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## **NEWSLETTER - JUNE 2006**

### **CANADA: TRADEMARKS: INVALIDITY OF REGISTRATION DUE TO LOSS OF DISTINCTIVENESS RESULTING FROM INFRINGEMENT**

The recent Federal Court of Appeal decision in *Suzanne's Inc. v. Auld Phillips Ltd.*, 2005 FCA 429, (affirming 2005 FC 48), highlights the importance of the need for trademark owners to enforce their registered marks against infringers; failure to do so may result in loss of distinctiveness of a given trademark and invalidity of its registration. The Court held that the infringing activity of even a single infringer may be sufficient to cause a registered mark to become non-distinctive and thus subject to being expunged from the Register.

The trademark in issue, SUZANNE’S, had been first used for retail sales of ladies’ apparel by a predecessor in title of the Registrant Suzanne’s Inc. in Edmonton, Alberta in 1984 and had been used continuously in Edmonton thereafter by the Registrant or its predecessor. The Registrant applied to register the mark in April 2003 and obtained its registration in October 2003 in association with "retail store services in the field of women's clothing and accessories, excluding ladies' undergarments and lingerie". Auld Phillips Ltd. brought proceedings for expungement of the registration on the ground of prior use and non-distinctiveness.

The evidence showed that Auld Phillips had used the trademark SUZANNE’S for ladies’ apparel in British Columbia for many years, and that Suzanne’s Inc. had been aware of that use, but was unconcerned until Auld Phillips commenced operations in Alberta. Between 2000 and 2004, Auld Phillips opened six ladies’ apparel stores in Alberta, including one in Edmonton. The trial judge found that Auld Phillips was unaware of the Registrant’s store until it received a cease-and-desist letter from the Registrant’s counsel in April 2002.

There was conflicting evidence as to which of the parties had used the mark first. The trial judge found against Auld Phillips Ltd. and this finding was not raised as an issue on appeal.

A trademark registration is invalid if the trademark at the material time is not distinctive of the registrant. “Distinctive” is defined in §2 of the *Trade-marks Act*, as follows:

“distinctive”, in relation to a trade-mark, means a trade-mark that actually distinguishes the wares or services in association with which it is used by its owner from the wares or services of others or is adapted so to distinguish them.

Auld Phillips argued that either as of the filing date of the application for registration or as of the date of commencement of court proceedings, the trademark SUZANNE'S did not distinguish the Registrant's services because of the concurrent operation of the extensive Auld Phillips ladies' wear business.

The argument by counsel for Suzanne's Inc.'s that extensive infringement by a single trader is not sufficient to cause loss of distinctiveness, was rejected. The trial judge, citing the Supreme Court of Canada in the 1975 case *Breck's Sporting Goods v. Magder*, held that "for a trade mark to be distinctive of the respondent - the message to the public must be that the respondent is the source of services." The trial judge found that there was evidence of actual confusion between the ladies' apparel retailing activities of the parties, such that SUZANNE'S did not signify to the public an exclusive association with the Registrant. The trial judge also noted that although the Registrant sent a cease-and-desist letter to Auld Phillips in April 2002, it took no other action to enforce its trademark for another year and a half. In the result, the trial judge held the trademark to be non-distinctive of the Registrant and the registration of the mark to be invalid.

The Federal Court of Appeal, in affirming the trial judge's decision, held that the circumstances which will render a trademark non-distinctive cannot be categorized; each case must rest on its own facts.

Obviously, it will be a rare occurrence when one party is in a position to cause a mark to lose its distinctiveness, but nothing in principle prevents this result. In the present case, there was evidence to support the conclusion that... the Appellant's trademark had lost its distinctiveness, and the fact that the Respondent was the sole cause of this loss, is of no assistance to the Appellant.

In an interesting wrinkle, the evidence of actual confusion that the trial judge in part relied on to find non-distinctiveness was provided by Suzanne's Inc. itself, in an affidavit submitted in support of its request for expedited examination of its trademark application. As well as forcefully illustrating that trademark owners must enforce their trademark rights or risk losing their registrations, this case demonstrates that applicants for registration of trademarks must take care to avoid putting on the record evidence from which an adverse inference may be drawn.



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