

# INDUSTRIAL PROPERTY: TRADE MARKS AND UNFAIR COMPETITION

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## I. INTRODUCTION

Last year, the industrial property survey was restricted to recent developments in the law relating to patents. The present survey deals with trade marks. It is hoped that the subjects of Copyright and Industrial Design can be reviewed in a future issue.

The basic text dealing with trade marks in Canada<sup>1</sup> was published in 1956, and no texts, even of restricted scope, have appeared since that time. The Canadian law of trade marks was revolutionized in 1954, when the present Trade Marks Act<sup>2</sup> came into force. This act departed radically from the previous law in several respects and pioneered certain concepts only now being initiated in other countries.<sup>3</sup> At the time of writing of the text referred to, the new act had not been interpreted by the courts, and all that could be given was speculation as to its interpretation. Some of the glosses placed on the statute have been discussed in the professional journals,<sup>4</sup> but a new text on trade marks is urgently needed by the profession in Canada.

In a survey such as the present one, it is not possible to consider even the broad trends of judicial interpretation of the Trade Marks Act since its adoption in 1954. Instead, this article attempts to deal only with cases decided in the period 1967-69, although some reference has been made to earlier decisions when this has been necessary in order to permit understanding of the context in which recent cases have been decided.

## II. THE CHARACTERISTICS OF A REGISTRABLE TRADE MARK

A registrable trade mark is defined in section 12(1) of the Trade

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<sup>1</sup> H. FOX, *CANADIAN LAW OF TRADE MARKS* (2d ed. 1956).

<sup>2</sup> Can. Stat. 1952-53 c. 49, which came into force in July, 1954.

<sup>3</sup> For example, there are bills supported by the administration before the U.S. Congress to permit the filing of trade mark applications based on intent to use. See Senate bill S-3110 and House bill H-14050, 94th Congress.

<sup>4</sup> In particular, articles on trade mark subjects in Canada are frequently published in the *Canadian Patent Reporter* [hereinafter cited as *Can. Pat. R.*] and the *BULLETIN OF THE PAT. AND TRADE MARK INST. OF CANADA*. Some articles are also published in the *TRADE MARK REP.*, a U.S. publication.

Marks Act.<sup>5</sup> The definition is negative in form, in that it defines a trade mark as being registrable unless it contravenes any of the following five conditions. A registrable trade mark may not be a name or surname of an individual who is living or who has died within the preceding thirty years, nor clearly descriptive or deceptively misdescriptive of the wares in French or English, nor the name in any language of the wares, nor confusing with a registered trade mark, nor a mark, the adoption of which is specifically prohibited by the act. Certain trade marks which contravene the provisions of section 12(1) are registrable, if they can be brought within the exceptions set out by the act.<sup>6</sup> The same criteria as are used in determining the registrability of a trade mark are also of importance in determining whether a registration of a trade mark is invalid, as the act provides<sup>7</sup> that a registration is invalid if the trade mark was not registrable at the date of registration. It is thus of considerable importance to determine the attitude of the courts to the criteria in section 12(1).

#### A. Names and Surnames

It was observed by President Jettett in *Standard Oil Co. v. Registrar of Trade Marks*<sup>8</sup> that, "[f]or trade marks purposes, there are at least three classes of 'words', viz., dictionary words, names and invented words."<sup>9</sup> The President observed that a particular word can be in more than one of these classes.

Dictionary words are, of course, registrable as trade marks, if they do not otherwise contravene section 12(1)(b) of the act by being descriptive of the wares or services. Certain dictionary words, such as laudatory epithets<sup>10</sup> or geographical names<sup>11</sup> are not registrable, at least without distinctiveness being shown.<sup>12</sup> Invented words which are not suggestive of the

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<sup>5</sup> Can. Stat. 1952-53 c. 49, § 12(1) reads as follows:

12. (1) Subject to section 13, a trade mark is registrable if it is not  
(a) a word that is primarily merely the name or the surname of an individual who is living or has died within the preceding thirty years;  
(b) whether depicted, written or sounded, either clearly descriptive or deceptively misdescriptive in the English or French languages of the character or quality of the wares or services in association with which it is used or proposed to be used or of the conditions of or the persons employed in their production or of their place of origin;  
(c) the name in any language of any of the wares or services in connection with which it is used or proposed to be used;  
(d) confusing with a registered trade mark; or  
(e) a mark of which the adoption is prohibited by section 9 or 10.

<sup>6</sup> *Id.* §§ 12(2), 13, 14, and 15.

<sup>7</sup> *Id.* § 18(1).

<sup>8</sup> 55 Can. Pat. R. 49, 38 Fox Pat. Cas. 127 (Exch. Ct. 1968).

<sup>9</sup> *Id.* at 58, 38 Fox Pat. Cas. at 136.

<sup>10</sup> *Registrar of Trade Marks v. G. A. Hardie & Co.*, 10 Can. Pat. R. 55, 8 Fox Pat. Cas. 228 (Sup. Ct. 1949).

<sup>11</sup> *Yorkshire Copper Works Ltd.'s Application*, 71 R. Pat. Cas. 150 (H.L. 1954).

<sup>12</sup> It is not yet clear how the provisions of §§ 12(2) and 14 of the Trade Marks Act affect the decisions cited in the two preceding footnotes.

wares are usually considered as strong trade marks, and are given a wide scope of protection.

With respect to names, these are unregistrable if they are "primarily merely a name or surname." The Registrar of Trade Marks has recently held<sup>13</sup> that a mark which is not a surname and which is not a complete name may be unregistrable under this section. The mark in question was "Sir Winston," which the applicant had used on a variety of men's toiletries. In deciding the case, the registrar took note of a dictionary definition of the word "name" which stated that a name was "a word or sound or a combination of words or sounds by which an individual . . . is regularly known or designated; a distinctive and specific appellation."<sup>14</sup> He stated that, while "Winston" is used as a Christian name, there have not in recent years been any knights called "Sir Winston" who became known except for the late Sir Winston Churchill, and therefore the words "Sir Winston" could be considered to be primarily the "name" of Sir Winston Churchill. This appears to be the first time that the term "name" has been interpreted by the registrar to preclude registration of an appellation which did not include a surname.

In *Standard Oil*,<sup>15</sup> the court had to consider the meaning of the term "primarily merely." The applicant applied for registration of the word "Fior," which it alleged to be a word which it had invented by combining the first letters of the words "fluid iron ore reduction." The registrar rejected the application on the basis that city directories showed the existence of one individual in Montreal, nine individuals in Toronto, three individuals in Los Angeles, and two individuals in San Francisco having that surname.

In considering the appeal, President Jakkett said that the test for the purposes of section 12(1)(a) is what the response of the general public of Canada would be to the word. If the word has two characters of equal importance (such as a surname and an invented word), it cannot be said to be "primarily merely" a surname. Because of the small number of individuals in Canada having the surname "Fior" it was not any more likely that the majority of the public in Canada would think of the word as a surname than as a brand or mark of some business. The judge commented:

I have probably been influenced in coming to the conclusion that I have expressed . . . by the fact that applying the provision solely by reference to the existence of a dictionary meaning of a proposed trade mark would make practically every invented word vulnerable to attack as a proposed trade mark by anyone assiduous enough to pursue his searches for its use as a surname somewhere in the world (or, indeed, in a country such as Canada even if the search were restricted to Canada). I cannot believe that § 12(1)(a) was intended virtually to eliminate the creation of new words for purposes of proposed trade marks.<sup>16</sup>

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<sup>13</sup> *Spencer-Churchill v. Cohen*, 55 Can. Pat. R. 276, 37 Fox Pat. Cas. 151 (Reg'r T.M. 1968).

<sup>14</sup> *Id.* at 278, 37 Fox Pat. Cas. at 153 (WEBSTER'S THIRD NEW INT'L DICTIONARY).

<sup>15</sup> *Supra* note 8.

<sup>16</sup> 55 Can. Pat. R. at 59, 38 Fox Pat. Cas. at 138.

This decision of Jackett seems helpful to the trade mark applicant, since it prevents undue reliance by the registrar on city directories (some of those on which the registrar formerly relied did not even come from Canada), and emphasizes instead whether the public of Canada would consider the word to be primarily merely a surname. It is notable that Jackett does not consider the question of whether a word must be in relatively frequent use in Canada as a surname for it to be considered primarily merely a surname. The frequency of use in Canada seems irrelevant, as a surname might not be in use in this country at all and might be used by very few people abroad, but might nevertheless be a household word if a famous person bore it.<sup>17</sup>

Where a word is both a surname and a common dictionary word, the registrar appears to adopt the position that it should not be rejected as primarily merely a surname.<sup>18</sup> This is a more liberal interpretation than the British registrar adopts.<sup>19</sup> The Canadian position would seem to be confirmed by the definition of "primarily merely" adopted by Jackett.

### B. *Descriptiveness*

The Trade Marks Act provides that a word which is clearly descriptive or deceptively misdescriptive of wares or services is not registrable with respect to those wares.<sup>20</sup> If, however, a mark has been registered in the applicant's country of origin and has been used in any country so as not to be without distinctive character,<sup>21</sup> or if it has actually acquired distinctiveness in Canada at the date of application,<sup>22</sup> it can be registered despite such descriptiveness. A mark which is the name of the wares or services in any language is, however, not registrable despite any showing of distinctiveness.<sup>23</sup>

It has been established for many years that a mark which is merely suggestive of the wares can be registered.<sup>24</sup> The distinction between suggestive and descriptive marks was further clarified by Mr. Justice Noel in *Home Juice Co. v. Orange Maison Ltd.*<sup>25</sup> He noted that in order for a trade mark to be unregistrable as descriptive, it must be *clearly* descriptive, and a mere descriptive connotation is not sufficient.

This statement was expanded by Mr. Justice Cattanach in *Drackett*

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<sup>17</sup> For instance, the names Agnew and Pompidou are not common surnames in Canada and may not be common surnames in the United States or France respectively, but these names must be considered household words.

<sup>18</sup> See, e.g., the decision in *Yamaska Shirt Ltd. v. Derby Sportswear Inc.*, 37 Fox Pat. Cas. 140 (Reg'r T.M. 1967).

<sup>19</sup> See *Swallow Raincoats Ltd.'s Application*, 64 R. Pat. Cas. 92 (Reg'r T.M. U.K. 1947).

<sup>20</sup> Can. Stat. 1952-53 c. 49, §§ 12(1)(b) and 12(1)(c).

<sup>21</sup> *Id.* § 14.

<sup>22</sup> *Id.* § 12(2). For an interpretation of "acquired distinctiveness within Canada" see *Robert C. Wian Enterprises, Inc. v. Mady*, 46 Can. Pat. R. 147, 29 Fox Pat. Cas. 37 (Exch. Ct. 1965).

<sup>23</sup> *Id.* § 12(1)(c).

<sup>24</sup> See, e.g., the "Gro Pup" case, *Kellogg Co. of Canada v. Registrar of Trade Marks*, [1939] 3 D.L.R. 65 (Exch. Ct.).

<sup>25</sup> 53 Can. Pat. R. 71, 36 Fox Pat. Cas. 179 (Exch. Ct. 1967).

*Co. of Canada v. American Home Prod. Corp.*<sup>26</sup> He pointed out that "clearly" does not mean "accurately" but rather "easy to understand, self-evident, or plain."<sup>27</sup> Furthermore, the term "descriptive . . . of the character . . . of the wares or services" used in section 12(1)(b)<sup>28</sup> uses "character" to mean "feature, trait or characteristic of the product." He applied a first impression test as the key to whether or not a mark was clearly descriptive or deceptively misdescriptive of the character or quality of the wares. In commenting on the argument of the applicant he stated: "It is not a proper approach to the determination of whether a trade mark is descriptive to carefully and critically analyse the word or words to ascertain if they have alternative implications when used in association with certain wares but rather to ascertain the immediate impression conveyed thereby."<sup>29</sup>

The decision of Justice Cattanach in *Drackett* cannot be considered to limit in any way the previously held doctrine that a mark which is merely suggestive of the wares is registrable. Indeed, the same judge stated in the later case of *Great Lakes Hotels Ltd. v. Noshery Ltd.*<sup>30</sup> that: "[M]ere suggestiveness should not deprive a mark of registrability even where a word used skilfully alludes to the wares in association with which it is used unless of course it is clearly descriptive of their character or quality as contemplated by the *Trade Marks Act*. This principle is equally applicable to services."<sup>31</sup>

In *Great Lakes*, the mark in question was the word "Penthouse" and the application was directed to restaurant services, catering services (on and off the premises) and boxed or packaged food products. The question posed was whether the mark could be considered descriptive of the wares or services.

Cattanach first considered the problem of whether the mark was descriptive of the "character or quality of the wares and services," and held that a word descriptive of a location where services are performed is not descriptive of the services themselves, whether performed on or off the premises. In the present case, he held that the word was "remotely suggestive" of restaurant services, as the word "Penthouse" might well convey an idea of exclusiveness with meals being served where diners could enjoy a leisurely repast with a panoramic view.<sup>32</sup> However, in his view, the word was not descriptive of the wares, nor of the services of arrangement, provision and delivery of trays of food.

When considering whether the word "Penthouse" was descriptive of the place of origin of the wares and services, the judge commented:

The prohibition in § 12(1)(b) is directed against a word that indicates the place of origin of the services of wares. Obviously a word must signify

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<sup>26</sup> 55 Can. Pat. R. 29, 38 Fox Pat. Cas. 1 (Exch. Ct. 1968).

<sup>27</sup> *Id.* at 34, 38 Fox Pat. Cas. at 6.

<sup>28</sup> Can. Stat. 1952-53 c. 49.

<sup>29</sup> *Supra* note 27.

<sup>30</sup> 56 Can. Pat. R. 165, 39 Fox Pat. Cas. 135 (Exch. Ct. 1968).

<sup>31</sup> *Id.* at 171, Fox Pat. Cas. at 141.

<sup>32</sup> *Id.*

some relationship of the wares to the place to render it not registrable as a trade mark. To be invalid the name must have been given to an article by a trader in such wares to acquire the benefit of a well known and generally recognized connection of the article with the locality. Examples of this readily occur such as "Florida" in association with oranges, "Ceylon, China, or Darjeeling" in association with tea among many others of like import. The name of a place of business or factory, however, is not necessarily descriptive of the place of origin of wares or services unless it can be said that such a name is indigenous to those wares and services.

I fail to follow how the word "penthouse" can have any such connotation. As a matter of first impression the word "penthouse" does not convey to me any meaning that has a direct relationship with food, catering or restaurant services.<sup>33</sup>

It is difficult to follow the reasoning of the judge in this passage. It is clear that this test requiring that the name "must have been given to an article . . . to acquire the benefit of a well known and generally recognized connection of the article with the locality"<sup>34</sup> is not in accordance with British jurisprudence. Thus, in the case of *Yorkshire Copper Works Ltd.'s Application*,<sup>35</sup> a geographical name which was held by the House of Lords to be completely distinctive of the applicant was still refused registration. Lord Asquith commented:

[A] geographical area, unless extremely small, seems to me inherently unadapted to distinguish the products of one producer in that area from those of another in the same area. When the area is as large as Yorkshire, it seems to me fanciful to dispute this proposition. Indeed, when the trade mark is geographical, it follows, paradoxical as it may sound, that it can only satisfy factor (a), where its significance, in the particular context, is non-geographical. For only so can it serve to distinguish the goods of one producer from the goods of others.<sup>36</sup>

A similar conclusion was reached much earlier in the case of *Magnolia Metal Co.'s Trade Mark*,<sup>37</sup> where the principle appears to have been first established. It is of course true that the British statute differs from the Canadian one,<sup>38</sup> but the *Magnolia Metal* case has recently been quoted with favour by the President of the Exchequer Court.<sup>39</sup>

It will be seen from the British cases that the true test of whether a word is indicative of the place of origin of wares or services is whether it would occur to another trader in the same geographical area to use that word to describe his wares.<sup>40</sup> It is possible that Mr. Justice Cattanach's view is not at variance with the British cases if it is limited to words such as "Penthouse,"

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<sup>33</sup> *Id.* at 172, 39 Fox Pat. Cas. at 141.

<sup>34</sup> *Id.* at 173, 39 Fox Pat. Cas. at 141.

<sup>35</sup> 71 R. Pat. Cas. at 150.

<sup>36</sup> *Id.* at 156.

<sup>37</sup> 14 R. Pat. Cas. 621 (C.A. 1897).

<sup>38</sup> See British Trade Marks Act, 1 & 2 Geo. 6, c. 22 (1938).

<sup>39</sup> See *Standard Oil Co. v. Registrar of Trade Marks*, 55 Can. Pat. R. 49, 38 Fox Pat. Cas. 127 (Exch. Ct. 1968).

<sup>40</sup> See the comment of Lord Simonds in *Yorkshire Copper Works*, 71 R. Pat. Cas. at 154.

which are not geographical names, but which describe a type of premises. It is possible to consider that some types of premises are well known in connection with particular types of wares, and the name of these sorts of premises would not be registrable according to Cattnach's rule.<sup>41</sup>

It has been accepted for some time that the existence of a patent covering the particular wares on which a trade mark is used can have an effect on the validity of that trade mark. The reason for this is that the courts have recognized that a patent monopoly may permit only one trader to make a particular article, and that the trade mark used by that trader on the article might then become descriptive of the article, rather than distinctive of its source of origin.<sup>42</sup> This principle was again canvassed in the case of *Aladdin Industries Inc. v. Canadian Thermos Products Ltd.*<sup>43</sup> In that case, the attack was rejected on the fact that no basic patent covering the wares had been adduced in evidence, and that there was no indication that the trade mark owner had enjoyed a patent-protected monopoly, during which time his mark became descriptive of the wares.

In a recent registrar's decision, it was pointed out that the act provides for rejection of words descriptive or deceptively misdescriptive of the wares or services only if those words are in English or French.<sup>44</sup> The mark in question was "Pro Musica," and evidence was led to show that this mark was suggestive of the applicant's services of promoting musical performances and the like. However, this ground of opposition failed, as the mark was a Latin phrase, and was hence not in English or French. An attack on the basis of section 12(1)(c)<sup>45</sup> also failed, as it was held that "Pro Musica" was not the name of any of the services in Latin.

The question of whether Latin is a "language" within the terms of section 12(1)(c) did not arise. It is at least arguable that a language which is not in common use as a "living language" should not come within the terms of the section. Although Latin is still known by an appreciable number of persons, it would seem unnecessarily harsh to reject a trade mark for being the name of particular wares or services, in, say, the ancient Assyrian or Babylonian languages.

### C. *Distinctiveness*

The concept of the distinctiveness of a trade mark is a very important one under Canadian law. A trade mark which is *prima facie* clearly descriptive or deceptively misdescriptive of the wares, or which is a name or

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<sup>41</sup> Examples of this would be "Cheese Factory" for cheeses or "Corner Store" for candy.

<sup>42</sup> Such a situation arose in *Canadian Shredded Wheat Co. v. Kellogg Co.*, [1938] 2 D.L.R. 145, 55 R. Pat. Cas. 125 (P.C.).

<sup>43</sup> 57 Can. Pat. R. 230, 41 Fox Pat. Cas. 26 (Exch. Ct. 1969).

<sup>44</sup> *Pro. Musica Soc'y of Ottawa v. La Societe Pro Musica Inc.*, 41 Fox Pat. Cas. 104 (Reg'r T.M. 1969).

<sup>45</sup> Can. Stat. 1952-53 c. 49, § 12(1)(c) provides for the rejection of a mark which is the name of the wares in any language.

surname, can be registered if it has in fact at the time of application become distinctive of the wares of the applicant.<sup>46</sup> Distinguishing guises are registrable only if they have become distinctive at the time of filing of the application.<sup>47</sup> Trade marks which the applicant has caused to be duly registered in his country of origin are registrable if in Canada they are, *inter alia*, "not without distinctive character."<sup>48</sup> Additionally, a registration can be attacked on the basis that the trade mark is not distinctive at the time proceedings bringing the validity of the registration into question are commenced.<sup>49</sup>

The concept of distinctiveness has been considered by the courts in a number of recent cases, and has been elaborated considerably. The question of concurrent use of a trade mark by two companies was considered in the well known *Cheerio*<sup>50</sup> series of cases and the case of *Wilkinson Sword (Canada) Ltd. v. Juda*.<sup>51</sup> These cases have been much canvassed by legal writers,<sup>52</sup> and it is not intended to give a detailed discussion of them, particularly as they were decided prior to the period covered by this article. Basically, they hold that where a trade name and a trade mark which have the same dominant feature are used by the same company, but the company uses the trade mark as registered user rather than owner, the trade mark is invalid as not distinguishing the wares of the company from the wares of the owners,<sup>53</sup> and that when a trade mark does not in fact distinguish the goods of a company to which it has been assigned from those of the assignor company, the trade mark registration is invalid, even though the two companies are related.<sup>54</sup>

Another case has now been added to the line of jurisprudence started by the *Cheerio* and *Wilkinson* cases. This is *Sarco Canada Ltd. v. Sarco Co.*,<sup>55</sup> in which the same trade mark was used in Canada by two companies which were formerly related. It was held that this concurrent use by two trading entities invalidated the trade mark registration. On the facts, there was no

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<sup>46</sup> *Id.* § 12(2).

<sup>47</sup> *Id.* § 13.

<sup>48</sup> *Id.* § 14(1).

<sup>49</sup> *Id.* § 18(1)(b).

<sup>50</sup> *Dubiner v. Cheerio Toys & Games Ltd.*, 44 Can. Pat. R. 134, 28 Fox Pat. Cas. 1 (Exch. Ct. 1964) *aff'd*, 48 Can. Pat. R. 226, 32 Fox Pat. Cas. 37 (Sup. Ct. 1965); *Cheerio Toys & Games Ltd. v. Cheerio Yo-Yo & Bo-Lo Co.*, 44 Can. Pat. R. 169, 28 Fox Pat. Cas. 40 (Exch. Ct. 1964); *Cheerio Toys & Games Ltd. v. Dubiner*, 43 Can. Pat. R. 111, 28 Fox Pat. Cas. 34 (Exch. Ct. 1964), *aff'd*, 48 Can. Pat. R. 226, 32 Fox Pat. Cas. 37 (Sup. Ct. 1965).

<sup>51</sup> Can. Pat. R. 55, 34 Fox Pat. Cas. 77 (Exch. Ct. 1966).

<sup>52</sup> See, e.g., Mitches, *Trade Mark Expungement Under Canadian Law*, 59 Can. Pat. R. 137, at 165-67 (1969); Shapiro, *Recent Trends in Canadian Trade Mark Law*, 59 Can. Pat. R. 253 (1969); Kokonis, *Recent Trade Mark Thinking*, Proceedings of the 41st Annual Meeting, Patent and Trade Mark Institute of Canada 103 (1967); Thompson, *Ignorance of the Fact is No Excuse*, 16 BULLETIN OF THE PAT. & TRADE MARK INST. OF CANADA 12 (Ser. 7 1966); Butler, *Comment on the case of Wilkinson Sword (Canada) Ltd. v. Juda*, 19 BULLETIN OF THE PAT. & TRADE MARK INST. OF CANADA 29 (Ser. 7 1967); Kent, Note, 2 OTTAWA L. REV. 230 (1968).

<sup>53</sup> This is the basic holding in *Cheerio*.

<sup>54</sup> This is the basic holding in *Wilkinson*.

<sup>55</sup> 56 Can. Pat. R. 80, 38 Fox Pat. Cas. 165 (Exch. Ct. 1968).



agency arrangement by which one company could be said to use the mark as the agent of the other, nor was there a registered user agreement between them.

The decision is in accord with the decision of the *Cheerio* and *Wilkinson* cases, and appears to add little to the law as set out in them. However, one comment of Mr. Justice Gibson causes some concern. He considered whether there was an implied license from the trade mark owner to the other user of the mark, thus implying that such a license might have permitted such use.<sup>56</sup> It is respectfully submitted that the question of an implied license is completely irrelevant. Under Canadian trade mark law, the only people who can use a trade mark are the owner and a registered user, duly registered as such under section 49 of the Trade Marks Act.<sup>57</sup> Similarly, the implication that an agency arrangement between the two companies might have permitted concurrent use of the trade mark by both is suspect under Canadian law.

The consideration by Gibson of possible agency or license agreements is in stark contrast to the approach adopted by President Jackett. In *Gattuso v. Gattuso Corp.*,<sup>58</sup> Jackett had a similar problem to consider. In that case, the trade mark registration was owned by an individual, but was actually used by a company with which he was associated. The individual registrant later severed connections with the company, and sued it for infringement because of its continued use of the trade mark. Jackett considered that, if the individual registrant was the owner of the trade mark, the mark must be invalid as not distinctive.<sup>59</sup> This holding was made despite the fact that, for at least the major part of the period in which the mark was used by the defendant company, the company was controlled by the plaintiff. Under these circumstances, it would have been extremely easy to imply a license to the defendant to use the mark, if such license were to be implied under any circumstances whatsoever, but Jackett did not do so. Indeed, he rejected an argument that the registered owner held the trade mark in trust for the defendant corporation, stating that "having regard to the intrinsic nature of a trade mark, I do not understand how one person can own a trade mark in trust for another."<sup>60</sup>

The conclusion to be drawn from the *Wilkinson*, *Cheerio*, *Sarco*, and *Gattuso* cases is that the ownership and use of trade marks should be reviewed very carefully in all cases where the mark is not owned by the actual user, or where there are two or more companies using the same mark. If the mark is similar to the trade name of any company which is not the registered owner, the mere existence of a registered user agreement permitting that company to use the mark will not save validity. At the very least, there should be a clause in the letters patent of the company requiring it to change its name to one which is not confusing with the registered trade mark, if the

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<sup>56</sup> *Id.* at 84-85, 38 Fox Pat. Cas. at 169-70 (Exch. Ct. 1968).

<sup>57</sup> Can. Stat. 1952-53 c. 49.

<sup>58</sup> 56 Can. Pat. R. 109, 39 Fox Pat. Cas. 124 (Exch. Ct. 1968).

<sup>59</sup> 56 Can. Pat. R. at 118, 39 Fox Pat. Cas. at 131.

<sup>60</sup> 56 Can. Pat. R. at 121, 39 Fox Pat. Cas. at 134.

existing relationship between it and the trade mark owner ends.

While the courts have become very stringent in questions of distinctiveness where there are two or more users of the same trade mark, they have relaxed considerably the requirements for distinctiveness as it relates to territorial areas and generic use of trade marks.

Section 31(2) of the Trade Marks Act permits registration of marks which have acquired distinctiveness to be limited by the registrar to the areas of Canada in which such distinctiveness has actually been acquired. It would seem that the Exchequer Court has power to limit a registration in the same way.<sup>61</sup> In the case of *Home Juice Co. v. Orange Maison Ltd.*,<sup>62</sup> Mr. Justice Noel found as fact that the trade mark was suggestive instead of descriptive, and went on to note that, in case he were reversed on this point on appeal, he considered that the mark had acquired distinctiveness within the province of Quebec. He thus held in effect that the trade mark was registrable in accordance with section 31(2),<sup>63</sup> in which case the registration would have been limited to Quebec. It thus appears that Noel would have amended the register to limit the registration to Quebec had he found the mark in fact descriptive instead of suggestive.

In the later case of *Great Lakes Hotels Ltd. v. Noshery Ltd.*,<sup>64</sup> the question of distinctiveness in a particular region was again considered. The respondent in an expungement action had registered the trade mark "Pent-house" for restaurant and catering services, and for various foods as wares. Evidence was led to show that, at the time of registration of the mark, there were at least four other businesses of the same nature using the word "Pent-house" in association with their services. An attack based on prior user by these persons was not open to the applicant because he was not a prior user of the mark,<sup>65</sup> but the applicant did attack the mark on the basis that it was not distinctive at the time proceedings bringing the validity of the registration into question were commenced.<sup>66</sup>

After considering the evidence, Mr. Justice Cattanach came to the conclusion that the mark was distinctive in that it actually distinguished the wares of its owner from those others in the territorial area of the municipality of Metropolitan Toronto. He commented:

I think that a trade mark is distinctive within the meaning of the definition of distinctive in § 2(f) if the mark actually distinguishes the wares and services of its owner from the wares or services of others in a particular restricted area of Canada.

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<sup>61</sup> Section 56(1) of the Trade Marks Act permits the court "to order that any entry in the register be struck out or amended on the ground that at the date of such application the entry as it appears on the register does not accurately express or define the existing rights of the person appearing to be the registered owner of the mark."

<sup>62</sup> 53 Can. Pat. R. 71, 36 Fox Pat. Cas. 179 (Exch. Ct. 1967).

<sup>63</sup> Can. Stat. 1952-53 c. 49.

<sup>64</sup> 56 Can. Pat. R. 165, 39 Fox Pat. Cas. 135 (Exch. Ct. 1968).

<sup>65</sup> See § 17(1) of the Trade Marks Act.

<sup>66</sup> See § 18(1)(b) of the Trade Marks Act.

It follows irrefutably therefrom that a trade mark is distinctive if it actually distinguishes the wares or services of its owner from those of others in a restricted area of Canada and need not distinguish those wares throughout Canada or from those of all other persons in Canada.<sup>67</sup>

Thus, Cattanaach dismissed the application for expungement. He did not make an order to amend the register to limit the registration to the Municipality of Metropolitan Toronto, as he would seem to have the power to do under section 56(1) of the act.<sup>68</sup> Thus, the registration remains on the register of the Trade Marks Office as apparently applying to all of Canada, despite the finding of the court that it was distinctive in the Municipality of Metropolitan Toronto, and the undisputed evidence that the same trade mark had been used before the date of filing of the registration by four other people in different parts of Canada.

The decision of Cattanaach in *Great Lakes Hotel Ltd.*<sup>69</sup> poses some severe problems for those wishing to expunge trade marks. Prior to this case, it would generally have been considered that, if a mark had been used continuously by five different persons in Canada, that mark was invalid. Now, it seems that the mark may be valid upon showing that it is distinctive in a particular area. However, it would seem that, in such circumstances, the court should amend the registration to limit its effect to that area, which was not done in the *Great Lakes* case. Prima facie, the mark remains registered for all of Canada, and lawyers asked to advise as to the availability of that mark for use in areas other than Metropolitan Toronto are faced with a difficult problem.

At first glance, the *Great Lakes* case appears to be in conflict with the decisions in *Cheerio*,<sup>70</sup> *Wilkinson*,<sup>71</sup> *Sarco*<sup>72</sup> and *Gattuso*.<sup>73</sup> In each of those cases, use of a trade mark by two persons (or by one person in two different capacities) invalidated that mark. In *Great Lakes*, the mark was held valid although used by at least five different persons. However, the conflict is only apparent, in that in each of the cases mentioned except *Great Lakes*, use by both parties was in the same territorial area, whereas in *Great Lakes* the five users of the mark were widely separated geographically, and it was possible for one user to have acquired distinctiveness in a defined geographical area. It is quite possible that *Great Lakes* will be limited to businesses which, by their nature, are local, so that different users of the trade mark can build up distinctiveness in particular areas.<sup>74</sup> Some support

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<sup>67</sup> 56 Can. Pat. R. at 178, 39 Fox Pat. Cas. at 147.

<sup>68</sup> Can. Stat. 1952-53 c. 49.

<sup>69</sup> *Supra* note 64.

<sup>70</sup> *Supra* note 50.

<sup>71</sup> 51 Can. Pat. R. 55, 34 Fox Pat. Cas. 77 (Exch. Ct. 1966).

<sup>72</sup> 56 Can. Pat. R. 80, 38 Fox Pat. Cas. 165 (Exch. Ct. 1968).

<sup>73</sup> 56 Can. Pat. R. 109, 39 Fox Pat. Cas. 124 (Exch. Ct. 1968).

<sup>74</sup> This decision, however, adopts a different approach to regional distinctiveness from *Robert C. Wian Enterprises, Inc. v. Mady*, 46 Can. Pat. R. 147, 29 Fox Pat. Cas. 37 (Exch. Ct. 1965), in which it was held that a trade mark did not become "well known in Canada" if it was only known in a particular geographical area of Canada, even though the infringer himself was in that geographical area.

is given to this view by the comment of Mr. Justice Cattnach: "I cannot conclude that the respondent's mark distinguishes its wares and services throughout Canada. That claim on the part of the respondent is too ambitious and, in my view, it is not substantiated. From its very nature the business of a restaurant is necessarily local in scope unless a chain of restaurants were operated which is not the case here."<sup>75</sup>

The effect of generic use of a trade mark as a common word was considered in the case of *Aladdin Industries Inc. v. Canadian Thermos Products Ltd.*<sup>76</sup> This case involved the well known trade mark "Thermos." Mr. Justice Kerr relied on the fact that the public was aware of a dual use and meaning for the word "Thermos," both as a generic word meaning "vacuum bottle" and as the trade mark of Canadian Thermos Products Limited. In this respect, Kerr adopted an approach which is quite similar to the approach of President Jockett in the *Standard Oil* case,<sup>77</sup> in determining whether the trade mark was "primarily merely" a surname or invented word. Although Kerr did not use the words "primarily merely" he stated:

Although the word "thermos" is now commonly used in a descriptive sense, I do not regard it as a merely descriptive word, in the sense that "shredded wheat" or "cellular cloth" were said to be merely descriptive in the cases in which their significance was the subject of judicial decision. As Fletcher Moulton, L.J. pointed out in *Re Joseph Crosfield & Sons, Ltd.*, [1910] 1 Ch. 130 at p. 145, there is no absolute incompatibility between what is descriptive and what is distinctive. A descriptive word can be distinctive when used in certain circumstances.<sup>78</sup>

Justice Kerr did note that, whichever way he decided, there would be inconvenience to some party. If the mark were held distinctive enough to be maintained on the register, companies other than the registrant would be at a competitive disadvantage if the public asked for vacuum bottles by calling them "thermos bottles." However, if the mark were held invalid, those consumers who knew the trade mark "Thermos" as a trade mark would be misled into buying bottles of others in the belief that they were buying the vacuum bottles of Canadian Thermos Products Limited. After considering the balance of convenience, the judge decided that the trade mark should be maintained. In reaching his conclusion, however, he did not completely bar other companies in the field from using the mark generically. He stated:

There is the interest of the applicant to be allowed to use the generic term "thermos" in connection with its vacuum bottles so as to improve its competitive position. I am assuming that the applicant might find it possible to use that term in its generic sense, with limitations and qualifications, in a way that would not mislead the public or infringe the respondent of the trade marks or depreciate the value of the good will attaching to the trade marks. A way was found in the United States. I express no opinion as to whether it is possible to find a way in Canada.<sup>79</sup>

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<sup>75</sup> 56 Can. Pat. R. at 176, 39 Fox Pat. Cas. at 145.

<sup>76</sup> 57 Can. Pat. R. 230, 41 Fox Pat. Cas. 26 (Exch. Ct. 1969).

<sup>77</sup> 55 Can. Pat. R. 49, 38 Fox Pat. Cas. 127 (Exch. Ct. 1968).

<sup>78</sup> *Supra* note 76, at 272, 41 Fox Pat. Cas. at 63.

<sup>79</sup> *Id.* at 274, 41 Fox Pat. Cas. at 65.

It was also noted in *Aladdin*<sup>80</sup> that the trade mark can lose distinctiveness for reasons other than the action of its owners. Thus, it is not only used by the owner of the trade mark to describe the goods generically which will invalidate it, but it may be invalidated by persons other than the owner adopting it descriptively. In addition, use by another person which amounts to the infringement of the registration will lead to non-distinctiveness if such is not stopped.<sup>81</sup>

In *Clairol International Corp. v. Thomas Supply & Equipment Co.*,<sup>82</sup> there was an attack on distinctiveness on the basis that the mark in question could not be distinctive because it had always been used in conjunction with another, more distinctive trade mark. This contention was rejected on the facts, as Mr. Justice Thurlow found that the marks were in different sizes of type and in different colours, and that they were accompanied by asterisks which indicated footnotes showing that they were separate trade marks. However, the principle that a mark can lose distinctiveness because of association with a stronger mark was not rejected by the judge. It would be helpful to have a judicial pronouncement to indicate how far an attack on this basis could be taken. For instance if a design mark is always used in conjunction with a word, can the design be said to be non-distinctive?<sup>83</sup>

In *Aladdin*,<sup>84</sup> it was pointed out that the law relating to distinctiveness differs with respect to marks which were registered in Newfoundland prior to 1949. These marks cannot be attacked on the ground that they are not distinctive when proceedings bringing the validity of their registration in question are commenced, as is permitted with other registered trade marks under section 18(1)(d) of the Trade Marks Act.<sup>85</sup> The reason for this is that Newfoundland marks must be dealt with under the laws of Newfoundland as they existed immediately prior to March 31, 1949,<sup>86</sup> and such laws do not provide for invalidation on the ground of nondistinctiveness at a time after registration. It would thus seem that attacks on Newfoundland marks would have to be limited to those stating that the marks were not registrable at the time when it was registered. For marks which have been registered many years, it would be a very difficult task to prove such an allegation, as documentary evidence would be hard to obtain.

### III. CONFUSING TRADE MARKS

The question of whether two trade marks are confusing with one an-

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<sup>80</sup> *Id.* at 282, 41 Fox Pat. Cas. at 72.

<sup>81</sup> This is in essence what happened in *Sarco*, 56 Can. Pat. R. 80, 38 Fox Pat. Cas. 165 (Exch. Ct. 1968) and in *Gattuso*, 56 Can. Pat. R. 109, 39 Fox Pat. Cas. 124 (Exch. Ct. 1968).

<sup>82</sup> 55 Can. Pat. R. 176, 38 Fox Pat. Cas. 176 (Exch. Ct. 1968).

<sup>83</sup> If this reasoning were taken to extremes it could be argued that the famous Coca-Cola bottle shape could not be a distinctive trade mark, as all bottles using it bear the words "Coca Cola."

<sup>84</sup> *Supra* note 76.

<sup>85</sup> Can. Stat. 1952-53 c. 49.

<sup>86</sup> See Trade Marks Act, *id.* § 65(2).

other is central to most trade mark cases. It often arises on appeals from the decision of the registrar not to register a trade mark, as one of the grounds for non-registration is that the trade mark applied for is confusing with a previously registered trade mark.<sup>87</sup> It must also be considered in cases of infringement where the allegedly infringing mark is not identical to the trade mark for which the registration was obtained.<sup>88</sup>

Section 6 of the Trade Marks Act<sup>89</sup> defines confusion between two trade marks, between a trade mark and a trade name, or between a trade name and a trade mark. Generally, the section lays down the test that confusion exists, if the use of both trade marks (or the trade mark and trade name, as the case may be) in the same area would be likely to lead to the inference that the wares or services associated with one and the wares or services associated with the other emanate from the same source. Confusion can occur whether or not the wares or services associated with the two are of the same general class or not. Whether or not two trade marks (or a trade mark and a trade name) are confusing involves more than merely comparing the two marks, and the wares or services with which they are used. Section 6(5) of the act<sup>90</sup> requires the court or the registrar to "have regard to all the surrounding circumstances" and prescribes certain circumstances to which particular regard should be had. These include the inherent distinctiveness of the marks, the extent to which they have become known, the length of time which they have been in use, the nature of the wares, services or business, the nature of the trade, and the degree of resemblance.<sup>91</sup>

Prior to the replacement of the Unfair Competition Act<sup>92</sup> by the Trade Marks Act, the corresponding test was whether the marks were "similar." President Jackett considered the jurisprudence under the Unfair Competition Act provision in a recent case,<sup>93</sup> and held that section 6<sup>94</sup> gives a broader test than that previously used. Now, the court must decide confusion on the basis of whether there is an inference of common origin, not whether the marks are similar.<sup>95</sup> However, some of the "surrounding circumstances" which had been set out in the leading case on confusion under the Unfair Competition Act<sup>96</sup> still apply to cases under the new act. For instance, if the trade marks in question are similar to the common name of the wares, or are descriptive of the wares,<sup>97</sup> a court will be less likely to find confusion, as the

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<sup>87</sup> *Id.* § 12(1)(d).

<sup>88</sup> *See id.* § 20.

<sup>89</sup> Can. Stat. 1952-53 c. 49.

<sup>90</sup> *Id.*

<sup>91</sup> Resemblance between trade marks or trade names may be appearance, sound, or ideas suggested by them. *See id.* § 6(5)(e).

<sup>92</sup> CAN. REV. STAT. c. 273 (1952).

<sup>93</sup> *Green, Young & Co. v. Kimberly-Clark of Canada Ltd.*, 57 Can. Pat. R. 81, 40 Fox Pat. Cas. 188 (Exch. Ct. 1969).

<sup>94</sup> *Supra* note 89.

<sup>95</sup> 57 Can. Pat. R. at 88, 40 Fox Pat. Cas. at 194.

<sup>96</sup> *General Motors Corp. v. Bellows*, [1949] Sup. Ct. 678.

<sup>97</sup> This was the situation in *La Maur Inc. v. Prodon Indus. Ltd.*, discussed *infra* note 104.

marks will be considered as "weak marks," and the public will be expected to have a higher standard of discrimination. Also, the standard of confusion will vary as to whether the wares are purchased "off the shelf" or after consideration. Thus, different standards would apply when determining confusion in marks used on canned foods and marks used on expensive items such as automobiles or refrigerators.

As the test under the Trade Marks Act is no longer that of similarity, the question arises of how marks which are dissimilar can be confusing. This problem was considered by the Supreme Court in the case of *Rowntree Co. v. Paulin Chambers Co.*<sup>98</sup> The marks in question were "Smarties" and "Smoothies." The first of these marks had been registered for confections, and registration was being sought for the second in respect of candy.

The Supreme Court held that words which are different in overall appearance and which have different sounds and dictionary meanings can still be confusing if the idea suggested by them is the same. Speaking for the Court, Mr. Justice Ritchie quoted with approval the comments of the Registrar of Trade Marks in the decision appealed from, and said that the registrar had applied the test required of him. The registrar had noted that the wares with which the two marks were used were identical, and that they were distributed through the same channels. On the question of confusion, the registrar had said: "Both marks are slang terms commonly used to describe a 'smart alec' or a 'smooth operator.' After carefully reviewing the evidence, I have arrived at the conclusion that there is a strong possibility that the concurrent use of both marks would lead to the inference that the wares of the applicant and those of the opponent emanate from the same source."<sup>99</sup>

In a later case,<sup>100</sup> the Supreme Court found "Gold Band" for cigars and "Golden Circlet" for cigarettes confusing, on the ground that the concurrent use of the two marks would be likely to lead to the inference that the wares with which they were used in association were produced by the same company.<sup>101</sup>

It should be remembered that, when two marks are being compared to determine whether or not they are confusing, it is not correct to subject the marks to minute comparison for subtle similarities or differences between them. It has been established in many cases<sup>102</sup> that the test is whether a

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<sup>98</sup> 54 Can. Pat. R. 43, 37 Fox Pat. Cas. 77 (Sup. Ct. 1967).

<sup>99</sup> *Id.* at 46, 37 Fox Pat. Cas. at 80.

<sup>100</sup> *Benson and Hedges (Canada) Ltd. v. St. Regis Tobacco Corp.*, 57 Can. Pat. R. 1, 39 Fox Pat. Cas. 207 (Sup. Ct. 1968).

<sup>101</sup> The question of whether the concurrent use of two marks would lead to the inference that the wares emanate from the same source does not always seem to be considered by the registrar in appropriate cases. See for instance, *Brewster Food Service Inc. v. Krispak Ltd.*, 56 Can. Pat. R. 282, 38 Fox Pat. Cas. 34 (Reg'r T.M. 1968) where the registrar, in considering the marks "Beer Nuts" and "Saloon Nuts," merely commented that "the marks, when viewed in their totalities are sufficiently different in appearance and sound to preclude confusion."

<sup>102</sup> *Battle Pharmaceuticals v. British Drug Houses, Ltd.*, [1946] Sup. Ct. 50 (1945); *Freed & Freed Ltd. v. Registrar of Trade Marks*, 14 Can. Pat. R. 19, 11 Fox Pat. Cas. 50 (Exch. Ct. 1950); and many other cases.

person who is familiar with only one of the trade marks and who has an imperfect recollection of it would be confused. The test must be applied by putting the court in the place of a person "possessed of an average memory with its usual imperfections."<sup>103</sup> When applying this test, it can easily be seen how there would be confusion in the mind of a person who had seen candy bearing the mark "Smarties" or cigars bearing the mark "Gold Band" on a previous occasion, and is later presented with candies bearing the mark "Smoothies" or cigarettes bearing the mark "Golden Circlet."

In contrast to the situations described above, there has been one recent case in which marks which at first glance would have seemed to be "similar" were not found confusing. This was the case of *La Maur Inc. v. Prodon Industries Ltd.*<sup>104</sup> The case involved a motion to expunge the registered trade mark "Hy\*Style" on the ground it was confusing with the previously used unregistered trade mark "Style." The wares for which the two marks were registered were substantially identical. Both the registered and unregistered marks were parts of designs, but it was found as fact that the dominant feature of both designs was the words.

In rejecting the contention that the marks were confusing, Justice Gibson noted that most of the sales of wares bearing the unregistered mark were to the wholesale trade, whereas most of the sales using the registered mark were by retail. No evidence of actual confusion in the marketplace was adduced, and the volume of sales of the products bearing the unregistered mark was very small. There was evidence of a few sales of the product bearing the unregistered mark to retail stores, but no evidence as to how the ultimate users purchased these products. The mark "Style" was also held as having little inherent distinctiveness, being a weak mark employing a word in ordinary and common usage.

In view of all of these facts, the judge held that the applicant had not discharged the burden of proof that there was a likelihood of confusion, and accordingly he refused to expunge the registered mark. This emphasizes that the onus of proof is on the person attempting to show confusion in the case of an expungement proceeding, and that it is not sufficient for him to rely upon mere similarities in sound or appearance between two marks. Instead, he must affirmatively prove that there is a likelihood of confusion particularly in cases where no actual confusion has been demonstrated.

*La Maur*<sup>105</sup> also illustrates another aspect of the findings of a likelihood of confusion. A word in ordinary and common usage is considered to have little inherent distinctiveness, and is not granted a broad scope of protection against the use of similar marks. However, if a mark which has little inherent distinctiveness has been used for a long time and to a large extent, its high degree of exposure to the public will be considered to have increased their

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<sup>103</sup> *Freed & Freed v. Registrar of Trade Marks*, 14 Can. Pat. R. at 31, 11 Fox Pat. Cas. at 61; *Mead Johnson & Co. v. G. D. Searle & Co.*, 53 Can. Pat. R. 1, 36 Fox Pat. Cas. 186 (Exch. Ct. 1967).

<sup>104</sup> 59 Can. Pat. R. 127, 42 Fox Pat. Cas. 118 (Exch. Ct. 1969).

<sup>105</sup> *Supra* note 104.



familiarity with it, and hence to have increased the amount of distinctiveness associated with the mark.<sup>106</sup>

The wording "likely to cause confusion" was considered by Gibson in *Old Dutch Foods Ltd. v. W. H. Malkin Ltd.*<sup>107</sup> This wording is not used in section 6, but does occur in section 7(b).<sup>108</sup> It was held that the noun "confusion" has not acquired a technical meaning from the decided cases, but that some assistance in interpreting its meaning could be obtained from considering section 6(5). However, the words "likely to" were considered to have a technical meaning.<sup>109</sup> The judge commented:

The technical acquired meaning when so employed of the words 'likely to' (cause confusion) is not 'intended to' (cause confusion). Such technical meaning is the same as 'calculated to' (cause confusion) or 'reasonably likely to' (cause confusion) . . . . It, therefore, makes no difference whether the employment of any method directing public attention is fraudulent, or merely mistaken or accidental. But as practical matter of proof, it will be easier for a plaintiff to succeed if a defendant has acted fraudulently or in a manner approaching dishonesty.<sup>110</sup>

The judge considered that all of the remaining words of section 7(b)<sup>111</sup> should be interpreted according to their normal meanings.

When, during an opposition proceeding, it is alleged that a published application is confusing with another mark, there appears to be some question as to whether only the material on file in the application can be considered, or whether all circumstances of the use of the two marks can be examined. It would seem that the applicant for registration may rely on the wording of his application, and need not file any evidence as to the actual way in which the mark is used.<sup>112</sup> On the other hand, where evidence has been adduced as to the actual use of marks, the Registrar of Trade Marks has gone out-

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<sup>106</sup> For *e.g.*, a registrar's decision in which long use and extensive advertising of a mark having inherently low distinctiveness was considered to increase the distinctiveness of the mark, *see A & W Drive-Ins of Canada Ltd. v. Jolly Buccaneer Root Beer Co.*, 58 Can. Pat. R. 189, 40 Fox Pat. Cas. 40 (Reg'r T.M. 1968). The mark "Burger Family" was held to have been used and advertised to such an extent that "Burger Crew" would be confused with it.

<sup>107</sup> 58 Can. Pat. R. 146, 42 Fox Pat. Cas. 124 (Exch. Ct. 1969).

<sup>108</sup> Can. Stat. 1952-53 c. 49, § 7(b):

b) direct public attention to his wares, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his wares, services or business and the wares, services or business of another.

<sup>109</sup> 58 Can. Pat. R. at 153, 42 Fox Pat. Cas. at 131-32.

<sup>110</sup> *Id.* at 154, 42 Fox Pat. Cas. at 132.

<sup>111</sup> Can. Stat. 1952-53 c. 49.

<sup>112</sup> *Drackett Co. of Canada v. American Home Prod. Corp.* 55 Can. Pat. R. 29, at 32, 38 Fox Pat. Cas. 1, at 5 (Exch. Ct. 1968). From the comments of Justice Cattnach, it is possible that the applicant would have had to file evidence if he had been appellant from a successful opposition. It seems strange that there should be a different rule depending on whether the applicant is appellant or respondent, as the question of whether the marks are confusing is the same, and the same question arises as to whether confusion can be determined if the channels of distribution are not known.

side the statements of wares as shown in the application (or on the register in the case of a registered mark) to determine whether there would be confusion in the light of the way that the marks are actually used.<sup>113</sup> If the courts do not require that evidence of the method of use be filed, it is not clear how they can make any determination under section 6(5) as to whether two marks are confusing. In *Drackett Co. of Canada v. American Home Products Corp.*<sup>114</sup> the applicant described his wares as a "floor cleaner." Justice Cattanach realized the difficulty of making a determination of confusion when the wares are described this broadly, and commented:

There was no evidence whatsoever as to the respondent's product other than the bare statement in the application for registration of the proposed trade mark that it is a "floor cleaner." Conceivably it might be a cleansing agent exclusively, or a cleansing agent in combination with some protective property. Neither was there any evidence of its applicability to the variety of flooring in modern use, that is, whether its use is restricted to a particular type of flooring or is useful with respect to all types. Further, there was no information as to whether the product was designed for use on areas of heavy, modest or light traffic or all such areas.

The respondent, as applicant, was not under any obligation to, nor did it file any evidence.<sup>115</sup>

The judge did not have to decide the question of confusion, as the argument based on confusion was withdrawn at trial. However, if he had been required to do so, he would have had extreme difficulty, as insufficient information was provided for him to make any determination on the basis of section 6(5). It is submitted that in cases where the application has a statement of wares which is not sufficiently precise to show how the wares are to be distributed or the exact nature of the wares, it should be assumed that all possible wares within the definition given will be distributed in all possible ways and that the mark will hence be confusing with a registered mark relating to any of these wares distributed in any of these ways. If evidence is submitted to show that the applicant's wares are distributed in only some of the possible ways, then it is believed that the court should not permit registration unless the statement of wares is limited to define accurately the wares and their mode of distribution.<sup>116</sup>

When a trade mark application is rejected as confusing with a registered mark, or is opposed on the basis of such confusion, it has been held that the court must assume the validity of the registered mark.<sup>117</sup> The court will not

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<sup>113</sup> *Dominion Rubber Co. v. Hardifoam Prod. Ltd.*, 57 Can. Pat. R. 90, 39 Fox Pat. Cas. 67 (Reg'r T.M. 1968).

<sup>114</sup> *Supra* note 112.

<sup>115</sup> 55 Can. Pat. R. at 32, 38 Fox Pat. Cas. at 4.

<sup>116</sup> It would seem under §§ 55(5), 29(a) and 36(1)(a) of the Trade Marks Act, that the court has jurisdiction only to refuse or accept for advertisement an application as presented to it, not to amend the application of its own motion. However, there is nothing to prevent the court from including in its decision a term that it will accept the application for advertisement under § 55(5) if a specified change to the statement of wares is made within a specified time.

<sup>117</sup> *Green, Young & Co. v. Kimberley-Clark of Canada Ltd.*, 57 Can. Pat. R. 81, at 85, 40 Fox Pat. Cas. 188, at 192 (Exch. Ct. 1969).

consider an attack on the validity of the registration in these proceedings. Thus, the court is not permitted to consider the question of whether the registered mark is inherently distinctive or whether it has been used continuously in determining the question of whether the mark for which application is made is confusing with it. The proper approach by an applicant who wishes to raise these arguments is to move to expunge the registered mark under section 56<sup>118</sup> of the act. On the other hand, when the opposition is based on an unregistered mark, it is perfectly proper for the applicant for registration to challenge the distinctiveness or degree of use of the unregistered mark. Such a challenge is based on the fact that the person having the unregistered mark has the onus of proving a likelihood of confusion.<sup>119</sup> In contrast, it would seem that the onus in an opposition based on a registered trade mark lies with the applicant, to show that there is no likelihood of confusion between his mark and the registered one.<sup>120</sup>

#### IV. INFRINGEMENT OF A REGISTERED TRADE MARK

The registration of a trade mark in respect of any wares or services gives the owner exclusive rights to the use throughout Canada of such trade marks in respect to such wares or services, subject to certain exceptions set out in the act.<sup>121</sup> Additionally, use of a confusing trade mark or trade name is prohibited, except for bona fide use of a personal name, the geographical name of a place of business, or an accurate description of the character or quality of the wares in a manner not likely to depreciate the good will of the registered trade mark.<sup>122</sup>

The law relating to infringement has been settled for some time, and recent cases have laid down few new principles. However, one interesting case dealt with the problem of whether reference to a competitors trade mark for the purposes of comparing one's own wares to the wares sold under that trade mark constitutes infringement. The case in question was *Clairol International Corp. v. Thomas Supply & Equipment Co.*<sup>123</sup>

In *Clairol*, the defendant was the Canadian distributor of hair colouring sold under the trade mark "Revlon" which hair colouring was the chief competitive product to the plaintiff's "Clairol" hair colourings. The defendant's wares were clearly marked as being "Revlon" hair colourings, but were also marked with a "Comparative Hair Colour Shade Chart" which showed the shades corresponding to two of the plaintiff's hair colouring

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<sup>118</sup> Can. Stat. 1952-53 c. 49.

<sup>119</sup> *La Maur Inc. v. Prodon Indus. Ltd.*, 59 Can. Pat. R. 127, at 132, 42 Fox Pat. Cas. 118, at 123 (Exch. Ct. 1969).

<sup>120</sup> This appears to follow from the wording of § 12(1)(d) of the Trade Marks Act, and is implicit in the reasoning of *Green, Young & Co. v. Kimberley-Clark of Canada Ltd.*, *supra* note 117.

<sup>121</sup> Can. Stat. 1952-53 c. 49, § 19. The exceptions are those set out in §§ 21, 31 & 65.

<sup>122</sup> *Id.* § 20.

<sup>123</sup> 55 Can. Pat. R. 176, 38 Fox Pat. Cas. 176 (Exch. Ct. 1968).

preparations, identifying these by the plaintiff's trade marks and colour identification numbers.

Justice Thurlow found on the facts that there was no attempt by the defendant in his use of the plaintiff's trade marks to pass off his wares as the wares of the plaintiff. He found that the affixing of the plaintiff's mark to the defendant's packages was indeed "use" of the plaintiff's trade mark within the terms of section 4(1) of the Trade Marks Act.<sup>124</sup> However, he held that the use of the mark was not made in a trade mark sense. He commented:

In all cases, however, a trade mark is defined by reference to use for the purpose of distinguishing or so as to distinguish wares or services whether of a particular origin or of a defined standard, from others. When, therefore, s. 19 provides that the registration of a trade mark in respect of any wares or services gives to the owner "the exclusive right to the use of such trade mark throughout Canada in respect of such wares or services" what it appears to me to confer is the exclusive right to the use of such mark in association with such wares or services (within the meaning of ss. 2(v) and 4) for the purpose of distinguishing the wares or services as being those of the user of the trade mark or of a defined standard from others. A use of the mark in association with wares or services, within the meaning of ss. 2(v) and 4, that is not "for the purpose of distinguishing or so as to distinguish" the particular wares or services from others is not, however, as I see it, within the area of the exclusive right conferred by s. 19.<sup>125</sup>

The plaintiff had also alleged that the use of the comparative colouring chart on brochures used in point of sale advertising was infringement. The judge held that there could be no infringement as this did not constitute use in association with the wares. He commented:

To my mind, however, the presence of the plaintiffs' marks on the comparative shade charts of the defendants' brochures is not a use of such marks within the meaning of s. 4(1) since the brochures are neither the wares themselves nor the packages in which the wares are distributed and nothing that I would regard as notice to any person purchasing the defendants' wares of any association of the plaintiffs' marks with those wares, so far as I am aware, ever occurs in any use to which the brochure or its chart can be put at the time of the transfer of the property or possession of the defendants' goods to their purchaser.<sup>126</sup>

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<sup>124</sup> Can. Stat. 1952-53 c. 49, § 4(1) reads as follows:

A trade mark is deemed to be used in association with wares if, at the time of the transfer of the property in or possession of such wares, in the normal course of trade, it is marked on the wares themselves or on the packages in which they are distributed or it is in any other manner so associated with the wares that notice of the association is then given to the person to whom the property or possession is transferred.

<sup>125</sup> 55 Can. Pat. R. at 192, 38 Fox Pat. Cas. at 192. Strictly speaking, this statement in the form given by the learned judge may be considered to be too broad. In many cases of infringement the use of the trade mark is not for the purpose of distinguishing the goods of the infringer from those of the trade mark owner, yet there is infringement. In such cases, the infringer attempts to make his mark indistinguishable as possible to those of the trade mark owner, so that he can benefit from the reputation and goodwill of the trade mark owner.

<sup>126</sup> 55 Can. Pat. R. at 190, 38 Fox Pat. Cas. at 190.

In another case, a previously established principle of trade mark infringement was again affirmed. It was held that the registered owner of a trade mark is entitled to protection from the importation into Canada of a product which is made by a related company, even though the product is identical to that which he markets.<sup>127</sup> This is of importance to companies having affiliates in foreign countries, when products manufactured by those affiliates with lower labour costs might be imported into Canada in competition with the products of the Canadian company. If the Canadian company does not prevent importation of the wares of its foreign affiliate, or make the foreign affiliate a registered user,<sup>128</sup> the Canadian company stands to lose its trade mark, as the trade mark can then be said to not be adapted to distinguish its wares from the wares of the foreign affiliate.<sup>129</sup>

## V. GOODWILL IN A TRADE MARK

Section 22(1) of the Trade Marks Act<sup>130</sup> provides that no person shall use a trade mark registered by another person in a manner likely to have the effect of depreciating the value of the goodwill attaching to that trade mark. This section was introduced into the Canadian statute for the first time when the Trade Marks Act was enacted in 1953, and until recently no cases were decided under it. There are apparently no similar provisions in the trade mark legislation of any other country.<sup>131</sup>

Within the period covered by this survey, section 22(1)<sup>132</sup> has been considered in three cases, and the jurisprudence established has shown that the section can be a powerful weapon for the trade mark owner to use.

The most important case decided under section 22 is *Clairol International Corp.*, discussed above<sup>133</sup> with respect to infringement. Although the use by the defendant of the plaintiff's trade marks in colour charts on its wares was not held to be infringement, the court found that such use did depreciate the plaintiff's goodwill. Justice Thurlow held that depreciation of goodwill can occur through reduction of the esteem in which the mark is held or through the direct persuasion and enticing of customers who could otherwise be expected to buy or continue to buy goods bearing the trade mark.<sup>134</sup> He commented, when referring to the rights of a person other than

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<sup>127</sup> *Ulay (Canada) Ltd. v. Calstock Traders Ltd.*, 59 Can. Pat. R. 223, 42 Fox Pat. Cas. 178 (Exch. Ct. 1969).

<sup>128</sup> Registered users are persons entitled to use the mark by virtue of an agreement with the trade mark owner, which agreement is registered in the trade marks office. See § 49 of the Trade Marks Act.

<sup>129</sup> See notes 53-55 *supra*.

<sup>130</sup> Can. Stat. 1952-53 c. 49.

<sup>131</sup> Justice Thurlow noted the lack of corresponding provisions in other countries during the course of his decision in *Clairol*, 55 Can. Pat. R. at 195, 38 Fox Pat. Cas. at 194.

<sup>132</sup> Can. Stat. 1952-53 c. 49.

<sup>133</sup> *Supra* note 107.

<sup>134</sup> 55 Can. Pat. R. at 200, 38 Fox Pat. Cas. at 199.

the trade mark owner:

The person referred to in s. 22(1) . . . is prohibited by the statute from using, in the sense that I have indicated, the trade mark of another in a manner likely to have the effect of depreciating the goodwill attaching thereto. He may of course put information on his wares for the purpose of telling customers about his own wares in order to get the customers to buy them in preference to those of the owner of a particular trade mark. In general how he may do that is left to his own ingenuity and, provided the means adopted are honest means, no one can challenge him. But he may not put his competitor's trade mark on his goods for that purpose or for the purpose of carrying a message to customers who are familiar with the goods identified by the trade mark in order to facilitate their purchase of his own goods and thus to reduce the chance that new customers hearing of the goods identified by the mark would buy them in preference to his or that old customers familiar with the goods identified by the trade mark would have continued buying the goods of the owner of the mark. In short, he may not use his competitor's trade mark for the purpose of appealing to his competitor's customers in his effort to weaken their habit of buying what they have bought before or the likelihood that they would buy his competitor's goods or whatever binds them to his competitor's goods so as to secure the custom for himself, for this is not only calculated to depreciate and destroy his competitor's goodwill but is using his competitor's trade mark to accomplish his purpose.<sup>135</sup>

In the result, the judge held that the use of the plaintiff's trade mark on the defendant's packages contravened section 22(1). However, he held that the employment of the plaintiff's mark on the brochures used in point of sale advertising was not "use" within the meaning of section 4.<sup>136</sup> Hence, the employment of the trade mark on such brochures could not be contrary to section 22(1), as that section requires "use" of the trade mark.<sup>137</sup>

In *Clairol*, Justice Thurlow made a distinction between the goodwill attaching to a trade mark and the goodwill of a business as a whole.<sup>138</sup> He pointed out that many similar elements occur in both types of goodwill, but that certain elements have different degrees of importance in the two types. He commented:

The element of the location from which the goods bearing the trade mark emanate is, at least in the case of widely advertised marks such as the plaintiffs, in my view, of comparatively little importance. The place or places could, I think, in such cases be changed within rather wide limits with comparatively little effect on the goodwill attaching to the trade mark.

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<sup>135</sup> 55 Can. Pat. R. at 201, 38 Fox Pat. Cas. at 200.

<sup>136</sup> *Supra* note 124.

<sup>137</sup> The differentiation between use on wares and services and use during point of sale advertising is unfortunate. If this distinction is carried on by further cases, it will be quite simple for persons to avoid coming within section 22 while still using a registered trade mark to induce persons familiar with that trade mark to change to another product. All that will be necessary for the person wishing to use a registered trade mark to cause persons familiar with it to change their brand allegiance, as was done in *Clairol*, will be to use it on advertising material which is exhibited near the point of sale of his wares or the point of carrying out of his services.

<sup>138</sup> 55 Can. Pat. R. at 199, 38 Fox Pat. Cas. at 198.

But the element of the likelihood of a satisfied purchaser of goods bearing the trade mark purchasing goods again by reference to it is, I think, a large element of the goodwill attaching to it. The likelihood that such customers will tell their friends of their satisfaction with the product is, I think, another element of it. Yet another element is the effect of such persuasion to purchase the product as advertising may achieve whether to attract new customers or to induce former customers to continue to use the product identified by the mark. To paraphrase Lord Macnaghton's expression in *Trego et al. v. Hunt, supra*, the goodwill attaching to a trade mark is, I think, that portion of the goodwill of the business of its owner which consists of the whole advantage, whatever it may be, of the reputation and connection, which may have been built up by years of honest work or gained by lavish expenditure of money and which is identified with the goods distributed by the owner in association with the trade mark.

Then what is meant by "depreciate the value" of such goodwill. To my mind this means simply to reduce in some way the advantage of the reputation and connection to which I have just referred, to take away the whole or some portion of the custom otherwise to be expected and to make it less extensive and thus less advantageous.<sup>139</sup>

It is interesting to note that Justice Thurlow commented that the depreciation of goodwill does not result from the danger of the possible loss of exclusive rights in the trade mark itself.<sup>140</sup> However, it is clear from the jurisprudence discussed earlier<sup>141</sup> that such danger of loss of exclusive rights from use of the trade mark by others can be very serious indeed.

In *Clairol*, section 22(1) was used to prevent the affixing of a comparative chart referring to the plaintiff's trade mark on the defendant's wares. In another case also involving the "Clairol" group of companies, the section was used to prevent a product distributed for limited sale to beauty parlors from being sold at retail to individuals.<sup>142</sup> The plaintiff pointed out that the product as distributed to the beauty salons was in less attractive packaging, and that it did not have as complete instructions as did the package intended for retail sale. The judge held that it depreciated the plaintiff's goodwill in its trade mark to sell the "naked product" stripped of its attractive package, and to deprive the user of instructions which were "necessary for hair protection and for the good reputation of plaintiff."<sup>143</sup> This use was held to diminish the prestige enjoyed by the trade mark with consumers, and hence to be contrary to section 22(1).

A third case in which section 22(1) was invoked successfully recently involved nationally advertised paints made by a large and well known company. A quantity of these paints did not reach the quality standards which the company maintained, and the company stripped its trade marks from these paints and sold them at a very low price to the defendant for resale. The defendant had labels printed using the plaintiff's trade mark, and re-

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<sup>139</sup> *Id.*

<sup>140</sup> *Id.*

<sup>141</sup> See notes 53-60 and 76-81.

<sup>142</sup> *Clairol Inc. of Canada v. Trudel*, 56 Can. Pat. R. 179, 40 Fox Pat. Cas. 25 (Que. Sup. Ct. 1968).

<sup>143</sup> 56 Can. Pat. R. at 185, 40 Fox Pat. Cas. at 31 (Que. Sup. Ct. 1968).

affixed these labels to the paints from which the plaintiff had removed its trade mark. This action was held to lead to a diminution of goodwill accordingly to section 22(1), and an interlocutory injunction was issued.<sup>144</sup>

From the three cases discussed, it can be seen that section 22(1) is applicable to many different situations. The precise bounds within which the courts will apply the section are of course not yet defined, but it seems that a liberal interpretation will be given. In *obiter*, Justice Thurlow expressed some thoughts on another type of case which would fall within section 22(1):

There would be, I think, no difficulty in concluding that the section would find application in cases of the use of a well-known trade mark by someone other than its registered owner but in a non-competing field of trade or in association with wares or services in respect of which it is not registered. It may be observed of this type of case that the use of the trade mark might, though it would not necessarily, be deceptive. Deception, however, is not the test prescribed by s. 22, rather the test is the likelihood of depreciating the value of the goodwill attaching to the trade mark, a result which would not necessarily flow from deception and which might result without deception being present.<sup>145</sup>

It will be seen from this comment, as well as the three cases discussed, that the section is likely to be interpreted very broadly. It should still be noted, however, that, in view of Justice Thurlow's decision in *Clairol*, any objectionable use of the mark would seem to have to be in direct relation to wares and services, and not on advertising material.<sup>146</sup>

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<sup>144</sup> *DuPont of Canada Ltd. v. Nomad Trading Co.*, 55 Can. Pat. R. 97, 38 Fox Pat. Cas. 98 (Que. Sup. Ct. 1968). The interlocutory injunction was granted on several grounds, of which contravention of § 22(1) was one.

<sup>145</sup> 55 Can. Pat. R. at 195, 38 Fox Pat. Cas. at 194.

<sup>146</sup> *Supra* note 137.