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## REPORT AND COMMENTS ON *NISSAN CANADA INC. v. BMW CANADA INC., 2007 FCA 255*

MARCEL NAUD<sup>\*</sup>  
**LEGER ROBIC RICHARD, L.L.P.**  
LAWYERS, PATENT AND TRADEMARK AGENTS

### Key issues with luxury cars

In the recent case between Nissan Canada Inc. and BMW Canada Inc., the Federal Court of Appeal stated that for the presence of a mark in advertisement and promotional material to be sufficiently associated with wares to constitute use, the advertisements and promotional material would have to be given at the time of transfer of the property in or possession of the wares in question. The Court also stated that a bifurcation order does not relieve a plaintiff from the necessity of proving the existence of damages as an element of his cause of action in a recourse in passing off. Marcel Naud reports on the circumstances that lead to these conclusions and comments on possible effects that they may have.

### FACTUAL BACKGROUND

In this case, the Respondents BMW<sup>1</sup> sought to prevent the Appellant Nissan<sup>2</sup> from displaying the letter M alone in advertising material related to luxury automobiles. More specifically, BMW filed an action on August 12, 2005 to prevent Nissan from selling, distributing or advertising automobiles, parts and accessories in association with the trade-marks M and M6. It relied on ss. 7(b), 20 and 22 of the Trade-marks Act<sup>3</sup>. BMW claimed use of the M and M6 trademarks in Canada at least since 1987.

It is worth noting that the letter M and the combination M6 were not registered as trade-marks in Canada by BMW, but applications for both<sup>4</sup> were filed after

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<sup>\*</sup> Lawyer, Marcel Naud is a member of LEGER ROBIC RICHARD, L.L.P., a multidisciplinary firm of lawyers, and patent and trademark agents. Publication 173.018.

<sup>1</sup> BMW Canada Inc. and its parent company Bayerische Motoren Werke Aktiengesellschaft (together referred to as "BMW").

<sup>2</sup> Nissan Canada Inc. (hereinafter "Nissan").

<sup>3</sup> R.S., 1985, c. T-13.

<sup>4</sup> And a few others such as M ROADSTER, M COUPE, M SPORT PACKAGE, M EXECUTIVE PACKAGE and M PERFORMANCE EDITION.

**LEGER ROBIC RICHARD, L.L.P.**  
1001 Square-Victoria - Bloc E - 8<sup>th</sup> floor  
Montreal (Quebec) Canada H2Z 2B7  
Tel.: (514) 987-6242 Fax: (514) 845-7874  
[www.robic.ca](http://www.robic.ca) [info@robic.ca](mailto:info@robic.ca)

commencement of the action. However, BMW had registered trade-marks for M and design, M3, M5, M SERIES, M POWER design, M - THE MOST POWERFUL LETTER IN THE WORLD and M - THE MOST POWERFUL LETTER, before commencement of the action.

BMW presented the M brand as its premium brand, standing for “Mortorsport” and its racing heritage. The M series of automobiles incorporated technologies originally developed for BMW racing cars. This allowed it to target high end market segments and command a higher sales price. In BMW’s view, these special vehicles have become known and referred to as “M cars”, not only within BMW, but also in the market, because of BMW’s sales and promotional activities surrounding them.

The M6 car, which could also be described as the M edition of BMW’s 6 series, was the first M car promoted and sold by BMW in Canada, which was then followed by the M3 and M5 series. BMW M cars were marked with the M and design mark but none were marked with a stand-alone M letter mark<sup>5</sup>.

On the other hand, Nissan is the licensee of the registered trade-marks M45 and M35<sup>6</sup>, used for some vehicles in its luxury division, Infiniti. These vehicles have been referred to by some automobile journalists as “M cars” or “Infiniti M cars”, but none were marked with a stand-alone M letter, or with any of the trade-marks claimed by BMW. In some of its 2005 and 2006 advertising initiatives, Nissan displayed the letter M alone with great emphasis in order to promote Nissan’s new editions of Infiniti M models.

Within Nissan, M6 is a descriptor that designates an optional sports package providing a manual six speed transmission available to Infiniti G35 purchasers. When Nissan introduced its M6 package, BMW was not selling new M6 vehicles in Canada but had plans to reintroduce the model in 2006.

## TRIAL DECISION

In his reasons<sup>7</sup>, MacKay D.J. found that BMW failed to establish its claims based on ss. 20<sup>8</sup> and 22<sup>9</sup> but that Nissan was liable for statutory passing off under par. 7(b) for

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<sup>5</sup> BMW claimed that when it was using the M and Design mark, it was also using the stand-alone M letter trade-mark.

<sup>6</sup> After commencement of the action, Nissan’s parent company also applied the registration of the marks M20, M37, M40, M48, M50, M55 and M56 in Canada.

<sup>7</sup> *BMW Canada Inc. v. Nissan Canada Inc.*, 2007 FC 262 (CanLII).

<sup>8</sup> The judge found that there was “no likelihood of confusion arising by the defendant’s use of the letter M or the descriptor M6 with [BMW’s] registered marks M3, M5 and M and design”.

<sup>9</sup> Evidence was viewed as insufficient to conclude that Nissan “used [BMW’s] registered marks or other closely similar marks in a manner likely to depreciate the value of BMW’s goodwill in its registered marks.”

the use of the letter M alone and M6 as trade-marks for automobiles, parts and accessories.

The judge stated that BMW's unregistered M trade-mark had been "in use in advertising and promotional materials and in promotions at M-Night<sup>10</sup>" and he described BMW's M cars as "wares advertised by the M trade-mark"<sup>11</sup>.

In order to succeed in its passing off action, BMW had to show (1) the existence of goodwill, (2) deception of the public due to a misrepresentation by Nissan and (3) actual or potential damages.

With respect to goodwill, the judge stated that the "awareness of special interest groups<sup>12</sup> in a relatively small market of consumers is sufficient in this case to establish BMW's goodwill in the two common law trade-marks it claims and has used".

With respect to deception of the public due to a misrepresentation, the judge found that, whether intentional or not, confusion was caused by Nissan's use of the letter M alone and of M6 for wares, automobiles and parts similar to those of BMW.

With respect to actual or potential damages, the judge presumed, subject to further consideration, that there would be damages. No evidence of damages was made during trial since the parties obtained a bifurcation order which foresaw a hearing on a Reference on damages in the event that liability was found.

## DECISION BY THE COURT OF APPEAL

On appeal<sup>13</sup>, in the reasons for judgement delivered by Richard C.J. and concurred in by Linden J.A. and Pelletier J.A., the Court held that the trial judge erred in law in pursuing a paragraph 7(b) analysis without first establishing that the M and M6 marks were valid and enforceable trade-marks in light of the fact that there was "no evidence of use on which the trial judge could rely to conclude that the M and M6 marks [were] unregistered trade-marks" within the meaning of s.2 of the Act.

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<sup>10</sup> M-Night was an event held annually in Montreal from 2001 to 2005 as part of activities related to the Formula One race, to promote BMW's M cars.

<sup>11</sup> The judge considered that the use of the M and design mark on BMW M cars did not amount to use of the M mark by itself, by stating at par. 59 of the decision that "the use of the design mark, a registered trade-mark, however frequently it appears, cannot in law be considered as use of the M mark, an unregistered mark claimed by BMW. Similarly, use of the letter M in other trade-marks of BMW, in alpha numeric combinations like M3, M5, or with words, such as M Roadster, cannot be considered use of the M alone mark in assessing the plaintiffs' claims."

<sup>12</sup> Auto journalists and luxury high performance car enthusiasts, particularly BMW owners.

<sup>13</sup> *Nissan Canada Inc. v. BMW Canada Inc.*, 2007 FCA 255 (CanLII).

In so doing, the Court, as it had already done in the past<sup>14</sup>, insisted on the importance for a plaintiff to prove possession of a valid, enforceable trade-mark (registered or not) in order to use paragraph 7(b) as a cause of action. Here, the evidence showed that M and M6 were not marked on BMW's wares themselves nor on the packages in which they were distributed. The FCA applied the rule as set out in section 4(1) of the Act concerning use as it applied to wares, and which provides that:

“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 the 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.”

With respect to the M letter alone, BMW displayed it in advertisements and promotional materials but the Court said that there was no evidence as to when these advertisements and promotional materials were distributed in Canada. In finding that this was not sufficient to qualify as “use”, the Court stated that the advertisements and promotional material displaying the mark have to be given at the time of transfer of the property in or possession of the related wares, and it referred to past decisions in support of this statement<sup>15</sup>.

In addition, the Court determined that actual or potential damages to BMW, one of the essential elements in finding liability under paragraph 7(b), were not established. The Court was of the opinion that the trial judge erred in law in assuming that there would be damages and in considering that a bifurcation order could relieve BMW from its burden to prove, in the portion of the trial dealing with liability issues, the existence of actual or potential damages as an element of its cause of action.

## COMMENTS

The FCA confirmed that section 4(1) applies to unregistered trade-marks in matter of statutory passing off under section 7(b) of the Act. This means that use has to be proven and that the case law under section 4(1) has to be applied.

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<sup>14</sup> See *Kirkbi AG v. Ritvik Holdings Inc.*, 2003 FCA 297 (CanLII), affirmed in 2005 SCC 65 (CanLII).

<sup>15</sup> *Clairol International Corp. et al. v. Thomas Supply & Equipment Co. Ltd. et al.* (1968), 55 C.P.R. 176 at 190 (Can. Ex. Ct.) and *General Mills Canada Ltd. v. Procter & Gamble Inc.*, (1985), 6 C.P.R. (3d) 551 (T.M. Opp. Bd.)

The question of when there is an association sufficient enough to satisfy the requirement of section 4(1) is still to be determined on a case by case basis<sup>16</sup>.

If the issue of use of an unregistered trade-mark is a potential problem, litigants should always consider adding common law passing off as another cause of action.

As to the question of damages, it is difficult to understand the reasoning of the Court in light of a long line of case law to the effect that where the first two criteria for passing off are established, damages are presumed<sup>17</sup>. This is not to be confused with the actual establishment of the quantum of damages, which, in this case, was to be determined post-judgment on a Reference.



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<sup>16</sup> Interestingly, this judgment by the FCA has already been relied upon by the Federal Court in a subsequent and unrelated case, *88766 Canada inc. c. Monte Carlo Restaurant Ltd.*, 2007 CF 1174 (CanLII) at par. 13, as part of its reasons to expunge a trade-mark, thereby reversing a decision rendered by the Registrar of Trade-Marks in s. 45 expungement proceedings.

<sup>17</sup> For instance, see: *The Noshery Ltd v. The Penthouse Motor Inn*, (1969) 61 C.I.P.R. 207, *Marc-Aurele v. Ducharme* (1976), 34 C.P.R. (2d) 155 at p. 162, *Walt Disney Productions c. Triple Five Corp.* [FANTASYLAND], (1992), 43 C.P.R. (3d) 3321, *Greystone Capital Management Inc. v. Greystone Properties Ltd.*, 1999 CanLII 5690 (BC S.C.), *Ragdoll Productions (UK) Ltd. v. Jane Doe* (T.D.), 2002 FCT 918 (CanLII), *Law Society of British Columbia v. Canada Domain Name Exchange Corporation*, 2004 BCSC 1102 (CanLII) and *National Process Equipment Inc. v. Sigurdson*, 2004 ABQB 566 (CanLII).

