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JANUARY 2001 NEWSLETTER

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This Newsletter does not constitute legal advice.

The Orient Express in Canada

If a trademark is used for goods, it is usually a fairly simple matter to find out whether the goods have reached Canada, and consequently to establish whether or not there has been use of the trademark in Canada in association with the goods. For services, the question is more elusive, especially in these days of internet commerce. For one thing, it is not altogether clear, from a reading of the statute, just what constitutes a "service." Second, the whereabouts of the rendering of services is also somewhat elusive, since the person rendering the services may be outside of Canada, yet customers within Canada directly or indirectly benefit from those services.

The problem came to a head in the recent Federal Court case *SNCF* v. *Venice Simplon-Orient-Express.* Simplon had registered the trademark **ORIENT-EXPRESS** in association with "travel services, namely, railway and passenger service." SNCF challenged the registration by way of summary expungement proceedings, arguing that as the Orient-Express train travelled only in Europe, there could be no Canadian use.

Simplon proved that Canadian travel agencies had booked tickets on the Orient-Express train for Canadian customers. Simplon argued that the travel agencies acted as agents for Simplon and that services within the scope of the listed services in the registration should include incidental or ancillary services such as train ticketing and reservations.

The Registrar of Trademarks had held that as the *Trade-marks Act* does not distinguish between primary, incidental and ancillary services, the term "services" must be given a broad rather than a restrictive interpretation, and that consequently there had been use in Canada of the trademark **ORIENT-EXPRESS** for the services in question.

Previously, it had been held in *Saks & Co. v. Registrar*, that a trademark owner who did not have a Canadian place of business but did receive mail and telephone orders from Canada for merchandise, should be able to maintain the trademark **SAKS FIFTH AVENUE** on the Register for retail department store services. The services in the *Saks* case were performed without the Canadian customer having to leave Canada. The Court in the *Orient-Express* case drew an analogy, pointing out that tickets booked under the **ORIENT-EXPRESS** name had been provided by Simplon to the Canadian travel agents who, in turn, sold the tickets to customers. "It is not necessary to show a sale to an ultimate consumer or to produce evidence that the trademarks were located on the actual tickets. Any use of the trademark along the chain of distribution is sufficient to demonstrate use..." The case also held, following a long line of cases, that the name of the registrant does not have to appear on any document relied upon to prove that the trademark is in use, as

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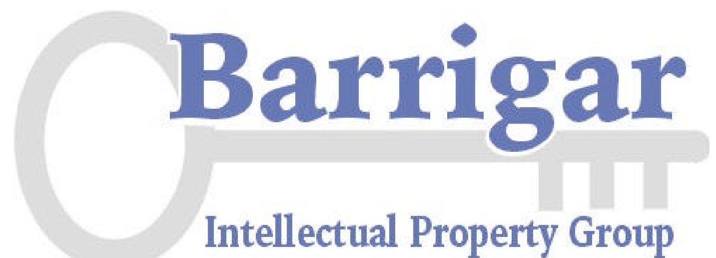

Barristers and Solicitors
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Use in Canada of a trademark for services can be established by even a single commercial transaction in the ordinary course of business. If the principal use occurs in some other country, ancillary use in Canada will suffice. "Service" is broadly construed by the courts.

Famous trademarks do not enjoy unlimited scope of protection. The test is what the consumer will infer— is the newcomer's type of use similar enough to the use of the famous trademark that the public will associate the new use with the famous trademark?

long as the trademark owner is responsible for the provision of the goods or services in question.

There was evidence of only 14 bookings by Canadians on the Orient-Express train. However, the court pointed out that evidence of a single transaction may suffice to support use in Canada "so long as it follows the pattern of a genuine commercial transaction and is not seen as being deliberately manufactured or contrived to protect the registration of the trademark."

In the result, the **ORIENT-EXPRESS** trademark was ruled to have been in continuing use Canada, and SNCF's attempt to have it summarily expunged failed.

See also the comment in this newsletter on the *STAINSHIELD* case, which establishes that a trademark may be used in an ancillary manner for pre-sale services. These two cases, the *Orient-Express* case and the *STAINSHIELD* case, reflect a very liberal attitude by the Canadian courts to the concept of services, and establish that as long as there appears to be some legitimate trade-related use of a trademark for services in some way connected to the trademark owner's business, the court will not be unduly critical of any given statement of services nor of the extent of use required to establish use in Canada of the mark for such services.

Although neither of these cases dealt with internet commerce, it is apparent that their reasoning can be extrapolated to internet sales. This augurs well for companies who are providing goods or services to Canadians in association with an internet-promoted trademark.

Famous Trademarks Have Limits

The general rule is that a trademark may be protected for the specific wares or services with which it has been used by its owner, and that its ambit of protection will extend also to wares or services that are sufficiently closely connected in trade to those for which the mark is used, that the relevant portion of the consuming public would expect all such goods and services to be those of the owner or licensed by the owner.

However, in the case of a famous trademark, the ambit of protection is extended, because the mark is so well-known to the consuming public as associated with a single discrete source of goods or services that even if there is little or no connection in trade between the goods of the newcomer and those sold under the famous mark, the consuming public will, nevertheless, infer a connection . For example, if any of us happened to see a **Kodak** bicycle on the street, we would probably conclude that, for some reason or other, the Eastman Kodak Company had either sold the bicycle or else licensed the trademark **KODAK** for use on the bicycle.

There are very few trademarks as famous as **KODAK** . In many cases, a trademark can be very famous but not absolutely exclusive. The limits of the ambit of protection were tested recently in the Federal Court of Canada case *Lexus Foods* v. *Toyota Motor Corporation*. In this case, the applicant, Lexus Foods, filed a trademark application to register the trademark **LEXUS** in association with canned fruits and vegetables, and fruit and vegetable juices. The opponent Toyota opposed, basing its opposition on its trademark **LEXUS** used for automobiles, which it contended to be a famous trademark.

In the Trade-marks Office, the Registrar rejected the opposition, holding that there was too wide a disparity between the wares of the two parties, so that there was no reasonable likelihood of confusion between the two parties' trademarks, even though the mark itself was one and the same in each case, *viz*., **LEXUS**.

On a first appeal to the Trial Division of the Federal Court, the trial judge reversed the Registrar's decision, observing that survey evidence showed that six out of ten Canadian adults recognized the word LEXUS as indicating an automobile. The trial judge found that the survey results were sufficient to demonstrate that

LEXUS is a famous, or at least very well-known, trademark. In the result, at the Trial Division level, the opposition was sustained.

The Federal Court of Appeal reversed the trial judge and reinstated the Registrar's decision. The Court of Appeal reasoned as follows:

> In this case, one of the key factors that was at play was the striking difference in the wares...the registration of a trademark does not grant the registrant ownership of the words or images in that mark. The protection granted must be related to certain wares or services, because confusion is less likely when the wares are markedly different, even when the mark is a well-known one...it is hard to see that anyone about to buy some of the canned fruit juice of the appellant would even entertain the thought that the Japanese manufacturer of LEXUS automobiles was the source of this product. The survey evidence to the effect that the name LEXUS was associated by the interviewees with an automobile does not establish that there was any confusion between the two products. It merely shows that many people knew about the fine car made by the respondent.

Discussing the point that Toyota's **LEXUS** mark might be considered either famous or at least very well-known and on the way to being famous, the Court of Appeal found that the trial judge was "overly protective" of Toyota's mark:

> While the notoriety of a mark may well be a significant factor to consider, as is the length of time it has been used,...it is not controlling. Famousness alone does not protect a trademark absolutely. It is merely a factor that must be weighed in connection with all the rest of the factors. If the fame of a name could prevent any other use of it, the fundamental concept of a trademark being granted in relation to certain wares would be rendered meaningless.

The Court observed that there is no obligation on the courts "to nurture up-and-coming trademarks to preserve their rising reputation" and that the court must take the facts as they exist on the issue of fame at the time the decision is made. Quoting from an earlier case, the Court pointed out that "no matter how famous a mark is, it cannot be used to create a connection that does not exist."

The Court of Appeal also observed that even though the trademark **LEXUS** is a coined word, "ordinary words used in trademarks in relation to certain wares can be used in relation to other wares [by someone else] if there is no confusion in the circumstances. Similarly, coined words may also be so used as long as no confusion results."

There was a suggestion in the case that the applicant, Lexus Foods, may have deliberately chosen the word LEXUS as its trademark by way of imitation of the Toyota trademark. Dealing with that point, the Court of Appeal observed:

> There is confusion or there is no confusion. The decision cannot be based on whether someone knew about the existence of the trademark or not. There is no doctrine of *mens rea*.

It is possible that the *LEXUS* case might have had a different outcome if the survey respondents had been asked whether, upon seeing the trademark **LEXUS** on canned fruit juice, they drew any inference as to the source or sponsorship of that fruit juice. If a significant number of respondents asked this question had mentioned Toyota or at least referred to the **LEXUS** automobile, possibly the Court would have taken a different view of the issue of confusion.

Can a Trademark be Registered for Pre-Sale Services?

In most everyday situations, it is easy to distinguish trademarks as used with wares, on the one hand, from those used with services, on the other hand. If a trademark appears on a package of potato chips or facial tissues, we understand that the trademark is in use for wares. If the trademark is used in the advertising of services for which remuneration is obtained, such as dry cleaning services or landscaping services, we can easily perceive that the trademark is functioning as a service mark.

However, there are a number of situations in which the distinction between wares and services is blurred. The recent *STAINSHIELD* case decided by the Federal Court of Appeal is a case in point.

In the *STAINSHIELD* case, Gesco Industries had registered the trademark STAINSHIELD in association with the services of stain-resistant treatment of carpets and rugs. The registration was challenged and subjected to potential summary expungement by the Registrar by reason of the contention that the trademark STAINSHIELD was not used in association with these services. The challenging party argued that such use of the trademark that may have occurred was a use for wares and not for services.

The Registrant Gesco manufactured and sold carpets. It advertised its carpets as treated by the STAINSHIELD process of applying a stain-resistant solution to its carpets. However, it was not possible for a member of the public to take a carpet to Gesco and ask Gesco to apply the STAINSHIELD process to the prospective customer's carpet. So, the trademark STAINSHIELD appeared only in association with carpets sold by Gesco. In these circumstances, the challenging party argued that STAINSHIELD is really an auxiliary trademark associated with the carpets sold by Gesco and, therefore, functioned as a trademark for wares, *viz* carpets. It could not apply to services, so it was argued, since no services were rendered to the public in exchange for remuneration - Gesco obtained its remuneration by selling the carpets.

The Registrar of Trademarks found that the STAINSHIELD trademark was used for wares and not for services and, since the registration was for services and not wares, the trademark should be expunged from the Register. The Federal Court Trial Division, on appeal from the Registrar's decision, ruled that the Registrar had exceeded statutory jurisdiction by examining whether the use was use for wares or use for services - according to the trial judge, the Registrar should have decided merely whether the trademark was in use or not, and should not have subjected that use to minute scrutiny.

On further appeal to the Federal Court of Appeal, the appellate judges ruled that it is proper for the Registrar to determine how the trademark is used, and specifically, whether it is used in association with wares or whether it is used in association with services. However, the Court of Appeal ruled that the Registrar had erred in concluding that the trademark was not used in association with services. The Registrar had reasoned that, to qualify as a trademark for services, the services must be rendered directly to the public and not merely applied to a product before the product is sold to the public. The Court of Appeal disagreed. The Court noted that the test of "use" is a statutory test, set forth in Section 4 of the *Trademarks Act*, and that nothing in the test restricts in any way the services with which a trademark may be associated.

> Whether the services are applied to a product before it is sold or may be obtained directly at the customer's option is not a criterion in [the statute]... nothing in [the statute] restricts services to those that are independently offered to the public or that are not ancillary or connected with wares... the services may be ancillary to the wares [in the present case], but that does not mean that the trademark is not used in association with the services.

This finding of the Federal Court of Appeal means that a very liberal view will be taken by the courts and, perforce, by the Trade-marks Office, of what constitutes a "service" with which a trademark may be used. There is no requirement that the service be performed directly for a customer and no requirement that any independent remuneration be obtained for the service. If the service is ancillary to or incidental to the method of manufacture, or pre-sale treatment of the wares, the mere fact that the trademark owner obtains remuneration from sale of the wares, rather than from provision of the services *per se*, does not deprive the owner from registering the trademark for services.

Opposing Official Marks: First Past the Post

The Registrar of Trademarks has jurisdiction over several different kinds of marks, among them service marks, certification marks, ordinary trademarks for wares, and official marks. All of these, except official marks, fall within a wide definition of "trademarks" in the *Trade-marks Act*. Official marks, however, are not considered to be trademarks, and are given special treatment. While there is an opposition procedure set out in the *Act* and in the accompanying regulations for opposing trademarks, there is no procedure set out in the Act for opposing official marks.

Official marks are given special treatment under the *Trade-marks Act*. Pursuant to §9 of the *Act*, the category of official marks includes the flags, coats-of-arms, etc. of various countries of the world, the provinces of Canada, etc. and also includes "any badge, crest, emblem or mark of any University or adopted and used by any public authority in Canada as an official mark for wares or services in respect of which the Registrar has, at the request of the University or public authority, given public notice of its adoption and use." Not only governmental authorities and agencies but also other bodies have adopted and given notice of official marks. For example, the Canadian Olympic Association lays claim to a number of official marks comprising symbols and words (including "Olympic") associated with the Olympic Games.

Recently, the Federal Court has entertained proceedings brought by persons wishing to challenge notices issued by the Registrar of adoption and use of official marks by a "public authority". Since there is little to guide someone wishing to challenge an official mark, it is not clear in the *Trade-marks Act* nor in the *Federal Court Act* whether one should proceed by way of judicial review or by way of appeal. So far, the Trial Division of the Court has decided that proceedings that raise appropriate issues for decision will be treated as proceedings for judicial review, even if those proceedings are framed ostensibly as a Notice of Appeal.

Someone wishing to challenge an official mark might, for example, argue any one of the following points:

a) The ostensible registrant of the official mark is not a "public authority" within the meaning of the Statute. (The Registrar requires that such Registrant be specially incorporated or incorporated as a non-profit organization whose objects are, at least in part, to promote the public good. It helps if there is a degree of government control, influence, funding or the like, but this is not absolutely essential. The organization may carry out various objectives for its members, but as long as the organization owes a public duty in regulating the industry, profession or group in question, the fact that the organization has divided interests and responsibilities is not fatal to its status as a public authority. If the registrant fulfills duties of an essentially public nature, it will qualify even if there are private aspects to its structure and operations.)

b) The official mark has not been used. (Whereas ordinary trademarks may be adopted and may be made the subject of a trademark application on the basis of the applicant's intention to use, official marks cannot be marks that have yet to go into use. The applicant for official mark notification must actually have adopted and used the mark in association with wares or services. It has been held, however, that the Registrar is not obliged to enquire into the circumstances of use, nor to obtain evidence of actual adoption and use - the say-so of the registrant can be accepted by the Registrar. If, however, the point is challenged in the Court and there is evidence led that the official mark owner has not, in fact, used the mark in question, then an evidentiary burden is imposed upon the registrant to provide suitable evidence of use.)

c) Not yet decided by the courts, but possibly available as an attack on an official mark, is that the mark has not functioned as an official mark at all, but rather as an ordinary trademark. This is a somewhat thorny question, as some marks recorded as official marks have been widely licensed for revenue; the licensees have typically applied the marks to ordinary products sold for commercial gain. Whether this is a legitimate practice within the ambit of those provisions of the *Trade-marks Act* dealing with official marks remains to be adjudicated. In this connection, the comments of the Federal Court in the *MAILSORT* case discussed below are of potential significance.

Over the past few years, Canada Post Corporation has, seemingly as a matter of policy, opposed others' trademark applications for trademarks including the word "mail" or the word "post", especially if related in any way to the delivery of documents or parcels.

Since both the words "post" and "mail" are commonplace words in the language, it becomes difficult for Canada Post successfully to assert an exclusive right to these words *per se* based upon any prior use by Canada Post of any trademark including the word "mail" or the word "post." One reason for this is that Section 20 of the *Trade-marks Act* provides that "no registration of a trademark prevents a person from making any *bona fide* use, other than as a trademark, of any accurate description of the character or quality of his wares or services, in such a manner as is not likely to have the effect of depreciating the value of the goodwill attaching to the trademark." In other words, everyone may continue to use an ordinary word in the language in its ordinary descriptive sense, without fear of infringing someone else's registered trademark.

Armed with various trademarks and official marks including the words "post" and "mail", Canada Post has opposed a series of trademarks including one or other of these words that have been published in the Trade-marks Journal, alleging that confusion would result if the published trademarks were registered.

If your client is a non-profit organization, consider filing an application for official mark registration.

The Federal Court has accepted a procedure for "opposing" official marks that may interfere with your client's official mark or trademark.

If your client's trademark includes the word POST or the word MAIL (as in E-MAIL), expect a possible opposition by Canada Post. But neither Canada Post nor anyone else can prevent ordinary descriptive use of words in the language.

Recently, "The Post Office" being the official organ of the British Government charged with mail delivery in Great Britain, applied to have the Canadian Registrar of Trade-marks give public notice of adoption and use by The Post Office of its official mark **MAILSORT**. Canada Post Corporation succeeded in its attack on the **MAILSORT** mark, but not for reasons that you might expect.

The Federal Court ruled that a foreign corporation, agency or organ might qualify as a "public authority" within the meaning of §9 of the *Trade-marks Act*; the purview of §9 is not limited to Canadian public authorities. However, the Court ruled that The Post Office had not in fact adopted and used the mark **MAILSORT** in Canada. The Post Office argued that use in Canada had occurred through it licensees in Canada. However, although §50 of the *Trade-marks Act* permits use of a trademark to occur through licensed use by a licensee, that provision of the *Act* does not in terms apply to official marks, so the Court ruled that §50 does not embrace any use by licensees of official marks. §9 (2) permits another party to use an official mark, but does not deem that use to accrue to the benefit of the owner of the official mark.

In the result, since the only Canadian activity associated with the **MAILSORT** mark was by various Canadian companies whose use did not accrue to the benefit of The Post Office, the Court ruled that The Post Office had not acquired any rights in Canada to the alleged official mark **MAILSORT**. The Court accordingly ruled that the public notice of the official mark **MAILSORT** is ineffective to give rise to any rights.

Insofar as the Court held that the licensing provisions of the *Trade-marks Act* do not apply to official marks, the case may be the thin edge of the wedge that ultimately puts paid to licensing schemes involving official marks. It is conceivable that the Court may ultimately rule that if an official mark is to be licensed in trade, it must, for this purpose, be registered as an ordinary trademark, and must be subject to the ordinary trademark application examining procedure and the possibility of opposition.

".ca" Domain Name Update

Those who have not yet re-registered previously registered ".ca" domain names may still re-register their domain names by applying no later than 31 January 2001 and paying an additional fee. If a previously registered domain name is not re-registered prior to 31 January 2001, it will become available to registration by others as of 1 February. Reports indicate that re-registration has been slow, at about the 50% level, as of an early December report. The Canadian Internet Registration Authority (CIRA) has allowed certified registrars to process requests for .ca domain names that were not previously registered; for further information see www.cira.ca\en\docs_registrant.html. Domain name registrants are reminded that they should register their names or the distinctive wording of same as trademarks. See our November 2000 Newsletter for further comment on this point.

2000: A Banner Year for our Firm

In the year 2000, the British Columbia offices of our firm added about 25% to office space and added six professional staff members. On a percentage basis, we believe that last year, our firm was the fastest growing specialized intellectual-property firm in Canada.

NOTE:

Extra copies of this Newsletter are readily available. Fax, write, telephone or e-mail any of our offices, and we shall be pleased to send you more copies. Please also take a look at our website, www.barrigar.com.

Last chance to re-register your previous .ca domain names

Our firm's British Columbia practice has been growing at a rapid rate, and in the year 2000 is believed to have been the most rapidly growing practice of any intellectual property firm in Canada.

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