



Top Trademark Cases from the Canadian Courts in 2015

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Last year we saw the Canadian Courts release trademark decisions that granted a rare interlocutory injunction, issued jailed sentences for failure to comply with injunctive relief, grappled with trademark and internet issues, considered use and facts that excuse non-use of trademarks or require use of French language terms, and also addressed descriptiveness and non-traditional marks. Here's our pick of 2015's most important Court cases and legislative developments:

1. Rare Injunction Granted

Jamieson Laboratories Ltd. v Reckitt Benckiser LLC and Reckitt Benckiser (Canada) Limited (2015 FCA 104)

Pre-trial injunctive relief is very rarely granted in Canadian trademark cases, as the harm caused by the infringing activity is generally not seen by the Federal Court to be irreparable in nature. The rather unique facts in this case, where the trademark registration owner had not used the trademark in Canada before the infringement occurred, provided the Federal Court with the opportunity to find irreparable harm. This decision potentially signals how impending changes to the *Trade-marks Act*, which changes specifically provide for registration without use, may impact the enforcement of those registrations.

In 2011, Reckitt Benckiser acquired, by assignment, a registration for the mark MEGARED. While the predecessor had used the mark in the United States, use in Canada had been delayed for various purported reasons, including Health Canada approvals and issues relating to the change in ownership. The registration covered omega-3 fatty acid supplements, and had been used in the US by the predecessor on fish oil supplements made from "red" krill. The product was widely advertised and promoted, including on television programs emanating from the US.

Reckitt Benckiser launched MEGARED supplements in late 2013/early 2014. However, in summer 2013, another major Canadian supplier of supplements, Jamieson, reintroduced an existing krill-oil supplement under a new mark, Omega RED. Both products are shown below.



Reckitt Benckiser commenced an action for infringement in October 2014, and a month later sought an application for an interlocutory injunction, now more than 18 months after Jamieson’s launch. The injunction was granted notwithstanding the apparent delay, and maintained on appeal. On the issue of evidence of irreparable harm, the Federal Court of Appeal confirmed that, in general, where damages cannot be quantified or are incalculable, “those losses can be considered irreparable”. The Federal Court of Appeal also noted that where the party seeking to enforce its mark enters the market after the alleged infringer, to hold a Plaintiff to the onus of proving damages, such as lost sales or other marketplace loss, should not be necessary, when “the only market environment in which the plaintiff has ever operated has been one in which the alleged infringer has operated as well”.

2. Counterfeiting Denounced

Chanel S. de R.L. v. Kee (2015 FC 1091)

By summary trial, Chanel succeeded against a family engaged in counterfeiting who had tried to avoid the consequences of an earlier settlement and Court (consent) order by an inter-family transfer of the business.

The Federal Court saw Chanel’s trademark rights as being blatantly disregarded by the family’s sale of counterfeit fashion accessories bearing Chanel’s marks; the Court also saw the Court process and its orders being disregarded, as the related corporate defendant, who had earlier sold such counterfeit goods, had settled an earlier action brought by Chanel, which settlement included a consent order. Against these “egregious” activities, the Court saw nominal damages as insufficient “to denounce and deter”. The Court ordered \$64,000 in nominal damages for eight infringing events, \$250,000 in punitive damages and \$66,000 in costs (the latter being 60% of Chanel’s actual out-of-pocket costs).

3. Confusion: Co-existence, Extent of Use and Drawing an Adverse Inference

Scott Technologies Inc. v. 783825 Alberta Ltd. (2015 FC 1336)

The Federal Court, referring to the Supreme Court of Canada’s decision in *Mattel, Inc. v. 3894207 Canada Inc.*, 2006 SCC 22, recognized that in cases where there is longstanding and extensive co-existing use of two marks, the absence of evidence of confusion can be an important factor in assessing the likelihood of confusion.

Scott Technologies brought an action for trademark infringement, passing off and depreciation of goodwill in relation to its registered trademarks, including the SCOTT mark, for breathing equipment marketed and sold to fire departments, against a fire extinguisher sales and maintenance business that had used its Scott Safety name for many years.

Having found that Scott Technologies had produced no substantial evidence of actual confusion, the Federal Court saw, where the other confusion factors were notionally tied, that the lack of evidence of actual confusion was the “most important contextual factor”. The Court went on to comment “the fact that something [confusion] did not occur suggests, other things being equal, that it was not likely to occur”. The Court also noted that the extent to which a court may draw a non-confusion inference from a lack of evidence of

actual confusion depends on the circumstances, recognizing longstanding co-existence and extensive use as pertinent factors.

4. Jail Time for Infringement

Trans-High Corporation v. Hightimes Smokeshop and Gifts Inc. (2015 FC 1104)

Sending infringers to jail doesn't happen very often in Canada. In this case, despite a Federal Court ruling of infringement of Applicant's HIGH TIMES trademark, the Respondent continued to use the mark, subsequently pleading guilty to contempt. The Contempt Order provided, in part, for payment of fines and costs to Applicant, failing which, Applicant could seek a warrant for Respondent's committal to jail. Respondent failed to pay, and Applicant applied for enforcement of the Contempt Order. The Federal Court confirmed a prior ruling of the Supreme Court of Canada that a person who is ordered by a court to pay money may be imprisoned for contempt if he/she is not willing to pay the debt despite having the ability to do so. The Respondent was ordered arrested and imprisoned for a period of not less than 14 days and ordered to remain imprisoned until all amounts owing have been paid. The Court noted that this is not a case of "debtor's prison" since the Respondent refused to pay, as opposed to being unable to do so.

5. Invalid on Clearly Descriptive Grounds

Trademarks are rarely expunged for descriptiveness grounds in Canada, where, for example, marks such as ASPIRIN and THERMOS are still registered despite no longer being valid in other jurisdictions. The decision in ***Dr Patrick Lum and Dr. P.K. Lum (2009) Inc. v. Dr. Coby Cragg Inc. (2015 FCA 293; appeal from 2014 FC 1171)*** provided a rare opportunity for the Federal Court to review the meaning of "clearly descriptive" of place of origin, as in s. 12(1)(b) of the *Trade-marks Act*.

Both Dr. Lum and Dr. Cragg were dentists in a British Columbia suburb commonly known as "Ocean Park". Dr. Cragg operated "Ocean Park Dental Centre" since 1974. Dr. Lum purchased a dental practice in 2012 a few blocks away and used "Ocean Park Dental Group". In 2013, after complaints from Dr. Cragg, he moved the practice a few blocks further, and renamed it "Village Dental in Ocean Park".

Dr. Cragg then obtained a registration for OCEAN PARK for "dental clinics", and commenced infringement action against Dr. Lum, who counterclaimed to invalidate the registration on the basis that the mark was clearly descriptive of the place of origin, and not distinctive. The lower court dismissed the invalidity claim, applying a two-step analysis of clearly descriptive of place of origin, namely (1) the trademark must refer to a geographic place name, and (2) the services must be *indigenous* to the place in question. While "Ocean Park" was the geographic place name of Dr. Cragg's dental office, the trial court held that the location "Ocean Park" would not be equated with dental services. The non-distinctiveness claim also failed.

On appeal, the findings on "clearly descriptive" meaning and distinctiveness were both overturned, and the registration was ordered to be expunged for invalidity. The FCA held that OCEAN PARK was prima facie descriptive of the geographic location where Cragg's services were provided. The FCA went on to point out that there is a public interest in prohibiting a trader from monopolizing the name of a geographic location to the detriment of others in the area. The FCA also noted that the registrant's mark could not have acquired a secondary meaning, since the words OCEAN PARK were never used as a stand-alone mark. On the issue of distinctiveness, the FCA found that the evidence before the Trial Judge of use of the words "Ocean Park" by local businesses was sufficient to conclude that the OCEAN PARK trademark was not distinctive as of the commencement of the invalidity proceeding.

6. Invalidity Grounds

Concierge Connection Inc. v. Venngo Inc. (2015 FCA 215)

Albeit in a decision relating to the propriety of an invalidity pleading (in a counterclaim to an infringement action relating to the PERKOPOLIS mark) as opposed to a trial decision or an appeal of a trial decision, the Federal Court of Appeal clearly stated that in addition to the specific grounds set out in the *Trade-marks Act*, a registration can be invalidated based on a misrepresentation made

to the Trade-marks Office, or in misleading the Office in a material way.

7. Trademarks and the Internet

Two decisions dealt with metatags and keywords, both dismissing claims of infringement and passing off. In ***Red Label Vacations Inc. (redtag.ca) v. 411 Travel Buys Limited (411travelbuys.ca)*, 2015 FC 19, affirmed 2015 FCA 29**, the defendant's website had included metatags copied from the plaintiff's website, but the plaintiff's trademarks were not visible on the defendant's website. The trial judge found that use of a competitor's mark in metatags (that are not ordinarily visible to the consumer) was not infringement. Such use does not, by itself, constitute a basis for a likelihood of confusion because consumers are still free to choose and purchase goods or services from the website for which they initially searched. The Federal Court of Appeal dismissed an appeal of the trial judge's decision. The trial judge had not erred by implicitly concluding that the defendant had not used any of the plaintiff's trademarks so as to establish infringement. However, the Federal Court of Appeal cautioned that inserting a registered trademark in a metatag could, in some situations, constitute advertising of services giving rise to infringement, and, in a concurring decision, one of the Justices expressly declined to endorse the trial judge's remarks questioning the applicability of "initial interest confusion" in Canadian law, a concept that was acknowledged by the Supreme Court of Canada. This seems to keep the door open for further infringement claims arising from trademark use in metatags.

In ***Vancouver Community College v. Vancouver Career College (Burnaby) Inc.*, 2015 BCSC 1470**, the Court dismissed the plaintiff's passing off claim based on the defendant's use of the plaintiff's marks as keywords to trigger online advertising. The potential for confusion does not arise until the consumer conducting the search views a website. Therefore, use of a competitor's trademarks in keywords alone cannot constitute passing off. This decision is under appeal.

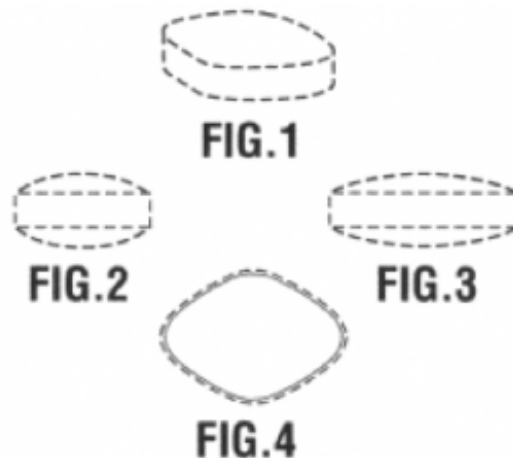
8. Non-use Proceedings - What constitutes use, and what factors may excuse non-use?

Two notable decisions were issued – the first of which contained a dissenting opinion from the Federal Court of Appeal, which is very unusual, and is now subject to a leave application to the Supreme Court of Canada. ***Alliance Laundry Systems LLC and Whirlpool Canada LP (2013 TMOB 218; 2014 FC 1224; 2015 FCA 232)*** dealt with summary non-use cancellation proceedings under section 45 of the *Trade-marks Act* against a registration for SPEED QUEEN owned by Whirlpool Canada LP. The registrant filed an affidavit claiming use of the mark in Canada by an authorized licensee during the relevant period with washers and dryers. The evidence included photographs showing the mark applied to the goods, as well as gross sales figures attesting to sales within the relevant period. Also filed in evidence were copies of two invoices dated 11 weeks after the relevant period, prominently featuring the mark and attesting to sales of several hundred SPEED QUEEN washers and dryers. The Opposition Board maintained the registration, noting that the invoices, while outside the relevant date, implied a continuity of sales, and not mere token use. On appeal to the Federal Court, no additional evidence was filed and the appeal was dismissed, the Court noting that the decision fell within the range of acceptable outcomes, and was defensible in fact and law. A majority of the Federal Court of Appeal disagreed, finding that the evidence did not, "even on a generous view of its contents" meet the low threshold of use required under Section 45, and ordered the SPEED QUEEN registration expunged (Scott J.A in dissent held that the lower court's decision was reasonable). Leave to appeal to the Supreme Court of Canada was filed in December 2015.

In ***Gouverneur Inc. v. The One Group LLC*, 2015 FC 128**, the registrant relied on "special circumstances" to defend against cancellation for non-use. The Federal Court confirmed that the Registrar must be satisfied that the lack of use is due to circumstances that are unusual, uncommon or exceptional, that the absence of use was attributable to circumstances beyond the registrant's control, and that any evidence alleged to prove such special circumstances is solid, reliable, specific and detailed. Here, evidence that two potential landlords (who operated hotel chains) had canceled their Toronto hotel projects did not constitute special circumstances that could excuse the registrant's lack of use of the mark with bar and restaurant services. There was nothing uncommon, unusual or exceptional about the registrant's inability to secure a location that it found suitable, and the lack of use of could not be attributed to circumstances beyond the registrant's control.

9. Registration of Non-traditional Marks

It is generally difficult to register non-traditional marks in Canada, and the pharmaceutical industry, particularly, has usually been unsuccessful in defending oppositions to pill shape/colour combination applications. In *Pfizer Products Inc. and Canadian Generic Pharmaceutical Association (2013 TMOB 27; 2015 FC 493)*, the Federal Court dismissed an appeal from the Opposition Board refusal of registration for Pfizer's well-known "blue" pill for a pharmaceutical preparation for the treatment of sexual dysfunction. Pfizer had applied in 2005 for the pill, as shown and described below, based on use in Canada since 1999.



The trademark consists of the colour blue as applied to the whole of the visible surface of the tablet shown in the attached drawings. Figure 1 represents a perspective view from above and one side. Figure 2 represents end view. Figure 3 represents a side view. Figure 4 represents a view from below or above. The designations Fig. 1, Fig. 2, Fig. 3 and Fig. 4 do not form part of the trade-mark.

Pfizer's application was successfully opposed by the Canadian Generic Pharmaceutical Association. The Trademarks Opposition Board held that Pfizer's Tablet Design was distinctive among patients, but that Pfizer failed to establish, on a balance of probabilities, that the mark was also distinctive among physicians *and* pharmacists. Evidence of "distinctiveness" amongst those 3 customer groups has been a requirement in many pharmaceutical pill cases. Pfizer appealed, arguing that the Board erred in its application of the test for distinctiveness by requiring that distinctiveness be established among patients, physicians, *and* pharmacists. The Federal Court maintained that there needs to be a significant degree of recognition among the whole constituency of ordinary consumers, including physicians, pharmacists and patients, and that the TMOB erred in law by failing to consider whether patient identification of appearance with source occurred "to any significant degree", and that Pfizer's evidence failed to establish that a substantial body of patients associated the VIAGRA Tablet Design with a single source. Also, the Court held that the limited use that physicians, pharmacists and patients made of the appearance of the VIAGRA Tablet Design for identification purposes (compared to the VIAGRA mark itself) was not sufficient to establish the distinctiveness required for trademark registration.

10. Impact of Reputation

Two decisions in 2015 dealt with registration of long-used and well-known logos, as opposed to word marks. In both, the significant reputations of the marks did not overcome the basic finding that the marks were visually dissimilar. In *adidas AG vs. Globe International Nominees Pty Ltd, 2015 FC 443*, the Federal Court upheld the Registrar's decision to refuse oppositions to two applications for stripe designs (left and right) shown below, based on use since 2008 on footwear, plus covering clothing and sporting goods.



App. No. 1,407,596



App. No. 1,407,601

The applications were opposed by adidas on confusion grounds relating to its 3-stripe design, used since at least 1954, and which appears in many registrations such as the following:

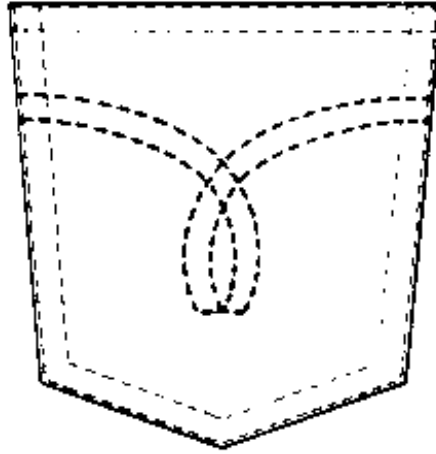


(TMA 770551)

The Registrar refused the opposition, on the basis of overall dissimilarity in the marks. On appeal, adidas argued that the fame and notoriety of its marks would impact consumer confusion. The Judge noted that fame can be a “double-edged sword”. While providing an enhanced scope of protection, some marks are so well known or famous that differences with other marks help to more easily distinguish the goods and reduce confusion. The Judge agreed that the marks were dissimilar enough to negate confusion, and rejected the appeal.

In *Levi Strauss & Co. and Levi Strauss & Co. (Canada) Inc. vs. Warehouse One Clothing Ltd.*, 2015 TMOB 209, the Opposition Board considered the likelihood of confusion of a pocket design with Levi’s long-used back pocket designs. The application was for the mark below for jeans (since 2009) and other clothing.

Levi has many marks, including the following:



The opponent's evidence showed decades of use, millions of jeans sold, sales totalling more than a billion dollars, and advertising in the hundreds of millions, leading the Hearing Officer to conclude that the opponent's marks were quite well known. Marketplace and state of the Register evidence showed other 3^d party stitching designs. The Hearing Officer described the process of determining confusion as "not concerned with confusion of the marks themselves, but confusion of the goods from one source as being goods from another source." Despite acknowledging the long use and reputation of the opponent, the Hearing Officer, in refusing the opposition, concluded that the marks were more dissimilar than similar, and that consumers would be unlikely to conclude that the Applicant's goods are manufactured, sold or licensed by the Opponent.

11. Success on Appeal from the Opposition Board

During 2015, the Federal Court and Federal Court of Appeal considered many cases on appeal from the Trademarks Office Opposition Board (which issues both opposition and section 45 non-use cancellation decisions). While new evidence may be filed on appeal from the Opposition Board, recent cases show the Court looking carefully at the impact of such new evidence on appeal. In the context of the review of Opposition Board decisions on appeal, the Court often refers to the deference to be paid to the Opposition Board, and examines whether new evidence filed on appeal would have materially changed the analysis of the Opposition Board (applying the test articulated by the FCA in 2001 in *Molson Breweries v. John Labatt*). Appellants should be careful to fully appreciate the standard of review, and consider if the "new evidence" is really likely to impact the Court on appeal. Recent cases suggest that more of the same kind of evidence, or merely updating the evidence is unlikely to have much persuasive impact on appeal.

12. Mandatory Use of the French Language in Quebec

Quebec's Charter of the French Language requires use of French by businesses operating in Quebec, including on packaging, labels and signage. An exception to that requirement is for "recognized marks", which has been relied upon by many businesses to justify display of English-only signage. However, Quebec's regulatory authorities took the position that signs displayed "trade names", and not marks, and thus some French was required. A group of prominent retailers challenged this position. In *Québec v. Magasins Best Buy, 2015 QCCA 747*, the Quebec Court of Appeal confirmed that there is no requirement that non-French trademarks displayed on store-front signs in Québec must be accompanied by a French term describing the nature of the business in order to comply with Quebec's *Charter of the French Language*, and dismissed the government's appeal. However, this is not the end of this issue: after this decision, the Quebec government announced its intention to amend the province's language laws to require French wording to be included in commercial English-language signage.

13. Update on Amendments to the *Trade-marks Act* and *Regulations*

In December 2014, and January 1, 2015, certain provisions of Bill C-8, the *Combating Counterfeit Products Act* came into force, including those dealing with increased penalties for trademark infringement, and broadening the scope of infringement to include actions such as labelling and packaging of infringing merchandise, as well as importing and exporting infringing goods. New provisions in force also permit owners of registered trademarks to specifically make a "request for assistance" from customs authorities to detain suspected counterfeit goods, by filing a request with the Minister of Public Safety and Emergency Preparedness (through the Canada Border Services Agency). While information about such requests is confidential, many registrants have filed requests for assistance and there have been several detentions under these new provisions.

Bill C-31, the *Economic Action Plan 2014, Part 1*, containing major amendments to the *Trade-marks Act*, was passed in 2014, but has not yet been proclaimed in force. A preliminary consultation on regulatory amendments took place in late 2014, and a consultation on fees is expected to take place shortly. The latest news on a possible implementation date is sometime in 2018. However, in an effort to jumpstart classification of goods and services under the Nice Classification system, the Trademarks Office took the step of classifying all pending applications and registrations, and is now inviting applicants to voluntarily classify new applications. The online filing system also permits use of approved statements of goods and services that automatically generate classes, although for now, all classification is stated to be for information and searching purposes only, and has no legal impact.

Bill C-59, the *Economic Action Plan 2015, Part 1* contained provisions granting privilege to certain communications between trademark agents and clients, and also provided for emergency extension of certain deadlines. Those amendments have been given royal assent, and are scheduled to be put in force on June 23, 2016.

Other governmental initiatives will likely impact trademarks in 2016 and 2017. For example, both the Comprehensive Economic Trade Agreement (with the European Union) and the Trans-Pacific Partnership trade negotiations will likely require some amendments to the *Trade-marks Act* and *Regulations*, including extending protection to additional "geographic indications". The Government has also announced its intention to impose "plain packaging" rules for tobacco products.

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