

Intellectual Property and Trade Marks

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Nuts not to be confused with toys, plus 'R Us suffix can't be monopolized. Trade-marks for two identically named colleges cause confusion, but neither school prevails. NEVADA clothing line puts the boots to footwear-maker. Nothing distinctive about Boston Chicken, even if it's already registered in the U.S., plus pharma company can't trade-mark the colour yellow. Public Authorities marks considered in theatrical licensing case.

Every year when it's time to write my annual trade-mark survey (this my eighth), my spirits revive, the old juices flow a little faster. Not only do I get to spend many delightful hours reading the elegant prose of our fine judiciary, but the now is finally melting! Another interminable Canadian winter is finally coming to an end!

Without more ado, here's the annual spring trade-mark round-up:

TOYS "R" US v. the nut people

The Federal Court recently held NUTS 'R US not to be confusing with TOYS "R" US because the toy chain and the nut people had co-existed for years, without any known instances of "actual confusion." The Court also held the toy chain could not claim a monopoly on the suffix "'R US", so I plan to change the name of my firm to LAWYERS 'R US.

The plaintiff TOYS "R" US Canada of course runs the magalithic toy emporiums known to all parents of young kids. Your faithful correspondent has a large brood, and has spent considerable time and money in such places acquiring highly desired items around Christmas time. The first TOYS "R" US store opened in Canada in 1984. There are now 63 stores in Canada.

The defendant Manjel Inc. has been selling under the brand NUTS 'R US through various national retailers since 1987. It applied to register the trade-mark NUTS 'R US in 1987. TOYS "R" US opposed that application, on the grounds it was confusing with its mark, but the Opposition Board rejected its opposition in 1992. TOYS "R" US then appealed, and also in a separate action sued NUTS 'R US for infringing its Design trade-mark for TOYS "R" US, and some other marks, including one for "R" US by itself.

For reasons that are not clear from the decision, the appeal of the 1992 Opposition Board decision was not heard for over 10 years, until early 2003. The infringement action was heard around the same time. Both ultimately turned on the same issue: whether NUTS 'R US was confusing with TOYS "R" US.

Madam Justice Tremblay-Lamer of the Federal Court, Trial Division released her decision in both cases on the same day, March 7, 2003. (*Toys "R" US (Canada) Ltd. v. Manjel Inc.*, 2003 FCT 282, 283). She upheld the Opposition Board's decision that NUTS 'R US can be registered over the TOYS "R" US Design mark, and agreed with the Board that the two were not confusing. She also dismissed the related infringement action.

Although "satisfied that the plaintiff have acquired substantial good will with their trade-marks," Justice Tremblay-Lamer found the marks were not confusing. "[T]he evidence does not support a finding that the defendant's use of the trade-mark NUTS "R" US has caused confusion with the business of the plaintiffs.... I find significant the lack of evidence of actual confusion despite a long period of co-existence."

She gave no weight to a survey submitted by the plaintiff, purporting to show that at least some people thought NUTS 'R US products were made or sold by TOYS "R" US; the author of the survey himself admitted that the survey had not been done in accordance with industry practice, due to lack of time.

The old college try

In the *CANADIAN BUSINESS COLLEGE* case, unlike TOYS "R" US, there were instances of confusion. In her decision released December 12, 2002 (*Canadian Business School Inc. v. Sunrise Academy Inc.* 2002 FCT 1294), Justice Layden-Stevenson nevertheless found *CANADIAN BUSINESS COLLEGE* not to be confusing with *CANADIAN BUSINESS COLLEGE*. The case is a thoughtful look at the problem of two parties adopting identical but inherently non-distinctive marks by bad luck at about the same time.

There was a lot of evidence about who came first, but the drift of it all was that both business schools had adopted the name at about the same time in 1998, with the plaintiff school arguably having a slight edge of a month or two. Not surprisingly, there had been mix-ups, such as faxes, telephone calls and so on going to the wrong place.

The “crux of the matter,” said Justice Layden-Stevenson, was whether the plaintiff had developed a reputation and goodwill in its name CANADIAN BUSINESS COLLEGE, but there was no evidence that the plaintiff had such a reputation: “No witness gave evidence regarding knowledge of ‘Canadian Business College’ or its reputation.”

The Court noted that there were instances of actual confusion, but did not think that was necessarily determinative in the circumstances. “If, by some strange and mere coincidence, two businesses, unbeknownst to each other, commence operations on the same day under the same name, which of the two would reap the benefit the reputation and goodwill in the face of confusion? ... At the end of the day, the plaintiff’s proposition comes down to question of whether in circumstances where confusion exists, the Court should protect the public from that confusion despite the fact that the plaintiff has not established the existence of goodwill. I think not.”

Finally, the judge noted: “The circumstances here are unfortunate ... confusion does exist here and will undoubtedly continue to exist. That is not a reason to grant one party a monopoly.”

NEVADA v. NEVADOS

On March 18, 2003, Justice Gibson found that NEVADOS could not be registered because it was confusing with NEVADA (American Sporting Goods Corporation v. Sears Canada Inc. 2003 FCT 32), upholding the decision of the Opposition Board.

American Sporting Goods tried to register the mark for various kinds of footwear. Sears Canada opposed, on the grounds that the mark was confusing with its registrations for NEVADA, NEVADA JEANWARE and NEVADA JEANSWARE. Sears put in evidence of vast sales and expenditure on advertising. The Court both found this evidence was enough to establish that Sears’ inherently weak trade-mark NEVADA had become known in Canada in association with clothes, and that American Sporting Goods had failed to meet the legal burden on it to show the marks were not confusing.

Distinctiveness discussed

Two recent Federal Court of Appeal decisions deal with the question of whether a mark is sufficiently “distinctive” to be entitled to registration under the Act.

In AstraZeneca v. Novopharm Inc. 2003 FCA 57, released February 4, 2003, drug company AstraZeneca had applied to register yellow applied to the whole surface of a tablet. Novopharm, a generic manufacturer opposed. Both the Opposition Board and the Trial Division found that AstraZeneca had failed to satisfy the onus of establishing the appearance of its tablets was distinctive, mainly because the evidence was that there were other yellow tablets on the market.

The Federal Court of Appeal agreed. Justice Stone discussed the historical background of the current definition of “distinctive” in the Trade-marks Act (it dates back to a revision in 1953), and stated “a showing that an appearance has become distinctive is not easy to satisfy.” As there was a “lack of sufficient evidence that the public including pharmacists identified this appearance with the appellant’s tablets”, Stone found no reason to interfere with the decision below.

The term “distinctive” is defined in s. 2 of the Act:

“distinctive”, in relation to a trade-mark means a trade-mark that actually distinguishes the wares or services in association with which it is used by its owner from the wares or services of others or is adapted so to distinguish them.

(I will explain why I have put the final phrase in italics shortly.)

Although distinctiveness can be a ground of opposition, as in *AstraZeneca*, an application can also be made to the court to expunge an existing registration as not distinctive, under s. 18. That is what happened in *BOSTON CHICKEN*, a decision of the Federal Court of Appeal., released March 7, 2003 (*Boston Pizza International Inc. v. Boston Chicken Inc.* 2003 FCA 120)

Boston Pizza International, presumably a rival restaurant chain, had brought an application against *Boston Chicken* to expunge the mark *BOSTON CHICKEN*, but lost in the Trial Division, where the issue was mainly confusion: whether *BOSTON CHICKEN* was confusing with the applicant’s mark *BOSTON PIZZA*. Justice Nadon (shortly before he was elevated to the Federal Court of Appeal) said no, and dismissed the application.

His new colleagues on the appeal court, however, overturned, but decided the case on the basis of a different issue, namely, whether the mark was distinctive. They said it was not, and expunged it.

There was no evidence the mark was being used in Canada. Therefore, the mark could not be said to “actually distinguish” the wares and services of *Boston Chicken* from those of others, within above definition of “distinctive”. *Boston Chicken* argued its mark *BOSTON CHICKEN* was “adapted” to distinguish its wares and services ie. was within the somewhat vague final italicized phrase in the definition of distinctiveness, above.

Boston Chicken pointed out that s. 16(2) of the Act provides for entitlement to registration of trade-marks registered and used abroad, even if they have not been used in Canada, a right that exists by virtue of international treaties. Therefore, argued *Boston Chicken*, a mark registered on the basis of a foreign registration should not subject to expungement proceedings, or at least should be given considerable leeway, even if not used for some time after registration. The court rejected this. Justice Pelletier, writing for a unanimous court, warned owners of marks registered on the basis of foreign

registrations that they had to use the mark, and develop distinctiveness in Canada, or else face possible expungement.

“ The result is that foreign registered marks which are not inherently distinctive may well see their registration in Canada at risk in expungement proceedings unless they can show some degree of acquired distinctiveness through use in Canada.”

A case of beer

On the other hand OLAND EXPORT was found distinctive in a trial level case, released December 2, 2002, Labatt Brewing Co. v. Molson Canada 2003 FCT 235.

The Board had refused Labatt’s application to register OLAND EXPORT, agreeing with Molson that the mark was not distinctive because EXPORT was a descriptive ie. non-distinctive term (which was conceded), and the remaining part of the mark, OLAND, was inherently weak, being a mere surname.

In the appeal from the Board, Labatt filed evidence of substantial sales mainly in the Maritime Provinces. Justice MacKay found that the this evidence “does establish the distinctiveness of the trade-mark OLAND EXPORT.” He therefore ordered that the Board’s decision be set aside, and the mark registered.

FILENET tries to take on section 9

The Federal Court of Appeal also considered section 9 marks in FILENET Corp. v. Canada (Registrar of Trade Marks) 2002 FCA 418, released October 29, 2002, a case that demonstrates how few options a trade-mark owner has if faced with a s. 9 mark that he doesn’t like.

Under the Act, no person shall adopt a trade-mark resembling a mark adopted and used by any “Public authority”, if the public authority has requested the Registrar to give notice of its adoption and use. That is, a “public authority” can essentially say, anytime it wants, “I am adopting this mark, so no one else can use it, and if you peasants in the private sector don’t like it, too bad!”

In Filenet, notice was given that what we used to call Revenue Canada was adopting NETFILE under s. 9. NETFILE is the name of the program people to use to file their tax returns on-line. A software company called Filenet objected. It’s real complaint seemed to be that it thought Revenue Canada’s mark NETFILE was confusing with its mark FILENET, registered many years before. But there’s no opposition process under s. 9, so it was left arguing various technicalities under s. 9 such as that the mark had not been “adopted,” since there was no evidence a board of directors or government body had formally adopted NETFILE on behalf of Revenue Canada. The Court rejected this, upholding the court below, and also strongly implied that it didn’t think NETFILE and FILENET were confusing anyway.

Anne Of Green Gables Dust-up

In a somewhat similar case, Sullivan Entertainment, a film company that had produced various Anne of Green Gables shows, brought an action objecting to the adoption of numerous Anne-related marks, such as ANNE OF GREEN GABLES under s. 9 by a purported public authority called Anne Of Green Gables Licensing Authority. Sullivan brought a motion for partial summary judgment, arguing the latter was not a “public authority” and in any event had not “adopted” the marks (Sullivan Entertainment Inc. v. Anne Of Green Gables Licensing Authority Inc. 2002 FCT 1321.). But Justice Heneghan of the Federal Court Trial Division, in a decision released December 20, 2002, dismissed the motion, saying the issues should be decided at trial.