

COURT OF APPEAL FOR ONTARIO

CARTHY, CRONK AND GILLESSE J.J.A.

B E T W E E N:)	
)	
MOLSON CANADA)	John S. Macera and
)	Elizabeth G. Elliott
)	for the appellant
)	
Plaintiff (Appellant))	
)	
- and -)	
)	
)	
OLAND BREWERIES LIMITED/LES)	Nicholas Fyfe, Q.C. and
BRASSERIES OLAND LIMITÉE)	Brian P. Isaac
)	for the respondent
)	
Defendant (Respondent))	
)	
)	
)	Heard: March 28, 2002

On appeal from the judgment of Mr. Justice R. Kealey dated January 31, 2001, reported at [2001] O.J. No. 431 (S.C.J.).

CARTHY J.A.:

[1] The appellant seeks an injunction and damages arising from the sale of beer in Ontario by the respondent. It alleges that the name and get-up of the respondent's product, being "Oland Export Ale" combined with a red, gold, and white label, cause or are likely to cause confusion with the appellant's product, "Molson Export", contrary to the common law of passing off and s. 7(b) of the *Trade-marks Act*, R.S.C. 1985, c. T-13. The litigation arose when, in 1996, the respondent introduced its longstanding Maritime province product into Ontario.

[2] In detailed reasons the trial judge found that the appellant had not made out the ingredients of a claim of passing off and thus dismissed the action. The appellant puts forward a series of arguments as to errors made by the trial judge in his analysis of the facts and law, some of which may have merit. However, it is unnecessary to analyze them because, in my view, the respondent holds the trump card. The respondent argues that, whatever the merits of the appellant's grounds of appeal, the trial judge made an initial and fundamental error by failing to conclude that the respondent's trade-mark registration was a complete answer to the plaintiff's claim. I agree.

[3] The respondent has a registered trade-mark for the label that is the subject of the appellant's complaint of passing off.

[4] Section 19 of the *Trade-marks Act* reads:

Rights conferred by registration

19. Subject to sections 21, 32 and 67, the registration of a trade-mark in respect of any wares or services, unless shown to be invalid, gives to the owner of the trade-mark the exclusive right to the use throughout Canada of the trade-mark in respect of those wares or services.

[5] Sections 21, 32 and 67 have no application to the present circumstances, and no one contests the validity of the registration. On the face of it, this statutory entitlement would seem unassailable. However, the trial judge held to the contrary. He found that while the holder of a registered trade-mark has the right to prevent others from using the mark on their goods, the holder does not have the right to use the mark if such use would cause deception or confusion. Relying on Justice Muldoon's judgment in *Wing (c.o.b. Wing Hing Electrical Engineers Co.) v. Golden Gold Enterprises Co.* (1996), 66 C.P.R. (3d) 62 (F.C.T.D.), and the English cases of *Re Lyle & Kinahan Ltd.* (1907), 24 R.P.C. 249 (C.A.) and *Van Zeller v. Mason, Cattley & Co.* (1907), 25 R.P.C. 37, Kealey J. concluded, at para. 4, "The weight of authority clearly establishes that the mere fact of registration is no defence to a passing-off action."

[6] In *Re Lyle & Kinahan Ltd.*, Lord Alverston L.C.J. held, at p. 262:

The registration of a Trade Mark does not confer any right at all of the description there pointed to, but it does confer a right, and the only right is, the right to prevent anybody else from using that Trade Mark as a mark for their goods, but it does not give the registered owner of the Trade Mark any right to use that Trade Mark if the Trade Mark would deceive. I conceive that if at the date when application is made to

register a Trade Mark there is no ground of objection upon the footing that it will be calculated to deceive, and if subsequently by alterations in the character of the business of the two parties respectively the use of the Trade Mark will be calculated to deceive and a passing-off action were brought by one party against the other, it would be no defence at all on the part of the owner of the registered Trade Mark to say – “Deception or no deception I am entitled to do it because that is my registered “Trade Mark”. That could not be advanced for a moment. In other words, the registration of a Trade Mark does not confer any right to do that which could not have been done irrespective of the Trade Mark, in the sense of doing any acts which would be competition in business. The only right which it confers is a right to restrain others from using that Trade Mark.”

[7] In *Chancery, Van Zeller v. Mason, Cattley & Co.*, Mr. Justice Joyce made a similar assertion. He said, at p. 41 of his reasons:

I do not think it was seriously argued that the registration of the Trade Mark affects the case; I think it does not affect the case. If a mark contains a misrepresentation in respect of which another person can sue and is entitled to an injunction, of course, the mark cannot be used, it does not matter to whom it belongs or what it is. It appears to me that this case...becomes merely an ordinary case of passing-off.

[8] In my view, Justice Muldoon and the trial judge erred in looking to these English authorities for guidance. While the U.K. *Trade Marks Act, 1905* had a similar provision to our s. 19, it also had s. 45 reading:

Nothing in this Act contained shall be deemed to affect rights of action against any person for passing off goods as those of another person or the remedies in respect thereof.

[9] There is no comparable provision in the Canadian Act and thus reliance should not have been placed on these English authorities.

[10] The trial judge also relied on a statement in *Waxoyl A.G. v. Waxoyl Canada Ltd.* (1982), 66 C.P.R. (2d) 170 (Ont. H.C.J.) at p. 180 *per* Gray J.:

There are several other legal principles which appear to be well established. The mere fact that a trade mark has been registered is no defence to a passing-off action: *Kitchen Overall & Shirt Co. Ltd. v. Elmira Shirt & Overall Co. Ltd.*, [1938] 1 D.L.R. 7, [1937] Ex. C.R. 230 at pp.232-3.

[11] The *Kitchen Overall* case does not deal with an attack on a registered mark and does not support Justice Gray's assertion.

[12] A proper review of the relevant case law reveals that, in Canada, the holder of a registered trade-mark has the exclusive right to use the mark throughout the country until such time as the mark is shown to be invalid.

[13] In *Chemicals Inc. and Overseas Commodities Ltd. v. Shanahan's Ltd.* (1951), 15 C.P.R. 1 at p. 13 the British Columbia Court of Appeal stated:

It was also argued for the plaintiffs that whether the defendant was properly registered or not, they can sue for passing-off at common law apart from the Act. But I think the Act takes that right away. The only action that can be complained of here as passing-off is the use of the similar name. However, once the defendant got this name lawfully registered, it was entitled under s.4(1) to the exclusive use of it; how then can its user be now complained of as wrongful?

[14] In *Building Products Ltd. v. B.P. Canada Ltd.* (1961), 36 C.P.R. 121, Cameron J. of the Exchequer Court observed at p. 133:

My finding, therefore, is that as the defendant has a statutory right to the use of the three trade marks which have not been shown to be invalid, the claim for infringement of the plaintiff's trade marks fails. Having that statutory right and there being no evidence that the trade marks have been used other than by way of the "permitted use", the action for passing off in relation to the trade marks, both with reference to the plaintiff's trade marks and the plaintiff's alleged nickname "BP", must fail and will be dismissed.

[15] *Mr. Submarine Ltd. v. Amandista Investments Ltd.* (1987), 19 C.P.R. (3d) 3 (F.C.A.) was an infringement action to protect the plaintiff's registered mark. The Federal

Court of Appeal spoke to the wide entitlement of a holder of a registered mark in these terms at p. 12:

Before addressing these considerations it should be noted that the appellant's right to the exclusive use of MR. SUBMARINE is not confined to those parts of Canada in which the appellant and its licensees have carried on business but extends throughout Canada. The appellant is thus entitled to its exclusive use in any additional outlets for its sandwiches that it may see fit to establish. Nor is the appellant's exclusive right confined to the sale of sandwiches by the methods it now employs or has employed in the past. Nothing restricts the appellant from changing the colour of its signs or the style of lettering of MR. SUBMARINE or from engaging in a telephone and delivery system such as that followed by the respondent or any other suitable system for the sale of its sandwiches. Were it to make any of these changes its exclusive right to the use of MR. SUBMARINE would apply just as it applies to its use in the appellant's business as presently carried on.

[16] My conclusion from this review of the case law is that the respondent is entitled to use its mark throughout Canada in association with its beer. If a competitor takes exception to that use its sole recourse is to attack the validity of the registration. If it were otherwise, a plaintiff complaining of confusion caused by a competitor's registered mark would himself be infringing on the mark by establishing that confusion. This follows from s. 20 of the *Act*, which provides that a registered mark is deemed infringed by a person who sells wares with a confusing trade-mark or trade name.

[17] For these reasons the appeal should be dismissed. The parties have agreed that the successful party should recover costs of \$90,000 on a partial indemnity basis and I would so order, although I would have had difficulty justifying such a high recovery if acting without that consent.

Released: May 27, 2002 "JJC"

"J.J. Carthy J.A."

"I agree E.A. Cronk J.A."

"I agree E.E. Gillese J.A."