



## **GRAPPLING WITH THE NUANCES OF TRADEMARK LAW 2016 TRADE-MARK LAW REVIEW**

LAURENT CARRIÈRE\*  
**ROBIC, LLP**  
LAWYERS, PATENT & TRADEMARK AGENTS

As it is often the case with any yearly review, it can be challenging to single out the most influential decisions when so many interesting cases have come before the courts. Nevertheless, below are a selection of what we believe to be some of the most noteworthy trademark cases to come out of Canadian courts in 2016.

### **Administrative proceedings**

Section 45 of the Trademarks Act provides for a summary administrative proceeding under which the registrar issues a Notice requesting the owner of a registered trademark to prove full use of the mark in Canada, failing which the registration may be cancelled or modified.

### **Variations of trademarks**

A registered trademark should be used in its registered form since the practice of departing from the precise form of a trademark as registered is objectionable and dangerous for a registrant. However, provided that the deviation does not cause injury or deception to anyone and the mark is not affected as a whole, use of the modified trademark may be held to constitute use of the registered trademark. The proper test to be applied consists of deciding whether the new form has been altered so as to lose its identity and distinctiveness in the mind of the public.

---

© CIPS, 2017.

\*Lawyer and trade-mark agent, Laurent Carrière is a partner with ROBIC, LLP, a multidisciplinary firm of lawyers, patent and trade-mark agents. Special thanks to Gabriel St-Laurent, an articling student. Even if the Canadian *Trade-marks Act* (RSC 1985, c T-13) spells "trade-mark" with an hyphen, for ease of reference, the form "trademark" is used throughout this contribution. As a matter of choice, the 200 decisions rendered on the merits by the Opposition Board were not taking into account. Published in the June/July 2017 issue of *World Trademark Review* 105-108. Publication 062.077

*Bauer Hockey Corp v Easton Hockey Canada, Inc* (2016 FC 1373) was an appeal against a decision from the registrar in which the central issue was whether the registrant's trademark as used was the trademark as registered.

In order to establish this, the registrar had to compare the trademark as registered with the trademark as used in order to determine whether the differences between them were so unimportant that a purchaser would be likely to infer that both goods had the same origin, despite these differences.

On appeal, the registrant argued that a geometric shape could create a commercial impression on the consumer separate from that created by any additional material [ie, the word 'bauer']. The court found that the trademark as used was consistent with the trademark as registered, since the differences were not such that a consumer, from a distance, "would not be able to recognize that the hockey skates with the trademark, as used, are made by Bauer". It also indicated that a rectangle is a form of parallelogram. With regard to who was using the trademark, the court added that "when a licensing agreement contains a control provision, it is presumed that the registered owner of the trademark exerted direct or indirect control over the character or quality of the products", and that the use by the licensee inures to the owner.

### **Goods versus services**

In *Specialty Software Inc v Bewatec Kommunikationstechnik GMBH* (2016 FC 223), the court had to deal with the way that a good can be transferred for this to count as 'use'. The trademark at issue – which was subject to summary cancellation proceedings – was registered for computer software which was not physically delivered, but was accessible through the rights holder's web server.

In the absence of a physical transfer of the software, the registrar held that such a transaction might constitute use with respect to the services for which the computer software was designed, but not with respect to the goods themselves, since there was no associative transfer of property or possession of the goods.

On appeal, the Federal Court disagreed, noting that the means of delivering the software was irrelevant. It postulated that even though the rights holder previously sold its computer software on disks, in reality, it had always been selling a licence to use the computer software, which, even if intangible, was considered to be genuine goods. Based on the rights holder's evidence, it was clear that the impugned trademark was associated with the computer software when accessed by purchasers, notably by way of a log-in screen showing the trademark. The registration was therefore maintained. This decision has been greeted with relief by rights holders which avail themselves of new business models – particularly in the software sector. However, it should also serve as a cautionary tale that it can be helpful to update the descriptions of goods and services for trademarks.

The case is now under appeal before the Federal Court of Appeal.

## **Oppositions**

Once an application for the registration of a trademark has been accepted by the registrar (examination section), it must be advertised in the *Trademarks Journal* so that any person may file a statement of opposition which, apart from technical grounds, will generally revolve around confusion between the applied for trademark and the trademark(s) or trade name(s) alleged by an opponent. An appeal from the decision of the registrar (opposition board) lies with the Federal Court, in which case additional evidence may be presented by either party.

## **Full scope of protection**

In *Pizzaiolo Restaurants Inc v Les Restaurants La Pizzaiolle Inc* (2016 FCA 265), the Federal Court of Appeal was called on to determine whether the Federal Court had properly applied the reasonableness standard when it allowed the appeal brought forth by Les Restaurants La Pizzaiolle Inc.

In 2013 La Pizzaiolle had successfully opposed the registration of the Pizzaiolo Restaurants Inc's proposed trademark PIZZAIOLO (a word mark) on the basis of its LA PIZZAIOLLE registered and used trademark. However, at the same time, the board had rejected La Pizzaiolle's opposition in respect of Pizzaiolo's proposed design trademark on the basis that there was no likelihood of confusion between Pizzaiolo's design trademark and La Pizzaiolle's LA PIZZAIOLLE mark.

La Pizzaiolle appealed before the Federal Court. The court applied the reasonableness standard and concluded that the registrar had erred in dismissing La Pizzaiolle's opposition, as La Pizzaiolle was entitled to use its word mark in any format.

It was therefore not reasonable for the registrar to conclude that there was no likelihood of confusion, especially after having found confusion between Pizzaiolo's design trademark and La Pizzaiolle's LA PIZZAIOLLE mark.

Pizzaiolo appealed the Federal Court's decision to the Federal Court of Appeal, which sided with the Federal Court, reiterating that the registrar had failed to consider that the registration of the trademark LA PIZZAIOLLE entitled La Pizzaiolle to "use the lettering and colours identical to the ones used by" Pizzaiolo. The appeal court further considered the two trademarks in the same context – that is, "the words 'Pizzaiolle' and 'Pizzaiolo' in square lettering in a lighter shade in a dark oval" – the result of which was a finding of likelihood of confusion. The addition of the words "Gourmet Pizza" in the opposed trademark was held irrelevant as those words were purely descriptive.

## **Name of goods in a foreign language**

*CEDC International SPZ O O v Underberg AG* (2016 FC 1172) concerned an appeal from a decision of the board which refused an application to register the trademark ŻUBRÓWKA for a vodka flavoured with buffalo grass. The registrar held that such a registration was prohibited since it was the name of the goods in connection with which the trademark was proposed to be used. It concluded that, on the evidence as a whole, the applicant had not met its burden to establish that the term ‘Żubrówka’ was not a generic Polish word used to describe the goods.

On appeal, the Federal Court found Registrar’s decision reasonable as the applicant was attempting to appropriate a word that had been long used in Poland to describe a specific and known type of vodka flavoured with buffalo grass. It further held that “[t]he fact that a foreign word like ‘Żubrówka’ is not universally included in English language dictionaries is not a particularly strong indication of its meaning or use in the English-speaking world or elsewhere”, and as a matter of first impression the everyday consumer – even if he or she did not speak Polish – would understand the descriptive significance of the trademark.

## **Normal course of trade**

The decision in *L’Oréal v Cosmética Cabinas, SL* (2016 FC 680) revolved around the notion of ‘the normal course of trade’. Section 4(1) of the Trademarks Act provides that a trademark is deemed to be used in association with goods if there is an association between the goods and the trademark at the time of transfer of property or possession of the goods, in the normal course of trade.

In this case, Cabinas had successfully opposed to the registration by L’Oréal of the trademark INOA on the ground that there was a likelihood of confusion with its own trademark AINHOA. L’Oréal appealed before the Federal Court and adduced new evidence, which according to L’Oréal would have materially affected the registrar’s decision so that the standard of review by the Federal Court would be one of correctness rather than reasonableness. The new evidence aimed to counter the allegations of prior use of the trademark AINHOA in Canada and the use of said trademark in the normal course of trade.

In its new evidence, L’Oréal challenged the extent of sales of goods under the AINHOA trademark and concluded that it could not have generated a significant amount of goodwill. This was held irrelevant by the Federal Court, since making a trademark well known to Canadians should not be confused with use. With regard to use of a trademark, it is the quality of the use (ie, to distinguish one’s goods from those of others) that is important. Even if the Canadian sales of Cabinas were not significant, the sales of AINHOA goods to a distributor constituted a transfer of property of the product in the normal course of trade.

As an additional ground, L'Oréal argued that the use of the AINHOA mark could not have been held to be in the normal course of trade since the goods associated with the trademark were not authorised by Health Canada and were therefore in violation of the Canadian cosmetic regulations. The Federal Court rejected L'Oréal's reasoning and found that "the use of a trade-mark cannot be found unlawful unless it clearly appears as such on the face of the record and, if applicable, it is decided as such not by the Registrar, who does not have jurisdiction over such matters, but by the relevant authorities". An appeal from L'Oréal is now pending before the Federal Court of Appeal.

### **Infringement and defence**

#### **Clearly descriptive of place of origin**

In *MC Imports Inc v AFOD Ltd* (2016 FCA 60), the plaintiff commenced an action for trademark infringement on the basis of its registered trademark LINGAYEN. The defendant counterclaimed, requesting expungement of the trademark as being descriptive of the place of origin of the goods and therefore not registrable.

The plaintiff imported and sold food products under the trademark LINGAYEN, a municipality in the Philippines known for its bagoong shrimp paste products, characterised by their distinct aroma and flavour.

At trial, the Federal Court dismissed the appellant's action for infringement, finding that its trademark was not registrable because it was clearly descriptive of the place of origin of the goods. On appeal, the Federal Court of Appeal agreed with the Federal Court, but dismissed the action for reasons that departed from those of the trial judge, adopting the view that the consumer's recognition of the brand was irrelevant. The only relevant question was whether the trademark clearly described the actual place of origin of the goods.

The appeal court sided with the defendant and agreed that *Leyda* is the proper authority to rely on when faced with a clearly descriptive case as to the place of origin of goods or services. According to the court: "if the wares or services originate in the place referred to by the trade-mark, then the trade-mark is clearly descriptive of place of origin. There is no ambiguity when the trade-mark is the name of the place of origin that would invite further inquiry: referring to the place of origin by its name is the pinnacle of clarity. This is why the perspective of the ordinary consumer of the wares or services is unnecessary". Thus, the perspective of the ordinary consumer will be relevant only when there is ambiguity as to whether a trade-mark actually refers to a place.

Having established this, the Federal Court of Appeal found that LINGAYEN was clearly descriptive of the place of origin of the goods. Given that MC Imports Inc was unable to prove that its mark had acquired distinctiveness through a secondary meaning, the court dismissed the appeal and affirmed the trial judge's conclusion that the trademark registration was invalid under Section 18(1)(a) of the Trademarks Act.

This decision clarifies an important issue for trademark practitioners, confirming that it is not necessary to consider the perception of the ordinary Canadian consumer when determining whether a trademark (with no significance other than a geographic location) provides a clear description of the place of origin of the goods or services. This position appears to be based on practical considerations. Geographical locations should not be appropriated by a single trader. Further, despite such an appropriation, other traders could still mention this place insofar as this is not to distinguish their goods or services, but merely to indicate their origin (which would then not be considered as an infringing use of a trademark).

### **Passing off and depreciation of goodwill**

In Canada, either at common law or under Section 7(b) of the Trademarks Act, a plaintiff that wishes to succeed in a passing off action must establish:

- the existence of goodwill in its trademark or indicia;
- deception of the public due to a misrepresentation by the defendant; and
- actual or potential damage to the plaintiff.

In *Sadhu Singh Hamdard Trust v Navsun Holding Ltd* (2016 FCA 69), the appellant, Sadhu Singh Hamdard Trust, sought to set aside parts of a judgment of the Federal Court which dismissed its claims of copyright infringement and passing off.

The appellant was the owner and publisher of the *Ajit Daily*, an Indian Punjabi-language newspaper which is well known among the Punjabi population in India and which has been published since 1955. The respondents were the publishers of a free Canadian Punjabi-language newspaper called the *Ajit Weekly*.

At trial, the Federal Court had dismissed the plaintiff's claim of passing off on the ground that it had failed to establish any of the three necessary elements of a passing off claim.

On appeal, the Federal Court of Appeal disagreed with this finding as it did not consider all the relevant facts or apply the correct legal principles. First, it was wrong for the trial judge to ascertain the existence of Canadian goodwill only by reference to the few Canadian subscribers who bought *Ajit Daily*, since use of a trademark in Canada is not a necessary pre-condition for the existence of goodwill in Canadian law: goodwill in a trademark may exist by virtue of the reputation of the plaintiff's trademark in the defendants' market, "even where the plaintiff does not use the trademark in that market". Second, in determining confusion, the Trial Judge should have considered the way the trademark was presented by each party and the deliberate use by the defendants of the same stylized version of the word 'Ajit' in the masthead of *Ajit Weekly*. Third, with regard to damages, the trial judge did not consider damages that could flow from a loss of control over reputation, image or goodwill.

The Federal Court of Appeal thus remitted the case back to the Federal Court for re-determination.

*Thoi Bao Inc v 1913075 Ontario Limited (Vo Media)* (2016 FC 1339) revolved around a Vietnamese news company which has been offering its services in Canada since 1987 under the trademarks THOI BAO and variants. The defendant, which was owned by former employees of the plaintiff, started a similar website called 'www.thoibaotv.com'. Apart from a finding of copyright infringement and passing off, the court found that the defendants' activities were depreciating the value of the goodwill attached to the plaintiff's registered trademarks, since their website was of inferior quality and projected an unprofessional character. The court also found one of the individual defendants personally liable as it had hands-on and personal involvement in the operation of the corporate defendant. Without any specific proof of damages for trademark infringement, the court took a royalty approach and held that the plaintiff was entitled to C\$15,000. Finally, apart from the usual injunctive reliefs, the court ordered one of the personal defendants to transfer to the plaintiff the "ownership and all rights of access, administration and control over the domain name <www.thoibaotv.com> together with any other domain name, Facebook account, Twitter account, or social media account" containing the plaintiff's marks.

## **Official marks**

Section 9 of the Trademarks Act offers particular protection to public authorities. On publication, these marks become prohibited – that is, no one can adopt them, as a trademark or otherwise, for any goods or services. These prohibited marks need not to be renewed or state specific goods or services, and they cannot be challenged for non-use or opposed. However, publication can be challenged by way of an application for judicial review before the Federal Court of Canada within 30 days of their publication. The only grounds for such a challenge is that the holder was not a public authority or was not using the mark at the time of publication.

In *Starbucks (HK) Limited v Trinity Television Inc* (2016 FC 790), the court exercised its discretion to allow the applicant to make an application for judicial review more than 14 years after publication of the official mark. Although the mark was published in June 2001, it was only in July 2014 that an examiner's report objected to the application on the basis of the official mark and it was in October 2015 that the applicant took its recourse for judicial review on the basis that the holder was not a public authority. The court held that the applicant could not have acted before the examiner's report against its own application and when doing so, the applicant proceeded with diligence. The court also stated that: "it would be unfair if a party that is not a public entity could enjoy the exceptional rights conferred on the holder of an official mark." Another circumstance may also be that the holder did not participate in the judicial review.

For those confronted with this curious beast, this decision is a relief as it opens the way for diligent applicants to seek the cancellation of adverse official marks, well after their publication.

## **Legislative updates**

Since June 2016 clients of trademark agents have been entitled to a privilege akin to that granted to lawyers.

Other changes coming down the legislative pipeline (but probably not in force until early 2019) include:

- an expanded definition of 'trademark';
- the allowance of divisional applications;
- the adoption of the Nice classification (which can currently be used informally);
- the end of the filing basis of the declaration of use required for registration; and
- a reduction in the term of registration (from 15 years to 10 from the registration date).

The domestic implementation of trademark provisions flowing from Canada's accession to the Madrid Protocol, the Singapore Treaty and other bilateral and international trade agreements is certainly to be watched (in the latter case, protection will be extended to any geographical agricultural good and no longer limited to wines and spirits).









