



WHEN A COPY DOES NOT CONSTITUTE PASSING OFF

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T-Rex Véhicules Inc. v. 6155235 Canada Inc. 2008 QCCA 947 (Quebec Court of Appeal, Jacques Chamberland J.C.A., France Thibault J.C.A. and Lorne Giroux J.C.A.)

1. Factual background

Since 2004, the appellant, through a licence granted by Campagna Moto Sport Inc., has the exclusive right to manufacture, commercialize and sell three-wheel vehicles under the trade-mark T-Rex. The frame and body of the T-Rex vehicle, which have been designed by an industrial designer specialized in auto body parts, were never registered under the *Trade-marks Act*, the *Copyright Act*, the *Industrial Design Act* nor the *Patent Act*.

In 2005, the respondent began manufacturing three-wheel vehicles, almost identical to the T-Rex, commercialized under the trade-mark G-2. It is not contested that the G-2 vehicle has been designed from a used T-Rex mould.

2. Leading legal principles

It has clearly been recognized by the Supreme Court of Canada in *Consumers Distributing Co. v. Seiko* [1984] 1 S.C. R. 583 that the common law principles relating to commerce and trade generally proceed on the basis of a recognition of perceived benefits to the community from free and fair competition. However, there are exceptions to this general rule where the law imposes restrictions on this right to free competition and trade. For instance, Canadian law condemns trade-mark infringement in two ways: the exclusive right of a registered trade-mark owner to use its trade-mark by virtue of Sections 19, 20 and 22 of the *Trade-marks Act* (which do not apply in the present case in absence of trade-mark registration), and, in case of unfair competition, the passing off action (Section 7 of

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the *Trade-marks Act* and civil liability action based on Section 1457 of the *Civil Code of Quebec*).

In *Ciba-Geigy Canada Ltd v. Apotex Inc.* [1992] 3 S.C.R. 120, the Supreme Court of Canada expressed three conditions necessary to a successful passing off action: the existence of goodwill, deception of the public due to a misrepresentation and actual or potential damage to the plaintiff.

Before examining the question whether the defendants are liable of passing off, the Quebec Court of Appeal (majority judgement delivered by Justice Thibault) analysed whether the appellant has a valid trade-mark right to rely on.

3. The protection of distinguishing guise

Justice Thibault, for the reasons hereinafter set forth, is of the view that the body and frame of the T-Rex vehicle constitute a distinguishing guise pursuant to Section 2 of the *Trade-marks Act*. However, based on different grounds than her colleague Justice Chamberland, she dismissed the appeal for absence of confusion.

a) Is the trade-mark registrable ?

Justice Thibault disagrees with her colleague Justice Chamberland who is of the view that a very precise and detailed description of the distinguishing guise must be provided in order for the trade-mark protection to apply. In her opinion, the design filed as evidence by the appellant, namely the design of the frame and body of the T-Rex vehicle, is sufficiently precise to identify the distinguishing guise and to delimit its scope of protection.

b) Functionality

The principle of functionality is described at paragraph 13(2) of the *Trade-marks Act* which states that no registration of a distinguishing guise interferes with the use of any utilitarian feature embodied in the distinguishing guise. The main objective of the doctrine of functionality is to prevent abuses of monopoly positions in respect of products and processes.

In Justice Thibault's view, the trial judge committed two errors. First, the trial judge deprived the appellant from its right to trade-mark protection by referring to the utilitarian feature of the functional character whereas the jurisprudence prohibits registration of a trade-mark when it is "entirely or essentially" functional. Second, the trial judge's analysis and assessment of the evidence was incorrect when it came to the conclusion that certain functional aspects of the frame and body of the

T-Rex vehicle deprive the appellant from its right to trade-mark protection. The functional aspect and the distinctive aspect should not be confused. The appellant's objective was not to prohibit the creation and commercialization of another three-wheel vehicle including utilitarian elements such as hood, headlights, etc. Its objective was simply to prohibit the respondent from copying what really distinguishes these elements of the T-Rex from other three-wheel vehicles.

c) Unreasonable limit to the development of the industry

Section 13 of the *Trade-marks Act* states that a distinguishing guise is not registrable if its exclusive use, in association with certain wares or services, is likely unreasonably to limit the development of any art or industry. Unlike the trial judge who found that the protection of the shape of the T-Rex vehicle would limit the industry, Justice Thibault found that the development and creation of three-wheel vehicles do not necessarily imply an exact copy of the frame and body of the T-Rex vehicle. All vehicles, cars for instance, necessarily share common functional elements. Nevertheless, each model (BMW, Beatle) can be distinguished by different distinctive features, the protection of which does not prevent the development of the automobile industry.

d) Confusion of the public

Having concluded that the appellant has a valid trade-mark protection, Justice Thibault analyzed the issue of confusion.

The protection granted by civil law against passing off requires that confusion of the public be shown. Indeed, what is prohibited is to sell products in such a way as to cause or be likely to cause confusion between one party's products and the products of another. In the present case, would the consumers (likely to buy this type of product) be led to believe that G-2 and T-Rex vehicles come from the same source?

The appellant has not established a likelihood of confusion. Amongst others, the criterion of paragraph 6(5)(a) of the *Trade-marks Act* (namely the inherent distinctiveness of the trade-mark) has not been shown. The evidence only shows that a few T-Rex vehicles have been sold around the world between 1994 and 2006. Such a small number of vehicles sold within such a long period of time does not *ipso facto* lead to the conclusion that the public knows the T-Rex vehicle. When a product, to which a distinguishing guise protection applies, is unknown to the public and is not clearly associated with a single source, it is impossible to conclude that the commercialization of an identical product will lead the consumers to be confused between both sources.

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