

Trade-Mark Law

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In the course of writing this annual update over the past five or six years, I've noticed there seem to be fashions in trade-mark cases, just as there are for hemlines or sneakers. For some reason, certain issues will be big one year, but hardly come up the next.

Lately, for example, almost all the cases seem to be about trade-mark confusion. Other years, distinctiveness, or interlocutory injunctions will be all the rage.

“Confusion” in this context, of course, does not mean ordinary befuddlement or perplexity, but rather the legal concept of confusion under the *Trade-marks Act*. A trade-mark infringes another if the two are confusing. A mark cannot be registered or legally used if it is confusing with an existing mark.

Two marks are confusing if the use of both in the marketplace is likely to lead members of the public to think that the goods or services sold in association with the two marks are from the same source. The *Act* sets out five criteria to be used in evaluating confusion, at s. 6(5): the inherent distinctiveness of the marks and extent they have become known, the length of time they have been in use, the nature of the wares or services, the nature of the trade, and the degree of resemblance in appearance or sound, or idea suggested by them.

I find confusion opinions to be one of the most difficult things I have to do as a practitioner, because the answer is often subjective. Nevertheless, confusion issues come up all the time.

The recent cases suggest that, if you ask two people whether certain marks are confusing, you'll get two different answers. In every recent case involving an appeal, the initial decision was reversed:

Is LEXUS for canned fruit confusing with LEXUS for cars? The Opposition Board said no, but the Federal Court, Trial Division court said yes. The Federal Court of Appeal overturned and said no again. *Lexus Foods Inc. v. Toyota Motor Corporation* ([2000] F.C.J. No. 1890, November 20, 2000.)

Is BAYLOR for watches confusing with THE BAY, as in the department store? The Trial Division said yes, agreeing with the Opposition Board. The Federal Court of Appeal overturned and said no. *Baylor University v. Hudson's Bay Company* ([2000] F.C.J. No. 984, June 22, 2000.)

Is SPINAL CARE confusing with SPINAL GUARD, both for mattresses? The Opposition Board said yes. The Trial Division overturned, and said no. *Bay Rest Bedding Company Limited v. Bedford Furniture Industries* ([2001] F.C.J. No. 31, February 6, 2001.)

Is VIDEO MAIL confusing with Canada Post's registrations for FAXMAIL, LASERMAIL and ADMAIL? The Opposition Board said no. The Trial Division overturned, and said yes. *Canada Post v. Paxton Developments* ([2000] F.C.J. No. 2021, December 8, 2000.)

Is ELIMINEX for "veterinary anti-parasitic preparations" confusing with ELIMINATOR for "insecticidal ear tags"? The Opposition Board said yes. The Trial Division overturned, and said no. *Novartis Animal Health Canada Inc. v. Merck & Co.* ([2001] F.C.J. No. 136, January 31, 2001.)

In some of these cases, new evidence was filed in the Trial Division that had not been before the Opposition Board. But even so, it's remarkable that every one flip-flopped on appeal.

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

The most important is the Federal Court of Appeal decision in the LEXUS case, which arguably raised the test for establishing confusion.

Lexus Food Inc. applied to register LEXUS for canned food. Toyota opposed the application before the Trade-mark Opposition Board, an administrative body that decides disputes as to whether registrations should issue. Toyota argued the mark was confusing with its mark LEXUS for cars. The Board found there was no reasonable likelihood of confusion because the goods were different. On appeal, the trial judge, Justice Pierre Blais reversed ([1999] F.C.J. No. 1340, August 31, 1999), partly on the basis of survey evidence showing that 6 out of 10 Canadians recognize the term LEXUS as indicative of a car. He also said that LEXUS as a coined word was entitled to a wide scope of protection.

But Federal Court of Appeal reversed. The unanimous decision was written by Justice Allen Linden, who cited his own earlier ruling in the PINK PANTHER case (*United Artists v. Pink Panther Corp* [1998] F.C.J. No. 441, March 30, 1998 (F.C.A.)) for the principle that "no matter how famous a mark is it cannot be used to create a connection that does not exist." The Court noted there was a "striking difference between the

wares,” and found it irrelevant that LEXUS was a coined word: “coined words may be used so long as no confusion results.” Linden also thought it irrelevant there was evidence the canned food people had chosen LEXUS because it was a quality name. “There is confusion or there is no confusion. The decision cannot be based on whether someone knew about the existence of the trade-mark or not. There is no doctrine of *mens rea* in the field of trade-marks.”

Toyota is seeking leave to appeal to the Supreme Court of Canada. There seems to be a reasonable chance the Court will agree to hear the case. The Supreme Court granted leave to appeal in the similar PINK PANTHER case, which would have been the first trade-mark case the top court had heard in a very long time. But the appeal was never heard because the case settled. The LEXUS case could be the stand-in for PINK PANTHER.

Despite LEXUS and PINK PANTHER, the courts often give famous marks a wide scope of protection, extending to unrelated areas of trade. For example, a case with somewhat similar facts to LEXUS, released about ten days earlier, went the other way.

In *Sprint Communications Company v. Merlin International Communications* ([2000] F.C.J. No. 1861, November 10, 2000) the plaintiff, phone giant Sprint Canada Inc. owned the well-known SPRINT CANADA and various other “sprint” marks for telecommunications services. At an infringement trial, print was successful in getting an order stopping the defendant Merlin from using SPRINT CANADA in association with its small business providing marketing, advertising and public relations services.

Mr. Justice John O’Keefe of the Federal Court Trial Division had no difficulty finding that the use of SPRINT CANADA by Merlin was confusing with Sprint Canada’s marks, even though the services were very different. (Are “telecommunications services” and “marketing, advertising and public relation services” less different than cars and canned food? I will let the reader decide.) He granted a permanent injunction.

But the Federal Court of Appeal refused to come to the aid of a famous mark in another recent case, *Baylor University*. Baylor University is in Texas, and is known to sports aficionados for its football team. It wanted to register BAYLOR for watches in Canada. Hudson’s Bay Company claimed this would be confusing with its well-known marks THE BAY, BAYCREST and others. The Opposition Board and trial court both found Baylor’s registrations should not issue because there was a likelihood of confusion. But the Federal Court of Appeal, in a unanimous decision written by Justice Marc Noël, overturned.

Justice Noël discussed the confusion issue at some length, using the factors set out in s. 6(5) of the *Act*. He concluded there was no likelihood of confusion. It just didn’t seem likely, he thought, that someone buying a watch marked BAYLOR (presumably a fan of the Baylor college football team) would think the watch was connected with the Hudson’s Bay Company. “The fame associated with the Hudson’s Bay Company in

Canada, while considerable, is not such as to automatically exclude third parties from using any word commencing with the letters BAY.”

A famous mark also lost out in another recent case involving CHICLETS gum, although perhaps only temporarily. We've all heard of CHICLETS. Warner Lambert, which markets the gum, asked for either summary judgment or an interlocutory injunction stopping a rival gum-maker from using CHICLE BYTES and CHICLE DUBBLE BUBBLE. Justice François Lemieux reviewed the evidence as to whether there was a likelihood of confusion, but found this issue could not be decided on summary judgment, because the evidence was in conflict. He also refused to grant an interlocutory injunction. *Warner Lambert Company v. Concord Confections Inc.* ([2001] F.C.J. No.139, March 3, 2001.)

You can learn all sorts of useful things from reading trade-mark cases. For example, I didn't know “chicle” is a word meaning “milky juice of the balata, sapodilla, or similar tree, the basis of chewing gum,” until I read the CHICLETS case.

Another recent confusion case is the VIDEO MAIL decision, another case where the Trial Division overturned the Opposition Board. Is VIDEO MAIL confusing with Canada Post’s various marks involving the word “mail”? Of all the cases mentioned, I would have chosen this as the one where confusion was least likely to be found. In fact, it’s one of the few where confusion *was* found. Go figure.

Paxton Developments had applied to register VIDEO MAIL for “telecommunications services”. This was opposed by Canada Post on the grounds it was confusing with Canada Post’s various registrations for ADMAIL, FAXMAIL, LASERMAIL and other “mail” marks. The Opposition Board refused the opposition, that is, would have allowed registration of VIDEO MAIL. It thought that the average consumer would be more likely to associate VIDEO MAIL with generic terms like “voice mail” or “e-mail” than with Canada Post.

Justice Denis Pelletier of the Federal Court Division, however, reversed. He was influenced not only by the fact that the applicant did not appear on the appeal (which suggested a lack of interest), but also by survey evidence introduced on appeal by Canada Post which showed that 9% of those questioned, when asked what company they thought might offer VIDEO MAIL, answered “Canada Post.” Although this might seem a pretty small segment of the population, it was enough, Justice Pelletier found, to establish a likelihood of confusion.

In VIDEO MAIL confusion was found to be likely, even though “video” and “mail” are both non-distinctive common words. But in another case, the court found there was no likelihood of confusion mainly because the marks, SPINAL CARE and SPINAL GUARD, consisted of non-distinctive common words.

The applicant Bay Rest Bedding applied to register SPINAL CARE for mattresses. Its application was opposed by Bedford Furniture, who said the registration would be

confusing with its registered mark SPINAL GUARD, also for mattresses. The Opposition Board agreed the marks were confusing. After all, they both contained the word SPINAL and were for mattresses.

The applicant filed new evidence on appeal to the Trial Division, pointing to other marks on the register containing the words BACK, SPINAL, CARE or GUARD ie. making the point these were common, non-distinctive words. The evidence also showed the two marks had co-existed in the marketplace for 15 years, without any instance of confusion. Justice John O'Keefe overturned the Board's decision, finding confusion was unlikely.

Confusion cases are sometimes reversed because of new evidence. But not always. Sometimes, the judge just sees thing differently. In the ELIMINEX case, although new evidence was filed in the Trial Division, the court said it wasn't material. The court went on to reverse the Board anyway.

The applicant filed an application for ELIMINEX in association with "veterinary anti-parasitic preparations." Novartis opposed, saying this was confusing with its application for ELIMINATOR for "insecticidal ear tags."

The Opposition Board found there was a likelihood of confusion, and refused to let ELMINEX issue. It reasoned the marks were for somewhat similar wares (medical preparations for veterinary use) and both contained the prefix "ELIMIN-". But Justice Dolores Hansen overturned. The marks were not confusing, she said, in part because one was a coined word and the other wasn't: "the addition of the suffix -EX creates a coined word while the suffix -ATOR in the respondent's mark creates a word found in the common vocabulary." As well, the difference in the suffixes was significant because "the common prefix is weak and non-distinctive."

Now that I've cleared up any confusion about the confusion cases, let's look at the cases that were about other issues.

A Federal Court of Appeal decision, *Unitel International Inc. v. Canada (Registrar of Trade-marks)*, ([2000]F.C.J. No.1652, September 28, 2000) caused quite a ruckus, because it seemed to say Canada's trade-mark system is a "first to file" system rather than a "first to use" system.

That meant the trade-marks office (TMO) would have had to overhaul procedures concerning co-pending, confusing applications it's had for decades, with profound implications for trade-mark law and practice.

The case itself was a fairly routine judicial application against the Minister, which was dismissed.

Two sentences in Justice Marshall Rothstein's brief oral reasons dismissing Unitel's appeal caused all the fuss: "We observe that the dates of first use are not a relevant consideration under paragraph 37(1)(c). The only issue is whether there is confusion

between an applicant's trade-mark and a trade-mark for which an application is already pending."

The reason this stirred things up is that the *Act* says that it is the date of *first use* that determines which of two co-pending, confusing applications is allowed to go forward. At least that had been the TMO's interpretation for years.

Unitel suggested that, on the contrary, it is the date of *filing*, that should govern. This is a big change, approximately the trade-mark equivalent of a court saying all cars must now drive on the left side of the road. It meant the Trade-marks office was going to have to do everything differently.

"There was a significant amount of confusion. A lot of people were trying to figure out what the decision meant," Lisa Power, Assistant Director of the trade-marks branch of the Canadian Intellectual Property Office told me.

Finally, after much discussion and debate, the TMO decided to ignore the case. "We decided not to follow *Unitel* in the end," says Power. "The relevant part of the ruling was an obiter comment, made orally. It was a kind of off-hand remark, it seemed. There was no detailed discussion of s. 37(1)(c) and s. 16 of the Act. As well, on the facts, the registrar's existing practice had been upheld."

The TMO issued a brief Practice Notice "Entitlement - Confusing Marks," dated March 7, 2001, that said it had reviewed the *Unitel* case, "and has concluded that no changes are required to the current practice with respect to paragraph 37(1)(c) and section 16 of the *Trade-marks Act*."

Another case worth mentioning is the PARMA case (*Consorzio Del Prosciutto Di Parma v. Maple Meats*, ([2000] F.C.J. No. 1962, January 25, 2001.) This case is the latest in a series of cases over the year where food or wine producers from regions in Europe have attacked Canadian producers in court for using the name of that region on their products (eg. "Champagne"). A problem the European producers often have in these cases is that the allegedly offending name often has been used for decades in Canada, without complaint, and it may be doubtful whether Canadian consumers in fact associate the name with the European region or its producers.

Certain prosciutto producers from the Parma region of Italy asked the court to expunge Maple Leaf's registration PARMA for ham. They claimed the mark, which Maple Leaf had had since 1971, was deceptively misdescriptive because the average consumer would think Maple Leaf's prosciutto originated from the Parma region, which it didn't. Justice William McKeown of the Federal Court Trial Division dismissed the application. The relevant date, he said was 1971, when Maple Leaf's registration issued. He was not satisfied that, as of 1971, the average Canadian thought that prosciutto bearing the PARMA mark originated from Parma, Italy. Maple Leaf's survey showed that, even today, most Canadians do not recognize that "Parma" as a place in Italy. He was also concerned about the applicants' delay in bring the case.

Another recent case deals with section 9(1)(n)(iii) "prohibited marks." The *Act* allows any "public authority" to request the Registrar to give public notice that the authority has adopted and used a mark. Once the notice is published, the public authority effectively gets a perpetual exclusive right to use the mark. There's no opposition process in the *Act*.

Ontario Association of Architects v. Association of Architectural Technologists of Ontario ([2000] F.C.J. No. 1743, October 26, 2000) seems to recognize another party can challenge the Minister's decision to public such notices. The Ontario Association of Architects (OAA) brought an application seeking to reverse a decision of the Registrar of Trade-marks to publish a public notice submitted by another association, the Association of Architectural Technologists (AATO). The public notice said AATO had adopted and used the terms ARCHITECTURAL TECHNICIAN and ARCHITECTURAL TECHNOLOGISTS.

OAA argued that the registrar was wrong to have published the notice, because AATO was not a "public authority."

Justice William McKeown found that OAA could properly request review of the Minister's decision to publish the notice. But he nevertheless dismissed the application, finding that AATO was a "public authority" within the somewhat loose definition of that term in the case law.

Another case confirms it's still hard to get an interlocutory injunction in trade-mark cases. In *Lifescan, Inc. v. Novopharm Limited* ([2000] F.C.J. No. 1989, November 10, 2000) Johnson & Johnson subsidiary Lifescan sought an interlocutory injunction that would have prevented generic drug company Novopharm from saying on its packaging and other promotional material that its generic blood glucose strips are "for use with" Lifescan's ONE TOUCH products, used by diabetics. But Justice François Lemieux found that Lifescan had not established that it would suffer irreparable harm, and refused the injunction.