

Trade-Mark Law

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Appeal court leaves Wingen whining — knocks out whopper punitive award. Country Living dies but comes back to haunt the Supreme Court. Dion and Dior battle for IP fashion supremacy. Winery whinges about Ice-wine. And rice guys finish last.

I recall working on a trade-mark case years ago, involving a sailing club, I think it was. A revered senior partner at my then firm, let's call him Mr. Senior, was president, or treasurer of the sailing club, or something like that.

Mr. Senior didn't know anything about weird stuff like trade-mark law, being a plain-spoken, meat-and-potatoes corporate lawyer. I had to get him to swear an affidavit. I don't recall the issue exactly, but I do remember that I prepared an elaborate draft affidavit saying the mark in question had been used as a trade-mark, as that term is defined in the Trade-marks Act, between certain dates, as evidenced by this and that exhibit, and had become well-known and distinctive as of such and such a time, as shown by lots of figures and invoices, and so on.

As I explained all the intricate issues the affidavit was meant to address, Mr. Senior became more and more red in the face until he finally burst out: "Christ, this trade-mark stuff is gobbledegook!"

Mr. Senior was right. Trade-mark issues can get pretty complex. They can give you a headache. That's the funny thing about trade-marks. On one level, they're very straightforward. All they are is words, or symbols. It's easy to file pretty good, seat-of-the-pants judgment calls about a lot of trade-mark questions.

But on another level, trade-mark issues can get very complex, perhaps even more so than patent cases, particularly if there's no clear, "I feel it in my gut" answer. Case outcomes are unusually subjective. Trade-mark cases seem to be overturned on appeal more often than other cases. The courts try nevertheless arrive at rational, precedent-driven decisions. A lot of money may turn on the result.

The recent cases illustrate this paradoxical combination of simplicity and complexity to an unusual degree. They're all about simple fact situations, but most have gone through various levels of appeal, resulting in complicated judgments.

YEE-HAW — THE BIG ROUNDUP

Here's a brief round-up:

The Ontario Court of Appeal recently stomped on a lower court case that the trial judge thought was about trade-mark law. The trial judge said the trade-mark "Wingen" was infringed because the trade-mark owner's website wingen.com was being overwhelmed with Internet visitors. He awarded the highest punitive damages ever in a trade-mark case.

The Court of Appeal not only knocked out the damage award, it said that the case wasn't a trade-mark case at all: *Pro-C Ltd. v. Computer City* (2001), 205 D.L.R. (4th) 568.

The Supreme Court is going to hear a trade-mark case soon, for the first time in many years. Canada's top court recently decided to hear a case about the mark "Country Living": *United Grain Growers Ltd. v. Lang Michener (C.A.)* [2001] 3 F.C. 102, 12 C.P.R. (4th) 89, leave to appeal granted Sept. 13, 2001.

Surprisingly, the Country Living case is a "section 45" case. That's the section of the Trade-marks Act that allows "dead wood" (old registrations that have passed into disuse) to be dumped from the register. Normally, s. 45 cases are the least interesting trade-mark cases. They remind me of a disagreement my wife and I might have while cleaning up the house:

Wife: "I'm throwing out these old squash shoes; you haven't worn them in years!"

Me: "You can't throw those out! Those are my favourite shoes! I wore them two and a half years ago!"

Although the Country Living case will not be argued until the fall to 2002, we can look at the Federal Court of Appeal ruling that caught the Supremes' interest.

Then there's an important case about the onus in opposition proceedings. In *Christian Dior, S.A. v. Dion Neckware Ltd.*, [2002] F.C.J. No. 95, the Federal Court of Appeal said both the trial judge and Opposition Board applied the onus wrongly.

The Board and trial judge both held that the mark Dion Collection & Design for clothing might be confusing with various Christian Dior marks. However, both were ambivalent, finding the evidence as to the likelihood of confusion "evenly balanced."

The Federal Court overturned, finding, "the balance of probabilities clearly favours the applicant." Mr. Justice Robert D'Žcary's reasons are a closely reasoned discussion of the

onus in opposition proceedings where the issue is likelihood of confusion with another mark, as is often the case.

Then there's a recent trial decision about Trade-mark Act s. 9, Magnotta Winery Corp. v. Vintners Quality Alliance, [2001] F.C.J. No. 1941. This is the latest in a series of cases dealing with s. 9 marks, in this case *Icewine*.

Section 9 allows a *public authority* to request that the registrar give public notice of a mark. If public notice is given, no one can adopt that mark in future. A *public authority* thus has a big advantage over lesser mortals because it can stake out a claim to a mark without going through the normal trade-mark application process nor potential opposition proceedings.

An issue that arose in Magnotta, as in a number of other recent cases, was what is a *public authority*? Is a non-profit corporation representing profit-making vintners a *public authority*? The Court said that it is. And can s. 9 be used for a descriptive term, like *Icewine*? The court said yes, it can.

DRESSING UP THE LAW

Let's look at these cases in a little more detail:

The one that probably matters the most is the Christian Dior case, so let's start with it. The case was an appeal of a decision of the Opposition Board, an administrative body which hears disputes about whether a trade-mark application should advance to registration.

After a trade-mark application has been examined by the trade-mark office, it is advertised in the Trade-mark Journal. Anyone can file a statement of opposition, opposing issuance of the mark. Probably the most common ground of opposition is that the mark in the application is confusing with another mark, usually owned by the opponent.

Dion Neckware Ltd., the applicant, wanted to register *Dion Collection* for various kinds of clothing. Christian Dior, the fashion people, opposed on the grounds that this was confusing with its various registrations for *Christian Dior* or *Dior* for snazzy fashion items.

Is *Dion Collection* confusing with *Dior*? The Act sets out factors to be considered at s. 6(5):

- the length of time the marks have been in use,
- their inherent distinctiveness,
- the degree of resemblance between them,
- the nature of the trade, and
- nature of the wares or services.

The Opposition Board found the issue too close call: "I am still left in doubt as to whether there would be a reasonable likelihood of confusion." Since the board couldn't decide if there was a likelihood of confusion, it decided the opponent wins — in this case, the big fashion house Christian Dior.

On appeal, Federal (Trial Division) Justice Denis Pelletier seemed to agree that the case, on the evidence, was a 50-50 coin flip. Since the Opposition Board had not been "clearly wrong," he upheld it: "While a different [board member] could have found for the appellant on the same evidence, this [board member] did not; his decision is not subject to being set aside simply because the evidence is evenly balanced."

But the Federal Court of Appeal said both the Board and the lower court were wrong. Both had thought that the onus was on the applicant to demonstrate "beyond doubt" that confusion was unlikely.

But if that was the test, the applicant would bear an "insurmountable" burden, said Justice Robert D'Žcary, because "certainty in matters of likelihood of confusion is a rare commodity."

The correct test was this: The registrar must "be reasonably satisfied that, on a balance of probabilities, the registration is unlikely to create confusion; he need not be satisfied beyond doubt that confusion is unlikely."

D'Žcary disagreed that the evidence was evenly balanced, in part because the two marks had co-existed for many years and yet there was no evidence before the court of actual confusion. "An adverse inference may be drawn when concurrent use on the evidence is extensive, yet no evidence of confusion has been given by the opponent."

The court therefore found the mark should issue and "on a balance of probabilities, there is no likelihood of confusion between "Dion Collection & Design" and the Dior marks."

WINGEN IN THE BRAIN

Another case overturned by an appeal court is the Pro-C case. Here, the trial judge, Ontario Superior Court Justice Alan Whitten did not find the evidence evenly-balanced. On the contrary, he came out vigorously against the defendant, finding its activities to be so "malicious, oppressive and high-handed that it offends the court's decency."

The plaintiff Pro-C was a small home business based in Waterloo Ontario, selling software. It had a registered trade-mark for "Wingen" for software, and operated a website wingen.com through which it sold its products and services.

The defendant Computer City was a big chain of computer retailers, with an in-house line of computers called "Wingen." These it sold in the United States, but not in Canada.

Many Computer City customers searching on the Internet for Wingen went by mistake to Pro-C's site wingen.com.

As a result, the plaintiff alleged, the wingen.com site was so overwhelmed by Internet visits that it could not service its own customers and its business was ruined. Trial judge Alan Whitten awarded \$450,000 in general damages and \$750,000 in punitive damages, by far the largest award of punitive damages I had ever heard of in a trade-mark case: Pro-C Ltd. v. Computer City, Inc. (2000), 7 C.P.R. (4th) 193.

The Ontario Court of Appeal overturned. It said there had been no trade-mark violation, because the defendant Computer City had not "used" its trade-mark in Canada, as that term is defined in the Act. "Without further analysis of the trial judge reasons, or the other points of appeal, I am satisfied that there was no 'use' in Canada by the appellant of the respondent's trade-mark and that the action for infringement must fail," wrote Justice James Carthy for the unanimous court.

"Use" in this context has a somewhat narrow definition. Under s. 4 of the Act, a 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 – it is marked on the wares themselves or on the packages – or it is in any other manner associated with the wares that notice of the association is then given to the [purchaser].

That had not happened here, said Carthy, because no Wingen computers had been sold in Canada. Causing visitors to go to a website in large numbers was not behaviour that was covered by the Act. "It is incidental that the plaintiff has a registered trade-mark. No wares competed in the marketplace and the damage, if damage there be, would have been the same if the name of the website did not have trade-mark protection."

The court went on to find that even if the plaintiff-respondent succeeded, damages had not been proven. Oddly, the trial judge had found that "The losses claimed are unsupported. They are if anything mystical calculations" yet still awarded over \$1 million in damages. The Court of Appeal strongly disagreed. "If they could not be molded into anything but a mystical claim, the conclusion must be that damages were not proved."

Since no one should get damages for mystical claims, I certainly agree with the court's view on the damages issue. Other parts of the ruling puzzle me. The judgment seems to imply that a defendant has an absolute defence to an action under the Trade-marks Act if she can show she is not "using" the trade-mark or a confusing mark.

But s. 7 prohibits various types of activities, not all of which involve "using" a trade-mark, such as "making a false or misleading statement tending to discredit the wares or services of a competitor," or making "use" in association with wares or services, of any description that is false in a material respect.

COUNTRY LIVING DIES AND LIVES AGAIN

The case *Country Living*, that the Supreme Court of Canada will hear, also turns on the question of trade-mark use, but in the context of s. 45.

Section 45 permits the Registrar to require a trade-mark owner to furnish evidence that a trade-mark has been used in the last three years (the length of time has been increased in recent years, in compliance with international treaties). If the registrant does not produce adequate evidence, the registrar can expunge the registration (i.e. boot it off the register on the grounds it is dead wood, a phrase actually used in the cases.)

The process usually starts because some anonymous person requests the registrar to send a s. 45 notice to the registrant. The person who requests the s. 45 notice is entitled to be involved in any appeal, but usually only the law firm is identified, in this case, Lang Michener. Thus, the name of the case is *United Grain Growers Limited v. Lang Michener*.

The facts are straightforward. UGG Limited had a trade-mark registration for *Country Living*. It published a magazine called *Country Guide*. *Country Living* was a regular section of the magazine, listed in the table of contents, devoted to issues relating to running a farm household. The issue: was this sufficient use of *Country Living* to prevent the mark from being expunged from the register?

Three levels of decision-makers have so far pronounced on this weighty issue — the Supreme Court of Canada will make a fourth.

The registrar expunged the mark; it said that UGG was not using the term *Country Living* as a trade-mark — the words did not distinguish the registrant's magazine from those of others. Rather, the registrant was using *Country Guide*, the actual name of its magazine, as its trade-mark. On appeal, the Federal Court (Trial Division) agreed.

But, Federal Court of Appeal overturned, and held the registration should be restored: (2001) C.P.R. (4th) 89. Mr. Justice Marshall Rothstein, writing for a unanimous panel, stated: "Section 45 is not intended to provide an alternative to the usual inter partes attack on a trade-mark. It is only a simple and expeditious method, for public purposes, of removing from the register, marks which have fallen into disuse."

Technical issues as to whether there had been trade-mark "use" within the Act should be addressed through an expungement action between the parties. Thus, the issue before the Supreme Court would appear to be a procedural one.

Don Plumley, who represents the appellant Lang Michener, tells me the case is not likely to be argued until the fall of 2002.

'PUBLIC AUTHORITY' GRABS ICEWINE

Then there's the Magnotta winery case, which explores the peculiar intricacies of s. 9 marks. It's about wine makers battling over the term "Icewine."

As explained above, the Act allows a "public authority" to request the registrar to give notice under s. 9(1)(n)(iii) that the authority has adopted a mark. If notice is given (i.e. published in the Trade-marks Journal), no one else can adopt a similar mark in association with its business.

Again the facts were fairly simple. The Vintners Quality Alliance of Canada (VQA) is a not-for-profit corporation, comprised of various wineries, whose purpose is to create national standards for the wine industry.

VQA decided to request the registrar to give notice under s. 9 of its use of the term "Icewine," effectively claiming exclusive rights to it.

Magnotta, a winery at odds with VQA, objected to its ice wine products being produced under VQA standards and supervision, and opposed the VQA claiming exclusive rights of the mark "Icewine" through s. 9.

Magnotta brought on judicial review proceedings, arguing the registrar was wrong to have published the notice, which although it would not prevent Magnotta from using "Icewine" on its existing products, could prevent it from extending use of that term to other products.

The main issue was whether VQA was a "public authority." Magnotta claimed VQA was a mere industry organization serving the interests of its members, the vintners, rather than the public.

The term "public authority" has been interpreted by the courts several times in recent years, always expansively. Mr. Justice Andrew MacKay of the Federal Court (Trial Division) found VQA was a public authority because, although not part of the government, it was subject to "significant government influence and control."

Magnotta also argued that "Icewine" was a generic descriptive term, and could not be monopolized by VQA under s. 9. But MacKay rejected this argument, on the grounds the wording of the Act did not support it: "In my view, even if the term is perceived to be descriptive or generic, its recognition as an official mark is not precluded."

Reading Magnotta, I thought an evil plan: Being subject to significant government influence and control (I pay taxes, don't I?), I'm going to declare myself a "public authority" and then grab exclusive rights under s. 9 to the all the best words in the dictionary. The rest of you will have to pay me to use them.

CAUGHT DEAD TO RICE

Another recent case that should be mentioned if only because of its length and thoroughness is an interlocutory injunction decision in the Quebec Superior Court: *Tai Foong International Ltd. v. La Maison Sami T.A. Fruits Inc.*, [2202] Q.J. No. 334, released Feb. 5, 2002. Interlocutory injunctions have become difficult to get in trade-mark cases over the last decade or so. This case confirms that trend continues.

The plaintiff Tai Foong marketed Thai rice in 18 pound bags displaying a trade-mark consisting of an ox head in a circle, flanked by two shrimps, with the words "Ox Head". It sought an interlocutory injunction against the defendant Sami, another rice company, which it said was using a confusingly similar trade-mark.

Mr. Justice Robert Mongeon, in a lengthy judgment of well over 100 paragraphs, dismissed the injunction motion. After an extensive discussion of the caselaw, he was not convinced that the marks were confusing.

As in the Federal Court of Appeal's ruling in *Christian Dior*, released a few days earlier (and which he does not mention), Mongeon was particularly influenced by the fact that the plaintiff had failed to provide evidence of any instance of actual confusion. Mongeon also found that the balance of convenience favoured the defendant Sami.

He therefore dismissed the plaintiff rice company's injunction application, with costs to the defendant. What's the moral of the story — and something good for our final paragraph? Rice guys finish last!