SURVEY OF INTELLECTUAL PROPERTY: PART III — TRADE-MARKS (ENFORCEMENT)

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Cette étude est publiée en plusieurs parties et examine de façon approfondie les changements survenus dans le domaine du droit de la propriété intellectuelle au Canada depuis 1987. Dans la première partie, l'auteur s'est penché sur les nombreuses modifications législatives portant sur le droit de la propriété intellectuelle. Dans la deuxième partie, il a examiné en détail les changements importants qui sont survenus dans le domaine du droit des marques de commerce et qui touchent les droits d'enregistrement prévus par la loi. L'auteur s'est intéressé, en particulier, à la pertinence des demandes et à la validité des enregistrements.

Cette troisième partie complète l'étude du droit des marques de commerce et examine les changements importants qui concernent la sanction des droits des propriétaires de marques de commerce. L'auteur traite en particulier du délit de substitution frauduleuse, des droits d'action prévus par la loi, de la violation de l'article 7 de la Loi sur les marques de commerce, *du non-respect des droits des propriétaires de marques de commerce déposées et de la protection accordée par l'article 22 de la* Loi.

Les parties subséquentes de l'étude porteront sur la jurisprudence récente dans les domaines du droit d'auteur, du droit relatif aux dessins industriels et du droit des brevets, et elles aborderont des sujets connexes, soit les circuits intégrés et la protection des obtentions végétales.

This Survey appears in several parts and canvasses significant developments in intellectual property law in Canada from 1987. Part I addressed the numerous legislative activities regarding intellectual property law. Part II canvassed significant developments in the law of trade-marks regarding the statutory rights of registration, especially the suitability of applications and the validity of registrations.

Part III completes the survey of the law of trade-marks and addresses significant developments respecting enforcement of trade-mark rights, especially the tort of passing off and the statutory rights of action including violation of section 7 of the Trade-marks Act, *infringement of registered trade-marks, as well as the protection of section 22 of the* Act.

Subsequent Parts of the Survey will explore case law developments relating to the law of Copyright and Industrial Designs, and the law of Patents as well as the related topics of integrated circuits and plant breeders' rights.

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I. INTRODUCTION*

The previous Part II of this Survey addressed significant developments in Canadian law relating to the suitability of applications for registration of trade-marks as well as the validity of trade-mark registrations.[1] Registration gives the registrant the right to the exclusive use of the registered trade-mark across Canada in association with the specified wares or services or both regardless of the extent of the registrant's use of the trade-mark. Hence, by virtue of registration, a trader gains the ability to protect his or her trade-mark across the country no matter how modest the use of the mark as long as the use is *bona fide* and in the normal course of trade.[2] The registrant will enjoy this national scope of protection provided the registration was validly obtained and remains valid.[3]

However, traders need not have a trade-mark registration in order to protect the goodwill and reputation developed in their products, services and businesses. The tort of passing off remains the most comprehensive course of action for protecting goodwill, while additional statutory rights under the *Trade-marks Act* provide for the protection of unregistered trade-marks.

Part III of this Survey considers these various forms of protection. In respect of the primary forms of protection, there are important distinctions in the elements necessary to establish the causes of action. For passing off, violation of section 7(b) of the *Trade-marks Act* and trade-mark infringement, the key element in each is the requirement for the likelihood of confusion. However, the necessary degree of association required to be in the minds of the public varies. As well, the subject matter embraced by each cause of action varies. Finally, the context in which the assessment is made varies. This part of the Survey will comment on the case law in the context of the necessary elements for each cause of action.

This subject matter was last surveyed in this journal by William Hayhurst, Q.C. in 1987[4] and dealt with case law reported from the end of 1982 to the end of 1987. This Survey deals with case law reported from 1988 to September 30, 1996. However, the previous survey only addressed in passing the subject of unfair competition. Accordingly, this Survey will also address significant appellate level authorities from the preceding period of 1982 to 1987 that dealt with unfair competition.

A fundamental distinction which assists registered trade-mark owners has arisen from the courts' approach to surrounding *indicia*. Other *indicia* may be considered in

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* This document follows the hyphenated spelling of the word "trade-mark", as per the *Trade-marks Act*, R.S.C. 1985, c. T-13, except where another form appears in a quote or a title.

1 G. C. Ludlow, "Survey of Intellectual Property: Part II — Trade-marks Suitability of Applications and Validity of Registrations" (1996) 27 Ottawa L. Rev. 339.

2 *Trade-marks Act*, R.S.C. 1985, c. T-13, ss. 19 and 4 [hereinafter the *Trade-marks Act*].

3 Generally, provided the trade-mark satisfies the criteria for registrability under section 12 of the *Trade-marks Act*, is distinctive at the time the registration's validity is challenged, has not been abandoned, or not used so as to be vulnerable to summary expungement, and the applicant for registration was the person entitled to secure the registration under section 16 of the *Trade-marks Act*, the trade-mark registration will weather any challenges to its validity (*Trade-marks Act*, ss. 18 and 45).

4 W. L. Hayhurst, "Recent Developments in Canadian Law: Intellectual Property, Part II — Trademarks and Unfair Competition" (1987) 19 Ottawa L. Rev. 581.

assessing the question of passing off and section 7(b) of the *Trade-marks Act*. However, in considering infringement of a registered trade-mark, such surrounding *indicia* must be ignored.

Accordingly, the question of infringement is considered in a more favourable context than passing off or section 7(b) of the *Trade-marks Act*, although the threshold degree of association required in the minds of the public is higher for infringement than passing off, and possibly section 7(b).

II. PASSING OFF AT COMMON LAW

A. *Nature of the Tort*

1. *Legal Right Protected by the Tort of Passing off*

Any consideration of the law of passing off should commence with a clear statement of the legal right that is protected by the cause of action. The Supreme Court of Canada in its two most recent decisions to consider the law of passing off, *Ciba-Geigy Canada Ltd.* v. *Apotex Inc.*[5] and *Consumers Distributing Co. Ltd.* v. *Seiko Time Canada Ltd.*,[6] quoted *Salmond on Torts* with approval:

> [t]he courts have wavered between two conceptions of a passing off action — as a remedy for the invasion of a quasi-proprietary right in a trade name or trade mark, and as a remedy, analogous to the action on the case for deceit, for invasion of the personal right not to be injured by fraudulent competition. The true basis of the action is that the passing off injures the right of property in the plaintiff, that right of property being his right to the goodwill of his business.[7]

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[5] *Ciba-Geigy Canada Ltd.* v. *Apotex Inc.*, [1992] S.C.R. 120, 44 C.P.R. (3d) 289, 95 D.L.R. (4th) 385 [hereinafter *Ciba-Geigy* cited to C.P.R.].

[6] *Consumers Distributing Co.* v. *Seiko Time Canada,* [1984], 1 S.C.R. 583, 1 C.P.R. (3d) 1, 10 D.L.R. (4th) 161 [hereinafter *Seiko Canada* cited to C.P.R.]

[7] *Ciba-Geigy, supra* note 5 at 299; *Seiko Canada, supra* note 6 at 13. Historically, the action was seen as a variant of the action for deceit that evolved in response to the limitation inherent in the action for deceit which could only be invoked by those deceived. As such, consumers had relief against fraudulent misrepresentations by traders but not the trader whose goods or reputation were linked to the fraudulent traders by the misrepresentation. Although the action evolved to the point where traders could prevent the use of their names, mark, or get-up by rivals, the legal nature of the right protected remained unidentified. It remained an action *sui generis* for harm sustained or threatened, occasioned by misrepresentation of a particular kind. In *A.G. Spalding* v. *A.W. Gamage Ltd.* (1915), 32 R.P.C. at 273 (H.L.) [hereinafter *Spalding*], Lord Parker identified the right which is the subject of protection under the tort of passing off as "the property in the business or goodwill likely to be injured by the misrepresentation." In particular, Lord Parker stated that: "[t]here appears to be considerable diversity of opinion as to the nature of the right, the invasion of passing off actions. The more general opinion appears to be that the right is a right of property. This view naturally demands an answer to the question—property in what? Some authorities say property in the mark, name, or get-up improperly used by the defendant. Others say, property in the business or good will likely to be injured by the misrepresentation. Lord Herschell in *Reddaway* v. *Banham* expressly dissents from the former view; and if the right invaded is a right of property at all, there are, I think strong reasons for preferring the latter view."

This view of the legal right protected by the law of passing off has been affirmed by recent Canadian and Commonwealth judicial endorsement including the Supreme Court of Canada in its three most recent decisions dealing with passing off: *Oxford Pendaflex Ltd* v. *Knorr Marketing Ltd.*,[8] *Seiko Canada*,[9] and *Ciba-Geigy*;[10] the House of Lords in *Erven Warnink BV* v. *J. Townend & Sons (Hull) Ltd.*,[11] and *Reckitt & Colman Products* v. *Borden Inc.*;[12] and the Privy Council in respect of Australia in *Cadbury Schweppes Pty. Ltd.* v. *Pub Squash Co. Pty.*[13]

2. *Evolution of the Tort*

The law of the tort of passing off evolved from the 'classic' form of misrepresentation to where it is understood to include any misrepresentation that one's goods or services are another's or associated or sponsored by another.

The 'classic' form involves direct competitors engaged in the same business in the same geographic area. A trader uses a distinctive feature having a reputation in the market enjoyed by the other to represent his or her wares, services or business with the likelihood that the public thereby will be deceived into believing that such wares, services or business are those signified by the known distinctive feature.[14]

The other form of passing off is commonly called the 'extended' form. The concept of a 'classic' form and an 'extended' form gained prominence in Commonwealth jurisprudence with the judgment of Lord Diplock in the *Advocaat* case.[15]

According to Lord Diplock, *Spalding* provided the rational basis for the appropriate extension of the tort even to the point where passing off could arise as a result of acts by traders in unrelated fields of activity. As he stated:

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[8] [1982] 1 S.C.R. 494, 64 C.P.R. (2d) 1, 134 D.L.R. (3d) 271 [hereinafter *Oxford Pendalfex* cited to C.P.R.].

[9] *Supra* note 6.

[10] *Supra* note 5. But see *ibid.* at 298 where the Court also mentions a kind of ownership in trade-marks which a manufacturer acquires by using the trade-marks.

[11] [1979] A.C. 731, [1979] 2 All E.R. 927, [1980] R.P.C. 31 (H.L.) [hereinafter *Advocaat* cited to R.P.C.].

[12] [1990] 1 All E.R. 873, [1990] R.P.C. 341 at 406 (H.L) [hereinafter *Reckitt & Colman* cited to R.P.C.].

[13] [1981] 1 All E.R. 213 (P.C.) [hereinafter *Cadbury Schweppes*].

[14] Early cases had dealt with similar scenarios and had granted relief including *Millington* v. *Fox* (1838), 3 My. & Cr. 338 (Ch.), which effectively severed the action from the law regarding the tort of deceit and enabled the Courts to grant relief whether the conduct was fraudulent or innocent. *Draper* v. *Trist*, [1939] 3 All E.R. 513 (C.A.), affirmed the demise of the requirement for deceit, with the caveat that innocent acts would only attract an injunction. However, the first case to clearly express the concept seems to be *Perry* v. *Truefitt* (1842), 6 Beav. 66, 49 E.R. 749 (Ch.), where Lord Langdale stated, "A man is not to sell his own goods under the pretense that they are the goods of another man." His words were echoed in the 'classic dictum' of Lord Kingsdown in *Leather Cloth Co. Ltd.* v. *American Leather Cloth Co. Ltd.* (1865), 11 H.L. Cas. 523, 11 E.R. 1435 at 1438.

[15] *Supra* note 11.

> where although the plaintiff and defendant were not competing traders in the same line of business, a false suggestion by the defendant that their businesses were connected with one another would damage the reputation and thus the goodwill of the plaintiff's business.[16]

The extendible nature of the tort has been considered by the Supreme Court of Canada in its three recent decisions: *Oxford Pendaflex*, *Seiko Canada*, and most recently in *Ciba-Geigy*. Significantly, these cases all involved cases of 'classic' passing off. Nevertheless, in all three cases, the Court acknowledged the application of the tort to circumstances beyond what has been described as 'classic' passing off.

In *Oxford Pendaflex*, Estey J. quoted with approval a succinct description of the law provided by the learned author, J.G. Fleming, in *The Law of Torts*:

> [y]et another form of misrepresentation concerning the plaintiff's business — unfair competition *par excellence* — is the tort of passing off, which differs from injurious falsehood and prejudicing the plaintiff's goodwill not by deprecatory remarks but quite to the contrary by taking a free ride on it in pretending that one's own goods or services are the plaintiff's or associated with or sponsored by him.[17]

Estey J. noted however that by the fifth edition of Fleming's text, the passage had been subtly altered to read:

> [y]et another from of misrepresentation concerning the plaintiff's business — unfair competition *par excellence* is the tort of passing off. While it is injurious falsehood for a defendant to claim that your goods are his, it is passing off for him to claim that his goods are yours.[18]

However, Mr. Justice Estey also acknowledged Fleming's further comments, in the latter edition where he stated:

> [t]he scope of the tort has been increasingly expanded to reach practices of "unfair trading" far beyond the simple, old-fashioned passing off, consisting of the actual sale of goods accompanied by a misrepresentation as to their origin, calculated to mislead the purchaser and divert business from the plaintiff to the defendant. Today, any misrepresentation for any business purpose as to the origin of goods or services which the defendant proposes to or does deal in or employs in the course of business,

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[16] *Ibid.* at 93. His Lordship chronicled the development of the law of passing off and identified *Spalding* as the seminal case in the law of passing off since it provided the rational basis for the cause of action by both identifying the legal right protected by the action namely the trader's property in his goodwill and recognizing as a corollary that the 'classic' form of passing off was not a separate genus of actionable wrong but a particular species in a larger genus of actionable wrong. In *Spalding*, the House of Lords extended the law to include a misrepresentation as to the quality of goods rather than the common misrepresentation involving the name or mark or get-up of the goods. They achieved this extension by reasoning that such a misrepresentation was simply a corollary of the law and thus actionable since the property right was in the goodwill of the business and not in the name or mark or get-up of the goods.

[17] *Supra* note 8 at 6.

[18] *Ibid.*

> constitutes an actionable wrong.[19]

In *Seiko Canada*, Estey J. thoroughly reviewed the thesis advanced by Lord Diplock as to the significance and effect of *Spalding*. After considering the enumerations of the necessary elements of the tort provided by both Lord Diplock and Lord Fraser, with both of whom the other Lords each agreed, Mr. Justice Estey offered a characterization of the extension spawned by *Spalding* by stating that:

> [i]n both reasons for judgment, it is damage to goodwill gained through 'reputation of the type of product' by reason of its 'recognizable and distinctive qualities'.[20]

In *Ciba-Geigy*, the Court referred to the concept of ownership in relation to goodwill and emphasized that goodwill should be understood in a very broad sense:

> taking in not only people who are customers but also the reputation and drawing power of a given business in its market.[21]

The modest nature of these recognitions by the Supreme Court of Canada of the extendible nature of the tort of passing off are understandable given that they emerge from cases concerned only with the 'classic' form of passing off.

However, Canadian courts have recognized the concept of the 'extended action' since its promulgation by Lord Diplock in the *Advocaat* case in 1979. In particular, the Ontario Court of Appeal in *Institut National des appellations dïorigine des vins et eaux-de-vie* v. *Andres Wines* affirmed that:

> [t]he 'passing off' action has been extended beyond its original meaning which involved the use of another's trademark or name so as to make one's own goods appear to be the product of that other; it now encompasses many other aspects of unfair trading and would include the use of the word 'champagne' so as to induce the customer to believe that what was being sold was indeed the esteemed product of the Champagne region, even if not the product of any particular winery of that region.[22]

In addition, the 'extended action' of passing off has been recognized by the British Columbia Court of Appeal in *Visa International Services Assn.* v. *Visa Motel Corp.*,[23] numerous trial judgments in Ontario including *Orkin Exterminating Co.* v. *Pestco Co. of Canada*,[24] *Richardson* v. *Reed*,[25] *Ray Plastics Ltd.* v. *Dustbane Products Ltd.*,[26] and

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[19] *Ibid* at 7.

[20] *Supra* note 6 at 21.

[21] *Supra* note 5 at 21.

[22] (1990), 74 O.R. (2d) 203 at 204, 30 C.P.R. (3d) 279 at 280, 71 D.L.R. (4th) 575 at 576 (C.A.).

[23] (1984), 1 C.P.R. (3d) 109 (B.C. C.A.) [hereinafter *Visa* cited to C.P.R.].

[24] (1984), 47 O.R. (2d) 265, 80 C.P.R. (2d) 153, 11 D.L.R. (4th) 84 (S.C.) [hereinafter *Orkin* cited to C.P.R.], aff'd (1985), 50 O.R. (2d) 726, 5 C.P.R. (3d) 433 (C.A.) [hereinafter *Orkin* (C.A.) cited to O.R.].

[25] (1988), 45 C.C.L.T. 243, 21 C.P.R. (3d) 275, 20 C.I.P.R. 8 (Ont. S.C.).

[26] (1990), 33 C.P.R. (3d) 219 at 237, 47 C.P.C. (2d) 280 (Ont. S.C.) aff'd (1994), 74 O.A.C. 131, 57 C.P.R. (3d) 474 (C.A.) [hereinafter *Ray Plastics* cited to C.P.R.].

Paramount Pictures Corp. v. *Howley*;[27] the British Columbia Supreme Court in *National Hockey League* v. *Pepsi-Cola Canada Ltd.*,[28] and the Alberta Court of Appeal in *Walt Disney Productions* v. *Triple Five Corp.*[29]

In the *National Hockey League* case, the court succinctly identified the extended type of passing off as a situation:

> where it is alleged that a defendant has promoted his product or business in such a way as to create the false impression that his product or business is in some way approved, authorized or endorsed by the plaintiff or that there is some business connection between the defendant and the plaintiff. By these means a defendant may hope to 'cash in' on the goodwill of the plaintiff.[30]

The court referred to the extended type of passing off since it concluded there was no 'classic' passing off. The court ruled that there was no possibility of the contest subject matter misleading the public into believing the defendant's soft drinks were those of the plaintiff's when the plaintiff sole product is hockey games while that of the defendant is soft drinks.

Some cases occasionally describe the conduct prohibited by the tort of passing off as actions "contrary to honest industrial or commercial usage in the country."[31] However, as the Supreme Court of Canada emphasized in *Ciba-Geigy,* it seems that the essence of the tort lies in the misrepresentation that the goods in question are those of another.[32]

The relevant elements of the law of passing off were restated by the Supreme Court of Canada in *Ciba-Geigy* as follows:

> [t]he three necessary components of a passing off action are thus: the existence of goodwill, deception of the public due to a misrepresentation and actual or potential damage to the plaintiff.[33]

Lord Oliver of the House of Lords had restated the necessary elements of the tort in *Reckitt & Colman* in a passage quoted with approval by Gonthier J. of the Supreme Court of Canada:

> [t]he law of passing off can be summarised in one short general proposition - no man may pass off his goods as those of another. More specifically, it may be expressed in terms of the elements which the plaintiff in such an action has to prove in order to

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[27] (1991), 5 O.R. (3d) 573, 39 C.P.R. (3d) 419 (Gen. Div.) [hereinafter *Paramount Pictures* cited to C.P.R.].

[28] (1992), 70 B.C.L.R. (2d) 27, 92 D.L.R. (4th) 349, 42 C.P.R. (3d) 390 [hereinafter *National Hockey League* cited to C.P.R.].

[29] (1992), 3 Alta. L. R. (3d) 159, 93 D.L.R. (4th) 739, 43 C.P.R. (3d) 321 (Q.B.) aff'd (1994), 17 Alta. L. R. (3d) 225 (C.A.) [hereinafter *Triple Five Corp.* cited to C.P.R.].

[30] *Supra* note 28 at 401.

[31] See *T. V. Guide Inc. / TV Hebdo Inc.* v. *Publications La Semaine Inc.* (1984), 6 C.I.P.R. 110 at 122, 9 C.P.R. (3d) 368 at 380 (Q.S.C.), *Sports Maska Inc.*v. *Canstar Sports Group Inc.* (1994), 57 C.P.R. (3d) 323 (Q.S.C.) at 344.

[32] *Supra* note 5 at 299.

[33] *Ibid.* at 297.

> succeed. These are three in number. First, he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying 'get-up' (whether it consists simply of a brand name or a trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services. Secondly, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. Whether the public is aware of the plaintiff's identity as the manufacturer or supplier of the goods or services is immaterial, as long as they are identified with a particular source which is in fact the plaintiff. For example, if the public is accustomed to rely upon a particular brand name in purchasing goods of a particular description, it matters not at all that there is little or no public awareness of the identity of the proprietor of the brand name. Thirdly, he must demonstrate that he suffers or, in a *quia timet* action that he is likely to suffer, damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source of those offered by the plaintiff.[34]

Lord Oliver's restatement emphasizes the importance of proving both the presence in the mind of the relevant purchasers of a reputation associated with a distinctive feature signifying wares or services of a particular quality, and the likelihood that a misrepresentation by the defendant will induce a false belief that its wares or services are of that quality.

B. *Elements of the Tort*

The extent to which the case law has commented on these elements shows the flexibility inherent in the tort of passing off.

1. *Goodwill associated with Distinctive Feature*

(a) *Generally*

In *Ciba-Geigy*, Gonthier J. referred to *Oxford Pendaflex* when addressing the required reputation, and stressed the need for acquired secondary meaning.[35] In *Oxford Pendaflex,* Estey J. expressed the required element as follows:

> [t]he fundamental requirement for success, however, must always be (whatever else may be required in each instance) something akin to the imitation of a 'unique or distinctive trade dress' which is recognized by the buying public.[36]

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[34] *Supra* note 12 at 406.

[35] *Supra* note 5 at 297.

[36] *Supra* note 8 at 8. The English Court of Appeal recognized the need for this essential element in 1909 in the case of *J.B. Williams Co.* v. *Bronnley & Co.* 26 R.P.C. 765 [hereinafter *Bronnley*] even before Lord Parker's 1915 recognition of the legal nature of the right. As Cozens-Hardy M.R. pronounced in *Bronnley* at 771: "[w]hat is it necessary for a trader who is plaintiff in a passing off action to establish? It seems to me that in the first place he must, in order to succeed, establish that he has selected a peculiar— a novel— design as a distinguishing feature

To paraphrase Lord Oliver, the plaintiff must establish a goodwill or reputation attached to its goods, services or business in the minds of the purchasing public by association with a distinguishing feature under which its wares or services are offered to the public, such that the distinctive feature is recognized by the public as distinctive of the plaintiff's wares or services.

The Ontario Court of Appeal in the case of *Ray Plastics* characterized this necessary element as having become known as 'reputation'.[37] In ruling that the trial judge had properly found that the necessary reputation had been established in respect of the products' appearance or get-up in the absence of evidence of consumers or marketing groups or surveys, the court pointed to the rule that "the more distinctive a product, the more easily one can establish reputation."[38] In support, the court quoted the clear statement of Russell, L. J. in the case of *Roche Products Ltd.* v. *Burke Pharmaceuticals Ltd.*:

> I would make this observation. I think that there is some ambiguity in the use of the word "distinctive" in connection with get-up or appearance. It may mean that the appearance in fact on the evidence distinguishes the goods as the goods of one source: and for this purpose it is not essential that it should be novel or striking or unusual. Or it may be used to mean that the appearance is in some way novel or striking or unusual, in which case it is easier to conclude that there has come to be an association of that appearance with a single trade source.[39]

The court also relied on its decision in *Orkin* in which it cited with approval the *Restatement Of The Law Of Torts* as follows:

> [i]f he imitates the other's trade-mark or tradename knowingly and acts in other ways to convey the impression that his business is associated with the other, the inference may reasonably be drawn that there are prospective customers to be misled.[40]

The court pointed out that 'the inference of prospective customers to be misled' means that the product had a reputation; that the get-up had secondary meaning.

(b) *Goodwill*

The definition of goodwill accepted in the Commonwealth is stated by Lord MacNaghten of the House of Lords in *Inland Rev. Com'rs* v. *Muller,* namely that:

> the benefit and advantage of the good name, reputation and connection of a business.

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of his goods, and that his goods are known in the market, and have acquired a reputation in the market, by reason of that distinguishing feature, and that unless he establishes that, the very foundation of his case fails."

37 (1994) 74 O.A.C. 131 at 133, 57 C.P.R. (3d) 474 at 476-77.

38 *Ibid.*

39 [1973] R.P.C. 473 (C.A.) at 484-85.

40 *Supra* note 24 at 452.

> It is the attractive force which brings in custom.[41]

In *Ciba-Geigy,* Gonthier J. emphasized that goodwill should be understood in a very broad sense:

> taking in not only people who are customers but also the reputation and drawing power of a given business in its market.[42]

In *Orkin,* the Ontario Court of Appeal elaborated on the concept by stating that:

> [v]irtually no words have a single fixed meaning, particularly good will, and, with respect, I do not think that the meaning appropriate in the *Muller* case is necessarily appropriate in a passing off case which involves issues of remote territorial use. In this kind of case I think that the main consideration should be the likelihood of confusion with consequential injury to the plaintiff. Generally, where there is such confusion there is goodwill deserving of protection.[43]

The Alberta Court of Appeal recently concluded in *Walt Disney Productions* v. *Fantasyland Hotel Inc.*,[44] a companion case to the *Triple Five Corp.* case,[45] that while the second type of passing off identified by the court in *National Hockey League* can be entertained, it still requires proof of the essentials of goodwill.[46] The trial judge had concluded that while Walt Disney may have a reputation of goodwill in the name 'Fantasyland' in respect of amusement parks, it does not have a reputation and goodwill in the name 'Fantasyland' in respect of hotels or "at large."[47] The court also observed that the trial judge had concluded that misrepresentation did not exist in the case. Given the absence of goodwill and the lack of misrepresentation, the Court of Appeal denied the appeal.[48]

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[41] [1901] A.C. 217 at 223-24. The Supreme Court of Canada recognized this definition in *Seiko Canada, supra* note 6 at 19.

[42] *Supra* note 5 at 298-99. The U.S. Supreme Court, albeit in a trade-mark infringement case, has characterized the good will developed in commercial symbols as "the commercial magnetism of the symbol (the trader) has created." [See the 1942 decision in *Mishawaka Mfg. Co.* v. *Kresge Co.* 316 U.S. 203, 53 U.S.P.Q. 323 [hereinafter *Kresge*] where the Court stated that: "[t]he protection of trade-marks is the law's recognition of the psychological function of symbols. It is true that we live by symbols, it is no less true that we purchase goods by them. A trade-mark is a merchandising shortcut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same- to convey through the mark, in the minds of the potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress."

[43] *Supra* note 24 at 744.

[44] (1996), 67 C.P.R. (3d) 444 (Alta. C.A.) at 451 [hereinafter *Fantasyland Hotel*].

[45] *Supra* note 29.

[46] *Supra* note 28.

[47] *Supra* note 44 at 450.

[48] *Ibid.* at 452.

(c) *Distinctive feature*

(i) Subject matter capable of being Distinctive Feature

Judicial recognition of the subject matter capable of acting as a distinguishing feature emblematic of a plaintiff's goodwill has evolved in keeping with the evolution of commercial practice. The range of visual subject matter which may now signify a plaintiff's reputation and goodwill and operate as a distinguishing feature is very broad, if not limitless, subject only to the need to prove the existence of a reputation in the minds of the public signified by such feature.

Historically, the subject matters that could form the basis of a distinctive feature and thus be capable of misrepresentation were names, marks or get-up. As mentioned, *Spalding* extended the tort to include a reference to the quality of the goods. As Lord Parker stated in *Spalding*:

> the more common case is where the representation is implied in the use or imitation of a mark, trade name, or get-up with which the goods are associated in the minds of the public...it would...be impossible to enumerate or classify all the possible ways in which a man may make the false representation relied on.[49]

Lord Scarman of the House of Lords, as a member of the Board of the Privy Council for Australia in *Cadbury Schweppes*, considered the width of the principle of passing off to have been authoritatively recognized by both the High Court of Australia and the House of Lords. Valid representations include both traditional representations in the manner of marks or names as well as those made by other descriptive material such as slogans and visual images, whether by radio, television or print, provided that such representations become part of the goodwill of the product.[50]

The Canadian cases that come closest to having accepted dynamic images as valid representations for the purpose of assessing the establishment of a reputation are two trial decisions: an Ontario decision, *Paramount Pictures,*[51] and an Alberta decision, *Triple Five Corp.*[52]

The *Paramount Pictures* decision dealt with the reputation developed in the character 'Crocodile Dundee' through advertising for the film of the same name, including both poster and newspaper, and through the release of the film itself. Madam Justice Van Camp held that a sufficient reputation had been established by the rapid popularity of film and the significant degree of advertising so there would be an association of the defendant's merchandise with Paramount.[53]

Triple Five Corp. dealt with the reputation that Disney enjoyed in the word 'fantasyland'. The trial judge acknowledged the massive advertising by Disney, (which had been described to the court as the world's largest advertiser) via television, and "all kinds of movies, print media as well as joint ventures with airlines, vacation

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49 *Supra* note 7 at 284.
50 *Supra* note 13 at 218.
51 *Supra* note 27.
52 *Supra* note 29.
53 *Supra* note 27 at 429.

organizations, hotels, clubs, discount arrangements, licensing of products, etc."[54] and concluded that the prominence given to the word could only be described as extensive and widespread. The court took note of the images associated with the opening credits of the Disney program shown from 1955 after the opening of Disneyland which involved 'Tinkerbelle' in a cartoon highlighting the four theme parks: Fantasyland, Tomorrowland, Frontierland, and Adventureland.[55]

In *Ciba-Geigy,* the Court also recognized the importance of visual appeal as an attractive factor. The Court emphasized for example that "the look, the appearance, the get-up of a product play a crucial role in the purchase process since they are the chief means at the manufacturer's disposal to attract customers."[56] The importance of visual impact is well known: "what appeals to the eye is crucial."[57]

Features of shape remain eligible as features capable of acquiring distinctiveness. In the case of *Ray Plastics*, Farley J., of the Ontario High Court of Justice, identified the five general features of a combination snowbrush-ice scraper and squeegee as

(i) yellow molded plastic head, which is hollow but appears to be a bulky solid;
(ii) black three-sided working squeegee;
(iii) black wooden handle (with the name Snow Trooper in yellow lettering of less than 1" inch in height);
(iv) black plastic scraper attached to handle by a socket feature;
(v) black plastic bristles attached to the molded head.[58]

The Court concluded that secondary meaning had been established by virtue of the distinctiveness of the product and the advertising which was done which communicated such distinctiveness to the consuming public.[59]

The court in *Ray Plastics* also emphasized that, while the product was unprotected by registration under the *Industrial Design Act*, it was not fair game for any competition since it had acquired distinctiveness.[60] This meant that consumers of the product would associate its features with a single source.

This case is one of the few recent Canadian cases in which the shape and features

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[54] *Supra* note 29 at 334.

[55] *Ibid.*

[56] *Supra* note 5 at 301.

[57] *Ibid.* In Australia, a 1989 Federal Court of Appeal decision in one of the Crocodile Dundee cases provided helpful comments in appreciating the effect of television in creating an association in the minds of the public. In *Pacific Dunlop* v. *Hogan* (1989), 87 A.L.R. 14 (F.C. G.D.) [hereinafter *Pacific Dunlop*], Burchett J. stated at p. 45 that: "the ultimate conclusion whether the advertisement is likely to mislead should not depend upon precisely that analysis which should be sufficient for an advertisement appearing only in print; ... or for the kind of representation constituted by the display of a trademark." Burchett J. goes on to say that: "[t]he advertisement here in question uses the still relatively new technology of television, and the even newer techniques of the exploitation of personality, projected by that medium, in order to promote products. In considering whether such a television advertisement involves conduct likely to mislead, within the meaning of s.52, or deception liable to attract the principle of passing off, it is necessary to bear in mind the nature of the advertising, and of the unique appeal advertising of that kind makes to those to whom it is directed."

[58] *Supra* note 26 at 222.

[59] *Ibid.* at 228.

[60] *Supra* note 26.

of a product have been recognized as acquiring sufficient distinctiveness to establish the tort of passing off.

Indeed, in the Alberta Court of Queen's Bench decision, *Midas Equipment, c.o.b. Roll-X Coin Wrap* v. *Zellers Inc.*, the court concluded that the size, shape and transparency of the coin package were quite common and, moreover, the products were distinguished by different colours and arrangements of colours.[61]

(ii) *Strength of distinctive feature*

In assessing whether the plaintiff's distinctive feature has acquired distinctiveness, the courts will consider evidence of the strength of the distinctive feature from which they may infer the necessary reputation in the minds of the public. Factors that affect the strength[62] of a distinctive feature include its (1) inherent distinctiveness, (2) uniqueness and (3) fame.[63]

The court in *Triple Five Corp.* concluded that the plaintiff enjoyed goodwill and reputation in the word 'Fantasyland' in Canada generally, and in particular, in Edmonton, as the name of its' amusement park (on the basis that the word was a coined or invented word) and by the use of promotions of all kinds at high levels of activity for a long time span (25 years) so that the word came to mean, according to the court, "in the public consciousness the plaintiffs' theme amusement park in California and later in both California and Florida."[64]

2. *Deception due to misrepresentation*

Similarly, the evolution of commercial practices has seen the courts treat the tort in a modern context such that judicial recognition of the necessary degree of association required in the minds of the public has evolved. The 'classic' scenario involved a misrepresentation as to the origin of goods or services for the purpose of diverting business. However, the tort has responded to the constant variety of commercial practices and conduct such that it broadly embraces misrepresentation for business purposes involving a reputation enjoyed by another where such misrepresentation results in deception.

Lord Oliver of the House of Lords in *Reckitt & Colman* characterized the inquiry

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[61] (1991), 35 C.P.R. (3d) 543 at 559 (Alta. Q.B.).

[62] The Court of Appeals, Seventh Circuit in the United States explained the meaning of strength in this context in *James Burrough Ltd.* v. *Sign of the Beefeater, Inc.*, (1976), 192 U.S.P.Q. 555 at 563: "[w]hat is intended by references to strong and weak marks is the effect of such marks upon the mind of the consuming public. A mark that is strong because of its fame or its uniqueness, is more likely to be associated in the public mind with a greater breadth of products and services, than is a mark that is weak because relatively unknown or very like similar marks or very like the name of the product."

[63] Fame can establish a sufficient reputation such that it renders the distinctive feature akin to "a household word" that it is 100% distinctive. Such was the finding in the 1982 English case involving 'LEGO' where the trial judge concluded that in view of such 100% distinctiveness the use of the word 'LEGO' in association with garden irrigation equipment would cause a misrepresentation amounting to passing off. See *Lego Systems A/S* v. *Lego M. Lemelstritch Ltd.*, [1983] F.S.R. 155 (Ch.).

[64] *Supra* note 29 at 345.

to be conducted in every case as the asking of the classic question (posed by Lord Kingsdown in 1865):

> how far the defendants' trade mark bears such a resemblance to that of the plaintiffs, as to be calculated to deceive incautious purchasers against the background of the type of market in which the goods are sold, the manner in which they are sold, and the habits and characteristics of purchasers in that market.[65]

To paraphrase Lord Oliver in *Reckitt & Colman* the necessary inquiry consists of assessing the degree of resemblance of the defendant's representation to the plaintiff's distinctive feature, in the context of the defendant's market, including the manner in which the defendant's wares are sold and the habits and characteristics of purchasers in such a market.[66] The statutory expressions of the relevant factors to be considered echo this plain statement.

(a) *Character of representation: resemblance*

It is understood that resemblance should be considered in terms of visual and audible similarities as well as similarity in ideas suggested. As stated by Lord Scarman of the House of Lords as Privy Council in the 1981 *Cadbury Schweppes* case, the principle embraces representations in terms of sound as well as visually and in the associated theme.[67]

(b) *Setting*

(i) *Geography*

The Ontario Court of Appeal in *Orkin* clearly held that the parties need not be carrying on business in the same area for there to be passing off. All that is necessary is for the plaintiff to have a reputation in the area where the defendant carries on or intends to carry on business.[68]

In the recent passing off and trade-mark infringement action case of *Kellogg Co. et al.* v. *Imperial Oil Ltd.*, Kitely J. concluded in respect of a stated question of law that the alleged co-existence, through registration and use, of the respective trade-marks of the parties outside Canada without any reported instances of consumer confusion is relevant to an action for passing off: "co-existence without confusion outside Canada is relevant."[69]

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65 *Supra* note 12 at 415-16.

66 *Ibid.*

67 *Supra* note 13.

68 *Supra* note 24.

69 (1996), 29 O.R. (3d) 70, 67 C.P.R. (3d) 426 at 440 [hereinafter *Kellog* cited to C.P.R.].

(ii) *Field of Activity*

Furthermore, given modern commercial practices, courts have accepted that any differences in the business of the plaintiff and the defendant are simply factors to be weighed in assessing the likelihood of confusion. The greater the apparent differences, the greater the apparent challenge to establishing a likelihood of confusion. However, the courts have also recognized the common commercial practice of brand merchandising.

In the *Advocaat* case, as mentioned, Lord Diplock expressly stated that the seminal case of *Spalding* is authority for, *inter alia,* the proposition that:

> although the plaintiff and defendant were not competing in the same line of business, a false suggestion by the defendant that there businesses were connected with one another would damage the reputation and thus the goodwill of the plaintiff's business.[70]

The Ontario Court of Appeal in *Orkin* acknowledged the English and U.S. recognition of this proposition.[71] Unlike the British Columbia Court of Appeal in the *Visa* case which accepted Lord Diplock's analysis in the *Advocaat* case in reasoning its decision,[72] the Ontario Court of Appeal in *Orkin* articulated a similar thesis based on first principles in order to free the tort from a territorial constraint suggested by the cases.[73] Indeed, the Court concluded that direct competition was not required, albeit in a geographical context, and pointed to recognition in both the U.K. and the U.S. of the lack of any need for a common field of activity. Importantly, the U.K. case cited was the *Harrods* case[74] to which Lord Diplock had referred as his example of the tort's

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[70] *Supra* note 11.

[71] *Supra* note 24 at 735-36. The British Columbia Court of Appeal has similarly recognized the validity of both the principle and its application in British Columbia on the strength of the above quoted passage in the *Advocaat* case. See *Visa, supra* note 23 where the Court endorsed the trial judge's application of the law in circumstances where a construction company was found liable for using the word 'VISA' and the renowned blue, white and gold stripes such that the public would infer an affiliation between its business and Visa International. However, the *Visa* case was prior to the Supreme Court of Canada's decision in *Seiko Canada, supra* note 6. In the U.K., the expansion of the tort was limited in 1947 by the introduction of the concept of a 'common field of activity' in a trial decision involving the use of the pseudonym of a children's broadcaster by a breakfast cereal maker. The action was dismissed on the grounds that they did not share a common field of business activity so there was no possibility of confusion. See *McCulloch v. May* [1947] 2 All E.R. 845 (Ch.). In the U.K. and Australia it is now settled that there is no need for the presence of a common field of activity. Rather it is merely one of the factors that should be considered. As the English Court of Appeal stated in *Stringfellow* v. *McCain Foods (G.B.) Ltd.* [1984] R.P.C. 501 at 535 [hereinafter *Stringfellow*]: "[t]he further removed from one another the respective fields of activities, the less likely it is that any member of the public could reasonably be confused into thinking that one business is connected with another." In effect, the Court of Appeal's decision, which exemplifies the English approach, addressed the matter in the same way as Learned Hand J. did in *Yale Electric Corp.* v. *Robertson* 26 F. 2d 972 (2d Cir. 1928) [hereinafter *Yale Electric*], approved by the Ontario Court of Appeal in Orkin, *supra* note 24 at 738.

[72] *Supra* note 23.

[73] *Supra* note 24.

[74] *Harrods Ltd.* v. *R. Harrods Ltd.* (1923), 41 R.P.C. 74 (Ch. C.A.).

ability to reach beyond common fields of activity as led by *Spalding*.

The Court also quoted Learned Hand J.'s description of the rationale from the case of *Yale Electric*:

> [t]he law of unfair trade comes down very nearly to this — as judges have repeated again and again — that one merchant shall not divert customers from another by representing what he sells as emanating from the second. This has been, and perhaps even more now is, the whole Law and the Prophets on the subject, though it assumes many guises. Therefore it was at first a debatable point whether a merchant's good will, indicated by his mark, could extend beyond such goods as he sold. How could he lose bargains which he had no means to fill? What harm did it do a chewing gum maker to have an ironmonger use his trade-mark? The law often ignores the nicer sensibilities.
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> However, it has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognized that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful.[75]

Nonetheless, the question as to whether the law of Canada requires a common field of activity in terms of the tort of passing off remains unanswered by the Supreme Court of Canada. Indeed, the language of the Court in *Seiko Canada* suggests a reluctance to expand the scope of the tort for fear it will become untethered from principle or policy.

The Court in *Seiko Canada* emphasized the importance of misrepresentation by noting that:

> [t]he *Warnink* elements of passing off, at a minimum, require an initial misrepresentation calculated to injure the business or goodwill of a trader in the same market, or which may be a reasonably foreseeable consequence, and which causes damage to the other trader.[76]

In so doing, Estey J. for the Court emphasized the concept of 'the same market'. He may have meant the same geographic market, based on comments by Lord Diplock in *Warnink* (the *Advocaat* case). However, to the extent that the reference may be interpreted to refer to the field of activity, it may discourage courts in Canada from accepting, as have the House of Lords and the High Court of Australia,[77] that *Spalding* provides a rational basis for the appropriate extension of the tort to embrace acts by traders in unrelated fields of activity.

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[75] *Yale Electric, supra* note 71 at 973-74.

[76] *Supra* note 6 at 24.

[77] See e.g. *Moorgate Tobacco Co. Ltd.* v. *Philip Morris Ltd.* (No. 2). (1984), 156 C.L.R 414, 56 A.L.R. 193, 3 I.P.R. 545 (H.C.).

With great respect for Estey J., if the 'same market' was to meant to refer to a common field of activity, there is no political or logical foundation for such a requirement given the rational basis for the tort as established by the *Spalding* case.

In the 1991 Ontario *Paramount Pictures* decision, Van Camp J. was of the view that the question remained unanswered and concluded that there was a field of common activity.[78]

(iii) *Licensing, sponsorship, brand merchandising, diversification*

As mentioned above, in *Oxford Pendaflex*, the Supreme Court of Canada quoted with approval Fleming's succinct description of passing off as "pretending that one's own goods or services are the plaintiff's or associated with or sponsored by him."[79]

Recognition in Ontario of the prevalence of the commercial practice of licensing film images was established in the 1991 *Paramount Pictures* decision.[80]

However, the plaintiff must establish that the misrepresentation is material and a mere supposition on the part of the public that the plaintiff is receiving a license fee without any reliance on the reputation of the plaintiff as a guarantee of the quality or origin of the goods concerned may not be sufficient.[81] See especially the decision in *Tavener Rutledge Ltd.* v. *Trexapalm Ltd.* (the 'kojak pops' case).[82]

Beyond the *Pacific Dunlop* v. *Hogan* appeal case,[83] there are numerous other Australian cases including *Hogan* v. *Koala Dundee;*[84] *Shoshana Pty. Ltd.* v. *1Oth Cantanae Pty. Ltd.;*[85] *Newton-John* v. *Scholl-Plough (Australian)*[86] *and Children's Television Workshop Inc.* v. *Woolworth/ N.S.W. Ltd.*, a decision of the New South Wales Supreme Court.[87]

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[78] *Supra* note 27 at 429.

[79] *Supra* note 8 at 6.

[80] *Supra* note 27.

[81] *Ibid.* at 429. Recognition in the United Kingdom of the commercial practice of merchandising names was given in the Court of Appeal in the 1984 *Stringfellow* case, *supra* note 71. The 1947 case of *McCulloch*, ibid. was an early unsuccessful attempt to establish recognition of such commercial possibility. In Australia, the commercial practice of merchandising personalities was recognized by the Full Court of New South Wales as early as 1960 in the case of *Henderson* v. *Radio Corp.*, [1960] S.R. (N.S.W.) 576. Two well-known dancers were able to sue successfully for passing off because of the unauthorized use of a photograph of the plaintiffs on a record cover of the defendants. In so finding, the Court criticized the *McCulloch* case. From this early recognition there has evolved a line of cases involved with celebrity endorsements and merchandising which demonstrate a sophisticated appreciation of both the appropriate political ambit of the tort as well as the ever-changing commercial context in which passing off may occur.

[82] [1977] R.P.C. 275 at 280-81(Ch. H.C.), Walton J.

[83] *Supra* note 58.

[84] (1988), 83 A.L.R. 187.

[85] (1987), 79 A.L.R. 279 (F.C. G.D.) [hereinafter *Shoshana*].

[86] 11 F.C.R. 233 [hereinafter *Newton-John*].

[87] [1981] R.P.C. 187 (N.S.W. S.C.) [hereinafter *CTW*]. In this case, Chief Justice Helsham commented on the commercial practice of merchandising. In considering whether there was any reputation in a business sense in the toys of the plaintiffs, the Chief Justice commented at 193 that: "the fame that the [Muppet] characters possess, their good name, the affection in which they are held, enables commercial exploitations by image merchandising. The evidence is that members of the public associate that type of commercial exploitation with whomsoever has the

The most succinct statement from these recent cases is that of Wilcox J. In the appeal of the *Shoshana* case:

> [h]owever debased the currency o[f] endorsement may have become, in my opinion it cannot yet be said that readers of advertisements remain unaffected by the introduction into an advertisement of a respected name. The court must assume that the advertising community has some understanding of the effect of certain types of advertis[e]ments and it is notable that advertisers continue to pay high fees to wellknown personalities in return for the right to use their names, photographs, etc[.] in advertisements.[88]

Wilcox J. and Pincus J. that passing off was not established, primarily because of the lack of resemblance.[89] Pincus J. also sounded a cautionary note against the debasement of the currency of endorsements in view of the proliferation of brand merchandising which he exemplified by a reference to "the application of the name of a well-known French clothing manufacturer to a great variety of goods" and the artificial assumption that as a result an implication about the origin, selection or treatment of the goods arises.[90] He stated that:

> [p]utting this more shortly, passing off is not necessarily constituted by the mere [un]authorized use of someone's name or picture or the name or picture of a well-known fictitious character, in an advertisement.[91]

(iv) *Manner of sale and promotion*

- *Similarities in advertising and merchandising*

As established in the *Cadbury Schweppes* case[92] and as established in the U.S. cases regarding subsection 32(1) of the *Lanham Act*,[93] similarities in advertising are relevant.

- *Defendant's related distinguishing features*

The Courts have stressed the need for subsequent users to distinguish their wares and services.

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right to permit it, by licensing or arranging for the manufacture of toys or representations of the characters." The Chief Justice then thought it proper to infer that it is the first plaintiff (the Children's Television Workshop) who is believed to be associated in this way with the character merchandising; the characters are its characters, and it would be behind any merchandising of its characters by licence or otherwise. He further stated in this respect at 194: "so that in relation to toys, it is my conclusion that the first plaintiff has a business reputation, in the sense that it is its imprimatur, by licence, that permits the character merchandising or image related merchandising in dolls to take place; it is behind the commercial exploitation of its characters as dolls as licensor. This I infer or accept as part of its reputation. It is also the correct factual basis for any such reputation."

88 (1987), 79 A.L.R. 299 at 300 (F.C. G.D.).

89 *Supra* note 27.

90 *Ibid.* at 305-306.

91 *Supra* note 27 at 306.

92 *Supra* note 13.

93 15 U.S.C. § 1114(1) and see *infra* note 159.

In *Orkin*, the Ontario Court of Appeal stated that:

> [b]earing in mind that Pestco has a virtually infinite range of names and symbols from which to choose, it is difficult to see the enjoining of it from using the name and logo of a well-established company in the same business as an unreasonable restraint on its freedom to carry on business as it sees fit.[94]

In *Reckitt & Colman,* Lord Oliver for the House of Lords stated that:

> [i]n the end, the question comes down not to whether the respondents are entitled to a monopoly...but whether the appellants, in deliberately adopting, out of all the many possible shapes of container, a container having the most immediately striking feature of the respondent's get-up, have taken sufficient steps to distinguish their product from that of the respondents. As Romer L.J. observed in *Payton & Co. Ltd.* v. *Snelling, Lampard & Co. Ltd.*, 17 RPC 48, 56:
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> > 'when one person has used certain leading features, though common to the trade, if another person is going to put goods on the market, having the same leading features, he should take extra care by the distinguishing features he is going to put on his goods, to see that the goods can be really distinguished'.[95]

In the case of *Sony du Canada Ltee.* v. *173968 Canada Inc.*,[96] the Quebec Superior Court concluded that the defendant had committed the tort of passing off when he used products of the plaintiff that were refurbished and sold as new products without any information being given to indicate that they had been refurbished. The court followed the judgement of the Supreme Court of Canada in *Seiko Canada* to conclude that there was passing off because the defendant was not sufficiently explicit in setting out the differences in the product guaranteed by it and the products sold by the plaintiff which were eligible for repair at the plaintiff's service centres.

In *Visa International Service Association* v. *Auto Visa Inc.*,[97] the Quebec Superior Court acknowledged that in the case of a recognized trade-mark, the burden of showing that the difference in the products being sold is so great that there is no possibility of confusion is on the defendant.

Another form of *indicia* sometimes employed to clearly distinguish between products and services is the disclaimer. These are used to dispel any misconceptions about a particular product. The court in the *National Hockey League* case stressed that there will undoubtedly be occasions where no disclaimer will be adequate. Nevertheless, in determining the prominence to be given to a disclaimer, one must have regard to the likelihood of a false impression being conveyed to the public in the absence of a disclaimer: the greater the likelihood the more prominent must be the disclaimer.[98]

The court in *C. C. H. Canadian* v. *Butterworths Canada Ltd. et al.* emphasized that it is possible that an action in passing off might succeed at trial, despite the defendant's

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[94] *Supra* note 24 at 742.

[95] *Supra* note 11 at 414.

[96] (1992), 39 C.P.R. (3d) 414 (Que. Sup. Ct.).

[97] (1991), 41 C.P.R. (3d) 77 at 90 (Que. Sup. Ct.) [hereinafter *Visa International*].

[98] *Supra* note 28 at 408.

registration of its trade-marks, if the plaintiff can prove that the distinguishing features have become identified in the market with its product.[99] The court referred to the case of *Waxoyl A. G.* v. *Waxoyl Canada Ltd.*,[100] a decision of the Ontario High Court of Justice, where Gray J. held that "the mere fact that the trade-mark has been registered is no defense to a passing off action."[101]

(c) *Purchasers*

The Court in *Ray Plastics* acknowledged that the general impression was to be assessed by the average purchaser, "not detailed inspection by a sophisticated person" and that it is only necessary to have the reputation established in the wholesale field.[102]

Lord Oliver in *Reckitt & Colman* emphasized that customers have to be taken as they are found. He writes for example that:

> [t]he essence of the action for passing off is a deceit practised upon the public and it can be no answer, in a case where it is demonstrable that the public has been or will be deceived, that they would not have been if they had been more careful, more literate or more perspicacious. Customers have to be taken as they are found. As Lord Blackburn observed in *R. Johnston & Co.* v. *Archibald Orr Ewing & Co.* (1882) 7 App. Cas. 219, 229:
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> > '[i]f the plaintiffs had proved that purchasers had actually been deceived by the use of the mark B and that the defendants after being told of this had persisted in using this mark B, the plaintiffs would surely have been entitled to an injunction to prevent the continued use of B; and it could be no answer that the purchasers, so deceived, were incautious; the loss to the plaintiffs of the custom of an incautious purchaser is as great a damage as the loss of that of a cautious one'.[103]

In *Ciba-Giegy,* the Supreme Court of Canada acknowledged that the care and attention in purchasing varied for different products and that the assessment of the likelihood of confusion should be in relation to average purchasers. Moreover, the Court emphasized that the relevant purchasers include all persons affected by the passing off; all those in the chain of distribution, including manufacturers, wholesalers, retailers, and customers. The Court acknowledged, however, that those closer to the manufacture may be less likely to be confused.[104]

(d) *Business connection*

Canadian and other Commonwealth courts have indicated that the necessary degree of association engendered in the minds of the public is a belief that the defendant's goods or services are sponsored or licensed by the plaintiff. As recently recognized in Ontario in the *Paramount Pictures* decision, here must be a likelihood that potential

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[99] (1991), [1992] 1 F.C. 3, 36 C.P.R. (3d) 417 (T.D.) [hereinafter *C.C.H. Canadian*].

[100] (1982), 66 C.P.R. (2d) 170 at 180.

[101] *Ibid.* at 181.

[102] *Supra* note 26 at 230.

[103] *Supra* note 12 at 415.

[104] *Supra* note 5 at 298-303.

purchasers will accept the defendant's goods or services on the faith of the reputation enjoyed by the plaintiff.[105]

In Ontario, the degree of connection necessary to ground an action in passing off, was set out by Van Camp J. in the 1991 *Paramount Pictures* decision.[106] Van Camp J. referred to the comments of Lord Justice Goff in the 1978 U.K. Court of Appeal case, *H.P. Bulmer Ltd.* v. *J. Bollinger S.A.*, who commented that:

> there can be a passing off of goods without representing that they are actually the well-known goods which the plaintiff produces or a new line which he is supposed to have started. It is sufficient in my view if what is done represents the defendant's goods to be connected with the plaintiffs in such a way as would lead people to accept them on the faith of the plaintiff's reputation. Thus for example it would be sufficient if they were taken to be made under license, or under some trading arrangement which would give the plaintiff some control over them...[107]

Madam Justice Van Camp then cited a recent decision in England by the Vice Chancellor, *Mirage Studio* v. *Counter-Feat Clothing Co.*[108] The latter decision contains a passage that endorses the development of the law in Australia as follows:

> [i]n my judgment the law developed in Australia is sound. There is no reason why a remedy in passing off should be limited to those who market or sale goods themselves. If the public is misled in a relevant way as to a feature or quality of the goods as sold that is sufficient to found a cause of action in passing off brought by those people with whom the public associate that feature or that quality which has been misrepresented.[109]

Her Ladyship's reasoning in *Paramount Pictures* also evidenced the nuances to be considered in assessing the necessary degree of confusion. In particular, she concluded that the public would not have bought the goods because of any confusion with a product of Paramount (it had not sold any clothing at the relevant time) or any dependence on the reputation of Paramount because the evidence showed that "the licensing of the use of images from films on clothing has become common to the point that it is general knowledge."[110] The actionable wrong under the tort of passing off was the deception of retailers who would have bought the defendant's clothing (bearing

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[105] *Supra* note 27.

[106] *Ibid.* at 428.

[107] [1978] R.P.C. 79 (C.A.) at 117 [hereinafter *Bulmer*].

[108] [1991] F.S.R. 145 [hereinafter *Mirage*]. This expression of the necessary connection echoes the concern expressed by the U.S. Supreme Court in the 1942 *Kresge* case, *supra* note 42, as well as that of Learned Hand J. in the 1928 *Yale Electric* case, *supra* note 71 about the unauthorized use of the plaintiff's reputation or drawing power of the plaintiff's business. To repeat Learned Hand J.: "[h]is mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control. ¶ This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator and another can use it only as a mask. And so it has come to be recognized that, unless the borrowers use is so foreign to the owners as to ensure against any identification of the two, it is unlawful."

[109] *Mirage, ibid.* at 157-59.

[110] *Supra* note 27 at 429.

under license from the defendant both a copy of the copyrighted representation of the name 'Crocodile Dundee' as well as a standing crocodile wearing 'Crocodile Dundee's' hat) upon the assumption that Paramount had licensed the defendant and, as such, they could look to Paramount as well as the defendant for some assurance as to quality and delivery. Accordingly, her Ladyship ruled that Paramount's goodwill in its licensing business had been affected. Her Ladyship also found that there was a common field of activity in that both parties "were in the business of licensing the use of clothing with their images and characters endorsed thereon"[111] as well as a "deliberate use of the plaintiff's image or character...for commercial purposes."[112]

The absence of the necessary degree of business connection has been one of the factors which have caused Canadian courts to refuse relief. The British Columbia Court of Appeal's 1990 decision in *Westfair Foods Ltd.* v. *Jim Pattison Industries Ltd.*[113] represents a recent example of a Canadian case where relief was refused despite the presence of some form of association The Court of Appeal concluded that survey evidence revealed at most an 'association' by a substantial amount of Edmonton shopper's of the words 'permanent discount' with the plaintiff's marketing policy, but not as an identification of its wares, goods, services or retail outlets. Similarly, courts in the U.K.[114] and Australia[115] have refused relief, even in the presence of some form of

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[111] *Ibid.*

[112] *Ibid.* In *CTW, supra* note 87 at 194, the Chief Justice of the New South Wales Supreme Court stated: "In a relevant sense the defendants are acting in a way that will cause the public to believe that they are selling the plaintiff's goods. In more refined terms, the deception is that the public will believe that the plaintiffs, or the first plaintiff, as a licensor are, or is, associated with the defendants in putting these goods on the market for sale, or in permitting the defendants to sell them. That amounts to a connection, in respect of the marketing of these three character representations, between the business of the plaintiffs and the business of the defendants. The Chief Justice had earlier concluded that the plaintiff and the defendants had to be operating in a common field of business activity. It was in this context that he answered a contention by the defendants that the plaintiff did not carry on business in Australia, or anywhere, in a manner that was likely to be adversely affected by the activities of the defendants." The Chief Justice characterized the defendant's contention (at 195): "You can cash in on another's reputation, and turn it to your own pecuniary advantage, so long as you do not adversely affect that other's legitimate business interests, being usually described as the goodwill that he has from the exploitation of his reputation. That is the submission. I suppose it postulates, *sub silentio*, that it does not matter if the public are deceived." Once it has been established, as I have held that it has been established here, that there is a relevant business nexus between the activities of the plaintiffs and those of the defendants, such that the public will, by the very sale of the goods in question, wrongly believe that this activity is connected with the business of the plaintiffs, then I think it must follow that the legitimate business interests of the plaintiffs are jeopardised. Actual damage need not be proved; in fact in many passing off cases actual damage is never proved. It is the threat of damage to the complainant's business by reason of the public confusion or deception that is the basis of the tort.

[113] (1990), 68 D.L.R. (4th) 481, 30 C.P.R. (3d) 174 (B.C.C.A.) [hereinafter *Westfair Foods* cited to C.P.R.].

[114] See *Stringfellow, supra* note 71, where the Court of Appeal overturned the grant of relief by Whitford J., a respected Judge, in respect of the use of the name Stringfellow on the defendant's frozen potato chip packaging. The Court held that a member of the public would be most unlikely to draw the inference that there was any business connection between the chips and the plaintiff. Perhaps more importantly,the Court was of the view that if such an inference were

association.

(i) *Accepted on faith of reputation*

In *National Hockey League*, the court clearly described the kind of connection that constitutes passing off:

> There must be a representation that the defendant's goods are connected with the plaintiff in such a way as would lead people to accept them on the faith of the plaintiff's reputation.[116]

In this regard, the court cited the U.K. Court of Appeal's decision in *H. P. Bulmer Ltd.* v. *J. Bollinger S.A.*[117]

(ii) *Degree of association*

In the case of *J. & A. McMillan, Ltd.* v. *McMillan Press Ltd.*,[118] the New Brunswick Court of Appeal emphasized that the creation of some confusion in a trade by concurrent use of a business name may not by itself establish passing off:

> However, the concurrent use of a business name creating some confusion in trade is not by itself sufficient to establish passing off. A misrepresentation or an improper filching of the business of the other trader is required.[119]

In particular, the Court agreed with the language expressed in *Johnson* v. *Parr*:

> A court will not interfere when ordinary attention would enable a purchaser to discriminate. It is not enough that a careless, inattentive or illiterate purchaser might be deceived by the resemblance, but the court would inquire whether a person paying ordinary attention would be likely to be deceived.[120]

The court was also impressed with the 30 years of concurrent use of the word "McMillan" by each party plus the disparate colour scheme, logo and style used by the

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drawn, it would be an unreasonable inference, unjustified by the form in which the product was presented.

[115] As previously mentioned, the Australian courts are not prepared to presume that the mere unauthorized use of a well-known name or image, real or fictitious, constitutes passing off. In *Newton-John*, *supra* note 86, Burchett J. dismissed her case for passing off because the casual reader of the advertisement in question would get the impression that Scholl-Plough had made use of Olivia Newton-John's reputation to the extent of gaining attention, but not to the extent of making any suggestion or association of a business connection.

[116] *Supra* note 28 at 402.

[117] *Supra* note 107.

[118] (1989), 27 C.P.R. (3d) 390, 50 C.C.L.T. 141 (N.B.C.A.) [hereinafter *McMillan Press* cited to C.P.R.].

[119] *Ibid.* at 396.

[120] (1873), Russell's Eq. Dec. (N.S.) 98 at 100; quoted in *McMillan Press*, *supra* note 118 at 397.

two parties.

In *Visa International*, the court was persuaded that the plaintiff's survey of events had established that the defendant's corporate name "Auto Visa Inc." led to the inference of a certain association with the plaintiff's own trade-mark. The survey was interpreted by the surveyor to mean that seventy-seven percent of the people interviewed associated the defendant's sign to mean that the business offered products and services concerned with the automobile and that fifty-two percent made a connection between this business and the "VISA" mark or credit card.[121] Of those surveyed, only four percent answered that it meant "use of the VISA card for automobiles".[122]

The Alberta Court of Queen's Bench concluded in the case of *Triple Five Corp.*[123] after thoroughly canvassing the law in Canada and the U.K. relating to passing off, that the necessary representation is to the effect that the misrepresentation by the defendant (whether or not intentional) leads, or is likely to lead, the public to believe that the goods or services are those of or those authorized by the plaintiff.

> In other words the allegation, or even the belief, that the respondent is benefiting from the use of the name "Fantasyland" is not enough to found the tort of passing off.[124]

(e) *Intent of Defendant*

The *Ciba-Geigy* and *Reckitt & Colman* cases confirm, as was established as early as 1838 in the case of *Millington* v. *Fox,*[125] that an intention to deceive is not necessary. The existence of intent, however, is relevant. The Ontario Court of Appeal in *Orkin* commented as follows:

> I need not, and do not, say that the defendant's bad faith alone will confer a cause of action on a foreign plaintiff (see Comment, "The Scope of Territorial Protection of Trademarks", 65 Nw. U.L. Rev. 781 at pp. 794-5 (1970)) but it surely must be a relevant factor to take into account in adjusting competing interests. The significance of a defendant's state of mind has for some time been an important factor with respect to several different torts: see Ames, "How Far an Act May be a Tort because of the Wrongful Motive of the Actor", 18 Harv. L. Rev. 411 (1905).[126]

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[121] *Supra* note 97 at 83.

[122] *Ibid.* at 86.

[123] *Supra* note 29.

[124] *Ibid.* at 331.

[125] *Supra* note 14.

[126] *Supra* note 24 at 743. Similarly, the English Court of Appeal commented in the *Stringfellow* case, *supra* note 71 at 533-34, as follows: "The relevance of evidence of such an intent is that the court will be very ready to infer that the intent has been successful, so that the damage, or the likelihood of damage, to the plaintiff, which is a necessary element of the tort, will likewise be readily inferred; but the cause of action depends on the right of the plaintiff and the injury done to that right, not on the intention or motive of the defendant."

3. *Actual or probable damage*

In *Ciba-Geigy*, the Supreme Court confirmed that a necessary component of damage is either actual or potential damage to the plaintiff. The risk inherent in confusion was recognized as sufficient when the Court emphasized:

> There is no question that confusion, which is the essence of the tort of passing off, must be avoided in the minds of all customers, whether direct-here one thinks of the retailers-or indirect-in that case the consumers.[127]

Also it is not necessary for customers to have been misled, only that an attempt was made to mislead the public.

The Ontario and British Columbia Courts of Appeal in *Orkin*[128] and *Visa International* v. *Visa Corp.*[129] respectively considered loss of control of one's distinctive feature as an apprehended form of damage. The Ontario Court of Appeal in *Orkin* approved Justice Learned Hand's description of the rationale from the case of *Yale Electric*:

> [I]t has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is *his authentic seal*; by it he vouches for the goods which bear it; it carries his name for good or ill. *If another uses it, he borrows the*

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[127] *Supra* note 5 at 303. Earlier, in the *Seiko Canada* case, *supra* note 6 at 14, the Supreme Court of Canada quoted and approved of the statement of the law of passing off made by W.L. Prosser, in his text *The Law of Torts,* 4th. ed. (St Paul: West Publishing, 1971) at 957-58, to the effect that deception alone entitles the offended trader to relief. The learned author stated: "[I]t is enough, at least for purposes of injunctive relief, that the defendant's conduct results in a false representation, which is likely to cause confusion or deception, even though he has no such intention."

[128] The 1981 Australian *CTW* case, *supra* note 87 at 195, also enabled the Chief Justice to comment on the jeopardy that has to be established: "I think it must follow that the legitimate business interests of the plaintiffs are jeopardised. Actual damage need not be proved; in fact in many passing off cases actual damage is never proved. It is the threat of damage to the complainant's business by reason of the public confusion or deception that is the basis of the tort....I do not believe that the law requires the plaintiffs to point to a particular loss, to quantify a diminution in licenced royalties, to demonstrate that they cannot negotiate a licence on such favourable terms as they otherwise might....I do not think that the evidence need be called to prove an adverse effect upon reputation, and consequent damage to business, resulting from goods of inferior quality being on the market, or from "lousy imitations". The presence of these goods in the same market place as those emanating from the plaintiff's business, and the deception as to their authenticity, leads to a proper inference that the business of the plaintiffs is bound to be adversely affected in some way. It is true that neither of the first two plaintiffs can point to a local goodwill in the same way as a local licensee could probably do. But the first plaintiff, at least, has a business reputation, and the activities of the defendants are calculated to appropriate that business reputation by deception for their own pecuniary benefit. According to the decision in *Henderson* v. *Radio Corporation (supra)*, that is enough."

[129] *Supra* note 23.

> *owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use*; for a reputation, like a face, is the symbol of its possessor and creator and another can use it only as a mask.[130]

In *Orkin,* Morden J.A., as he then was, in delivering judgment for the court commenced with a discussion of basic principles by considering the nature of Orkin's' interest. He stated:

> [A] plaintiff does not have to be in direct competition with the defendant to suffer injury from the use of its trade name by the defendant. If the plaintiff's trade name has a reputation in the defendant's jurisdiction, such that the public associates it with services provided by the plaintiff, then the defendant's use of it means that the plaintiff has lost control over the impact of its trade name in the defendant's jurisdiction. The practical consequence of this is that the plaintiff is then vulnerable to losing the Ontario customers it now has as well as prospective Ontario customers, with respect to services provided in the United States. Also, it can result in Orkin being prevented from using its trade name in Ontario when it expands its business into Ontario.[131]

Furthermore:

> The public are entitled to be protected from such deliberate deception and Orkin, which has laboured long and hard and made substantial expenditures to create the reputation which it now has, which reputation has spread to Ontario, is entitled to the protection of its name from misappropriation. The spectre of Orkin having a monopoly in Ontario in its name and distinctive logo, even though it is not now carrying on business here, is considerably less troubling than the deceptive use of its name and symbol by another.[132]

It might be contended that there is a greater degree of proof of damage required when the defendant is innocent and in an unrelated line of business, based on certain dicta of the English Court of Appeal in *Stringfellow*[133], even if some uninformed or perhaps unreflective members of the public come to the mistaken belief that there is some connection. However, the House of Lords in *Reckitt & Colman* rejected such a contention by emphasizing, as previously mentioned, that customers must be taken as they are found. As Lord Oliver stated "[t]he law of passing off does not rest solely upon the deceit of those whom it is difficult to deceive."[134]

In the case of *Sun Life Assurance Co. of Canada* v. *SunLife Juice Ltd.*,[135] MacFarland J. of the Ontario High Court of Justice quoted with approval the *Lego*

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[130] *Supra* note 71 at 974. [Emphasis added]. See *Orkin* (C.A.), supra note 24 at 738-39.

[131] *Supra* note 24 at 738.

[132] *Ibid.* at 742.

[133] *Supra* note 71 at 545.

[134] *Supra* note 12 at 416.

[135] (1988), 65 O.R. (2d) 496 at 504, 22 C.P.R. (3d) 244 at 252 (Ont. H.C.J.) [hereinafter *Sun Life Assurance* cited to C.P.R.].

System Aktieselskab v. *Lego M. Lemelstrich Ltd.*[136] decision of the U.K. High Court of Justice and, in particular, the passage of the decision where Mr. Justice Falconer quoted Lord Justice Goddard's decision in *Draper* v. *Trist*:

> The law assumes, or presumes, that if the goodwill of a man's business has been interfered with by the passing off of goods, damage results therefrom. He need not wait to show that damage has resulted, he can bring his action as soon as he can prove the passing off; because it is one of the class of cases in which the law presumes that the plaintiff has suffered damage.[137]

Mr. Justice Falconer added:

> [I]t seems to me that the inability of the plaintiffs to control such use must involve a real risk of injury to their reputation in the mark and hence to their goodwill.[138]

III. STATUTORY RIGHTS

A. *Violation of Section 7 of the* Trade-marks Act

1. *Paragraph 7(b)*

Section 7(b) of the *Trade-marks Act* remains the most often employed provision of section 7. The constitutional uncertainty caused by Laskin C.J.C. in *MacDonald* v. *Vapor Canada*[139] dampened enthusiasm for the section; however, the Federal Court of Appeal held section 7(b) constitutional in *Asbjorn Horgard A/S* v. *Gibbs/Nortac Industries Ltd.*[140] and removed any doubt as to the value and usefulness of this particular provision.

Section 7(b) has three elements. It provides that no person shall:

> (1) direct attention to his wares, services or business;
> (2) in such a way as to cause or be likely to cause confusion in Canada;
> (3) at the time he commenced so to direct attention to them, between his wares, services or business in the wares or services or business of another.

Accordingly, there is a conduct element, a confusion element and a timing element

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[136] (1982), 9 F.S.R. 155 at 191 (H.C.J.) [hereinafter *Lego System*].

[137] *Supra* note 14.

[138] *Supra* note 135 at 195.

[139] [1977] 2 S.C.R. 134, 66 D.L.R. (3d) 1, 7 N.R. 477, 22 C.P.R. (2d) 1 [hereinafter *Vapor Canada* cited to C.P.R.].

[140] (1987), 38 D.L.R. (4th) 544, 14 C.P.R. (3d) 314 (F.C.A.) [hereinafter *Asbjorn Horgard* cited to C.P.R.].

which must be established.

Chief Justice Laskin of the Supreme Court of Canada in *Vapor Canada* characterized section 7(b) as a statutory statement of the common law action of passing off. This characterization was based in part on the Ontario Court of Appeal's earlier similar characterization. Chief Justice Laskin quoted with approval from the judgment of Schroeder J. A. of the Ontario Court of Appeal in *Eldon Industries Inc.* v. *Reliable Toy Co.*:

> Paragraph (b) relates to the wrongful act of passing off one's wares as and for those of another by directing public attention to the wares (not necessarily in compliance with an order or request) as, e.g., by giving one's products a particular marking, shape or appearance which has become recognized in the public eye as indicative of another source, and thereby creating confusion or a likelihood of confusion in the minds of the public.[141]

Such characterization has been accepted by the Federal Court of Appeal in *Asbjorn Horgard* and by the British Columbia Court of Appeal in *Westfair Foods*. The Alberta Court of Appeal reached the same conclusion in 1969 in *Paris Investments Ltd.* v. *Davies Taxi Ltd.*[142]

Some Courts, including the Federal Court of Appeal look to section 6 of the *Trade-marks Act* for the standard by which to determine whether confusion in Canada is caused. This was the approach in *Asbjorn Horgard* and is now common in the Federal Court, although the Exchequer Court, the predecessor of the Federal Court, concluded in *Canadian Converters' Co.* v. *Eastport Trading Co.*[143] that the statutory standard did not govern. Other jurisdictions including Ontario, Alberta and British Columbia have looked at the question in the context of the relevant factors regarding the common law tort of passing off, rather than the factors enumerated in section 6.

Some courts have reasoned from *Vapor Canada* that the common law tests will still apply, except as necessarily altered by the language used in the statute and that section 6(2) of the *Trade-marks Act* cannot be applied to define the words 'likely to cause confusion' in section 7(b), since it makes no reference to a trade-mark.

The Trial Judge in *Westfair Foods*[144] reasoned so on the basis of Schroeder J.A.'s declaration that section 7(b) is a statutory codification of passing off and on Chief Justice Laskin's observation that the provision is not directed to trade but rather to the ethical conduct of persons engaged in trade. The Trial Judge concluded "for interpretation purposes, there is no connection between ss. 6(2) and 7(b), and accordingly the merit of the plaintiff's case must be assessed on the wording of s. 7(b) standing alone."[145] On appeal, the Court of Appeal concluded that whichever standard

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[141] (1965), 54 D.L.R. (2d) 97 at 105-106, 48 C.P.R. 109 at 121 (Ont. C.A.) [hereinafter *Eldon Industries* cited to C.P.R.]; quoted in *Vapor Canada, supra* note 137 at 16.

[142] (1969), 70 W.W.R. 674, 61 C.P.R. 178 (Alt. C.A.) [hereinafter *Paris Investments* cited to C.P.R.].

[143] (1968), 70 D.L.R. (2d) 149, 56 C.P.R. 204 (Ex. Ct.) [hereinafter *Canadian Convertors* cited to C.P.R.].

[144] (1989), 26 C.P.R. (3d) 28, 24 C.I.P.R. 70 (B.C.S.C.) [hereinafter cited to CPR].

[145] *Ibid.* at 43.

applied, namely the common law or statutory provision, the gist of the cause of action was the same and agreed with the Trial Judge's conclusion that the necessary misrepresentation had not been approved.[146]

The Alberta Court of Appeal in *Paris Investments* in 1969 applied the common law standard based on its view that section 7(b) represented a codification of the tort.[147]

The statutory standard requires proof of a stronger degree of confusion than under the tort of passing off. In particular, the statutory test requires a stronger association between the two contending traders in the minds of the public. The required inference is that the products, services or business are from the same person. Licensing or sponsorship is not enough, whereas such a belief will be sufficient to establish passing off.

Subsections 6(2) and (3) establish that the test for confusion is whether the use of a trade-mark or trade name with another trade-mark or trade name in the same area would likely lead to the inference that the wares or services associated with those trade-marks, or the business carried on under the trade names, are manufactured, sold, leased, hired or performed *by the same person*, whether or not the wares or services are of the same general class.

In addition to the possible distinction in terms of the relevant standard of confusion, the Federal Court of Appeal has repeatedly emphasized that only trade-marks qualify as subject matter capable of grounding a cause of action for violation of section 7(b). The decision in *Asbjorn Horgard* made this clear by holding that the section's constitutionality stemmed from its purpose in rounding out a scheme relating to the protection of trade-marks.[148]

In *Dumont Vins & Spiritueux Inc.* v. *Celliers du Monde Inc.*,[149] the Court made this explicit. It held that a claim under section 7(b) (and also section 7(c)) is valid in so far as the passing off action is connected to a trade-mark, registered or not, but invalid in respect to other forms of misrepresentation, incapable of registration under the Act.

This view may be open to criticism, given the clear characterization of section 7(b) as a statutory codification of passing off and the consumer protection aspect of that tort. Indeed the Exchequer Court in *Canadian Convertors'* specifically considered packaging get-up.

The Supreme Court of Canada in the case of *A.G. of Canada* v. *Canadian National Transportation Ltd.*[150] referred to *Vapor Canada* and enumerated a list of factors which would have to be considered in order to validate certain legislation as falling under the Federal Trade and Commerce Power. They included the presence of a national regulatory scheme, a regulatory agency, a concern with trade in general rather than an aspect of a particular business, the inability of provinces jointly or severally to pass similar legislation and the risk of failure if all provinces are not included. When these factors are applied, the extension of section 7(b) to subject matter unregistrable as trade-marks is less supportable as compared to subject matter registrable as trade-marks.

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146 *Supra* note 113 at 179.

147 *Supra* note 142 at 179.

148 *Supra* note 140 at 323.

149 [1992] 2 F.C. 634, 42 C.P.R. (3d) 197 (C.A.).

150 [1983] 2 S.C.R. 206, 76 C.P.R. (2d) 1.

The case of *Enterprise Rent-A-Car Co. et al.* v. *Singer et al.*[151] represents a recent application of the common law test by the Federal Court. The court in *Enterprise Rent-A-Car* relied upon the decision in *Vapor Canada,* which characterized section 7(b) as a statutory codification of the tort of passing off. It concluded, based on *Reckitt & Colman,* that the three elements necessary for a successful claim in passing off comprise goodwill, a misrepresentation by the defendant, and damage therefrom or likelihood thereof.

As for goodwill, the court considered *Orkin* and concluded that the use of a trade-mark in another country which comes to the attention of Canadians, either through use or advertising reaching Canadians, can establish goodwill deserving of protection in Canada.[152] In view of Enterprise U.S.'s advertising and reservation system and the rental of cars in the U.S. by Canadians, the court found sufficient goodwill in the very area in which the defendant operated.[153]

In addition, the court ruled that the principle reflected in section 50 applied to passing off. As such, the goodwill resulting from the use of a trade-mark by a controlled licensee, *albeit* an unregistered user, enured to the benefit of the trade-mark owner.

With respect to the required element of misrepresentation, the court applied the common law standard rather than the higher statutory standard. The court found that use of ENTERPRISE by the defendant would likely cause confusion in the mind of the public by suggesting some form of business association between the plaintiffs and the defendants. With respect to the required element of damages, the court found that the plaintiff's loss of control over its trade-mark arising from the likelihood of confusion was sufficient damage to ground the action.[154]

(a) Element 1 - *Direct public attention to his [the Defendant's] wares, services or business*

The Federal Court, Trial Division, concluded in *Stiga Aktiebolag et al.* v. *S.L.M. Canada Inc.*[155] that the issue between the parties concerning the violation of section 7 related to the appearance of the snow sleds. The court considered it appropriate to apply the standards for determining passing off at common law in determining a violation of section 7(b). The court concluded that the jurisprudence relating to the distinctiveness of the shape of goods was pertinent to this determination and relied upon the British case of *J. B. Williams Co.* v. *H. Bronnley & Co.*[156] In doing so, the court found that neither the plaintiff's sleds nor the defendant's sleds were "sufficiently distinctive from other tri-ski sleds with a steerable middle ski nor from each other that the difference can

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[151] [1996] 2 F.C. 694, 66 C.P.R. (3d) 453 (T.D.) [hereinafter *Enterprise Rent-A-Car* cited to C.P.R.].

[152] *Supra* note 152 at 475-77.

[153] *Ibid.* at 477-79.

[154] *Ibid.* at 483.

[155] (1990), 39 F.T.R. 13, 34 C.P.R. (3d) 216 [hereinafter *Stiga* cited to C.P.R.].

[156] (1909), 26 R.P.C. 765 at 771 (C.A.).

readily be seen at first glance."[157] As a consequence, the plaintiff could not claim a 'monopoly' on such sleds in the absence of readily seen distinguishing features of its own, not common to any tri-ski steerable sled. The court found that while a typical purchaser might well confuse the sleds, this would be as a result of the similar appearance that all tri-ski sleds have to each other.

The Federal Court in the case of *C.C.H. Canadian Ltd.* v. *Butterworths Canada Ltd. et al.*[158] had occasion to consider whether a reputation could be developed in book titles so as to establish a case of passing off. This case involved an application for an interlocutory injunction. The court considered that such 'secondary association' was possible, but difficult.

(b) Element 2 - *In such a way as to cause or to be likely to cause confusion in Canada*

As for the inquiry to be conducted according to the *Trade-Mark Act*, it requires that all the surrounding circumstances be considered and sets out certain factors in section 6(5). While the formulation is different, they echo the factors to be considered in passing off. Section 6(5) reads as follows:

> In determining whether trade-marks or trade names are confusing, the court or the Registrar, as the case may be, shall have regard to all the surrounding circumstances including:
>
> (a) the inherent distinctiveness of the trade-marks or trade-names and the extent to which they have become known;
>
> (b) the length of time the trade-marks or trade names have been in use;
>
> (c) the nature of the wares, services or business;
>
> (d) the nature of the trade; and
>
> (e) the degree of resemblance between the trade-marks or trade-names in appearance or sound or in the ideas suggested by them.[159]

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[157] *Supra* note 155 at 237.

[158] *Supra* note 99.

[159] Section 6(5) of the *Trade-marks Act*. In the United States, a similar set of factors has been recognized by the courts in respect of the federal statutory provision akin to passing off. See *Lanham Act*, 15 U.S.C. §1114(1) (1988), which provides: "Any person who shall, without the consent of the registrant: (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or to cause a mistake or to deceive....shall be liable in a civil action by the registrant for the remedies hereinafter provided." [Emphasis added]. In *Boston Athletic Association* v. *Sullivan*, 867 F.2d 22 at 29-32 (1st Cir. 1989), the Court declared that the First Circuit had identified eight factors to be weighed in assessing the likelihood of confusion under subsection 32(1) including: "(1) the similarity of the marks; (2) the similarities of the goods; (3) the relationship between the parties channels of trade; (4) the relationship between the parties advertising; (5) the classes of respective purchasers; (6) evidence of actual confusion; (7) the

The two significant distinctions between the common law element of 'deception of the public due to a misrepresentation' and this statutory element arise when the statutory test for confusion is applied.

The relevant degree of connection that has to be established in the minds of the public under section 6 is stronger than the common law connection. Under section 6, it must be likely that the public will be led to the inference that the wares or services or business are from the same person, whether or not such wares or services are of the same general class. The tort of passing off only requires the likelihood of a belief as to the association or sponsorship by which the purchasers of the defendant's wares or services could accept such wares and services on the faith of the plaintiff's reputation.

Added matter may also be considered, as with passing off, according to the *Canadian Convertors'* case.

As previously mentioned, there is jurisprudence which recognizes that fame can extend the ambit of protection afforded to trade-marks. This principle has been recognized by the Federal Court and the Ontario Court of Appeal in respect to the consideration of confusion under section 6(2). Both courts have also recognized the possible expansion of business operations as a relevant factor. In *Cochrane-Dunlop Hardware Ltd.* v. *Capital Diversified Industries Ltd.*,[160] the Ontario Court of Appeal held that section 6(2) did not preclude reference to reasonably predictable future developments and relied on the Federal Court decision of *Gray Rocks Inn Ltd.* v. *Snowy Eagle Ski Club.*[161] Blair J.A. added, however, that such consideration had to be strictly limited to a possible expansion of present operations and not speculation as to new activities.

Of course, what the public thinks present operations may be is the important factor. The Ontario Court of Appeal's limitation on considering business expansion was recently adopted by the Federal Court in *Joseph E. Seagram & Sons Ltd.* v. *Seagram Real Estate.*[162] This was an appeal of a Trade-Marks Opposition Board decision rejecting an opposition based on the famous SEAGRAM trade-mark. MacKay J. considered SEAGRAM famous for beverages, but not so famous as to overcome the differences in businesses given its surname significance. He also held on the basis of *Cochrane-Dunlop* that the consideration of corporate diversification of expansion should not involve speculation as to entirely new ventures.

The Federal Court, Trial Division, in *Mascot International Inc.* v. *Harmon Investments Ltd.*[163] held that the display of the defendant's products at a trade show offered at a lower price than the original products of the plaintiffs was sufficient to deny even an arguable case of violation of section 7(b) and 7(c) of the *Trade-marks Act* in respect of the trade shows. Of particular importance were admissions in cross

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defendant's intent in adopting its mark; and (8) the strength of the plaintiff's mark." The Court of Appeal, Fifth Circuit has adopted the same set of factors under the likelihood of confusion test and applied them in the case of *Exxon Corporation* v. *Texas Motor Exchange of Houston Inc.*, 628 F.2d 500 (5th Cir. 1980).

[160] (1976), 30 C.P.R. (2d) 176 (Ont. C.A.) [hereinafter *Cochrane-Dunlop*].

[161] (1971), 3 C.P.R. (2d) 9 (F.C.T.D.) [hereinafter *Gray Rocks*].

[162] (1990), 38 F.T.R. 96, 33 C.P.R. (3d) 454 [hereinaftere *Seagram* cited to C.P.R.].

[163] (1993), 62 F.T.R. 29 at 41, 46 C.P.R. (3d) 161 at 176 [hereinafter *Mascot International* cited to CPR].

examination by deponents for the plaintiff that trade show buyers were able to distinguish between the wares of the plaintiffs and the defendants on the basis that the defendant's products were offered at a lower price. However, the court found that, as a result of the defendant's efforts to produce as closely as possible an identical copy of the plaintiff's product and design, a likelihood of confusion in the overall impression left in the minds of the consumer was established so as to demonstrate a threshold case against the defendants for violation of Sections 7(b) and 7(c) of the *Trade-marks Act*. This justified consideration of the further criteria for interlocutory relief.

(c) Element 3 - *At the time he commenced so to direct attention*

The jurisprudence has acknowledged that the clear meaning of this element is that the question of confusion is to be assessed at the time the defendant commenced to direct attention to his wares.

B. *Infringement*

1. *Section 19 of the* Trade-marks Act

The Federal Court of Appeal in *Mr. Submarine Ltd.* v. *Amandista Investments Ltd.*[164] observed that a cause of action can only arise under section 19 if the registered mark is used without authority.

In *National Hockey League*, the court of first instance emphasized that the Federal Court of Appeal in *Mr. Submarine* had clearly established that it "is only unauthorized use of a mark, as registered, on which an action under s. 19 can be maintained."[165] The Federal Court, Trial Division, concluded in *Guccio Gucci S.p.A.* v. *Meubles Renel Inc.*[166] that since furniture was not one of the wares covered by the plaintiff's registrations, the defendant's activities did not constitute infringement under section 19. On appeal, the Federal Court of Appeal affirmed this view in *Meubles Domani's* v. *Guccio Gucci S.p.A.*[167] The court observed that section 19 "gives the owners of trademarks in respect to wares or services the exclusive right to the use of the trademark in respect of those wares or services....The notion of trademark infringement contained in s.20 of the Act is broader than that in s.19 since it is based on the concept of what is confusing."[168]

However, the strength of this right under section 19 has been tested by a decision

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[164] (1987), [1988] 3 F.C. 91, 19 C.P.R. (3d) 3 (C.A.) [hereinafter *Mr. Submarine* cited to C.P.R.].

[165] *Supra* note 28 at 410.

[166] (1991), 50 F.T.R. 220 at 222, 39 C.P.R. (3d) 119 at 122-23 [hereinafter *Guccio Gucci* cited to C.P.R.].

[167] (1992), 160 N.R. 304, 43 C.P.R. (3d) 372 (F.C.A.) [hereinafter *Meubles Domani's* cited to C.P.R.], aff'g (sub nom. *Guccio Gucci S.p.A.* v. *Meubles Renel Inc.*) (1991), 50 F.T.R. 220, 39 C.P.R. (3d) 119.

[168] *Ibid.* at 375-76.

of the Federal Court of Appeal in *Syntex Inc.* v. *Novopharm Ltd.*,[169] which was an appeal from the grant of an interlocutory injunction. A principle had been adopted in several Trial Division decisions to the effect that a registrant is entitled to exclusive use of the registered trade-mark pursuant to section 19 unless and until the trade-mark was shown to be invalid, and that the registrant ought not to be obliged to share that trade-mark against his will in the interim. Yet the Federal Court of Appeal stated that if the validity of a registration is challenged, an assumption of the validity of a trade-mark until it is successfully challenged would be "deciding the very issue which is to be determined at trial."[170] This comment appears to be open to criticism since a court on an interlocutory injunction makes no binding findings of fact; however, it has caused the Trial Division to refuse injunctions where validity has been put into issue.[171]

2. *Section 20 of the* Trade-marks Act

Section 20 of the *Trade-marks Act* governs the question of infringement by confusing trade-marks as opposed to section 19, which deals with infringement by the taking of the exact trade-mark. Section 20 reads as follows:

> The right of the owner of a registered trade-mark to its exclusive use shall be deemed to be infringed by a person not entitled to its use under this *Act* who sells, distributes or advertises wares or services in association with a confusing trade-mark or trade-name, but no registration of a trade-mark prevents a person from making
>
> (a) any *bona fide* use of his personal name as a trade name, or
>
> (b) any *bona fide* use, other than as a trade-mark,
>
> (i) of the geographical name of his place of business, or
>
> (ii) of any accurate description of the character or quality of his wares or services in such a manner as is not likely to have the effect of depreciating the value of the goodwill attaching to the trade-mark.

(a) Element 1 - *By a person not entitled to its use ... who sells, distributes or advertises wares or services*

The legal principle is clearly set out in section 20.

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[169] (1991), 126 N.R. 114, 36 C.P.R. (3d) 129 (F.C.A.) [hereinafter *Syntex* cited to C.P.R.]; leave to appeal to the S.C.C. refused (1991), 137 N.R. 391n, 39 C.P.R. (3d) v.

[170] *Ibid.* at 138.

[171] See *Nestle Enterprises Ltd.* v. *Edan Food Sales Inc.* (1991), [1992] 1 F.C. 182, 37 C.P.R. (3d) 480 (T.D.). On this basis, in part, the court dismissed the application for the interlocutory injunction on the condition that the defendant keep an accounting of all sales of the impugned product.

(b) Element 2 - *In association with a confusing trade-mark or trade name;*

(i) trade-mark;

Firstly, the defendant must be employing a trade-mark or trade name. Such a restriction is significant since certain *indicia* such as television images and any three-dimensional promotional items may not be considered to be trade-marks since they are not comprised of mere words or two-dimensional static designs. Similarly, certain two-dimensional static designs may also not be considered to be trade-marks to the extent that they have not been used as trade-marks within the defined meaning of use in the *Trade-marks Act.* Nevertheless, television images or three-dimensional promotional items which might be considered to be unregistrable demonstrate the extent to which a trade-mark is being made known as surrounding circumstances under section 6(5) in terms of the setting or market in which the defendant's use is occurring.

(ii) confusing according to Section 6 of the Trade-marks Act

Courts are obliged under statute to consider the question of confusion under section 20 by reference to section 6 of the *Trade-marks Act.* For convenience, sections 6(2) and 6(5) are recited here:

> 6(2) The use of a trade-mark causes confusion with another trade-mark if the use of both trade-marks in the same area would be likely to lead to the inference that the wares or services associated with those trade-marks are manufactured, sold, leased, hired or performed by the same person, whether or not the wares or services are of the same general class.
>
> 6(5) In determining whether trade-marks or trade-names are confusing, the court or the Registrar, as the case may be, shall have regard to all the surrounding circumstances including
>
> (a) the inherent distinctiveness of the trade-marks or trade-nanes and the extent to which they have become known;
>
> (b) the length of time the trade-marks or trade-names have been in use;
>
> (c) the nature of the wares, services or business;
>
> (d) the nature of the trade; and
>
> (e) the degree of resemblance between the trade-marks or trade names in appearance or sound or in the ideas suggested by them.

Also, as previously mentioned, the relevant degree of connection that has to be established in the minds of the public under section 6 is stronger than the common law connection. Under section 6, it must be likely that the public will be led to the inference that the wares or services or business are from the same person, whether or not such wares or services are of the same general class. In contrast, the tort of passing off only requires the likelihood of a belief as to association or sponsorship by which the purchasers of the defendant's wares or services accept such wares and services on the

faith of the plaintiff's reputation.

The presence of added matter raises an additional distinction between the assessment of confusion for infringement, for passing off and section 7(b). In the case of infringement, no amount of added matter intended to show the true origin of the goods will affect the issue before the court. As mentioned, however, added matter may enable the defendant to avoid liability if it can be shown that such matter is sufficient to distinguish. This distinction was recognized by the House of Lords in 1941 in the case of *Saville Perfumery Ld.* v. *June Perfect Ld.*[172] and has been repeatedly affirmed in Canada. The Federal Court of Appeal recently affirmed and applied this principle in *Meubles Domani's.*[173]

As previously mentioned, there is jurisprudence which recognizes that fame can extend the ambit of protection afforded to trade-marks. Such a principle has been recognized by the Federal Court and the Ontario Court of Appeal in respect to the consideration of confusion under section 6(2).

In addition, as mentioned in the analysis of section 7(b), the Federal Court and the Ontario Court of Appeal recognize the possible expansion of business operations as a relevant factor. In *Cochrane-Dunlop,*[174] the Ontario Court of Appeal held that section 6(2) did not preclude reference to reasonably predictable future developments and relied on the Federal Court decision in *Gray Rocks.*[175] Blair J.A. added, however, that such consideration has to be strictly limited to possible expansion of present operations and not speculation as to new activities.

The limitation established by the Ontario Court of Appeal in *Cochrane-Dunlop* was adopted in *Seagram,*[176] as described above.

In the case of *Ayotte* v. *Aliments Trans Gras Inc.,*[177] the Federal Court, Trial Division, emphasized that the question of confusion should be considered from the perspective of "an incautious or unwary purchaser", based on an observation by Gonthier J., when he was sitting on the Quebec Superior Court.[178] The court in *Ayotte* also emphasized that the criteria outlined in section 6(5) need not be interpreted as having equal weight.[179] The court stated that the assessment of confusion required consideration of whether the trade name 'Les Aliments Trans Grands Inc.' bears any resemblance to the names or trade-marks of the plaintiffs. The court concluded that the trade-mark seemed to be quite distinct from the marks used by the plaintiff, in that the only point of resemblance was the prefix 'Trans'. Further, the idea suggested chiefly by the marks 'Transit' and 'Trans Bec' was the idea of the movement and transportation of goods, while the mark 'Trans Gras' suggests the transportation of fat.[180]

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[172] (1941), 58 R.P.C. 147 [H.L.].

[173] *Supra* note 167.

[174] *Supra* note 160.

[175] *Supra* note 161.

[176] *Supra* note 162 at 467.

[177] (1990), 40 F.T.R. 280 at 287, 34 C.P.R. (3d) 17 at 22 (F.C.T.D.) [hereinafter *Ayotte* cited to C.P.R.].

[178] *102558 Canada Ltee.* v. *114524 Canada Inc.*, [1983] Que. S. C. 1180 at 1183.

[179] *Supra* note 177 at 22.

[180] *Ibid.* at 25-26.

In the case of *Guccio Gucci,*[181] the Federal Court concluded that the defendants had infringed by using "Paolo, designed by Paolo Gucci" even though the court accepted that 'Paolo, designed by Paolo Gucci' may not be a trade-mark capable of registration under the *Trade-marks Act* since, "nevertheless, its use as a trade-mark is sufficient for the purpose of finding infringement under s.20."[182]

In the case of *Melo's Food Centre Ltd.* v. *Borges Foods Ltd.*,[183] the Federal Court, Trial Division, ruled on the plaintiff's allegation that the defendant's use of similar colours contained in its trade-mark constituted a basis for infringement. The court held that

> In so far as particular aspects of a trademark may be considered inherently strong or weak, in my opinion the plaintiff's claim to colours is weak, for, as registered, the claim is to colours as incidental to other aspects of the mark used in combination, and because in the market for its wares, in a generic sense, the ethnic foods market, it is established by the plaintiff's own evidence, as well as the defendant's evidence, that many suppliers use trademarks incorporating national colours or particular communities, and here the Portugese and other ethnic community markets are served by suppliers in addition to the defendant who feature some or all of the red, yellow and green colours used by the plaintiff.[184]

Furthermore, the court stated:

> I do not read the plaintiff's claim to its registered trademark in this case as a claim to colours except as those colours are incidental to the elements combined in the trademark.[185]

In *Sun Life Assurance,*[186] the judge emphasized the value of survey evidence in aiding the determination as to whether there is likely to be confusion. The court referred to the Ontario Court of Appeal's decision in *Cochrane-Dunlop,*[187] where Mr. Justice Blair quoted with approval a decision of President Thorson of the then Exchequer Court of Canada in *Freed and Freed Ltd.* v. *Registrar of Trade-marks:*

> It is not the likely effect of the use of the two marks on the mind of the judge that is in issue. The fact that he himself would not be confused is immaterial. What is to be determined is whether there is a likelihood of confusion in the minds of dealers in and/or users of the goods on which the marks are used.[188]

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[181] *Supra* note 166.

[182] *Ibid.* at 124.

[183] (1995), 101 F.T.R. 169, 63 C.P.R. (3d) 289 (F.C.T.D.) [hereinafter *Melo's* cited to C.P.R.].

[184] *Ibid.* at 303.

[185] *Ibid.*

[186] *Supra* note 135 at 249.

[187] *Supra* note 160 at 181.

[188] (1950), [1951] 2 DLR 7 at 15, 14 C.P.R. 19 at 28 (Ex. Ct.).

As a consequence, the judge in *Sun Life Assurance* concluded:

> To attempt to make such a determination without regard to evidence of what others may think or have said would to my mind be nothing more than an exercise in pure judicial fantasy and of not much assistance at all. I am satisfied that the survey evidence led before me was most satisfactory, having been conducted by persons very highly skilled in the field.[189]

While Canadian jurisprudence clearly recognizes the admissability of survey evidence in trade-mark cases,[190] the comment by the judge in *Sun Life Assurance* comes close to a judicial demand for survey evidence in order to determine the question of the likelihood of confusion. Such a requirement is not yet recognized by the jurisprudence, unlike the United States where, although not required, the absence of survey evidence may give rise to a negative inference.

The court in *Guccio Gucci* found "[d]espite the disclaimers attached to the furniture and displayed in the display area and the promotional material, an ordinary purchaser would likely believe that the furniture was 'Gucci' product."[191] With respect, there was no need to make such a finding since the presence of additional distinguishing *indicia* are not relevant factors in assessing confusion under section 6 of the *Trade-marks Act* for infringement of a registered trade-mark.[192]

The Federal Court of Appeal held, in the case of *Bagagerie SA* v. *Bagagerie Willy Ltee.*,[193] that an appeal from a judgement dismissing an action for infringement of the trade-mark 'La Bagagerie' should be allowed. As noted previously in this Survey,[194] the court concluded that the word 'Bagagerie' did not have the meaning in French given to it by the trial judge. The court was of the view that "[t]he courts recognize no distinction between goods of the same general class in which the "price" factor is the main distinguishing feature. It is hard to see how brand name watches could be the subject of a distinction from watches of another "similar" brand solely by price and by the customers who can afford them."[195] However, in this regard, see *Mascot International,*[196] where the court found that confusion was not likely in view of the lower price of the respective products at trade shows, albeit when assessed at the level

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[189] *Supra* note 135 at 249.

[190] See *Aluminum Goods Ltd.* v. *Registrar of Trade-marks*, [1954] Ex. C.R. 79, 19 C.P.R. 93; *Canadian Schenley Distilleries Ltd.* v. *Canada's Manitoba Distillery Ltd.* (1975), 25 C.P.R. (2d) 1 (F.C.T.D.); *Pizza Pizza Ltd.* v. *Registrar of Trade-marks* (1982), 67 C.P.R. (2d) 202, 19 B.L.R. 305 (F.C.T.D.); *Cochrane-Dunlop Hardware Ltd.* v. *Capital Diversified Industries Ltd.* (1973), 11 C.P.R. (2d) 137 (Ont. H.C.J.); and *Cartier Inc.* v. *Cartier Optical Ltd.* (1988), 20 C.P.R. (3d) 68, 19 C.I.P.R. 69 (F.C.T.D.) and the authorities cited therein.

[191] *Supra* note 166 at 125.

[192] See *supra* note 1 at 350-51 and *ibid.* at 351 n.57.

[193] (1992), 97 D.L.R. (4th) 684, 45 C.P.R. (3d) 503 (F.C.A.) [hereinafter *Bagagerie SA* cited to C.P.R.].

[194] See *supra* note 1 at 346 n. 26ff.

[195] *Supra* note 193 at 510.

[196] *Supra* note 163.

of buyers rather than consumers of the product.

The Federal Court in *Bagagerie SA* commented on one of the cases cited by the trial judge, *Hermes Societe Anonyme* v. *Fletcher Golf Enterprises,*[197] by stating that the case "is based principally on the fact that some goods were sold in very specialized stores and others were sold in exclusive boutiques. The difference was less one of price, though this was a factor, than a distinction pertaining to the type of store where a product is purchased."[198] To the extent that this may suggest that confusion under section 6 should be assessed by reference to the channels of trade in which goods or services circulate in fact should be determinative, rather than the assessment of the the channels of trade in which goods or services are entitled to circulate by virtue of the registration, this observation must be considered to be bad.

(c) *Exempted Use*

The court held in the *Guccio Gucci* case that the defendants had not established a 'link' between themselves and Mr. Paolo Gucci sufficient to afford them the protection of the exception in Section 20(a).[199]

The Federal Court in *Meubles Domani's* considered the question of whether the appellant, which had been found to have infringed Guccio Gucci's registered trade-marks, could qualify for the exception to the confusing use of a trade-mark allowed by Section 20(b)(ii), namely:

> (b) any *bona fide* use, other than as a trade-mark,
>
> (ii) of any accurate description of the character or quality of his wares or services.

The court observed that, in order to benefit from the exception, four conditions must be fulfilled, namely, the use must be:

1. *bona fide,*
2. other than as a trade-mark,
3. of an accurate description of the character of the wares or services, and
4. in such a manner as not likely to have the effect of depreciating the value of the goodwill attaching to the trade-mark.[200]

Since the trial judge had made no explicit finding as to *bona fides*, the court considered it unwise to do so on the same evidence at the appellate level, and unnecessary in view of the appellant's failure to qualify under other conditions.

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[197] (1984), 78 C.P.R. (2d) 134 (F.C.T.D.).
[198] *Supra* note 193 at 510.
[199] *Supra* note 166 at 124.
[200] *Supra* note 167 at 378.

The Federal Court of Appeal affirmed the trial judge's ruling that, while "Paolo, designed by Paolo Gucci" may not be a trade-mark capable of registration, its' use as a trade-mark was sufficient for the purposes of finding infringement under sction 20.[201] In particular, the Federal Court highlighted the words of H.G. Fox: "Both the intention of the user and recognition by the public are relevant facts and either may be sufficient to show that there has been trade-mark use; it is not necessary that there should be both."[202]

The court considered any use to indicate origin as being relevant and dismissed the appellant's distinction that it was attempting not to indicate the origin of the furniture but rather of the design. The court concluded that the appellant failed to qualify for the benefit of section 20(b)(ii) by failing to establish that the furniture in question was in fact designed by the individual, Paolo Gucci:

> In consequence, the use of 'PAOLO GUCCI' and 'PAOLO GUCCI, designed by PAOLO GUCCI' was not an 'accurate description of the character or quality' of the appellant's wares.[203]

The Federal Court also observed that, in Fox's view, relying on Thurlow J. (as he then was), in *Clairol International Corp.* v. *Thomas Supply & Equipment Co. Ltd.,*[204] the depreciation of the value of goodwill in the context of section 20 does not require competition leading to an immediate loss of sales:

> In the type of action contemplated by s.20, there is no necessary confusion between goods and hence no immediate loss of sales, but a diminution in the uniqueness of the trademark that will eventually work to the disadvantage of the trademark owner. The advertising and sales value of a trademark is in many cases dependent upon its uniqueness and dilution impairs the effectiveness of the trademark as an advertising or selling medium. In this way the property right in the trademark suffers injury to the detriment of the owner.[205]

As in *Guccio Gucci*, the defendant in *Bagagerie SA* relied upon the defence under section 20(b)(ii). The court concluded that good faith was not in issue but that the respondent defendant must, in order to succeed, establish that the word 'Bagagerie' was an accurate description of the luggage it offered for sale. After an extensive review of French dictionaries, the court acknowledged the trial judge's point that reference to dictionaries is only a guide and that they are sometimes inadequate. Nevertheless, the court concluded that, in current useage, there is a clear distinction between the words 'bagage', 'bagages' and 'valise', and held that the word 'Bagagerie', at the time

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[201] *Ibid.* at 379.

[202] H.G. Fox, *The Canadian Law of Trade-marks and Unfair Competition*, 3rd ed. (Toronto: Carswell, 1972) at 22.

[203] *Supra* note 167 at 380.

[204] (1968), 55 C.P.R. 176, 38 Fox Pat. C. 176 (Ex. Ct.) [hereinafter *Clairol International* cited to C.P.R.].

[205] *Supra* note 202 at 340; quoted in *Meubles Domani's*, *supra* note 165 at 380.

proceedings were commenced "was not descriptive of the articles sold by the respondent [defendant]."[206] Accordingly, the defence was not available.

C. *Violation of Section 22 of the* Trade-marks Act

In the case of *Nintendo of America Inc.* v. *Camerica Corp.*,[207] while only involving an interlocutory injunction, the Federal Court had occasion to distinguish the leading case concerning section 22, namely *Clairol International.*

As most know, *Clairol International* interpreted the applicability of section 22 which, on its face, seemed to encompass any activity likely to depreciate the goodwill attaching to trade-marks. By requiring trade-mark 'use' as defined by section 4 as a pre-requisite to a violation of section 22, *Clairol International* has confined section 22 to a narrow scope of activities.

In *Nintendo*, the defendant marketed a product under the mark GAME GENIE. The packaging for the GAME GENIE product and manual carried certain trade-marks of Nintendo, since the product was intended to enhance the performance characteristics of Nintendo's video games. The defendant, however, also used the following disclaimer:

> GAME GENIE is a product of Camerica Corp. and is not manufactured, distributed or endorsed by Nintendo of America Inc.[208]

Since the products did not compete, the court concluded that the parties were not competitors and, therefore, the defendant's use of the Nintendo marks would not divert customers away from Nintendo. In addition, the court found the disclaimer to be unequivocal and, therefore, the defendant had not used Nintendo's marks within the meaning of section 4.[209]

The differences between 'use' in respect of 'wares' and 'services', established by section 4 and the logical consequence of *Clairol International*, received judicial comment in the case of *Eye Masters Ltd.* v. *Ross King Holdings Ltd., c.o.b. as Shoppers Optical,*[210] another interlocutory injunction case. Since 'use' in association with 'services' includes use by advertising, but not so in the case of 'wares', the plaintiff argued that the scope of protection afforded service marks under section 22 was greater than for trade-marks for wares. The court acknowledged the possible merit of the argument but stated:

> By analogy then it is argued that the use of another's trademark in comparative advertising when association of the trademark is to a service is an invasion of the trademark holder's right to exclusive use. *I must say, I find the conclusion somewhat bizarre.* At the same time, I recognize that this possible interpretation has been held

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[206] *Supra* note 193 at 515.

[207] (1991), 42 F.T.R. 12, 34 C.P.R. (3d) 193 [hereinafter *Nintendo* cited to C.P.R.], aff'd (1991), 127 N.R. 232 (F.C.A.).

[208] *Ibid* at 198.

[209] *Ibid.* at 205.

[210] (1992), 56 F.T.R. 274, 44 C.P.R. (3d) 459 [hereinafter *Eye Masters* cited to C.P.R.].

> to give rise to a sufficiently serious issue to meet the American Cyanamid/Turbo Resources test for the issuance of an interlocutory injunction.[211]

In the case of *Future Shop Ltd.* v. *A & B Sound Ltd.*,[212] again involving an injunction, the B.C. Supreme Court recognized a distinction between types of use. The court analyzed the decision in *Clairol International* and concluded that the offensive conduct was the effort to capitalize on similarities. Accordingly, the court held that:

> [a] comparative ad which by obvious and reasonable implication stresses the differences between the advertiser's product and that of the competition does not attach itself to the competitor's goodwill in the same manner. Rather, it seeks to distance itself from that goodwill by stressing the differences.[213]

The B.C. Supreme Court stressed the importance of the purpose behind the use of another's trade-mark:

> If the purpose is to stress similarities, the value of the goodwill associated with the trademark is appropriated in a manner contrary to the intent of s. 22. If use stresses the differences with the trademark, then the use is for the purpose of distancing the trademarked ware or service and s. 22 is not offended.[214]

In the result, the defendant was held to be stressing sufficient differences for the court to hold that Section 22 was not being offended.

IV. CONCLUSION

This concludes Part III which, together with the preceding Part II, comprises this Survey in respect of the law of trade-marks. Part IV in respect of Patents as well as plant breeders' rights and integrated circuits is planned for Volume 30, Issue No. 1. Copyrights and Industrial Designs are planned as Part V for Volume 30, Issue No. 2 to complete the Survey of Intellectual Property Law.

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[211] *Ibid.* at 463. [Emphasis added.].

[212] (1994), 93 B.C.L.R. (2d) 40, 55 C.P.R. (3d)182 (B.C.S.C.).

[213] *Ibid.* at 187.

[214] *Ibid.*