter threatening litigation from Gordon Stenner's company, SFS.

The Stenner registration was obtained by Gordon Stenner on the basis that while the mark STENNER could not be registered as a trade-mark as it is a surname pursuant to section 12(1)(a) of the Act, it was registrable as it acquired distinctiveness pursuant to section 12(2) of the Act.

Thane Stenner and CIBC attacked the Stenner registration essentially on the basis that the Stenner registration was obtained by misrepresentation in an affidavit filed by Gordon Stenner and that the mark STENNER was not distinctive as required by the Act and therefore invalid. With respect to the allegation of misrepresentation the Federal Court agreed that valid concerns were raised with respect to Gordon Stenner's affidavit, the failure to file the complete affidavit with exhibits by the parties in these court proceedings left the court finding that the onus of establishing misrepresentation had not been met.

However, the Federal Court on other evidence was able to show that the mark STENNER lacked distinctiveness. The name "Stenner" was always used in conjunction with other words such as "group" or "team" or similar terms which detracted from the suggestion that the surname "Stenner" had acquired distinctiveness itself.

Further, the Federal Court held that in order for the mark STENNER to be a distinctive and valid registered trade-mark it had to stand alone as a trade-mark. SFS failed to provide proof that the mark STENNER was used alone.

In any event, even if the name "Stenner" was a valid mark at the time of registration was granted, whatever distinctiveness it may have had was lost by the time of the application for expungement was brought due to an absence of use by SFS and the expert evidence put before the Federal Court by Thane Stenner and CIBC.

With respect to the expert evidence, Dr. Ruth Corbin provided an affidavit comprising a survey in which the name "Stenner" had virtually no recognition outside of Vancouver and the Lower Mainland. Inside Vancouver there was a 16.8% recognition of the name in relation to financial services or products but generally not in relation to any particular person or company. To the extent that there was recognition with a particular person, there was little difference in the low response numbers in identification among the Stenner family members.

The Federal Court pointed out that a trade-mark is a monopoly and names are *prima facie* unregistrable and it would be inequitable, except in the clearest of cases, for a parent to claim monopoly over the family name, and preclude their children from using it. The Federal Court easily concluded that that this was not one of those cases and ordered the Stenner registration expunged from the trade-mark registry.

In last year's Annual Review we reviewed a case which has since been appealed to the Federal Court of Appeal, *Miranda Aluminum Inc. v. Miranda Windows & Doors Inc.*, 2010 FCA 104.

This case also involved a dispute between a father and his son over the use of their surname, Miranda. In this case, the son registered MIRANDA as a word mark ("Word Mark") and in a

design mark ("Design Mark") used in association with selling and installing aluminum products and home renovations. The Federal Court dismissed the father's expungement proceedings under section 57 of the Act for the registered Word Mark and Design Mark. The father appealed on three grounds:

1. The judge erred in finding that the son did not misrepresent the first use date in his trade-mark application so as to entitle the father to expunge the trade-mark registrations for the Word Mark and the Design Mark.
2. The judge erred in finding the name Miranda had acquired distinctiveness so as to overcome the prohibition to registration on the basis that the mark was a surname pursuant to section 12(1)(a) of the Act.
3. The judge erred in failing to hold that the name Miranda was unregistrable pursuant to section 9(1)(k) of the Act as it falsely suggested a connection to a living person, that is the father.

With respect to the first ground of appeal the essential argument revolved around the fact that the predecessor-in-title to the son who applied for registration of the Word Mark and Design Mark was a corporation controlled by the son which was involuntarily dissolved thirteen (13) years later in 2004 for failure to provide corporate filings and the trade-mark registrations were not assigned to the son.

The Federal Court of Appeal dismissed this argument stating, among other things, that it was a "highly technical and artificial argument that over looks the essential realities of the situation". The Federal Court of Appeal stated that the dissolution of the predecessor-in-title was involuntary and technical and occurred without the knowledge of the son who continued to

operate his business as before. It was the son who acquired distinctiveness in the trade-marks which flowed through his companies. Further, the Federal Court of Appeal stated that no confusion was in any event caused in the minds of the public about the identity of the source of the goods and services and that the father was not prejudiced by any misstatement.

With respect to the second ground of appeal, the Federal Court of Appeal dismissed the argument that the father's use of the name "Miranda" destroyed the distinctiveness of the mark MIRANDA by establishing in the minds of consumers that there was a source for aluminum products and associated services. The Federal Court of Appeal could not find a palpable and overriding error in the trial judge relying on evidence in this regard that indicated the father abandoned the use of the name, the father deceptively used the name and the judge's finding of credibility with respect to the father's evidence.

Further, the Federal Court of Appeal held that it was reasonably open to the trial judge to find on the evidence as a whole that the surname "Miranda" can acquire distinctiveness so as to overcome the prohibition found at section 12(1)(a) of the Act in registering surnames as trade-marks.

The Federal Court of Appeal also dismissed the final ground of appeal with respect to section 9(1)(k) of the Act holding that it is difficult for individuals to invalidate registrations of trade-marks on the basis that the public will falsely associate the mark with them as normally a person must establish the existence of a significant public reputation. Again, the Federal Court of Appeal was not persuaded that the trial judge made a palpable and overriding error in concluding on the evidence that such an association was not likely made.

## Confusion

In a battle between bikes and trucks in 2010 the Federal Court decided in favour of the internal combustion engine over pedal power in *Groupe Procycle Inc. V. Chrysler Group LLC*, 2010 FC 918.

Groupe Procycle Inc. ("Procycle") opposed the application for registration by Chrysler Group LLC ("Chrysler") of the mark ROCKY MOUNTAIN for use in association with motor vehicles (the "Chrysler Mark") based on the allegation of confusion with its trade-mark registrations for ROCKY MOUNTAIN and ROCKY MOUNTAIN BICYCLES used in association with bicycles (the "Procycle Mark"). The Opposition Board in reviewing the factors for confusion set out at section 6(5) of the Act concluded that no confusion arose to prevent Chrysler registering ROCKY MOUNTAIN as a trade-mark.

Procycle appealed the Opposition Board's decision to the Federal Court which undertook its review on the standard of whether the Opposition Board's decision was reasonable as it was not convinced the new evidence provided by Procycle on appeal would have materially affected the Opposition Board's findings.

The Federal Court reviewed the factors for determining confusion set out in section 6(5) of the Act on the basis of the test of whether a "casual consumer somewhat in a hurry having an imperfect recollection" would be confused.

In analysing the factor concerning the distinctiveness of the two marks, the Federal Court concluded that it would be unreasonable to find that the Procycle Mark was any more distinctive than the Chrysler Mark.

While the length of time the Procycle Marks had been in use was a factor in Procycle's favour, the other factors relating to the nature of the wares and channels of trade of the parties were found by the Federal Court to favour Chrysler. Relying on the case of American Motors Corp. v. Canada Cycle Motor Co. Ltd. (1978) 42 CPR (2d) 287 and Dr. Ingh cF. Porsche AG v. Procycle Inc. [1992] 45 CPR (3d) 432 Chrysler argued, among other things, that despite cars and bicycles both being modes of transport, they are fundamentally different and that where wares are expensive, the likelihood of confusion is reduced. The Federal Court appeared to agree with this argument in finding that the evidence did not show that the average consumer would see any connection between bicycles and cars.

These factors were not outweighed by the simple fact that the Procycle Marks were identical to the Chrysler Mark.

Interestingly, with respect to the additional factor under section 6(5) concerning analysis of surrounding circumstances, the Federal Court pointed out that ten other trade-mark registrations including the word ROCK are sufficient to draw conclusions about the use of this mark in the marketplace and the state of the trade-mark register.

However, it should be pointed out that it was likely fatal to Procycle's opposition and appeal that Procycle admitted it had used several car marks from a list of previously registered trade-marks (e.g. Mustang, Targa, Seville and Navigator) each with the risk of confusion and could point to no instance of actual confusion between the Procycle Mark and the Chrysler Mark.

#### Section 45

In another case with a local Vancouver flavour, Sim & McBurney v. Malcolm Parry, 2010 FC 118, the columnist for social events in the city, Malcolm Parry was the subject of expungement

proceedings with respect to his registered trade-mark VANCOUVER LIFE pursuant to section 45 of the Act.

Mr. Parry had registered the mark VANCOUVER LIFE in association with various wares and services which were attacked as not being used by Mr. Parry within the 3 years immediately preceding the notice delivered pursuant to section 45 of the Act.

Specifically, the Registrar of Trade-marks decided that on the evidence provided by Mr. Parry the use of the trade-mark VANCOUVER LIFE was not proven with respect to the wares and services listed in the terms of use of the registration except for the wares of "editorial/advertising inserts into publications and periodicals". However, the Registrar did not explain why it considered that the evidence of Mr. Parry's editorial column entitled "Vancouver life" published in Vancouver magazine satisfied this use.

The issues on appeal to the Federal Court concerned whether the Registrar was required to review the distinctiveness or validity of the VANCOUVER LIFE mark and whether the Registrar erred in finding use of the VANCOUVER LIFE mark in association with the wares "editorial/advertising inserts into publications and periodicals" had been shown for the relevant preceding three-year period.

As there was no further evidence submitted on appeal to the Federal Court, the standard of review of the appeal was one of reasonableness of the decision.

The issue of whether distinctiveness should be reviewed on a section 45 proceeding was decided by the Federal Court conclusively in favour of the result that no such determination was necessary or required. The section 45 proceedings are not a means to attack the validity of registered trade-marks but merely to remove from the registry trade-marks that have fallen into

disuse. Accordingly, it is the use of the registered trade-mark that is the focus of the inquiry under section 45 of the Act and whether the trade-mark owner has shown sufficient evidence of use with respect to the wares and services claimed in the registration during the relevant three-year period.

With respect to the second issue before the Federal Court as to whether Mr. Parry had used the VANCOUVER LIFE mark in association with wares "editorial/advertising inserts into publications and periodicals" the Federal Court overturned the Registrar's decision as not being reasonable.

In particular, the Federal Court determined that the column of editorial content published in a magazine did not constitute use in "editorials/advertising inserts". The Federal Court interpreted the word "inserts" as a noun and not a verb. The Federal Court was not prepared to find that the words "editorials/advertising inserts into publications and periodicals" meant the insertion of Mr. Parry's editorial column found in the Vancouver Magazine, but rather referred to "a thing that has been inserted, in particular a loose page or section" as supported by the dictionary meaning of the word "inserts". Simply put, the Federal Court determined that the word "inserts" refers to a type of publication which is in loose form and which is inserted into a magazine, usually for advertisement or promotional purposes. It is not an editorial column in a magazine.

Accordingly, the Federal Court expunged the trade-mark registration of Mr. Parry.

Despite a six-year period of non-use of a registered trade-mark in which it was sought to expunge this trade-mark from the Registry pursuant to section 45 of the Act, the Federal Court allowed an appeal and restored the registered trade-mark in *Cobalt Brands, LLC v. Gowling LaFleur Henderson LLP*, 2010 FC 260.



This appeal concerned the registered trademark of Cobalt Brands, LLC ("Cobalt") for USQUAEBACH for use in association with blended scotch whisky ("Cobalt Mark").

Cobalt failed to file evidence before the Registrar of Trade-marks in the section 45 proceeding as it claimed that neither it nor its representative in Canada received the Registrar's notice of the proceedings. On appeal to the Federal Court, it filed evidence and the Federal Court reviewed the matter on the basis of whether the Registrar was correct in making its decision to expunge the Cobalt Mark.

It was not contested that the Cobalt Mark was not used for the relevant period of three years prior to the Registrar's notice of the section 45 proceedings. Accordingly, the Federal Court had to determine whether there were special circumstances to excuse the absence of the use of the Cobalt Mark.

As reported in the Annual Review in 2009, the Federal Court of Appeal in *Scott Paper Ltd. v. Smart & Biggar* FCA 129 provided guidance as to the meaning of "special circumstances" for the purposes of section 45 of the Act. The Federal Court of Appeal stated that consideration should be given to the duration of the absence of use and the likelihood of its continuation, along with the extent to which the absence of use is due solely to a deliberate decision on the part of the registered owner or to factors outside its control. However, as the Federal Court of Appeal emphasized the inquiry into whether special circumstances exist is an inquiry into the reasons for non-use and that the intention to resume use cannot be used to support a finding of special circumstances.

In the circumstances of the non-use of the Cobalt Marks, the Federal Court found that while the extent of the non-use of the Cobalt Mark was lengthy, being six years, such non-use could be

excused for the special circumstances of the case. Specifically, the Federal Court accepted that the death of the principals of two successive owners of the USQUAEBACH registered trademarks which directly affected the absence of use in the marks and the regulatory requirements required to re-start production and distribution of the whisky product by the owner were sufficient special circumstances to excuse non-use.

As a result, the section 45 proceedings against the Cobalt Mark failed and the Cobalt Mark was restored to the registry.

### Famous Marks

The Federal Court in *Wrangler Apparel Corp. and Big Rock Brewery Limited Partnership* 2010 FC 477 had the opportunity to review once again the efforts of the owner of a well known trademark to expand its protection outside its normal channels of trade and review the Supreme Court of Canada's decision concerning famous marks in *Mattel Inc. v. 3894207 Canada Inc.* 2006 SCC 22.

In this case the international clothing company, Wrangler Apparel Corp. (the "Wrangler Company"), sought to reverse the decision of the Opposition Board who rejected Wrangler's opposition to the registration of the mark WRANGLER in association with beer by the Canadian beer company Big Rock Brewery Limited Partnership ("Big Rock"). The evidence before the Federal Court was that the extensive use and marketing of the trade-mark WRANGLER by the Wrangler Company had led the public in Canada to associate Wrangler with jeans and apparel. However, Big Rock argued that its proposed use of the trade-mark WRANGLER was with respect to another channel of trade and, as such, no confusion could arise despite the fame of the WRANGLER trade-mark as used by the Wrangler Company.

The essence of the Wrangler Company's argument was that the western and country lifestyle market in which the Wrangler Company used its WRANGLER mark was closely associated with beer.

On appeal from the Opposition Board to the Federal Court, the Wrangler Company submitted further evidence. First, the Wrangler Company submitted survey evidence arguing that of those who were surveyed who were aware of WRANGLER jeans, 29% inferred some kind of business connection between the company that puts out WRANGLER beer and the company that puts out WRANGLER jeans.

Second, the Wrangler Company put forward evidence that it intended to expand into the beverage market by licensing a company to use the mark WRANGLER to sell whiskey.

While the Federal Court was prepared to accept the new evidence it gave this new evidence very little weight.

With respect to the survey the Federal Court looked into the results presented by the Wrangler Company and determined that less than 10% of those properly surveyed made the association the Wrangler Company alleged. As such, the Federal Court accorded the Wrangler Company's survey very little weight and held that it did not in itself change the decision of the Opposition Board.

With respect to the intention to expand into the beverage market by the Wrangler Company, this was irrelevant as there were no such beverage sales in Canada.

As a result, the Wrangler Company was left with the evidence that it sponsored rodeo and other Western lifestyle events, alongside beer brewers, car manufacturers and telecommunications

companies. In these circumstances, the Federal Court was not prepared to infer that the trade-mark of the Wrangler Company had any close association with beer.

However, the Federal Court appeared to be impressed with Big Rock's evidence that many others are able to use the mark WRANGLER in association with unrelated wares without causing confusion. In this regard Big Rock cited the use of WRANGLER by Chrysler in association with vehicles, Good Year's use in association with tires and other companies use in association with smokeless tobacco.

Accordingly, the appeal of the Wrangler Company to prevent the registration of WRANGLER in association with beer by Big Rock failed.

### Jurisdiction

A novel problem involving jurisdiction issues in the ongoing trade-mark wars between beer companies was examined the Federal Court case of *Molson Canada 2005 v. Anheuser-Busch, Incorporated*, 2010 FC 283.

The origin of this dispute go back to a beer label registered as a trade-mark in 1926 for Standard Lager (the "Standard Lager Mark") which after assignments is currently owned and used by Molson Canada 2005 ("Molson"). Anheuser-Busch, Incorporated ("Anheuser-Busch") registered in 1903 and 1957 two beer labels as trade-marks for which the records shows use in Canada of substantially the same beer label since the 1880's (the "Budweiser Marks").

In the 1980's significant litigation occurred over the Standard Lager Mark and Budweiser Marks in which each owner tried to expunge the other's trade-mark registrations. In this litigation from the 1980's, the Federal Court of Appeal made four important findings:

1. The Standard Lager Mark and Budweiser Marks are confusingly similar;
2. There was some type of impropriety in the original registrations of the Standard Lager Mark and that if the Standard Lager Mark was not actually copied, it was inspired by and designed with the knowledge of the Budweiser Marks. The Federal Court of Appeal referred to this as a cloud on the registration of the Standard Lager Mark.
3. If the attack on the Standard Lager Mark had been timely, it would have certainly succeeded. However, the new owner of the Standard Lager Mark could rely on equitable defence and laches and acquiescence. There was no evidence that the conduct of the owners of the Standard Lager Mark at the time of registration could be ascribed to the new owner of the Standard Lager Mark.
4. As a result of the laches and acquiescence of both parties, neither party should be permitted to expunge the other's registrations.

In essence, the Federal Court of Appeal did not expressly rule that the registrations should "co-exist" on the register but this is what actually happened. The Standard Lager Mark and the Budweiser Marks remain on the Register as valid marks despite confusion. Further, the use of these marks are not restricted by territory despite the Standard Lager product being sold primarily in Manitoba.

However, in 1993 Anheuser-Busch succeeded in opposing before the Opposition Board an updated version of the Standard Lager Mark on the basis that it was confusing citing the findings of the Federal Court of Appeal from 1986 that the Standard Lager Mark and the Budweiser Marks were confusing.

Further, in 1995 Molson was unsuccessful in opposing before the Opposition Board Anheuser-Busch's application to register the Budweiser Marks in association with various items and merchandise other than beer. While the Opposition Board ultimately disallowed the opposition of Molson, it did reject Anheuser-Busch's argument that it would be unfair or inequitable to allow the opposition based on the previous litigation history.

In 2002, Anheuser-Busch brought an action for passing-off and infringement of the Budweiser Marks as it determined that Molson was planning to the Standard Lager product to Ontario. This action was settled.

In about this time Anheuser-Busch filed an application to register a new label for Budweiser beer which was substantially similar to the Budweiser Marks in association with beer, clothing and drinking vessels (the "New Budweiser Mark"). Molson opposed the registration of the New Budweiser Mark citing the Standard Lager Mark as a prior registered trade-mark that is confusing with the New Budweiser Mark.

However, the Opposition Board rejected Molson's opposition to the registration of the New Budweiser Mark. The Opposition Board stated that Anheuser-Busch was asking it to follow the decision of the Federal Court of Appeal from 1986 and allow it to register an updated version of the Budweiser Marks. The member of the Opposition Board rendering the decision went on to state that "in order to do so however, I need to determine whether I have jurisdiction to limit the scope of protection accorded to the [Standard Lager Mark] in the present case".

The Opposition Board found that it had such jurisdiction and went on to determine three key points:

1. The Federal Court of Appeal in 1986 was a full hearing with respect to the same parties and almost the same marks as applied to beer.
2. The Federal Court of Appeal in 1986 determined that the Standard Lager Mark was wrongfully obtained.
3. The issue of whether the registration of the Standard Lager Mark should be accorded limited protection in view of the Federal Court of Appeal decision in 1986 was not raised in the 1993 decision at the Opposition Board and should not apply to the current opposition by Molson.

Molson appealed the Opposition Board decision to the Federal Court. The Federal Court reviewed the decision of the Opposition Board on the basis of correctness with the respect of the Opposition Board's decision to limit the scope of protection of the Standard Lager Mark as it was a matter of determining the jurisdiction of the Opposition Board and with respect to all other issues before the Federal Court on the basis of the reasonableness of the decision of the Opposition Board.

The Federal Court took the Opposition Board to task over its decision stating clearly that the Opposition Board has no jurisdiction to limit the scope of protection of the Standard Lager Mark. The Federal Court of Appeal decision of 1986 was not applicable as it did not deal with same marks and it only dealt with "almost the same marks". As such, the Federal Court of Appeal decision of 1986 was not binding on the Opposition Board. Further, the Federal Court stated that in opposition proceedings the validity of the opponents registered trade-mark, in this case Molson's Standard Lager Mark, is not an issue. The jurisdiction of the Opposition Board to

consider the validity of an opponent's registration is very limited and such circumstances did not apply here.

The Federal Court went on to confirm that opposition proceedings are not the appropriate form for tacit or manifest amendments to the Register of Trade-marks. It is the Federal Court which alone has the jurisdiction to alter the Register. Further, the Federal Court gave short work of Anheuser-Busch's argument that the Opposition Board decision was fair and "reached a just result, rather than undertaking a merely superficial or mechanical analysis". The Federal Court stated that the Opposition Board is a creature of statute and has no inherent jurisdiction and in the governing statute there is no reference equity.

However, the Federal Court went to conduct its own analysis of whether the New Budweiser Mark was confusing with Molson's registered Standard Lager Mark first used in 1920's. The Federal Court applied the factors listed for confusion in section 6(5) of the Act, and concluded there was confusion with respect to the use of the New Budweiser Mark in association with beer, but not with non-beer wares.

As a result, Molson's scored a partial victory as the opposition to the registration of the New Budweiser Mark in association with non-beer wares was rejected and the opposition in relation to beer was allowed.

### Pleadings

The Federal Court in 2010 dealt with an important point concerning pleadings in trade-mark opposition proceedings in the case of *Proctor & Gamble Inc. v. Colgate-Palmolive Canada Inc.*, 2010 FC 231.



Proctor & Gamble Inc. ("P&G") appealed the decision of the Opposition Board refusing P&G's opposition to the application for registration by Colgate-Palmolive Canada Inc. ("Colgate") of a design for a slug of toothpaste with coloured stripes (the "Design").

P&G filed a Statement of Opposition which pled six grounds which are summarized as follows:

1. Colgate knew or ought to have known that toothpaste incorporating a stripe design has been offered for sale and sold in Canada since at least 1984.
2. Colgate did not intend to use the Design.
3. The Design is applied to the wares by Colgate for purposes of ornamentation or decoration only.
4. The Design is primarily functional and registration of the Design would grant a monopoly on functional elements or characteristics of toothpaste.
5. The Design is applied to toothpaste itself and the toothpaste is contained in the opaque tube. Therefore, the Design is not used to distinguish Colgate's toothpaste from the toothpaste of others because at the time of transfer of the toothpaste to customers the Design is not associated with the toothpaste so that notice is given to the customers.
6. The Design is not distinctive as striped toothpaste has been offered for sale and sold in Canada by other since at least 1984.

The Opposition Board dismissed all of the foregoing grounds of the opposition. Grounds 3, 4 and 5 were dismissed on the basis that the pleading was defective.

The Federal Court conducted the appeal on the standard of review of reasonableness as it held the new evidence was not significant enough to have materially affected the Opposition Board's finding so as to justify the higher standard of review of whether the Opposition Board's decision was correct.

The issue with respect to the grounds 3, 4 and 5 was that they were not specifically plead in relation to section 30 of the Act as required. It is noteworthy that the allegation that these grounds were not properly plead was only first raised by P&G in its written argument at the oral hearing stage.

The Federal Court upheld the Opposition Board's decision as being reasonable. Accordingly, the trade-mark practitioners should be careful that their Statements of Opposition are correct in all formal respects as they may not have the opportunity later to amend their pleading.

In another case in 2010 the Federal Court had the opportunity to deal with the issue of the amendment of pleadings in trade-mark opposition proceedings.

In *Indigo Books & Music Inc. v C. & J. Clark International Limited*, 2010 FC 859 the Federal Court heard an application pursuant to section 18.1 of the Federal Court's Act, R.S.C. 1985, c-F-7 for judicial review of the decision of the Opposition Board in which the Registrar refused to grant Indigo Books & Music Inc. ("Indigo") leave to file an amended Statement of Opposition in its proceeding against C. & J. Clark International Limited ("Clarks") for the application to register by Clarks of the trade-marks INDIGO and INDIGO BY CLARKS (the "Clarks Marks").

The grounds of opposition were on the basis that the Clarks Marks were confusing with Indigo's INDIGO and INDIGO-formative trade-mark registrations, applications or trade-names (the

"Indigo Marks") and that the Clarks Marks were not distinctive and not adapted to distinguish the wares of the Clarks from the wares and services of Indigo.

In the opposition proceedings Clarks filed its Counterstatement in reply to the Statement of Opposition of Indigo. Both parties filed affidavit evidence and Indigo conducted cross-examination on Clarks' evidence. The Opposition Board called for the filing of written evidence and one extension to that filing date was granted. Indigo alleged that the parties were engaged in negotiations during that period.

When it became apparent that there would not be a settlement, Indigo requested leave to amend its Statement of Opposition and an extension of 2 months to file supplementary evidence to support the amendments.

The proposed amendments pleaded a new ground of opposition with respect to section 30(i) and 22 of the Act setting out that the use by Clarks of the Clarks Marks would have the effect of depreciating the value of the goodwill attached to the register trade-marks of Indigo.

Indigo in seeking its late amendments specifically relied upon the settlement discussions and the decision of the Federal Court issued in October of 2008 in *Parmalat Canada Inc. v. Sysco Corp.*, 2008 FC 1104 ("*Parmalat*") (see the Annual Review 2009). The *Parmalat* decision is significant as it was held for the first time that an opponent in a trade-mark opposition proceeding can rely upon section 22 of the Act in the context of a section 30(i) ground of opposition. Importantly for Indigo, the *Parmalat* case was decided in 2008 after the pleadings were closed, evidence filed and the cross-examination took place in the opposition proceedings commenced by Indigo.

Clarks responded to Indigo's request taking the position that Indigo was not entitled to the amendment.

Pursuant to sections 40 and 44 of the Regulations the Opposition Board can only grant leave to amend a Statement of Opposition or file additional evidence if it is in the interest of justice to do so having regard to all of the surrounding circumstances including:

1. the stage of the opposition proceeding has reached;
2. why the amendment was not made or evidence not filed earlier;
3. the importance of the amendment or evidence; and
4. the prejudice suffered by the other party.

While the Opposition Board considered Indigo's argument that prior to the *Parmalat* case there was considerable doubt as to whether section 22 of the Act could be pleaded in the context of section 30(i) of the Act for a ground of opposition, it was simply far too late in the proceedings to add a new ground and additional evidence.

In the Federal Court the issue of whether Indigo was entitled to judicial review of the Opposition Board's decision was considered.

Indigo argued that special circumstances existed to warrant judicial review of the Opposition Boards interlocutory decision as it was a final disposition of a substantive right. Further, it stated that such a review will only occur where no other appropriate remedy exists.

Indigo argued that no adequate alternative remedy was available to Indigo other than judicial review as after the opposition proceedings stage Indigo is only entitled to appeal to the Federal Court pursuant to section 56 of the Act based on the scope of issues found in the Statement of Opposition.

However, the Federal Court held that Indigo had, in fact, two satisfactory alternatives to judicial review. First, Indigo could commence an action in court proceedings at any time against Clarks' alleged breach of section 22 of the Act.

Second, the extent that Indigo is unsuccessful in the opposition proceedings before the Opposition Board, and the Clarks Marks are registered, Indigo could commence expungement proceedings under section 57 of the Act before the Federal Court based an allegation pursuant to section 22 of the Act.

The Federal Court also commented that in a section 22 claim, the plaintiff has to show that the defendant has already used the mark in a manner this likely to depreciate the goodwill attaching to the plaintiff's trademark. In other words, section 22 of the Act is premised on an analysis of what a defendant has done, not what it proposes to do, which is the context of most opposition proceedings. As such, the foregoing court proceedings provide a more appropriate method of defending rights under section 22 of the Act than judicial review.

Accordingly, the Federal Court dismissed the application for judicial review by Indigo.