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**CASE LAW COMMENTARIES****“SECRET” Trademark Case Should Motivate Trademark Owners to Give Public Notice of any Licensed Use***Lynn S. Cassan*

In December, 2004, through its decision in *Doris Hosiery Mills Ltd. v. Wanaco Inc.* (not yet reported), the Federal Court of Canada reminded trademark owners, and their licensees, that it is important to give public notice of their licensing arrangements (i.e. that a trademark is being used under license and who the owner is) when goods/wares associated with licensed marks are advertised and sold. Doing so allows the courts, in trademark cases, to dispense with the problematic requirement for proof of control, by the licensor, over use of the licensed mark.

This was an appeal of a decision of the Trademarks Opposition Board which, in rejecting a proposed use application for the mark SECRET for “undergarments, underwear and lingerie”, followed a particularly technical approach to the licensing and entitlement provisions of the *Trademarks Act*. Section 50(1) of the *Act* stipulates that if an entity is licensed by a trade-mark owner to use a mark and the owner has direct or indirect control of the character or quality of the wares or services, then the use of the trademark by the licensee has the same effect as such as use by the trademark owner (i.e., such use by the licensee is deemed to enure to the benefit of the owner). The Board held that the applicant did not produce sufficient evidence to show compliance with these provisions and, as a result, found that use of a similar mark enured to the benefit of a third party, not the applicant, and thereby negated the applicant’s claim to entitlement and distinctiveness with respect to its applied-for mark. However, the Court was willing to consider some additional evidence filed an appeal, regarding the licensing arrangement between the applicant and that third party. In the result, it found that the whole of the evidence was sufficient to establish that a license existed.

**See “SECRET”, page 2****Entitlement Considered Under Examination—Burned in “EFFIGI”?***Heather L. Boyd & Christopher T. DeJardin*

A recent decision by the Federal Court of Canada threatens to change the way the Examination branch of the Canadian Trade-marks Office (“Office”) approaches and reviews applications for registration. The decision in *Effigi Inc. v. Canada (Attorney General)*, (2004) 35 C.P.R. (4<sup>th</sup>) 307 may, if upheld on appeal, reverse the Office’s longstanding practice of considering the date of first use of a mark in Canada (as claimed in an application) for the purposes of determining entitlement to registration against co-pending applications. This would bring Canadian practice more into line with U.S. practice and would serve to highlight the importance of early filing in Canada.

**Current Trademarks Office Practice:**

When faced with co-pending applications for confusingly similar marks, the current and longstanding practice of the Examination branch has been to approve for publication the application which claims the earliest date of adoption (i.e., the earliest filing date or the earliest date of first use in Canada). In this scenario, Party A, with an application filed on February 1, 2005 based on use in Canada since December 2004, would have their application approved for publication over the application of Party B, filed on January 1, 2005 and based on proposed use. The Examiner would consider the earlier date of first use claimed in Party A’s application as determinative of that party’s entitlement to registration, notwithstanding the fact that its application was filed after Party B’s application.

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The Court can be commended for its sensible approach to the issues of this case, including a finding that a trademark owner can rely upon a licensing arrangement through ordinary testimony of knowledgeable persons, without need to produce a written license agreement.

A key component of the applicant’s evidence, was a showing that the licensee had advertised its product in catalogues, with a reference to the licensing arrangement i.e. to the licensed use and applicant’s ownership of the mark. The Court considered those advertisements to be sufficient to satisfy the requirements of Section 50(2) of the *Act* and held that the applicant was entitled to benefit from, and rely up on, those provisions which state that: “to the extent that public notice is given of the fact that the use of a trade-mark is a licensed use, and of the identity of the owner, it shall be presumed, unless the contrary is proven, that the use is licensed by the owner of the trade-mark and the character or quality of the wares or services is under the control of the owner”.

Regarding the two grounds of opposition asserted by the opponent, viz. non-entitlement and non-distinctiveness, the Board found the applied-for mark to be confusing with the mark SECRET SHAPERS of the opponent’s proposed use application for “undergarments and lingerie” which was filed just a few months earlier than the opposed application (and which the opponent had started to use just one month before that filing date). In doing so, however, the Board did not give sufficient consideration to the fact that the applicant had numerous registrations, already, for marks comprising the designation SECRET, both alone and in combination, for hosiery and similar goods including lingerie and undergarments. Moreover, the mark SECRET had been extensively used by the applicant for over a decade, whereas the opponent had no comparable prior history or reputation in respect of its applied-for mark SECRET SHAPERS and, to the contrary, its products in issue were primarily known by the mark/name “Olga” (being the name/mark of a division of the company). And, while the opponent sought to rely on the fact of several concurrent third party registrations and several applications for composite “Secret” marks, for similar goods, the evidence showed that, with one exception, all such marks were abandoned or cancelled at the relevant date.

It is surprising that the Board was unable, in this case, to distinguish the forest from the trees, but reassuring that the Federal Court did so. ●

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Thus, Party A’s application would be approved for advertisement, whereas Party B’s application would receive a citation of A’s application. It would be incumbent upon Party B to oppose Party A’s application to challenge the validity of A’s claimed date of first use.

**The Effigi decision:**

The *Effigi* decision brings into question this practice of approving a co-pending application on the basis of its claim of earlier use.

The Applicant, Effigi Inc., filed an application for registration of the mark MAISON UNGAVA on December 19, 2000, based on an intention to use the mark in Canada in association with “bed clothes, bath linen and table linen”. Less than a year after Effigi’s filing, a third party filed an application for registration of the mark UNGAVA, based on use in Canada since at least as early as October 1981, for use in association with “linen, namely towels, face cloths, mats, bed coverings, sheets, duvets, duvet covers, blankets,....etc.”.

As per the Office’s usual practice, the Examiner prepared an Office Action refusing registration of the application for MAISON UNGAVA pursuant to Section 37(1)(c) of the *Act* on the basis that the Applicant was not the person entitled to registration in view of the earlier date of first use claimed in the third party’s application for UNGAVA.

In response to the Office Action, the Applicant relied upon the decision of the Federal Court of Appeal in *Unitel International Inc. v. Canada (Registrar of Trademarks)*, (1999) 86 C.P.R. (3d) 467, which held that “the alleged dates of first use in two pending applications for registration were irrelevant when applying Section 37(1)(c) of the *Act*.”

The Examiner responded in kind by stating that the *Unitel* decision did not apply to Effigi’s situation, and expressed the opinion that the statements made in the case were *obiter dicta* and not binding on the Office. The Examiner refused to approve the Applicant’s mark for publication and, acting on behalf of the Registrar, rejected the application.

The Applicant appealed the Registrar’s decision to the Federal Court, where the case turned on the interpretation of Section 37 of the *Act*, which reads as follows:

**37. (1) The Registrar shall refuse an application for the registration of a trademark if he is satisfied that:**

\* \* \*

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*(c) the applicant is not the person entitled to registration of the trademark because it is confusing with another trademark for the registration of which an application is pending,*

*and where the Registrar is not so satisfied, he shall cause the application to be advertised in the manner prescribed.*

Effigi argued that the Registrar erred in referring to Section 16(3) to interpret the provisions of Section 37(1)(c). Rather, Effigi submitted that the Registrar only has the jurisdiction provided by the *Act*, and that as such, Section 37 of the *Act* was clear in that it granted the Registrar the authority to decide, at the examination stage, to reject a trademark application, but only because it is confusing with another trademark, for which the application for registration is pending.

In contrast, the Respondent Attorney General of Canada (acting on behalf of the Registrar of Trademarks) submitted that the Registrar has the necessary authority to consider s. 16(3) (basis of entitlement to registration of a proposed user as at the date the application was filed) of the *Act* when determining whether a trademark application should be rejected pursuant to s. 37(1)(c). In particular, the Respondent argued that, “it is necessary to read the paragraph according to the grammatical and ordinary sense of the words, in its context, in light of the other relevant provisions of the *Act*, and harmoniously with the scheme and the object of the statute.”

The Court analyzed the wording of Section 37(1)(c) and found it to be complete without reference to other portions of the *Act*. Unlike the other provisions of the *Act* referred to by the Respondent, Section 37(1)(c) described the particular circumstances in which the applicant is entitled to registration of a trademark. As such, it was not necessary for the Registrar to refer to Section 16(3) to interpret Section 37(1)(c).

The Court also agreed with the Applicant that the reason why the Registrar does not have jurisdiction to reject an application based on a claim of earlier use by another party, is that the Registrar does not have sufficient information available to him at the Examination stage to be able to determine whether the other party was in fact using the trademark prior to the date the Applicant filed its application. Since an application based on use does not require that the Applicant provide particulars of the use (nor is the Registrar authorized to request this information), the Registrar cannot make a complete decision at the examination stage.

Finally, the Court held that the comments made in the *Unitel* decision, while considered *obiter dicta*, were nevertheless very persuasive. Justice Shore concluded that, in his opinion, the Court of Appeal in *Unitel* did determine that, pursuant to Section 37(1)©, “the only issue is whether there is confusion between an applicant’s trademark and a trademark for which an application for registration is already pending”.

### Conclusion:

If the *Effigi* decision is upheld on appeal, the Trademarks Office may be forced to alter its practice with respect to considering use claims when determining entitlement. As a result, a senior user may find its application has been superseded by a previously filed application based on proposed use or later use, forcing the senior user to initiate a potentially costly opposition proceeding.

In light of the *Effigi* decision, unregistered trademark owners should not delay in filing their applications, notwithstanding their earlier use date. To do otherwise may be detrimental to their trademark rights over an earlier-filed, yet junior user, of a confusingly similar application; and/or may involve timely and costly Opposition proceedings. •

## PATENT LAW:

### **CANADA — U.S.: Contrasting Legal Philosophies on Admissibility of Patent File Histories**

*Lynn S. Cassan*

In sharp contrast to U.S. law, the long-standing patent law of Canada prohibits any consideration of the file history of a patent for purposes of construing the claims.

Since the 1962 landmark decision of the Exchequer Court of Canada (Thorson P.) in *Lovell Mfg. Co. v. Beatty Bros. Ltd.*, 41 C.P.R. 18, the inadmissibility of file wrapper evidence (alternatively referred to as “prosecution history” and “extrinsic evidence”) was firmly established in Canada. Although, this founding principle of Canadian patent law is occasionally challenged by parties seeking to exclude the bar in special circumstances (with only a...

See **Canada—U.S. Contrasting Legal Philosophies on Admissibility of Patent File Histories** cont’d on page 4

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few very limited tangential situations having been successful), there has not been any material erosion of the basic prohibition disallowing such evidence.

This issue was reflected upon by Binnie J. (a respected former commercial litigator, now Supreme Court Justice) when our highest court, the Supreme Court of Canada, decided issues of invalidity and infringement brought before it in the case of *Free World Trust v. Électro Santé Inc.* (2000) 9 C.P.R. (4th) 168. In that case, the Court's conclusions implicitly reject the possibility of an approach more aligned with that of the U.S. Notwithstanding that traditional laws of evidence might support the admission of prior statements in the file history (i.e. as admissions against interest by the inventor/patentee), the Court did not accept that such evidentiary consideration should prevail over the substantive legal principle of patent law that patent claims are to be construed on the face of the granted patented (only) and without resort to extrinsic evidence. Per Binnie, J.:

*"... To allow such extrinsic evidence for the purpose of defining the monopoly would undermine the public notice function of the claims, and increase uncertainty as well as fueling the already overheated engines of patent litigation. The current emphasis on purposive construction, which keeps the focus on the language of the claims, seems also to be inconsistent with opening the Pandora's box of file wrapper estoppel. If significant representations are made to the Patent Office touching the scope of the claims, the Patent Office should insist where necessary on an amendment to the claims to reflect the representation"* [at page 198].

Perhaps most revealing in the above passage, is Binnie J.'s negative reference to the possibility of "fueling the already overheated engines of patent litigation" and his cautionary note about opening a "Pandora's box of file wrapper estoppel". Given the penchant of civil litigation to create a life of its own, separate from the interests of the parties or public at large, it seems that Binnie, J. seized this opportunity to suggest, publicly, that the Canadian judiciary does not wish to see our traditional focus on the issued claims absorbed into a free-for-all of "he said" and "he meant" submissions based on pre-issuance activities. ●

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