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BREAKING NEWS - NOVEMBER 2005

CANADA'S SUPREME COURT REVIEWS TRADEMARK

LAW FUNDAMENTALS IN LEGO BLOCK CASE

The Supreme Court of Canada in a 17 November 2005 judgment involving the well known LEGO™ blocks reinforced two foundation principles of Canadian trademark law, *viz*

- that §7 of the *Trade-marks Act* establishing a cause of action for passing off and various other unfair competition practices is valid federal legislation notwithstanding that these causes of action have common-law counterparts within the constitutional legislative sphere of the provinces; and
- that the functional characteristics of an article of manufacture are not protectable under the trademark law.

Per LeBel J. for the Court, summarizing the result: “§ 7(b) is a valid exercise of the federal power over trade and commerce... A purely functional design may not be the basis of a trade-mark, registered or unregistered. The tort of passing off is not made out. The law of passing off and of trade-marks may not be used to perpetuate monopoly rights enjoyed under now-expired patents. The market for these products is now open, free and competitive.”

The Plaintiffs/Appellants Kirkbi AG and its subsidiary Lego Canada Inc. had sued Mega Bloks Inc. under §7 of the *Act* for passing off its virtually identical MEGA BLOKS™ interlocking toy bricks and blocks as genuine LEGO™ blocks by reason of the structural similarity of the blocks. Previously, Kirkbi AG had owned a patent on the blocks, and after the patent expired, tried and failed to register as a trademark the geometrical pattern of raised studs on the top of its bricks or blocks. Kirkbi then claimed rights in its alleged unregistered trademark for the shape of the blocks. The Court noted generally in this connection: “Registration does not change the nature of the mark; it grants more effective rights against third parties. Nevertheless, registered or not, marks share common legal attributes.”

The Court, following its 1977 decision in *MacDonald v. Vapor Canada*, held that the Parliament of Canada under its trade-and-commerce legislative power properly enacted the *Trade-marks Act*, including §7. “The *Trade-marks Act* establishes a regulatory scheme for both registered and unregistered trade-marks.” “§7(b) of the *Act* only minimally intrudes into provincial jurisdiction over property and civil rights. It is a remedial provision limited to trade-marks as defined in the *Act*. As this Court observed in [its 1977 decision in *MacDonald v. Vapor Canada*] §7(b) ‘rounds out’ the federal trade-marks scheme.”

It has long been held by lower courts in Canada that the functional attributes of articles may not serve as trademarks, and the “distinguishing guise” definition in the *Trade-marks Act* specifically excludes “the use of any utilitarian feature embodied in the distinguishing guise”. The Supreme Court remarked: “At the root

of the functionality principle...in Canadian intellectual property law, lies a concern to avoid overextending monopoly rights on the products themselves and impeding competition, in respect of wares sharing the same technical characteristics.”

The Court summarized the result of the case before it as follows: “In the end, the appellant seems to complain about the existence of competition based on a product, which is now in the public domain. As ‘LEGO’ and LEGO-style building blocks have come close to merging in the eyes of the public, it is not satisfied with distinctive packaging or names in the marketing operations of Ritvik. It seems that, in order to satisfy the appellant, the respondent would have to actively disclaim that it manufactures and sells LEGO bricks and that its wares are LEGO toys. The fact is, though, that the monopoly on the bricks is over, and MEGA BLOKS and LEGO bricks may be interchangeable in the bins of the playrooms of the nation – dragons, castles and knights may be designed with them, without any distinction. The marketing operations of Ritvik are legitimate and may not be challenged...” “Under the modern law of passing off, a passing-off action by the appellant was bound to fail. It would not have been able to meet the first condition of the action, namely that there be goodwill in respect of the distinctiveness of the product. The alleged distinctiveness of the product consisted precisely of the process and techniques which were now common to the trade.”

The complete reasons for judgment appear at

www.lexum.umontreal.ca/csc-scc/en/rec/html/2005scc065.wpd.html.

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