

Trade-Mark Law

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Undertakers battle over trade-mark

My favourite recent trade-mark case is about two companies engaged in what the Court called “the transportation, preparation and disposition of human remains.”

This is not a line of work where you might expect trade-marks to come up much. But in fact, *Canadian Memorial Services v. Personal Alternative Funeral Services Limited et al.*, (T-2658-97, January 28, 2000) is one of the most interesting recent cases in this area.

What unusual about the case is that the evidence and issues were somewhat complex, but Mr. Justice Denis Pelletier of the Federal Court, Trial Division nevertheless decided it by way of a summary judgment motion. Federal Court judges have generally been reluctant to lay cases to rest (so to speak) using the summary judgment rule.

The plaintiff, Canadian Memorial Services, had used SIMPLE ALTERNATIVE, in Ontario since the late 1980s, in connection with “alternative” funeral services (ie, they’ll dispose of old Aunt Mabel cheaper).

Canadian Memorial sued Personal Alternative Funeral Services, which had been returning dust to dust, ashes to ashes, under the mark PERSONAL ALTERNATIVE in British Columbia since about 1992, and had plans to enter the Ontario mortician market.

There had been a meeting between the two companies in 1993, years before the litigation began. One of the issues was whether Canadian Memorial’s failure to object to the defendant’s name then, or for years afterwards, was acquiescence, nullifying its right to sue. Justice Pelletier found that Canadian Memorial had indeed acquiesced, and dismissed the case.

But Justice Pelletier also carefully considered the confusion issue, evaluating each of the usual headings set out in section 6(5) of the Trade-marks Act. He concluded the marks had little distinctiveness, because “alternative” was a commonly used, generic word in the funeral world. Therefore, there was little likelihood of confusion.

Pelletier was prepared to proceed under the summary judgment rule even though there was an apparent factual disagreement in the evidence. The plaintiff's affidavit claimed the defendants had adopted PERSONAL ALTERNATIVE after they became aware of the plaintiff (with the implication that PERSONAL ALTERNATIVE was a deliberate imitation of SIMPLE ALTERNATIVE). The defendant's evidence said the opposite.

Justice Pelletier acknowledged this "appears to raise a factual issue based on credibility which would require a trial, making the disposition of this matter by summary judgment proceedings inappropriate." But he went on to find there really was no conflict because "the [plaintiff's] evidence relied upon to set up the conflict is hearsay. One cannot create a credibility issue by tendering inadmissible evidence."

Victor Butsky of Toronto's Deeth, Williams, who argued the case for Canadian Memorial, says the case "clearly lowers the threshold for determining cases by summary judgment in the Federal Court." Kelly Gill of Gowlings, who appeared for the moving party, tells me the case has now been settled.

ECO-STONE fails to pave over rival

In the undertaker case, Justice Pelletier relied on and indeed quoted at length from, another recent decision of the Federal Court, Trial Division, F. Von Langsdorff Licensing Limited v. S.F. Concrete, Inc. (1999) 1 C.P.R. (4th) 88, released in April, 1999. This was also a case where a trade-mark claim was dismissed by summary judgment on the grounds the marks were not confusing.

The plaintiff used the trade-mark UNI ECO-STONE for paving stones. It wanted to stop the defendant S.F. Concrete, managed by a former employee, from using the name SF-ECO for paving stones.

Justice John Evans concluded "Eco" was not distinctive of the plaintiff; he noted that the plaintiff's sales had been modest, and that "eco-" is a commonly used prefix to suggest ecology-related products. He concluded there was no likelihood of confusion.

On the question of whether summary judgment was the way to go, Evans reviewed the cases, including the well-known Ontario case, Pizza Pizza v. Gillespie, and concluded, in a passage later quoted in Canadian Memorial: "It seems to me that the dominant trend in the jurisprudence of the Court has been to interpret liberally the rules governing summary judgment, so that a motions judge must subject the evidence to a "hard look" in order to determine whether there are factual issues that really do require [a full trial]."

Eugene Gierczak of Keyser, Mason, who argued the case for the moving party, tells that case has also settled. Since there won't be an appeal in the undertaker case either, we'll never know that the Federal Court of Appeal would have thought of these two summary judgment cases.

Bill Clinton's sex life enters Canadian trade-mark law

Perhaps improbably, Justice Evans in Langsdorff also cited a well-known US summary judgment case: Jones v. Clinton, which, as we all know, wasn't about trade-marks at all, but rather about Bill Clinton's distinguishing characteristic. Evans cited Jones for the proposition that a case should be dismissed at the summary judgment stage if the motions judge concludes it that, even assuming everything in the plaintiff evidence were found to be true at trial, the court would still dismiss the case. That's a sensible idea, and, so far as I know, a new way of looking at summary judgment in the Federal Court.

A summary judgment rule (now known as Rule 216) was introduced into the Federal Court Rules in 1994 modeled on the equivalent Ontario Rule, Rule 20. However, Federal Court judges in general seemed somewhat more reluctant to use it than judges in the Ontario Court. It has rarely been used in trade-mark cases. Canadian Memorial and Langsdorff may indicate this is changing.

This has important practical implications for anyone involved in trade-mark litigation because the critical concern in such cases, particularly for plaintiffs, is how to get fast relief.

IMAX puts interlocutory injunctions back on the big screen

Until about ten years ago, the best way to move a trade-mark claim along quickly was usually to bring an interlocutory injunction motion. If you didn't seek an injunction, you were a wimp. But a trio of cases in the Federal Court of Appeal in the early 90s (Syntex (1991), 36 C.P.R. (3d) 129, Nature Company ((1992), 41 C.P.R. (3d) 359, and Centre Ice (1994), 53 C.P.R. (3d) 34) established a very high threshold for establishing irreparable harm in interlocutory injunction applications about trade-marks.

Those cases said the moving party's evidence of irreparable harm had to be "clear and not speculative". As a result, interlocutory injunctions in trade-mark cases became rare unless clear piracy was involved.

Imax Corporation v. Showmax Inc. (T-592-99, January 18, 2000), a decision of Mr. Justice Teitelbaum of the Federal Court Trial Division, is interesting because a trade-mark owner managed to get over the high "irreparable harm" threshold, and get an interlocutory injunction.

Imax operates movie theatres with those massively mega-sized screens that always make me afraid I may lose my lunch. Imax objected to the defendants' plan to use SHOWMAX as the name of a movie theatre on the site of the old Montreal Forum.

Imax filed voluminous evidence that IMAX and SHOWMAX were confusing, including survey evidence showing about half the people surveyed thought that a theatre named SHOWMAX might be connected in some way to IMAX.

On the key issue of irreparable harm, Imax addressed the "clear and not speculative" requirement by filing expert evidence: the affidavit of Dr. Michael Pearce, the dean of the Ivey business school at the University of Western Ontario. "He's experienced in business scenarios and was a consultant for many years on trade-marks and branding," said Robert Macfarlane of Bereskin & Parr, who argued the case for Imax.

Dr. Pearce's evidence was that if the defendant Showmax's use of SHOWMAX continued, and assuming that SHOWMAX was indeed confusing with IMAX (on which he expressed no opinion), Imax would suffer irreparable harm because such use "will damage the brand meaning or equity of the IMAX mark...The mark will no longer identify and distinguish theatres controlled by Imax as a strongly and clearly as it did before use began of the confusing SHOWMAX mark. In my opinion, confusion will result not only in lost sales, but will also cause damage to good will and to the value of the Imax mark."

Macfarlane tells me Justice Teitelbaum specifically raised whether this expert evidence was merely "speculative" at the hearing. Evidently, he was satisfied in the end that it was not.

Justice Teitelbaum therefore granted the injunction, saying there was nothing in the evidence to contradict the opinion of Dr. Pearce. This case won't go to the Federal Court of Appeal either; I understand it's been settled.

Yellow Pages lets its fingers walk over infringing website.

Another recent case where an interlocutory injunction was granted was *Bell Actimedia v. Puzo et al.* (1999) 2 C.P.R. (4th) 289, a decision of Mr. Justice Pierre Blais of the Federal Court Trial Division. Actimedia owns registrations for YELLOW PAGES and PAGES JAUNES. It got an interlocutory injunction against two individuals using *lespagesjaunes.com* as a web address. The defendants don't seem to have been classic cybersquatters; there's no mention in the judgment that they wanted to sell the domain name back to Bell Actimedia. Instead, they planned operate their own French language internet site.

There's not much discussion of irreparable harm in the judgment. It may have been in Justice Blais' mind that the defendant individuals were small-time operators who might be unlikely to satisfy a judgment, if one were granted at trial. At any rate, he granted the injunction.

(Incidentally, new remedies for dealing with cybersquatting, ie, bad faith registration of domain names that infringe trade-marks, became available very recently. This is a big and interesting topic I have written about elsewhere, and which is outside the scope of this trade-mark survey. In a nutshell, since January, 2000 trade-mark owners can challenge "bad faith" registrations of internet domain names, using a quick, international

arbitration procedure. For information, go to icann.com and click on "Domain-Name Dispute Resolution.")

Confused by Chinese characters?

Deciding whether one mark is confusing with another can sometimes involve an understanding of different languages and cultures. In *Cheung Kong (Holdings) Limited v. Living Realty Inc.* (T-52-99, December 15, 1999), Mr. Justice Evans of the Federal Court Trial Division had to decide whether a trade-mark application for certain Chinese characters, designated as CHINESE CHARACTERS & Design in the application, was confusing with Canadian Trade-mark no. 385,395 for CHEUNG KONG.

The key issue was, confusing to whom: the “average”, presumably non-Chinese consumer, or confusing to those familiar with the Chinese language?

The Chinese characters in the application translated as Long River Real Business. The applicant Living Realty wanted to register the Chinese characters in association with "real estate and investment services". But the application was opposed by a Hong Kong corporation, Cheung Kong Holdings, owners of the CHEUNG KONG registration. Cheung Kong's main argument was the application should not issue because the Chinese characters in the design application were pronounced “cheung kong”, i.e. they were in effect identical in sound and idea conveyed to Cheung Kong's already existing registration for those the same Chinese words spelled in the western alphabet.

The Opposition Board agreed with the applicant Living Realty that the marks were not confusing. The Board reasoned there was no resemblance between the trade-marks in appearance or sound or in the ideas suggested by them to the “average Canadian consumer,” by which the Board seems to have meant your basic, redneck Canuck of European descent, not familiar with the Chinese language.

On appeal, Mr. Justice Evans, writing just prior to his elevation to the Federal Court of Appeal, overturned this. He reasoned that the applicant's real estate services were targeted at Chinese Canadians in the Toronto Area, and that it was reasonable to assume that a majority of those persons would understand the meaning of the Chinese characters in the applicant's mark. Therefore, there was a likelihood that applicant's mark would be confusing to members of the relevant market. Therefore, he said, Living Realty's application for the Chinese characters should not issue.

EXPORT for beer not distinctive

We've all been subjected to innumerable beer ads on TV flogging Molson Ex over the years. Some of us may have consumed more of it than we care to admit.

But that doesn't mean EXPORT is distinctive or that Molsons can register it as a trademark, ruled the Federal Court of Appeal in an unusual split decision (John Labatt v. Molson, A-428-99, February 3, 2000).

Molsons has various registrations for MOLSON EXPORT & Design, featuring the hexagonal label with the little sailing ship in the middle. In 1985, Molsons applied to register the word EXPORT alone for "brewed alcoholic beverages" (trade-mark lawyers never call beer "beer"). The application was opposed by Molson's arch-rival Labatt's. The application spent fifteen years in trade-mark law limbo, prior to the recent Federal Court of Appeal decision. Along the way, the Opposition Board ruled that the mark was not registerable, because distinctiveness had not been adequately demonstrated. The Federal Court Trial Division then overturned the Board.

On appeal to the Federal Court of Appeal, Justice Julius Isaac in dissent would have upheld the trial judge, allowing the registration to issue in certain provinces, but Justice Marshall Rothstein, writing for the majority, agreed with the Board that the necessary degree of distinctiveness had not been shown anywhere in Canada.

EXPORT is a descriptive word designating an article of a quality suitable for export. That is, it is "descriptive" and cannot be registered unless shown to be distinctive under s. 12(2) of the Act at the time of the application. There's a lot of discussion in the judgment of what the "relevant date" was for making this inquiry.

Because the mark was descriptive, there was a heavy onus on Molson's to show the mark was indeed "distinctive", meaning people actually associated EXPORT with Molsons at the time of the application, all those years ago. Molsons relied in part on a survey it had done in certain locations in Ontario.

Molsons had also filed affidavits of its own executives setting out sales and advertising figures. These showed Molsons had spent vast amounts money promoting EXPORT, and had sold a lot of it over the years.

This wasn't enough for Justice Rothstein. He found the evidence of the Molsons executives to be "self-serving", and the survey to be flawed. Neither in his view had "significant probative value". "I do not see how extensive sales or advertising prove the word 'EXPORT' alone [i.e. without 'MOLSON'] is distinctive of Molson's beer. In all the advertising evidence, the effort is to present the words 'MOLSON EXPORT' and not 'EXPORT' alone."

Like a blockbuster movie, the judgment concludes with the hint that there may be a sequel: "I do not say that "EXPORT" may not be a well-known or famous term in association with a Molson beer product" wrote Justice Rothstein, stressing that it was merely that the evidence before him on the appeal was not enough to establish distinctiveness. In other words, Molsons seems to be welcome to try again.

Elizabeth Elliott, of Marcera & Jarzyna, who argued the case for Molsons, tells me there is indeed another EXPORT application moving through the system. She also told me leave has been sought to appeal this decision to the Supreme Court of Canada. Nicholas Fyfe, of Smart & Biggar, who represented Labatts, had no comment.

Yet another pill case

Another case dealing with the concept of "distinctiveness" arises out of the seemingly never-ending litigation on the question of the size, shape and colour of pills and tablets. To make a long story short, innovative drug companies have claimed in many cases over the years that the look of their pills is proprietary.

Generic manufacturers, however, have generally succeeded in defending their practice of marketing generic versions of the tablet in the identical size, shape and colour as the brand version. In the great majority of these cases, the alleged proprietary right has been a common law i.e. unregistered right (notably *Eli Lilly*, (1997), 73 C.P.R. (3d) 371, the well-known PROZAC case.)

However, in a recent case, Bayer sought exclusive rights to the size, shape and colour of its pill through registration under the Trade-marks Act. Bayer had applied to register the colour "dusty rose" applied to the surface of tablets of a heart drug, nifedipine, sold under the brand name ADALAT. Novopharm, a generic manufacturer, opposed the application. The Opposition Board ruled that Novopharm's opposition should be rejected ie, Bayer should get its registration giving it exclusive right to use the colour on its tablets.

However, Mr. Justice Evans of the Federal Court Trial Division allowed Novopharm's appeal, and held that the application should not issue. (*Novopharm v. Bayer*, T-289-97, October 28, 1999).

The most important issue was whether the look of the pills was distinctive of Bayer. Did ordinary consumers associate them with Bayer or, at least, with a single source of supply?

As in the EXPORT case, the court decided that the applicant failed to discharge the heavy onus of establishing distinctiveness. Bayer filed the evidence of various pharmacists and doctors but this evidence was inconclusive as to the perceptions of patients. There was no evidence from patients themselves. There was also evidence there were a number of other pink tablets on the market for angina.

Justice Evans concluded: "I am unable to conclude that the colour, shape and size of ADALAT are distinctive of the product... Bayer produced no direct evidence to show that patients associated the colour and shape of ADALAT tablets with a single source."

Do patents having anything to do with trade-marks?

When I first started working in the intellectual property field, I remember being set straight by a senior lawyer because I was under the foolish impression that trade-marks and patents were somehow related.

Wrong, he said. Although customarily grouped together as “intellectual property”, the two in fact have nothing to do with each other. Their historical development is different. The public policy considerations are different. The legal principles are different. In short, I was told, ignore patent principles when analyzing a trade-mark problem, and vice versa.

Thomas & Betts v. Panduit Corp. (A-352-97, January 7, 2000) a decision of the Federal Court of Appeal, seems to confirm this view.

Thomas & Betts (T&B) and Panduit both sell electrical products. T&B sued Panduit for selling “a two piece cable tie”, identical to T & B’s product. A cable tie is a whatchamacallit used in electric wiring. T & B claimed Panduit’s product infringed its unregistered trade-mark rights in “a distinctive oval shape for the head of a cable tie”.

Panduit moved on a preliminary motion to strike the claim, and was successful in the Federal Court Trial Division. Panduit relied on fact that T & B had at one time a patent on the cable tie, now expired. The oval shape of the head was shown in the drawings of the preferred embodiment in the patent. Therefore, as a matter of law, Panduit argued, T&B was estopped from claiming trade-mark protection in the “oval head” because T&B had disclosed that feature of the invention to the world in return for its seventeen years of exclusivity under the now-expired patent.

Mr. Justice Robert Décary, writing for a unanimous panel of the Federal Court of Appeal, rejected this argument, and was critical of the motions judge for referring to the Patent Act, not the Trade-marks Act.

The Court saw the issue as being whether the shape of the “oval head” was “functional”, a question it thought had little or nothing to do with whether T&B had once had a patent. It’s clear a primarily functional feature may not be protected under trade-mark law.

“The issue in the action is whether the oval-shaped head was a distinguishing guise within the meaning of the Trade-marks Act. In addressing that question which is partly and perhaps essentially one of fact, the Motions Judge would have had to examine the very facts of the case in the light of trade-marks principles, including the doctrine of functionality. It may be that at the end of a trial a judge would reach the conclusion [the oval head was functional], but any such conclusion would be premature in this case at the stage of a motion for summary judgment,” wrote Mr. Justice Décary. There was equivalent US litigation, where the same result was reached, both in the trial level and on appeal.

Bruce Stratton, of Dimock Stratton, who argued the case for Panduit, tells me leave has been sought to appeal this to the Supreme Court of Canada. Thomas & Betts’ counsel,

Marek Nitoslawski of Montreal's Colby Monet, says his client plans to move on to trial, but won't be able to do so until after the leave application is decided, later this year.

So there you have it: fighting funeral parlours, Bill Clinton's sex life, beer, Chinese characters and "oval-shaped heads". You just never know what's going to pop up in a trade-mark case.